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Federal election 2016: real price of Shorten's conjured costings

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Illustration: Eric Lobbecke

From the moment it lost office, Labor set itself one and only one fiscal goal: to prevent the Coalition from achieving the surplus Labor had repeatedly promised and repeatedly failed to deliver. Now, as Bill Shorten struggles to develop a credible fiscal strategy, the consequences are coming home to roost.

The underlying politics are simple. Once, Labor spoke for producers; then, under Hawke and Keating, it seized the mantle of representing taxpayers and consumers. Since then, it has degenerated into the party of those who live at their fellow citizens' expense.

The result is an addiction to public spending, which is the glue that binds today's ALP to its supporters. Unable to keep the habit under control, the Rudd-Gillard-Rudd governments administered an overdose, increasing spending by \$2 for each dollar they received in additional revenues.

When Labor finally packed its bags, the situation was unsustainable. With

spending primed to explode, gross debt was set to reach \$700 billion by 2023-24, at which time more would be spent on interest payments than on aged care: and even that optimistically assumed economic expansion would continue unchecked.

But Chris Bowen, like Wayne Swan before him, had craftily shifted the steepest spending increases to just beyond the forward estimates. Pointing to the short-term outlook, Bowen could therefore argue that the position had stabilised, while knowing that a dramatic deterioration lay only slightly further ahead.

Deriding claims of a "budget emergency," Labor then blocked every attempt at reducing spending, including by opposing measures it had foreshadowed in government. Cloaked in the rhetoric of fairness, it peddled the illusion that economic realities can be ignored, adding heft to the Greens' Molotov cocktail of muddle-headed thinking and strident indignation.

Little wonder our fiscal prospects have remained parlous; and little wonder Labor, as it tries to reconcile yet more spending with the fiscal predicament it has done so much to cause, has been forced into one backflip after the other.

However, those backflips are still insufficient to close Labor's budget chasm, leaving the myth-makers in Shorten's campaign headquarters scrambling. Their temptation will be to conjure revenue increases out of thin air, just as each Rudd-Gillard-Rudd budget pointed to a golden future time when receipts would soar. And after last week's rout, they will also be tempted to delay releasing any detailed projections to the last moment, minimising the scope for scrutiny.

That is exactly what Labor did in 2007, when it posted the costings on its website the night before the election. The lack of publicity was understandable, for the estimates could scarcely be taken seriously.

Dismantling Howard's Pacific Solution would save \$60 million, Labor promised; in reality, it cost an additional \$10.3bn. Industrial relations reform would mean "less bureaucracy", saving \$260m; instead, spending burgeoned, while layer upon layer of new bureaucracy was created to employ Labor's union mates. And the National Broadband Network would

be financed entirely from “existing investments” for a total of “up to” \$4.7bn — less than one-fifteenth of the outcome.

But even had those costings been less of a sham, their lesson runs far deeper: it is not the costings that count but what a government is actually likely to do.

The history is telling. Official costing of opposition policies was a tactic William McMahon invented in 1972 to embarrass Gough Whitlam. Yet McMahon's costings of the “It's Time” platform missed almost all the damage Whitlam did.

That was because most of the harm came from Whitlam's irrational approach to economic management, particularly when his government was confronted with the crisis of the 1970s. And McMahon had not envisaged that crisis, much less gauged the cost of Whitlam's failure to adjust wages policy, monetary settings and spending as growth rates plummeted and inflation soared.

Equally, with Kevin Rudd, the worst damage came not from his election promises but from his government's loss of all restraint during and after the financial crisis. It was the response to the unpredictable that wreaked havoc, rather than the cost of commitments predicated on business as usual.

That is unsurprising, for electing a government is not like entering into a commercial contract, which specifies what will be delivered and at what price; rather, it is empowering a party to take decisions on our behalf in circumstances we can rarely foresee and with consequences that are inherently difficult to evaluate.

It is for that reason that competence should matter far more than costings in determining electoral outcomes; and there is no better way of assessing competence than to look at past performance.

On that score, Labor's record speaks for itself: indeed, we are still paying for it, as will future generations. And far from learning from experience, Shorten has made it clear his government will be little more than Rudd-Gillard-Rudd redux.

That won't, of course, stop Labor from issuing costings that smack of a

twilight zone between fantasy and hallucination. Labor's spin-masters may well think voters will fall for it: when you believe in nothing, it is easy to assume people will believe anything. And there are plenty of cases where voters have been fooled, as a marvellous illustration in the new edition of George Orwell's *Animal Farm* reminds us.

The illustration shows Moses the raven, perching on the stump and preaching to any animal who will listen. "Up there, comrades," he would say solemnly, pointing to the sky with his large beak — "up there, just on the other side of that dark cloud that you can see: there lies Sugar Candy Mountain, that happy country". Adds Orwell: "Most of the animals believed him."

Perhaps Australians will too. If so, what we will get is precisely what we will deserve.