Abstract
The Gillard Government's insistence on forecasting a budget surplus in the 2012-13 financial year was maintained in the face of deteriorating domestic and international economic conditions, and in the face of protests from economic commentators and a range of interest groups. The opposition, to the extent it had a discernible budget policy, wished to see a higher budget surplus. The reasons why the government thought that promising a budget surplus, and sticking to that promise as conditions changed, are various. The Labor Government needed to lift its ratings for economic management. The importance of this promise to the political fortunes of the government tells us much about the state of economic policy debate in Australia. Nearly thirty years after the Hawke Government set in motion the reforms that now enjoy bipartisan (if not public) support, the quality of economic debate does not appear to have improved a great deal. This paper explores a range of possible explanations for this phenomenon: a poor quality government, the notion of liberal populism, and the decline of the quality press.
Introduction

An earlier than expected projected surplus was one of the main selling points of the federal Labor Government’s 2010 election-year budget. The 2009 budget had projected a surplus in 2015-16. Such variability in budget projections might have led the government to play down both the expected deficits and the return to balance in case of another reversal of financial fortunes. Instead, stung by criticism of its fiscal management, the Rudd and then Gillard Governments clung to the notion of a return to surplus.

Rudd had introduced himself to the Australian people in 2007 as an “economic conservative”, presumably eschewing the word fiscal to avoid confusing voters. This was an implicit criticism of generations of Labor leaders and a concession that Labor was associated with fiscal profligacy. While allowing for new expenditure in childcare and health, Rudd’s budgets continued the Howard-Costello practice of demanding an annual efficiency dividend from most government departments.

With the global economy deteriorating quickly in late 2008, the government acted decisively. Two rounds of stimulus spending, carefully calibrated by treasury for maximum impact on consumer demand and employment, helped make Australia one of the few developed states to avoid recession. The first of these was supported by the opposition, the second opposed, giving them some credibility in arguing that the increase in government debt would have been lower under a Coalition government. Australia’s stimulus was behind only to China and South Korea as a proportion of gross domestic product. This was affordable because debt to GDP was much lower than most other Organisation for Economic Cooperation and Development members.

The announcement of the stimulus coincided with some of the strongest polling for an incumbent Australian prime minister and government on record. Newspoll found in February 2009 that 63% of voters approved of the way the government was handling the crisis. Yet, the opposition sensed that the resulting debt could provide political opportunities. Shadow treasurer Joe Hockey speculated that the Labor Government, whose revenue in its first full financial year of 2008-09 had collapsed under the weight of the crisis, would never run a budget surplus. Assuming that the rhetoric of political leaders on such matters is distilled from the sentiments of voter focus groups, the notion of fiscal responsibility seemed crucial to convincing the electorate that the economy was in safe hands.
The idea of a “headline number” of budget deficit or surplus being as important as any of the 300 or so billions of dollars in taxation and expenditure now seems institutionalised, bringing with it any number of accounting tricks to make the headline number more politically palatable. Budget outcomes are rarely reported with the fanfare of the prior forecast. The media and financial markets seem to enjoy the expectations game that foreshadows the budget-night announcement. Just how much attention voters pay to the headline balance, as opposed to media stories about how the budget effects them personally is more difficult to fathom.

One pragmatic element of fiscal discipline is to demonstrate government solvency to financial markets and allow borrowing costs to ease. Yet, with borrowing costs for the Commonwealth near record lows, the goal of government and opposition has not been to minimise interest payments in order to spend more on their preferred programs but to bid in an absurd auction to see who can promise surpluses faster, higher and stronger.

In 2010, the projected 2012-13 surplus of $1billion amounted to just 0.1 per cent of GDP (2010 Budget Paper No. 1). Apparently, though, less than a billion doesn’t sound like a real surplus. The budget projection became an election promise, and therefore a matter of trust as well as economic competence. Subsequent events such as the effects of the strong Australian dollar or the deterioration of financial conditions in Europe would not shake the government from its commitment.

This paper analyses the causes and consequences of a budget surplus becoming a “leit-motif of good government” (Wanna 2011). After outlining some of the events that have contributed to the present political economy of the Commonwealth budget, with both sides following logical incentives to their present positions, it argues that a combination of the lack of philosophical underpinning of budget policy on both sides of politics, and a media capable of more complex economic debate subordinating that complexity to reportage of the two-party contest suggest that the shallowness of budget politics will continue as long as the public perceives that the Coalition has an advantage on the issue.

Fiscal Droughts And Budget Black Holes

If Australians have come to equate budget surpluses with sound economic management, it is a relatively recent development, and perhaps a luxury. When treasurer Paul Keating forecast
a balanced budget in 1997-98, it was a novelty because so few state or federal budgets had balanced in previous decades. Just one Commonwealth budget had been in surplus since 1974-75 (2011 Budget Appendix D). Even though fighting inflation had become a greater priority since the 1970s, and part of that strategy involved cutting government spending, stagflation had made budget balance elusive.

Labor had promised a trilogy of budget commitments in 1984: that taxation would not increase over the share in 1984-85; that expenditure would fall as proportion of GDP; and the deficit would fall (Goldfinch 1999, 10). These commitments were made at a time when even bringing the deficit down seemed like an heroic election promise. Later commitments about budgeting would incorporate the now-familiar notion of balance over the course of the business cycle.

The Hawke Government’s Prices and Incomes Accord played a role in keeping inflation and interest rates down (Battin 1993, 235) but there were other problems for the government to deal with. Australia’s current account deficit (CAD) was gaining political as well as economic saliency with Keating’s “banana republic” rhetoric, and the twin deficits theory gained adherents at the highest levels of government. The idea was that government expenditure crowded out private investment, encouraging policy-makers to promote budget surpluses, although this seemed to have little effect on the CAD, which the mining boom has taken off the political agenda for the time being.

Squeezing inflation and the current account deficit through fiscal and monetary policy led to a deep recession in 1990-91. While that recession put an end to inflationary pressures, recovery in economic growth and employment was very slow in spite of a number of stimulatory budget measures under names such as *One Nation* and *Working Nation*. Consequently, taxation revenue was slow to recover and by the election year of 1996, then prime minister Keating and a series of treasurers presided over a stubborn budget deficit. This “fiscal drought” of the early-1990s compared to Howard’s “almost ideal conditions for governing” (Fenna 2007, 330), during which a number of budget surpluses were delivered, played a crucial role in the development of the recent politics of the federal budget.

The budget deficit as a percentage of GDP had halved from its peak in 1993-94 to that fateful final Keating Government budget of 1995-96, at 1.9% (Fenna 2007, 334). Taxation revenue recovered steadily from 1993-94 until the global downturn in 2001, which prompted a budget deficit but no recession in Australia (Budget 2011 Appendix D). Around the mid-point of that
recovery in budgetary fortunes, a change of government occurred. This was unusual in that the poor economic conditions of 1993 would normally have prompted a change of government, and a Hewson Government would have enjoyed the steadily improving economic and budgetary conditions.

It thus took a more concentrated political effort to convince voters of the poor fiscal management of the Australian Labor Party. Howard and shadow treasurer Peter Costello were up to the task. At first, though, fear of foreign debt (public and private) seemed like a more potent political issue than the Commonwealth budget deficit, with the Coalition sending a “debt truck” between marginal seats, with a large sign carrying up-to-the-minute figures on foreign debt spelling out the impending doom awaiting the country were Labor returned to office. Little was heard about foreign debt during the Howard Government once financial markets realised that low borrowing costs and rising exports had made servicing the debt less of a problem.

By contrast, Howard was deliberately cagey over fiscal policy prior to becoming prime minister. Hewson’s experience of promising expenditure cuts (and much else in his Fightback platform) saw Howard tack to the centre on his return to the leadership in 1995. Access Economics brought fiscal policy to the fore by forecasting an $8 billion budget deficit in a report released during the 1996 campaign. Howard called on Keating to release official updated figures, knowing that Keating would refuse, but Howard himself refused to say how he would cut the deficit if the Access figures proved correct.

Once in government, the Coalition wasted no time in demonising Keating once the new budget forecasts arrived. Instead, the deficit became “Beazley’s black hole”, after the new opposition leader and Keating Government finance minister. Howard and Costello’s $2b in expenditure cuts in the 1996-97 budget, which broke a series of election promises, contributed much less to balancing the budget than did the steadily recovering revenue. Costello’s first budget remains one of the most popular on record, although such surveys measure the public’s response to the overall budget. As individual budget cuts were put into practice, many proved unpopular and some, such as those applying to nursing homes, were reversed. Nevertheless, the Howard Government’s reputation for fiscal discipline was assured.

In a speech to the Committee for the Economic Development of Australia in 1998, Costello outlined the government’s medium-term fiscal strategy: “The key objective of the
government’s strategy to repair the Budget position is to achieve underlying balance, on average, over the course of the economic cycle.” (cited in Henderson 2003). Consistent with this medium-term outlook, the Howard Government protected the revenue base by replacing a range of indirect taxes with a broad-based goods and services tax. On the other hand, Howard gave up a reliable revenue source by abandoning indexation of fuel excise in 2001, against the wishes of his treasurer. Just what phrases like “underlying balance” mean in practice is difficult for economists to agree upon, let alone for politicians to explain to the public.

Favourable terms of trade can mask an underlying deficit. In the first half of the 2000s, the mining boom added revenue to the budget without causing the side-effects of an over-valued currency that the Gillard Government would have to deal with, since the dollar was still recovering from very low valuations of the late 1990s. During the mid-2000s, Commonwealth revenue as a proportion of GDP reached its highest levels, at over one quarter, for the first time since the 1980s, while spending growth fell under one per cent just once after the initial period of tightening in the government’s first term (Budget 2012 Appendix D).

Strong economic conditions put less pressure on the government to offer larger tax cuts. There was pressure from the Business Council of Australia for further tax reform - usually amounting to corporate tax cuts (Fenna 2007). Yet, outside the GST package, tax cuts were modest. Howard formed a close relationship with George W. Bush, following American policy on security issues and mimicking some of the divisive cultural politics of the Republicans. The Australians departed sharply from their American conservative cousins, though, on economic policy. Bush inherited a balanced budget but was successful in legislating a series of large-scale tax cuts, arguing that surpluses simply hoarded taxpayers’ money. Howard and Costello were much more mindful of budget deficits. The faith of Australian conservatives in supply-side measures did not include the notion that tax cuts create economic growth and therefore pay for themselves. Vice-President Dick Cheney’s assertion that “Reagan proved that deficits don’t matter” was equal parts political certainty and economic prescription (cited in Borger 2004). When Malcolm Turnbull expressed supply-side tax reform sentiment in a discussion paper of options for tax reform in 2005, he was slapped down by Costello (Jennett 2005). Nor are Australian conservatives so committed to the notion of of small government that they would embrace a strategy of “starving the
beast”, where large tax cuts are legislated in the expectation that spending cuts must follow … at some point.

The American conservative approach can have the effect both of fulfilling ideological goals and, in terms of party competition, restrict the fiscal options of the other party when they attain power (Iverson and Soskice 2006). Australian conservatives appear to place lower value on the ideological goal of small government and therefore took a different approach to party competition – challenging a new Labor government to match their record of supposed fiscal rectitude regardless of economic circumstances.

The Economic Conservatives

Rudd had been critical of Howard’s alleged “Brutopia”, or market-dominated society, as opposition leader (2006). His political strategy, though, as his self-description as economic conservative indicated, was to distance his economic policy from Howard only in selected areas. Howard’s adventurism in introducing Work Choices provided the most important political and ideological contrast between the parties. On budgetary matters, Rudd was careful to ensure that his modest promises were paid for elsewhere in the budget. His decision early in the 2007 election campaign to refuse to match Howard’s promised tax cuts, promising instead to divert some of the cash to an education refund, proved effective.

In the midst of the financial crisis, Rudd lambasted “the neo-liberal extremism that has landed us in this mess,” and lauding a social democratic commitment to a role for the state (2009), and in particular his government’s stimulus package. The extent to which any other government would have behaved much differently under the circumstances we will never know. A Howard stimulus package may have shown a stronger bias towards tax cuts rather than spending (probably making it less effective) but with Treasury behind the principle of spending to avoid recession, and little resistance coming from market economists, Rudd’s stimulus didn’t appear particularly brave at the time. Nor was it out of step with the measures across the world from Chinese communists to American supply-siders. The Bush administration used a number of state-centric measures, including budget stimulus and direct payments to banks and car manufacturers, at the height of the crisis. It was after the initial phase of the crisis that contrasting attitudes to the role of the state emerged around the world. The Eurozone was in the grip of German-inspired austerity, while the Obama administration
sought to delay measures to reduce the budget deficit. The purveyors of the Washington Consensus, the International Monetary Fund, warned of the dangers of premature austerity, including in Australia (White 2012).

While Australia’s major parties were united on the principle of a rapid return to surplus, there were important respects in which Labor’s economic policies diverged from those of the Coalition and neo-liberal norms. This was most visible in industrial relations and in communications, where the establishment of the National Broadband Network broke with two decades of privatization of public companies (Johnson 2011). Any notion, however, that budget policy might be useful in returning to full employment was subordinated to a position more in line with the prevailing economic orthodoxy.

In the brief period between the change of prime minister in June 2010 and calling an early election, Gillard underlined her fiscal values:

I believe that prudent and disciplined economic management is the foundation of good government. The good-quality, essential services that Australians expect can only be sustained by a Government when our public finances are sound. That's why I believe in strong budget surpluses (Gillard 2010).

Never let it be said that the Australian Labor Party lacks core beliefs. If there is a positive side-effect to this emphasis on budget balance, Gillard underlined it in the same speech: “Those expecting an old-style, spend-up-big campaign can forget it.” Such rhetoric constrains the opposition as well as the government. The 2007 and 2010 election campaigns were penny-pinching affairs. Abbott went as far as promising to pay for the Coalition’s family leave scheme through a levy on big business. The independent MHRs who put their confidence behind Gillard in the hung parliament after the election were similarly frugal in their demands. While the opposition was sure that a Coalition government would reach surplus faster than Labor, they couldn’t say when that would be.

However, just as the deterioration during the financial crisis was caused primarily by falling taxation revenue, the projected return to surplus was possible because revenue was set to return faster than expected. Still, the narrow margin between surplus and deficit ensured that every spending decision would be scrutinised throughout an already difficult term of parliament.
During the 2010 federal election campaign, the opposition led by Tony Abbott promised an “action plan” to “end the waste, pay back debt, stop new taxes, stop the boats, help families” (Liberal Party pamphlet). The first three and the last were about the budget. Concerns about waste dovetailed neatly with those about ballooning public debt. The groundwork for this attack had been laid by then-leader Malcolm Turnbull, who enjoyed one of his few successes as leader of the opposition in response to the 2009 budget. Perceptions of government waste had been fuelled by News Limited publications and talkback radio scrutiny of two programs in particular: the school building program overseen by Gillard as education minister and the home insulation program overseen by Peter Garret until his demotion in early 2010. One of the strengths of the school building program in spreading the stimulus far and wide became a weakness when individual projects inevitably ran into cost overruns or delays. An independent report found that the number of problem building projects was tiny in a program of over 10,500 individual projects costing a total of $16.2 billion, and that the imperative of commencing projects quickly to stimulate the economy was worth the resulting complaints about lack of consultation and flexibility (BERITF 2011). Inevitably, though, such large programs provide enough examples of government waste to fill the pages of tabloid newspapers for months.

The promise of a budget surplus was maintained in the face of concern about the effects of the patchwork economy, doubts about the revenue from the mining tax as commodity prices slipped. Said Gillard, “we are determined to drive the biggest fiscal consolidation since the 1960s, we're a government with a track record of savings, we've saved more than $80 billion over our budgets, we are going to keep up the discipline and we will bring the budget back to surplus as promised." Even if keeping that promise meant delaying the introduction of other promised spending (cited in Maiden 2010).

When, during a post 2011 budget radio interview, Swan couldn’t nominate the last time a Labor Government had delivered a budget surplus, the Coalition provided an excellent piece of political theatre - having 21-year-old Wyatt Roy ask Swan in Question Time why, if “no Labor government in this place has ever delivered a budget surplus in my life time” anyone should believe that one would now materialise.

The 2012 budget was released amidst uncertainty about the state of the economy, fed by the continuation of the Eurozone crisis, job cuts in manufacturing industries struggling with a high dollar and a sluggish property market. To meet its vaunted surplus, the government
announced an historic three per cent cut in spending, $46 billion on a cash accounting basis, the biggest in sixty years. However, there was short-term support for demand since part of the bookkeeping chicanery involved bringing forward family payments to the end of the 20110-12 financial year. Similar shifting had the effect of inflating the scope of the turnaround in the budget position noted above.

The other side of blaming the global economy for the financial crisis was not receiving much credit when external factors boosted the economy back above trend growth. As the GFC faded in the public’s memory, Essential polling reported that the public was more likely to blame the government rather than the economic environment for the budget deficit. Of course, the notion of “blame” for a budget deficit reinforces the paradigm analysed here.

Many observers were bemused at all this activity in the name of accelerating an existing path towards budget balance. At a post-Budget doorstop, Swan met journalistic scepticism of over-wrought budget repair with the modern Labor raison detre: "It actually matters around the kitchen table" because of the effect of the budget on interest rates (2012). Reserve Bank minutes after later rate cuts gave the treasurer no such comfort. Former Reserve Bank Governor Bernie Fraser pointed out the absurdity of simultaneous interest rate cuts and fiscal tightening (White 2012). Treasury Secretary Martin Parkinson defended the spending cuts by pointing out that if the budget was not balanced four years after the downturn it may never be (Janda 2012). Such an economic argument would be stronger if it wasn’t being made two years after 2013 was arbitrarily nominated as the government’s target year for surplus.

**Causes and Consequences**

A government with larger reservoirs of public trust may have been able to make the case that changed economic circumstances could delay the return to budget balance. Kevin Rudd had compounded his problems by delaying the introduction of his planned emissions trading scheme, a decision that also took billions in revenue from budget forecasts. Gillard had been unwise enough to frame her position on climate change during the 2010 election campaign in terms of what she would not do. There would be no carbon tax. A prime minister coming to power in a leadership coup and failing to win a decisive victory at the subsequent election was in no position to argue that the climate change policy foisted upon her during negotiations with the Australian Greens amounted to something other than a broken promise.
Details and labels were not important. The parties were close in Newspoll ratings for preferred economic managers until Gillard announced the carbon price scheme, suggesting that such questions become proxies for general trust in political leadership and perceived priorities in policy-making.

Unlike new programs, such as those in response to climate change, annual budget policy is largely at the discretion of the executive. Opposition parties sometimes knock an item or two, as in the great alcopops affair of 2008, off the budget bottom line but recent Australian governments have been largely successful in turning their budget bills into law in spite of minority status in at least one house of parliament. An instructive exception occurred when the Keating government reneged on election promises in its 1994 budget. More recently, an opposition complaining that fiscal policy should be tighter has little scope to oppose tightening measures. Here was an area where a government under siege could appear tough, decisive and responsible.

The government found itself in a paradox. The rising taxation revenues that made a return to budget surplus feasible reflected strong economic growth. This would normally make the precise year of return to surplus a moot point. Yet, the Gillard Government was under such pressure on a host of fronts that focussing on the headline budget figure gave it internal and external purpose. Part of the puzzle, then, is to understand why the strong economy caused the government so many headaches. One of Rudd’s promises in 2007 had surrounded cost of living issues. Official inflation was low but Rudd was prepared to pander to concerns about energy and grocery costs even though he was planning to little about it. Pricing carbon would only exacerbate the problem.

Rudd’s botched attempt at introducing the mining tax led Ecclestone and Marsh (2012) to question the policy capacity of contemporary political parties. The hollowing of Australian political parties’ ties to civil society may also push governments towards simple, populist notions of economic management. Yet this populism is filtered through a mass media that has extensively debated complex economic reform for three decades. The simple surplus/deficit mantra is consistent with contemporary approaches to campaigning that target elusive, time-poor, swinging, intermittently informed voters. Tony Abbott has proved much more effective at getting across his message about waste and debt than the government has been in promoting its quite impressive economic record.
Abbott referred to Gillard as “the least impressive prime minister since Billy McMahon.” (cited in Schubert 2012) Published opinion polls suggested that the public agreed with this sentiment. Yet Gillard has an impressive record legislating in a minority parliament, and has presided over the strongest economic performance since the 1960s. Where Rudd and Gillard were both lacklustre was in political management and communication. Rudd’s unwillingness during a Lateline interview to use the words “three hundred billion” in reference to the peak government forecast by the 2009 budget turned orthodox political communication techniques into a laughing stock and YouTube sensation. His effort to keep the public mind on debt as a proportion of GDP had the opposite effect.

After the mistake of betraying a prime minister with a comfortable election mandate, Gillard has been on the defensive from the beginning. Promising a budget surplus was an effort to project strength in the middle of a suite of problems. The government has at times accused the media of bias, Gillard revealing her frustration at journalists in response to questions at the National Press Club speech on climate change. “Don’t write crap,” was her recommendation (cited in Iggulden 2011).

The best communication skills, though, will struggle to overturn deep-seated public impressions of the policy strengths and weaknesses of political parties. Economist Saul Eslake argues that Australia’s system of variable interest rates for home loans ensures that lots of citizens tune into debates about economic conditions that might affect their mortgage payments (Conroy 2012). During the fifteen years of good economic conditions leading up to the GFC, the public wasn’t exposed to the continuous seminar on the importance of economic reform that politicians and journalists engaged in during the 1980s. While fewer Australians are studying economics at high school and university, a number of economists reach audiences through their blogs, bringing perspectives outside the range of the mainstream media.

For example, the notion of cyclical versus structural budget balance is a difficult one to communicate. Taking into account the strong terms of trade Australia experienced during most of the 2000s, the Rudd Government arguably inherited a structural budget deficit, something that was only exposed during the GFC (Rogers 2011). The change of government in 2007 was not accompanied by a “cupboard is bare” moment in spite of Finance Minister Lindsay Tanner’s threats of swingeing expenditure cuts. This may have been an opportunity lost. The string of surpluses under the Coalition followed by deficits under Labor made
Abbott’s the easier political task. Yet, this only true because the federal budget has, outside periods of crisis, served a narrow political purpose since the Reserve Bank took on the primary task of macroeconomic management in the 1980s.

Fiscal policy in Australia therefore lacks an underpinning political philosophy. Rudd’s profession of disdain for neo-liberalism gave some hope to Keynesians of a return to social democratic spirit of an earlier era. The “authentic Keynesian position” does not necessarily favour returning the budget to surplus when the crisis has passed, and would prefer tax rises to expenditure cuts (Battin 2011). Further, the Keynesian commitment to full employment may necessitate further government intervention (Battin 1993).

Where Keynesian social democracy’s commitment to full employment required an active fiscal policy (Battin 1993), contemporary Labor retains the redistributive elements of fiscal policy while leaving the macro-economic elements passive. Once the worst of the global financial crisis passed, the Rudd and Gillard Governments have been active within the budget with such measures as the mining tax, and the carbon price, and when it comes to debt, have been prepared to defend the $37b or so required for the building of the NBN. Yet, Labor’s leadership seemed content with a 2012 budget that forecast unemployment to rise from five and a quarter per cent to five and a half per cent, remaining at that level in the 2013-14 financial year (2012 Budget Statement No.1). The Coalition parties have not taken up the low-tax philosophy of their US Republican counterparts. On the other side of the ledger, after 11 years of Howard-Costello budgets, “welfare state retrenchment has been modest or non-existent” (Fenna and Tapper 2012, 170). This is in contrast to the Coalition’s clear ideological commitments in privatization and industrial relations.

Reserve Bank Governor Glenn Stevens outlined the extent of support for stimulatory measures in a speech in 2012:

... you can't have a major fiscal easing and expect it to be effective if there are concerns about long-run public debt dynamics, as recent debate elsewhere in the world shows. You need to have run a disciplined budget over a long period beforehand, so that the amount of debt you have to issue in a crisis does not raise questions about sustainability.
In both the monetary and fiscal areas, of course, having used the scope we had so aggressively, it was also necessary, as I argued in 2009, to re-invest in building further scope, by returning settings to normal once the emergency had passed.

Stevens argued that Australia maintained enough fiscal and monetary firepower to deal with a deepening of the crisis, a slowdown in China, or collapse in the domestic housing market. Yet it is far from clear that anything short of a GFC-scale event would provide sufficient political space for a fiscal response.

**Conclusion**

If budget surpluses are the measure of economic management, the Whitlam Government is one of the best of the modern era. After being wheeled in from stage left during the global financial crisis, Keynes was wheeled off stage right shortly after (Battin 2011). Ideology had its political uses during the crisis but a familiar paradigm has reasserted itself. Critics such as Battin are quick to label this neo-liberalism but not many market economists seem troubled by the difference between a small budget deficit and a small surplus. The macroeconomic dimensions of fiscal policy seem devoid of ideological content and are drawn instead into the logic of political competition.

A government with a budget repairing itself through rising taxation revenue is not usually under the political pressure that the Gillard Government has found itself. Yet Rudd was still in the political ascendancy when he began to take a defensive posture on government debt in 2009. Comparing the sophistication of Hawke’s trilogy of budget commitments with the crudeness of the Gillard-Swan surplus at all costs approach, it is difficult not to romanticise an earlier generation of Labor leaders. Working families may strive to balance their budgets but they also understand the purpose of debt – spending a much higher proportion of their income servicing debt than does the Commonwealth Government. Still, both groups of politicians were following the political logic of the circumstances in which they found themselves. The media has played little role in correcting the fiscal policy boasting under recent governments, preferring to referee the partisan competition, and in some cases adding to the problem with undue focus on alleged government waste.

Reviewing the success of the budget surplus as political talisman might prompt a review of its wisdom. Recent political history shows that budget surpluses have more often than not
appeared in the final terms of a government. The epitaph of the Gillard Government may read “Died trying to balance the books.”
References


