

## McKell Institute — *Data briefing series*

April 26, 2022

### Economic records don't match the election rhetoric

Economic management is a feature of all election campaigns but key claims made to date do not stack up.

Coalition ministers claim that taxes, spending and debt are always higher under Labor.

***“Labor’s alternative – their financial management, their economic management, their record is well known and it doesn’t measure up to deliver that strong economy that we need for the future”***

Prime Minister Scott Morrison, ABC News, 10 April 2022.

***“We always make sure that people have more of their taxes left in their pockets, they can keep more of what they earn”*** Liberal campaign spokesperson Anne Ruston, ABC RN, 11 April 2022.

***“Labor’s all about higher taxes and they need higher taxes because they always spend more”*** Treasurer Josh Frydenberg, Sky News, 10 December 2021.

Using official historical data and forecasts contained in the 2022-23 budget, the McKell Institute has conducted an analysis of taxation, spending and debt of Labor and Coalition governments for the period from the election of the Whitlam government in December 1972 through 2021-22, as well as the budget forecast years 2022-23 to 2025-26.

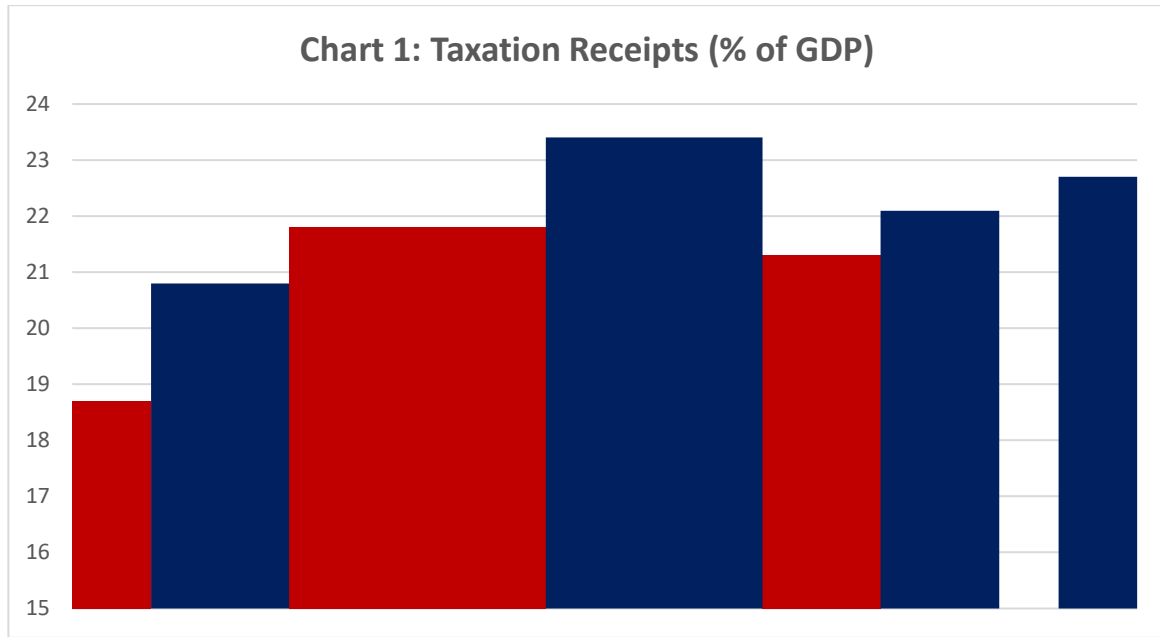
The analysis *excludes* the pandemic years 2019-20 to 2021-22 that required large spending to support the economy, but *includes* the previous Labor government’s stimulus in response to the Global Financial Crisis.

### Key findings

The present Coalition government is the second-highest taxing government in the last 50 years behind the Howard government. If the present Coalition government is re-elected, the budget papers forecast it will be Australia’s highest-spending government and most heavily indebted government.

#### Taxation

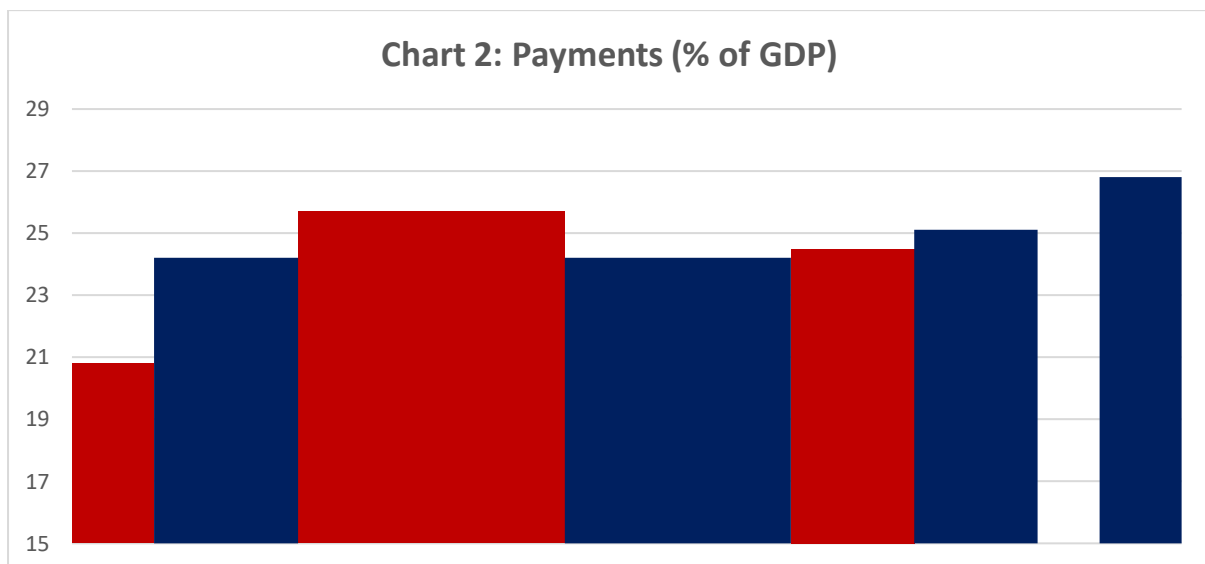
- The present Coalition government is the second-highest taxing government in the last 50 years behind the Howard government.
- If the present Coalition government is re-elected, the budget papers forecast it will challenge the Howard government as Australia’s highest-taxing government.



**Chart 1 shows the average taxation receipts as a per cent of GDP for each government since the Whitlam government, with red representing Labor governments and blue representing Coalition governments, with a gap for the pandemic years.**

### Spending

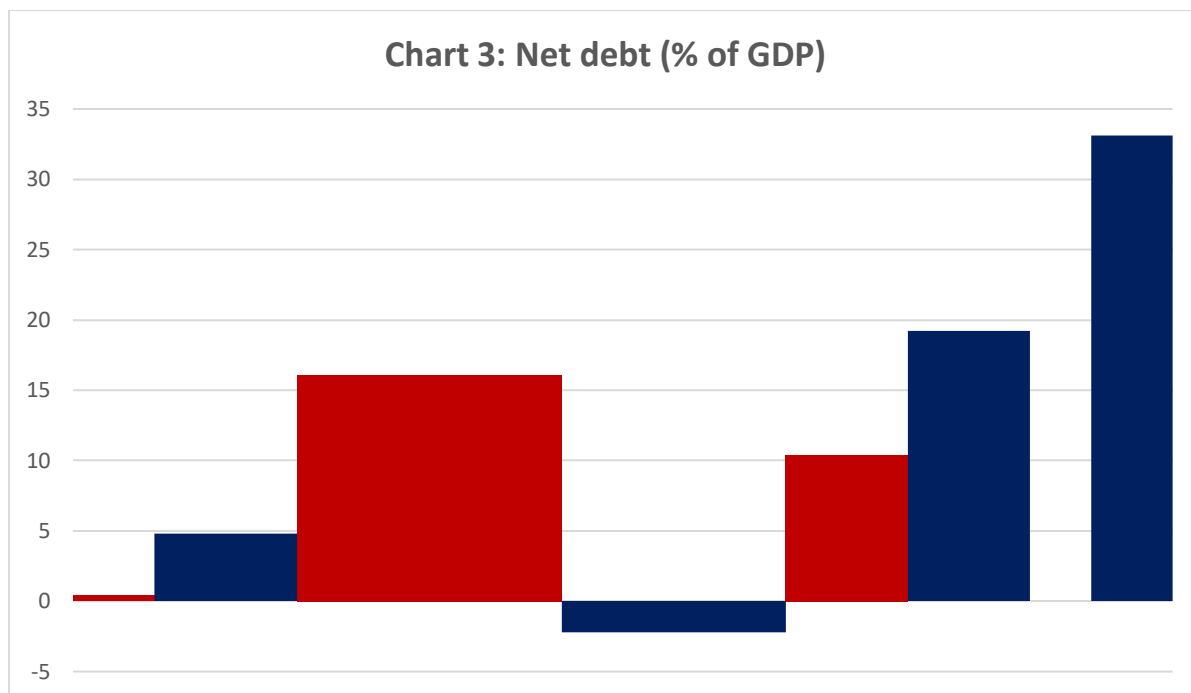
- Before the pandemic struck, the present Coalition government was already a higher-spending government than the previous Labor government.
- If the present Coalition government is re-elected, the budget papers forecast it will be Australia’s highest-spending government.



**Chart 2 shows the average payments as a per cent of GDP for each government since the Whitlam government, with red representing Labor governments and blue representing Coalition governments, with a gap for the pandemic years.**

## Debt

- The present Coalition government had almost doubled net debt before the pandemic began.
- If the present Coalition government is re-elected, the budget papers forecast it will more than treble the net debt of the previous Labor government and will be Australia's most heavily indebted government.



**Chart 3 shows the net debt as a per cent of GDP at the end of each government since the Whitlam government, with red representing Labor governments and blue representing Coalition governments, with a gap for the pandemic years.**

## Analysis

The McKell Institute evaluates three claims frequently made by Coalition ministers regarding the budgetary performance of the two major parties:

**Claim one:** Taxes will always be higher under Labor.

**Claim two:** Spending will always be higher under Labor.

**Claim three:** Debt will always be higher under Labor.

The 2022-23 budget papers provide official data that can be used to assess these claims. The appendix to Budget Paper No. 1, *Statement 10: Historical Australian Government Data*, includes the following measures of each claim:

- Taxation receipts as a percentage of GDP (Table 10.3);
- Payments as a percentage of GDP (Table 10.1); and

- Net debt as a percentage of GDP (Table 10.4).

The reporting period is actual results from 1972-73 to 2021-22, with forecasts from 2022-23 to 2025-2026. This enables a comparison of every government since the Whitlam government, together with a possible re-elected Coalition government.

The McKell Institute's analysis has defined government tenures in the following way:

- **Labor:** 1972-73 to 1975-76
- **Coalition:** 1976-77 to 1982-83
- **Labor:** 1983-84 to 1995-96
- **Coalition:** 1996-97 to 2006-07
- **Labor:** 2007-08 to 2012-13
- **Coalition:** 2013-2014 to 2018-19\*
- **Coalition (forecasts):** 2022-23 to 2025-26

\* The COVID-19 period (2019-20 to 2021-22) has been *excluded*, owing to the unavoidably large fiscal stimulus that was required during this period, while the fiscal stimulus period of the previous Labor government in response to the Global Financial Crisis has been *included*.

Averages for taxation, spending and deficits are reported below for each of these governments. For net debt the final year of the relevant government's period is reported.

**Table 1: Taxation, spending and net debt as a percentage of GDP (various governments)**

	Tax receipts (% of GDP)	Payments (% of GDP)	Net debt (% of GDP)**
LABOR (1972-73 to 1975-76)	18.7	20.8	0.4
COALITION (1976-77 to 1982-83)	20.8	24.2	4.8
LABOR (1983-84 to 1995-96)	21.8	25.7	16.1
COALITION (1996-97 to 2006-07)	23.4	24.2	-2.2
LABOR (2007-08 to 2012-13)	21.3	24.5	10.4
COALITION (2013-14 to 2018-19)	22.1	25.1	19.2
COALITION (2022-23 to 2025-26)*	22.7	26.8	33.1

\* Budget forecasts

\*\* Net debt in the government's last year

Source: Budget Paper No. 1 2022-23, Statement 10: Historical Australian Government Data.

If the periods of the various governments are redefined as the financial year in which they delivered their first and last budgets the conclusions remain the same. See the appendix.

## Appendix: Taxation, spending and net debt as a percentage of GDP (Various governments, adjusted time periods)

	Tax receipts (% of GDP)	Payments (% of GDP)	Net debt (% of GDP)**
LABOR (1973-74 to 1975-76)	19.3	21.5	-0.4
COALITION (1976-77 to 1982-83)	20.8	24.2	4.8
LABOR (1983-84 to 1995-96)	21.8	25.7	18.1
COALITION (1996-97 to 2007-08)	23.4	24.1	-2.2
LABOR (2008-09 to 2013-14)	20.9	24	10.4
COALITION (2014-15 to 2018-19)	22.2	25	19.2
COALITION (2022-23 to 2025-26)*	22.7	26.8	33.1

\* Budget forecasts

\*\* Net debt in the government's last year

Source: Budget Paper No. 1 2022-23, Statement 10: Historical Australian Government Data.

## About the McKell Institute

The McKell Institute is an independent, not-for-profit research organisation dedicated to advancing practical policy solutions to contemporary issues. The data briefings reports analyse data sets and apply insights to current public policy debates.