

# Rewards of economic management lie in the respect of public and peers



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When the opposition spokesman for finance, Andrew Robb, was asked last week if he could see a Coalition government delivering a surplus in a first term, he answered, "Well, it just depends."

He was trying to point out there is a lot of uncertainty around the numbers in the present budget. But the upshot was that politicians and journalists worked themselves into a lather for a week arguing over just who can be trusted to deliver a budget surplus and who can't. A whole lot of people who have never balanced a budget in their lives chimed in to make solemn observations on the subject.

There are two lessons to be drawn from this episode, and neither relates to policy. First, in running a major economic portfolio you have to be very careful with language, and second, where a problem arises from an unintended slip, the best thing to do is to acknowledge and correct it as soon as possible. Otherwise you and your colleagues will spend a week trying to "clarify" what you really meant to say when it didn't quite come out right the first time.

I got into this trouble when I recounted a conversation with then US Federal Reserve chairman Alan Greenspan. What I said was entirely truthful and nine times out of 10 it would have gone unremarked. But it gave the press enough of an opening to beat the living daylight out of my words, which they did to my great embarrassment. I learnt it was not

enough to be accurate; when answering questions it is important to think how each statement can be misrepresented and distorted. Answers have to be "bullet-proof" against fair and unfair reporting.

Now to the "surplus". The government says there will be a wafer-thin budget surplus in June 2013 after it utilises a whole lot of accounting tricks. First, it takes the \$30 billion or \$40 billion spent on the national broadband network off the balance sheet, then it pulls forward a whole lot of expenditure, which blows the deficit out to \$37 billion in this financial year and shows a consequent surplus about a 30th of the size in the year after. The final budget outcome for the next financial year won't come out until September 30, 2013 – after the next election – and by then no one is going to be interested in what hap-

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pened. Until the election the whole argument will be about promises rather than outcomes.

Robb was right. None of the outcomes under this government have been anything like what were promised. Nonetheless it is an obvious point – and he should have made it – that if this government says it can deliver a balanced budget (its first) then the opposition can't do worse. And if the incoming government inherits a budget in surplus then it will not be difficult to keep it there. The last government to inherit a surplus and turn it into a deficit was, well, the present one, and the Coalition does not want to behave like that.

So now both sides of politics agree that we need to get out of deficit and start paying back some of the debt the government has

run up over the past four years. Ministers and opposition spokesmen who are used to ballooning resources as a result of the huge surge in spending over the past two years will need to be reconditioned to freezes, or preferably reductions, in real terms. But try convincing a minister or an opposition spokesman that he or she will do a better job with less money. I cannot recall a single minister who volunteered to implement net savings during the 12 years I was responsible for the Commonwealth budget. Which made every cabinet meeting and every budget a full-on contest between the economic ministers and everyone else.

If they are doing their jobs, the economic ministers will never be popular with their colleagues – they will not be handing out the grants for local sporting clubs, for roads and schools. And they will not be popular with the political commentators who live in Canberra. Few of these writers are interested in economic policy. They like to thrive off gossip and leak and propaganda dressed up as confidential party research. Their columns are skewed to look after their sources.

So the economic ministers should forget about chasing popularity. They are working for respect – respect from the public and, perhaps, a little fear from their colleagues.

The measure of a successful finance minister or treasurer is the Commonwealth's financial position. A successful minister will leave it in better shape than he or she found it. If they are successful, Robb and Joe Hockey should not expect any thanks. After all, success has a thousand fathers. But after their job is done they may permit themselves a little smile and have the satisfaction of knowing they achieved their task in spite of those colleagues loudly claiming the credit, and not because of them.

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