

Terry McCrann: Scott Morrison's stick 'em up

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TWO Budgets from Scott Morrison very clearly define him as the "Willie Sutton" of treasurers. Last year he raided superannuation. Why? Because that's where the money is.

WHAT THE BUDGET MEANS FOR VICTORIA

TERRY MCCRANN: BUDGET A DANGEROUS DISGRACE

This year it's the big banks. Why? Because that's where the money is. Sutton was a famous Depression-era bank robber in America. He would be forever defined by his answer to the question; why banks? "Because that's where the money is."

Today the "money", so far as our "Willie" Morrison's concerned, is in YOUR wallet, purse, purse, super and bank account. Over the next four years he's going to pluck \$8.2 billion from bank accounts.

No, surely not, isn't it going to be paid by "the big banks?" No, it will be paid by depositors or borrowers; and they won't be named BHP but Jo and Joanna Ordinary Citizen.

And to the extent that SOME of this money is paid by the bank itself; it won't be the bank executives writing the cheque but bank shareholders. Again, that's mostly YOU via your super. The single biggest investment of everyone's super is shares in the big banks.

The money's also "in" your weekly pay packet. "Willie" Morrison aims to pluck \$6.2 billion more from there over the next four years via the higher Medicare levy.

But even these two pale beside the biggest "fiscal bank vault" of all: your personal taxable income. Here, our "Willie" — and indeed, all his former peers with the sole exception of one Peter Costello — is one hell of a lot "smarter" than the original Willie.

They don't need to walk into a bank with a gun; just "gun the economy" — at least, on Budget paper — and watch the money pour in, thanks to the "magic of bracket creep" pushing taxpayers into higher tax brackets.

This last year the government harvested \$194 billion from personal income tax. In just four years' time, in 2020-21, it expects to be plucking an extraordinary \$253 billion. That extra \$60 billion is a thumping 30 per cent leap in just four years. Yes, some of it will come from more people working and paying tax.

But a huge chunk will come from bracket creep. Over those four years nominal GDP — essentially the "tax base" — is forecast to grow just 18.4 per cent. If income tax revenues grew in proportion you would have \$23 billion more in your pocket in 2020-21 (and growing every year after that).

And the Budget would be deep, deep in deficit. Instead of the \$7.4 billion surplus forecast for that year; take away bracket creep and the two big outright tax increases and the deficit then would still be over \$20 billion.

Then remember, we only get to that “surplus” on the assumption that the economic sun keeps shining like the driest of dry dreams of a solar farm owner.

If instead we get a hiccup, either a general pause in the economy’s growth — it doesn’t have to be a downturn — or a slump in the prices of our major commodity exports, Morrison’s Budget will turn to custard just like Wayne Swan’s infamous 2012 “four years of surpluses”.

Forget “good debt/bad debt” bracket creep (and the underlying assumption of solid, sustained uninterrupted growth in both real and nominal GDP) saved Morrison from having to postpone the “manana surplus” yet again. Last year he predicted the Budget would return to surplus in 2020-21, at that time just outside the four-year formal Budget framework. This year he’s stuck with that year and it’s now officially in the Budget forecast.

There’s zero chance of that happening. The only question is whether the “manana surplus” gets pushed out in next year’s Budget — whomever delivers it — or in 2019. In 2012 Swan predicted a surplus in that very next year; the result was a \$19 billion deficit. He also predicted net debt would peak at \$145 billion.

Even “Willie” Morrison’s optimistic projections has it now peaking at \$375 billion.

In 2014 Joe Hockey — remember him? He failed as treasurer and got sent to Washington — predicted we’d get to surplus in 2018-19. This year’s again, “optimistic” projections has it still \$21 billion in deficit that year.

Hockey forecast net debt would peak at \$264 billion. Even “Willie” Morrison has upped his net debt peak from 2016’s \$356 billion to \$375 billion. But of course the extra is now “good debt”.

In classic cliché terms, this is a high-spending/high-taxing Budget. Receipts as a share of the economy keep rising unashamedly from 2016-17’s 23.2 per cent to 25.4 per cent in 2020-21. That’s an extra \$45 billion in the 202-21 year.

Spending supposedly peaks at 25.4 per cent of GDP in 2018-19 and is supposed to fall after that as the government exercises the rigorous control over spending that it hasn’t been able to do before then.

It’s all total fiscal fantasy. That 2018-19 year is a very interesting fiscal year. Taxes leap by \$34 billion, spending only goes up by \$15 billion; and you get a spectacular \$19 billion improvement in the Budget bottom line to take it within a fiscal whisker of a surplus.

The core of the Budget actually lies in the year just ending. The economic forecasts actually look quite conservative — nominal GDP rising by just 4 per cent a year and then a bit higher. But it’s all based on the 6 per cent surge in nominal GDP in 2016-17, thanks to those surging — but now easing — commodity prices.

The Budget doesn't "need" assumed further rises; just that the high prices persist. If they don't the numbers implode big-time.

Irrespective, there is nowhere for the government to go. It can't come back with even more tax increases; it can't cut spending if it can't do it last night. We've seen some bad Budgets in recent years. This is arguably the worst.

terry.mccrann@news.com.au