

# Design Principles for Fiscal Policy in a Pandemic

How to create jobs in the short term  
and lasting benefits in the long term

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Discussion paper

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# Summary

The economic crisis brought on by the coronavirus pandemic requires fast, large, effective and well targeted fiscal stimulus. While the size of the government's initial three spending packages is appropriate as an initial response, both the shape of that response and the design of future spending measures need to be carefully evaluated.

While the current economic downturn may resemble the beginning of previous recessions, because the cause of the downturn is so different, government responses must be structured quite differently than any previous downturn. Most of the current contraction in the tourism, retail, food and entertainment industries is the direct result of government health policies designed to ensure social distancing, and, as a result, traditional approaches to 'stimulus' cannot succeed in boosting output in these industries. Governments need to think far more creatively about how to not just provide income to the millions of people adversely effected by government lockdowns, they also have to think far more creatively about how to utilise the labour of millions of Australians who will be unable to perform their usual roles for the duration of the lockdown. In short, the government's approach of 'temporary and targeted' stimulus needs to evolve quickly into an approach that is 'structural and sustained'.

In addition to the short-term welfare, cash flow and wage subsidy measures that have already been announced, the government also needs to provide ongoing support to the structure of the economy. The government will be confronted in the coming months with a vast range of potential projects that it could fund to create jobs and maintain some economic activity.

This paper provides design principles for evaluating such proposals to ensure that future spending packages are as effective as possible. In the short term, the government must pump not just money into the economy, but also into jobs. And in the long term, if the jobs that governments create in the coming year deliver lasting benefits then our community won't be 'saddled with debt', it will be blessed with new assets. Just as the Art Deco ocean baths built during the Great Depression still provide benefits long after they stopped providing jobs, so too can the projects state and federal governments undertake in the coming year provide both jobs now and community benefits for decades to come.

This paper argues that, in designing subsequent rounds of fiscal stimulus, governments should consider these principles:

- Go early: Timeliness of the stimulus is key
- Go hard: The size of the stimulus is important
- Go households: Put purchasing power with households who are more likely to spend it

- Targets domestic production
- Targets activities with high direct employment intensities
- Targets those most impacted by the crisis
- Targets useful projects that deliver co-benefits
- Targets regional disadvantage

This paper evaluates a wide range of potential stimulus projects to highlight the usefulness of developing clear criteria and applying them.

These projects include:

- Investing in newly built public and community housing
- Temporary housing for the homeless including those escaping domestic violence
- Maintenance of public and community buildings
- Better electricity grid for renewables
- Direct capital injections to businesses in exchange for equity
- Cancelling all 'robodebts'
- Introducing a moratorium on HECS repayments
- Pausing Pay As You Go (PAYG) tax instalments for small businesses and introducing interest free repayment periods of 12 months for small business tax debts
- Government spending on health messages
- Pay scuba divers to kill crown of thorns starfish
- Arts and entertainment fund
- Building coal fired power stations
- Wage freeze (cutting real wages)
- Local Government Infrastructure package
- Local Government eligibility for JobKeeper
- Mass tree planting and weed removal
- Digitising old records
- Urban beautification
- Big business tax cut

Project	Go early	Go hard	Go households	Domestic production	Employment intensity	Economic victims	Co-benefits	Regional disadvantage
Public housing	Partial	Yes	No	Partial	Yes	Partial	Yes	Yes
Housing for homeless	Yes	Partial	No	Yes	Yes	Yes	Yes	No
Maintenance of public buildings	Yes	Yes	No	Yes	Yes	Partial	Yes	No
Electricity grid for renewables	Partial	Yes	No	Partial	Partial	Partial	Yes	No
Capital for equity	Yes	Yes	No	Yes	Partial	Yes	Yes	No
Cancelling all 'robodebts'	Yes	Partial	Yes	Yes	Partial	Yes	N/A	Yes
Moratorium on HECS debt	Yes	Partial	Yes	Partial	Partial	No	No	No
Pausing PAYG for small business	Yes	Partial	No	Yes	Partial	Yes	No	No
Health messaging	Yes	Yes	No	Yes	Yes	No	Yes	No
Crown of thorns starfish	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Arts and entertainment fund	Yes	Partial	Partial	Yes	Yes	Yes	Yes	No
Building coal fired power station	No	Partial	No	Partial	No	No	No	Partial
Wages freeze	No	No	No	No	No	No	No	No
Local Government Infrastructure	Partial	Yes	No	Partial	Partial	No	Yes	No
Local Government JobKeeper	Yes	Yes	Yes	Yes	Yes	Yes	No	No
Mass tree planting	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Digitising old records	Yes	No	Yes	Yes	Yes	Yes	Yes	Yes
Urban beautification	Yes	Partial	Yes	Yes	Yes	Yes	Yes	Yes
Big business tax cut	No	No	No	No	No	No	No	No

# Introduction

Fiscal stimulus is the use of fiscal policies, primarily changes in taxing and spending policies, to stimulate the macroeconomy and, in turn, boost the rate of growth of GDP and reduce the level of unemployment below what it would otherwise be. Increases in tax collection and reductions in governments spending are referred to as contractionary fiscal policy. Changes in the size of the actual and expected budget balances are the key indicators of the size of fiscal stimulus or contraction.

While there is some contention among economists about the optimal design of fiscal policy at some phases of the business cycle, there is virtually no disagreement among economists that, in times of rapid deceleration in the rate of economic growth such as is already occurring in Australia, expansionary fiscal policy is an effective way to boost economic growth and minimise increases in the unemployment rate. As it is often said, everyone is a Keynesian in a recession.

In short, the purpose of a budget deficit during a recession is to buy a lower unemployment rate, both during the crisis and in the years that follow.

This economic crisis is different to all those Australia has previously experienced. Cyclical recessions often follow booms but in this case the government has deliberately, for very good health reasons, shut down parts of the economy at a time where the economy was already growing only slowly. This is an important distinction and it is important to account for this in how the government approaches its stimulus spending.

Usually when parts of the economy are contracting, because of private sector decisions, governments do what they can to stimulate economic activity. In Australia today it is government decisions to shut down most of the tourism, retail and hospitalisation industries that are causing the economy to contract and, in turn, traditional government policy to 'stimulate' the economy is inherently less effective than ever before. As a result, the design of fiscal stimulus must be more creative than ever before.

Because no government has ever tried to put its private sector into 'hibernation', there is no rule book for how to thaw an economy back to good health. But while there are no historic precedents for such an approach, economic theory and history do provide a framework for thinking through such a strategy.

This paper provides some broad principles by which fiscal policies can be evaluated for both their economic benefits and the co-benefits, in both the short term and long term.

This paper focuses entirely on fiscal stimulus. We begin with a rundown of the fiscal changes announced over the course of March 2020.

# The March packages

On 12 March the government released a \$17.6 billion 'economic plan' with four parts:

- 'Supporting business investment', including accelerated depreciation measures.
- 'Providing cash flow assistance to help small and medium sized business to stay in business and keep their employees in jobs'. This includes boosts in cash flows to employers and specific support for apprentices.
- 'Targeted support for the most severely affected sectors, regions and communities'.
- 'Household stimulus payments that will benefit the wider economy' through a \$750 payment to pensioners, those on Newstart and others on income support.

On 22 March the government announced a \$189 billion injection which absorbs the earlier plan. Of the \$189 billion, the fiscal stimulus was \$66.1 billion (including the earlier fiscal stimulus of \$17.6 billion). The remainder consisted of measures designed to increase liquidity in the financial markets and provide some support for private lending but without transferring purchasing power from the government to the private sector.

Among the main 22 March fiscal measures were:

- Introducing a new Coronavirus Supplement at a rate of \$550 per fortnight for six months for recipients of Newstart (now JobSeeker Payment) and related payments.
- Allowing people earlier access to up to \$10,000 of their superannuation in 2019-20 and a further \$10,000 in 2020-21.
- Reducing the deeming rate, which is used to calculate pension entitlements for age pensioners.
- Further increases 'boosting cash flow for employers'. The first package is boosted so that eligible small and medium sized businesses will receive a payment equal to 100 per cent of their salary and wages withheld as tax instalments, to a maximum payment of \$50,000. In addition, the minimum payment is \$10,000. The payment will be made from 28 April 2020 and the same amount will be paid again from 28 July 2020.

These two packages were rapidly followed by a third on 30 March 2020. The 30 March announcement introduced two new measures with most attention going to the new 'JobKeeper' payment, which is a sort of wage subsidy. Under this payment a for profit business with a turnover of less than \$1 billion that has experienced a reduction in turnover of 30 per cent would be eligible for a payment of \$1,500 per fortnight per eligible employee. Larger businesses would need to show a 50 per cent reduction in turnover while charities registered with the ACNC are eligible for JobKeeper support if their revenues fall by more than 15 per cent. These arrangements apply to existing workers and those employed to 1

March but excludes temporary residents and casuals who have worked less than 12 months. This measure represents a major development in the Australian tax/transfer system.

The other 30 March measure was an expansion in the eligibility for a JobSeeker payment by increasing the maximum income threshold for a partner of a JobSeeker payment recipient.

# Stimulus during hibernation

The first thing to realise is that economic growth doesn't just 'happen', it is caused by the decisions made by individuals. New products need to be invented, new factories need to be opened, new productivity enhancing processes need to be implemented in workplaces, and consumers must feel like buying more things next year than they did the year before. But for the next three to six months, many of these things will not happen as consumers are compelled to stay home and firms have been put into 'hibernation'.

It is also important to consider how dynamic the economy is. While much is made of the net change in the number of people who get or lose jobs each month, in reality the 'gross flows' into and out of employment are far bigger. Similarly, even in a growing economy, tens of thousands of businesses cease trading each month. In fact, each month in Australia 24,400 businesses cease to exist and 90,000 people change jobs while about 300,000 enter and leave the ranks of the unemployment. In a normal six-month period that means 146,400 employers disappearing and 540,000 people changing jobs with another 1.8 million movements between the poles of unemployment and employment. The turnover of businesses and employees during 'normal times' is enormous, and the turnover is always much larger in a downturn.

In short, we can't expect the economy that comes out of hibernation to look exactly like the one that was put to sleep.

In February this year there were about 700,000 unemployed people and by March 31 there were likely at least a million more people who meet the official definition of unemployment (where 'employment' only requires work of one hour or more per week). The introduction of the wage subsidy will keep a large number of people out of the official measure of unemployment while the subsidy continues, but when it is withdrawn there will be another very large surge in unemployment as people working for the 146,000 companies that would usually go out of business in a six-month period lose their wage subsidy and become officially unemployed.

The Morrison Government needs to start planning today for the projects that will be required to employ the millions of people who, by the end of this year, will have no private sector work or insufficient private sector work to meet their needs.

Pouring money into the economy is the appropriate first response to a crisis like that created by COVID19 but pouring jobs into the economy is more important still. The opportunity cost of millions of people producing nothing for a year or more will dwarf the budgetary cost of engaging those people in projects that do not just create jobs, but create lasting benefits to the economy, the community and the environment as well.

Put simply, it's not just the size of the fiscal stimulus that determines the short and long run economic effects; the shape of the deficit also matters greatly. There are many projects that can stimulate some economic activity, but not all of those projects simultaneously provide additional short- and long-term co-benefits. For example, a big increase in health spending or defence spending would both have some flow on effects on economic activity in the short term, but health spending is both more labour intensive than defence spending (so would likely create more jobs per billion dollars spent), and health spending is likely to provide services which are more useful in a pandemic.

While the government's immediate priority should be to 'buy' a lower rate of unemployment as quickly as possible, the economic and non-economic co-benefits of stimulus projects, both in the short term and long term, should also be considered when deciding what stimulus projects to support.

In a crisis, time is the enemy. The government could spend months planning a well thought through list of projects where the government maximises the amount of co-benefits for each dollar spent. But doing that will probably mean that the country enters a recession because the government did not act fast enough. The result is less demand and higher unemployment. All fiscal stimulus spending decisions should give the highest consideration to the primary goal of increasing demand and employment. The longer the government waits the less effective the fiscal stimulus is going to be.

# Principles of good fiscal stimulus

Almost as soon as the ink was dry on the first (12 March) fiscal stimulus package, there was a consensus that it was not big enough and would have to be supplemented with additional fiscal packages in the coming weeks and months. As outlined above, two more packages followed bringing total new spending measures by the Commonwealth to about \$200 billion in 20 days. To put that into perspective, this year the Commonwealth had budgeted to spend \$501 billion in total.

The design criteria for the Rudd/Swan fiscal stimulus, which following the Global Financial Crisis, was summarised with the slogan 'Go early, go hard and go households'. It is important to note that while this slogan may have been new, the design principles relied upon in the highly successful Rudd/Swan package were based on extensive research and 'war gaming' undertaken within the Treasury Department following the failure to respond adequately and promptly to the 1991 recession.

That is, the slogan of 'Go early, go hard, go households' was based on sound economic principles that are as true today as they were in 1991 and 2009. The principles underlying the slogan are set out below. These can be used to evaluate the present and any future responses to the current downturn.

## **Go early: Timeliness of the stimulus is key**

The fiscal stimulus should be rolled out as jobs are being lost, if not before. Looking into the future is fraught with difficulty, but economic history suggests that early responses to economic crises are more effective than attempts to design perfect responses. As with a pandemic like COVID19, the risk with waiting to see how badly the economy slows is that, by the time the data is clear, the window to act effectively has passed.

## **Go hard: The size of the stimulus is key**

The size of the fiscal stimulus needs to be proportionate to the damage that would otherwise be done. The magnitudes for new stimulus need to be enormous to match the size of the contraction in private sector spending that is taking place. In Australia, the value of total production is \$412,000 per worker, so for every 100,000 jobs that are thought to be at risk, public sector stimulus needs to boost demand by \$41.2 billion per annum; and that is without accounting for lags in the system.

## Go households: Put purchasing power with spending needs

Government transfers to individuals and businesses are not stimulatory until they are spent on goods and services – which brings forth additional production and employment. Lower- and middle-income households are likely to spend every cent they can put their hands on, especially if their income has already fallen due to unemployment or reduced hours of work.<sup>1</sup>

However, unconditional transfers to businesses are unlikely to be spent on either business purposes or on consumption by the business's owners as it may be rational for business owners to hold back their spending until economic conditions improve. Generally, assisting households is likely to produce a much bigger bang for your buck in the short term, which is what is needed in the early rounds of stimulus. The key economic principle at play is the Marginal Propensity to Consume which refers to how many cents in every dollar will be spent (and how many will be saved).

In the medium to longer term cash injections can be less effective and it could be prudent for the government to involve itself in projects that employ people directly.

## Targets domestic production

Another guiding principle is that the fiscal stimulus should minimise expenditure on imports. For example, to the extent incentives for business investment encourage the purchase of motor vehicles, they will involve minimal domestic fiscal stimulus. Similarly, the government buying defence equipment would not effectively stimulate additional Australian production.

The key economic principle at play here is the marginal propensity to import which refers to how many cents in each dollar of stimulus 'leak' from the economy via imports.

While the amount of government expenditure, and its targeting, obviously play a key role in its effectiveness, so too do the terms and conditions attached to new policies. For example, new spending measures should include obligations on employers to adhere to high labour standards and minimise the use of casual or labour hire workers, ensure workers have the right to collective representation and require ethical practices in supply chains. In addition to boosting equity, such obligations would provide more certainty to individual workers employed on new projects and, in turn, boost their marginal propensity to consume by giving them a greater sense of job security. Likewise, given the government's desire to ensure that Australian manufacturing capacity is restored after the crisis has passed it would be efficient to start to encourage domestic sourcing for government funded projects as soon

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<sup>1</sup> In economic jargon: the marginal propensity to consume is higher the lower the income of the individual/household concerned.

as possible. Likewise, government procurement policies should encourage strong consumer and environmental protections.

## **Targets activities with high direct employment intensities**

Industries such as health and education have much higher direct employment effects per million dollars of spending. By contrast construction involves relatively small direct employment but significant off-site indirect employment. The priority early in the fiscal stimulus plan should be to the more employment intensive industries. Hence painting and refurbishing existing public sector infrastructure creates more jobs per dollar spent, and those dollars can be spent more quickly.

The key economic variable here is the 'labour intensity' of the different industries and activities. The more labour intensive an industry is the more jobs will be created per billion spent.

## **Targets those most impacted by the crisis**

In the case of the current crisis the economic victims of social distancing are not necessarily the likely beneficiaries of a general fiscal stimulus. Accommodation, food services and non-essential retail have been hit hardest. Former hospitality workers are unlikely to benefit from additional infrastructure spending. The JobKeeper payment introduced in the third package attempts to target those industries by providing assistance to workers in a business subject to a major slump in revenue. In addition to fairness arguments, targeting support towards industries that are being hit hardest by the crisis reduces (or removes completely) the time taken to retrain workers or plan new projects in alternative job creation schemes.

The key economic factor here is that targeting assistance in this way reduces both lags and 'frictional unemployment' as workers slowly retrain, and industries tool up for new projects.

## **Targets the regions that are hit the hardest**

Unemployment is not evenly distributed across Australia today, nor will the increase in unemployment we are likely to experience in the coming months spread itself evenly across the country.

In designing effective stimulus, it is important to consider where economic activity is falling and where the fiscal stimulus is being spent. Regions that were already suffering economic disadvantage will have less resilience, for example lower levels of savings, than other regions. And at the same time, regions which are usually relatively immune from economic downturns might be hit harder by this crisis than they have in the past.

The economic principle that matters here is that money is often 'sticky', in that it is likely to be spent close to where it was received.

## **Targets useful projects**

While the focus of the stimulus should be employment creation, it would be a bonus if we end up with long lasting benefits whether they be significantly higher JobSeeker payments or permanent improvements in the national infrastructure.

While the search for co-benefits from stimulus spending should not slow down the implementation of early rounds of stimulus, the potential to deliver lasting benefits from the response to a short-term crisis should not be overlooked.

# Types of fiscal stimulus

As discussed above, fiscal policy comprises tax policy and spending policy – but within those two categories governments still face a wide range of options, including:

- Direct cash grants to households and businesses
- Direct government purchases from the private sector
- Direct government employment programs
- Direct government investment in existing or new firms
- Government acting as a bank by making loans to people or businesses
- Tax cuts
- Tax repayment holidays (a form of lending by the government)

The relative merits of these fiscal policy options are discussed below

## Direct cash grants to households and businesses

Governments often make grants to individuals, organisations, other levels of government or to private business. To stimulate the economy governments can increase the size of existing grants or, more likely, expand the range of grants they make.

In its 12 March fiscal stimulus package, the Morrison Government gave \$750 to a wide range of welfare recipients and up to \$25,000 to many businesses. The latter was subsequently increased to \$100,000 payable in two instalments. The effectiveness of this method of stimulus is dependent on what those receiving the money do with it. If they spend most of it, spend most of it quickly, and spend most of it on domestically produced goods and services, then it will be more effective than if they save it and/or spend it on imports.

Low income households are more likely to spend most or all the stimulus money as they have less discretionary spending: spending on necessities makes up most of their income. Their spending is also more likely to be in their local communities and less likely to be on imports. This means that fiscal stimulus money given to low income households is likely to be highly effective.

High income households are more likely to save some of any additional money they receive as part of a fiscal stimulus package and they are also more likely to buy imports. This means that fiscal stimulus money given to high income households is likely to be less effective than money given to low income households.

The effectiveness of cash grants to businesses depends on the confidence the business has in the future. If the business thinks that bad economic times are ahead and they're worried about future cash flow, they will be more likely to save the cash grant as a buffer against those bad economic times. These are the types of conditions that are more likely when a government is engaging in fiscal stimulus. Therefore, giving fiscal stimulus money to business is likely to be less effective in rapidly stimulating aggregate demand than grants to low income earners.

A big advantage of direct cash grants as a means of stimulus is that they can be delivered almost immediately. Money can be put into the economy quickly and, if given to the right groups, it can then be spent quickly. This type of stimulus is good for a sudden crisis or when the government needs to stop falling demand quickly. The disadvantage is that it doesn't last very long. Cash grants can be spent quickly, and their stimulatory effect declines quickly as the money is spent.

In the present climate the government was right to deliver the cash payments to households. However, within a few days it had announced measures that effectively shut down the arts, entertainment, eating and drinking industries, among others. That called for more direct assistance to the victims of the lockdowns, which we discuss below.

## Tax cuts

Another way that governments can stimulate the economy is with tax cuts. Cutting taxes has the effect of increasing people's disposable income. Tax cuts work similarly to direct cash grants in that they increase the spending power of households and businesses. Like cash grants, the effectiveness of the tax cuts as fiscal stimulus will depend on which groups gets the tax cuts. Tax cuts generally go to higher income households and businesses because these are the groups that pay more tax. This means that tax cuts are less effective as fiscal stimulus than, for example, giving money to welfare recipients.

One variation on tax cuts is tax deferral. This is often given to businesses for taxes like payroll tax. It involves the government allowing businesses to pay tax at a later date than when it was originally due (with little or no interest penalty). An example of this is in the fiscal stimulus package announced by the Western Australian government on 17 March where businesses affected by the economic fallout from the coronavirus could defer paying payroll tax until the middle of the year. This frees up cash flow for businesses giving them more freedom to operate. Deferred taxes do have to eventually be paid. The 10 March package included accelerated depreciation which bring forward tax reductions that must be paid later. That is evident in the forward estimates which show lower taxes in the first two years followed by higher taxes in later years.

Tax cuts can also be a slower form of fiscal stimulus. This is particularly the case for income tax cuts as they increase people's disposable income by a small amount each pay day rather

than giving a large amount of money at a single point in time like a cash grant. But a tax cut can be made permanent and, in turn, provides a more lasting (if smaller) stimulus than a one-off cash grant.

## **Direct government purchases from the private sector**

Governments are major actors in our economy, spending hundreds of billions of dollars per year on everything from new buildings to catering and venue hire for events. In turn, governments can have a significant, and immediate impact on the economy by changing the amount of their own spending, along with the timing and the location of their spending.

An example of this from the Global Financial Crisis fiscal stimulus package was when the government paid the private sector to build school buildings. The objective was to create demand in the private sector for construction services, material and labour.

As a form of fiscal stimulus, increases in government spending can be slower than cash grants, especially if the increase in spending is focussed on infrastructure rather than maintenance or consumer goods. Infrastructure projects often take time to set up and then take time to complete. While this can provide lasting stimulus in a long recession, big new projects are not helpful for mitigating the early stages of an economic downturn unless they were 'shovel ready' before the downturn hit.

## **Direct government employment programs**

Governments are major employer and can rapidly increase the number of people they employ and, in turn, directly create both jobs and an increase in aggregate demand.

Rather than relying on the private sector to employ people, the government employs them directly. This gives the government the most control over how much employment the fiscal stimulus creates. With this form of fiscal stimulus there is no private sector decision maker who might dilute the decision to spend or employ. New employees can also be used to solve pressing problems such as the bottlenecks likely to emerge in Australia's health and welfare system.

# Rating fiscal stimulus ideas

We now turn to some fiscal stimulus ideas that the government could take up in the subsequent rounds of new spending that will inevitably be required to bring the economy out of 'hibernation'. We evaluate these ideas using the principles of good fiscal stimulus discussed earlier. This is of course not an exhaustive list but rather we hope to inspire the government and others to think as broadly as possible about the possible shape of the fiscal stimulus and not just the size.

While the ultimate size and shape of the stimulus will reflect the values and priorities of the government of the day, such decisions can be assessed against measurable criteria such as:

- The size of the stimulus compared to the size of private sector contraction
- The marginal propensity to consume of stimulus recipients
- The marginal propensity to import of recipients
- The geographic location of recipients
- The short or long run co-benefits of stimulus spending

## Invest in newly built public and community housing

The housing construction industry is highly cyclical and relies heavily on debt finance which, like investor confidence in the months ahead, is likely to be in scarce supply.

This is a medium to longer term stimulus measure that could construct tens of thousands of homes to increase the stock of public and community housing. While construction is usually a longer-term project, the small scale of housing projects and the existence of an extensive network of employees, subcontractors and project managers, means that government investment in new public and community housing stock would result in rapid deployment of capital and, in turn, rapid support for jobs.

In addition to the short-term stimulus and support for firms and workers, the long supply chain on which residential construction is based means that the construction of new public and community housing would deliver benefits for decades to come.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Partial	While not short term, housing construction has one of the shortest lag times for construction of infrastructure
<b>Go hard: Size</b>	Yes	
<b>Go households: Put purchasing power with spending needs</b>	No	Most of the spending would go to business
<b>Targets domestic production</b>	Partial	Most of the money would be spent domestically on materials and labour
<b>Targets activities with high direct employment</b>	Yes	Strong supply chains mean many indirect jobs
<b>Targets economic victims</b>	Partial	Construction industry is likely to be impacted by the economic crisis and the homeless are also likely to disproportionately feel the effects of the coronavirus
<b>Targets useful projects</b>	Yes	The infrastructure will provide benefits for decades to come
<b>Targets regional disadvantage</b>	Yes	Public and community housing is usually in areas of disadvantage

## Temporary housing for the homeless including those escaping domestic violence

Tourism has been badly hit by the coronavirus. This includes lots of hotel and motel rooms that are being left empty and hospitality staff who work in these hotels facing unemployment. At the same time, we have a crisis in finding shelter for the homeless including those who are escaping domestic violence. The government could pay hotels to provide rooms for those in need of crisis accommodation. This would provide an income stream for hotel owners and employment for hotel staff as well as a safer environment for vulnerable Australians

Homeless people are at particular risk from the coronavirus. Even the idea of self-isolating assumes you have a home to self-isolate in. Homelessness is a problem in our society and this stimulus measure would give temporary relief. It would also provide employment to a group of workers that will be hardest hit by this economic crisis.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Partial	Very fast roll out, lasts over the medium to long term
<b>Go hard: Size</b>	Partial	
<b>Go households: Put purchasing power with spending needs</b>	No	This project would target businesses
<b>Targets domestic production</b>	Yes	Hotels are all within Australia
<b>Targets activities with high direct employment</b>	Yes	Accommodation services is labour intensive
<b>Targets economic victims</b>	Yes	Targets underutilisation in the tourism industry
<b>Targets useful projects</b>	Yes	Helps highly disadvantaged group and provides health benefits by protecting vulnerable people and allowing them to self-isolate if required
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

## Maintenance of public and community buildings

If public schools and community childcare centres close in the months to come there is no better time to repaint, recarpet and repair those facilities. Similarly, household demand for rooftop solar panels and efficient water heaters will likely decline significantly as the crisis deepens. This will be a good time to equip a wide range of community buildings with equipment that will deliver benefits for decades to come.

Compared to major infrastructure projects, expenditure on minor repairs and refurbishments in a large number of small buildings is rapid, geographically diverse stimulus that can take advantage of existing skills and capacity.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Can be rapidly rolled out
<b>Go hard: Size</b>	Yes	Number of facilities is potentially very large
<b>Go households: Put purchasing power with spending needs</b>	No	This would be targeted at business
<b>Targets domestic production</b>	Yes	Most of the money would be spent domestically on materials and labour
<b>Targets activities with high direct employment</b>	Yes	Maintenance is labour intensive
<b>Targets economic victims</b>	Partial	Demand for maintenance is likely to lessen as the economy slows but other industries will be more severely affected
<b>Targets useful projects</b>	Yes	Benefits of maintenance and efficiency of solar and hot water systems will last for decades
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

## Better electricity grid for renewables

There are large infrastructure plans to upgrade the electricity grid that will allow a more rapid construction of renewable energy. Fast tracking these upgrade plans would be excellent fiscal stimulus. These include the Queensland-NSW and Victorian-NSW interconnectors, the HumeLink interconnector to the Snowy system and Australia's first Renewable Energy Zone (REZ), the Central-West Energy Zone.

Once these interconnectors and REZ connections are built, they will allow public or private companies to build renewable energy and dispatchable capacity such as batteries and pumped hydro on an unprecedented scale. Bringing forward these projects will generate tens of billions of dollars of work in construction in regional areas and give Australia a grid that is fit for the twenty-first century.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Partial	The projects are at an advanced state of planning and could therefore be rolled out faster than other infrastructure projects
<b>Go hard: Size</b>	Yes	
<b>Go households: Put purchasing power with spending needs</b>	No	These projects are aimed at business
<b>Targets domestic production</b>	Yes	Some inputs into the project would be imported
<b>Targets activities with high direct employment</b>	Partial	Construction has low direct employment but high indirect employment and would encourage other investment
<b>Targets economic victims</b>	Partial	Almost all the jobs would be in regional areas who are likely to be hard hit by the economic crisis
<b>Targets useful projects</b>	Yes	The benefits of infrastructure created will last decades and will encourage further investment
<b>Targets regional disadvantage</b>	No	

## Direct capital injections to businesses in exchange for equity

In the coming months many firms that are viable in the long term might become unviable in the short term. While there is much that governments can do, in the form of cash grants, wage subsidies and concessional loans, in some instances it will likely be both necessary and efficient for the government to make large direct investments in firms in exchange for equity in those firms.

The most efficient way for the government to make such equity injections would be to create a dedicated fund, perhaps as a sub fund of the Future Fund, and to evaluate voluntary requests for equity injections against set criteria including the long run viability of the company and the regional, competition and strategic benefits of ensuring the survival of the business. In addition to saving jobs and ensuring production, such stimulus would provide long run benefits to taxpayers in the form of future dividends from future profits.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Direct capital injections would be rolled out quickly when a firm becomes distressed
<b>Go hard: Size</b>	Yes	This depends on the number of firms that require assistance
<b>Go households: Put purchasing power with spending needs</b>	No	This would be targeted at business
<b>Targets domestic production</b>	Yes	This would target domestic firms
<b>Targets activities with high direct employment</b>	Partial	This depends on the firms in distress
<b>Targets economic victims</b>	Yes	Targeted at business that are failing because of the economic crisis
<b>Targets useful projects</b>	Yes	
<b>Targets regional disadvantage</b>	No	

## Cancel all ‘robodebts’

There are more than 250,000 so called robodebts, of an average of more than \$2,500, that have been raised against current and former welfare recipients in Australia.<sup>2</sup> Waiving these debts, many of which have been contested, provides a simple way to increase the disposable income, and level of consumer confidence, among a large number of the lowest income earners in Australia. In addition to providing direct financial stimulus to people with a high marginal propensity to consume, waiving robodebts would also free up public sector workers to assist the large number of people who will need to access welfare payments in the coming months.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Short term and fast
<b>Go hard: Size</b>	Partial	Total robodebt is of a moderate size
<b>Go households: Put purchasing power with spending needs</b>	Yes	This would increase incomes of those with high marginal propensity to consume
<b>Targets domestic production</b>	Yes	Low income households have a relatively low marginal propensity to import
<b>Targets activities with high direct employment</b>	Partial	Would depend on what the low-income households spent the money on
<b>Targets economic victims</b>	Yes	Welfare recipients are more severely affected in economic downturns
<b>Targets useful projects</b>	N/A	This is about putting purchasing power directly in people’s pockets
<b>Targets regional disadvantage</b>	Yes	Robodebts are concentrated in areas of disadvantage

<sup>2</sup> Barbaschow (2020) *Over 617,000 robo-debts raised since data-matching project's inception*, <https://www.zdnet.com/article/over-617000-robo-debts-raised-since-data-matching-projects-inception/>

## Moratorium on HECS repayments

Around 3 million Australians have university debts (once known as HECS debts and now known as HELP debts) of, on average around \$20,000, creating a total pool of HECS debts of more than \$60 billion, with an interest rate of 1.8 per cent in 2019.<sup>3</sup> These debts are repaid by those earning over \$45,801.

Introducing a moratorium on student loan repayments would boost the disposable income of around three million Australians (repayment rates are five per cent for those earning between \$75,145 and \$79,653 and rising to 10 percent for those earning over \$134,573) and come at no long run cost to the government as the debts would still be real in the future.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Fast roll out but slowly accumulates over medium to long term
<b>Go hard: Size</b>	Partial	Starts out small but grows as the moratorium continues
<b>Go households: Put purchasing power with spending needs</b>	Yes	Targeted directly at households
<b>Targets domestic production</b>	Partial	Depending on what is bought with additional income
<b>Targets activities with high direct employment</b>	Partial	Those with HECS debts likely to be lower income with higher marginal propensity to consume
<b>Targets economic victims</b>	No	
<b>Targets useful projects</b>	No	This is about putting purchasing power directly in people's pockets
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

<sup>3</sup> Ferguson (2019) *Updated Higher Education Loan Program (HELP) debt statistics—2017–18*, [https://www.aph.gov.au/About\\_Parliament/Parliamentary\\_Departments/Parliamentary\\_Library/FlagPost/2019/March/HELP-debt-statistics-2017-18](https://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/FlagPost/2019/March/HELP-debt-statistics-2017-18)

## Pause Pay As You Go (PAYG) tax instalments for small businesses and introduce interest free repayment periods of 12 months for small business tax debts

Tax is only paid by profitable businesses, but businesses that were profitable in the last three months may not be profitable in the next six months. An easy way to provide direct cash flow support to viable businesses is to allow firms to delay paying tax for 12 months and not charge them any interest for that period.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Fast with medium term effects
<b>Go hard: Size</b>	Partial	Small initially but would grow over the year
<b>Go households: Put purchasing power with spending needs</b>	No	This is targeted at businesses
<b>Targets domestic production</b>	Yes	All businesses would be in Australia
<b>Targets activities with high direct employment</b>	Partial	Would be dependent on the small business
<b>Targets economic victims</b>	Yes	Small businesses will be particularly hard hit
<b>Targets useful projects</b>	No	This is a cash deferral with no longer term effects
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

## Government spending on health messages

The government needs to undertake the largest ever community education program in Australian history to ensure that all Australians have accurate and timely information about the crisis, what the government is doing, and what individuals should be doing. Given that the Howard Government spent more than \$110 million advertising the benefits of the GST back in 2000, a budget of \$250 million over the next six months would seem appropriate.

Such enormous expenditure on advertising should be spread across all forms of media to help fill the void that the rapid reduction in private sector advertising has left. Such an enormous transfer of public money to media proprietors should be conducted by an independent statutory office such as the ACCC or the Auditor General to ensure complete separation between editorial decision making and the receipt of public funding.

Additional funding should also be given to the ABC and SBS for factual reporting and public messaging on the coronavirus. SBS could target non-English speaking groups and Indigenous groups, for example through NITV.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Fast with short to medium term effects
<b>Go hard: Size</b>	Yes	Advertising package would be large
<b>Go households: Put purchasing power with spending needs</b>	No	This is aimed at media companies
<b>Targets domestic production</b>	Yes	Advertising would be done in Australia
<b>Targets activities with high direct employment</b>	Yes	Advertising has a high labour intensity
<b>Targets economic victims</b>	No	While media will be impacted by the economic crisis, it is not likely to be one of the worst hit
<b>Targets useful projects</b>	Yes	Timely and accurate information can help slow the spread of the pandemic
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

## Pay scuba divers to kill crown of thorns starfish

With Australia's national borders closed one of the most heavily impacted industries is tourism. Targeting employment opportunities for workers in the tourism sector should be a priority. One of Australia's biggest tourism attractions is the Great Barrier Reef. Many people are employed on the Great Barrier Reef to take tourists on scuba diving trips. Many of these divers' face unemployment.

One solution is for the government to employ that workforce to help eradicate the crown of thorns starfish. Governments have previously spent money trying to eradicate this pest and with an increasing number of unemployed scuba divers this is a good opportunity to reduce their population and take advantage of an idle workforce with valuable skills.

Hiring scuba divers is an example of applying lateral thinking to the coordination of the skills and needs in the labour market. Communities should be invited to suggest other possible programs that take advantage of the peculiar skills of people whose jobs are at risk.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Short to medium term
<b>Go hard: Size</b>	No	The project directly targets employment
<b>Go households: Put purchasing power with spending needs</b>	Yes	Direct employment with wages paid to households that would otherwise suffer unemployment
<b>Targets domestic production</b>	Yes	All work done in Australia
<b>Targets activities with high direct employment</b>	Yes	The government would be directly targeting employment
<b>Targets economic victims</b>	Yes	Targets people laid off in the tourism industry who are most affected by the economic downturn
<b>Targets useful projects</b>	Yes	Helps solve existing problem that government has previously spent money on
<b>Targets regional disadvantage</b>	Yes	Targets tourism areas near the Great Barrier Reef hit hard by the economic crisis

## Arts and entertainment fund

The deliberate closure of entertainment venues to slow the rate of spread of COVID19 poses a unique economic problem in that government health policy is, by design, crushing an important part of the economy. In order to help sustain the arts and entertainment community through a period in which people are specifically being discouraged from consuming many popular forms of entertainment, the government could create a large public arts fund. This could, for example, commission works of arts for public buildings and galleries; commission television and stage drama for delivery/performance in the months and years to come; and fund 'artists in isolation'.

The arts and entertainment sector, like the tourism sector, will be one of the hardest hit parts of the economy. Targeting stimulus at the sector will be an effective form of short-term stimulus and potentially provide a source of creative assets of benefit for decades to come.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Commissioning and payments could happen quickly
<b>Go hard: Size</b>	Partial	
<b>Go households: Put purchasing power with spending needs</b>	Partial	Aimed at those in the arts and entertainment sector
<b>Targets domestic production</b>	Yes	The art would be created in Australia with few leakages to imports
<b>Targets activities with high direct employment</b>	Yes	Arts and entertainment has a high labour intensity
<b>Targets economic victims</b>	Yes	Arts and entertainment is directly impacted by health response to COVID19
<b>Targets useful projects</b>	Yes	Will be a source of creative assets for decades to come
<b>Targets regional disadvantage</b>	No	This project will be widely spread across the country

## Building coal fired power stations

Building a coal fired power station would create demand for skilled construction labour and highly specialised capital equipment over a five- to ten-year period. Coal fired power stations are not mass produced and required detailed design, planning and approval processes.

Much of the capital equipment required to build such a facility would need to be imported from Japan or China and, given that Australia hasn't built a coal fired power station since 2009, the current restrictions on movement between countries will make construction even harder and slower than usual.

There is also the usefulness of the project. Coal fired power is something that Australia will have to reduce if it is to meet its Paris Target and limit global warming to less than 1.5 degrees. The long-term benefits are questionable in the extreme.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	No	Little spending in the short and medium term
<b>Go hard: Size</b>	Partial	
<b>Go households: Put purchasing power with spending needs</b>	No	
<b>Targets domestic production</b>	Partial	A considerable amount of the spending on capital equipment would be imported
<b>Targets activities with high direct employment</b>	No	Heavy construction has a low labour intensity
<b>Targets economic victims</b>	No	Heavy construction is likely to be impacted by the coronavirus but not one of the worst hit
<b>Targets useful projects</b>	No	Australia will need to reduce the amount of coal fired power in the future putting in doubt the long-term usefulness of this project
<b>Targets regional disadvantage</b>	Partial	This would depend on where the power station was built

## Wage freeze (cutting real wages)

It has been proposed that wages should be frozen to help protect businesses during the economic crisis. There are two reasons put forward as to why this is a good idea. The first is that falling real wages (wages growth minus inflation) will make labour relatively cheaper and this will encourage businesses to employ more workers. The second is that wages are an expense for business and freezing that expense will help businesses ride out the crisis. Both these reasonings are flawed because they do not consider the impact on aggregate demand that freezing wages will have.

Stimulus is about increasing demand in the economy in order to lower unemployment. Freezing wages puts less money in people's hands and reduces demand in the economy. While businesses may reduce their individual costs by paying less for labour, less demand in the economy means they sell less goods and services, which reduces their revenue.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	No	The impact would be small at first and build over time
<b>Go hard: Size</b>	No	
<b>Go households: Put purchasing power with spending needs</b>	No	It would reduce household purchasing power
<b>Targets domestic production</b>	No	This would reduce domestic production
<b>Targets activities with high direct employment</b>	No	
<b>Targets economic victims</b>	No	
<b>Targets useful projects</b>	No	
<b>Targets regional disadvantage</b>	No	

## Local Government Infrastructure package

Local Governments provide a wide range of community services from repairing footpaths to providing libraries and childcare. As they are both significant owners of physical capital and play a key role in planning and approvals they are uniquely placed to rapidly bring forward a large number of small capital works projects which would not just create demand for public and private sector work but also deliver lasting community amenity. A direct cash grant could be made to each local council in proportion to its population.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Partial	While many of these projects will require some planning, it is likely to be for short periods of time
<b>Go hard: Size</b>	Yes	With 547 local councils, this could be quite large
<b>Go households: Put purchasing power with spending needs</b>	No	This would increase purchasing power of local councils
<b>Targets domestic production</b>	Partial	It would depend on the projects local councils undertake but much of the production and inputs are likely to be made in Australia
<b>Targets activities with high direct employment</b>	Partial	Depends on the projects. Small scale construction is likely to be moderately labour intensive
<b>Targets economic victims</b>	No	The projects will be spread across the country
<b>Targets useful projects</b>	Yes	Upgraded and new infrastructure will bring benefits for decades to come
<b>Targets regional disadvantage</b>	No	The projects will be spread across the country

## Local Government eligibility for JobKeeper

Local councils operate a wide range of services on a cost recovery or for-profit basis, for example, swimming pools and small airports. While the public sector as whole is well positioned to borrow money now to both retain existing staff and provide demand for private sector construction activity, this is not the case for many small councils. Extending the JobKeeper support to councils who have suffered a 30 percent reduction in revenue at centres (as distinct from the entire council budget needing to fall by 30 percent) would provide a significant boost to employment and demand, particularly in smaller non-metropolitan councils.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	This would be rolled out with the JobKeeper allowance
<b>Go hard: Size</b>	Yes	With 547 local councils, this could be quite large
<b>Go households: Put purchasing power with spending needs</b>	Yes	Direct employment with wages paid to households that would otherwise suffer unemployment
<b>Targets domestic production</b>	Yes	Wages paid to people in Australia
<b>Targets activities with high direct employment</b>	Yes	This would employ people directly
<b>Targets economic victims</b>	Yes	Targeting people who could otherwise be unemployed
<b>Targets useful projects</b>	No	No secondary benefits beyond employment and maintaining demand within the economy
<b>Targets regional disadvantage</b>	No	This would be spread right the country

## Mass tree planting and weed removal

Trees can be planted to build wind breaks, shelter belts and restore degraded farmlands and to boost agricultural productivity via reduced livestock loss and reduced soil erosion. Tree planting in urban areas and along roadsides (where safe) provides a range of amenity and environmental benefits. Clearing weeds in National Parks provides significant benefits for species preservation and, post bushfires, weed clearing significantly improves the prospects for native species of flora and fauna to thrive. This could be extended to an Indigenous Ranger Program and other caring for country initiatives.

Tree planting and weed clearing is highly labour intensive, does not require a highly skilled workforce and can be targeted at regions where an appropriate workforce is available. It would deliver lasting benefits to farmers and the natural environment.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Can be put together quickly
<b>Go hard: Size</b>	No	It can be targeted
<b>Go households: Put purchasing power with spending needs</b>	Yes	Direct employment with wages paid to households that would otherwise suffer unemployment
<b>Targets domestic production</b>	Yes	
<b>Targets activities with high direct employment</b>	Yes	This work is highly labour intensive
<b>Targets economic victims</b>	Yes	The work can be targeted to those most impacted
<b>Targets useful projects</b>	Yes	
<b>Targets regional disadvantage</b>	Yes	The work is highly targetable

## Digitising old records

Australian broadcasters, libraries, archives and universities hold vast amounts of books, newspapers, magazines, theses and other valuable documents which, unless stored carefully, degrade over time. Such storage is both expensive and reduces access to those documents.

Digitising such records requires a combination of high technology scanning and a vast amount of low-skill manual work, much of which can be done from home. In addition to creating a large amount of skilled and unskilled work, the result would be a trove of historical documents that would aid scholars, policy makers and individuals for centuries to come.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Can be put together quickly
<b>Go hard: Size</b>	No	Modest in size
<b>Go households: Put purchasing power with spending needs</b>	Yes	Direct employment with wages paid to households that would otherwise suffer unemployment
<b>Targets domestic production</b>	Yes	
<b>Targets activities with high direct employment</b>	Yes	This work is highly labour intensive
<b>Targets economic victims</b>	Yes	This work can be highly targeted
<b>Targets useful projects</b>	Yes	
<b>Targets regional disadvantage</b>	Yes	This work can be highly targeted

## Urban beautification

Australian cities contain thousands of public parks, public buildings schools and public spaces that, to vary extents, would benefit from care and attention. Tasks ranging from weeding, planting and cleaning are all labour intensive, low skill and easy to oversee.

Preventative maintenance will reduce expenditure in the future and beautification projects can provide lasting amenity. Local councils could be used to identify likely projects and provide necessary oversight and equipment

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	Yes	Projects could be rolled out quickly
<b>Go hard: Size</b>	Partial	Small individual projects but with more than 500 local councils the overall project could be significant
<b>Go households: Put purchasing power with spending needs</b>	Yes	Direct employment with wages paid to households that would otherwise suffer unemployment
<b>Targets domestic production</b>	Yes	
<b>Targets activities with high direct employment</b>	Yes	This work is highly labour intensive
<b>Targets economic victims</b>	Yes	This work can be highly targeted
<b>Targets useful projects</b>	Yes	
<b>Targets regional disadvantage</b>	Yes	This work can be highly targeted

## Big business tax cut

Cutting the taxes of Australia's largest companies to 25% has already been suggested as a stimulus measure. The idea is that this will put more money in businesses' hands and allow them to invest and employ. As a stimulus measure this would not be at all effective. Profits, on which company tax is based, fall during economic crisis and so the amount of tax companies pay also falls, particularly for those most impacted by the crisis.

Attempts to stimulate business investment through greater incentives to invest tend to have very little or no impact during states of sluggish economic growth. Investment will be stimulated as business notices increases in demand for their products.

Any stimulatory effect from a lower company tax rate caused by higher dividends is offset for Australians by lower dividend imputation credits. This is not necessarily the case for foreigners, so the policy might help stimulate foreign economies but will not increase purchasing power within Australia.

Principle	How does it apply	Comment
<b>Go early: Timeliness</b>	No	Any domestic stimulatory effect will be tiny at best
<b>Go hard: Size</b>	No	
<b>Go households: Put purchasing power with spending needs</b>	No	Aimed only at large businesses and foreign shareholders
<b>Targets domestic production</b>	No	Any additional purchasing power will go to overseas owners of Australian companies
<b>Targets activities with high direct employment</b>	No	
<b>Targets economic victims</b>	No	Companies that are most impacted by the crisis are unlikely to earn profits and so will get no benefit from company tax cut
<b>Targets useful projects</b>	No	
<b>Targets regional disadvantage</b>	No	

# Conclusion

The speed and size of the government's fiscal stimulus are the main variables that should be considered. Just as it is much easier to put out a bushfire before it takes hold, it is much easier to stimulate an economy before it goes into recession than after. The Morrison Government was slow to respond to calls from the Reserve Bank of Australia and others to stimulate the economy in the second half of 2019, but there is now no reason to repeat that mistake in response to the added impact of COVID19.

While the speed and size of the stimulus matter, the shape of the stimulus is also of great importance. Economic history and theory both endorse the need to focus spending on those who will spend all or most of the stimulus. Likewise, the evidence on the need to ensure that the stimulus boosts domestic activity rather than imports is clear.

Where the evidence is less clear, but judgement is paramount, is how to maximise the co-benefits of stimulus spending while trying to 'buy' a lower unemployment rate. There is no right answer to the question, 'What will Australia need more of in 10 years' time that it makes sense to do today?'. Some will argue for solar panels and crisis accommodation, others for coal fired power stations and new dams.

But while economic theory cannot tell us exactly what shape the economy or the stimulus packages should be, economics can help us to understand which projects will have the biggest economic impacts in the short term. What constitutes a 'co-benefit' will ultimately be a democratic decision. While ultimately the government of the day will be judged on both economic and democratic criteria, it is important to highlight that while economic theory cannot tell us what the right stimulus package is, it is quite clear on what the wrong one is.