

# Wayne Swan vs. The Wall Street Journal

The government claims that it couldn't help going into debt, writes **Sinclair Davidson**. But it knows that's not true.

**W**ayne Swan's second budget speech was magnificent in its rhetoric. The budget had been 'forged in the fire' of economic crisis and Australians were 'too strong, too resilient, and too united to be overwhelmed'. He told of how Australia would 'withstand the worst the world can throw at us'. He neglected to mention the size of the deficit in 2008–09, preferring to skate over the unpleasant news and blame the global financial crisis for everything. The local media lapped it up, *The Wall Street Journal Asia* didn't.

A snappy 500 word editorial in the *WSJ Asia* pointed to some very uncomfortable facts. The budget bottom line for the 2008–09 financial year is a \$32.1 billion deficit and for the coming financial year the deficit is expected to be \$57.6 billion. Those numbers were nowhere to be seen in the budget speech.

If the Budget Papers are to be believed, the budget will be back in surplus by 2014–15. In political terms that equates to being towards the end of a third Rudd government term of office—perhaps even a fourth. The closest Swan came to that admission was to claim that revenue had fallen by \$210 billion over the forward estimates. As if forecasts were somehow reality.

For the government, the most irritating aspect of the *WSJ Asia's* oped however was its analysis of why the budget was in deficit for the 2008–09 financial year. Contrary to the Commonwealth's official line that the global

financial crisis is to blame, the deficit is due to government spending—not declines in revenue. It turns out the government's cash splash spending spree to favoured constituents has a lot to do with the poor budget situation. Since the budget speech, the public are becoming aware that borrowings to finance pokies, strip joints, tattoo par-

the budget deficit for 2008–09 is due to government spending decisions. There is a fiscal sleight of hand going on—as Lindsay Tanner admitted a week before the budget was brought down, forecasts are not facts.

This must have been particularly embarrassing. Henry has kept quiet since then but Treasurer Wayne Swan

## Who hurt the federal budget? The economy or the government?

	2008–09 (million)	2009–10 (million)
<b>Predicted Underlying Cash Balance (2008–09 Budget)</b>	<b>\$21,703</b>	<b>\$19,669</b>
Cost of Government Policy Decisions	-\$33,384	-\$31,960
Effect of Economic Downturn and Forecast Errors	-\$20,433	-\$45,301
<b>Underlying Cash Balance (2009–10 Budget)</b>	<b>-\$32,114</b>	<b>-\$57,593</b>

Source: Federal Budgets, IPA

lours, and plasma television purchases all have to be paid back with interest.

Treasury Secretary Ken Henry—a man who once described a newspaper article as being 'W-R-O-N-G wrong'—went out of his way to criticise the *WSJ Asia* in his Australian Business Economists speech of May this year. As the old saying goes, it's never wise to pick a fight with people who buy ink by the barrel.

The *WSJ Asia* struck back the next day with facts and figures from the Budget Papers—figures that Dr. Henry is responsible for preparing—inviting its readers to do the math. The argument is shown in the table.

The effect of policy decision is what the government has chosen to do, while the effect of parameter and other variations consists of the impact of the crisis (as well as other Treasury forecast errors and the similar adjustments). Looking at the first column it is very plain that

wrote a letter to the *WSJ Asia* simply repeating the arguments he has made over the last year. Unfortunately, repetition of fallacious arguments does not make them any more correct. What else can he say without admitting that he has been caught out economising on the reality of his governments' fiscal irresponsibility? His conclusion was particularly grovelling, 'I welcome your mastheads interest in Australian fiscal policy and look forward to your ongoing interests'. A very different viewpoint to Henry's 'our newspaper readers can be thankful that they don't often have to confront material that is quite that bad'.

The bottom line is that we're being asked to accept on faith that the government knows what it is doing, while at the same time the government is trying to cover up what it has done.




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