2. Economic management, rhetorical tactics, and the cost of promises

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This chapter is concerned with the language that is used to legitimate governmental action and the dynamics that can arise between divergent tactics for legitimation. The focus is those actions that are normally referred to as fiscal policy, the high moment of which is the annual presentation of the federal budget, for which spending priorities are identified, new programs announced, and the fate of older policy initiatives is often sealed. Public political speech in relation to budgets has typically been a prized site for discerning the ideological orientation of political parties and individual politicians, especially regarding the purported diminution of the state’s role in the economy. The research presented here occupies a related but distinct terrain to the study of ideology,¹ as the language around budgets is examined with an eye for the competition between the major parties for control of the normative force that derives from applying appraisive descriptions to their actions. In other words, language is not studied for insight into the realm of ideas, but as holding resources for legitimation and delegitimation that are the subject of partisan contest. Politicians dispute the meanings of the words that rival politicians use, along with the phenomena to which their rivals attempt to apply disputed terms. The implication is that the contests over language use are so messy that they need to be clarified before the ideological significance of a given piece of political speech can be established.

In recent years, the dominant description that leaders of the Australian Labor Party have sought to apply to their fiscal policy is that its budgeting behaviour evinces ‘fiscal discipline’ and thus represents ‘responsible economic government’. Terms such as ‘economically responsible’, ‘fiscal discipline’, ‘budget prudence’, and their antonyms, such as ‘economically wasteful’ or ‘irresponsible’, are special because at the same time they describe and normatively evaluate behaviour. We can follow Quentin Skinner in referring to this class of words as ‘evaluative-descriptive terms’ (2002a: 148).² Skinner’s key idea is that these terms evoke accepted principles, in this case, that the economy should be managed in a responsible manner. To claim that the government’s fiscal action is economically responsible is to justify both the action (which is good because it is responsible) and the motive for which it is performed (which is good because it is done from a sense of responsibility and obligation). To assert that the same behaviour is

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¹ For a fuller discussion see Walter and Uhr (2013).
² See also Skinner (2002b: Chpt 13).
wasteful is, conversely, to criticise the action (as hurtful to the Australian economy) and impugn the underlying motive (the government acted irresponsibly, or negligently). It is this legitimating power that explains why this class of terms is the subject of such intense rhetorical and intellectual contest regarding the range of behaviour to which they can be applied (Skinner 2002a: 149).

Using the phrase ‘responsible economic’ to qualify nouns such as ‘government’, ‘policy’, ‘strategy’, and ‘course’ can be dated to at least the 1970s and 1980s. The same holds for qualifications such as ‘responsible fiscal’ and the qualified noun ‘fiscal discipline’. Yet the current pattern of use of these and similar appraising terms in relation to budgets roughly coincides with the passage of the Charter of Budget Honesty Act 1998 (Cth), which the Howard Coalition government (1996–2007) introduced as a legislative accompaniment to its rhetorical attack on Labor for purportedly concealing its fiscal profligacy before losing office in 1996. The chapter begins by sketching this context and the use of this language by both major parties in relation to fiscal policy. Attention then turns to observe a rhetorical stumble from the Coalition, one caused by a forecast budget surplus that was not achieved. This is also where Labor fell down a decade later, when the government was obliged to concede in December 2012 that a surplus in 2013 would be impossible. The key difference in the rhetoric of the parties is that the Coalition largely succeeded in maintaining the status of the budget surplus as a forecast that would change with economic conditions, while Labor converted its forecast into a solemn promise, and this shifted the rhetorical contest from the terrain of economic management to moral fitness, allowing the Coalition to continue an assault that was already well established regarding the Prime Minister’s trustworthiness as a former deputy leader who deposed her prime minister and then broke her election promise not to introduce a carbon tax. To these rhetorical consequences we might add those likely electoral costs that arose from the sensitive cuts Labor made — for example, to university funding (Emerson 2013) and family payments (Macklin 2013) — in an attempt to align its behaviour with its rhetoric. Taken together, this was a costly blunder, seemingly made because Labor’s leaders possess a limited understanding of the meaning and history of the words they use.

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3 See, for example, House of Representatives (1981: 1809).
4 See, for example, House of Representatives (1971).
5 See, for example, House of Representatives (1986: 2380).
6 See, for example, House of Representatives (1978).
7 See, for example, House of Representatives (1973).
8 See, for example, House of Representatives (1976).
9 For the negative response among voters to these cuts, see Kenny (2013) and Joyce (2013).
The language of responsible economic government

The use of terms such as ‘fiscal discipline’ and ‘responsible economic management’ as we are familiar with them today can be approximately dated to Peter Costello’s first budget as Treasurer in 1996. Consider, by contrast, the 1994 budget delivered by Treasurer Ralph Willis, the penultimate under Prime Minister Paul Keating (1991–96). Willis listed amongst the foremost aims of his budget reducing the deficit to one per cent of GDP by the 1996–97 budget, and then reaching surplus shortly thereafter. While this action was said to represent a ‘rigorous fiscal consolidation’ (House of Representatives 1994: 587), the language of responsible economic management is absent. In fact, the merits of deficit reduction are held to lie in a technical fact — that declining government expenditure reduces the demand on national savings and overseas borrowings. From today’s perspective, it is easy to imagine such behaviour being portrayed as responsible economic government. But when Willis’s budget speech is examined for legitimations of the budget in non-technical language, the leading term is ‘social justice’ (House of Representatives 1994: 587). The spending commitments embodied in the government’s workfare scheme, Working Nation, were clear evidence of the ‘Government’s commitment to social justice’ (House of Representatives 1994: 587).

As Leader of the Opposition, John Hewson saw this invocation of social justice as important enough to warrant a sustained disagreement. Hewson began his attack by denying that the budget reflected an ‘economic strategy’, as it was bereft of ‘sensible and honest economic policies in the interests of all Australians’ (House of Representatives 1994: 869). The budget was merely a ‘political exercise’ intended to preserve the Labor government in office through spending (House of Representatives 1994: 869). Hewson then combined this attack with his denial that Labor’s budget could be claimed to have realised social justice:

I reckon you ought to go and tell the one million Australians who have been put out of work by your policies your ideas on social justice … They are human beings and they want a job, and this budget does not provide it for them. What sort of social justice is that? … your talk about social justice is absolute tripe; it is absolute nonsense. You do not even understand it, judging by the permanent underclass you have created in this country. Real social justice is about restoring full employment … This budget has nothing to do with social justice and has everything to do with trying to appease particular interest groups. (House of Representatives 1994: 869)
Note that Hewson did not deny the validity or desirability of attempting to achieve social justice through budget decisions; his attack is instead based on denying that the government’s actions can rightly enjoy this characterisation. Note also that Hewson acknowledged the importance of deficit reduction for the same reason Willis gave in his budget speech — ‘to leave more of our savings in Australia’ (House of Representatives 1994: 869) — but the size of the reduction was inadequate. As with Willis’s comments, Hewson evidently felt no need to construe deficit management as either responsible or irresponsible, neither a mark of discipline nor of laxity.

A similar pattern emerged the following year. Willis proudly announced that the budget was in surplus for 1995–96, three years earlier than forecast. Once again, this was not treated as evidence of responsibility or prudence, but as necessary to enable growth by reducing public demands on national savings. Taken together, the budget represented a ‘creative and decisive’ response to Australia’s needs, and raised the level of ‘social justice’ (House of Representatives 1995: 68). The Leader of the Opposition, now John Howard, undermined Willis’s claim to have produced a surplus by questioning the inclusion of asset sales in the surplus figure and insisting that the underlying deficit figure of $8.2 billion was the figure that should have been the centre of attention (House of Representatives 1995: 400). Howard promised that his government would create a charter of budget honesty ‘which will not allow this to happen again’ (House of Representatives 1995: 400). Once more, while the surplus is clearly positioned as desirable, this is not because it is an obvious mark of ‘responsible economic government’ or similar, but primarily because it was thought to relieve pressure on the current account deficit. Howard’s attack in response declared that the Prime Minister had ‘gone to sleep on the job of economic modernisation … the process of micro-economic reform’ (House of Representatives 1995: 400).

The example set by Peter Costello’s first year as Treasurer illustrates a clear link between budget surpluses and the notion of responsible economic government. Costello generated rhetorical momentum before his budget speech by insisting that Labor had not, in fact, delivered the Coalition government a budget in surplus, as Labor had claimed during the election campaign, but that Labor had been ‘running such a lax fiscal policy’ that the balance was in deficit to the amount of some $8 billion (House of Representatives 1996: 173). It therefore fell to the new Coalition government to restore the budget to a true balance, since Labor was ‘addicted to deficit and debt’ (House of Representatives 1996: 286). The switch to a government that was not so afflicted was therefore crucial, according to Costello, because his budget ‘changes the conduct of fiscal policy in this country’ (House of Representatives 1996: 3269). The new focus was savings, understood as the key part of a ‘responsible economic strategy’ (House of Representatives 1996: 3269). Such an approach was to be guaranteed by the innovation Howard
signalled in his budget reply the previous year, a charter of budget honesty, which was intended to ‘entrench this Government’s commitment to responsible and accountable fiscal policy’ (House of Representatives 1996: 3269).

The second reading of the Charter of Budget Honesty Bill, which took place later in 1996, reveals how Costello sought to realise this aim. The first point to note is that Costello linked the aims of the bill with the goal of deficit reduction, claiming that the ‘improvement of the fiscal position will only be achieved through greater discipline, transparency and accountability in government fiscal policy’ (House of Representatives 1996: 8183), and this was exactly what the charter was to achieve through the reporting requirements it imposed on government. The second key point is that the bill was to underwrite ‘[f]iscal discipline’ by ‘requiring government fiscal policy to be formulated according to principles of sound fiscal management’ (House of Representatives 1996: 8183). This prescriptive aspect of the bill aroused controversy because the pretension to establish ‘principles of sound fiscal management’ was interpreted by Labor politicians as an attempt to insert ideology into legislation that would then bind future governments of a different political stripe (House of Representatives 1996: 8183). The general nature of the principles being prescribed was also criticised, and this quality of the principles can be seen in the charter’s injunction that the government ‘ensure that its fiscal policy contributes: (i) to achieving adequate national saving; and (ii) to moderating cyclical fluctuations in economic activity’ (Charter of Budget Honesty Act 1998 (Cth) s5(1)(b)).

Gareth Evans’s protests, then Deputy Leader of the Opposition, regarding the bill’s framing related to both its perceived ideological character and the commodious nature of its precepts. The principles, Evans maintained, reflect ‘a view of the nature and purpose of fiscal policy, which is frankly quite out of touch with current community needs and realities’. The true purpose of fiscal policy was ‘to get the economy right for the people who inhabit it’ (House of Representatives 1997: 136), and this must include ‘the income distribution implications of a particular fiscal regime’ (House of Representatives 1997: 136). In short, the principles were ‘a dream come true for the so-called economic rationalists’ (House of Representatives 1997: 136). At the same time, these prescriptions were so general that they only amounted to ‘a rather bland and meaningless set of motherhood statements … these kinds of principles are essentially meaningless in statutory guise’ (House of Representatives 1997: 136). Labor’s protests regarding the charter went unheeded and it was passed into law, providing a legislative requirement that government construe their budget actions in relation to its principles. As we will see, the term ‘responsible’ was well suited to conveying the general virtue resulting from budgeting that followed the charter’s precepts.
Costello’s language continued in the pattern he had established in 1996. In an address to the Economic Society of Victoria, for example, Costello happily claimed that after ‘two responsible budgets … we have now cut the deficit in half to around $4.9 billion’. Low interest rates and a ‘concrete and responsible fiscal plan’ were the key to Australia’s economic success (Costello 1997). In an equivalent address the following year, Costello claimed that the government’s economic decisions had been ‘in Australia’s economic interest. They have been responsible and they have been right’, despite Labor’s protests regarding the government’s deficit reduction, which Costello saw as evidence of Labor’s ‘irresponsibility’, along with their ‘ignorance and incompetence’ (1998). Costello’s 1999 budget speech similarly spoke of ‘sound economic management and sound institutions’, and the government’s economic strategy as ‘responsible, fair and prudent’ (House of Representatives 1999: 5047).

In his budget reply as Leader of the Opposition, before the charter’s fruition, Kim Beazley did not accept Costello’s emphasis on ‘responsible’ and ‘irresponsible’ fiscal behaviour as central to his terms of debate. Beazley instead focused on developing criticisms of the Howard government in unabashedly moral terms, especially in relation to Howard’s infamous distinction between ‘core promises and non-core promises’ (House of Representatives 1996: 3619), and the creation of an ‘unfair Australia’ (House of Representatives 1996: 3619). Beazley made similar attacks in his next two budget replies. He portrayed the government’s 1997 budget as exhibiting the ‘instinctive cruelty of a government bereft of vision and purpose’, a budget ‘intent on creating division in our society’ (House of Representatives 1997: 3825). When the Coalition delivered its first budget surplus, in 1998, Beazley decried the outcome as an ‘accountant’s surplus’ created by a ‘government that has long since ceased caring’ (House of Representatives 1998: 3443). In particular, Beazley trained his rhetoric on the Treasurer’s personal indifference to the fate of the unemployed and his tendency to make ‘glib analogies about real lives’. Beazley did, however, concede that his government understood the need for ‘fiscal restraint’ in the context of the Asian financial crisis, and he also promised that, if elected, Labor would deliver ‘three underlying surpluses’ in its first term (House of Representatives 1998: 3443).

This second pattern of language use from Beazley stabilised in his following two budget replies. In 1999 Beazley declared that one of the essentials of a federal budget was ‘a commitment to fairness for future generations which demands strong fiscal discipline’ (House of Representatives 1999: 5436). The core of this discipline was the ‘golden rule that governments do not borrow to finance current spending and save in the good times so that over the cycle the budget balances’ (House of Representatives 1999: 5436). Beazley went further in the following year and declared that bipartisan support existed over the core of Australian economic policy: ‘We all now largely agree on the old agenda:
the need for fiscal discipline, an independent monetary policy, deregulation of financial markets, the floating of the dollar, low inflation and a more open economy’ (House of Representatives 2000: 16348). Beazley’s comments represent prima facie evidence that the appraisive vocabulary the Coalition used in relation to budgets had gained a significant degree of bipartisan acceptance.

The Howard government and budget surpluses: Pragmatic not promissory

The next wrinkle to add to the story is the Howard government’s language use regarding its ability to deliver a surplus in 2002, in the context of deteriorating economic conditions. The rhetorical tactics that Howard and Costello adopted were to treat the forthcoming surplus as a forecast and a policy intention — with one or two slips — and decline requests to promise or guarantee a surplus. When the surplus did not eventuate, the political costs were minimal, not least because the government had already established the claim that budget positions move up and down with the economic times, and because their record of budget surpluses protected their fiscal policy against serious damage from Labor’s allegations of irresponsibility. These tactics establish a baseline against which to judge Labor’s tactics under prime ministers Kevin Rudd and Julia Gillard.

To the first tactic: avoid promises. In Costello’s 2001 budget address, he announced a surplus of $1.5 billion for the 2001–02 year, which would have been the Treasurer’s fifth consecutive budget surplus. The Treasurer validated this behaviour in the terms we have now come to expect. Costello said of his budget, ‘I think it’s responsible … A fifth consecutive surplus … since the Government was elected and I think that’s consistent with good economic management’ (2001d). It was ‘a Budget which is from a prudent Government, responsible economic management … I think that’s responsible economic policy management’ (Costello 2001b). Later in the year, however, the Treasurer was confronted with a line of questioning that sought to understand how firm the government’s commitment was to delivering a surplus, and how likely a surplus was in view of a slowing world economy and rising government expenses from military commitments in Afghanistan. One journalist, for example, pressed the Treasurer with ‘how important is that Budget surplus to you?’ Costello’s response was wan: ‘Well, we would like to return a Budget surplus this year. It would be the fifth consecutive Budget surplus’ (2001c). On another occasion, a journalist asked ‘[t]here will be, presumably, problems for you balancing a Budget, or delivering a surplus, given the increased costs that we will now be facing … Will you still be aiming for a surplus?’ Costello evaded, but his questioner pursued him a second time, to which Costello simply replied by listing the sources of pressure on the surplus...
without addressing the nature of his government’s commitment. The journalist tried one more time with ‘[b]ut you still think you’ll get a surplus?’ and Costello finally relented: ‘we are still budgeting for a surplus, yes we are … we want to keep the Budget in surplus’ (2001a). Note how no promise or guarantee is offered in Costello’s responses — the surplus is merely an aspiration based on the intrinsically provisional act of budgeting.

Costello’s emphasis on the process of budgeting leads to the second tactic: to underline the point that fiscal policy was a pragmatic affair that needed to change with circumstances. As international prospects weakened further, Costello was asked, ‘[i]s the outlook so grim that you need to look at more fiscal involvement to a point of even putting the Budget in deficit?’ Costello again refused to answer in the affirmative and instead insisted on his prerogative to wait and see what happens, ‘I am not going to proclaim that now because I can’t tell you when the world will turn … What I’m saying to you, is, as we look back in retrospect in 2001–02, fiscal 2001–02, which we laid down in May of last year, I think fiscal policy was right.’ He then continued, and concluded with a pedagogical tone, ‘You are asking me what my strategy for 2002–03 will be, it will be to so pitch fiscal policy that it will be right for the times as well. You are asking me what it will be, I’ll tell you at the time’ (2001e). After further questions, the Treasurer gave an answer that is worth quoting at length:

We don’t like deficit Budgets, no. We don’t … we’ve, look, we haven’t worked so hard to put Australia back in the black and to repay debt, just to go back into deficits. But what I am talking to you about, is the size of surpluses. … I think there still is a role to play in fiscal policy. It is a longer term thing, the time lags are longer, it requires legislation, and that is why monetary policy is much more easily moved, it does not have to go through the Parliament … I think there is still a place for fiscal policy, and the way in which we have used fiscal policy, is we have used it to build up large surpluses in growth times so we can run small surpluses in difficult times. (2001e)

In this passage Costello is using the press conference forum for a pedagogical purpose, to explain that fiscal policy is used by the government as a tool for smoothing the economic cycle subject to maintaining surpluses. The lesson prepares the ground for ‘responsible economic management’ to be used to signify economic management that responds to the times, while keeping in view the Coalition’s preference for surpluses.

Similar rhetorical tactics were used by Howard, although he was less adroit at avoiding committal language. When asked if he was confident that a surplus would be delivered, Howard replied that the government was ‘very confident, they’re [the budget targets] based on the advice we have from the Treasury …
They’re Treasury estimates. We believe them … We’ll know a bit more about that next month’ (2001b). Likewise, when asked how committed he was to a surplus, Howard replied that the government was ‘committed to running a surplus … The times have changed, and both sides of politics will have to take that into account. … We will have a lower surplus this financial year and we will project a lower surplus next financial year from that projected at Budget time. But we will still project a surplus’ (2001d). In these comments we see that Howard underlined the nature of a surplus as dependent on projections while he also emphasised his government’s commitment to achieving surpluses as a principle. Projections and principles do not make a promise; perhaps the closest Howard comes to making a promise is with formulations such as the following: ‘There’ll be surpluses but they will be lower’ (2001c), ‘[w]e’re going to have a balance in our Budget in May, we’re not going back into deficit’ (2001a). This latter statement was then immediately qualified: ‘But you don’t need to run a big surplus particularly if you have only 6.4% of GDP as government debt. So once again it’s a question of keeping things in perspective’ (2001a).

When a journalist closely pressed the Prime Minister on the issue, asking if Howard could ‘categorically rule out running a budget deficit’, Howard responded that ‘it is not the policy of the Coalition, it is not my policy to run a budget deficit in any year’ (2001e). Neither is a policy a promise. As with Costello, Howard attempted to establish the principle that fiscal policy is obliged to respond to circumstances. The Prime Minister explained to ABC journalist Kerry O’Brien, for example, the negative economic effects of the terrorist attacks of 11 September 2001:

The surpluses in the out years will be greater but they will not be as great as might otherwise have been the case. Now that is a fact of economic life, it has happened through circumstances not within our control so we obviously have to tailor our commitments according to those circumstances. (Howard 2001f)

The final result was not a surplus, however, at least not according to the underlying cash balance, which showed a modest deficit for the financial year ended 30 June 2002 (Reserve Bank of Australia 2002). The Labor party seized the deficit as a prize. The Shadow Minister for Employment, Education, Training and Science, Jenny Macklin, moved a second reading amendment that the House condemn the government for ‘its failure to deliver a budget surplus in 2001–02 after a decade of growth’ (House of Representatives 2002: 2754). The Member for Fraser, Robert McMullan, intoned that the government’s ‘claims of fiscal prudence are not supported by actions’, accused the Treasurer of ‘budgetary incompetence’, and bemoaned the ‘failure to live up to proper standards of prudent management by going into deficit’ (House of Representatives 2002: 2760). He also linked the charge of incompetence with promise-breaking, and
portrayed the Prime Minister as having made the surplus a solemn promise. As we have seen, the Prime Minister presented a small target in this respect, yet Mark Latham, the Shadow Assistant Treasurer and Shadow Minister for Economic Ownership, similarly described ‘a budget of broken promises’ (House of Representatives 2002: 2768).

The Labor party’s attacks did not intensify through the media and, when they did, the government did not find them hard to parry. When Costello was asked if he was embarrassed by the deficit, for example, he explained that ‘[t]he principal reasons why it has changed are that we have had additional expenditure in relation to the war against terrorism and tax receipts in the early part of 2002 were weaker than expected’ (2002a). In addition, he could plausibly claim that the government was ‘still running a very, very strong fiscal policy. And if there were ever a time to allow fiscal policy to take some slack it is probably during an economic global slowdown when you have got substantial defence commitments’ (2002). The same line was argued by economics commentator Ross Gittins when he wrote that it was ‘important to the future good management of our economy for Mr Costello to finish this week believing that, no matter what silly things you’ve said in the past, the political penalty for having the Budget lapse into deficit isn’t high’ (2002). More instructively, Gittins attempted to clear away the political mist for his readers, writing that:

> It’s important to understand that the significance of this Budget deficit is purely political, not economic. It’s an embarrassment to Mr Costello because he’s spent the past six years tirelessly convincing ignorant punters that avoiding Budget deficits is the *sine qua non* of good economic management … From an economic perspective, however, whether the Budget balance is a billion or two above or below zero is of little consequence. (2002)

Political and economic commentators also later attempted to dispel the political myths regarding surpluses in the context of the Labor surplus in 2012, making the same distinction between economic (good) and political (bad) arguments. While assistance from the media was no doubt welcomed by the Howard government, it was hardly essential, since the government had been returned to office in the 2001 election, and because it was able to return to comfortable surpluses before the October election in 2004. In sum, two points have been established here. First, good government came to be equated with budgeting for surpluses, but it was also regarded as responsible to allow the budget to adjust

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10 McMullan’s evidence is the following quotation from the Prime Minister: ‘I have made that commitment, I will repeat it to you this morning, I do not believe that we should go into deficit, and we won’t go into deficit if we are re-elected’ (House of Representatives 2002: 2760).

11 See also the defusing treatment on the 7.30 Report (Costello 2002b). By contrast, a more hostile response came from the *Age* (Davidson 2002).
to circumstances — such as deteriorating economic conditions or unexpected defence expenditures. Secondly, one virtue of this rhetorical strategy is that a small target is presented to political opponents for, even though a deficit is presented as undesirable *prima facie*, it is also defendable as the unexpected outcome of contingent events.

### Labor’s blunder: The 2010–12 surplus debate

As Leader of the Opposition in 2007, Rudd promised in his budget reply that, ‘[i]f elected, the government I will lead will be grounded in the discipline of not spending more than we earn’ (House of Representatives 2007: 129). This maxim and the Reserve Bank’s independence in pursuing its inflation target were the ‘disciplines’ of economic management that enjoyed ‘bipartisan consensus’ (House of Representatives 2007: 129). As Treasurer, Wayne Swan claimed that the government had realised this discipline in the Rudd government’s first budget in May 2008, for the budget represented the ‘disciplined spending’ and ‘responsible economic management’ necessary for Australia to meet the challenges facing the economy. In fact, Swan not only proclaimed his budget as ‘the responsible budget our nation needs’, but he even ventured that it opens ‘a new era of responsible economic management’ (House of Representatives 2008: 2600). The new era was evidenced by the government’s preparedness to act on its assessment that there was ‘an economic case for cutting government spending’ (House of Representatives 2008: 2600), and this action yielded the budget’s centrepiece — a projected surplus of over $21 billion, almost two per cent of GDP (Swan 2008).

Brendan Nelson, giving his budget reply in 2008 as Leader of the Opposition, rejected Labor’s claims to be ‘good economic managers’ and instead asserted the continuation of ‘old Labor’: Swan’s budget was a ‘high-taxing, high-spending Labor budget’ (House of Representatives 2008: 2997). Australia was, therefore, right to be nervous regarding Labor’s economic competency, since the ‘sound economic strategy’ of the Coalition had been consistently demonstrated during its term in government, and yet it had been opposed by the Labor party while in opposition (House of Representatives 2008: 2997). The proximate reason was that Rudd’s claim to be an ‘economic conservative’ was spurious, as he lacked the necessary ‘philosophical conviction and character’ (House of Representatives 2008: 2997).

Swan’s second budget had a different quality to his first: it was a budget ‘forged in the fire of the most challenging global economic conditions since the Great Depression’ (House of Representatives 2009: 3532), the Global Financial Crisis (GFC). A program of ‘responsible borrowing’ was intended to stimulate
the economy through ‘nation-building’ initiatives (House of Representatives 2009: 3532), such as road and railway building, broadband, and ports. Swan assured his audience that while the budget met the challenge posed by the GFC it still bore the marks of ‘discipline’ and ‘hard choices’, and so represented a ‘responsible course’ (House of Representatives 2009: 3532). The Leader of the Opposition, Malcolm Turnbull, was unconvinced. He accused Labor of ‘reckless borrowing and spending’ and of failing to develop a ‘credible or convincing plan for economic recovery’ (House of Representatives 2009: 3973). Australians who were ‘prudent and thrifty’ would pay for ‘reckless and spendthrift Labor’ (House of Representatives 2009: 3973), who were taking the nation on an ‘irresponsible, dangerous course of high deficits’, instead of evincing ‘discipline and more responsibility’ (House of Representatives 2009: 3973).

The crucial point to underline from these two sets of exchanges is that, regardless of whether Labor announced a surplus or a deficit, the legitimating and delegitimating claims are the same — responsible economic management was the cloak that Labor draped over itself and that the Opposition claimed to see through. The reason would seem to be that responsible economic management, fiscal discipline, budget prudence and so on are not types of action that can be clearly demarcated from their antonyms. To invoke this action is therefore to make a safe claim, since it is always defendable and seemingly unfalsifiable. This observation amounts to the point made by Evans that the principles of sound fiscal management set out in the Charter were ‘essentially meaningless’ (House of Representatives 1997: 136).

The following year saw claims and counterclaims made that could have been substituted with the previous year, only this time with a new Leader of the Opposition, Tony Abbott. Swan portrayed the budget as manifesting ‘the highest standards of responsible economic management’ thanks to its ‘responsible fiscal strategy’ (House of Representatives 2010: 3134). In his reply to Swan’s budget speech, Abbott called the budget a ‘typical old-fashioned tax-and-spend Labor budget’ (House of Representatives 2010: 3593), and he insisted that the government was not entitled ‘to claim prudent economic management’ (House of Representatives 2010: 3593). In fact, Abbott’s rhetoric included a ‘particular message for the Prime Minister … this reckless spending must stop’ (House of Representatives 2010: 3593).

This pattern of speech continued into 2011. Early in the year, when Swan was detailing the government’s response to that summer’s floods in Queensland with an eye for their likely economic effects, the Treasurer explained that the government’s response would be conditioned by ‘the economic discipline that has been a hallmark of this government’, for ‘[f]iscal responsibility is about keeping our budget in a position where it can deal with surprises like the floods in the future’, and the key manifestation of this condition was Swan’s
introduction of the flood levy (Swan 2011b). Finance Minister Penny Wong extolled the government’s ‘tough choices’ (2011a), and the toughest choice of all was to run a budget surplus, ‘it is responsible for the Government to be committed to budget surpluses’ (Wong 2011a).

The government’s assurances that its projected budget surplus constituted responsible economic management were met with straightforward counter-characterisations by Opposition politicians. In response to Swan’s flood levy, for example, Abbott railed that if the government had not ‘recklessly squandered the surplus left to it by the Howard government … it would now be in a position to respond effectively to the floods without a new tax’ (2011a). Abbott added that, while in general ‘[s]pending cuts might be unpopular’, they are nevertheless ‘the necessary tough decisions that a responsible government would be prepared to take’ (2011a). The Shadow Treasurer, Joe Hockey, disputed the government’s capacity to meet its own standards for ‘fiscal rectitude’ and instead prophesied a path of ‘fiscal expansion and running deficit Budgets’ (2011a).

Attention naturally focused on the May 2011 budget. In one of his numerous speeches detailing the budget, Swan approvingly quoted his own words describing the previous year’s budget, which purportedly instantiated ‘the highest standards of responsible economic management’ (2011a), by limiting spending in an election year. The 2011 budget continued ‘the hard slog back to surplus’ (Swan 2011a), which involved unpopular cuts to spending, but Swan and the government took ‘comfort from knowing they are the right and responsible thing to do for the economy’ (Swan 2011a). Wong also assured the public that ‘the Government will do what is responsible’ (2011a), and made full use of the concept’s capaciousness:

Responsible economic management is also about making room within the budget for important investments that reflect the economic challenges we face, and improve the long term prosperity of the nation (2011b).

Abbott continued to develop his counter-characterisations of the government’s behaviour. The government’s ‘badge of economic virtue’ was a ‘wafer thin surplus’ and, if realised, would only be the result of favourable economic conditions and not ‘tough-minded economic reform or serious spending cuts’ (House of Representatives 2011: 3905). What the government had not been able to evidence was ‘the capacity to bring its own spending under much tighter control’ (Abbott 2011d). Hockey was more strident, saying that it was a ‘fairytale story’ that the government would ‘bring the budget back to surplus with fiscal discipline’ (House of Representatives 2011: 3607). The government was said to be engaged in ‘fiscal recklessness’ as they pursued ‘politics and not policy’ (House of Representatives 2011: 3607); ‘[r]esponsible economic management is not in Labor’s DNA, ‘Labor is addicted to spending’ (Hockey 2011c).
With this contest between Labor’s claim to be evincing responsible economic government and the Opposition’s counter-characterisation of Labor as fiscally irresponsible, we have one of the two key strands of the budget surplus debate under the Labor government. The second strand to now bring into focus is Labor’s shift from presenting the surplus as a contingent forecast to transforming the surplus into a solemn promise, diverging from the tactics of the Howard government. The effects of Labor’s rhetorical conversion were severe, and this change in language should be seen as a strategic blunder. Consider, for example, how Abbott consistently underlined that achieving a surplus by the promised date of 2013 was ‘looking increasingly implausible’ (2011b), and it was widely perceived that ‘government revenues are under great pressure’ (Abbott 2011c). Given the Treasurer’s open avowal of Keynesian countercyclical policy, and that the terms of the Coalition’s Charter stipulated ‘moderating cyclical fluctuations in economic activity’ (Charter of Budget Honesty Act 1998 (Cth) s5(1)(b)(ii)) as a principle of sound finance, allowing the budget to fall into deficit would have been eminently construable as a straightforward exercise in macro-stabilisation and responsible fiscal policy. Yet the government could not produce a deficit and use this justification because the surplus was no longer a projection or intention, but had become a promise. The rhetorical contest over responsible economic discipline, characterised by weak predicates and covering the divergent behaviours of producing deficits and surpluses, had become entangled with a contest over trustworthiness.

If we move back in time from 2011 to 2010, when Rudd was still prime minister and Labor leader, then we find a revealing response to the following Dorothy Dixer asked by Labor backbencher Michael Symon: ‘Will the Prime Minister explain the importance of responsible economic management to secure economic growth and prosperity for all Australians?’ (House of Representatives 2010: 4747). Rudd’s response was to align responsible economic management with the government’s stimulus package by claiming that it saved the Australian economy from recession. This is one of the meanings of responsible economic management that we have already encountered — countercyclical spending. The Prime Minister then claimed that ‘through prudent financial management the government will return the budget to surplus in three years time, three years ahead of time’ (House of Representatives 2010: 4747). The shift in the adjective — from economic to financial — is less important than the implied relationship between the end (surplus) and the means (prudent management). For the surplus is simply treated as the happy result of prudent financial management; the surplus is not a promise or a guarantee. Just two days later, however, the logic shifts in Rudd’s answer to a similar question, in which he said of his government ‘[w]e stand for returning this budget to surplus in three years’ time, three years ahead of time; those opposite refuse to nominate the date at which it will be returned’ (House of Representatives 2010: 5219). In this
phrase what is being positioned as virtuous governmental action is not simply prudent financial management that yields a surplus as a positive by-product, but the act of nominating a date is now the virtuous behaviour. Later in the same month this logic was cemented when Rudd said ‘[t]he government is committed to keeping the economy strong … That is why we are committed to bringing the budget back to surplus in three years time’ (House of Representatives 2010: 5304). The virtuous act (keeping the economy strong) has been redefined as meeting a deadline. There is a now a clear test, a falsifiable claim, against which the invocation of virtuous behaviour can be measured: meeting a deadline.\[12\]

It was a version of this type of falsifiable claim that Gillard repeated in her leadership acceptance speech less than ten days later: ‘And today I can assure every Australian that their Budget will be back in surplus in 2013’ (2010a). Only a few days after Gillard’s acceptance speech, the Treasurer embraced the same timeframe. When asked by a journalist if he was ‘still committed to a surplus in 2012/2013?’, Swan replied, ‘[t]oo right we are’ (Swan 2010a).

The shift in the logic of government’s language from responsible and pragmatic economic management to promise-making became increasingly explicit over the two months following Gillard’s acceptance of the leadership in June 2010. Consider these statements from Gillard: ‘my commitments to the Australian people are clear and I’m happy to restate them. We’ll bring the budget to surplus in 2013’ (2010b); ‘I’m determined Laura, to see the budget returned to surplus in 2013 as we’ve promised’ (2010c); ‘we will acquit our obligations to bring the budget back to surplus in 2013’ (2010d); ‘we are obviously looking each and every day of the campaign to make sure that we acquit our promise that the budget comes to surplus in 2013’ (2010e). The Treasurer’s word use in the same period is equivalent: ‘the Government is absolutely committed to bringing this budget back to surplus in 2013’ (Swan 2010b); ‘that essential commitment of coming back to surplus in 2013’ (Swan 2010b).

Political rhetoric that positions promise-keeping as virtuous behaviour is logically incompatible with rhetoric that holds adjusting to circumstances as virtuous. Either one is steadfast or one is flexible. Given that one of the primary meanings of ‘responsible economic management’ is to indicate adjusting fiscal policy to the needs of the economy, such as deficit spending to avoid recession after the GFC, the government’s commitment to reach a surplus by a specified date suggests a failure to understand even basic points of rhetorical strategy. Consider an address by Gillard to the Sydney Institute in early 2011. Gillard told her audience that ‘[w]e will keep a tight rein on spending to return the Budget to surplus. Fiscal responsibility is something we have long been committed to’

\[12\] Although it should be noted that the difference between a surplus and a deficit is not such a clear matter given the under-prescription of how government accounts are to be presented — see Wines and Scarborough (2006).
So far these comments remain on the terrain of economic management. Yet just a few sentences later the logic of economic exigency is tied to the divergent logic of political promises:

Some have described our commitment to achieving a surplus as a political commitment. Of course, this is true — my commitment to a surplus in 2012–13 was a promise made and it will be honoured. But this political commitment was given and will be honoured because that’s what prudent economic management now demands. When the private sector was in retreat, the government stepped forward to fill the gap and over coming years as the private sector recovers strongly, it is the right time for the government to step back. (Gillard 2011)

In these words one sees the mistake clearly: the temporary and the permanent are shackled together by the assumption embodied in the final sentence — that there will be a strong private sector recovery. In hindsight, we can see that this is exactly what did not happen.

The inflexibility of a promise was targeted consistently by the Opposition. In the lead-up to the budget speech in May 2012, the Shadow Treasurer told a Business Council of Australia audience that the ‘only way to impose some fiscal discipline’ on the government was to ‘force them to return the budget to surplus’ (Hockey 2011b). The challenge here is clear: if the government does not produce a surplus then it has failed to evince fiscal discipline. In addition, Hockey also insisted that a failure to return to surplus would impugn the government’s trustworthiness:

For the government to break its promise of a budget surplus next year would be yet another broken commitment to the Australian people. It would drive a nail into their integrity coffin. (Hockey 2011b)

The Treasurer’s budget maintained the forecast of a surplus by 2013, but Hockey was quick to seize on how ‘precariously balanced’ it was in terms of the assumptions built into the forecast (House of Representatives 2012: 4335). Abbott referred to ‘the great fraud of Tuesday night’s Budget’ (2012a), which Hockey later elaborated as the ‘Treasurer’s extraordinary shuffling of money’ that saw spending on the National Broadband Network kept ‘off budget’ by being financed through government borrowing (Hockey 2012). This idea of dubious accounting practices nicely complemented the earlier attack on the government’s trustworthiness, which Hockey repeated and linked with the consistent denial that the government was fiscally disciplined: ‘the history of broken promises and the lack of genuine commitment to fiscal consolidation
make me doubt the Treasurer’s new promise of a surplus’ (2012). This sentence conveys the combined challenge being made to the government, as a deficit would be evidence of untrustworthiness and fiscal irresponsibility.

There was a different type of criticism from media sources, at times of limpid acuity. Consider this editorial from the *Age*, just over a month before the budget:

> The government locked itself into a politically loaded promise, but the exact timing of a surplus is of no great economic consequence. What matters to Australians is a healthy economy. (*Age* 2012)

The economist Graham White, writing on *The Drum*, lamented that the government was ‘ignoring the dangers of too fast a return to surplus for fear of giving the Opposition a political free-kick’ (2012). Mike Seccombe diagnosed the situation at greater length for the *Global Mail*. Persisting with the surplus was, he wrote, ‘inexplicable in economic terms’, but perfectly understandable in ‘political terms’ (2012). The government had arrived at a ‘position where to abandon the promise of a Budget surplus … would come at a great political cost’, because it was still trying to shrug off its reputation for economic mismanagement acquired more than a decade earlier (Seccombe 2012).

The Treasurer confronted the issue more or less directly in a Press Club address, saying that the government would ‘return to surplus only if we were satisfied we could do it without imposing too great a burden on households and businesses’ (Swan 2012c). That is, this was a ‘surplus for the right reasons, and not at any cost’ (Swan 2012c). Note how this assessment only refers to economic calculations, but having decided that the economic conditions still supported a return to surplus, it was not necessary to break the government’s promise and it was conveniently unnecessary to mention this additional motive for delivering a surplus. Gillard similarly assured a minerals industry audience that ‘the surplus is right for the domestic economy’ because it was ‘designed to maintain sustainable, low-inflation growth’ (2012a). Just as was the case with Swan’s reply, the economic and promissory have been presented as if they were uncoupled for the purposes of decision-making, only to then point happily in the same direction *ex post facto*.

The pressure built throughout the year as further economic data became available, while the government stayed with these lines of defence. In an interview, for example, the journalist Peter van Onselen pursued the Finance Minister with the germane question: ‘why is it so important that we still try to find a way to get to what is, at the end of the day, a wafer-thin surplus? … That’s purely a political thing, surely?’ (Wong 2012d). It certainly was, yet, as we have seen, only the Australian media was prepared to call a spade a spade. As a result, Wong persisted in providing an economic rationale, claiming that
the decision was ‘grounded in the economy’ (2012d), which was returning to
trend growth and this mandated ‘putting fiscal policy back on a more normal
setting’ (2012d), as this was ‘the right thing to do for the economy’ (2012b),
the ‘right fiscal strategy for the economic circumstances’ (2012c). Swan and
Gillard followed this pattern of tautological reasoning, respectively describing
the budget as ‘appropriate’ (Swan 2012b) given a return to trend growth and
‘the right economic statement for the Australian economy’ (Gillard 2012c). We
can treat this decay in argumentative quality as a symptom of the government’s
contextual difficulty. As the close of the year approached, interviewers and
Opposition politicians alike were asking the Prime Minister if the surplus was
a promise or a goal, and her responses were evasive. In one case, Gillard was
only prepared to say that her government ‘stand by that Treasury Forecast’ and
avoided choosing between ‘guarantee or an aspiration’ by saying ‘we’re very
determined to bring the budget to surplus’ (2012b). Statements of this type
might be read as preparation to concede the issue, or as symptomatic of the
argumentative weakness of the position.

This weakness was easily exploited by the Opposition. Abbott claimed to
identify ‘a government which is preparing the ground to abandon yet another
solemn commitment to the Australian people’ (2012c), while Hockey made the
same accusation when he inquired in parliament, ‘[w]hen did the Treasurer
decide to start crab-walking away from his solemn commitment — his honest
promise — to deliver a surplus in 2012–13?’ (House of Representatives 2012:
12546). Perhaps the most brutal moment came in late October, when Hockey
brought to the attention of the House of Representatives that the Treasurer had
made a commitment to achieving a surplus more than 150 times since May 2010
(House of Representatives 2012: 12547).

When the time finally came to concede defeat on the 2013 surplus, it is instructive
to note that Wong did not flinch in appealing to the value that for three years
had justified pursuing a surplus regardless of the political and social costs:
‘we have to put jobs and growth first and we want to continue the responsible
economic management that’s seen Australia weather the GFC’ (2012a). The
interviewer immediately pointed out the apparent redefinition of what was
responsible, since until that day only a surplus was responsible. In typical style,
Wong bit the bullet, replying that the ‘key to this decision today is responsible
economic management … We don’t believe it’s responsible for us to continue to
make cuts to offset this revenue downgrade if that is bad for jobs and bad for
growth’ (2012a). It was the recent data that her office had just released, Wong
said, that made it clear that the latest revenue downgrades could not be offset
through further cuts without crossing the threshold of irresponsible economic
management (2012a). The point is eminently reasonable: budgets are made with
forecast numbers and, when the actual numbers diverge, the budget’s bottom
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line must change. But Labor’s ill-considered language had changed the test from responding to circumstances to keeping a promise. Abbott and Hockey called a joint press conference to claim their prize. The charge of economic mismanagement was to the fore as Abbott described a government that ‘fails to understand any of the fundamentals of economic management. We know this because we know its record’ (2012d). The more prominent accusation, however, was of untrustworthiness:

this is a government which you simply can’t trust. You can’t trust it on anything. You can’t trust it on the Budget, you can’t trust it on borders, you can’t trust it with the truth. You simply cannot trust this government. You simply cannot trust this Prime Minister. (Abbott 2012d)

This attack on the Prime Minister’s trustworthiness was launched on the back of a government statement regarding its fiscal policy. That the budget had become this litmus test for Gillard’s character was lamentable for Labor, because the Prime Minister was already exposed on this front, and because a statement regarding the budget should have been a moment for political speech protected by that impregnable phrase, ‘responsible economic government’.

Conclusion

The preceding usefully depicts how Labor arrived at this awkward position. It arose from the interaction between the two dynamics that drove the claims and counterclaims made regarding the budget surplus debate during 2010–12. The first dynamic was the attempt by Labor to legitimate its behaviour as economically responsible and Opposition efforts to deny that the government’s behaviour was consistent with this value. The second dynamic arose from the mistake to convert what was essentially a forecast — that returning the budget to surplus in 2013 was economically feasible and judicious — into a promise. The result was to transform a revisable, technical claim into an immobile test of morality and confront the government with an invidious choice. On the one hand, the government could have made further deep and unpopular cuts to keep its promise and, in doing so, endanger its claim to responsible economic government with expert and civil opinion. On the other hand sat the government’s choice: to break its promise and face attacks on its trustworthiness.

Labor’s rhetoric was unsuccessful in at least two respects. Firstly it failed to evince a basic understanding of the words it leaders use, not in the sense of their propositional content, but in the sense of the rhetorical effects and dynamics that they create. Tying together the contingent and the inflexible is illogical; an action is good either because it is flexible or because it is steadfast. Worse, this promise, which tied the government’s hands to a set course on fiscal
policy, was made in the midst of a continuing GFC, that is — as the government repeatedly claimed — the worst economic crisis since the Great Depression. Labor’s second failure relates to historical sense. The lines of attack and defence regarding a broken promise to produce a surplus in the context of sustained claims to responsible economic management were played out in miniature under the preceding government when Labor was the Opposition. During that episode, Howard and Costello modelled the superior tactics to deploy regarding budget rhetoric: avoid promises and explain the cyclical nature of budget balances.

The cliché chiding those who do not learn from history is near at hand, especially when the Coalition has demonstrated its ability to learn from history. During the National Press Club debate just over a week before the 2013 election, between the Treasurer Chris Bowen and the Shadow Treasurer Joe Hockey, the Treasurer committed to a date for returning the budget to surplus, 2016–17. Hockey did not, and instead gave the strategically optimal answer to a question on fiscal policy: ‘We will get to surplus when it is reasonable, responsible to do so’ (Hockey 2013). But the part of Hockey’s reply that followed is more satisfying:

We are not going — I am not going to make the mistake that Labor made of making big heroic promises and never delivering because I stood at this chair, at this table 3 years ago with another Labor treasurer and he promised that he would deliver a surplus in the next term of government. (Hockey 2013)

Those who learn from the mistakes of the past are destined to triumph over those who do not.

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