

# The Reconstruction Memorandum

## Building back better or just bigger?

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The fight against COVID-19 has not just cost lives, it has cost millions their livelihoods. And while the policy response to the economic destruction will cost hundreds of billions of dollars, such spending has the potential to not just create jobs, but to create a new Australia – if we want it to.

Before COVID-19 hit, Australia was one of the richest countries in the world. After the crisis passes we will be much poorer as a nation than we were last year, but we will still be much, much richer than the vast majority of humans who have ever lived. And, because we acted quickly and decisively according to the scientific evidence, our community and our economy will be in much better health than most.

But how will we use our reserves of health and wealth?

Will we build back better or simply try to build back bigger?

Will we invest in the emerging industries of tomorrow or prop up the polluting industries of last century?

Will we listen to the public who want less inequality, a cleaner environment, to close the gap between Indigenous and non-Indigenous Australians and greater democratic transparency or will we listen to the corporate CEOs demanding lower wages for their workers, lower taxes for themselves and less regulation of their activities?

Australia's health and wealth means we have more options than almost any country in history. We are not just at a crossroad; we face more choices than are imaginable. When we make those choices, what principles will guide us? What goals do we have for ourselves and for our nation? Debates about policy will be inevitable, but what shared objectives can we agree on as a nation?

A year ago, the thought that premiers, chief ministers and the prime minister could put politics aside to address an urgent crisis would have seemed utopian and naive, but as

the past few months have shown it is both possible and popular. What then should we do with this opportunity? What principles should guide both the recovery from the crisis and the reconstruction of our economy and society that will inevitably result?

## **Put people first**

Millions of Australian are suffering from a lack of work and a lack of income. The number of people categorised as unemployed, underemployed or stood down matters less than the simple fact that more Australians are in need of more work than at any point in our history.

Unemployment, like COVID-19 itself, is a cruel lottery that hits industries, towns and individuals through no fault of their own.

After decades, our leaders have finally found their hearts and doubled payments to the unemployed.

The first priority to address the social and economic consequences of COVID-19 must be to permanently increase unemployment benefits to their current level and ensure that those benefits rise in line with all other benefits, such as the age pension.

Generosity to those who have lost the most is not just fair, it is economically efficient. There is no better way to stimulate consumer spending than by targeting support to those on the lowest incomes. There is no better way to boost confidence than to offer those with the least money the most certainty. And helping the unemployed is the best way to help regions suffering high unemployment.

While it may be true that a job is the best form of welfare, it is also true that it will be years before unemployment returns to its 2019 level. No one should have to wait years for 'the best form of welfare'.

## **Manage the economy, not the budget**

There is no point building a budget surplus on the backs of broken families and broken communities. The budget balance is but one of many indicators of economic health, and there is no doubt among economists that, in the midst of the biggest recession ever recorded in Australia, attempts to reduce the size of the budget deficit will simply result in higher unemployment and lower rates of economic growth.

Debt brings forward much-needed economic activity from the future to the present. Debt is not a sign of recklessness, it's a sign that governments understand the depth of the hole our economy is now in.

Anyone who has ever borrowed to go to university, borrowed to buy a house, or dipped into their superannuation to get through this crisis has run a 'budget deficit'. It's not true that budget deficits are evidence of poor management, it's not true that borrowing money is irresponsible, and it's not even true that managing a nation's finances is analogous to managing a household's finances. The Australian government prints its own money, cannot go bankrupt and will never retire.

BHP has been in debt for more than a hundred years. Rather than repay their debts, the board and management of BHP prefer to invest money in growing their business for the simple reason that the returns on their investments are far higher than the cost of paying interest on their debts. No one calls BHP irresponsible for carrying debt, and no one accuses its board of imposing costs on future generations of BHP shareholders.

The potential benefits of taking on more public debt to make new public investments are enormous. Once built, solar and wind generators provide free energy for decades to come. Investments in training and retraining our workforce will not just speed our recovery but permanently boost our productivity. Economics is not about budget surpluses, it's about the efficient use of scarce resources. With nearly two million unemployed and underemployed Australians, creating meaningful jobs is, without doubt, the major economic challenge we face and debt simply helps us create those jobs now so that we can obtain economic benefits for decades to come.

## **Bang for our buck**

There's no doubt that building dams on dry rivers or building new coal fired power stations will create some jobs, but with millions of Australians desperate for work the key question for governments, state and federal, is: 'Of all the ways to spend public money, which projects create the most jobs and the most community benefits?'

Some projects are 'labour intensive' because they employ a lot of workers per billion dollars spent while some projects are 'capital intensive' as they require lots of machinery. For any given budget, building tunnels will create a lot fewer jobs than building and renovating social housing. Similarly, building coal fired power stations will create a lot fewer jobs than spending the same amount installing solar panels and energy efficiency measures.

It's not just the amount of jobs that matter, it's also the location of the jobs, who performs them and the skills they require. Hundreds of thousands of workers have lost their jobs in retail, hospitality, the arts and tourism in our capital cities and along our coastline. Women have lost their jobs faster than men in this recession. If the purpose of spending hundreds of billions of dollars is to create jobs for those who have lost

them, then the projects need to create demand for the skills of the unemployed in the regions those unemployed live.

## Lasting benefits

Just as the debt for a new house will likely last for decades, so too will the debts incurred during this crisis. But just as a house delivers lasting benefits, so too does public spending on social, physical and environmental infrastructure. The more public money that is directed to projects that deliver lasting benefits the more prosperous Australia will be in the future.

Opponents of public spending often argue that it causes inflation, ‘crowds out’ private sector activity and increases public debt, but with the Reserve Bank of Australia forecasting negative inflation, the private sector being too small to create sufficient work for more than two million Australians and the government committing to run large deficits and borrow large amounts of money, the arguments against public spending have vanished – for the next few years at least. The question of ‘should government spend more money?’ is now irrelevant and has been replaced with ‘how should government spend more money?’

With interest rates at record lows, unemployment high and Australia’s energy, transport, housing and health infrastructure stretched to capacity there has, literally, never been a better time to build more of the things that Australia needs more of.

One set of “essential workers” who have been missed in the response to COVID-19 are artists, musicians, dancers, writers, actors and all those others who work in the creative arts. Despite the arts being one the hardest hit sectors, large numbers of those working in the sector have been ineligible for JobKeeper – ironically at a time when more Australians than ever are turning to music, television, movies, books and podcasts to help them through this unprecedented time. Proper funding for the arts would create jobs, help us cope during the crisis and let us imagine what will come after.

During the Great Depression governments around Australia borrowed to build the Sydney Harbour Bridge, the Great Ocean Road and the Art Deco ocean baths that dot our coastline. While all government spending will create some jobs, government spending on things we need more of will still be creating economic growth and individual joy decades after it has ceased creating jobs.

## Clear criteria and democratic accountability

The Australian people, and Australian parliaments, have placed enormous trust in the ability of the state and federal governments to quickly make big decisions on our behalf. Countries that have dithered in the path of COVID-19 have paid a high price.

But the fact that Australians have delegated enormous power to those who are currently in government does not mean that those entrusted with that power can, or should, avoid responsibility for their decisions.

As our political leaders have made clear, trade-offs do exist, lines need to be drawn, and not everyone will be harmed by COVID-19 or helped by government policy in the same way. While it is the role of governments to make such choices on our behalf, ultimately it is the role of voters to judge those choices.

Quick decision making is required in a crisis, but the public is entitled to know what the available options were and the criteria that were used to choose among them. The government's response to COVID-19, and any bodies established to assist with the response, must meet good governance standards, with transparent and clear processes and objectives, external oversight, opportunities for public participation and diverse representation.

To date the COVID-19 crisis has helped to build the public's trust in Australia's systems of government and, in turn, this trust has made it easier for those in government to make big decisions. But if this trust is to be enhanced rather than eroded, ministers, departments, and others delegated to make key decisions must, despite the enormity of the crisis, conform to the highest levels of transparency and accountability if they expect Australians to continue to place their faith in government. Australia's leaders need to speak honestly and clearly about the science, including the existence of uncertainty and disagreement in the scientific community, respect disagreement, and invite citizens to contribute to the decision-making process.

If Australia's elected representatives put people first when they are managing the health, economic and budgetary consequences of COVID-19 and they are open and transparent about the choices they make, then Australia will come out of this crisis not just as one of the richest countries in the world, but with a populace whose faith in the effectiveness of democracy and government has been restored.

## Voice. Treaty. Truth

*"IN 1967 WE WERE COUNTED, IN 2017 WE SEEK TO BE HEARD... WE INVITE YOU TO WALK WITH US IN A MOVEMENT OF THE AUSTRALIAN PEOPLE FOR A BETTER FUTURE."*

The last 29 years of continuous economic growth was not enough to close the gap between indigenous Australians wellbeing and that of the Australian community as a whole. In turn there is no reason to think that economic growth alone will be sufficient to close those gaps in the future.

In 2017, Aboriginal and Torres Strait Islanders peoples came together at the National Constitutional Convention and made the Uluru Statement from the Heart, calling for the establishment of a 'First Nations Voice' enshrined in the Australia Constitution and the establishment of a 'Makarrata Commission' to supervise agreement-making and truth-telling between governments and Aboriginal and Torres Strait Islander peoples.

None of the health or economic challenges facing Australia should be used as an excuse to delay acting on this request, on the contrary, the spirit of political cooperation and bipartisanship shown in recent times should be harnessed to act on these requests.

## Conclusion

COVID-19 has already imposed enormous costs on most Australians, but it has also shown most Australians what we are capable of when we take the best advice and pull together to implement it. While the enormous costs of this crisis will be borne for years, it's also possible that renewed faith in science and democracy could deliver benefits for the next century in the same way that the horrors of World War 1 preceded Australia leading the world in so many ways in the first three quarters of last century.