

## Coalition targets welfare in \$2.3b pre-election savings pitch

Written by Jenni Henderson, Assistant Editor, Business and Economy, The Conversation

---

The Coalition is finding additional savings of A\$2.3 billion by cracking down on welfare in its policy costings, just days from the federal election. It noted \$1.2 billion spent on promises made during the campaign and reiterated the \$1.1 billion improvement in the deficit since the budget, previously outlined in the Pre-Election Economic and Fiscal Outlook (PEFO).

Economist Saul Eslake on the Coalition policy costings. The Conversation 5.97 MB ([download](#))

But governments can't ever eliminate the budget deficit entirely by clamping down on welfare, as it's one of the largest and fastest growing areas of government expenditure, says Saul Eslake, economist and Vice Chancellor's Fellow at the University of Tasmania.

"It's very rare that you ever get to find out whether the savings produced either in lower welfare benefits or higher tax collections match the claims that are made for these measures...or whether they exceed the costs of implementing the so-called crackdowns," he says.

Finding savings in the spectre of "welfare cheats" or "tax avoiders" is something both Labor and the Coalition have used during the campaign.

In announcing the costings the Coalition has sought the mantle of better economic managers, with Treasurer Scott Morrison comparing it's \$1.1 billion improvement in the deficit to Labor's increase of \$16.4 billion over four years.

However Eslake says the deficit isn't always a sign of bad economic management depending partly on the circumstances in which deficits are incurred and partly on purpose of government borrowing.

Ratings agency [Moody's issued a warning](#) before the election campaign that government must raise taxes as well as cut spending to reduce the budget deficit.

The risk to Australia's AAA credit rating is real and could have implications for the borrowing costs of Australia's major banks, whose credit rating is underpinned by the government's,

## Coalition targets welfare in \$2.3b pre-election savings pitch

Written by Jenni Henderson, Assistant Editor, Business and Economy, The Conversation

---

Eslake says.

“There is a somewhat greater chance that Australia could lose its triple a credit rating under Labor government than under a coalition.”

“Although I don’t want to overstate the margin between the Coalition’s bottom line and Labor’s, it is nonetheless surprising that Labor has been willing to contemplate bigger deficits of this order of magnitude,” he adds.

He also says that voters will be sceptical of Labor’s claim that it will run bigger budget surpluses in the forward estimates before returning to surplus in 2020, because of the unreliable nature of forecasting.

Authors: Jenni Henderson, Assistant Editor, Business and Economy, The Conversation

**Read more** <http://theconversation.com/coalition-targets-welfare-in-2-3b-pre-election-savings-pitch-61747>