

# MUNGO MACCALLUM: Morrison's fabled surplus

By Mungo MacCallum

9 July 2019



**Scott Morrison has a new obsession — the budget surplus. In spite of his assurances to the contrary, this has not actually been delivered and there are growing doubts that it will be.**

The storm clouds, the headwinds of which the Prime Minister and his Treasurer confusingly warn us, could well blow it away.

But it remains ScoMo's fetish, replacing his pet rock, the [lump of coal he brought lovingly into the Parliament](#) last year. The quest for surplus is now his reason for being, his "precious". And nothing is to stand in its way — certainly not economic reality.

The problem is, as any first-year student of the dismal science could have told him, that a surplus is not an end in itself, but a tool, to be used if and when the circumstances demand and, in the current circumstances, a surplus would be not merely counterproductive, but

downright perverse.

A surplus is a good idea when things are going well. That's why former Treasurer [Peter Costello](#) was able to rack up a few of them when the mineral boom was at its peak — the economy was, if anything, overheating and a surplus could provide a dampener, a corrective.

But today, however, Treasurer Josh Frydenberg is desperately trying to keep the myth of a strong economy in the spotlight, what is need is not a dampener but a stimulus, and a large and urgent one. The fall in interest rates and the tax cuts may help, but as the Reserve Bank Governor [Philip Lowe](#) has repeatedly [declared](#), they will not be enough — a big kick along with immediate construction on infrastructure is the obvious solution.

For the working poor and the unemployed, this is another Budget that bypasses them in favour of the better-off. Great analysis by [@davrosz](#).

BUDGET 2019: Back in the black Budget just another cash splash  
<https://t.co/SglHbbsYrF>  
[@IndependentAus](#)

— Michelle Pini (@vmp9) [April 3, 2019](#)

Treasurer [Josh Frydenberg](#) is apparently considering something

along those lines, but will not countenance abandoning, or even postponing, the much-heralded surplus. It has become a test of the Government's credibility and given that this is already tenuous, there is no real choice.

But there should be. As with food, clothing and politics, there are fashions in economics that come and go, and the idea that a surplus is inherently desirable is one that has well and truly passed its use by date.

There was a time when supply-side economics was going to save the world from recession. It is now derided as trickle-down theory, simply pandering to the rich and greedy. What was once called the "[J-Curve](#)" – a graph like a hockey stick – was going to be the lever that would haul us into prosperity. This too has been relegated to the locker room.

And I can remember when a high exchange rate was regarded as a national virility symbol. Now we prefer it to droop, in order to enhance exports. And thus it has been with interest rates: a fall used to be good news, but last week it was more widely seen as a sign of stagnation, if not imminent recession.

The only thing that gives the putative surplus some dwindling credence is the fortuitous [jump in iron ore prices](#), fuelled largely by the disaster which effectively closed down the mines in Brazil. But this bonanza will not last and even if Morrison can preserve his surplus for one year, there is little prospect of it continuing over his hugely optimistic forecasts.

Which is probably just as well. What is left of our strong economy, simply

cannot afford it.

From Discover on Google  
<https://t.co/IQQdkNeuzD>

— Neco (@necozbilen) [July 6, 2019](#)

[Mungo MacCallum](#) *is a veteran journalist who worked for many years in the Canberra Press Gallery. This article was published on 'Pearls and Irritations' and is republished with permission.*