

Morrison's fresh start budget comes with fresh pain

Written by The Conversation



Treasurer Scott Morrison explains the budget in the lock-up.AAP/Lukas Coch

Scott Morrison has delivered a surprisingly big taxing budget that pays for the last burial rites of the 2014 toxic Abbott legacy.

The Medicare levy will be increased to fund the hyper-expensive NDIS, and Australia's big banks are being slugged with a new tax. The public will feel some impact from the levy rise - by 0.5% to 2.5% - but Treasurer Scott Morrison is selling it as extra money for an "insurance" scheme.

Morrison's insistence that the problem was not on the revenue side, suddenly has become oh, so yesterday.

Ordinary people will feel little sympathy for the major banks, bearing extra impost, although some of the new levy on them, raising more than A\$6 billion over the forward estimates, will likely flow through to customers. If the banks squeal, the government has the comeback: if we are voted out you'll get a royal commission from Labor.

The assorted so-called "zombie measures" that have been hanging around unable to pass the Senate have finally been abandoned. "We have decided to reset the budget by reversing these measures at a cost of A\$13 billion dollars", Morrison said.

Indeed, "reset" could be a theme song for this budget, although the government prefers "fairness, security, and opportunity".

Malcolm Turnbull and his treasurer are looking for fresh starts in all sorts of areas.

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Morrison's messages are that the government has noted people's pain, with slow wages growth resulting in the frustration of those "not getting ahead". He is optimistic about the future. "We are now moving towards the end of this difficult period", he said, and with signs of an improving international economy "there is clearly the potential for better days ahead".

As expected bandages have been applied to health and housing affordability.

"We will legislate to guarantee Medicare," Morrison said. A Medicare Guarantee Fund will be set up to pay for the expenses on the Medicare Benefit Schedule and Pharmaceutical Benefits Scheme.

Proceeds from part of the Medicare levy plus the amount of other income tax revenue needed to cover the costs will be paid into the fund. It's more of a gesture than a real "guarantee", but it reflects how frightened the government still is about last election's "Mediscare".

The housing package is an assortment of targeted measures including a tax break for young savers, help for older down-sizers, and initiatives on rental and low cost housing. The government has preserved negative gearing but has cracked down on concessions associated with investment housing. It has also tightened arrangements for foreign investors.

Turnbull's radical change of direction on schools, funded in the budget, was [unveiled earlier](#) and is already contested, with a strongly negative [reaction from the Catholic sector](#)

. The Prime Minister would be heartened that Tony Abbott's party room criticism (just hours before the budget) wasn't taken up by many colleagues, although this could still be a slow burn issue.

As in all Coalition budgets, those on welfare get something of a kicking. Perennially, the government announces "crackdowns". This time it proposes a drug testing trial for 5,000 new welfare recipients, and will deny welfare for a disability caused solely by a person's own substance abuse.

Somewhere along the line the Coalition has moved from a preoccupation with small government to an embrace of expansive government. This is on two fronts. It has become much more sympathetic to people's attachment to services. In the budget lock-up, Morrison explained this by saying the fact people's wages hadn't been growing made their reliance on services that much greater.

On a second front, the government has become increasingly enthusiastic about investing in nation building. Abbott might have wanted to become the "infrastructure prime minister", but Turnbull and Morrison are committing public equity dollars into big schemes: the Melbourne to Brisbane freight rail, Sydney's second airport, among others. They'd also like to buy out the states' shares of the Snowy Hydro.

In the run up to the budget, Morrison made much of "good debt" and "bad debt". He's sticking with the distinction, but being more nuanced in his language. The budget says that government will no longer be borrowing to pay for "everyday expenses" - recurrent costs - from 2018-19. This makes an uncomfortable overall debt situation perhaps sound better, although it doesn't change its reality.

The budget is still projected to reach balance in 2020-21, going from a forecast deficit of \$29.4 billion in 2017-18 to a projected surplus of \$7.4 billion in 2020-21, a little larger than the previous forecast.

The government hopes the rating agencies will be convinced by its numbers - despite what looks an optimistic forecast for wages growth, on which depends income tax revenue - and by its wiping the slate clean of measures that were never going to jump the parliamentary hurdle.

"This is a practical budget," Morrison said. "We are a practical government." It was not, he said "a budget for ideologues".

Turnbull desperately needs it to be a budget that the public accept, weighing its mixture of optimism, reassurance and initiatives as worth more than some unexpected imposts.

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