

It shouldn't have come to this—we need an essential economy



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Lead Editorial

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Governments around the world are resorting to extreme economic and law-enforcement measures in the name of combating the coronavirus pandemic. Most of these actions would either be unnecessary, or at most temporary, if governments attacked the emergency on its merits, without ulterior motives, and driven by an understanding of what is necessary for the functioning of the real economy and supporting the common good.

At last count, the Australian government and Reserve Bank had wheeled out over \$300 billion in emergency spending, \$105 billion of which is a direct bailout of the banks and financial system. The US government and Federal Reserve are pumping out US\$6 trillion! As the crisis has unfolded, the Morrison government has been forced to announce extra spending but more targeted at supporting the population, including subsidies for wages to avert an unemployment crisis. Given the circumstances, some of these are necessary, but it should not have come to this.

On the face of it the law-enforcement measures that have been announced may also seem necessary. After all, how else do you get people to take seriously the need to avoid congregating to stop the spread of the virus? Such measures, however, should be no more than a short-term extension into the community of strict hygiene and quarantine protocols that always operate in hospitals. Yet we are also seeing a ramp-up of police-state actions, including dystopian surveillance drones, crackdowns on legal firearms, and other heavy-handed tactics, and no indication of when these measures will be lifted. This direction is dangerous and, again, it should not have come to this.

It's come to this because of the economy. Experts are saying that the next generation will be saddled with the debt that's being racked up today to address the crisis. That cuts both ways: the current generation is now paying for the deregulation policies unleashed a generation ago, which infected productive economies with the virus of financial speculation. A very real consequence of this metaphorical virus was the takedown of our public health systems and therefore our ability to combat real viruses. Whereas in 1977 Australia had 8.1 hospital beds per thousand people, today it has fewer than four.

The other economic vulnerability that has hampered a proper response is our services economy centred on banking and real estate. The government has been reluctant to implement a short, sharp lockdown of the economy in which only essential services continue to function for one main reason: most of Australia's economy is non-essential! It's a shocking truth that must be reversed.

With a strong public health system and productive economy, Australia would have been able to take the South Korea/ Singapore/Japan/Germany path to tackling the crisis. There's a campaign building around the world to force China to pay reparations for the damage it has caused by allegedly covering up the outbreak (not true, p. 7), but its Asian neighbours haven't been economically damaged the way Australia, the USA and Europe have. Why? Because they took it seriously and immediately ramped up intense efforts to contain the pandemic without extensive lockdowns, backed up by well-resourced health systems. Our countries sat on our hands and are now playing catch-up, so now we're seeing mega-bailouts and police state measures, some definitely pre-planned waiting for the right pretext, but the rest now forced by the cascading crisis.

Mega-bailouts should never be necessary, and flooding the system with money won't work. But with the right policies and institutions to deliver them, the economy can be transformed to meet any challenge. This week the Citizens Party launched its new petition, "For national survival, Australia needs a national bank—now!" With a national bank, instead of having to put so much non-essential activity on life-support, the government could be seeding the economy with investments that make it

essential again. That's what we must fight for.

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