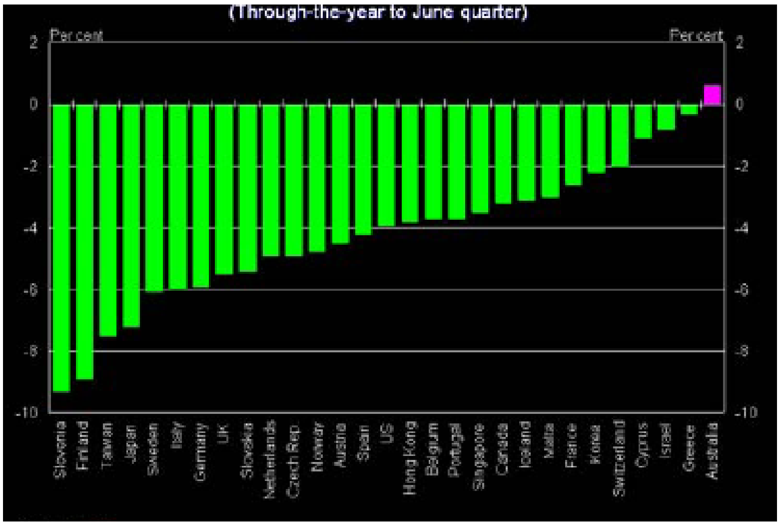
Chapter 4

Impact of the stimulus packages

Australia outperforms

4.1 Australia is the only advanced economy in which real GDP in the June quarter of 2009 was higher than in the June quarter of 2008 (Chart 4.1).

Chart 4.1: Real GDP growth rates



Source: Dr Ken Henry, Treasury, speech to Australian Institute of Company Directors, 23 September 2009.

4.2 This is clearly an impressive performance by Australia. It is not clear to what extent this is attributable to the stimulus packages, or the legacy of prior sound economic management, or the relative contributions of these or other factors.

Australia was in a singularly strong position before the crisis

4.3 Australia was in a stronger position before the crisis than were most comparable countries. Treasury note:

> An additional factor that is likely to have contributed to Australia's resilience during the crisis is the structural reforms to financial, labour and product markets undertaken over recent decades. These structural reforms have lifted the economy's productive capacity and improved the flexibility and speed with which both firms and individuals respond to both positive and negative economic shocks. The resilience of the Australian financial system to the Global Financial Crisis illustrates this point. Macroeconomic stability also reinforces the economy's structural flexibility and efficiency by providing businesses and households with more certainty in making their decisions.[1]

---

1 *Treasury briefing paper*, p 10.

4.4 The Governor of the Reserve Bank cited three reasons why Australia's performance has been better than that in other OECD economies:

> Firstly, our financial system was in better shape to begin with…Secondly, some key trading partners for Australia have proven to be relatively resilient in this episode…Finally, Australia had ample scope for macroeconomic policy action to support demand as global economic conditions rapidly deteriorated, and that scope was used. The Commonwealth budget was in surplus and there was no debt, which meant that expansionary fiscal measures could be afforded. In addition, monetary policy could be eased significantly without taking interest rates to zero or engaging in the highly unconventional policies that have been needed in a number of other countries.[2]

4.5 Elaborating on these points, Australia was well prepared to face an external shock as its financial system was sounder. This is particularly significant given that the current crisis had its source in the financial sector. In a number of countries large banks have had to be 'rescued' by governments injecting equity, making emergency loans or even (temporarily) nationalising them. By contrast, none of these measures have been necessary in Australia. The four major Australian banks now constitute four of only nine among the world's largest 100 banks which are rated AA or better.[3]

4.6 Australia was also supported by the important role played by its mineral exports. A large proportion of these go to China, whose economy continues to be the strongest growing in the world. This is partly a fortunate accident of geography: the tyranny of distance has become the blessing of propinquity. But it also reflects diplomatic efforts by previous Australian governments to develop trade ties with China, particularly in the minerals sector. China is now the major purchaser of Australian iron ore and coal, particularly in Western Australia. In the earlier part of 2009 the level of Chinese imports of iron ore and coal increased significantly which in turn provided a boost to the Australian economy which made an important contribution to preventing this country going into a technical recession.

4.7 Another important difference between Australia and most other OECD countries has been the greater fiscal discipline exercised here. Like the average OECD economy, Australia had a significant budget deficit during the early 1990s recession. But unlike many other countries, Australia moved back into surplus as the economy recovered and maintained a surplus for most years until the current downturn (Chart 4.2).

4.8 This fiscal prudence meant that Australia entered the financial crisis with a much smaller government debt than most other countries (Table 4.1).

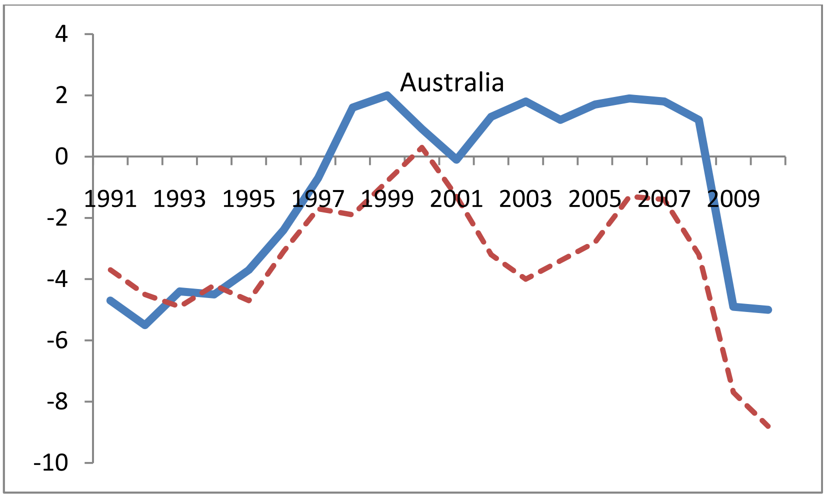
---

2 Mr Glenn Stevens, Governor, Reserve Bank of Australia, *Proof Committee Hansard*, 28 September 2009, p 3.

3 Reserve Bank of Australia, *Financial Stability Review*, September 2009, p 24.

Chart 4.2: General Government Financial Balances: Australia vs OECD

(1991-2010; per cent to GDP)



Source: Secretariat, based on data in *OECD Economic Outlook*, June 2009.

4.9 Chart 4.2 shows that economic management over the last decade set Australia apart with the capacity to *afford* a stimulus – leaving aside the question of its efficacy or desirability – giving Australia the "ample scope" for fiscal action referred to by the RBA Governor in his opening statement to the committee.[4] The chart also illustrates the magnitude of the impact of the Rudd government's fiscal spending on Australia's financial position compared with the OECD average.

Table 4.1: General government financial liabilities

Per cent to GDP, 2008

	gross	net		gross	net
Australia	14	-7	Netherlands	65	25
Austria	66	33	New Zealand	26	-16
Belgium	93	74	Norway	56	-125
Canada	68	22	Sweden	47	-14
France	76	42	Switzerland	46	10
Germany	69	45	United Kingdom	57	34
Japan	172	84	United States	71	48

Source: *OECD Economic Outlook*, June 2009.

4 Mr Glenn Stevens, Governor, Reserve Bank of Australia, Proof Committee Hansard, 28 September 2009, p 3.

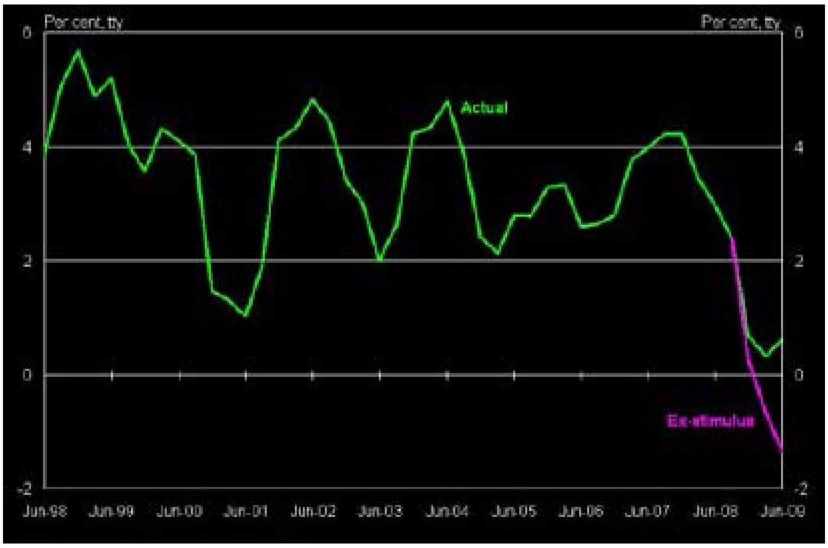
The impact of the fiscal stimulus in Australia

Overall impact

4.10 Treasury is the premier source of economic advice to the government of the day and was the architect of the various spending initiatives outlined in Table 2.2.

4.11 Treasury estimate that in the absence of the fiscal stimulus measures, rather than recording modest growth, GDP would have instead fallen by 1.3 per cent through the year to the June quarter 2009 (Chart 4.3).[5]

Chart 4.3: Australian real GDP growth rate



Source: Dr Ken Henry, Secretary, Treasury, speech to Australian Institute of Company Directors, 23 September 2009.

4.12 Elaborating to the Committee, the Treasury Secretary said:

> Without this stimulus, we estimate that the economy would have contracted not only in the December quarter of 2008 but also in the March and June quarters of this year. Our estimates of these impacts are based on internal modelling informed by studies of the effects of fiscal stimulus by the International Monetary Fund, the OECD and a range of academic researchers. They are corroborated by ABS data, by private sector surveys on how the stimulus was spent and by an examination of the experience of countries that have not had such a large stimulus in place.[6]

4.13 Asked about the relative contribution of fiscal and monetary policy, Treasury opined:

---

5 Dr Ken Henry, Secretary, Treasury, *Proof Committee Hansard*, 9 October 2009, p 8.

6 Dr Ken Henry, Secretary to the Treasury, *Proof Committee Hansard*, 9 October 2009, pp 2-3. The basis for these calculations is discussed later in this chapter.

> …fiscal policy's contribution to growth over that period has been substantially larger than the contribution of monetary policy…[7]

4.14 The reasoning behind this conclusion was set out in Treasury's written contribution:

> The official (nominal) cash rate was reduced from 7.25 per cent at the end of August 2008 to its current level of 3.00 per cent in April 2009,[8] a reduction of 4.25 percentage points...[as] underlying inflation fell by ¾ of a percentage point between the September quarter 2008 and the June quarter 2009…[the] real official cash rate has fallen by 3.50 percentage points…However, bank lending rates have fallen by less than the reduction in the official cash rate…about 2½ percentage points. Using the findings of Gruen, and Naveen[9], a 2½ percentage point reduction in the real interest rate would contribute 0.85 per cent to GDP in the first year. However, the majority of the cash rate reductions occurred less than a year ago.[10]

4.15 This analysis may, however, have underestimated the contribution of monetary policy to GDP growth. It is not real rates which matter to households but rather the change in their nominal household disposable income resulting from changes in nominal interest rates. These effects were very large. For example, a 3 per cent reduction in nominal interest rates on outstanding household debt of $1.3 trn (including households and unincorporated enterprises) increases household income by $39 bn each year, and that is about 3 per cent of GDP in a year.

4.16 As can be appreciated this is a very significant impact of monetary policy on potential consumer spending and thereby business confidence. Arguably the reduction of interest rates (monetary policy) had a much greater impact than the cash contributions provided by the government in the so-called "$10bn cash splash".

4.17 The Committee would be interested in the outcome of Treasury analysis of the relative contributions of monetary policy compared to fiscal policy in stimulating consumer spending and business confidence,

4.18 The underlying strengths of the Australian economy particularly the level of government debt and the strength of the banking system which as has been stated elsewhere includes four of the 9 AA- or better rated banks in the world's largest 100 banks.

---

7 Dr David Gruen, Treasury, *Proof Committee Hansard*, 9 October 2009, p 20. This accords with a US study which concluded 'true fiscal stimulus implemented promptly can provide a larger near-term impetus to economic activity than monetary policy can'; Douglas Elmendorf and Jason Furman, 'If, when, how: a primer on fiscal stimulus' Brookings Institution, January 2008, p 8.

8 Since this was written the cash rate has been increased to 3.25 per cent.

9 David Gruen, John Romalis and Naveen Chandra, 'The lags of monetary policy', *Reserve Bank of Australia Research Discussion Papers*, no 9701, June 1997.

10 *Treasury's briefing paper*, p 8.

4.19 Another undoubted factor in preventing the Australian economy going into recession was the rebound in the Chinese economy leading to China substantially increasing purchases of Australian iron ore and coal.

4.20 When asked by Senator Eggleston what would have been the consequences for the Australian economy if the China factor had not been in play, Glenn Stevens, Governor of the RBA, replied that other measures would have been taken. The form of such other measures was not identified by the Governor.

The impact of the cash payments

4.21 There was debate over whether the cash payments were spent or saved and this was relevant to the extent that they acted to stimulate demand. One approach to assessing the efficacy of the cash payments was to examine retail sales data to see whether there appears to have been an associated increase:

> An analysis undertaken by Tony Meer of Deutsche Bank—and reported at Peter Martin's blog and then in *The Age*—tends to suggest that retail sales were far in excess of what we might otherwise have thought. But Ashton and I have undertaken an analysis of the retail sales, and our argument is that, simply by extending the ABS trend data—which they stopped doing in November last year—and putting in another very commonly used trend figure, retail sales trends are not unusual at the moment and retail sales are at about trend.[11]
>
> …we undertook a forecasting exercise and we imagined that we were back in May 2008…and tried to forecast retail sales… by and large, the actual retail sales is within a 95 per cent confidence band of what we would have expected in May last year—which again suggests to us that retail sales are not that unusually different from what they might otherwise have been if we could forecast this from almost over a year ago.[12]

4.22 The Reserve Bank regards the stimulus package as having supported demand:

> If the intention was to support demand in the economy… my conclusion would be that those measures have supported demand quite materially over the last… nine or 10 months.[13]

4.23 A similar view was expressed by the business community:

> With the rationale that government spending be provided to promote stimulus in the economy, we considered it should initially be provided to households to promote private spending…Support to households has

---

11 Professor Sinclair Davidson, *Proof Committee Hansard*, 21 September 2009, p 42.

12 Professor Sinclair Davidson, *Proof Committee Hansard*, 21 September 2009, p 42.

13 Mr Glenn Stevens, Governor, Reserve Bank of Australia, *Proof Committee Hansard*, 28 September 2009, p 6.

> bolstered retail spending, and this evidence has been recorded amongst our retail members and those in the hospitality and restaurant-cafe sector.[14]

4.24 Clearly this is the case. Much of it was spent. The real question is whether the level of support justified the cost and represented best value for money.

Eligibility

4.25 Some argued that the cash payments could be more equitably and efficiently targeted:

> In terms of equity, I think that we could, should and still can do more to help those who are most adversely affected by a slowdown in the economy—that is, of course, the unemployed and those people who share a house with the unemployed. It was an unfortunate irony that the unemployed did not receive the $900 bonus payment. I think that providing money to unemployed people directly is likely to have a very positive stimulatory effect not just on the national economy but on the local economy in which those people live. There is no better way to target money towards the regions that are experiencing the most unemployment than to provide increased payments to those who are unemployed.[15]

The impact of the infrastructure spending

4.26 Accepting for the sake of argument that stimulus spending is an efficient and effective use of resources – and the committee notes there was credible opinion contrary to this view – it makes sense at least to have a mix of types of stimulus, and it needs to be noted that there have been several examples of inflexibility and waste in the application of the fiscal stimulus packages:

> Certainly the standard wisdom on fiscal stimuluses is that you get a smaller multiplier from household handouts but you can do them quickly. You want a mix of quick, less effective household handouts and slower but possibly higher multipliers through infrastructure spending.[16]

> In terms of the formulation, there may not have been a more sensible package…There was the cash splash designed to support the household sector ASAP. Then there was the idea of supporting economic activity more generally…Then there are some of the longer term projects. To me that make sense…I think most financial market economists…would think the

14 Mr Greg Evans, Australian Chamber of Commerce and Industry, *Proof Committee Hansard*, 28 September 2009, p 54.

15 Dr Richard Denniss, *Proof Committee Hansard*, 21 September 2009, p 61. This concern was also raised during the Senate Finance and Public Administration inquiry. In addition, there were concerns that students who enrolled late may miss the training bonus.

16 Professor Andrew Leigh, *Proof Committee Hansard*, 21 September 2009, p 30.

package was reasonably well structured given the economic circumstances.[17]

4.27 There has been differing views about the infrastructure spending:

> Analysis of the efficiency of how the money is being spent needs to be undertaken from the perspective that the primary objective was to spend money quickly. The purpose of the stimulus package was to stimulate the economy. That must be the primary criteria against which it is judged. Of course, the more we can achieve along the way with the expenditure of that money the better. But the objective was to spend a large amount of money quickly, not to spend money perfectly in a drawn out fashion.[18]

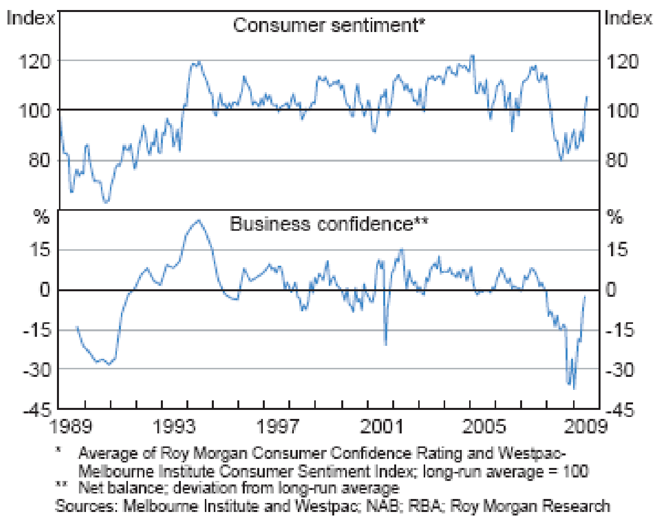
4.28 Business is more supportive, at least in respect of some of the infrastructure spend:

> … But we have some confidence that there will be expansions of capacity that will come from some of the investments in infrastructure…[19]
>
> That would increase productivity, yes.[20]

The effects on business and consumer confidence

4.29 Both business and consumer confidence has picked up since late 2008, as shown by the RBA compilation of consumer and business sentiment in Chart 4.4.

Chart 4.4: Sentiment indicators



Source: Reserve Bank of Australia, *Statement of Monetary Policy*, August 2009, p 35.

---

17 Mr Rory Robertson, *Proof Committee Hansard*, 28 September 2009, p 43.

18 Dr Richard Denniss, Australia Institute, *Proof Committee Hansard*, 21 September 2009, p 61.

19 Dr Peter Burn, Australian Industry Group, *Proof Committee Hansard*, 28 September 2009, p 64.

20 Dr Peter Burn, Australian Industry Group, *Proof Committee Hansard*, 28 September 2009, p 64.

4.30 The Committee heard evidence that the business community would have responded with even more vigour to alternative measures directed to the business community:

> Had they gone down the road of, say, finding ways to reduce taxes—payroll taxes and other kinds of taxes related to business—which would have a direct effect on business profitability and on cash flow then the reaction within the business community would have been a lot stronger. Not only would employment have been protected in the way that the stimulus was intended but it would be much more general. In fact, a higher profitability for business and higher cash flows would actually have led to, I believe, an actual improvement in the level of economic activity relative to what we have seen here.[21]

4.31 There was a compelling argument that the stimulus has led to a degree of unproductive, even counterproductive, investment through the creation of artificial supply chains:

> On the second issue, of structural balance: what I mean here is that, if we are going to have recovery, that recovery will come through private-sector businesses again generating their own growth. The important thing here is that the supply chains are related, so you not only will have growth in final demand at some level but the actual supply chains within the economy that are feedstock into those businesses will also be growing.
>
> Having the kinds of structural imbalances that the stimulus has—which mean that, ultimately, it will have to be wound back; you cannot continue with these forms of expenditure—means that all the structural aspects that go into these expenditures will also have to be wound back. Had we instead opted for an approach that went towards raising the profitability of private-sector businesses, then the actual structures that we put in place, the supply chains, would themselves have been productive because they would have been feeding into the ability of firms to actually produce what other people are willing to buy. In that way, rather than being a structure that has to be wound back as the stimulus is withdrawn, this would have been a structure that would have become a permanent feature of the Australian economy and contributed to growth.[22]

4.32 In the absence of fiscal stimulus, the Reserve Bank of Australia would have responded by further lowering interest rates and would have had the capacity to do so. As a result, the exchange rate would also have been lower.

---

21 Dr Steve Kates, *Proof Committee Hansard*, 21 September 2009, p 6

22 Dr Steve Kates, *Proof Committee Hansard*, 21 September 2009, p 9.

Effects of higher national debt and implications for future taxation and long bond yields

4.33 The fiscal stimulus packages will obviously add to government debt. However, the bulk of evidence is that prudent fiscal policy in the decade before the crisis means that government debt will remain manageable. The Committee does note, however, that there are consequences attached to the payment of this debt, such as the wiping out of the surplus, higher taxation and higher interest rates. At best, it will take 10 years to pay the entire debt off, and at worst, decades… was this really necessary? The Committee believes that there are opportunities to minimise some of these consequences if the fiscal stimulus packages were recalibrated.

4.34 This tax burden that will be necessary to repay the debt incurred as a result of the stimulus package was acknowledged by the Treasury Secretary and other witnesses:

> Of course the stimulus that is being provided at the moment, to the extent that it is debt financed, will have to be repaid in the future. That means that at some stage in the future either government spending will be lower than it otherwise would have been or tax settings will be higher than they otherwise would have been. But that future time will be a period of faster growth in private sector activity and the judgement has been made that in those circumstances where the private sector is growing much faster than it is at the moment the government will have the ability to repay debt without doing damage to gross domestic product growth.[23]
>
> …it is inevitable that these payments have to be paid for in some sense, but how the fiscal tightening is done is a matter entirely for policy. You could do it through expenditure cuts or tax increases… An inevitable impact of Keynesian fiscal policy is that if you inject money into the economy in bad times then you are going to have to get it back in good times.[24]
>
> The raising of taxation to pay interest on and repay debt will reduce to some extent the productive capacity of the economy. For moderate amounts of debt this is likely to be small in comparison with the waste of productive resources through unemployment.[25]

4.35 The actual cost of raising taxation to meet the debt will depend on the quantitative effect of the 'dead weight loss' arising from taxation (which is a reflection of the extent to which it discourages economic activity). There is debate about the size of this effect:

> People estimate between 20 and 80 per cent for a deadweight cost…[26]

---

23 Dr Ken Henry, Secretary, Treasury, *Proof Committee Hansard*, 9 October 2009, p 10.

24 Professor Andrew Leigh, *Proof Committee Hansard*, 21 September 2009, pp 23 and 27.

25 Professor Ross Garnaut, *The Great Crash of 2008*, Melbourne University Press, October 2009, p 157.

26 Professor Sinclair Davidson, *Proof Committee Hansard*, 21 September 2009, p 50.

> To those who are terrified of tax rates destroying incentive, there are plenty of ways to increase tax revenue in a way that would minimise that. The first would be to abolish the enormous range of tax concessions that currently exist—the 50 per cent capital gains tax concession or the enormous concessions on superannuation. If the actual income tax rate for high-income earners were increased, there is virtually no chance that rich people will decide to be poor because the tax rate is just too high for them…If the parliament wants to increase taxes, it should, and the economic effects of doing it wisely would be low.[27]

> …taxes do distort economic activity. Those tax driven distortions either reduce the size of the economy below the size that it would otherwise be or in other ways impose welfare losses on citizens. That is generally the case. It is certainly not the case always, and as you would be aware, Senator, it is not the case if the tax is being used, for example, to correct for an environmental externality—and there are a large number of other interesting cases in which taxes that raise revenue actually turn out to be welfare enhancing rather than welfare detracting. But as a general point it is true. What is also true—and this is the reason why people get interested in tax policy—is that different taxes have different effects.[28]

4.36 There are varying views about the impact of higher (prospective) government debt on the interest rate that needs to be paid on that debt. The Reserve Bank does not see this impact as significant, but their words sound a note of warning about the global impact of government debt on borrowing costs, and hence the risks for Australia:

> I do not think that, at the moment, it is easy to discern much impact here. The long range in Australia is between five and 5½ per cent, which is about normal. It has been around that, on average, for the last decade. For a country like Australia, what we are talking about in government long-run borrowing costs is that there is a global rate which, roughly speaking, is the US Treasury rate, and we will be paying above or below a little margin, depending on our individual soundness. If we find that government borrowing rates are a lot higher in the years ahead, I do not think it will be because of Australia's outcomes. It will be because there is a lot of government debt being issued around the world by countries that have really serious fiscal problems, like the Americans and the British…[29]

4.37 The Australian Office of Financial Management put more emphasis on domestic influences:

> In particular, the relative strength of the economy and the expectations about inflation and exchange rates can have an impact.[30]

---

27 Dr Richard Denniss, *Proof Committee Hansard*, 21 September 2009, p 64.

28 Dr Ken Henry, Secretary, Treasury, *Proof Committee Hansard*, 9 October 2009, p 8.

29 Mr Glenn Stevens, Governor, Reserve Bank of Australia, *Proof Committee Hansard*, 28 September 2009, pp 11-12. See also his comments on pp 14-15.

30 Mr Neil Hyden, Chief Executive Officer, Australian Office of Financial Management, *Proof Committee Hansard*, 28 September 2009, p 30.

4.38 It also described a countervailing influence on long bond yields, referring to the:

> …changed attitude to risk on the part of many investors which has led to a flight to quality and safety. So there has been an increased availability of funds for investment in government debt. While governments have had a very much increased volume of borrowing, that has been able to be satisfied by an increase flow of funds into the sector.[31]

Assessing the stimulus package with models

4.39 A perennial problem in macroeconomics is that there are no controlled experiments. We cannot take two identical economies and subject just one of them to a stimulus package. There is always room for debate about how the economy would have evolved in the absence of a stimulus package. As the Treasury Secretary remarked:

> …we will never know the precise impacts of the fiscal stimulus on the economy.[32]

4.40 It should be noted that there are no absolutes in any of this modelling, and it will never be known the precise impact of each element of the fiscal stimulus package, and therefore claims about jobs saved need to be considered against that background.

4.41 One approach is to use a macro-econometric model to address these 'what if" questions. But confidence in the results will depend on confidence in the model used. More usual is to use economy-wide models, a range of single-equation studies and other sources such as surveys and business liaison to form a view about the impact of alternative policies.

4.42 The Committee asked Treasury for more information about their calculations on the impact on employment of the stimulus package. Treasury explained that they first calculated the impact on real GDP:

> Taking the dollar amount of spending in the fiscal stimulus package, we then make adjustments for behavioural responses by households and businesses. For one-off transfer payments to households, we assume the spending propensity to be 0.7 in the forecast period. The remaining amount of the transfer payments is assumed to be saved by households, at least over the forecast horizon. In contrast, for direct government spending, the spending propensity is assumed to be 1…the next step is to…apply an import share of 0.15…This gives us direct (or first round) fiscal multipliers to GDP of 0.6 for transfer payments and 0.85 for direct government

31 Mr Neil Hyden, Chief Executive Officer, Australian Office of Financial Management, *Proof Committee Hansard*, 28 September 2009, p 32.

32 Dr Ken Henry, Secretary, Department of the Treasury, *Proof Committee Hansard*, 9 October 2009, p 2.

> spending…To estimate the effects on real GDP, we adjust the nominal spending numbers for inflation…[33]

4.43 The impact of the stimulus as calculated in this way is subtracted from the real GDP forecasts to give alternative 'pre-stimulus forecasts', shown in Table 4.2, and illustrated by Chart 4.3 above.

Table 4.2: Treasury forecasts of real GDP with and without stimulus

(annual percentage change)

	2008-09	2009-10	2010-11
Pre-stimulus	-0.9	-2.0	3.4
Contribution of stimulus	1.0	1.6	-1.2
Post-stimulus	0.1	-0.4	2.1

Source: *Treasury briefing paper*, p 4.

4.44 Treasury then calculated the employment impact:

> The modelling work suggests…a 1 per cent increase in GDP leads to a ¾ per cent increase in employment over time…The peak impact of the stimulus packages estimated at Budget was the addition of 210,000 jobs and the level of employment remains higher through to the end of the forecast period…The peak unemployment rate was estimated to be 1½ per cent lower as a result of the fiscal stimulus.[34]

4.45 Dr Kates is very sceptical about Treasury's modelling showing the stimulus package having a significant impact:

> …the Keynesian model cannot be used to demonstrate that a Keynesian stimulus has a positive effect on the economy.[35]

4.46 Dr Kates states that in the absence of the stimulus package the unemployment rate would have been 0.3 percentage points higher. This represents 34,000 people. On this basis he concludes that, given a $43 billion cost for the stimulus package, it has cost over a million dollars per job saved.[36] Other estimates of the employment impact of the package are much higher. As noted above, Treasury puts it at over 200,000 jobs. This would imply the cost per job saved is much less than this. (Furthermore, such calculations ignore the additional taxation paid by those in work and the savings from lower unemployment benefits. It also assumes the spending brings no other benefits than creating jobs.)

33 *Treasury briefing paper*, p 3.

34 *Treasury briefing paper*, p 5.

35 Dr Steve Kates, *Proof Committee Hansard*, 21 September 2009, p 4.

36 Dr Steve Kates, *Proof Committee Hansard*, 21 September 2009, p 5.

4.47 Professor McKibbin, noted economist and member of the Reserve Bank Board, submitted the results of his global modelling using the G-cubed model. This suggested that the global fiscal stimulus would increase real GDP in all countries in the first year, but higher real interest rates would then moderate the impact.[37] His modelling led him to argue for a fiscal stimulus in Australia about half as large as that proposed by the Government.[38]

37 Professor Warwick McKibbin, *Submission 15a*, pp 24-26.

38 Professor Warwick McKibbin, *Submission 15*, p 1.