

MEDIA RELEASE

22 April 2013

Time to face rising pressures on Australian government budgets

Australian government budgets are at serious risk of posting deficits in the next decade of around 4 per cent of GDP, or \$60 billion a year, according to a new Grattan Institute report that examines the spending and revenue of Commonwealth and State Governments.

[*Budget pressures on Australian governments*](#) reveals that a combination of rising costs, large political promises from both sides of politics, likely tax shortfalls and the prospect of declining minerals prices will create “significant problems” for budgets.

“Turning these problems around is an alarming task but not impossible,” says the report’s author, Grattan Institute CEO John Daley.

“But it will require tougher choices than those governments have made over the last decade.”

The report finds that the greatest of the pressures that put Australia’s prosperity at risk come from sustained growth in spending, especially health expenditure, which rose by nearly \$42 billion in real terms over the past decade.

But contrary to widespread belief, it is not the ageing population that is driving health spending but the fact that people of all ages are seeing doctors more often, having more tests and operations and taking more prescription drugs.

Mr Daley says the current plight of many European countries is more evidence that balanced budgets over the economic cycle of boom and bust are much better than the alternative.

“Even in good times it is hard for governments to run a surplus. They are invariably tempted to raise voter expectations and spend money. Many voters prefer outcomes with no losers.

Mr Daley says running balanced budgets is not necessarily about reducing the size of government.

“Around the world, there are small governments that run big deficits, and big governments that run surpluses.

“For the past decade, though, successive Australian governments have squibbed the hard decisions. Now courageous leaders must step forward and ensure our prosperity for future generations.”

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