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Hardheads must prevail

There are three phases to a Budget — making it, selling it, then legislating it. The point of selling it is to put pressure on the senators to pass it, or bits of it, with different senators passing different bits that make up the whole. The thing that matters is the outcome.

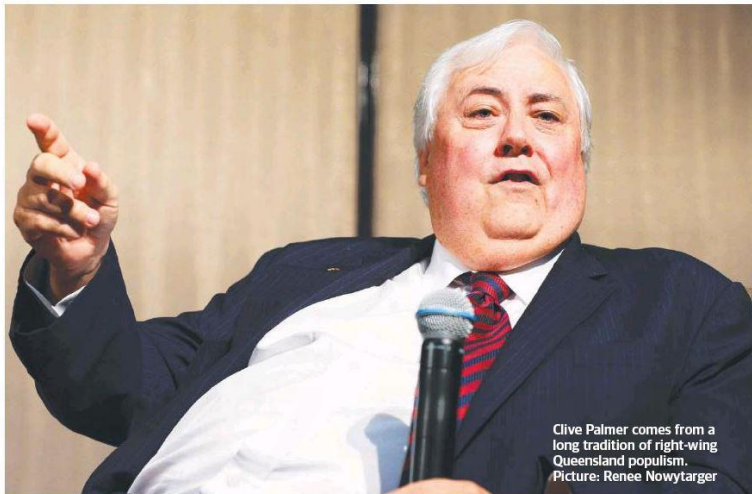
For the last 20 years or so both sides of politics have agreed that the desired outcome in a growing economy is a balanced Budget where the government spends no more than it raises or, preferably, has a surplus left to pay down debt and prepare for the challenges that will come in the future.

Labor used to believe in Budget surpluses. When Labor was elected in 2007, the Budget was forecast to be a surplus of 1.2 per cent. Wayne Swan declared that was not nearly enough. He vowed to show those wimps who had run things before him what a real surplus looked like. He pledged to lift it by 50 per cent.

When the financial crisis of 2008 intervened, Labor said there would be a “temporary deficit” but it never dropped its pledge to return the Budget to surplus.

When the mining boom took off, Labor said it would return the Budget to surplus “three years early” — by 2012-13. Wayne Swan’s Budget speech of May 2012 began with the memorable words: “The four years of surpluses I announce tonight are a powerful endorsement of ... the success of our policies.”

It was a cracker of a line. Never before has a Budget speech got a laugh like that. Good on the Treasury for letting him write that in a speech. Who says economists don’t have a sense of humour?



Clive Palmer comes from a long tradition of right-wing Queensland populism. Picture: Renee Nowytagher

“If the serious parties do not agree, the nation will be at the whim of Clive Palmer

Out of six Budgets, Labor delivered six deficits totalling about \$240 billion. It never delivered a surplus. But it never gave up promising.

In its last economic statement released just before last year’s federal election, Labor promised a surplus in 2016-17. And that’s my point. Forgetting what it did, it always said it was going to balance the Budget. Labor always thought that was the right thing to do. At least, it always said that was the right thing to do.

Although they didn’t agree on how to get there, both sides of Australian politics agreed what the outcome should be.

In the current Budget, the government is proposing to reduce benefits in a number of sensitive areas such as health,

higher education, and pensions. Labor is opposing those measures. It wants the government to suffer maximum political pain over those changes. That’s politics.

But if Labor is still in favour of balanced budgets it must have some alternative proposals which it says would do the job better. We never hear about them.

Or maybe it’s worse than that? Maybe Labor has abandoned its support for balanced budgets? It’s something the

press should ask. Does Labor believe the Budget should be balanced, and when, or can we keep borrowing forever? It would be nice to know that, if they can’t agree on proposals, both sides of politics at least still agree on the objective.

If Labor and the government support a proposal it sails through the parliament without any trouble. If Labor doesn’t agree, the Greens can make or break the government’s legislation. If neither Labor nor the Greens support

a bill then the Palmer United Party (PUP) gets to decide the fate of legislation.

Labor and the government have agreed to raise income tax for higher-income earners. It will sail through parliament and start on 1 July. The government’s generous paid parental leave scheme might win the support of the Greens. But on important stuff — like cutting unsustainable spending — the government will have to dance with the PUP.

Just what does the PUP believe in? At one level the answer is clear. The PUP will vote for changes that are consistent with Clive Palmer’s business interest. It will vote to abolish the mining tax and it will vote to get rid of the carbon tax (as long as Mr Palmer’s companies

are relieved of their liability). But where does PUP stand when Clive Palmer has no financial interest?

Despite his bluff and bluster, Palmer knows he will never form a government. He will never be responsible for managing the economy. He knows he will never be held to account for economic outcomes. So he has the luxury of being able to promise all kinds of contradictory things to all kinds of different audiences, telling people what (he thinks) they want to hear.

Clive Palmer says he is against cutting benefits. He is against sacking public servants. He is against charging to see a doctor. He says the government is there to look after everyone and Clive’s your uncle. He comes out of a long tradition of right-wing Queensland populism that has previously thrown up Bob Katter and Pauline Hanson. The difference is that Palmer has a campaign budget and a couple of jets.

If the serious parties do not agree on budget repair, the nation will be at the whim of Clive Palmer. He will be the Tony Windsor and the Rob Oakeshott of this parliament.

There are still some economic hardheads in the Labor Party. They must be thinking to themselves that one day they will be in government and this will become their problem. They must realise that stemming the bleeding now will mean less worse choices for them in the future.

If Labor rediscovered its commitment to budget surpluses we could agree on the end and just argue about the means. It would not only help our financial plight. It would save us from Clive Palmer.

Peter Costello is a former federal Treasurer.