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Better than the last 12, but that is not saying much

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Despite their self-congratulatory rhetoric, the previous government left the nation in a mess. Blessed with an externally generated economic boom, the government should have ensured the growth was not only equitably shared but also used to improve public infrastructure that would underpin long-term prosperity.

It should have also ensured all Australians were working and/or developing meaningful skills.

In fact, they did none of this. We have a degraded public infrastructure, a growing number of poor families; more than 1.4 million people without enough work, and acute skill shortages in key industries.

The budget challenge was to arrest this neglect without adding to inflationary pressure that would provoke higher interest rates from the (unelected) Reserve Bank.

The current economic environment is complex. Record commodity prices have created uneven fortunes across our nation. Some regions are booming while others are languishing. The boom is driving inflation but the RBA has overreacted by pushing interest rates up too far given that many families have huge debt burdens.

The overall economy is slowing but, because monetary policy is uncertain, no-one really knows by how much and who is getting hurt. We will know those things when it is too late!

The new government has addressed this challenge by attempting to redefine the role for fiscal policy (the budget) within the Reserve Bank's singular preoccupation with inflation.

They have tried to restore some fiscal flexibility by reversing the high income "handout" mentality introduced by the previous government.

Swan's first budget has started dismantling this unsustainable sense of entitlement by steering some of the "boom largesse" away from high income earners towards those most in need. Biasing government spending towards the most disadvantaged is not "envy politics" but sensible management of public resources.

Despite drowning in tax revenue, the previous government only cared about staying in power rather than investing in our long-term prosperity. The Swan budget suggests a renewed federal commitment to invest in climate change, health, education, low-income housing, child care and public infrastructure. The outlays announced are inadequate but at least the trend has been reversed.

The Medicare levy surcharge changes are excellent. The private health insurance industry thinks it has an innate right to receive government handouts. This budget has given people more choice. The challenge to private insurance funds is to provide a product that people want.

The budget also restored some decency in public life by honouring election commitments.

But it still has major flaws. The continuing huge “rip off” surpluses are bad and undermine the infrastructure spending that is required.

Unjustifiable policies such as the massive federal bias towards private education should have been eliminated to stop the huge public transfers to the wealthy.

A national skills development framework should have been announced with a strong federal commitment to quality apprenticeship training.

Failed and expensive policies such as the Job Network and Work for the Dole should have been scrapped and proper employment guarantees introduced.

Their claims that tax cuts will stimulate participation and productivity are wrong. People remain unemployed because there are not enough jobs.

This budget is better than the last 12 but then that is not saying much.