

TITLE: The budget has tied Abbott in knots

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It would be easy to highlight the hypocrisy of the government's determination to rely on a price signal to reduce GP visits, versus its determination to avoid price signals for reducing greenhouse gas emissions. But what may look like policy inconsistency is actually a central element of the government's strategy.

Scrapping the carbon price helps some businesses reduce costs in the short term while piling up long-term costs for the economy, society and environment. Similarly, using a \$7 or \$5 co-payment to discourage low-income earners from seeing a doctor will pile up costs on the hospital system in five or 10 years' time. Doctors and economists universally agree that prevention is better, and cheaper, than cure.

The same applies in education, where the government wants to cut university budgets by 20 per cent while "freeing up" vice-chancellors to charge higher fees. While scaling back community investment in research and teaching, and letting higher prices discourage demand from lower-income students might help the budget for a while, it does nothing to boost long-term productivity, growth or innovation.

So what gives? If the government is interested enough in the nation's future to obsess over the potential budget deficit in 2050, how can it be so disinterested in the long-term benefits of investing in education, reducing avoidable hospitalisations and preventing climate change? The Abbott government doesn't simply lack a narrative to resolve the fundamental contradictions in its policy agenda, it lacks the self-awareness to realise the problem exists. Having come to government planning to use a budget emergency to justify broken promises and unpopular cuts, it has no plan B for explaining why voters need to take the bitter medicine it is trying to sell.

But even after the government itself abandoned the 'budget emergency' rhetoric, it stuck to the big cuts to health and education without bothering to think up a new reason for them. The cuts are no longer necessary to solve a short-term crisis and play no role in building a stronger economy long term. Indeed, they simply drive up the cost of living more than the carbon price ever did.

Tony Abbott won the last election on the back of a fear campaign about the cost of living. The carbon price, he told voters in outer suburban seats, was the cause of their woes. The solution, he said, was to 'Vote 1 – Tony' so he could scrap it.

Still struggling to pay for life's essentials

The problem he faces as Prime Minister, however, is that having removed the modest carbon price, people working full-time for less than \$40,000 per year are still struggling to pay for life's essentials. Now, every time the Abbott government reminds these voters of the scrapped carbon price, they are also reminded that their money troubles remain even though the tax has gone.

But rather than follow through with a campaign to improve conditions for the voters who swung behind him in 2013, Abbott is instead proposing to charge them more to send their kids to the doctor or to university. It's a bold move, given it was the swinging voters rather than conservative commentators who won the Coalition the last election.

Abbott's political strategy is looking as short-sighted as his economic strategy. His partial backdown on paid parental leave and the Medicare co-payment won't solve his political or budgetary woes, just as his half-hearted apology for breaking the promise on ABC funding did little to curb voter anger.

His early determination to deliver a policy agenda that excited right-wing commentators has transformed into a new strategy to minimise the rage of the swinging voters he drew to the Coalition at the last election.

It seems the government is in a bind – unsure whether to pursue an agenda that will excite its ideological base, or to pursue an agenda that will retain the voters who are as angry about Tony Abbott's broken promises as they were about Julia Gillard's.

Australia is a low-tax, low-debt economy with a comparatively small public sector. The government's refusal to rein in tax concessions and loopholes make a mockery of its feigned concern with the budget bottom line, and its desire to impose new costs on low-income households makes a mockery of its concern with the cost of living. agenda.

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