

Does Treasurer know what he's doing? His latest speech suggests not

[Judith Sloan](#), The Australian, 12:00AM September 17, 2016

Don't you just love a headland speech? It's so much more appealing than a sinkhole speech.

But when Scott Morrison delivered his second headland speech yesterday, it gave me the distinct impression the Treasurer doesn't really know what he's doing.

He's still banging on about the meaningless "comprehensive plan for jobs and growth", even though his speech reveals how thin the plan is. And, weirdly, he notes in his speech that "the prescription being followed in the post-GFC world has been to put government at the centre ... This is not a sustainable solution."

And why would Morrison ask the Productivity Commission to give him ideas on increasing productivity? Surely he has figured out what needs to be done to lift the rate of per capita GDP growth and is currently working on implementing the needed reforms?

And what's this idea that you can't repair the budget by cutting government spending? Is this some sort of joke? What Morrison is saying is that the Turnbull government doesn't want to cut government spending because there are more handouts and grants (another landing pad, anyone?) to be made, more leisure centres and roundabouts to be built and more overpriced submarines to be ordered.

And don't fall for Morrison's nonsense about it being easy for Peter Costello to repair the budget. For most of Costello's tenure as treasurer, there was no mining boom and the terms of trade were much lower than today. In any case, Costello had restored the budget to balance by 1997-98, on the back of a series of tough measures. He had also inherited a fiscal catastrophe, with budget deficits hovering around 4 per cent of GDP. By contrast, the budget deficit was 1.2 per cent of GDP in the year before the Abbott Coalition government won office.

The reality is that Morrison is just no good at controlling spending and the drop in government payments as a proportion of GDP assumed in this year's budget (from 25.8 per cent this financial year to 25.2 per cent in 2019-20) is driven entirely by optimistic economic forecasts, particularly on nominal GDP growth.

Does Morrison have a point talking about the challenges of achieving fiscal repair in the context of low inflation? Let's be clear, low inflation is a good thing, not a bad thing. But it prevents governments using inflation to reduce the real value of government debt and to reap more tax revenue by taxing nominal, rather than real incomes — via bracket creep, in particular.

I say, get over it. No one wants a return to high inflation and Morrison just needs to learn to cut the cloth according to its measure. And don't wait for the shopping list from the Productivity Commission, just get on with it.