THE TEMPORARY WELFARE STATE: THE POLITICAL ECONOMY OF JOB KEEPER, JOB SEEKER AND 'SNAP BACK'

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The Coalition Government's response to the COVID crisis appears, at least temporarily, to have upended political economic certainties. Having only recently won an election fighting for lowers taxes and less spending, the Government announced the unemployment benefit would (temporarily) be doubled through a new JobSeeker payment. In amidst a renewed attempt to pass anti-union legislation, Coalition Ministers now lined up to praise ACTU Secretary Sally MacManus, who in turn praised the Government for implementing JobKeeper, a version of the union's call for a wage subsidy.

Combined, the two measures form the fiscal centrepiece of the state's COVID-19 response. Together, Australian Governments have implemented a planned shut-down of large sections of the economy, and now plan a gradual reopening.

Surprise at the willingness of a fiscally hawkish Coalition Government to roll out an unprecedented expansion of the welfare state can perhaps be explained by the temporary nature of the crisis and the response. Both measures are specifically designed to end later this year, with legislation imposing an explicit sunset clause, as the economy 'snaps back' to life after the shut-down.

Yet 'snap back' is far from certain. Many of the pressures that forced the Coalition to act will remain beyond the programs' September expiry date. If the pressures that gave rise to the payments remain, might the payments themselves? How long can the state of emergency be maintained before

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temporary policy settings become normalised? Alternatively, how long until the drum beat of debt and deficit install austerity?

Here I discuss three elements of the current situation that potentially open new possibilities for equality. First, the COVID response reveals that alternatives are possible. Second, the need for a health response to COVID centres social need as a political concern. And third, the crisis reveals the macroeconomic risks caused by decades of 'risk shifting' from states and business onto households.

None of this means a more secure welfare net will be made permanent, nor that the same rationale will be extended to preventing future crises, either financial or ecological. Structuring and framing interventions as exceptional signals a strategy for retreat. Reimposing fiscal norms favouring budget surpluses threaten to make deep austerity appear inevitable. Ultimately, the future will be determined by politics. Crises create opportunities, but movements must seize them.

Return of the visible state

Necessity has been central to neoliberal politics. The famous mantra of TINA – There Is No Alternative – framed market restructuring as both inevitable and technical, a 'golden straight jacket', which states wore because the alternatives meant economic demise (Friedman 2000). That has changed. Governments have acted swiftly and decisively to directly intervene in economies. Not only has the state prohibited some forms of economic activity, it has also facilitated the rapid expansion of others. International travel was effectively shut down, mobile health clinics were opened.

There is an important parallel here to wartime. An external threat suddenly changes politics to legitimate overt government direction of the economy. We now see the economy can be reorganised towards a goal determined by politics, rather than by competition within markets. Of course, the goal in responding to COVID has been to prevent the spread of disease rather than defeating a military enemy. In both cases, however, an external, politically determined objective is used to regulate production and consumption. Government action reveals that markets are ill-equipped to produce certain kinds of social outcome, and that economic activity can be reorganised to meet socially determined goals. In other words, there are alternatives.

Some reject the war analogy because wartime economies are designed to push the economy to run hot, not to induce an economic coma. Yet, a key part of both strategies is the same – to supress domestic consumption. In industrial wartime economies domestic consumption competes with war production: in today's service economy domestic consumption aids contagion. Promoting consumption is hard-wired into market competition and is a key source of state legitimacy, while reducing consumption requires choices about what is essential.

Deliberately supressing consumption is thus challenging. It is beyond the scope of 'self-regulating' markets and requires a new source of state legitimacy. The total war effort required at mid-20th century drew on strong forms of solidarity, which were then mobilised by strong socialist parties and unions to build the post-War welfare state. Today, state action is less about solidarity (despite invocations that 'we are all in this together') and more about practical health needs. Even so, the assertion of imperatives other than profit opens opportunities.

Politicising need

Critical theorists and political economists have long argued that politicising needs as rights is central to winning social demands (Johnson 2019). The socialist dictum 'from each according to their ability, to each according to their need' highlights a tension in the organisation of market economies that are both remarkably productive and yet unable to guarantee that basic needs are met. The centrality of need is also demonstrated in the organisation of welfare states. As Esping-Andersen (Adereth 2020) notes, welfare states might reduce inequality in the abstract, but individual social policies are largely designed to protect people from concrete social risks, securing needs from the vagaries of the market.

Needs may be contextual, rather than absolute, but they are directly connected to lived experience. In a health crisis, needs become central to policy making. If governments want people to stay home, then people need to be assured they will be housed and fed. If emergency workers are to continue, they need assurance their children will be cared for. The policies that follow reflected the politics of need.

The most dramatic initial act was to double Newstart by creating a new payment, the 'COVID supplement', equal to Newstart, set to run until September. Welfare to work requirements were suspended and the new payment was extended both to the unemployed and to students (but not to those with disability or the retired).

The supplement reveals that unemployment and students payments are below what most people consider a minimum standard of living. This is tolerated for the unemployed through a form of wedge politics that constructs the unemployed as ‘undeserving’, and for students through norms that presume students will combine study with paid work (thus the payment tops up that paid income). Both assumptions were unravelled by the crisis, which tossed thousands instantly into unemployment and shut down the industries on which most students (and young people) depend for jobs.

Other assumptions of Australian welfare remained in place. Migrants were systematically excluded. Those on other payments were left largely as they were (reflecting an assumption that recipients were not impacted by the economy’s freeze).

The government might have gone further and used the crisis to more thoroughly challenge unjust norms. Instead, much of the stimulus is aimed at propping up Australia’s privatised welfare state. Private schools received assistance, public schools and universities did not. Funding for free childcare aided private providers, and private hospitals were saved from collapse not through nationalisation but by bailouts.

Housing demanded a particularly complex response. Almost instantly, State governments started to announce emergency funding for those experiencing homelessness (or at risk of homelessness). Thousands of rough sleepers were suddenly housed, an outcome that seemed impossible only weeks earlier. Dealing with the health crisis required dealing with people’s needs, revealing that apparently intractable problems could be addressed through political will.

Private rental housing proved less tractable. Despite a series of meetings and commitments to ensure renters would not be evicted, little concrete action was taken. Tasmania stood out, effectively banning landlords from evicting tenants. But housing has been so thoroughly financialised this proved difficult elsewhere, as the tangle of rents, mortgage repayments, banking liquidity and asset prices left governments feebly requesting landlords and tenants ‘negotiate’.

Job seeker and housing policy show governments attempting to prioritise needs. By demonstrating that governments can choose to reduce poverty and homelessness, these actions provide an opportunity to re-politicise need. It is one thing to tolerate poverty, another to consciously engineer it. The history of the welfare state shows, that once established, it is hard to withdraw support (Pierson 1994), to consciously and visibly allow needs to go unmet. When will governments decide to return people to homelessness? Yet the challenges of housing policy also revealed that need alone was not driving the crisis response – so too was macroeconomics, and particularly the market's need for liquidity.

Risking together

A visit to the Australian Treasury's website during the crisis is revealing. Alongside large buttons entitled 'Support for Individuals and Households' and 'Support for Businesses and Employers' is a third, 'Supporting the Flow of Credit'. It is itself curious that the first button is not 'workers' nor 'families', instead reflecting the more clinical categories used in economic and statistical analysis. But the emphasis on maintaining the flow of credit is remarkable.

A defining feature of neoliberal capitalism is a 'great risk shift' from states and corporations onto individuals and households (Hacker 2019; Bryan and Rafferty 2018). The financialisation of the welfare state has been central to shifting risk – through market-based pension funds (superannuation), private health insurance and childcare, and through a capital-gains focused private housing market. Each was designed to replace (or at least minimise) public provision; and each involved large, inequitable tax concessions that erode the tax base.

Individualising risk underpins rising inequality and insecurity. The reorganisation of capitalism around finance has also made risk the engine of profit. Risk is not simply shifted onto the poorest citizens. A quick analysis of household debt reveals richer households owe much more (in absolute terms and proportionate to income) than the poorest. Australia's housing market is premised on very high levels of gearing (debt exposure) to access capital gains.

We tend to associate debt with discipline of those at the margins, but Dick Bryan and Mike Rafferty (2018) argue debt and credit now form the centre of financial capitalism and profit making. The crisis appears to confirm this. Keeping credit flowing as people stay home is one of the biggest challenges of managing COVID. Finance simply can't tolerate stasis.

Households increasingly underpin global systems of credit. Repayments of mortgages, super contributions, insurance premiums and regular payments for phones, energy and water are ideal targets for new models of collateralisation. These household payments are useful precisely because households can be relied upon to keep them going, even in tough times, because their reproduction depends on them.

By managing unstable incomes into stable outgoings, households have become the 'shock absorbers' of the monetary system. But there are limits. And if households become unreliable they threaten an important pillar of financial confidence and liquidity. The macroeconomic response to COVID suggests the bureaucracies of global economic institutions recognise this, leading to new forms of monetary and fiscal policy. Central banks have found creative ways to pour liquidity into the system. But governments too have resorted to new social spending to keep the wheels of credit turning.

While the increase to JobSeeker payments partly has reflected the politics of social need, changes to eligibility and work requirements - and the extension of Job Keeper - also reflected the importance of just keeping the money flowing. This follows a global shift from policy-makers to embrace regular cash payments as a form of social policy alongside demands from movements to secure a basic income (Lavinas 2018).

Moves to guarantee payments to households during the COVID crisis reflect the learnings from the GFC. Then, Australia was a world leader providing stimulus payments directly to households. Those payments were based on maintaining aggregate demand, but they also maintained household liquidity, reducing defaults on mortgages and rent arrears, which helped stabilise finance. The repeat of similar kinds of policies signals a new form of macroeconomic crisis management that is now accepted by policy elites globally.

We often focus on the vulnerability of workers, individuals and households that comes with the individualisation of risk. However, the GFC and COVID suggest that the ability of global finance capital to systematically shift risk onto households has constructed those individualised risks as a collective macroeconomic risk to liquidity. Bryan and Rafferty (2018) have noted the same process, arguing for rent and mortgage strikes as the basis of collective action.

The crisis suggests an increasing alignment between the demands of liquidity and equality, with important implications for future politics. The rise of casualisation and private rental, in particular, have been revealed as macroeconomic risks in times of crisis. However, the failures to adequately protect private renters, and to exclude many casual workers from payments, indicate we are yet to move from crisis responses to systemic change.

Planning for retrenchment

One of the biggest challenges the Federal Government faced in responding to the COVID onset was how to successfully manage the short term health crisis without provoking a structural political realignment. The very strategies that have been used to promote profitability – labour market flexibility, financial deregulation, workfare and investor rights – became barriers to effective health responses. How do you put a towel around the Emperor during the crisis without keeping it there when the crisis ends?

The temporary nature of the policy responses is the key to unwinding social protection. Both JobKeeper and JobSeeker require new decisions to keep them going. Even if there is some extension, it is likely to again be temporary. The ballooning public debt will loom large: even if the sums are smaller than elsewhere, at record low interest rates and could disappear entirely through innovative monetary policy.

Australians have been taught over decades to fear public debt - from Hawke's trilogy commitment to Howard's 'budget black hole' and the recent election. Reasserting political limits to state finances is critical to resuming business as normal, and potentially the most important political fight of our lifetimes.

Even so, it will be difficult to simply turn the tap off. Businesses do not operate like finance, where changes in expectations take hold near instantaneously as future implications are quickly factored into present prices. Demand and production in the 'real economy' will return slowly. It will be months, maybe years, before it returns to its past capacity. Until it does there will be little incentive for private investment.

In the meantime, JobKeeper and JobSeeker already prop up the reduced flow of income. Taking them away would act as a significant contractionary intervention, pushing the economy further into recession. Instead of cuts, the economy needs additional stimulus as it awakens, as banks again begin to demand mortgage payments and landlords reimpose rents. The only alternative is deflation, lowering prices to meet what households can afford.

The Government will confront the same dilemma as business - risk a short-term economic slump by withdrawing spending or risk a long-term shift in the balance of power by extending payments, potentially entrenching an expansion of the social safety net. We will likely hear calls to stimulate private business and cut back welfare as these contradictory demands are managed.

Where to now?

Predicting the future is a mugs game, particularly when outcomes are subject to complex economic and political forces. Whatever happens, we have only begun to see the conditions under which the outcomes will be decided – the outcomes themselves are subject to politics.

Rather than predicting, my aim has been to identify opportunities. We have seen that the state does have choices – we should remind people of that. We have seen that as production fell – as we had fewer resources to play with – somehow we could lift thousands out of poverty and homelessness. Yet, as the economy grows and prosperity is restored, so too is poverty.

Contesting austerity will likely rely on some old principles, refashioned to a new context. Focusing of social needs and demanding those needs be met. The current policies create an opportunity to resist a conscious return to poverty benefits and indifference to homelessness.

Longer term, we should name the risks created by casualisation, insecure housing and underfunded essential services, not only to individuals, but collectively and macroeconomically. Given technocrats now acknowledge the state needs to do more, we should build on that foundation and claim the state, not only as provider, but also as collective insurer and risk manager.

Most of all, we should focus on what is tangible. It is tempting to argue on more abstract grounds and debate monetary theory. It appears the economic establishment has already accepted that argument: the next steps are entirely political, and saying governments can print money has yet to prove effective there. Indeed, many of the policies that have damned a generation to insecure work and homes were justified precisely by advocates of ‘generational equity’, who are already calling for more cuts to protect 'future generations' from repaying debt. Reversing the large and inequitable tax cuts already legislated for coming years offer a tangible response.

Instead, our claims should be simple. We have enough homes. We have enough food. We have dedicated care workers, transport workers and retail workers. And we now know we can organise our economy based on these values. Of course, doing so not only requires rhetoric, but organisation. As social isolation brings into relief, that is perhaps the biggest challenge of all.

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