

REBUILDING AFTER COVID-19 WILL NEED A SUSTAINED NATIONAL RECONSTRUCTION PLAN

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The deliberate shutdown of large sections of the economy to stop infection and protect public health has caused an unprecedented economic crisis. This is not a normal cyclical downturn: the kind that starts in one sector, and then spreads via standard economic chain reactions (like reduced incomes, reduced spending, weakened confidence) throughout the economy. This contraction happened much faster – led by synchronised closures in the most vulnerable industries: customer-facing service sectors like retail, hospitality and personal services. It is also much deeper: GDP will likely contract at least 20% compared to pre-pandemic levels, worse even than in the Depression of the 1930s (which took years). And it was deliberate. We *wanted* production and work to stop, to save lives – so the usual antidotes to a downturn (aimed at encouraging consumers and businesses to get out and spend) are hardly applicable.

The unique nature, speed, and depth of this crisis demands an equally unique and powerful policy response. The conventional language and tools of counter-cyclical policy do not reflect the reality of this situation. And traditional notions of ‘stimulus’ – typically understood as short-term pump-priming to lubricate an economic machine that is otherwise assumed to be in good working order – will have little traction in the post-pandemic economy. Normal private sector channels of growth are too shocked and damaged to lead recovery. With collapsing private incomes and profits, shattered confidence, and profound uncertainty about what comes next, private sector activity will never just ‘snap back’ (as some pundits fearlessly predict). Consumers will have neither the income nor the confidence to foster a consumer-led rebound. And companies will not

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commit capital to long-term investments when no-one knows whether future waves of infection will put us all back into lockdown. Disruptions in global supply chains, travel and trade patterns will cause sustained damage to many Australian industries (including resources, manufacturing, higher education and tourism).

Remember, private profit-seeking investment is the engine of capitalist growth. After this catastrophe, if left to its own devices, the private sector economy is poised for years of depression.

In short, therefore, we will need much more than a cyclical ‘recovery’: we will need a complete *reconstruction*. And we will need much more than ‘stimulus’ to mobilise economic resources, meet human needs, and get Australia working again. Instead, we need a full-fledged national reconstruction plan. We need a whole new vision for achieving job-creation, incomes, and growth in the aftermath of the pandemic. And, naturally, we will want that reconstruction to address the critical failures of the business-led economy that were painfully evident before the pandemic: underutilisation, precarity, inequality and climate change.

We think there is both an economic and a political opening to fight for and win an ambitious, comprehensive, and sustained plan to reconstruct Australia’s economy and society after the pandemic. After all, in essence we are fighting a war: a war against disease and its effects on our society and economy. Under government’s powerful leadership, we are rightly throwing every possible resource into that war — including invoking direct tools of command and control that fell out of favour during a generation of market-worshipping policy. And like a war, we now need a deliberate plan for post-war reconstruction.

The historical precedent

Indeed, there’s a strong historical precedent for the sort of sustained, economy-wide leadership and planning that Australia will need in the wake of the pandemic. Barely halfway through World War II, the Commonwealth government already began planning for an ambitious, holistic, and progressive post-war reconstruction. Remember, the national economy had been mired in depression for a decade, until Australians were put back to work *en masse* by the war effort. Concern over slipping back into depression was front of mind for the wartime economic planners. They knew that simply waiting for private sector ‘recovery’ would not be

acceptable: a national reconstruction plan was needed. That meshed nicely with the Labor government's emphasis on active industrial policy and 'nation-building' infrastructure projects. Meanwhile, grass-roots political and union organising, and a changed global geopolitical context, meant Australian elites worried about potentially radical demands coming forth from a newly-confident working class movement. All of that reinforced the government's willingness to undertake ambitious post-war reconstruction planning.

An interdepartmental committee of Cabinet was formed as early as 1942 to start considering options for a reconstruction plan. A new Department of Post-war Reconstruction was formed at the end of that year, with Ben Chifley (then the Treasurer) appointed as Minister. Nugget Coombs, one of Australia's most legendary public servants, was appointed its Director-General (in addition to his duties at the time overseeing the wartime rationing system). The post-war plan contained several complementary features: building domestic manufacturing (through ambitious development policies like a national car strategy); building national transportation and communications infrastructure; extending the conciliation and arbitration system; expanding public education and welfare programs; coordinated vocational training (including to assist returning soldiers to transition to peacetime employment); and intensive labour market planning (including through a new Commonwealth Employment Service, formed in 1945). Expansionary macroeconomic policies (featuring rising government spending, continued deficits, and accommodative interest rates) underpinned the drive to full employment after the war. The landmark White Paper on Full Employment (also published in 1945) committed the post-war government to creating productive work for everyone.

Australian post-war planning took place alongside similar developments internationally. The U.S.-led Marshall Plan, of course, was motivated by an anti-Soviet geo-political imperative. But its economic vision of massive, sustained, government-funded investments to rebuild industry and capacity in Western Europe was compatible with the general vision of Australia's post-war reconstruction plan. Other countries undertook similar initiatives once the fighting stopped. And Australia played an active role in international efforts (represented ably by Doc Evatt) to promote a full-employment post-war global economic and monetary regime. While the outcome of the Bretton Woods conference and other fora at the time fell short of that goal, the Australian government

nevertheless believed that its domestic policies were ratified by parallel international reconstruction efforts.

Of course, Australia's post-war reconstruction was shaped by the class, gender, and racial structures of the time. That experience cannot be held up uncritically as a template for a modern vision of post-COVID-19 reconstruction. But the recognition in 1942, years before the war actually ended, that Australia would need a deliberate, ambitious, and well-resourced plan to transition to a peacetime economy, and that we could not afford to just go back to how things were before the war, provides a striking analogy to the present historical moment. Like then, we need a plan for full-employment economic transition. But this one must acknowledge and address modern priorities and concerns, including:

- An overarching focus on sustainability and decarbonisation to guide industrial policy and infrastructure decisions;
- A commitment to eliminating the pervasive precarity that has so exploited and endangered Australian workers, while preserving worker-centred flexibility in working hours and work patterns;
- Developing new ways of engaging with the global economy, in the wake of shattered supply chains and ad-hoc protectionism, that is fair (including to migrant workers), balanced, and sustainable.

Rebuilding after the pandemic

The war against COVID-19 is far from over. So government must continue organising – and paying for – the urgent immediate responses we need to fight the pandemic and its economic consequences. Priorities should include:

- *Continuing mobilisation of resources to protect health:* including more staff at health facilities, expansion of testing and tracing capacities, home support for people quarantined or recovering, and expanded facilities and equipment where needed (such as in aged care facilities, which proved to be a weak link in Australia's health response).
- *Protecting workers as the economy re-opens.* Bosses will not pay adequate attention to workers' health and safety unless they are forced to. In theory, Australia's robust WHS laws provide

protections for any person undertaking paid productive labour (adopting the much broader classification of ‘worker’, rather than ‘employee’), but real enforcement by state-level regulators is inconsistent, passive, and under-resourced. Bosses will only observe worker health and safety in the pandemic through scrutiny from governments and regulators, and empowered worker advocates and union stewards. The horrific examples of mass contagion among workers in meat processing plants, residential care homes, and Amazon warehouses must spur a revitalised regime of occupational health and safety.

- *Inclusive income protection for all workers*: including for casuals, self-employed, gig-workers, part-timers, and international migrant workers – all of whom have had limited or non-existent access to the government’s emergency measures (like the JobKeeper wage subsidy). Permanent paid pandemic leave provisions must be enshrined in the National Employment Standards (as the ACTU is demanding) to support appropriate and safe responses to future outbreaks of this, or other, viruses.
- *Debt relief and business assistance*: emergency financing and public equity injections will be needed to keep firms viable in many industries (including airlines, other transportation, tourism, and hospitality). In strategic industries, emergency aid to companies should be tied to public ownership. Other parts of society also need protection from creditors; foreclosures and evictions should be prohibited, and other personal, student and credit card debts deferred or forgiven.

These immediate measures are crucial, and they will have positive economic effects (just like ramping up production of military production generated jobs and rising incomes through the Second World War). But they cannot prevent a lasting post-COVID-19 depression: at best, they are protecting Australians against some of its worst economic consequences right now. So the government must start preparing and planning now to lead the longer-run reconstruction and reorientation of the economy. Conventional tools of counter-cyclical monetary and fiscal policy cannot possibly address the scale of this crisis.

Instead, direct economic leadership will be required from government. For many years to come, Australia’s economy will rely on public service, public investment, public employment and public entrepreneurship as the

main drivers of growth. They must lead us in recovering from the immediate downturn, preparing for future health and environmental crises, and addressing the desperate conditions in our communities. The dramatic weakness of private business capital spending in recent years (declining by one-third since the mining boom ended in 2013) was already indicating a growing need for public investment to lead the way. After COVID-19, it is impossible to imagine that private capital spending could somehow lead the reconstruction of a shattered national economy.

What should be the major components of a public-led post-COVID-19 reconstruction plan? There are many priorities for public investments and economic leadership. Any and all of them would create needed jobs, provide essential services, and rebuild our capacity to work, produce and spend:

- *Healthcare services and facilities:* Australia's public health infrastructure has responded courageously to the demands of COVID-19, but the crisis highlights long-standing weaknesses in our health system. We will need to invest tens of billions in repairing and improving health facilities (including services like aged care and community health), training and employing more healthcare workers — and being better prepared for the next pandemic.
- *Transportation:* Airlines and other public transportation providers have been among the hardest hit by the pandemic. They will need injections of public capital and other direct support to recover and rebuild – but tied to maintenance of employment levels, fair treatment for workers and suppliers, and in some cases public ownership.
- *Public infrastructure:* Under-investment in public infrastructure since the 1980s has badly undermined national productivity and quality of life. This is the time to commit to a sustained public investment program, for transportation, energy, utilities, and public facilities. In the 1960s, public investment averaged over 9% of GDP; today it is just 5%. Politicians have announced many projects in recent years with great fanfare, but those photo-ops have not translated into sustained capital injections.
- *Housing:* Property agents are hoping that near-zero interest rates stave off a collapse in over-inflated housing prices, and even rekindle another housing bubble. But the crisis and contradictions

of the private property market are more obvious and dis-equalising than ever. Now is the time to commit to a sustained program of non-market housing construction and provision: creating tens of thousands of jobs, and enhancing housing security for millions.

- *Training:* Millions of Australians will need to find new careers after the pandemic. And young people entering this depressed labour market will be desperate for concrete pathways to work. Australia's vocational education system is in terrible shape after decades of neglect and market experimentation. And universities are now in deep crisis because of the collapse of higher education exports. It's time to reinvent and recapitalise a sensible, integrated post-secondary education system (including a revitalised public TAFE system) that can more effectively meet the needs of new industries for skilled workers and professionals. Again, there is an obvious parallel to the important role played by public training policies in the Post-War Reconstruction plan after the Second World War.
- *Other public services:* All attention is on healthcare services at present, for good reason. But other public services are also in need of investment and expansion: including aged care, early childhood education, disability services and vocational training. As the post-pandemic economy works off an enormous overhang of underutilized labour, expanded public services will be an engine of growth - not just a 'cost' on the government's budget.
- *Energy and climate transitions:* Coalition appointees to the National COVID-19 Coordination Commission (NCCC) are trying to side-track the whole process into a plan to rapidly expand gas energy projects: including fracking, new pipelines, and subsidies to gas-dependent industries. This is illegitimate and short-sighted. It is clear that fossil fuel developments cannot lead national economic growth: global demand is declining, private investors are disinvesting from fossil fuel risks, renewable energy is cheaper, and emissions reduction commitments are pressing. Certain politicians and vested fossil fuel interests will rage at this state of affairs, but they can't change it. The flip-side of this coin is the enormous investment and employment opportunity associated with building our renewable energy systems and

networks. This effort must be led by forceful, consistent government policy, including direct regulation and public investment (not just carbon pricing).

- *Modern sector development strategies:* Active industry policy played a vital role in the post-war reconstruction of the 1950s and 1960s. That policy centred on developing domestic manufacturing capacities. The rationale for active sector-focused strategies is just as strong today. It will take guidance and resources from government to foster a new generation of innovation-intensive, high productivity industries to diversify Australia's export profile and create good jobs. Applicable targets of these measures are no longer just heavy industry, but include a wide range of strategically important sectors in value-added manufacturing, renewable energy, technology, and tradable services. Without this strategy, the knee-jerk response of business and government to the current crisis will be to redouble efforts to accelerate resource extraction and export, only deepening Australia's precarious over-reliance on non-renewable resources. We are already seeing this default strategy playing out with the intense but utterly misplaced focus on gas developments as a key engine of post-COVID-19 recovery.
- *A labour regime for inclusive reconstruction and worker representation:* The whole framework of minimum standards and collective bargaining in Australia requires urgent reform to ensure workers share in the benefits of a sustained, ambitious public investment reconstruction strategy. This requires a systematic revitalisation of the industrial relations regime to improve opportunities for collective representation. Some important priorities in modernising and strengthening the labour regime include extension of existing standards (including minimum wages, national employment standards, and collective bargaining systems) to all workers (including those in casual and gig jobs); expanding collective bargaining scope to the sectoral or industry level to lift bargaining power and worker representation in industry-level reconstruction; and a reoriented Awards system providing higher-wage benchmarks to boost wages and entitlements across all industries and occupations.

In short, there's no shortage of urgent rebuilding tasks that our economy and our communities need. The case for mobilizing resources to meet those needs, under the leadership of governments and other public institutions, is compelling. We can put people to work, repair the damage of this crisis (and better prepare for the next one) and deliver essential and valuable services. All we need is a different model of organizing and leading economic activity — and some modern-day equivalents to Nugget Coombs to implement the plan.

Rejecting austerity and debt-phobia

Reactionary politicians are already dusting off standard arguments about the dangers of big government. During the darkest days of the pandemic, no-one called for 'small government' or 'low taxes'. It was brutally evident that society is directly dependent on government's capacity to act for our very survival. However, as the immediate emergency passes, traditional fear-mongering about deficits and debt, red tape and market distortions will get louder. Those arguments should be forcefully rejected.

Yes, deficits will be huge in the coming years. Expect Commonwealth deficits of \$150 billion or more this year and next, with more red ink at the State level. Public debt could rise toward 100 percent of GDP within a few years. Indeed, anything less than that would be a sign that government is not doing its job to protect Australians from the pandemic and its aftermath.

Far from worrying about that debt, we should in fact celebrate it. And we should be ready to issue more of it to finance post-pandemic reconstruction — just as occurred after the Second World War. Australia's federal debt equalled 120% of GDP in 1945. Thankfully, the government didn't respond with belt-tightening and austerity when the war was over: if it had, Australia would have been thrown right back into depression. The same will happen now if the advocates of austerity win the coming debates over deficits and debt.

In the context of a shattered economy, public debt is just the flip side of public investment. And the post-COVID-19 reconstruction plan will need lots of it.

With appropriate monetary and financial policies, public debt can be managed without hardship or restraint. Interest rates, already at rock

bottom before the crisis, are now close to zero (even for long-term borrowing). Real interest rates are in fact negative — and hence, quite literally, government *saves* money by borrowing, since it pays back less in real terms than it borrowed. The RBA is invoking quantitative easing techniques, to keep interest rates near zero and facilitate massive government borrowing. The line between fiscal and monetary policy has been blurred, and the legitimacy of sacrosanct monetary policy tenets (like inflation-targeting and central bank ‘independence’) are suddenly in doubt. And, once the dust settles on the immediate crisis, we can develop alternative strategies to manage public debt in the long run, and keep paying for the public investments and services we need: including extending and capitalising other public credit institutions, and reorienting the RBA’s focus to full employment (so that it continues to undertake expansionary efforts like its current bond-buying program).

Conclusion: Crisis and opportunity

Our economic, social, and democratic institutions are damaged and fraying after ten long years trying to recover from the last global economic meltdown. Dangerous populist and authoritarian impulses have sprouted from that hardship. Progressives are not yet sufficiently united, confident and focused to turn the tide in our favour.

Great crises are frightening and dangerous. But a crisis can also be an opportunity. The failure of financialized, neoliberal capitalism will be laid bare more clearly than ever in coming months. The private sector will be unable to get the economy back on its feet after this crisis. Australians will be looking elsewhere for economic leadership.

Just as the Second World War ‘solved’ the depression by mobilising enormous resources to meet a huge threat (global fascism), we now need another, peaceful war: a war on poverty, on disease and on pollution. By organizing ourselves as society to fight that war, we will actually make ourselves better off in the near-term: creating jobs and incomes, providing needed care and services, generating taxes. And, of course, we will all benefit in the long-run by winning those ‘wars’ against pollution and pandemic.

The capacity of Australians to work, produce and care for each other will survive this pandemic. And our capacity to work, produce and care is the *only* constraint on what we can do after the lockdowns end: not ‘money.’

All we need is leadership and purchasing power to put those capacities to full use. Investing in public service, infrastructure and reconstruction will make our economy stronger and more resilient: creating jobs and incomes, providing needed care and services, generating taxes. And building a healthier, safer, sustainable world.

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