



Opening statement to Senate COVID-19 Hearing

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Thank you for the opportunity to appear before this hearing.

Economics and the success of economic policy is judged on outcomes.

This is, or at least should be, obvious.

Economic growth, the labour market, inflation and wages can be heavily influenced by government policy.

Government decisions on who to tax, how much to tax, where to spend, the rules and regulations on the labour market and the environment, for example, will all impact the economy.

When I look at the government response to COVID-19, I see a timid approach.

The government has been stingy, with a red tape nightmare for many of those wanting to access offers of government funds.

To be sure, the dollar values of the support and stimulus measures appear large, but when I see today over 1.7 million people underemployed, 928,000 people unemployed and a further 620,000 people having dropped out of the labour market in just a few months, I can see the measures have not been enough.

As I look forward, there are clear problems with private sector demand.

Business investment will be weak. I ask rhetorically, who now would be starting to plan for a new hotel, office tower or a housing development, or investing in new planes, universities and the like?

At the same time, households will face record low growth in incomes which will limit this vital part of the economy from contributing much to growth and employment.

This means the government must look to not only fill the gap left by the depression-like conditions in the private sector but to generate growth over and above that.

With quarterly nominal GDP around \$500 billion, additional government injections of \$25 billion per quarter, for example, would contribute around 5 per cent to GDP.

The government needs to do stop obsessing with the budget deficit and provide meaningful policy stimulus to get the economy back on track and to deal with the disasters in the labour market.

I look forward to expanding on these and other issues.

Thank you.