

Media release

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Government's surplus fetish reveals poor priorities

The announcement today of a \$20 billion dollar hole in the budget is a storm in a teacup and only proves that the government's pursuit of a surplus has more to do with politics than economics, according to The Australia Institute's Executive Director Dr Richard Denniss.

"Australia's GDP is more than \$1,400 billion per year, and government spending is around \$370 billion per year. Revenue was to be around \$5 billion per year less than forecast, 1.3 per cent of spending or 0.4 per cent of GDP. This is the equivalent of rounding error," said Dr Denniss.

"The Australian fetish about reporting a budget surplus has got far more to do with politics than it does with economics. Earlier today the international ratings agency Fitch upgraded Australia's currency rating to Triple A. The only people that appear to be panicking about the Australian economy are the government and the Opposition."

Interestingly, if the government hadn't arbitrarily decided to exclude the \$3 billion earned by the Future Fund next year's budget would have remained in surplus.

An analysis of Treasury documents by The Australia Institute shows that if the government was serious about finding new revenue then it could raise tens of billions of dollars if they were willing to cut corporate welfare, close tax loopholes and wind back welfare to the highest five per cent of income earners.

"If the government was serious about finding savings in the budget it should look beyond the populism of public sector job cuts and focus instead on the generous tax concessions and loopholes created by the Howard Government," said Dr Denniss.

Possible savings measures identified by The Australia Institute include:

- Abolishing the discount on capital gains tax that ensures that speculators who receive \$100,000 when the price of an asset increases pay half the tax than someone who went to work to earn \$100,000
- Abolishing the estimated \$10 billion per year in tax concessions received by the mining industry. The middle of a mining boom is no time to subsidise the industry
- Abolishing the \$10 billion in tax concessions for superannuation that Treasury estimates go to the highest 5 per cent of income earners.

"The Australian economy and budget is in remarkably good shape. If the government is determined to create a sense of crisis around the budget then it should at least crack down on the unfair and inefficient tax rorts that cost so much rather than make cuts to the public

For media enquiries, please contact:

Serena Rogers 0421 759 262

service or raising the cost of university tuition for science and mathematics students,” concluded Dr Denniss.