

# The long Covid economic crisis with Richard Denniss

**Richard Denniss**

Chief Economist at the Australia Institute

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Ebony Bennett 0:02

Good day, everyone. I'm Ebony Bennett. I'm Deputy Director at the Australia Institute and welcome to our 2021 webinar series. I'd like to begin by acknowledging the traditional owners of the land on which I live and work at Canberra is nanowall country and I pay my respects to elder's past and was and always will be Aboriginal land. This year, same as last year, the Australian Institute is trying to do these webinars at least once a week. But the days and times do vary. So make sure you head on over to our website at [AustraliaInstitute.org.au](http://AustraliaInstitute.org.au) to find all the latest and upcoming webinars, and you can register on there so you don't miss out. Just a few tips before we get going to help things run smoothly. If you hover over the bottom of the screen, you should see a q&a function where you can ask questions of our panelists and also upvote questions from other people and comment on them as well. And just to remind us to please keep things civil in the chat or we will boot you out. We don't have to do it often. But we will do it if we have to. And lastly, a reminder that this discussion is being recorded and it will be posted up on our website and our Australian Institute tv youtube channel. Hopefully later today. So keep an eye out for that if you have to duck out for any reason. So last year, Australia went into recession after nearly 30 years of uninterrupted economic growth. But the Australian economy was already pretty weak before we went into that recession. And before the pandemic hit our shores, we had pretty weak economic growth. We had the worst wages growth since the last World War. And the government at the time seemed pretty uninterested in listening to the Reserve Bank, and others who were warning that monetary policy. That is the reducing of interest rates, for the most part had really reached the limit of its effectiveness. During the pandemic itself. At the beginning, the Liberal government implemented policies that were completely the opposite of everything they normally advocate big government spending programs, including the doubling of the unemployment payment, a massive wage subsidy scheme, that's job keeper, and other amazing policies like free childcare, even though that was only in for a couple of months. But really just like Coronavirus impacts some people in the long term and afflicts them with symptoms like fatigue and shortness of breath, breath that really persist for months, the economic recovery from the pandemic is going to have a really long tail of devastation, particularly when it comes to unemployment. So to talk about some of these issues in more depth today, and particularly as we head towards another federal budget, today, we're talking to our chief economist, Richard Denniss. He's a prominent author and public policy commentator, a former associate professor at the Crawford School of Public Policy at a&e. And he's the author of several books, including *Accountable*, *Caring Affluenza*, and then *How Neoliberalism Ate Itself and What Comes*

next. And just a heads up, there's going to be a new edition of ikana babble coming out in May. So keep an eye on your inbox, because we should be sending you an invitation to the national book tour. And hopefully, we'll be coming to your closest capital city very soon. Get a Richard, thanks for joining us. So I just want to start, I guess, with a big picture, kind of look back at where we started this whole pandemic. Take me back to a year ago, when we were kind of first entering periods of lockdown things were starting to get incredibly serious with the pandemic and whole parts of the economy started to shut down.

Dr Richard Denniss, Chief Economist, The Australia Institute 3:44

Yeah, well, let's go back to February last year bit over a year ago, Josh Frydenberg was still committed to returning the budget to surplus, he made the coffee mugs. In fact, he'd already told us that we were back in the black and I say DC references coffee cups couldn't be a happier liberal Treasurer than the commitment to or announcement of the delivery of a budget surplus. What's become the holy grail for liberals, it has nothing to do with managing the economy, by the way, but in Australia, budget surpluses are the be all and end all. But to put that into perspective, Donald Trump never delivered a surplus never came close. The UK in the US haven't had a budget surplus since Clinton and Blair were around but in Australia, you know, we tell ourselves a few strange stories and one of them is that budget surpluses are the be all and end all and we were on track for a budget surplus in February last year. And then we had to shut the borders with China. And then we saw lockdowns across the economy. And when when we first started to talk about this in our webinar series, you know The first installment from the government was a stimulus package of around \$20 billion, but less than \$20 billion. And people were beside themselves at the size of this \$20 billion surplus \$20 billion stimulus and, and I said at the time, put a zero on it. You know, \$200 billion is probably closer to the mark for what we need. And, you know, we're heading now for an economy that's going to deliver a trillion dollars in public debt. And I don't know, maybe people on this webinar series thought, oh, okay, that's an interesting forecasts from Richard, but I show you, a lot of people thought that was crazy, because we were on track for budget surplus, and a \$20 billion spending package was seen as enormous. Well, guess what? They stuck with zero on it, we ended up spending more than \$200 billion dollars in stimulus, and we're on track for public debt in a year or two, that's probably close to around a trillion dollars. And that's okay. That means that by World standards, we'll still have low public debt. Yes, it'll take years for the budget to recover. I'll talk a bit more about how that happens later. But we went into the deepest recession we've had in modern Australian history. And if the government hadn't spent all that money, it would have been far worse. So while the government's initial instinct was to protect the budget surplus to their credit, they abandoned that they first they came out with 20 billion and didn't take them long to get to 200. And that's good. And that's right. I don't think they targeted it. Well, I don't think they I don't think the groups that needed the help the most got it. But they did pour a lot of money in and it did work. You know, there's a saying everyone's a Keynesian and a crisis. They they mocked the red Labour government for building a few too many overpriced school halls. Rudd was right to do that. And the government was right to pour 200 billion in. And yeah, the reason that so many Australians are in work today is because the government abandon their obsession with that budget

Ebony Bennett 7:12

surplus. Yeah. So on a couple of things that you've been writing about recently. One is job keeper and the end. And you kind of talked about the hit that that would have to unemployment.

Dr Richard Denniss, Chief Economist, The Australia Institute 7:45

I'm not going on right.

Unknown Speaker 7:48

Now. No, no,

Dr Richard Denniss, Chief Economist, The Australia Institute 7:50

no, no blaming me.

Ebony Bennett 7:55

I'm sorry, folks. We've lost sound. Oh, and it looks like I've frozen there as well.

Dr Richard Denniss, Chief Economist, The Australia Institute 8:13

I think it's Eva as well.

Maybe people can hear me, it looks like Richard is fine. So I'm just gonna talk. Maybe people can hear me, maybe they can't. So to be honest, I can't remember what question Evan. He just asked me but in terms of the labor market, yet looks like people can hear me in terms of the labor market. what's what's happened is the government spent around \$200 billion, as I just said, injecting money into the economy. Every year, it seems people can you hear me so I'm gonna just keep talking. So the the biggest part of the stimulus package was the the job keeper package. The biggest, the biggest ever policy intervention really in Australian history, and what the job keeper package was a subsidy to employers to hang on to their employees. So when the economy started to tank, a lot of businesses saw most or sometimes all of their customers leave. The explicit purpose of job keeper was to say to employers, here's 1500 bucks a fortnight for each person you employ. You have to give that 15 \$100 to your employees, but you can only do that if you keep them on. So job keeper was not well targeted. It we left out groups like workers on temporary visas, we left out the universities these were cruel, spiteful decisions. And we and we then we ended up giving enormous amounts of money to Harvey Norman. For example. Who is Whose companies thrive through the boom and got \$20 million in job keeper. So while job keeper wasn't well targeted, it did in a macro sense work, it propped up. It propped up a lot of employers, it encouraged them to hang on to their employees. And at the beginning, at the peak of the crisis, there was something like 3.6 million people on job keeper, it's now down to 1.1 million. So that's good. It's working as the economy's picked up, more and more people have come off job keeper. But what we heard last week was the Treasury Secretary

say that according to Treasury, the decision to scrap job keeper will lead to between 100,000 and 150,000 people losing their jobs. To put that into perspective, that's three times the size of the entire coal mining workforce. So for a government that says jobs, jobs, jobs all the time to announce the end of job keeper and say it'll only cost 150,000 jobs in the treasures woods, there'll be a bit of a bump to unemployment. Well, our conclusion was that was more shoulder charge them but

Ebony Bennett 11:13

yeah, Richard Kip, just checking he can hear me now.

Dr Richard Denniss, Chief Economist, The Australia Institute 11:16

I can and according to the texts, people can still could still hear me so raving on.

Ebony Bennett 11:22

pleased to hear it. So just picking up on that shoulder charge? Yeah, it's kind of hard to imagine the government kind of in a blast a manner announcing 150,000 kind of job losses, as if it was of no consequence.

Dr Richard Denniss, Chief Economist, The Australia Institute 11:37

Oh, absolutely. And again, jobs jobs, jobs is allegedly the Prime Minister's mantra. So next time you hear a government say we can't afford to tackle climate change, because someone might lose their job. Just remind them of the time they're strapped job keeper, knowing, knowing that it would cost between 100,000 and 150,000 jobs, it makes a mockery of their alleged concern with jobs. And to be clear, we should always be concerned about unemployment, whether it's because photo development labs and video stores shut down because of new technology, whether it's because the coalition drove the car industry offshore, whether it's because of Coronavirus or whether it's because the world doesn't want to buy coal anymore, we should always always be generous to those who are unemployed, we should always invest in their retraining. But we should never allow the debate to return to this thing where we suggest that the best way to help create jobs is to cause climate change. People do lose their jobs all the time. And if we're always nice to them, then then we wouldn't have to worry about the transition away from climate change away from fossil fuels.

Ebony Bennett 12:50

Hmm, no, that's a really good point. And I just while we're talking about unemployment, want to ask you about what are the reasons why we care about unemployment, firstly, as an economist, but secondly, you know why everyone should care about it all the time?

Dr Richard Denniss, Chief Economist, The Australia Institute 13:07

Yeah, look, unemployment is I think, as an economist, I think unemployment is the most important macro economic problem, because by definition, I'm employing people or people who are saying, I would like to work, I'd like to make something in if I made something, we'd all have more stuff. So economics is about the efficient allocation of scarce resources. Having half a million or a million people unemployed means having an enormous waste of resources. But in Australia, for the last 30 years, we've been far more worried about keeping inflation low than we have been worried about keeping unemployment low. So we've kind of got used to the idea of mass unemployment. In fact, when we have around 5% unemployment, so around 600 700,000 unemployed people, we actually refer to having 600,000 unemployed people as full employment. That's not full employment. Full employment is when everyone that wants a job has got a job. So having unemployed people is an enormous waste of a scarce economic resource. But it's also an enormous cause of social disadvantage. So because the way we allocate money to people is in part related to how much work they do and what kind of work they do. When people become unemployed. We don't give them much money. Unless they've got family wealth to draw on unless they've got a partner's income to draw around. They have to rely very heavily on what is the one of the most meager unemployment rates, unemployment benefits in the developed world. So unemployment and economic problem because it's people's literally we're wasting a precious resource. And we're imposing huge cost and inequality on on that small group of people.

Ebony Bennett 14:59

Yeah. The other big spending program that the government implemented last year that I want to talk about is, of course, job seeker, which I think ends today, the Australia Institute has new research out, showing that that cut to job seeker is going to push a further 155,000 people into poverty, including 20,000 children. So at the time when they instituted it, Richard, they the Morrison, government lifted, I think more people probably out of poverty more quickly than probably almost any other government in history. But now, they're making a deliberate decision to return all of those people in a job market where as you say, There just aren't enough jobs for everyone who wants one. We're deliberately putting them into poverty.

Dr Richard Denniss, Chief Economist, The Australia Institute 15:44

Yep, that's exactly right. So we learned so many lessons during during the crisis, we learned that budget deficits aren't the be all and end or a budget surpluses aren't the be all and end all we learned that the liberals can deliver a \$200 billion deficit and that's okay. And that's good. They were right. They were wrong to be in the first place. They're right to believe that we that surplus isn't the be all and end all. That's good. What we also learned was that we could one of the richest countries in the world, we could afford to give people free childcare, which which we did at the beginning of the pandemic crisis, because we removed it again. But we proved it's possible, we proved it's doable. After 20 years of pushing for increased unemployment benefits, and being told we quote, couldn't afford to do it. Apparently, we could afford to do it in the middle of an economic crisis. We've virtually doubled unemployment benefits by introducing the COVID supplement. And now that there's only 780,000 unemployed people, now that there's only four unemployed people for every job vacancy, now that there's only a million under employed people, the government said, Oh, well, that supplements gotta go. Because if we don't, and this is the argument, if we don't get rid of the supplement, people won't have an incentive to look around and get a job. So according to top secret

data available on the Australian Bureau statistics website, there's around four unemployed people for every job they can see in Australia. Right, there's not a whole bunch of jobs sitting out there, and there's too many lazy people to apply for them. There's around four unemployed people for every job vacancy, and there's around a million people who are underemployed, they've got a job, but they want more work. Yet, the government's looking us in the eye and saying, look, the reason we have to be nasty, to the unemployed, the reason we have to cut the incomes of the lowest income people in Australia, the reason that those who lost their job through no fault of their own, should now go without as much money is because we're afraid they're also lazy, that if we don't make their life a brutal hour, they won't go and try and get one of the handful of jobs that are going out there. It's complete nonsense. Like, let's be clear, the government is simultaneously saying, Look, how many jobs are being created? Well, okay, well done. You created all those jobs when unemployment benefits were high. So there's clearly no relationship between having the CO payment for unemployment and the ability to create a lot of jobs. It's just nasty and cruel. There is no reason from a financial point of view, we can't afford to do it. It's not true. And there's no evidence that a high unemployment benefit high, higher than it used to be unemployment benefit is in any way impeding the ability of employers to find staff.

Ebony Bennett 18:36

It's just nonsense. And speaking of cruel, I think they've increased the obligation on people on that payment to look for either or to apply for even more jobs as part of mutual obligation. But I want to pick up on the free childcare for a moment, Richard, I know we've been thinking a lot of the Australia Institute about looking at the budget in with a bit of an eye towards the gender disparity and whether or not enough things are being targeted towards women's economic outcomes. But we've already talked about free childcare, you know, the fact that we can do it, but just remind us of the reasons that that's a good economic policy.

Dr Richard Denniss, Chief Economist, The Australia Institute 19:20

Look, if the data is overwhelmingly clear, let me choose my words carefully. Of all the policy ideas floating around? I don't think any ID has as much agreement from professional economists as the assertion that making childcare much cheaper or free is one of the easiest ways to boost job creation and in fact, grow the economy. It's kind of unarguable The only reason we haven't done it in Australia is that we don't want it right. So let's take the Nordic countries for example, which are Care is either free or very cheap. They have much higher participation rates amongst women of childbearing age, it's much higher. And we've calculated that if Australia had the labor force participation rates that they have amongst women in the Nordic countries that GDP in Australia would be around \$60 billion a year bigger. So let's think it through if we spent more money employing more people to work in childcare, we've directly created jobs. Okay, so free childcare is labor intensive, more people using it, we would create jobs that the first step, guess what childcare workers do with their wages, they spend it in shops, just like coal miners do. So there's indirect job creation associated with it. That's step two. But the real magic is step three, where a whole bunch of parents brackets most often women, if childcare is free, they are then more able willing and able to offer their time to the labor market and do more paid work. So there's three very clear, very clear economic benefits that come from providing free childcare, direct job creation in the childcare sector, which is disproportionately female, there indirect job creation from all those workers

spending their extra wages, and then the most important of all, the flow on effect of an increase in labor supply. We know how to do this. We know we did it during the crisis. We know it works in other countries. But in Australia, we have prioritize giving tax cuts to high income blokes like myself, permanent, expensive tax cuts, and no one says how will we afford that? Right, no one says that my tax cut needs to be temporary or targeted. All right, we're spending hundreds of billions of dollars on income tax cuts that disproportionately flow the blogs, while pretending that we quote can't afford to provide cheap or free childcare that would disproportionately benefit women to short. Yeah.

Ebony Bennett 22:10

Yeah. Richard, could you just move forward a bit, you've got a bit of light on your face from the window beside you. And so I just wanted to ask, I think you've written a piece for The Guardian today, about, you know, the impacts on women of budget decisions and the types of choices that we make that tend to benefit men over women. We are headed towards the federal budget, I think every year we kind of criticize it. Like you said, income tax cuts disproportionately benefit men, because they earn more all of those types of things. But tell me about some of the things that are going to be in your guardian column later today.

Dr Richard Denniss, Chief Economist, The Australia Institute 22:51

Well, let's assume they run which they usually do so fingers crossed. But yeah, look, it's let's let's be honest about the country we live in. I said, the way we treat unemployed people is crawl entities. The way we treat women who've been raped is it's just, it's beyond cruel. We've seen in the last two months, how sympathetic the government is to the mental health needs of senior cabinet ministers, enduring the stress of being accused of an historic rate, or being criticized for calling someone who was raped the line count. The stress that those politicians are under is such that they're on taxpayer funded unlimited mental health leave of around \$7,000 a week. But a woman who was raped if she's working as a casual, well, she goes to work the day afterwards or she loses her income. And, and while we rightly, I'm not for a minute suggest we for a minute, we shouldn't while we rightly, are concerned with the mental health of powerful people in Australia, and we encourage them to get counseling and we provide all sorts of counseling care and psychiatric care to people who get Post Traumatic Stress Disorder, because of in the workplace. Some of the terrible things that happen to people at work what they see, especially the emergency services, we don't offer that kind of wraparound support to women who've been the subject of violence. And if we wanted to provide domestic violence leave or sexual assault leave if we wanted to be kind and generous and supportive to women who've experienced that. And if we wanted to provide them with good ongoing wraparound mental health care and support, we could do that. But you know, it would cost a lot of money. And, and let's look ourselves in the mirror and admit that in Australia. We've prioritized giving me a tax cut over providing those kinds of services. And, and no one likes to make comparisons that Stark, but that's what a budget is. And budget is where our elected representatives decide what to spend more on, and what to spend less on how much revenue to collect from some people, how much money to spend on other people. And our budget each year, literally spells out the priorities of our society. And the budget this year, could, I would say should but it's a democracy, I'm probably in the minority here. But for me should prioritize helping women who've been the subject and victims of violence, especially in demmick crisis of violence against women by men, we

could help them or we could give tax cuts to folks like me, and we're gonna choose the tax cuts. And that's, I think, obscene,

Ebony Bennett 26:06

yeah. To say the least. So yeah, please check that out. It should be up on the guardian. Latency afternoon. Keep an eye out for that one. But it does remind me of last year when I think we made critiques at the Australia Institute of the budget that the income tax cuts in particular would benefit men more than women. The government copped a bit of flack for a blokes budget last year. And I remember several ministers coming out to defend it by saying things like, Well, you know, women drive on highways as well. They'd benefit from infrastructure spending and stuff. But I think the examples that you've given there, Richard, are very stark and very good examples of just the types of choices that the government makes with each and every budget. We're going to go to questions from the audience shortly. I believe we've got about 450 people on the line with us today. Thanks so much for joining. Oh, no. 520. Now, that's much more than when that last I checked. Thanks for joining us today. You can use the q&a function if you'd like to ask a question. I can see a couple there. But a couple of things before we go, Richard, I know you've just released a report today on why New South Wales needs a moratorium on new coal mines that Malcolm Turnbull came out and supported on radio national this morning. Can you tell us a little bit about that research because we're supposed to be if Mathias Coleman in the OECD role is to be believed on our way to a green recovery? Is that where Australia's headed?

Dr Richard Denniss, Chief Economist, The Australia Institute 27:40

No, look, you know, we there's so much talk about the transition away from fossil fuels. But, you know, another unspoken truth of Australian politics is of course, we're transitioning into fossil fuels. You know, we want to open up not just the Adani coal mine but the Galilee basin when no one's ever mined a ton of coal ever. Right while the rest of the world's turning away from coal. We want to open up a new coal basin in Far North Queensland. We want to frack new parts of Australia where we've never extracted a molecule of gas before and in New South Wales in the Hunter Valley in particular, we Yes, we have mined coal for for well over a century. Without we're looking if you look at the scale of the coal mine approval, sorry, coal mine applications at the moment. We want to build the equivalent of 15 new Adani coal mines in New South Wales. So world coal demand is falling. We've got existing coal mines being underutilized some of them have been mothballed. And literally at the moment, the New South Wales Government is looking to approve the equivalent of 15 Adani sized coal mines in the hunter right now. So So our research basically says, Look, this is crazy. We need to have clear forecasts for how much coal we think the world wants. We need to pay attention to how many railway lines and how big the port is in Newcastle. Why would we actually approved more coal mines than can possibly make it onto the railway lines and the port? And yeah, we've called for a moratorium on improving any new coal mines and the hunter until the New South Wales government who has a net zero emissions target for 2050 has some comprehensive plan for the Hunter Valley. And you're very excited that former Prime Minister Malcolm Turnbull was out this morning saying, yes, of course, we need a moratorium on approving new coal mines. We need to get to the bottom of this and why on earth would we scour the earth and dig up new mines when when the existing ones aren't even being run at full capacity? So yeah, interesting time in New South Wales and hopefully federal politics in terms of this debate.



Ebony Bennett 29:57

Yeah, I really encourage people if you can have a listen to that interview went for, I think close to 20 minutes and Malcolm Turnbull covered a lot of ground as well worth checking out. That was with Frank Kelly this morning, Richard, you don't normally, you know, into PowerPoint, but you did have a couple of slides that you wanted to share. Did you still want to do that? Before we go to questions?

Dr Richard Denniss, Chief Economist, The Australia Institute 30:18

Yeah, look, just quickly, if you put out that first slide, I finally have the view that power corrupts and Power Point corrupts absolutely. But just to give people a sense of where we're at, and why it's crazy for the government to pull the pin on something like job keeper. If you have a look at that dotted blue line. That's where Treasury thought that's the path that Treasury thought we were going to be on. And you can see that before we'd heard of COVID. So the blue line is the old projections from our budget papers. And the orange line just shows what happened, the economy fell off a cliff. This is quarterly data, this is the amount of stuff we make every quarter. And you can see it collapsed in that June quarter last year. And while it's true that it's rebounded strongly, you can see that at the moment, we're still about \$18 billion a quarter. So \$80 billion a year below the path Treasury thought we were going to be on. So yes, the economy is growing fast. And that's, that's good. That's better than growing slow in this situation. But growing fast. Coming out of this crisis isn't nearly enough. So you know, imagine you fell off a big cliff, and you start climbing back up, it's good that you're making progress. But you know, until you get to the top, you haven't fixed it yet. This second graph is the same graph, but looking at employment, rather than GDP. And what you can see is that at the moment, there's about 300,000 less people working in the economy than we thought there would be. So why are you Why would you pull job keeper? Now? Why would you cut the unemployment benefits? top up the job seekers supplement? Now, we know that we're 300,000 jobs behind where we thought we'd be? So yeah, we have to be, it's good that the economy is growing rapidly. But we've got to look at the level of output and the level of employment, not just its rate of growth. Thanks.

Ebony Bennett 32:26

No worries. And then the last one there, a lot

Dr Richard Denniss, Chief Economist, The Australia Institute 32:30

of that's just kind of the same as the first one that's just done on an annual basis rather than quarterly. But again, suggesting look, you know, we're \$100 billion smaller than we thought we were going to be, that's going to have lasting impacts on the budget lasting impacts on employment, lasting impacts on everything. And, again, don't get confused when they go, I mean, imagine you earn 100,000 bucks a year, and then I cut your pay to 50,000 bucks a year, and said, Don't worry, I'm going to give you a 10% pay rise next year, or is still way worse off than you used to be. So it's good that the economy is growing fast. But again, it's not the rate of growth that determines where we're at. It's the level of output and the level of output is way below what we thought it was going to be.

Ebony Bennett 33:21

Excellent. Thanks, Richard. I hope everyone found those slides. Alright. I'm not particularly great at sharing my screen. And as Richard said, he doesn't often use a PowerPoint, PowerPoint slides. The first question I've got here, Richard is from Robert Martin. He says, Just wondering how much you think the narrative of budget surplus equals good government impacts the popular or the public assessment of good government?

Dr Richard Denniss, Chief Economist, The Australia Institute 33:47

It absolutely affects the public sentiment, because people have been misled for decades. Again, Donald Trump delivered the biggest budget deficits in American history, no one cared. And when he introduced the enormous tax cuts that made the deficit even bigger, no one cared. No One No One said he's a crazy lefty Keynesian. Similarly, you know, in UK and the Boris Johnson eats is never it's never one set, I'll get the budget back into surplus because he knows he won't. So you know, not only isn't it good economics to suggest a budget surplus is the be all and end all. It's it's not even, it's not even popular in the developed world. It's not even popular amongst right wing governments around the world. So once upon a time, in the olden days, when I was studying economics, I got taught that managing the economy was hard because you wanted unemployment to be low. You wanted inflation to be low, you want to trade balances with other countries to be all right. You wanted all sorts of things. And Peter Costello came along as treasurer and said, Don't worry about all that. If I deliver a surplus, I'm a great treasurer. And he just said that for 10 years, and he just privatized a bunch of assets and said, look at all the money I've got. I'm a great treasurer. Well, it was a good politician, because he changed the whole national definition of what success in his job. What? Did he set us up for the future? No. Did he invest in the things we need? No. Right. But But did he succeed and his own narrow terms? Yes. So did he deliver budget surpluses by by selling our assets off? Yep. Does that make Australia rich? No. So yeah, so to various straussian phenomena, to think that a budget surplus is the be all and end all it's it's not even a conservative phenomenon. It's an Australian conservative phenomenon. But it's very, very important.

Ebony Bennett 35:48

Just quickly, that's reminded me even though Boris Johnson's not aiming for a budget surplus, we did learn a few lessons from the global financial crisis and how other countries made their way through that. And one of the things I believe was that by focusing on reducing debt and deficit too early and implementing austerity programs, it really prolonged the main the recovery of the UK in particular, much longer and harder for people. Is that right, Richard?

Dr Richard Denniss, Chief Economist, The Australia Institute 36:17

Oh, absolutely. And the Australia Institute, you know, Dave Richardson and Matt grid nof. And others, we did quite a bit of research during the GFC. And after, and it's really quite clear that what happened in Europe was that when when the economy started to recover after the after the GFC government's obsessed about, you know, cutting debt a bit too soon, and they hit the brakes when

when the plane was still trying to take off. And I feel that's exactly what Josh Frydenberg and Scott Morrison are doing now. You know, their their explanation for why we should have completely chopped job keeper in its entirety on Monday this week, their explanation is we can't leave it there forever. Okay, I agree. But why this week? And why not taper it? You know, why not cut Jerry Harvey off, but leave a whole bunch of other people on why not? Why not make it leave it there for the tourism industry in the accommodation industry? Why not leave it there for the for the for the tourism regions that are still so hardly here. So the government's explanation for why they've pulled the pin on it is, quote, you can't leave it there forever. But that, you know, it's a non sequitur, no one suggested that they should leave it there forever. The question is, why does why rip it off entirely this week? And I haven't listened to that. Because there isn't one.

Ebony Bennett 37:38

Yeah, there's a lot of room between this week and forever. And, yeah, they could target it a bit more effectively. So and the next question is from Kimberly Wheeler. She says issues with casual and insecure work were exposed during 2020. And of the jobs that are being created, what proportion of permanent what proportion are permanent or have a stable nature? And what about the distribution of those new jobs based on gender?

Dr Richard Denniss, Chief Economist, The Australia Institute 38:05

Yeah, so good question. The the last month jobs for us, the one that the government was particularly excited about did have strong full time employment growth, surprisingly strong. But there's absolutely no doubt that what the crisis has done is exacerbate the difference between sadly, the haves and the have nots, there's no doubt that casuals got hit hardest, there's no doubt that that means that women were disproportionately impacted. And as I said, it's there's no doubt the last, the last monthly data we got head strong, full time job growth. But that graph I put up showed that strong growth doesn't mean we're anyway like back to back to the where we should be. So unfortunately, we spent 20 years making the Australian labour market more casualized less secure. An enormous percentage of workers now with no sick leave, and no holiday leave. It really is remarkable the distraction that's happened to the quality of work in Australia over recent decades, we, we used to think of ourselves as the land of the sikh in the smoko. And the long weekend. Now we have one of the most casualized workforces in the developed world. So yeah, the the the recovery at the moment last month, in particular, not bad from a full time job point of view. But the whole experience we've gone through has definitely loaded up a disproportionate amount of the pain on casuals, particularly women. And again, nice big tax cuts for full time high income earners, particularly blacks. These are not accidents. These are choices and you know, that's that's democracy. Hmm. But for me, they're pretty crappy choices.

Ebony Bennett 39:58

The next question is from Ken Hart. He He says is the real reason for cutting unemployment benefits that big businesses scared that if the unemployment payments are only slightly less than what they're paying their staff, they'll be obliged to increase wages to keep their good stuff.

Dr Richard Denniss, Chief Economist, The Australia Institute 40:13

I think that's part of it. I really do. You know, I wrote a piece a couple of weeks ago saying that, you know, for 20 years, we've done everything we can to lower wage growth, we've, we've changed the industrial relations system, we've changed the bargaining system, we've, we've made unemployment benefits very low, like low wages growth was the goal of successive governments for decades. And, you know, my my line was, now we're like the dog that caught the car. And we've just got a mouthful of muffler like we were told everyone, we needed low wage growth to make us competitive. We told everyone that if we had low wages, then employment would grow. Well, the opposite is true. low wage growth, wage growth is so low, that people are spending less money in the shops. The irony is if we increase unemployment benefits, the unemployed are more likely to spend that money in the shops than anyone else. So I think I think Ken's right. There are employers who, who like really low unemployment benefits, because that makes it easier to have really low wages and really bad conditions. But actually employers would benefit from the government spending more money and indeed from from workers having higher wages to spend more money themselves. Hmm.

Ebony Bennett 41:38

The next question is from syrup das, he or she I'm not sure about that. I'm sorry, that don't want to miss gender. anyone says, Hi, Richard. What can the government do to ensure that Australians also feel motivated to take out rural and regional jobs that include agriculture, where it appears there is a current and immediate staff shortage?

Dr Richard Denniss, Chief Economist, The Australia Institute 41:58

Yeah, look, it's a perennial sort of issue, this idea that there's all this great high paid work out there, picking fruit, and everyone's just too lazy to do it. And it's particularly the problem is all these people in the city that won't move to the bush to do the jobs. And it's a great story, and it gets wheeled out all the time. It's just when people go and look turns out to be complete crap. Now, the easiest way to explain why it's crap is that unemployment in regional areas is a lot higher than unemployment in the cities. All right, so the National Party represents rural people, and rural people experience significantly higher unemployment than city people. So why don't the rural people want to work on the farms nearby? Why? Why are we saying to people in Sydney, hey, you know how you live in an area with relatively low unemployment? Why don't you move to regional Australia where the unemployment rates twice as high in the hope of getting a really high paid job in farming that none of the local sports like it's ridiculous. So, of course, some firms in some places sometimes struggle to find good staff. Sometimes people can't get the IT staff they want. Sometimes they can't find the shift they want. And maybe sometimes they can't find the the fruit picker they want. But when it comes to fruit picking, what they're not telling you is that for years, we've relied on backpackers and people on temporary visas, who, who basically agree to do very, very, very low paid work, in exchange for the opportunity to hang out in Australia a bit longer. And when we close the borders, and those people couldn't come, all of a sudden, the people the farmers that relied on that pool of effectively desperate labor. They don't want to pay minimum wages to people. We made the labor

market flexible. We did regulated it we said look, you know, it's not the government's job to tell everyone what they should earn. When there's a shortage of IT professionals, the wage goes up, when there's a shortage of anything. That shortage of prawns at Christmas time the wage goes up. Farmers have been paying very, very low piece white piece rates, but they don't pay per hour they pay per pumpkin, you know, and the hourly rates of pay are very, very, very low. That's why people don't want to work there. And to sort of say to the unemployed in Sydney, you have to go to the regions and take a job that the regional unemployed people won't take. I think that tells you there's a problem.

Ebony Bennett 44:41

Yeah, and I think groups like the Australian unemployed workers union and others have pointed out that, in fact, if you were someone on unemployment payments, like job seeker and you moved to an area to take up a job like that, if it didn't pan out, you could be breached for moving to an area that has higher unemployment than way from so there's a couple of catch 20 twos there for people as well,

Dr Richard Denniss, Chief Economist, The Australia Institute 45:06

that absolutely is. So you can you can lose your benefits for up to 26 weeks if you move from a region of low unemployment to a region of high unemployment, but also, like our whole kind of discriminatory stereotype of unemployment. And this is the deputy prime minister who said, this is sort of young people binge watching Netflix, who in Sydney who can't be bothered to move to regional areas to take jobs that his voters want and take that stereotype just completely overlooked simple things. Like, what if the unemployed person in Sydney's a woman with two kids is she supposed to pull the kids out of school and move to somewhere she has no support, to, you know, to take an insecure, temporary fruit picking job. I mean, it's ridiculous to suggest that humans don't have connections to particular areas. And because they lost their job in a car factory, or because they lost their job in a travel agent, they should now just move to somewhere they don't know anyone to take an insecure job and either drag their family with them or leave their family behind. It's only the stereotype of the bond smoking not employed in the city, something or other, that allows the deputy prime minister to get away with this outrageous attempt to suggest you solving a problem.

Ebony Bennett 46:32

The next question is from Darren pointin. And it says Looking ahead, don't you see that fiscal policy and monetary policy would be on a collision course of some sort.

Dr Richard Denniss, Chief Economist, The Australia Institute 46:46

Looking ahead, all sorts of things need to happen. But looking in the near future. As I put up those graphs before, like, we are well below the path that we thought we were going to be on. We've got high unemployment, we've got very high underemployment, we need to stimulate the economy.

And at the moment, monetary policy, as Emily said before that interest rate policy effectively has a role to play in that fiscal policy, government spending policy has a role to play. At the moment, I'd say they're in perfect alignment. Some people are already starting to worry and say, Oh, you better be careful. Or we might wind up with some inflation in two to three years time. To which I'd say okay, fine, no biggie. Like, I would actually rather solve mass unemployment and risk risk inflation hitting 4% in a few years time, then accidentally have hundreds of 1000s of people not producing something, not earning something, and going through the personal ordeal of unemployment. So economists argue about this trade off between unemployment and inflation. I think the argument is overstated. But even if there is a trade off, sign me up for much lower unemployment and potentially a little bit higher inflation. And by the way, high inflation means interest rates would go up. And that means all the pensioners would be very, very happy. So if you actually want to help low income unemployed young people, and rich old people have less unemployment and high inflation.

Ebony Bennett 48:28

The next question is from Terence hell. And I think there's a couple of other questions that touch on this. But in the past few weeks, commentators have warned that immigration decline would lead to population decline, and also speculate on fertility decline. Do you think Australia has or needs population policy? Or are we in a population crisis?

Dr Richard Denniss, Chief Economist, The Australia Institute 48:49

I do think we need a population policy. I have no strong views on what that policy should be. So what do I mean by that? The Australian Institute published quite a bit of research on this over the last 10 years saying we've got record high population growth. And that's putting enormous pressure on our health system, our education system. But to be clear, that's not immigrants putting pressure on our health system, or immigrants putting pressure on education system was putting pressure on our health system education system, our transport system, was putting pressure on is a government saying, I want to bring a lot of people in, and I'm not going to invest a lot in new schools and roads and hospitals. So for me as an economist, I have absolutely no idea what the right population is for Australia. But if I was going to have 100 people around for a party, I'd put the food and the chairs out before everybody arrived. If we want to bring a million people into Australia every four years, which is what we were doing, keep in mind, you know, cameras going around 400,000 people every 18 months, we need to build a new camera in Australia. Like if you want Have the population growth, we've been heavy, we have to admit that every 18 months, we need to build enough schools for everyone in Canberra, enough hospitals for everyone in Canberra, enough roads for everyone in Canberra every 18 months. And what we've been doing for decades is bringing the people in first and slowly spending a bit more on infrastructure. So we get this farcical situation, and every budget, every state treasurer, labor or liberal says we're spending record amounts on health, or we're spending record amounts in education. Yeah, but not per capita. They're not. So yeah, I think it's very complicated. A lot of people get very scared to talk about population, I'm not at all xenophobic, I don't have any concerns with people moving to Australia. But we do need a population policy. Because I think we need to have a public debate about how fast we want to grow. And whether we want high population growth to mean we're gradually diluting the quality of our services, or whether we're going to step up our investment so that as population grows, we actually get the same or even

better services than we used to. But it's wrong to blame immigrants for the fact that we haven't spent enough on transport or hospitals.

Ebony Bennett 51:22

Thanks, Richard, we've only got a couple of minutes left. So I'm sorry that we're not going to get to everyone's questions today. But there's a couple of questions that basically say, Richard, what kind of structural changes do we need? And how what kind of economic policies? Do we need to set Australia up for the decades to come?

Dr Richard Denniss, Chief Economist, The Australia Institute 51:41

Oh, in a couple of minutes, no problem at all.

Ebony Bennett 51:43

We need to sort that out. First place,

Dr Richard Denniss, Chief Economist, The Australia Institute 51:46

oh, orange, look, big picture, we need to worry as much about the shape of the economy as we do the size of the economy. We talk so much about how big the economy is, but we need to talk about what do we want more of and what do we want less off? If we want to have a much bigger health system, a much better education system for want to have the kind of economic and social outcomes that the Nordic countries do, we can have them, whereas Rich's them, but they make quite different choices. To us, the shape of their economy is radically different than the shape of ours. But maybe we don't want that maybe we want to be more like Singapore, maybe we want to have much lower taxes and much smaller welfare system. And, you know, again, the American sort of catch and kill your own kind of approach as an economist No. Like, there's no right answer, like these are democratic questions, but we've turned them into fake economic questions, we ask a fake question, what's best for the economy? When we actually need to ask what kind of things do we want to have? And if we spend more on child care, and we spend more in aged care, and we spend more on health, we spend more on education, I guarantee we'll create a lot of jobs guarantee. They're all very labor intensive things. And if we wanted to do that, we could. But let's face it, this government doesn't want to do that. And they won the election. So how do we set Australia up for the future? Well, we actually have to talk about what future we want. Do we want more renewable energy or more coal? Do we want more publicly funded health? Or do we want more private health insurance? Do we want to have more cars on the road? Or do we want to have better public transport? These are democratic choices. And when you make those democratic choices, they will have economic consequences. But it'd be a bit weird to choose fossil fuels. We don't want private health insurance, we don't want them terrible transport system we don't want so that we can have a good economy, like that doesn't actually make any sense to an economist or to a voter. So we've got to flip the whole thing on its head. We're one of the richest countries in the world. But ask What do we want? What kind of society do we want? What things do we want more of different parents make different

choices about how to spend money on their kids? Well, different governments make different choices about how to spend money on their voters. There's no right answer. But it'd be crazy to spend money on things we don't actually want maybe like a \$500 million War Memorial when there's a shortage of crisis in domestic violence.

Ebony Bennett 54:29

That reminds me of one of Richard's favorite questions on housing affordability is not whether or not you want to make housing more affordable. But if you want it to be more expensive or less expensive, because affordable could mean anything to anyone,

Dr Richard Denniss, Chief Economist, The Australia Institute 54:42

anything you want anything you want. So yeah, but it's hard. You know, you people listening think, Oh, that makes sense. But I don't know how to participate in that conversation. Well, think about it. Your people get angry when you talk about household analogies, but, you know, if you want to spend a lot of money on a holiday and someone else wants to spend a lot of money teaching their kids to play the piano. I don't know what the right answer is. But if you hate the piano don't buy one. You know? If some of the richest people the world's ever known want to have a clean energy network and we want to have great hospitals look after everyone, not just the rage, then yeah, like the like the Swedes are the Norwegians or the Finns, we could have that if we wanted. But maybe we don't want it. But you know, let's, let's be honest about it. Let's stop pretending we can't have it because the economy's in so, you know, there's no such thing.

Ebony Bennett 55:36

Yeah. And that reminds me it was just a couple of weeks ago that the Australian Institute launched the national closing the gap campaign report for this year. Obviously, that gap still persists in several areas, they've had huge success in protecting Aboriginal communities through the pandemic, particularly we through Aboriginal led community controlled health organizations. But at the time, you know, we kind of talked about Rich's talking about what is the shape of the economy, and the fact that we had almost 30 years of uninterrupted economic growth before the pandemic, but really, yeah, what is the point of all that economic growth if we've still got a massive gap between First Nations Australians and, and non Indigenous Australians, and as Richard said, can't afford to somehow make sure that we've got adequate domestic violence services in place or you know, any number of other things. So these are all excellent questions. And as Richard says, All very good, democratic questions. Thanks very much for joining us today, Richard. It was really good to kind of look back. Thinking back to the first webinar we did to kick all this off, which was about this time last year. Thank you so much. And don't forget everyone to check out Richards column today in The Guardian. We've also got that report on job seeker and the amount of people that will be put into poverty by the government cutting the job seeker rate, that's up on our Australian institute.org.au website, you can check all that out there. For information on the casualization and the increasing amount of insecure employment in Australia, head on over to the Center for future work. That's futurework.org.au. We've got plenty of research there from Alison Pennington and others. And don't forget to tune in over the next couple of weeks. For more exciting webinars next week at



11am. On Wednesday, the seventh of April, we'll be talking about the latest issue of Australian foreign affairs with Dr. Hong Lei to and Professor John Kane, as well as our own Alan beam. That'll be on the topic of the march of autocracy. And the week after that, we'll be talking to the shadow, climate and energy Minister Chris Bowen about the economics of climate change. And for next week, I will be away I'm taking a week off and so no shorts bayad will be hosting. Stay safe out there. Yeah.

Dr Richard Denniss, Chief Economist, The Australia Institute 58:14

Don't forget Australia Institute TV.

Ebony Bennett 58:17

That's right, Australia Institute TV we launched last week. You can see me here now fantastic new studio. We've got a couple of TV shows, so to speak already up including Richards. Ask an economist and a couple of other ones that you should really check out there. There's going to be lots of new content up on Australia institute.tv. And you'll be able to find a recording of this webinar up there later today. Thanks so much for joining us, everyone. Thanks for all your questions. We really appreciate you coming and hopefully we'll see you next week.

Dr Richard Denniss, Chief Economist, The Australia Institute 58:53

Cheers. Thanks.

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