



## Keeping In Touch - Dan Wild

Dear IPA Members

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The Prime Minister is very aware of the unique way of life that defines us as a people. And Morrison has been clear about what Australians need to do in order to slow the spread of the virus



to allow for the health system to cope.

The Prime Minister has also delivered some very strong and reassuring messages that he and his government understand the economic and social impacts of their health measures. Morrison said in his excellent press conference last night that “everyone who has a job in this economy is an essential worker...jobs are essential and everyone who has one needs to be able to keep doing their job.” It is worth repeating that. Every job is essential. Every job has dignity.

However, there are some worrying signs.

The state economic shutdowns of Victoria and New South Wales announced by Premiers Andrews and Berejiklian were reckless and ill-advised.

Many Australians were wondering why there was a sudden announcement of a state lockdown when the Ruby Princess cruise ship was allowed to disembark some 2,700 passengers last Thursday in Sydney, 130 of whom have tested positive to the coronavirus.

Some might suggest this is the nature of decision-making under uncertainty. Perhaps it is. But it illustrates that some leaders are more adept in a crisis than others.

Along with the health impacts, policymakers must balance the economic impacts and associated social and cultural impacts of the health measures.

The government has suggested that up to a million additional Australians could become unemployed. Others have estimated an unemployment rate of 10 per cent, but this could easily be much higher.

The challenge is that the health impacts of the coronavirus are direct, immediate, and obvious, while many of the economic impacts will be felt for years and generations.

The longer someone has been unemployed, the longer they will be unemployed; meaning that someone who has been unemployed for a year is less likely to find work than somebody unemployed for six months. This is how unemployment becomes entrenched.

Joblessness is an economic problem, but also a profound social and spiritual problem. Work provides meaning, dignity, and self-sufficiency. It allows people to own a home, start a family, and participate in their local community.

This is why the most important factor in limiting the severity of the downturn and facilitating as quick of a recovery as possible is to maintain the relationship between workers and their employers. Once that relationship becomes severed, economic recovery becomes very difficult.

One way the government could improve upon its economic recovery packages is to consider further wage subsidies.

The effective wage subsidy announced as a part of the second economic recovery package will



be around 20 per cent of the total business wage bill. In the UK, the subsidy is 80 per cent, and in the US it is 100 per cent. It is true that Australia's PAYG system makes the administration of a wage subsidy in Australia different. But now is not the time to be constrained by business-as-usual thinking.

There should be only one objective of the economic recovery packages from Commonwealth and state governments: keep people in their job as far as is possible. This means every additional dollar of spending must be targeted to this objective, and the goal must be to keep the unemployment rate below 7 per cent.

A related economic issue goes to two parts of the Australian tradition: sacrifice and egalitarianism – and that is equality of sacrifice. I have been deeply troubled by the disparity in those who are at the forefront of the fallout. It is the small business owners, families with children and a mortgage, the tradies, the frontline staff, and small landowning farmers who are likely to suffer first and suffer most. This is the Australian heartland.

But those who are imposing new rules that are putting the Australian heartland out of work are not the ones feeling the pain: these are the public servants, the bureaucrats, the university administrators, and the members of the political class and the courtiers that surround them. Indeed, many may emerge from this crisis more powerful than before as they will be the beneficiaries of new regulations that confer onto them more power. And because many in this class will keep their jobs and will likely see their wages at least remain intact, they will become in relative terms richer and more influential.

In other words: the people who are today deciding who will be allowed to work tomorrow will themselves, with almost 100 per cent probability, have a job tomorrow no matter what.

One example that disappointed me was reading Brian Schmidt's column in *The Australian* on 24 March. Schmidt is the vice chancellor of the Australian National University, and has one of the finest minds in the world when it comes to his area of expertise in physics for which he won a Nobel Prize. Brian argued that "tough public health calls need to be made...based on the best evidence we have" and that "universities are central to this". The reason I was disappointed is because some universities have been complicit in exacerbating the health crisis. The University of Western Sydney, for example, offered to pay international students to fund travel packages that would circumvent the Commonwealth government's travel restrictions.

That is not equality of sacrifice.

Neither is what Adam Creighton wrote about in today's *The Australian*. Creighton reported that there will be a pay freeze for MPs, judges, and senior public servants. This, to be frank, is pathetic. As John Roskam said, "we have seen a disconnect of bureaucrat elites from the productive economy". John also said that public servants needed to incur some of the costs of shutting down the economy.

According to the Australian Bureau of Statistics, private sector workers on average are paid 20 per



cent less than public sector workers. While public sector workers also benefit from a 15.4 per cent superannuation contribution funded by the taxpayer while private sector workers receive 9.5 per cent funded by themselves through lower wages.

Commonwealth public sector wages must be reduced by 20 per cent and the superannuation contributions must be reduced to 9.5 per cent. Based on data from the Australian Bureau of Statistics this would provide \$5.7 billion which assuming an annual salary of \$80,000 could support around 70,000 jobs.

Perhaps no one better captures the detachment of the elites that John mentioned as the ABC's Fran Kelly, who this morning interviewed the health minister Greg Hunt. It was an appalling interview, even by the standards of the ABC. Fran Kelly chastised Mr Hunt for not doing enough to stop the spread of the virus, and constantly interrupted Mr Hunt as he attempted to answer.

I thought Greg Hunt very reasonably set out the government's measures and the advice on which it was based. I don't agree with all of what the Minister said or all of what the government is doing. But as Mr Hunt said, that is our right in a democracy.

There are two points to make. Firstly, there are many experts who have different views. Some health experts would prefer a close to total shutdown; others "herd immunity". Some economic experts want to raise spending, some cut taxes, some increase lending, some reduce red tape. The ABC does not have a monopoly on the experts.

Secondly, experts advise but the Members of Parliament duly elected by the good people of this country decide on the course of action they want to take. Sometimes they get it right, sometimes they get it wrong. But even though this is perhaps the greatest crisis since WW2, that doesn't mean our rights as citizens of a liberal democracy – indeed, those rights that our ancestors fought and died to protect in WW2 – should be suspended. Quite the opposite. A diversity of views freely spoken is more important than ever.

What was perhaps more revealing to me is not so much what Kelly said, but what she didn't. Not once did Fran Kelly talk about jobs. Perhaps this is because she doesn't care about the one million Australians who are likely to become unemployed over the next six months. Or perhaps it is because it is impossible for the protected and sheltered elites to empathise with Australians in the real world.

While those such as Daniel Andrews and Fran Kelly are apparently unconcerned with bulldozing people's lives, it is reassuring that the Prime Minister and the health minister and many mainstream Australians around the country are starting to understand the trade-offs and how high the stakes are.

I don't want to labour the point. But there is one other area that Fran Kelly missed, which is the leadership of President Trump in the United States. Trump, like many of us, has gone from one extreme to the other and has now landed in a good place. Trump started with a very hands-off approach, then went to complete war-like shutdown, and now is in the middle. Earlier this week



the President said he wants the US economy operating again by Easter. I agree.

Leadership means in a time of uncertainty and crisis making a stand and taking a gamble based on the best available evidence. Trump understands the health impact of the virus. But he also understands – and I believe Morrison and Hunt understand as well – that having millions of people unemployed would be a disaster the likes of which we may never recover from.

I agree with Prime Minister Morrison that all jobs are essential. But perhaps in the case of Fran Kelly we can make one exception.

As a final observation, this crisis has highlighted the real world implications of the decline of trust amongst the public of our elites and experts. Morrison, perhaps rightly, scolded those who have been flouting social distancing orders for example by going to Bondi Beach. But the challenge that Morrison and the experts who are advising him face is that the elites and experts have so often been wrong and misleading in the past.

As I wrote for The Spectator Australia yesterday, whether it was Wayne Swan's non-existent budget surpluses, Julia Gillard's "there will be no carbon tax", the submarines that won't keep us safe, the costly and inferior NBN, the fraud that is compulsory superannuation, the current Treasurer's premature claim that we are "back in the black", the \$570 billion in gross commonwealth debt, and so on, our political elites have got it wrong so many times before. Trust, once it is gone, takes decades to get back.

Our task is to remind our leaders of the unique Australian way of life that has made Australia the nation that it is today, to keep that flame alive during this crisis, and to rebuild it in the months and years that follow.

This is the IPA's mission.

Kind regards Daniel