

Australia's second recession?

Last month the US National Bureau of Economic Research's Business Cycle Dating Committee (a group of eight eminent academic economists) formally [determined](#) that the US recession which began in March 2020 a month later – making last year's recession the shortest of the 35 that the US has experienced since 1854.

This determination underscores the fact that, at least in the US, it has *never* been a necessary or sufficient condition for identifying a recession that there be two or more consecutive quarters of negative growth in real GDP.

That 'rule of thumb' was coined by Julian Shishkin, an economist who at the time was Head of the US Bureau of Labor Statistics (and who invented the most widely-used method of seasonally adjusting economic time series), in an [interview](#) with the *New York Times*' economics editor Leonard Silk, which was published in 28th August 1974.

It's become widely-used in countries which don't have anything like the NBER's Business Cycle Dating Committee – including Australia.

But it is still a silly 'rule'. If the bushfires which ravaged extensive areas of south-eastern Australia in the last weeks of 2019 and the first weeks of 2020 hadn't happened, Australia's economy would almost certainly not have contracted by 0.3% in the March quarter of 2020. Would anyone then have seriously sought to suggest that because we only had one quarter of negative growth – the 7% contraction, the largest ever recorded, in the June quarter of last year – that Australia had again avoided recession?

Last year's recession was one that we, truly, 'had to have'. When no-one had any idea how dangerous to human health and lives Covid-19 might be, nor how long it might take to discover, test and produce a safe and effective vaccine, there really was no alternative to the lockdowns which Australians endured – as the Americans, Britons and Swedes, who thought that there was an alternative, discovered the hard way.

However, the same cannot be said of the recession which we may well be in now – even if that designation isn't 'confirmed' by consecutive quarters of negative real GDP growth (although it may well be if the lockdown in Sydney continues into October, as seems increasingly plausible).

There were alternatives to the choices which governments have made which, even without the benefit of hindsight, could have averted both the health and the economic situations in which Australians now find themselves.

In particular, the Federal Government *could* have made different choices about vaccinations. It *didn't* have to put so many of our vaccine eggs into the Astra-Zeneca basket, out of its obsession with what it likes to call 'sovereignty' - the idea that Astra-Zeneca was a better option because it could be made here.

Canada – which in terms of the way it functions is more like Australia than any other nation on earth - couldn't manufacture mRNA vaccines either.

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But that didn't stop Canada from ordering enough doses of mRNA vaccines from abroad to have by now fully vaccinated more than 60% of its population – as opposed to our 20% - despite having as slow a start as we did.

We didn't *have* to be told, as we repeatedly were, that “it wasn't a race” to get vaccinated – something which undoubtedly helped feed the complacency about vaccinations that stemmed from our earlier success in suppressing the virus.

The Morrison Government *could* have been more pro-active in confronting what is the [highest rate of vaccine hesitancy of any of 14 'advanced' economies](#). This is, after all, a Government which has had no compunction about spending millions of dollars of taxpayers' money on any number of advertising campaigns aimed at influencing people's thinking about a wide range of different issues. The Government could have sought, through public statements and advertising campaigns, to address the mis-communications and mis-understandings of the risks associated with the Astra-Zeneca vaccine. Instead, it allowed them to fester.

The Prime Minister, when he was Minister for Social Services in the Abbott Government, was perfectly willing to make vaccinations a pre-requisite for the receipt of child care payments, and to [remove the 'conscientious objector exemption'](#) from that requirement that had existed prior to 2016.

But the Prime Minister, and his Government, have been unwilling to confront the 'anti-vaxers' who seem to be disproportionately represented within the ranks of its own supporters (as they are in the US among people who voted for Donald Trump last November).

The Morrison Government is wont to depict any suggestion that vaccines be made mandatory as an attack on people's human rights – yet it has shown little hesitancy in abrogating the rights of Australian citizens to leave, or return to, their own country to a much greater extent than any other democratically-governed country has been prepared to contemplate. Nor has it (or its predecessors) ever appeared to have had any second thoughts about jettisoning long-established freedoms from mass surveillance, arrest without warrant, or detention without trial, in the name of “keeping us safe” from the “existential threat” of terrorism”.

The New South Wales Government could have made different choices, too.

It *could* have locked down sooner and harder than it has, now, finally, done.

It *could* have learned from the mistakes made in Victoria last year in communicating with multi-cultural communities.

It *could* have mandated masks and vaccines for workers transporting flight crew from Sydney airport to their quarantine hotels – and had it done so, the 'delta variant' might not have spread as it has since done. Like every other state and territory government, it has been happy to expand the number of occupations and roles for which a police check is a mandatory requirement.

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Just under four years ago, New South Wales Premier Gladys Berejiklian had no hesitation in handing over her state's collection of drivers' licence photos to the Federal Government, so that it could create a national database combined with facial recognition technology in a manner of which Xi Jinping would no doubt heartily approve.

Defending that decision she [said](#), "I think all of us have had to accept that our civil liberties from time to time aren't what they used to be in order to protect public safety. We don't want to look back tragically and say, 'what could we have done to prevent something from happening?'".

It's not at all clear why the threat posed by terrorists, who have killed seven people in Australia over the past 20 years, is sufficient to warrant our civil liberties no longer being "what they used to be", but the threat posed by Covid-19, which has killed more than 950 people in Australia over the past 20 months, apparently is not.

So if we are now once again in recession – whether or not it extends over two quarters – unlike last year's, it is not for the lack of any alternatives.

Be that as it may, the Government needs to be willing – as, to its credit, it thus far has been – again to deploy fiscal policy measures in order to minimize the harm done, on this occasion by its own mistakes and those made by its colleagues, to individuals and families, to businesses, and communities.

The Government will have no difficulty funding 'whatever it takes'. Just last week, the Australian Office of Financial Management received bids totalling over \$6 billion for the \$1.6 billion of bonds it offered for sale, at interest rates averaging just 0.04 of a percentage point higher than on the bids which it actually accepted.

There are lessons to be learned from shortcomings with the fiscal measures implemented in response to last year's recession – but by and large the Government's responses were appropriate and effective. They will need to be, again, on this occasion.

Saul Eslake
Corinna Economic Advisory



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