

Accusations and slogans reduce Treasurers' Debate to a yawn

Written by The Conversation

I haven't fallen asleep during the day for decades, but I came pretty close today watching the Treasurers' debate between Scott Morrison and Chris Bowen on the major issue of the election campaign - economic management.

I stirred a couple of times when they raised their voices a little, and attempted to talk over each other, about issues such as Labor's recent policy back-flips on the school's bonus and pension assets tests, but mostly each stuck, ad nauseam, to their pre-scripted messages.

My problem was that I was looking to hear "reality" as to our current and prospective economic circumstances, prospects and challenges, and for policy "substance" rather than "spin". They never came close - just more of the "same old, same old" accusations and slogans.

Both worked with the recent Federal budget/PEFO forecasts/predictions, even though they are generally recognised as indefensibly optimistic, especially given the significance of risks in the global economy.

Both also used the so-called \$50 billion price tag on the Government's 10 year enterprise tax cut, Morrison as the centrepiece of his "jobs and growth" plan, and Bowen to finance further spending during the campaign, even though both know that it is not actually "funded".

Both talked of the urgent need for "budget repair", if we want to retain our AAA credit status, and of "plans" to move our economy forward in the essential "transition" from one based on a resources-and-construction boom, to whatever, but without any detailed, viable, deliverable solutions.

At one stage they were asked for just "One big idea", to "inspire us", to which Morrison quickly ran back to his Budget defence, and Bowen to his lines on education.

On Budget repair, they debated whether "costing" meant "funding", and whether "in the Budget" meant that it was "funded", with the outcome that they sort of agreed to be clear on their

“costing” and “timing of a return to surplus” well before the last week of the campaign. However, neither was prepared to respond to a request for a firm commitment to “guarantee” that they would retain our AAA rating when in government.

Both were even less specific as to how their “plan” would actually stimulate economic growth and create new jobs. Both simply listed what they saw as the key elements of their “plan”, leaving us to determine for ourselves just how that would translate through the economy.

Morrison listed a number of small family businesses that he had visited, across a number of industries, and locations around Australia, to emphasise the significance of “small business”. But it seems that he would have us just accept that giving them a tax cut would encourage them to invest and employ more, ignoring, of course, whether they were actually profitable enough to benefit from the cut, and believing that they wouldn’t simply distribute the benefit as dividends.

There is so much more to the decisions to invest and employ, than just tax. Most central banks of the world would have expected a significant boost to business investment from near zero to negative interest rates, but this simply hasn’t happened since the global financial crisis. Indeed, to the extent that top-line earnings numbers have improved, it has been mostly due to cost cutting and efficiency drives, rather than growth in the revenue line, which simply won’t happen without investment.

This week we saw some much weaker than expected business investment numbers for the March quarter – down 5.2% against an expected fall of 3% - with the expectation that business investment would continue as a significant drain on overall growth through 2017.

Business investment is fundamental to the “transition” in our economy from mining to whatever, with falling mining investment having to be overcome by accelerating investment in the non-mining sectors.

A year ago, non-mining investment was expected to grow by 4% this year, and 7.5% next year. However, the recent Budget revealed that non-mining investment is now expected to plummet by 2% this year, and then grow by a weak 3.5% next year. This week’s figures suggest an even slower transformation.

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Bowen chose to dwell on his old high school, St John's Park, to focus on his "plan" built on education, but although he seemed to be foreshadowing something of a "revolution" (echoes of Kevin '07) in education, he too was scant on just how this would translate, through the "transition", to jobs and growth.

Given the magnitude and urgency of the challenge to create jobs and growth, I was staggered that the words "climate change" were not mentioned at all in the debate, which is particularly disturbing when industries such as renewable energy and alternative technologies are probably the most "shovel ready" to deliver significant jobs and growth.

More broadly, accepting the focus of the debate now on 10-year projections, as discussions of both budget repair and growth are now seen as medium to longer- term structural challenges, shouldn't we be recognising the longer-term structural constraints from the challenges from our demography and climate?

In introducing the debate, ABC's Chris Uhlmann noted that the challenge is that our national productivity needs to grow at the average of the last 30 years (or better). That was the policy challenge for the debate. That was the last we heard of it!

Disclosure

John Hewson is chair of the Asset Owners Disclosure Project, and was federal leader of the Liberal Party from 1990 to 1994.

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