

2021-2022 Pre Budget Submissions

Australia's Economic Recovery Plan

Economic approach of this paper:

An essential component of any recovery plan is time. Australia's current economic situation cannot be fixed quickly. Therefore, from an astute political point of view, it is better to begin messaging patience as soon as possible.

To fuel an economic recovery after the effects of the COVID19 pandemic, Australia needs to take a bottom-up approach to spending. That is, we need to find ways to create income or supports to the lowest quartile of consumers. I hasten to re-state, it is consumers that the government needs to support – not so much the miners/large retailers/IT and technology companies.

One apparatus which should be ruled out immediately is tax cuts. No more tax cuts. So called "trickle down" economics does not work. The concept was tossed overboard from Noah's dingy but somehow resurfaced around the time of Ronald Reagan and Margaret Thatcher.

The challenge then, is to direct government spending to low income earners, the unemployed (or create jobs) and projects that create multiple layers of short term and long term growth and demand in the economy. The ultimate aim of policy should be to foster a larger taxable base within a more stable and growing economy.

Regardless that the discussion about the economy will always (by necessity) be about the dollars and cents, one cannot and must not ignore the impact that any given policy will have on the psych' of the community and individuals. There will always be "winners and losers". The losers will cry foul and where they have resources, those cries will be loud.

Example: Prior to the previous Federal election, the ALP proposed changes to superannuation legislation that would remove surplus franking credits from individuals who had no taxable income. The proposal was eminently appropriate. However, the "losers" from this idea were the well off and resourceful people who could enlist the "shockjocks" and (sadly) the LNP representatives to scare everyone to thinking the world would explode.

A sensible economic policy was killed.

Methods, Ideas and connectivity:

It is important that projects or support mechanisms should have numerous flow-on effects and avoid creating a spending bubble that only props up large corporations at the retail level for a short burst of time.

Example: One idea would be to revive the old "Cash for Clunkers" scheme whereby government buys vehicles older than, say, 15 years. A little like the weapons buy-back after the shoot 'em up at Port Arthur. There would be a fixed price for all vehicles regardless of whether they were running or not. However, the payment would not be money but vouchers/credit to spend at a mechanic/tyre shop/parts supplier/public transport.

Since the greater number of these vehicles will be owned by the lower income groups, the target group is appropriate – relative to the bottom-up approach.

In this scheme what you receive for the old clanger sitting in the yard, is a way to improve your replacement or other vehicle, or large credit for beginning to use public transport. This results in purchase power for the consumer but directs that spending back into the automotive industry. This maintains the need for staff in those direct-supply industries and the demand for parts – again feeding through to another level of that industry.

Spin-offs are; a) less unsafe vehicles on the road b) demand side economic boost c) less environmental waste sitting on the road or people's back yards d) the scheme avoids a "cash splash" that might be spent in areas where there are no or little flow-ons (eg food, alcohol, rent, movies).

You could even finesse the scheme a little further by allowing auto dismantlers to purchase any of these "government vehicles" for some modest amount, thereby recouping a part of the original outlay.

Flow-on effects can also be longer term and involve a mix of profit based industry and charitable organisations.

Example 2: Public housing / Community accommodation

The construction industry is a key part of the Australian economy. The following proposal can be Federal or State based.

Since there is an on-going need in all parts of Australia for community housing, expand any existing projects or start new ones to build different types of public housing. These can include;

- Stand alone houses
- Town house complexes
- Apartment blocks
- Conference centres with accommodation
- Fit-for-purpose housing (eg safe accommodation for DV victims)

The construction phase creates work for the building industry thus creating income streams for builders and sub-contractors. Construction also creates demand for materials and incidentals.

Whether building houses, apartments or conference centres, construction should be high quality and already fitted with infrastructure that makes possible future connection of say, solar panels, NBN and other technologies.

Public housing should be located as broadly as possible so as to spread the use of public transport, schools and other amenities.

A large supply of public housing / accommodation would have multiple uses such as student accommodation, shelters for victims of natural disasters, safe locations for DV victims.

Overseas experience on public housing:

Since my son has dual citizenship in Australia and Finland, he left Australia in December 2019 to do his National Service time in Finland. He served his time at Santahamina (Helsinki). Although we have relatives who live in the vicinity and would have helped him with accommodation for his free weekends, the city of Helsinki made available a two bedroom flat for him and another ex-pat at no cost.

The city of Helsinki decided some years ago to tackle the issue of homeless people by constructing sufficient community housing to make certain that no-one would have to suffer Finnish winters without a roof over their heads. This initiative now covers the otherwise homeless, DV victims as well as ex-patriot service men and women.

NB! It is popular in contemporary economic discussions of public assets to assert that the asset needs to make a “return on investment” along commercial principles. This is false thinking in relation to public assets since public assets aim to address some imbalance in the community or to provide some service or function that is available to everyone. Thinking along the “return on investment” lines leads to ideas like quotas on police to catch speeding motorists.

Infrastructure:

Renewable energy projects. It's a no-brainer.

The Australian public has clearly shown an overall positive attitude towards renewable energy. People are putting solar panels on houses, aged care facilities, churches etc etc.

The vast volume of solar panels are imported even though Australian research into solar technology is world class and even leading edge. We import from Germany, China, Canada most of the solar panels instead of manufacturing them here.

Government should;

- Use solar or wind generated power for public buildings
- Support development of solar power farms in rural Australia for outback towns/cities
- Provide seed funding or other support for solar panel manufacturing
- Fund research into other sources of energy (hydrogen, sea currents,).

Other avenues.

East Coast Rail network.

This is one area of spending that is bogged down in the “return on investment” mindset. Every analysis that has dealt with a “very fast train” concept has determined that such a project would not make a positive return for a long time. That's fine, but that type of thinking comes from a merchant bank background rather than a basis of building a public utility that has benefits other than cheaper travel or fast travel.

A decent train network should be able to move not only people but large quantities of goods. A solid haulage capacity on rails would take a lot of trucks off the road. Trucks that a) burn fossil fuels b) create wear and tare on roads (which then need to be maintained by the public purse) c) create dangers for other road users thanks to drivers trying to meet deadlines.

International Trade:

The area of international trade is so complex it cannot be covered in a short paper such as this. However, I will make one suggestion in relation to motor vehicles.

Since virtually all new vehicles come from overseas, government should legislate the issue of what is commonly called “right to repair”. This is mostly discussed in relation to heavy equipment such as harvesters or other farming equipment. However, the same issue applies on a much larger scale to motor vehicles. Dealerships don’t make money on selling cars but on the on-going maintenance via monopoly ownership of software that run the functions of the engine, gearbox and many other components.

What is required are laws that give car owners and mechanics access to the software to the degree that faults can be diagnosed correctly and repairs and maintenance decided on without the car owner being locked into a particular dealership.

Employment / Unemployment

Some observations.

- Legislate a higher basic wage.
- No tax cuts (even if unpopular, people will pay higher taxes IF they feel they are getting something appropriate for their money – hospitals, schools, services.
- Equality in professional qualifications across different sectors. Example – why is a nurse paid differently in aged care to a nurse in a hospital setting? You will not attract nurses to aged care by promising mentoring or other esoteric benefits. New graduates will go where the money is every time.
- And one last off-the-wall idea – bring back conscription

Your Sincerely

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