

## After the bad news, the government promises to talk a lot more

Written by The Conversation

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A very measured Joe Hockey has appeared on TV with a dual mission – to lay the ground for bad fiscal news, and to tell an angry electorate the government is revising its sales strategy.

First, Monday's budget update will not be pretty. But second, the government is promising a "conversation" with the public next year.

As widely predicted, the new figures will show the budget has fallen into deep trouble since May. The deficit outlooks have worsened; the return to surplus is pushed back.

Hockey gave no detail in Friday's Sky interview but Westpac economist Bill Evans has said the starting point for the deficit is likely to be a deterioration of about \$10 billion for 2014-15 and \$15 billion in following years. That would see revisions for 2014-15 from \$29.8 billion to \$40 billion and for 2015-16 from \$17.1 billion to \$32 billion.

Hockey blamed "headwinds" - a term he increasingly uses for problems, when predictions go awry - including the global economy, falling iron ore prices, the Senate.

Monday will see fresh cuts to offset what has been new spending (notably on national security), but not to make up for lost revenue. Cutting to do the latter would just clobber the economy, which the Treasurer is trying to talk up. "Next year you are going to see cranes all over the country" as well as very strong housing construction. It is still the government's "plan" to go ahead with the promised company tax cut in July.

Asked about the need to "reboot" the economy, he rejected the term because that was "fundamentally strong", with "a good trajectory" and the "modest" spending cuts would have "no negative impact" on it. (There's been speculation foreign aid could be hit again; given Julie Bishop's assertive mood, her reaction would be interesting.)

Then came the pledge of a new approach, in presentation if not substance, laced with something of a collective mea culpa. It would be important in 2015 to have "a deeper discussion

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with the Australian people - a conversation if you like - about how we are going to meet head on the challenges of the next 30, 40 years", Hockey said. "That is part of our plan for the intergenerational report."

That report, coming early next year, will document the point the government has in fact been shouting out for some time – that unless the budget is fixed, its structural problems will impose a heavy cost on those who must shoulder the burden later. (Outgoing Treasury secretary Martin Parkinson has convincingly hammered this risk but Friday was his last day in the job, after being sacked as soon as the government arrived in office.)

So precisely how will things be different next year, given a conversation is a two-way thing? That's not clear but the talk will be "about the challenges that lie ahead and how we all need to work together to address those challenges". (But didn't Hockey keep saying many months ago "the challenge is that everyone in Australia has to help to do the heavy lifting in the budget"?)

Hockey told Sky that "this year we were focused on outcomes rather than process. We made a mistake. I mean, I fully accept that we could have done more marketing.

"We could have spent more time explaining what we were doing to the Australian people and we should have, but we were so focussed on getting the outcomes that strengthen the economy, that build more jobs, that we neglected the conversation. In 2015, you are going to see more of a conversation, more community engagement."

No one would dispute the government has communicated badly but its problem has also been the substance of policies.

People were lectured ad nauseam about the need for a Medicare co-payment, but many concluded that, certainly as proposed, it was unfair (and now the government has had to produce a revised version). Voters are opposed to the restructure of higher education even after the ear bashings about the need to put universities on a different financial basis.

Many people understood quite well what they were hearing but then rejected the scare talk, the

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blame shifting and the content of some poorly drafted policies.

Nevertheless it is also true messages were mangled and mixed, through government arrogance as well as incompetence and confusion.

One instance of the latter has been the GST. Tony Abbott recently signalled he was up for a discussion on changing that. Hockey said on Friday he didn't see this as a silver bullet. "I don't have any desire to increase the cost of living for everyday Australians without being able to properly compensate for it and the budget has limited capacity to do that." So where does the government stand on GST change as we start the national conversation on tax, federalism, productivity and much else? Who would know.

Don't mistake me – trying to take the electorate along with you when you embark on fiscal and wider economic reform is what any government should be doing. But let's suspend judgement about how fair dinkum this one is until we actually see how it approaches the discussion. Talk of improving "communications" and "marketing" has been a standard reaction of administrations in trouble for as long as one can recall.

*Michelle Grattan does not work for, consult to, own shares in or receive funding from any company or organisation that would benefit from this article, and has no relevant affiliations.*

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