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One big balancing act

THE annual celebrity conference which was held in Davos, Switzerland, last week attracted its fair share of A-listers. It is a place where rock stars like Bono and philanthropists like Bill Gates talk about what should be done with the world. And there is always a fair share of government ministers, presidents and prime ministers on hand to hear them.

Prime Minister Tony Abbott attended this year. He was not there to listen so much as to talk - to set out the priorities Australia will pursue as the chair of the G20 in the forthcoming year. The chair does not get to run the whole group. Work is carried over from year to year and each country (which is sovereign and doesn't have to comply with anyone else's rules) will push its own agenda.

But when it is chair of the forum, a country has more than usual influence in the G20.

Abbott named his objectives as promoting global growth, freer trade, tax co-operation and cross-border financing of infrastructure.

No one expects an international trade treaty to come out of the meeting in Brisbane in November. That is what the World Trade Organisation is for.

No one expects a new comprehensive tax treaty. The OECD and other organisations have been negotiating on these for decades.

But the G20 can give political impetus to these issues and jump-start talks that have fallen flat if it shows a strong political will to move forward.

Of course, there are other international organisations that work at promoting global growth - the IMF, the World Bank, the G8 and so on.

But the G20 offers the opportunity, around a table with everybody that counts, to share experience on what works and what doesn't, and to forge some consensus on what will help and what will hinder the global economic recovery.

Abbott laid down some important principles: "You can't spend what you haven't got. No country has ever taxed or subsidised its way to prosperity" and "You don't address debt and deficit with more debt and deficit".

He is absolutely right. Spending money that you don't have might make things feel better in the short term but it is not the way to sustained prosperity because it is not sustainable.

Sooner or later the bills catch up and then the problems are worse.

His plea to end the policies of deficit and debt will invite two questions: When and how?

Not so long ago, Australia had enormous credibility on the subject of sustainable budget policy.

Alone among the democracies of the Western world we had produced successive budget surpluses and repaid all government debt.

In 2006, when the G8 finance ministers met in St Petersburg to discuss how to deal with their budget deficits, they invited an Australian minister to address them.

It is unheard of for a non G-8 minister to get into, let alone address, a G-8 Forum. I doubt it has happened before or since. It was a long way to go just for a weekend, but Australia was the country with the track record and the credibility to share its experience with the world. The world was interested.

Australia has not balanced a budget in six years and it will be some time before we do again.

Despite that, Australia never stopped lecturing the world about the need for balanced budgets.

Labor Treasurer Wayne Swan informed his counterparts at all the relevant international meetings that Australia would lead the world on its way back to surplus. He even named the date it would happen - June 30, 2013. It's just that it didn't.

Australia never stopped preaching. It just stopped practising what it preached.

Our contributions to global discussions on sustainable growth don't carry the weight they once did.

When Abbott reaffirmed the principles of sound finance, balanced budgets and low debt at Davos, he had to give a reason why Australia should now be taken seriously when the gap between its rhetoric and its practice has been such a joke in recent years.

The reason is obvious and he stated it - the country is under new management.

Labor worked itself into a huff and pretended that this was some international gaffe - that Abbott had no right to point out that the previous government had woefully underperformed against the expectations it set itself.

But Labor showed sensitivity not sense. Do they really think that other countries are ignorant of what has been going on in Australia? Do they think this is a closely guarded secret?

Other nations know what has happened to Australia.

What they are interested to know is whether it will change.

It is a pity that Abbott does not have more time between now and the G20 Summit to deliver the outcomes that demonstrate that things have changed in Australia.

It will take some time before Australia stops spending money it doesn't have. It won't happen by November. But he does have the chance to show Australia is taking credible steps along that path. When international leaders meet they recognise in each other the tricks of the political trade. They know politicians often promise and fail to deliver. They tend to judge by results rather than rhetoric.

Australia used to carry a great deal of respect for its results. It was hard won and then easily lost. There is a lot of work to win it back.