

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Budget Estimates – 2–4 June 2009

**Question: bet 148**

**Topic: Fiscal Policy**

**Hansard Page: Written**

**Senator BUSHBY asked:**

1. Does Treasury agree with the statement by Reserve Bank Board Member, Warwick McKibbin, that ‘most fiscal policy doesn’t do anything except switch spending from one period to another’? And, ‘When you change fiscal policy today, all you do is stimulate the economy today out of future possible growth.’

**Answer:**

Macroeconomic policy tools for the stabilisation of aggregate demand - ie fiscal and monetary policy – usually operate by smoothing the timing of expenditure over time. However, there are enduring benefits from the improved macroeconomic stability that results from the appropriate use of these demand management tools.