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Analysis of the 2008 Federal Budget Speech: Policy, Politicking and Marketing messages?

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Abstract

This paper is an exploration of the continued political marketing activities of the Rudd Government as an extension of the Dann and Hughes (2008) *Lessons from Kevin07™* paper, and an extension of the Newman (1999) and Needham (2005) perpetual campaign theory. The paper examines the 2007 Federal Budget speech for the indicators of the principles of relationship marketing being used as part of the perpetual campaign cycle in Australian politics (Newman, 1999; Needham, 2005; van Onselen and Errington, 2007). The 2008 Federal Budget speech is analysed using a combination of visual analysis methods, qualitative analytical techniques and contemporary marketing theory to ascertain the extent of continued political marketing practice. In identifying the possible use of relationship marketing theory, it questions if this is the most appropriate manner for the continual campaign to be conducted. Further, the paper addresses the risk of political relationship marketing in the political process engaging concepts such as lifetime customer value in the continuous campaign process.

Introduction

Given the Rudd Government's extensive use of political marketing during the 2007 campaign, and the demonstrable use of political marketing by Australian governments since Howard's 2004 declaration of perpetual campaign cycles (van Onselen and Errington, 2007; 82), the paper is based on the assumption that marketing will be undertaken by the ALP during their terms of office. The question is not if marketing is to occur, but rather, is the style of marketing in use identifiable as relationship marketing?

To answer this question, first, the paper establishes whether the relationship marketing domain is theoretically or conceptually likely to suit the perpetual campaign cycle. Second, the paper focuses on the Federal Budget Speech as the most recent high profile direct communication to the electorate from the incumbent government. Two analysis of the text of speech are undertaken. The first focuses on the discovery of the frequency of use of key words and phrases through a Tag Cloud analysis to ascertain if the language of relationship marketing is present in the speech. Second, based on the discovery of relationship marketing concepts, the speech is examined for thematic clusters using the Leximancer automated textual analysis process.

Is there theoretical support for relationship marketing in continuous campaigning?

The first step of the analysis is to ascertain if there is a conceptual fit between the relationship marketing paradigm and the political marketing environment. Grönroos (1990, 138) defined relationship marketing as: "Marketing [which] is to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by a mutual exchange and fulfilment of promises" This definition forms the core of the Nordic School of relationship marketing which developed a strong following within the European, British and Australasian marketing communities. This approach changed the nature of commercial marketing from short-term exchanges of goods, services and finances to the longer term engagement between customer and company based around loyalty, trust, commitment and ongoing exchange of value (Gronroos, 1990; Gronroos, 1994) which informs much of the development of loyalty incentives and long term engagement through branding and corporate reputation. Gronross (1990) defined political marketing as a form of relationship marketing where by the political party was as seeking to establish, maintain and enhance long term voter relationships at a profit for society and political parties so that the objectives of the individual political actors and organizations involved are met. Other political marketing academics have also attempted to integrate relationship marketing into politics, with Australian author O'Cass seeing political marketing's purpose as being a mechanism to create, build and maintain beneficial exchange relationships between the political marketer and political marketplace. Internationally, British authors Dean and Croft (2001) and Lees-Marshment (2001b) and Needham (2005) introduced relationship management as a partner to Newman's (1999) permanent campaign process. For the purpose of the paper, the Gilbert, Powell-Perry and Widijoso (1999, 25) six point checklist is used to ascertain if a possible match exists between the conditions of political marketing in government with the principles of relationship marketing. Table 1 integrates the six point framework with the corresponding political marketing market condition.

Table 1: Conditions for relationship marketing

RM Condition	Present?	How
ongoing or periodic desire for the product or service	Yes	Election cycles
customer controls the selection of the service supplier	Yes	Voters elect the government through selective support of political parties
There are alternatives in the market.	Yes	Multi-party political system
Brand switching is common, but can be prevented or minimized	Yes	Declining party loyalty swinging voter populations
Word of mouth is important	Yes	Credibility of interpersonal messages ahead of party political statements
Ability to cross-sell products once the relationship is established	Yes	non-campaign promise policy initiatives

(Derived from Gilbert, Powell-Perry and Widijoso, 1999, 25)

It is noted that this is not an exhaustive rationale for using this specific marketing technique. Instead, it represents a *prima facie* test of whether relationship marketing would be considered appropriate under the conditions of political marketing. In summary, market conditions associated with relationship marketing do exist in political marketing, and may give rise to relationship marketing campaigns within politics. Consequently, the question is whether the incumbent ALP government is demonstrating any visible indicators of engaging in relationship marketing style campaigning?

Analysis 1: Visualized Data - Tag Cloud Approach

Tag clouds are a weighted list of words where font sizes indicates the prevalence of a term within a given body of text, or, online, within a given website structure (Sinclair and Cardew-Hall, 2008, 17). The tag cloud has become a distinguishing feature of the folksonomy systems of Web2.0 sites where they have been used for navigation, search functions and information display (Hearst and Rosner, 2008, 1). Clouds are either generated from automated processes scanning bodies of text or as a result of user classifications of site content (Appelo 2008, 20).

The tag cloud approach to taxonomy development is a form of qualitative data analysis which creates both a visual representation of the frequency of a series of terms within a text, and a count of the individual key terms (McKie, 2007, 221). Rivadeneira et al (2007, 996) outline the purposes for which tag clouds are well suited in the context of online content delivery: search, browsing, impression forming and recognition/matching. Impression formation or ‘gisting’ in this context is seen as a means to assess an underlying structure or meaning within a specific body of text, website or social network structure. The ‘gisting’ approach is further supported by Sinclair and Cardew-Hall (2008, 27) study of the value and use of tag clouds for seeking information from a folksonomy dataset. They highlight the value of the tag cloud as a means of ‘non-specific information discovery’. To this end, the method has been used previously for analysis of US Presidential State of the Union address (Mehta, 2008), and analysis of the Democratic primary campaign speeches (Upstream Analysis, 2007).

However, it should be noted that the tag clouds method does have a series of structural weaknesses which limits its application to use in preliminary and exploratory examinations of

text. The clouds are generated base on raw counts of data without regard to contextualization, for example, cat, kitten and feline would represent three separate keywords rather than one grouped concept. Although some tag cloud systems attempt to group similar words (eg cat, cats, cat's) these systems are not as robust as the specific purpose machine learning capacity of Leximancer which allows for the automatic or manual grouping of keywords into concept clusters (Young and Denize, 2008, 49). Second, the nature of the clouds can produce misleading interpretations if used incorrectly – proximity by alphabetical order or keyword ranking may suggest artificial contexts for keyword pairings (Hearst and Rosner, 2008, 2). Proximity does not provide additional layers of complexity or meaning in this method. However, as a preliminary mechanism for non-specific information discovery, and preliminary thematic analysis, it represents a new method for exploring large bodies of text for underlying meaning.

For this paper, Wayne Swan’s 2008 Federal Budget speech was processed through the TagCrowd.com tag cloud system to generate a key list of terms used in the speech. Three rounds of tag cloud analysis were conducted, starting with the unadulterated speech as it was presented in Parliament. Figure 1 reports the initial tag cloud analysis of the speech, based on the raw text of the speech.

Figure 1: Tag Cloud 1: Uncoded analysis



Preliminary analysis of the key reported terms indicate the need for recoding of the raw speech into key phrases, and the elimination of certain topics – specifically, the formality of the Budgetary process which requires the Treasurer to address the speech to the speaker which resulted in 26 references to ‘Mr Speaker’. A manual recoding of the speech into key phrases and concept clusters was also undertaken to allow related phrases to appear as within the tag cloud cluster (see Appendix 1 for a list of recoded variables). This resulted in the coding of 16 variables related to politically significant phrases such as ‘workingfamilies’, ‘climatechange’ and ‘housingaffordability’. Additional coding for contextual relevance grouped concepts such as ‘per cent’ with the relevant statistical figure (e.g. 9percent), time

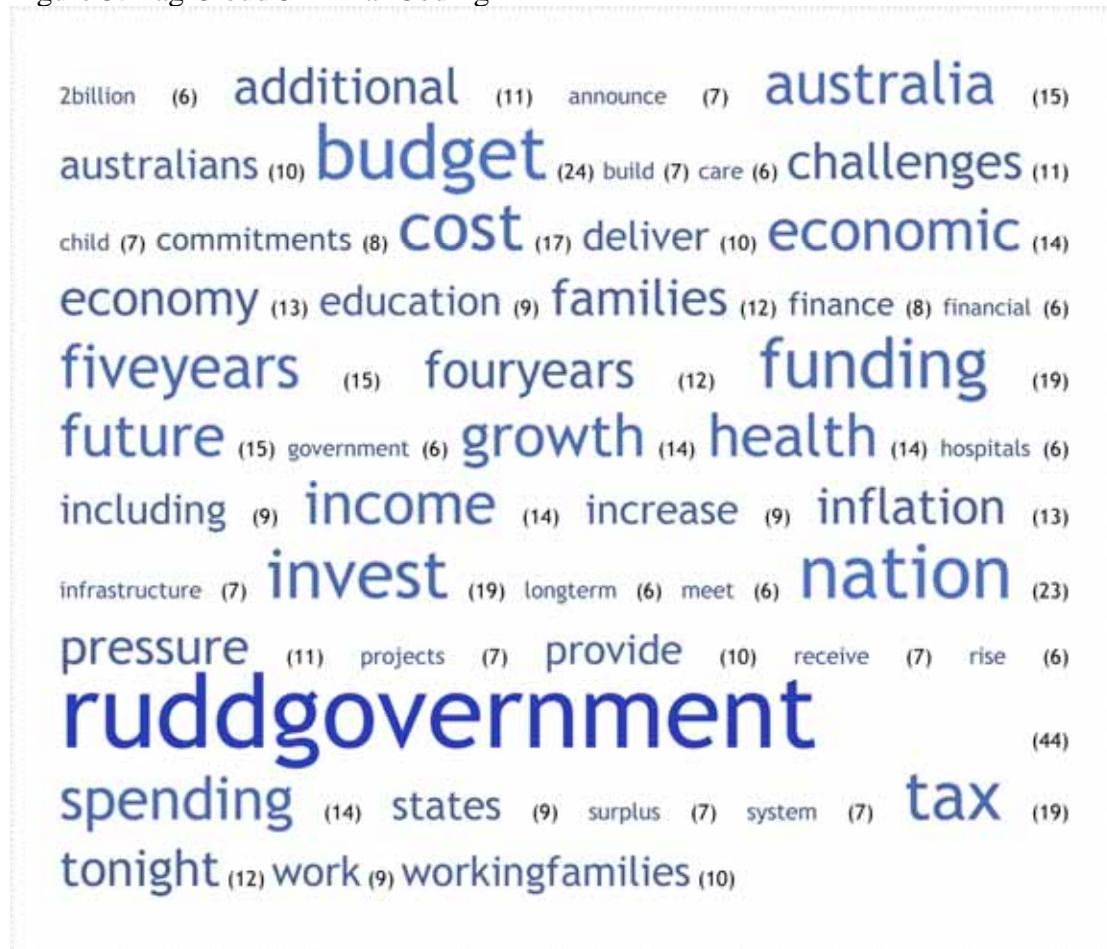
frames with relevant lengths (fouryears, fiveyears) and levels of spending with cited expenditure (e.g. 2billion). Finally, named government policies (EducationInvestmentFund), departments, organizations and proper nouns were recoded into single terms. The result of the second tag cloud appears in Figure 2

Figure 2 Tag Cloud 2: Preliminary Coding



Analysis of the preliminary coding indicated several areas of further exploration and potential manual recoding. A second coding task was undertaken to review the use of the term ‘government’ to provide a contextual frame to differentiate between the politicized description of the activities of the Rudd Government, Howard Government and the non-politicized aspects of ‘government spending’, ‘government department’ or ‘state governments’. For example, in the introductory remarks of the speech, Treasurer Swan announces that ‘These are the commitments the Government gave to the Australian people at the election’ which is a politicized reference to the actions of the ALP during the Rudd Campaign. Any use of ‘Government’ in a politicized context was recoded as ‘RuddGovernment’ to contextual phrases such as ‘This Government’, overt references to campaign promises, or other politicized statements. The resulting final analysis is reported in Figure 3.

Figure 3: Tag Cloud 3 - Final Coding



(The full text of the recoded speech is contained in Appendix 2)

A second tag cloud system was used to confirm the distributions and visualization of the dataset. The recoded speech was processed through the Wordle.net visualization tool kit. Wordle uses a different algorithm from Tag Crowd for tag cloud for data visualization. Although both use fundamentally similar approaches to encoding, Wordle does not group similar words and phrases. Consequently, major thematic clusters should appear consistently between TagCrowd and Wordle tag clouds, with Wordle producing a larger array of minor tags. Figure 4 confirms the domination of the “Rudd Government” concept in support of the previous visual analysis – despite Wordle’s separation of possessive and singular versions of the keyword. Second, the broader spectrum of terms (150 words) used in the Wordle analysis remains dominated by the same key phrases indicating consistency between the two variations on tag cloud analysis.

second level of contextual analysis using the Leximancer automated concept discovery was undertaken to analysis the speech for further evidence of the use of relationship marketing concepts.

Analysis 3: Leximancer

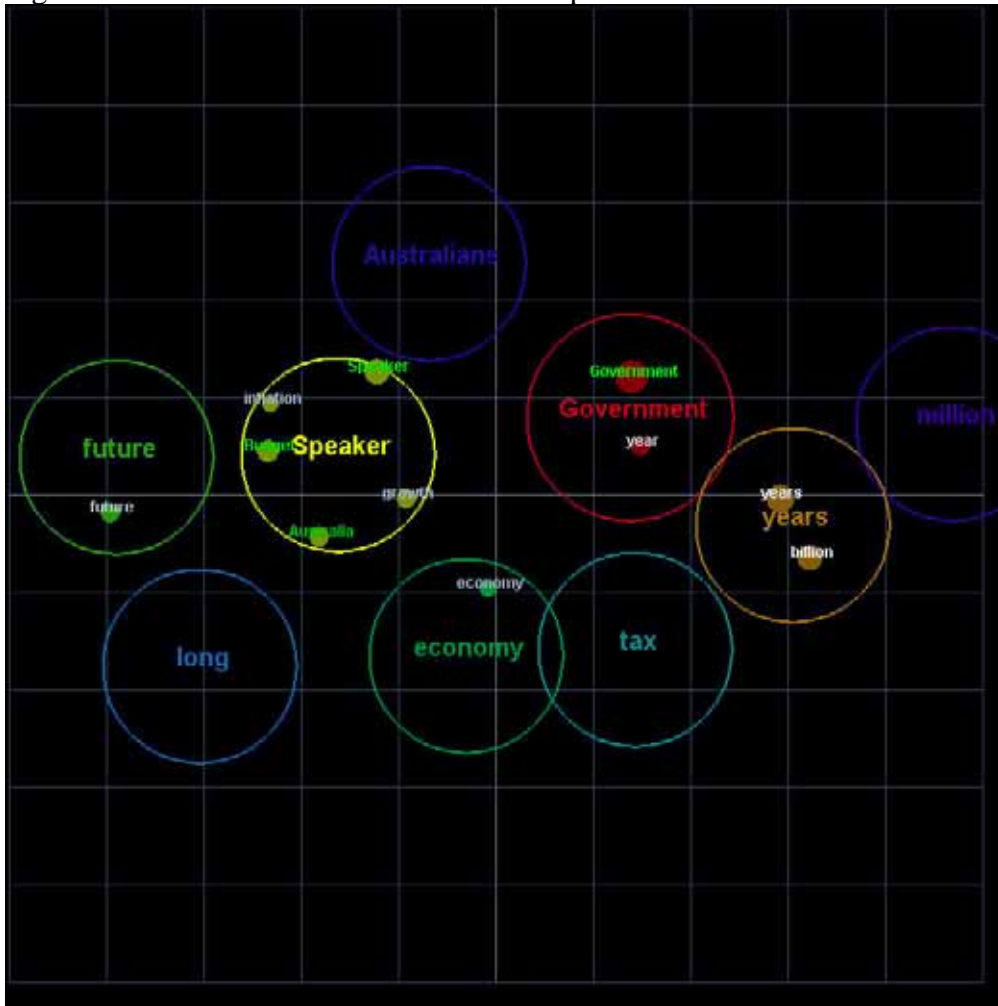
The final analysis used the Leximancer text mining software to examine the interconnection of central themes and to uncovered contextualized content through the system's automated processes. Leximancer is a content analysis emulator that replicates manual coding procedures used in content analysis through a series of algorithms and statistical processes (Smith, Grech and Horberry, 2002, 1). The software operates as a stand-alone system that uses a machine learning protocol for textual analysis which results in a visualization of common themes and related concept groups from textual data (Smith, 2000, 2-3). The process of Leximancer analysis is outlined briefly in Grech, Horberry and Smith (2002, 2) and treated to a comprehensive explanation in Smith and Humphreys (2006).

Leximancer was chosen to provide a means of 'unsupervised ontology discovery' (Smith, 2003, 1). It has been used as the primary analytical tool in qualitative PhD thesis (Beven, 2007; Muenchberger, 2007) and research topics including media coverage (Isakhan, 2005) forum participation (de la Varre, Ellaway and Dewhurst, 2005) and maritime reports (Grech Horberry and Smith, 2002). As an automated form of content analysis, it is able to discover underlying core associations within the speech without being influenced by human biases in the coding process (Isakhan, 2005, 9; Michael, Fusco and Michael, 2008, 1195). It also allows for a reduction in the expectation bias from the coder's knowledge of the broader context of the speech, Federal Budget and role of the budget in establishing the legitimacy and credibility of a government (McKenna and Waddell, 2007, 375). Finally, Leximancer has an established role in the content analysis literature as a means for discovering 'unexpected meaningful connections' through its automated objective analysis process (Petchkovsky, Cord-Udy and Grant, 2007, 8).

Leximancer Results

The Budget speech was treated to two separate analyses. The initial analysis explored the speech for the presence of one or more dominant thematic clusters, whereas the second analysis examined the specific interactions associated with the 'commitment' theme identified in the tag cloud analysis. As experienced previously with the Tag Cloud Analysis, the initial analysis of the raw text of the speech did not result in the discovery of meaningful content – for example, Figure 5 illustrates that the raw speech resulted in the keyword 'per' being a dominant theme, alongside the formality of 'Mr Speaker'.

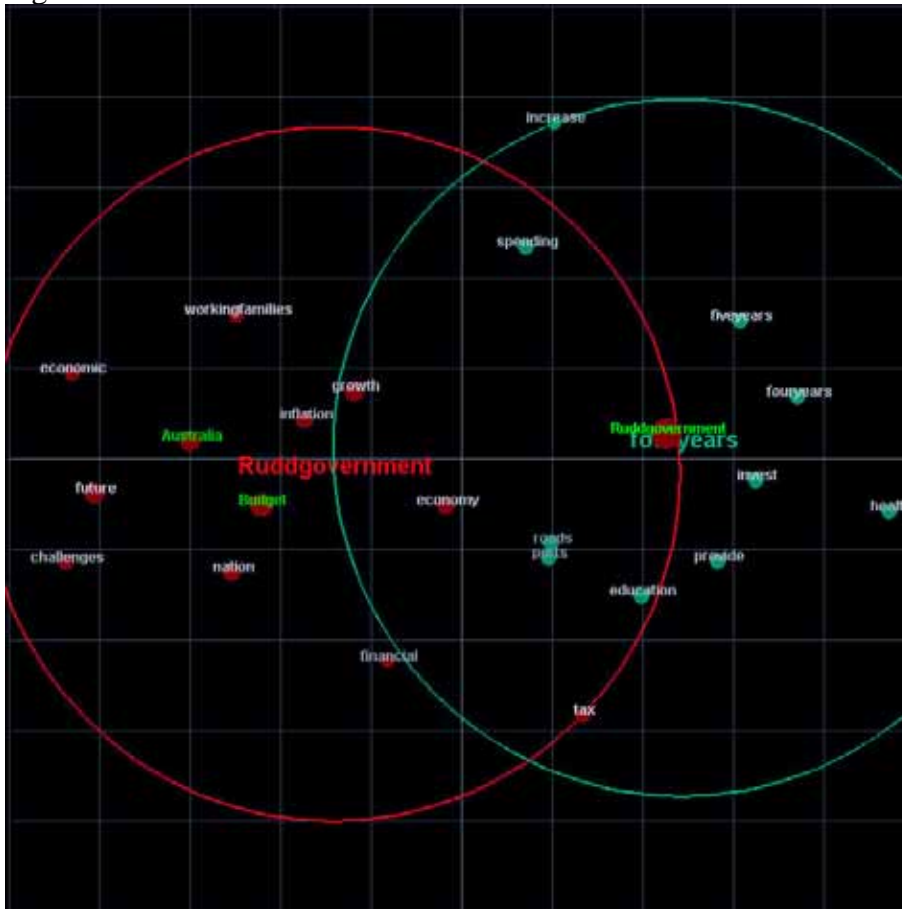
Figure 5: Leximancer Results for the Raw Speech



Results 1: Unsupervised ontology discovery of the Budget Speech

For consistency, the same annotated speech used in the final Tag Cloud Analysis was used as the basis of the Leximancer analysis. Leximancer visualization maps demonstrate the interconnectedness of the concepts within the data set where overlaps in themes are indicative of a close association between the concept groups (Huber, Michael and McCathie, 2006, 1). Larger concepts on the map indicate greater interconnectivity between these ideas and other concepts (Hepworth and Paxton, 2007, 496). Similarly, collocation on the map indicates levels of co-occurrence in the data set, with the proximity in the visualization being indicative of the level of relationship between the concepts (de la Varre, Ellaway and Dewhurst, 2005, 8; Hepworth and Paxton, 2007, 1). Figure 6 represents the initial analysis to ascertain the primary conceptual domain of the speech.

Figure 7: Dominant Domains

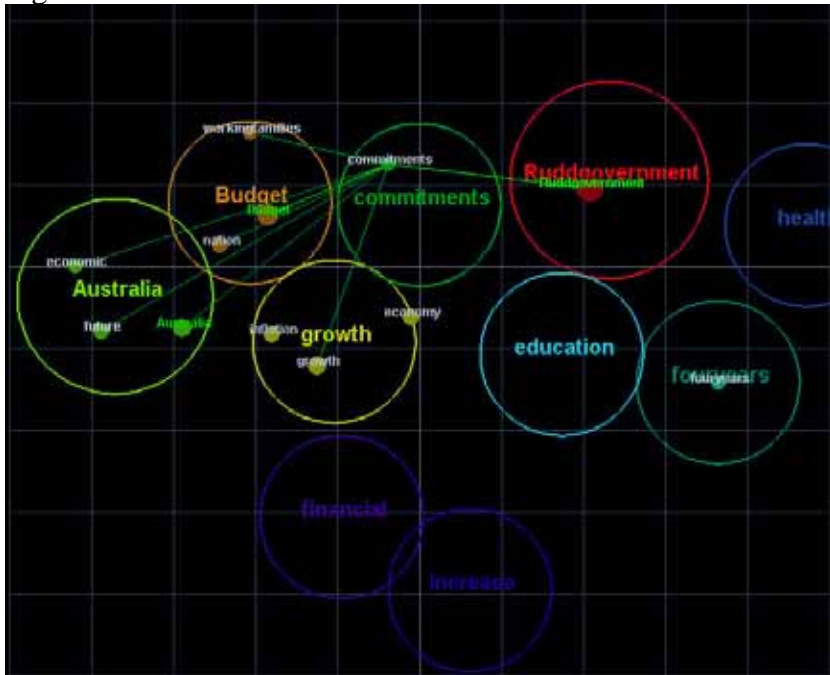


From a political marketing perspective, there is little in the unsupervised ontology that would indicate continuous campaigning – even the reference to the ‘four years’ relates to the propensity of the speech to talk in the language of government terms (past and present) rather than comprehensively indicating a political marketing outcome. However, two quasi-political marketing messages are noticeable – first, ‘Working Families’ remain the target market for the Rudd Government budget. Second, the foreshadowing of ‘challenges’ provides future groundwork for the ALP to use to recover from any unsuccessful economic policy implementation.

Results 2: Supervised ontology discovery: Commitment and the Budget Speech

A second Leximancer run was conducted utilizing the ability of the system to map the occurrences of a user selected phrase. For this analysis, Leximancer was instructed to explore the connections to the relationship marketing term ‘commitments’. As Figure 8 illustrates, commitments links into ‘Rudd Government’, and ‘working families’ as a reflection of the nature of the budget being a clearly targeted policy platform.

Figure 8 Commitment



Further, the initial examination of commitment only ties the government to working families, growth and a combined set of messages on the nation's future. Commitment does not correspond with the 'four year' theme and several of the key elements of that theme identified in the unstructured ontology. A possible interpretation of the visualization is that the commitment expressed in the Budget is to the Australia as a nation (whole of the voter market), and to the working families (market niche), and to ideological commitments of the future, the economy and growth. It is possible then, to interpret this as a political marketing message for a select market – the 'working families' which, under the previous administration were known as 'Howard's Battlers'. Perhaps the message to draw is Rudd's intention to target, acquire and retain the former Liberal Party voter strongholds through the continuous campaign?

Discussion

Given the stated objectives of the Rudd Government to cut spending on non-essential government services, and the fiscal conservatism exhibited in spending reductions, small government objectives, there is an elevated risk that the customer (citizen) lifetime value concept may be used to validate spending reduction for vulnerable populations. For example, a relationship marketing orientation in government could easily be used to justify calculating the lifetime value of the votes of Indigenous Australia, refugees, or immigrants to offer as an electoral outcomes rationale. Decisions made for short term political gains were a trademark of the previous Howard Government terms, and should not be disregarded as a possible risk for current and future governments.

There is a question that needs to be asked of political marketing using relationship marketing practice, more than relationship marketing principles. Has the 'working families' cohort been selected for their greatest need in society, or on the basis of their greatest return on investment? Implementation of relationship marketing as a guiding force for policy development cheapens the political process, and risks creating greater levels of distrust than the relationship marketing could create through commitment and reciprocity. From a

marketing perspective, voter perceptions of the role of the government need to be considered the greater priority than attempts to drive party political loyalty through government policy.

Reduced confidence in the government acting in the interest of the nation would be a likely consequence of the public acknowledgement of the use of customer lifetime value to determine policy outcomes. Although there is an expectation of partisanship behavior in efforts to attain and retain office, there needs to be greater open debate over the legitimacy of using targeted policy to reward ‘voter loyalty’. Similarly, any suggestion of the use of the calculation of voter lifetime value needs to be openly debated for the radical change it will bring to way government policy is constructed. Finally, whilst this paper has not raised any of the ethical or moral issues associated with the commercial applications of relationship marketing.

Limitations of the Paper

There are several limitations on the paper. First and foremost, due to the nature of qualitative analysis, textual analysis, and the exploratory nature of the work, it is between difficult and impossible to extrapolate beyond the current data set. However, future research can draw on the existing analysis to compare previous and future Budget speeches for trends in the use of marketing terminology and behaviours in political discourse. In addition, although tag clouds are relatively common in their native internet environment, this paper represents one of the early efforts to adapt this mechanism to academic analysis (Sinclair and Cardew-Hall, 2008, 17). As such, first mover advantages are often traded off against the use of a technology that will improve in capacity over time with the recognition of the crudity of the current approach against the presumed future sophistication of analysis built on refinements of this process.

Second, the paper is underpinned by a series of assumptions related to political marketing, and the application of relationship marketing in practice. At the core of the paper is the assumption of perpetual political marketing campaigns which asserts that actions of the current Government can and should be viewed as activities potentially aimed at securing re-election. This is both a cynical and realist view of political party conduct based on historical trends of previous administrations in Australia (van Onselen and Errington, 2007; 82) and an acknowledgement of the increased acceptance of the perpetual campaign as a legitimate form of political marketing conduct (Needham, 2005, 345)

Third, the paper relies on a combination of subjective opinion in the recoding of the Budget speech, and artificial machine learning to derive key points from the Leximancer and Tag Cloud analysis. Coding of the key term “Government” into “RuddGovernment” and “Government” terms leaves open the possibility of human error, human interpretation and attribution issues associated with qualitative data coding. Although the Leximancer system can reduce human error through machine learning, this advantage is limited where human recoding of a data set occurs prior to the machine analysis.

Finally, as mentioned previously, the author is from a political marketing background, and has interpreted contents of the Budget speech against the commercial and political marketing frameworks, rather than political science content.

Conclusion

The paper engaged in a series of analysis of the 2008 Federal Budget speech to explore a broad question of whether the Rudd Government was engaging in perpetual political marketing campaigning. In part, earlier activities of the incumbent government could be

attributed to a continuation of the campaign cycle with high profile marquee events and the 100 Day report to reassure the voting public that their 2007 decision was still in their best interests (Dann and Hughes, 2007, 1-3).

Contents of the Budget speech were processed through the tag cloud visualization for preliminary analysis of the keywords present in the speech. The level of self reference to the incumbent government and the presence of relationship marketing keywords led to the further exploration of the speech through a Leximancer automated content analysis. It was this secondary analysis that confirmed the existence of a series of marketing related activity within the speech. Specifically, the careful selection of a key target market “working families”, coupled with the repeated use of commitment and delivery in the language of the budget indicates the use of post-purchase cognitive dissonance reduction target marketing. Whilst the use of post-purchase reassurance is a relatively common commercial marketing technique most commonly seen in white goods, cars and home loans, political marketers have not had a strong tradition of post-election voter reassurance. If anything, political marketing reassurance is predominantly pre-election where the governing party attempts to retain loyalty. From the analysis of the speech, in conjunction with political marketing theory of perpetual campaigning and commercial marketing post-purchase reassurance marketing activities, it appears that the Rudd Government is engaged in form of voter relationship marketing that seeks to build loyalty through targeted campaigning during office, and not just in the peaks of the pre-election cycle. From here, the question is both whether this is appropriate activity for a government to pursue, and if it is effective activity for a political party to undertake. Both aspects need further debate, observation and research over the course of the first term of office of the Rudd Government.

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Appendix 1: Recoded Terms

1. budget surplus
2. climate change.
3. high inflation
4. housing affordability
5. interest rates
6. international turbulence
7. long term
8. low inflation
9. national budgets
10. national security
11. national security
12. older Australians
13. Rudd Government
14. tax cuts
15. working families.
16. young Australians

Years

1. recent years
2. two years
3. three years
4. four years
5. five years
6. six years
7. eight years

Sample of Financial recoding

1. \$55 billion
2. \$21.7 billion
3. \$33 billion
4. \$500 million
5. \$623 million
6. \$274 million

Sample of Policy recoding

1. Education Tax Refund
2. Housing Affordability Fund
3. Building Australia Fund

Appendix 2: Recoded Text of the 2008 Treasury Speech

INTRODUCTION

This Budget is designed to meet the big challenges of the future.

It is a Budget that strengthens Australia's economic foundations, and delivers for working families under pressure.

It is the responsible Budget our nation needs at this time of international turbulence, and high inflation at home.

A Budget carefully designed to fight inflation, and ensure we meet the uncertainties of the future from a position of strength.

A Budget with a \$55 billion working families Support Package at its very core.

A Budget that begins a new era of strategic investment in Australia's future challenges and opportunities.

And a Budget that helps plan, finance and secure Australia's long term national security and defence needs.

These are the commitments the Rudd Government gave to the Australian people at the election. , this Budget honours those commitments.

The Rudd Government has made sure every single cent of new spending for the coming year has been more than met by savings elsewhere in the Budget.

Our commitments have been honoured by redirecting spending. Difficult spending cuts have helped fund our working families support package and our new priorities for the nation.

We are budgeting for a surplus of \$21.7 billion in 2008-2009, 1.8 percent of GDP, the largest budget surplus as a share of GDP in nearly a decade.

This honours and exceeds the 1.5 percent target we set in January, without relying on revenue windfalls.

It is a surplus built on substantial savings of \$33 billion over four years, including \$7 billion in 2008-2009 alone.

And it is a surplus built on disciplined spending, with the lowest real increase in Government spending in nearly a decade; spending growth which is one quarter of the average of the previous four years.

, we need a strong surplus to anchor a strong economy; to do our bit to ease inflationary pressures in the economy; to build a buffer against international turbulence; and so we can fund ongoing long term investment in the ports, roads, railways, hospitals, universities and vocational education we need, to deliver growth with low inflation into the future.

ECONOMIC OUTLOOK

, these are challenging times. Countervailing forces are creating high inflation at home and economic turbulence abroad.

Weaker global growth and the effects of monetary policy are slowing our economy. Inflation has increased in recent years, pushing up interest rates, and putting more pressure on families. Eight interest rate rises in three years, and the global slowdown, are expected to see growth in our economy moderate to 2 percent in 2008-2009.

Potent forces in the global economy are pushing Australia in opposite directions. Slower growth in the United States and turbulence in world financial markets are affecting many countries, including our own. At the same time, the prices of our exports are rising strongly, when domestic inflationary pressures are already high.

Robust growth in emerging economies, particularly China and India, is expected to drive further large rises in Australia's terms of trade, boosting income and price pressures. The terms of trade are anticipated to rise by over

20percent by the end of this year. This will be the largest increase in a generation, lifting nominal economic growth to 9percent, the highest rise in 19years.

The Australian economy is enjoying its 17th year of growth, now spanning three governments. But productivity growth over the last five years has averaged 1.4percent a year, the lowest in 17years. And capacity constraints have put upward pressure on inflation.

When the Rudd Government came to office less than six months ago, Australia was facing the highest levels of domestic inflation in over 16years, and inflation reached 4.2percent in the March quarter. The price of bread has risen over 18percent in the last two years alone.

Inflation is a drag on growth. It saps confidence, and hurts families and businesses throughout Australia. We are working to put downward pressure on inflation so that we can ease the cost of living and interest rate pressures on working families.

Our nation also faces longer term challenges and opportunities, in the form of an ageing population, the economic effects of the rise of China and India, and the consequences of climate change.

With careful, responsible economic management, we are confident we can meet these challenges.

DELIVERING FOR working families

, in framing this Budget, foremost in our considerations are the Australians who work hard, pay their taxes, and demand little more than a fair go.

This Rudd Government understands the stress on working families in these difficult times. More and more family income is being eaten away in mortgage repayments, rent, groceries and petrol - leaving so many families feeling the pinch.

That's why a key priority of this Budget is to deliver the working families Support Package. The \$55 billion package comprises targeted initiatives in tax, childcare, education, housing, and other essential components of family budgets.

PERSONAL INCOME tax cuts

For too long, working families have watched the proceeds of the boom directed elsewhere, in the form of tax cuts skewed to those already doing very well.

Tonight we tip the scales in favour of working families.

The Rudd Government will fully implement our promise to reduce personal income tax by \$47 billion over four years. This tax cut is directed to low and middle income families - the backbone of the economy.

These tax cuts will allow low income earners, including part time workers, to keep more of their income and ease the financial pressure on families. And they will provide further incentives to participate in the workforce.

From 1 July 2008, a worker on \$48,000 - average weekly earnings - will receive a weekly tax cut of \$20. And low income workers earning \$14,000 or less will pay no tax at all.

We will make the Medicare Levy Surcharge fairer. The Rudd Government will increase the income thresholds from \$50,000 to \$100,000 a year for singles and from \$100,000 to \$150,000 a year for couples.

CHILD CARE COSTS

, the Rudd Government will ease the burden of child care costs, and make it easier for parents who wish to return to work, by increasing the Child Care Tax Rebate from 30percent to 50percent. This will ensure that, in addition to any Child Care Benefit payable, half of a family's out of pocket child care costs will be met every year.

The cap on the amount that can be paid will be lifted from \$4,354 to \$7,500 per child, and the Rudd Government will pay the 50 percent Child Care Tax Rebate quarterly, to ensure support is available when it is most needed. The total cost of these reforms is \$1.6 billion over four years.

Education costs

The Rudd Government will support parents who are providing opportunities for their children by investing in their education, with a new Education Tax Refund, costing \$4.4 billion over four years. We have funded this in large part by redirecting tax cuts for people earning more than \$180,000 a year.

From 1 July 2008, eligible parents will be able to claim a 50 percent refund on eligible education expenses for children undertaking primary or secondary school studies - up to \$375 for a primary schooler and up to \$750 for a secondary school child each year.

IMPROVING housing affordability

, the Rudd Government's \$2.2 billion housing affordability package will help working families who are struggling with the housing affordability crisis.

We will introduce enhanced First Home Saver Accounts. The first \$5,000 of individual contributions will now attract a Rudd Government contribution of 17 percent, earnings will be taxed at a low rate of 15 percent, and withdrawals will be tax free if used to buy or build a first home. The Rudd Government will provide assistance of \$1.2 billion over four years through the Accounts.

To improve housing supply, and lower prices for homebuyers, the housing affordability Fund, worth \$500 million over five years, will help reduce the cost of providing new housing infrastructure and cut red tape in development approvals.

And to reduce rental costs, the National Rental Affordability Scheme will encourage the construction of up to 50,000 new affordable rental properties by 2011-2012, at a cost of \$623 million over four years.

SUPPORTING OLDER AUSTRALIANS AND CARERS

, the Rudd Government recognises the contribution of older Australians and carers to our community.

To assist them with rising costs, the Rudd Government will provide, by 30 June 2008, one off lump sum payments of \$500 to eligible older Australians, \$1,000 to Carer Payment recipients, and \$600 to Carer Allowance recipients for each eligible person in their care, at a total cost of \$1.8 billion.

Pensioners have begun to receive a higher Utilities Allowance of \$500, up from \$107.20. Self-funded retirees with a Commonwealth Seniors Health Card now receive a higher Seniors Concession Allowance of \$500 per year, up from \$218.

To offer further protection for older Australians against rising living costs, the Rudd Government will enhance indexation of the age pension.

The Rudd Government is making assessment rules for Carer Payment (Child) fairer by expanding eligibility to cases where a child's disability creates additional caring needs for parents or requires long periods of hospitalisation.

Under the new rules, an additional 19,000 carers of children with severe disability will be entitled to access this payment in 2009-2010, at a cost of \$274 million over five years. This measure brings the total additional assistance provided to carers to \$1.1 billion over five years.

Aged care providers will benefit from an increase in the Conditional Adjustment Payment, resulting in an additional \$408 million for the industry over the next four years.

EASING COST OF LIVING PRESSURES

, the Rudd Government is responding to legitimate community concerns about the cost of essential goods such as groceries and petrol.

We have provided the Australian Competition and Consumer Commission with tough new powers, and we will introduce the first ever National Fuelwatch Scheme, in December this year, helping motorists find the best possible deal at the bowser.

The Rudd Government is doubling funding to expand financial counselling services to help families better manage their finances and their mortgages.

NEW ERA OF RESPONSIBLE ECONOMIC MANAGEMENT

, this Budget begins a new era of responsible economic management.

The Rudd Government believes there is an economic case for cutting government spending.

It is this discipline that will place downward pressure on inflation, give us a buffer in a time of difficult economic conditions, and begin overdue investment in our future.

We have honoured our commitment to deliver a budget surplus of at least 1.5 percent of GDP, and gone further to budget for a surplus of 1.8 percent. The Howard Government forecast a surplus of only 1.2 percent for 2008-2009.

The Rudd Government is reducing spending on programs that do not meet our objectives in the most cost effective manner.

We are applying an additional two percent efficiency dividend to most Australian Government agencies, producing savings of \$1.8 billion over five years.

Every single dollar of new spending is more than offset by savings. We have delivered our commitments by redirecting spending to more pressing priorities.

Fairness and integrity in the tax and transfer systems

We have decided to redirect welfare payments to where they are needed most.

The Rudd Government does not believe hard earned tax dollars are best spent on cash payments to the wealthiest Australians. It is simply not defensible.

So from 1 July 2008, an income test will be introduced so that Family Tax Benefit Part B will only be available to families in which the principal earner does not have an annual income exceeding \$150,000.

From 1 July 2008 we will increase the Baby Bonus to \$5,000. From 1 January 2009, an income test will be introduced so that it will only be available where family income is not more than \$150,000 a year.

From 1 July 2008 the tax rate for luxury vehicles will be increased from 25 percent to 33 percent.

Tax rules for employee share schemes will be amended to prevent unfair tax minimisation.

We are removing the crude oil excise exemption for condensate, increasing the financial return to the community from the extraction of this non renewable resource.

To those Australians we have asked tonight to play a role in the fight against inflation, I say this Rudd Government did not take these decisions to cut spending lightly.

, some Australians have been asked to bear a greater burden than others, that's true. But in the end, if we're to beat inflation and build prosperity, we have no choice. We simply cannot go on as before, spending irresponsibly, and allowing inflation to build.

MEETING OUR COMMITMENTS

, this Budget honours the Rudd Government's commitments, and allows us to look Australians in the eye and say we delivered the policies they voted for last November. We are doing what we said we would do.

We are providing new leadership in education, health, infrastructure, climate change and modernising the federation, to end the blame game.

And we will begin tackling the big challenges on Australia's horizon, by providing long term plans, not short term bandaid fixes.

EDUCATION REVOLUTION

, tonight we begin to honour the Rudd Government's commitment to an Education Revolution, with an additional \$5.9 billion in funding over the next five years.

Just one year ago, from the other side of this House, we promised \$2.5 billion for Trade Training Centres in our schools. Tonight it gives us immense pleasure to announce we are funding that promise.

We will provide \$1.2 billion over five years to provide up to \$1 million per school to deliver computers and communications technologies to all students in Years 9 to 12, as part of the Rudd Government's Digital Education Revolution.

We will honour our commitment to providing all four year olds with access to 15 hours a week, 40 weeks a year, of early childhood education by 2013.

Our Skilling Australia program will increase and deepen the skills capacity of the Australian workforce. A key initiative is the provision of \$1.9 billion over five years to deliver up to 630 000 additional training places to fill skills shortages.

And to boost the research capacity that underpins innovation, we will invest \$326 million on Future Fellowships for top mid career researchers, and \$209 million to double the number of Australian Postgraduate Awards for PhD or Masters students.

BETTER HOSPITALS AND HEALTH SERVICES

, we have put up our hand and accepted responsibility for improving the health system. No more buck passing. No more blame shifting.

The Rudd Government's National Health and Hospitals Reform Plan will revitalise the public health system. In this Budget we are committing to an extra \$3.2 billion over five years to public health.

The Rudd Government is determined to bring a greater focus on preventative health. Our National Binge Drinking Strategy brings the tax treatment of 'ready to drink' alcoholic beverages in line with full strength spirits to help address binge drinking among young Australians, particularly young women. We will work with the States and draw from the revenue raised to fund preventative health measures.

TACKLING climate change

, the Rudd Government is addressing the fundamental environmental and economic challenge of climate change. We have ratified the Kyoto Protocol, and begun work on an emissions trading scheme and a national renewable energy target.

This Budget includes measures totalling \$2.3 billion over five years to help reduce Australia's greenhouse emissions, adapt to climate change, and ensure we show global leadership in the transition to a low emissions economy.

Funding includes \$500 million over eight years for clean coal, \$500 million over six years for renewable energy, and \$150 million over four years for energy innovation.

The Rudd Government will assist working families to reduce household emissions with a range of initiatives, including the Green Loans program costing \$300 million over five years.

SUPPORTING BUSINESS

, the Rudd Government supports the aspirations of Australian business, including small business, for a simpler tax system and less regulation.

Our nation has the potential to be a financial services hub in the Asia Pacific Region - the fastest growing region in the world. To support this ambition, the Budget begins the process of significantly reducing the withholding tax, by reducing the current interim rate of 30 percent to a final rate of 7.5 percent for most non resident investors.

This Budget confirms our commitment to a comprehensive agenda of regulation reform - cutting red tape and making it easier for business, particularly small business, to deal with government.

To improve innovation and productivity, the Rudd Government will invest \$251 million over five years to establish Enterprise Connect Innovation Centres.

REGIONAL AUSTRALIA AND RURAL AUSTRALIA

, at the election we promised to be a Government for all Australians. For rural Australia and regional Australia, and for Indigenous Australia.

Rural Australia has been going through the worst drought in a hundred years. The Rudd Government's \$12.9 billion ten year national water policy framework Water for the Future brings a comprehensive and coordinated approach to water supplies.

We will invest \$2.2 billion over five years for the Caring for our Country program, to bring an integrated approach to our natural resource management.

To assist regional communities in achieving their economic potential, we will invest \$176 million as part of our Better Regions initiatives.

And we will provide \$271 million over four years to fund the Australian Broadband Guarantee, ensuring all Australians, particularly those in regional and rural areas, have equitable access to 'metro comparable' broadband services.

INDIGENOUS AUSTRALIA

, the Rudd Government is working closely with the States to close the gap in Indigenous disadvantage. This is a long term challenge for our nation.

As an initial step, the Rudd Government will invest an additional: \$90 million over five years for child and maternal health services; \$99 million over five years for additional teachers in the Northern Territory; and \$56 million over four years for an expansion of literacy and numeracy programs.

NATIONAL SECURITY

, a major priority in this Budget is strengthening Australia's national security. It delivers on the Rudd Government's commitment to provide 3 percent real growth per year on average in Defence's underlying funding base to 2015-2016, and extends this commitment to 2017-2018.

As the Defence White Paper is implemented, real growth in total Defence spending is expected to average 4 percent per year over the next four years. On current projections, Defence spending is expected to be around \$6 billion more in 2011-2012 than in 2007-2008.

We will continue to support our military in Afghanistan, Solomon Islands, East Timor and Iraq, until our combat forces in that country are withdrawn.

And we will increase overseas development assistance to around \$3.7 billion in 2008-2009, from about \$3.2 billion. This is critical for alleviating poverty, and building security in our region. It is the first step in delivering our long standing commitment to increase Official Development Assistance to 0.5 percent of Gross National Income by 2015-2016.

INVESTING IN THE FUTURE

, for too long our national budgets have been short sighted.

For too long, our national budgets have focussed on the next election, not the big challenges facing our country in the next decade and beyond.

For too long, our national budgets have squandered the proceeds of the mining boom and failed to invest properly in our country's future.

Tonight, we begin a new era of investing in Australia's long term future needs.

Tonight I announce three new funds that will provide more than \$40 billion for capital investment in infrastructure, education and health to strengthen the economy.

In infrastructure - in roads, rail, ports and broadband. In education. In skills, TAFE colleges and universities. In health and hospitals. And to build national productivity.

, tonight I announce that the Rudd Government will invest \$20 billion in a new Building Australia Fund to finance roads, rail, ports and broadband across the nation.

Tonight I announce that the Rudd Government will invest \$11 billion in a new Education Investment Fund to finance skills, TAFE colleges and universities.

And tonight I announce the Rudd Government will invest \$10 billion in a new Health and Hospitals Fund to finance improvements to hospitals and the health care system.

, this is a Government of nation builders.

We have no intention of hoarding the strong surplus for its own sake. This money is not ours, it belongs to the Australian people.

We will make initial contributions to these funds from the 2007-2008 and 2008-2009 budget surpluses, and will add to them from future surpluses as appropriate.

Both the capital and earnings of these funds will be available for investment once projects have been identified and rigorously evaluated, from next year onwards. This will ensure significant investment in Australia's future for many years.

The funds will be managed by the Future Fund Board of Guardians. There will be rigorous assessment of projects by independent bodies before they are approved for funding. For the Building Australia Fund, this will be Infrastructure Australia.

Building Australia Fund

The Building Australia Fund will finance critical national transport and communications infrastructure, including roads, rail, ports and broadband, that is not being provided by the private sector or the States.

The Building Australia Fund will receive an initial allocation of around \$20 billion.

So that investment can begin immediately, tonight I announce that the Rudd Government will allocate \$75 million in 2007-2008 for immediate feasibility studies on high priority transport projects across Australia. This will begin the necessary planning work for key projects in advance of further deliberations by Infrastructure Australia.

Health and Hospitals Fund

, the Health and Hospitals Fund will finance health infrastructure. Key priorities include spending on hospitals, medical technology equipment, and medical research facilities and projects. The Health and Hospitals Fund will receive an initial allocation of \$10 billion.

We need to reverse the cutback in public hospital funding by the Commonwealth now. That's why the Rudd Government will provide an extra \$500 million to the States through the Australian Health Care Agreement by 30 June 2008.

Education Investment Fund

, the Education Investment Fund will finance capital investment in higher education and vocational education and training.

It will receive an initial allocation of around \$11 billion, including \$6 billion from the Higher Education Endowment Fund.

Our education infrastructure is in urgent need of attention, right now. So tonight I announce that the Rudd Government will provide additional capital funding of \$500 million before the end of this financial year, to help universities upgrade and maintain teaching and research facilities.

COAG Reform Fund

Where funds are used to finance capital projects with the States, they will be distributed to the States from the three new funds I have just announced through a new COAG Reform Fund.

The COAG Reform Fund will also distribute funding provided in future budgets to the States for recurrent expenditure in areas of COAG national reforms, through new National Partnership payments.

In 2008-2009, the States will receive \$78.6 billion in total payments, an increase of 4.8 percent. And new financial arrangements will allow all levels of government to work together to improve outcomes and reduce costs.

Future Fund

The Rudd Government will meet its commitments to the Future Fund to pay the superannuation liabilities of Commonwealth Public Servants. The Rudd Government will invest \$3.9 billion into the Future Fund to help it reach its target by 2020.

Australia's Future Tax System

, a modern economy demands a more modern tax system, which helps build the nation.

We need a tax system that is fairer, that is simpler, that better rewards people for their hard work, that responds to our environmental and demographic challenges, that makes us internationally competitive, and that creates the incentives to invest in our productive capacity. One that supports national prosperity beyond the mining boom.

Tonight, I confirm the most comprehensive review of Australia's tax system since World War 2. The Australia's Future Tax System (AFTS) review will be reporting progressively from this July through to the end of 2009.

CONCLUSION

, the longer our nation's economic challenges are neglected, the harder it will be to deal with them. In implementing our new vision for the nation's economic future, we don't have a moment to waste.

I'm confident Australians will see this as the Budget our nation now needs, to beat inflation, and lay the foundation for future growth.

It is the beginning of a long-term plan to build a stronger economy that delivers for working families.

A coherent package of reforms based on four principles: honouring our commitments; delivering for working families; investing in the future; and beginning the new era of economic responsibility we need, to sustain growth in challenging times.

, the Rudd Government's first Budget lays the foundation for a modern and competitive economy that can meet the challenges of the 21st century with optimism, and with confidence.

It is a Labor Budget for the nation. For Australia's future. For all Australians.