

Scott Morrison talks up the budget 'plan' but will cynical public trust it?

Written by The Conversation USA

“Are you nervous?” journalist Laurie Oakes asked Scott Morrison two days before the treasurer brings down his first budget. Morrison didn’t answer that but he has every reason to be anxious.

As he keeps saying, this is not a typical budget. “It is a budget that has to be responsible and focused on the economic plan that the country needs,” he said on Sunday. That is not the central reason the budget is not “typical”. Many budgets have claimed to have an economic plan. It’s not typical because it is an initial and distinctive policy speech for the election.

Malcolm Turnbull, who is set to announce the poll within days – probably Saturday on current plans – will deliver the formal policy speech late in the campaign. But it is the budget that is likely to be equally, or more, important. It will determine whether the campaign starts well or poorly for a government surprisingly embattled over the past few months.

Not that Morrison – and Turnbull – are the only ones with cause for butterflies. In recent years the televised budget reply delivered by the opposition leader has assumed increased significance. With the poll to be announced almost immediately after, Bill Shorten’s Thursday night reply will be of mega importance, confronting big tests of substance and presentation.

For the government, the months of budget run-up have been marred by mixed messages and steps forward followed by stumbles backward, especially on tax reform. On Tuesday there needs to be a coherent and credible story. Turnbull, speaking on Sky, said the narrative was “taking advantage of the great opportunities of the 21st-century economy, and the extraordinary times in which we live”.

Morrison has said most measures will be public by budget day so he can devote his speech to the big picture. “I want to talk about the economy and the plan, because that’s what people want to hear and see,” he told the Australian Financial Review.

But in fact most people are interested in the specifics, even if they are put out ahead of time. So what do we know?

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The budget will make a very modest gesture on bracket creep, increasing the A\$80,000 threshold where people move from a 32.5% marginal rate to a 37% rate.

There won't be time to pass this before the budget so it would be backdated. Labor will have to decide whether it will match the measure – which leaves taxpayers lower down the scale without any benefit.

Companies will have a tax cut phased in, and this will be another budget that is small-business-friendly, with the government highlighting the importance of investment for the creation of jobs.

High-income earners will have their superannuation tax breaks trimmed – there is “no divine right” to these concessions, Cabinet Secretary Arthur Sinodinos said on Sunday – while there will be some help on super for lower-income earners. But the government has ruled out dealing with the “excesses” of negative gearing that it previously spoke about – because it wants to leave itself maximum clear air to attack Labor.

The states will receive funds for health and schools – the government at the weekend announced an extra \$1.2 billion for schools, and earlier it promised \$2.9 billion for health. It is not trying to match Labor in these areas of ALP strength but to reduce the Coalition's vulnerability.

On the economic front, the budget needs to be seen to have believable numbers and a credible pathway to surplus, though that destination is so far away that whatever is said now carries, on past bitter experience, a heavy discount factor.

Morrison says there won't be a rise in the overall tax take as a proportion of GDP, and “we will continue to ensure government expenditure as a share of the economy reduces”. Spending initiatives will be more than offset by savings.

The budget's perceived point of weakness, in economic terms, is likely to be that it does not do enough to address fiscal repair in the medium term. The government argues that moving faster

would hit the economy, but Moody's recently pointed to the debt problem, suggesting the issue was revenue not just spending.

Politically the budget has to pass the fairness test, and project some sense of purpose. The latter may be difficult, talk of the "plan" notwithstanding, when a good deal of the emphasis is directed to immediate politics.

What of the budget's audience, those judging it this week and voting on July 2? The voters who will be hearing the budget pitch are deeply cynical and distrustful of what politicians say.

A survey done in February-March for the Museum of Australian Democracy and the Institute for Governance and Policy Analysis at the University of Canberra found that "levels of trust in government and politicians in Australia are at their lowest levels since 1993".

Further, "a measure of the degree of discontent is that the Baby Boomers who have benefited most in economic terms from a period of affluence no longer trust their politicians". The findings come at a time when politicians seem more than ever to think they can say anything and expect to be believed.

This is not a budget that voters fear. Their cynicism leads them to judge, one assumes correctly, that the government can't be too scary this close to an election. On the other hand, they may well also believe that reassurances given now could be a currency subject to post-election devaluation.

For Morrison personally, this budget is a disappointment, to the extent that he is not able to deliver the sweeping tax reform he originally believed – probably always unrealistically – would be possible. What is there is more piecemeal.

It has been a rough few months for the man many observers thought would be a super salesman for the refurbished Coalition government. He's had a difficult relationship with Turnbull, which some say is better now although others report is still marked by a degree of tetchiness. And everything has been harder than it looked when he was observing the job from

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outside.

Morrison has much to prove on Tuesday, to his colleagues as well as to the public.

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