

## Watch your language, Scott Morrison

Written by Michelle Grattan, Professorial Fellow, University of Canberra

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Treasurer Scott Morrison has given notice of a fresh assault on the crucial challenge of budget repair. Let's hope he and Malcolm Turnbull have learned from the unfortunate self-destructing experience of Joe Hockey and Tony Abbott.

The Coalition came to power in 2013 with a mandate to fix the budget, a task it identified and pushed relentlessly in opposition. But then it squandered its opportunity in its badly calibrated, insensitive 2014 budget that was widely seen as unfair. And that was virtually the end of the repair quest under Abbott.

One problem in the broad budget debate was the poorly judged language that Hockey brought to it. This reflected his mindset. He was set on ending "the age of entitlement", contrasting "lifters" with "leaners".

Morrison has found his own pejorative divide. In his Bloomberg Address on Thursday, he talked of "the taxed and the taxed-not".

"A generation has grown up in an environment where receiving payments from the government is not seen as the reserve of those who unfortunately will be forever dependent on support or in need of a hand up, but a common and expected component of their income over their entire life cycle.

"On current settings, more Australians today are likely to go through their entire lives without ever paying tax than for generations. More Australians are also likely today to be net beneficiaries of the government than contributors – never paying more tax than they receive in government payments."

Let me say, Morrison has a point. Given the exigencies of the budget, the balance does need to be changed. But his language risks division and demonising, when it should be trying to be as inclusive as possible in getting the community to accept the need to tackle the problem.

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Morrison's point about the "taxed-nots" is in the context of seeking to shock people into recognising that action must be taken on the budget and other economic fronts. He warned against "a terrible risk" of complacency when "a generation has grown up not ever having known a recession". But against the backdrop of a jaded and cynical public mood, the shock tactic doesn't necessarily work so well these days.

And it is worth noting that some of the benefits that are a fiscal burden in the system were put in by the preceding Liberal government.

Further, it might be argued there is a social dividend aspect. Government payments provide a cushioning against income inequality, helping avoid the strains we see worsening in various countries.

There is another point. The "taxed-not" include not just those at the lower end of the income spectrum but also some high-income earners. In their cases, they are the "taxed not as much as they should be" group.

That takes us to superannuation.

Morrison is currently talking to Coalition backbenchers about his budget superannuation reforms, with dissidents pressing for modification. If he gives in and makes any substantive softening, he will be saying that there are two classes of the "taxed-not", those with clout – or, more precisely, backers among Liberal conservatives – and those without.

In outlining what a re-elected government and the new parliament need to do in the coming three years Morrison told his business audience: "We must take action to strengthen our economic resilience to deal with the shocks that will inevitably come – to get debt under control by returning the budget to balance through disciplined expenditure restraint and a tax system that supports growth and provides sustainable revenues."

Looking ahead, the government will have to pursue budget repair on two fronts. One is persuading the new Senate to pass measures already in the pipeline. There will be plenty of

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problems there. For example Nick Xenophon, who commands three Senate votes, declares that he is not interested in supporting repair measures until there is a long-term plan for the steelmaker Arrium.

The second front is devising fresh repair initiatives. This throws attention onto both the budget update that comes towards the end of the year and next year's budget.

The first budget of an electoral cycle is the opportunity for reforms and hard decisions. But as the Coalition remembers, mis-stepping in such a budget can turn opportunity into disaster. The memory will be all the sharper, given the Turnbull government is on a razor-thin majority.

As Morrison knows from the tax debate, where he went out in front, only to be hauled back by Malcolm Turnbull, it is easier articulating the problems than finding solutions and then landing them.

Post-election, Morrison has begun the first part of the process, with the hard stages ahead. He needs to be careful not to let the debate be undermined by using language that might appeal to the government's conservative base but can alienate the centre.

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