

Donald trumps the International Monetary Fund

Terry McCrann, Herald Sun, November 15, 2016 9:00pm

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SO, the very much “inside the (Washington) beltway” chaps — non-gender specific — from the International Monetary Fund have some gratuitous advice for us “down under deplorables”.

A group of IMF staff has just been in Australia on its annual visit or — the IMF’s quotes, not mine — “mission”. Sort of makes it sound like they would have had to bring translators and get danger money. After intense probing of “the authorities” and “counterparts” in “universities and think tanks, private sector and other organisations,” the group seems to have arrived at two big conclusions.

The first is that the government is trying to cut the Budget deficit too quickly; the second that negative gearing is encouraging people to take on too much debt and is pushing property prices higher. The second is a statement of the bleeding obvious, but without even a semblance of serious analysis in a broader policy and functional context.

The issue of negative gearing is a little more complicated even in terms of just the “housing cycle,” which is the only thing these “beltway dunces” think matters. Have they heard of Chinese investors? Apparently not. As I have argued, the government’s attack on high-end superannuation will increase the appeal of negatively gearing investments and the family home. But dealing with that is a very complex issue.

The IMF’s group’s first conclusion is even worse. It’s an embarrassing statement of the group’s ineptitude in its most basic inability to read even just the simple arithmetical of the Budget. Any suggestion that Scott Morrison’s first Budget did anything substantive to cut the deficit is a laugh-out-loud joke.



Treasurer Scott Morrison. Picture: Kym Smith

Over the entire four years of the Budget estimates all the cuts add up to just \$1.7 billion. That's not \$1.7 billion a year, but \$1.7 billion in total — over a period in which total spending will top \$1800 billion. Further, almost all the cuts — \$5.9 billion — are projected for the outest of the out years, in 2019-20.

Believe those cuts will ever actually be delivered — after the next election — and I've got a certain bridge to sell you, cheap. But absent those cuts, far from the Budget delivering any cuts at all over the four years, it would actually be delivering increased spending and a bigger deficit in total. Some "tough" Budget.

In any event, the IMF's "deep" analysis is focused on a single year, which comes before even those theoretical cuts. It gets its "too tough Budget" conclusion by simplistically looking at the (remember: only estimated) bottom line in the 2017-18 year. The deficit is supposed to come down from 2.2 per cent of GDP in 2016-17 to 1.4 per cent in 2017-18. The IMF labels that as too tough too quickly; that the government should be aiming to cut much more slowly.

If the IMF actually looked at the Budget detail it would have seen that there are essentially no cuts at all in 2017-18 — the deficit goes down just by letting tax revenues keep rising. The implication of the IMF "analysis" is that it would have wanted the government to pump out even more spending or cut taxes: that's to say, the very opposite of fiscal consolidation.

This demonstrates not only a "beltway mindset" but even more basic stupidity. So if the government went on a spending spree in 2017-18, what's supposed to happen in 2018-19?



Managing director for the International Monetary Fund Christine Lagarde. Picture: AFP

The IMF also laments that while government spending on infrastructure increased in 2016-17, this primarily reflected spending by the states not the Commonwealth. Did anyone explain to these dunces that's because almost all infrastructure spending is done by, well, the states?

This is the sort of garbage that gets poured out by the "inside the beltway clique"; and in its own way explains what happened in the US last week.

ANOTHER way to put it would be to pose the question: who would you want to trust with financial decisions affecting your future: incoming president Donald Trump or the very model of a "beltway insider", IMF boss Christine Lagarde? Indeed multiple insider: Lagarde's not just the classic global bureaucrat but was previously a French political insider and before that a globetrotting legal insider. Sure, on one level it's a battle of the sultans — as you can see from the picture. But more substantively, it's about "more-of-the same" policies and thinking which got us into the GFC and have seen us bogged in economic treacle since.

If the IMF wanted to do something useful it might try to analyse the blundering incompetence of the major central banks which have led the world into the disastrous dead-end of zero interest rates and massive money printing. But that's a total no-no: you don't critique your fellow "beltway insiders" which — as Trump would say — by the way, think exactly like you do anyway.

As for Trump, since the election, we've seen all the inane "insider" rubbish written about why he couldn't win replaced by similar inane commentary on how bad his policies are going to be.

First off, nothing happens for two months. A tsunami of water is going to flow under all the world's bridges between now and then. What he does, then — what he is allowed to do by the Congress — will only become clear as 2017 unfolds. His policies won't only impact the world, they will be shaped by it.

To me, though, one thing is clear: I'm much more comfortable with the "sun tan in the White House" than "darker shade of orange" in the sprawling IMF offices further down Pennsylvania Ave.



Senator Ted Cruz. Picture: AFP

TRUMP'S TWO BIG ASKS

BACK in the days when The Age actually believed in journalism, Tony Thomas was its very effective Canberra economics writer — so it's great to see him these days skilfully and surgically eviscerating the great global warming scam and all the scammers who suck at its multibillion-dollar-a-year teat.

Writing in Quadrant Online, he starts with a sardonic headline and scalpel-like write-off. What follows is pure joy. The headline: Finally warmists find a real threat." The write-off: "Whatever else he does, President-elect Donald Trump can be counted on to shoo those green snouts out of the climate-scare trough — first by repealing Obama's executive orders, then by redirecting (money, sic) from the UN to domestic environmental concerns. It's a beautiful thing."

I'm a little more cautious. I'll believe it when I see it. Even though Trump has a — generally rational anti-warmist — Republican Congress and Republican Senate. But he's clearly the

best thing we could have hoped for; to bring the Western world back to energy sanity, providing the best chance of turning back the global tide of climate main-chancing and inanity — far more than “conventional” Republican climate rationalists, like, for instance, his recent primary opponent, Senator Ted Cruz.

I don't look to Trump to solve the world's economic problems or even just the good ol' US of A's. My hopes are much more modest. If a Trump presidency can achieve two things, they are these. First yes, roll back the climate nonsense. I would hope he would kick off his presidency by symbolically pushing the button that blew up the first (of thousands) of those pointless “turbines”.

Secondly, he needs to put real jurists who believe in the rule of law on the US Supreme Court, starting with the current vacancy. An appointment that would blow left-Liberal minds almost as much as his own win did, would be to choose Cruz. Maybe he's not quite an Antonin Scalia, who he'd replace, but close.