

Media release

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Surplus fetish costing taxpayers

The bipartisan obsession with returning the federal budget to surplus has provided a convenient distraction from the genuine debate which is needed in Australia about when we will invest in infrastructure and social welfare, according to a new paper by The Australia Institute released today.

Surplus fetish: The political economy of the surplus, deficit and debt finds that private-sector principles having increasingly, and inappropriately, found their way into budget papers leading to an assumption that because private profit is 'good', a public surplus must also be.

Report author and Senior Research Fellow David Richardson said the notion that a big surplus is always preferable has been accepted uncritically for too long.

"There is a time for a budget surplus, and there is a time for a budget deficit, and just because the previous Rudd Government promised to get back into surplus by 2012-13 doesn't make that goal appropriate today," said Mr Richardson.

"The costs of the Queensland floods were unforeseen and it does not make economic sense to reduce spending on other services in order to achieve a budget surplus of arbitrary size on an arbitrary deadline.

"Looking at it another way, the present commitment to return to a surplus of at least one per cent of GDP can actually be seen as a commitment to tax the average taxpayer \$1,300 more than is necessary.

"Australia is now the lowest taxing country in the OECD and has one of the lowest levels of government debt in the world. If we can't afford to invest in our people, our infrastructure and in protecting our natural environment now, the question the Government should answer is 'when will we?'" said Mr Richardson.

A copy of the paper is available at www.tai.org.au