

Hockey urges investors to spread the fertiliser while Morrison makes hay

Written by The Conversation

Joe Hockey sounded almost pleading, in his appeal after the Reserve Bank announced an interest rate cut of 0.25 of a percentage point, taking the cash rate to 2%, a new record low.

“I say to the Australian people directly, now is the time to borrow and invest. Whether you be a household or a small business, now is the time to have a go ... Invest in the things that help to create jobs.”

The rate cut assists those with house mortgages, but hits self-funded retirees. It reflects slower-than-desirable growth. Hockey is looking to the reduction to put “fertiliser on the green shoots” in the economy.

A week out from the budget, the cut is good news for the government while being driven by bad news – the sluggish economy and poor business confidence. The Australian Chamber of Commerce and Industry’s March quarter Business Expectations Survey released this week reported that “business expectations for the economy in the lead up to the federal budget are on the slide... Business confidence is weak and getting weaker.”

The government hopes the rate cut will have some voters in a more benign mood to receive a budget that has a large element of make-or-break about it for Tony Abbott and Hockey.

While budgets can’t be properly judged ahead of time, the challenges for this one seem clear. They include:

-

Can the government put together a coherent narrative?

-

Will voters and commentators accept the about face from last year, when debt and deficit were talked up as dire, to this year, when the budget blow out has become a second order issue? [An Essential poll](#)

Hockey urges investors to spread the fertiliser while Morrison makes hay

Written by The Conversation

last month found more than seven in ten people thought returning the budget to surplus was important. Abbott says the budget will have a “credible” path to surplus - but it’s going to be a very long walk.

-

Will the individual measures fly – with the public and with the Senate?

The budget “will be appropriate for these times”, Hockey said. Last year’s was “an important budget for its time”, he said.

Politicians seem to think the public will swallow anything. Hockey is caught not just by his contradictions in government, but those between opposition and government. The TV clips on Tuesday, when he said the rate cut was good news, juxtaposed his saying in Labor’s time that a rate cut showed the economy was struggling.

If things had been done according to Hoyle, last year’s budget would have been tough but manageable, with this year’s consolidating the position, leaving a fiscal situation with reasonable room for some pre-election generosity next year.

In fact, the 2014 budget was ideologically driven, a wish list of measures announced with almost no regard to political realism or likely public reaction, that ended in shambles. In contrast, this budget is being crafted with politics front and centre - it’s all about trying to revive the government’s political fortunes.

The switch from ideological-based radicalism to deep pragmatism is not just hard to explain but may stoke the cynicism that characterises today’s electorate. The government can only proceed on the assumption, true or false, that voters’ memories are short - although Abbott has been readier than Hockey to admit misjudgements were made last year.

As normally happens, some of the main budget measures are being put out ahead of time -

Hockey urges investors to spread the fertiliser while Morrison makes hay

Written by The Conversation

formally, in the case of the child care package to be announced in the next few days, and informally, as with the pension changes.

At the centre of both child care and pensions policy is Social Services Minister Scott Morrison. If next week belongs substantially to Hockey, Morrison is making the most of the budget run up.

Morrison is a man in a hurry, anxious to show his talents. As Labor's Chris Bowen remarked at the weekend, there are two shadow treasurers – himself and Morrison.

The child care package is set to give extra help at the lower and middle income levels, and ensure payments are linked to people working or learning. The package will have a net cost; Morrison says it will be contingent on the Senate passing savings in family benefits from last year's budget as an offset.

The government has rejected the Productivity Commission recommendation to scale back child care assistance for higher income earners. Morrison said on Tuesday: "The measure of these policies that we're doing in childcare is about workforce participation. We don't consider it a welfare payment. We consider it an employment participation payment. And therefore I think it's a very different test [to those applied to welfare payments]."

Despite this, the dismissal of the PC recommendation on higher income earners is surely at odds with both the government's approach to ending "the age of entitlement" and its fiscal needs.

On pensions, Morrison is seeking to substitute a tougher assets test (but not including the family home) for the government's 2014 budget plan to cut back the indexation of pensions, which can't be got through the Senate. Morrison has been negotiating with the crossbench and seems to be getting support for a move on the assets test.

If he succeeds in clinching a Senate deal on pensions and the childcare package receives an overall favourable reception with the Senate buying the offsets, Morrison's political star will brighten further.

Hockey urges investors to spread the fertiliser while Morrison makes hay

Written by The Conversation

[Listen to the latest Politics with Michelle Grattan podcast, with Assistant Treasurer Josh Frydenberg, here.](#)

Read more <http://theconversation.com/hockey-urges-investors-to-spread-the-fertiliser-while-morrison-makes-hay-41267>