

Morrison tells big business to show 'patriotism' as COVID-19 threatens to hit harder than GFC

Written by Michelle Grattan, Professorial Fellow, University of Canberra

Scott Morrison will urge big businesses to display “patriotism” as Australia grapples with the coronavirus crisis, which he warns could hit the economy harder than the global financial crisis.

Addressing a business audience in the run up to this week’s stimulus package, Morrison will say large companies have “a huge role to play”, telling them to hang onto staff, and support workers including casuals with paid leave when they need time off because of the virus. They should also pay small business suppliers ahead of time in coming months.

Describing the crisis as “one of those national interest moments”, in which we confront a “hydra-headed and rapidly evolving challenge”, Morrison will spell out seven principles underpinning the stimulus package.

Speculated to be worth about \$10 billion, it will be directed particularly to keeping people in work and maintaining the cash flow of small and medium-sized businesses.

Measures canvassed include subsidising wages and training, an investment incentive, and support for the beleaguered tourist industry. Changing the deeming rate for the pension is being considered, which would help some retirees. Cabinet will discuss the package on Tuesday.

Attorney-General Christian Porter meets employer and union representatives on Tuesday to discuss workplace issues and measures. The ACTU is especially concerned about casuals without sick leave entitlements.

The government, already facing the prospect of a negative March quarter - with the virus and the bushfires taking an estimated 0.7% off growth - is desperate to avoid the economy going into recession. A recession is defined as two quarters of negative economic growth.

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burden of COVID-19

Westpac on Monday forecast that before taking into account the stimulus package the economy was likely to contract by 0.3% in the June quarter.

Meanwhile the Australian stock market plunged on Monday, driven by an oil price war between Russia and Saudi Arabia and the COVID-19 crisis.

The difficulty for the government is to get stimulus money spent quickly, without resorting to the “cash splash” approach it has previously criticised.

If more stimulus is needed there will be a second opportunity in the May budget. But this would be too late for the June quarter.

In his speech to the Australian Financial Review’s business summit, released ahead of Tuesday’s delivery, Morrison says the COVID-19 crisis is different from the GFC - “a biological contagion not a financial one” - and “in our response we must be careful to solve this problem, not the last one”, including avoiding mistakes made then, especially in terms of having “a clear fiscal exit strategy”.

But while COVID-19 is a global health crisis “it will also have very real and very significant economic impacts, potentially greater than the global financial crisis for Australia,” he says.

“The epicentre of this crisis is much closer to home.

“The GFC impacts were centred on the North Atlantic and back then China was in a position to cushion the blow.” In contrast, the first outbreak of COVID-19 was in China, where consumers stayed away from shops, many workers stayed away from work and manufacturing output fell

sharply.

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Morrison says the possible economic outcomes in Australia of the coronavirus crisis “will depend on the spread, severity and duration of the health crisis and its interaction with demand-side and supply-side effects.

“That means, to fix the problem, our health response must be our primary response”. The financial and economic effects would be worsened if the virus significantly hit the health of the Australian workforce - “something that we are working very hard to prevent”.

The government’s fiscal response aimed “to keep people in jobs, keep businesses in business and ensure we bounce back stronger on the other side.

“It’s about supporting community confidence, employment and business continuity. This means boosting domestic consumption, reducing cash flow pressures for vulnerable businesses, and supporting new investments to lift productivity”.

The seven principles on which Morrison says the package is based are

measures must be proportionate to the economic shock and the impact on the economy they need to be timely and scalable – that is, able to be adjusted as needed the response must be targeted to specific issues, support those most affected, and delivered where it will be most effective the response has to be aligned with monetary policy and other governments’ responses (Morrison points out the government is working closely with the Reserve Bank, which cut interest rates last week) where possible, existing means of delivery should be used, rather than rushing out new programs as in the GFC measures must be temporary and have an exit strategy – not “baked into the bottom-line for years ... keeping the budget under

water”measures lifting productivity must be favoured, to promote stronger growth.

“By following these principles we will protect the structural integrity of the budget and maximise the impact of our measures to protect the livelihoods of Australians and our economy. ... When the economy bounces back, our budget will also bounce back.”

In his forthright message to big business, Morrison says: “We need your perseverance, planning and enterprise. We need your common sense, calm and commitment. And we need your patriotism.

“We need you to support your workers, by keeping them employed. Hold onto your people, you will need them on the other side. Wherever possible, support them - whether full-time, part-time, or casual - including with paid leave if they need to take time off due to the virus.

“We need you to support your small business suppliers by paying them promptly. Pay your suppliers not just in time, but ahead of time, especially now, ” he says.

“If you are a large business, go back to the office today and pay your supplier invoices and commit to pay them even faster for the next six months.

“That is what sticking together looks like.

“How you support your customers, suppliers and employees during the next six months will say more about your company, your corporate values and the integrity of your brand than anything else you could possibly do otherwise.

“We also need your investment, looking ahead to the opportunities on the other side. Take the opportunity to invest in the skills of your workforce or the capital projects that will provide the pathway for a new season of growth,” he says.

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“This is a Team Australia moment.”

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Morrison stresses both the strength of Australia’s health system, and the strength of its fiscal position, as it confronts the shock – although the earlier projected budget surplus for 2019-20 is generally considered to be unachievable.

Michelle Grattan does not work for, consult, own shares in or receive funding from any company or organisation that would benefit from this article, and has disclosed no relevant affiliations beyond their academic appointment.

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