We, the people, are the threat to fiscal reform

By Janet Albrechtsen, 18 Feb 2015

THE Prime Minister came to office 17 months ago with the right instincts about structural reforms to fix the federal budget. To be sure, mistakes have been made, but last week a contrite Tony Abbott said: "We are determined to work for you, the people, who elected us." If it's fair to censure the government for errors on the reform front, we should be equally straight shooting about the chief reason reform has stalled in this country. We, the people, are one of the biggest hurdles for a reforming government.

According to record low polls for the government, we, the people, have told the Abbott government it will be obliterated at the next election for aiming for a budget that spends only as much as it earns. We have said we don't much care about paying $100 million a day interest on our borrowings.

Cuts? No thanks.

A modest Medicare co-payment with carve-outs for the needy and the young? No thanks. A sustainable university funding model? No thanks. A fairer pension system to better fund those in need as the ageing population grows? No thanks. Reining in disability payments so those in genuine need are better cared for? No thanks. Fewer middle-class perks — think baby bonuses, family benefits, childcare rebates — so money can be better directed to the poorest? No thanks.

As parents, we naturally aspire for our children to do better than us; we send them to better schools, fill their bedrooms with more stuff, they own cars before we did, they travel earlier and more than we did, they aim for careers many of us didn't dream of — and we give ourselves a pat on the back for doing the best by our children. Yet, on the most important front, we let them down: by ignoring that we, as a nation, should spend only as much as we earn, we are lumping the kids with the costs of our extraordinary selfishness.

Yeah, slug the uber-rich

On the ABC's *Q&A* last week, 2GB broadcaster Alan Jones attacked ridiculously generous superannuation rules that line the pockets of the rich. Jones pointed out that he pays 48c in the dollar, but if he puts money in super he pays 15 per cent. And when you drawdown super after the age of 60, not a shekel goes to the tax office. Hence the rich are pouring money into super to line themselves up for tax-free retirement income. The *Q&A* audience cheered Jones's call for reform. Even Twitter lit up with left-leaners annoyed they were agreeing with Jones. Yeah, slug the uber-rich. But don't touch my handouts.

Do we get that the good times are over? Between 2002 and 2004, just as productivity tapered off, commodity prices skyrocketed. Our terms of trade (export prices compared with import prices) roared ahead, filling government coffers, funding government largesse on more and more government handouts. Hard-earned productivity didn't make us rich; a once-in-a-lifetime boom did. As my colleague, Paul Kelly, traces with frightening detail in his book *Triumph and Demise*, our luck came with a curse. The boom filled our pockets with money and our heads with complacency.

Still complacent despite frequent warnings

Ten years on, we are still complacent despite frequent warnings from economists, the Productivity Commission, the Reserve Bank and Treasury officials that easy money would end. When Reserve Bank governor Glenn Stevens said: "Everything comes back to productivity, it always does," were we, the people, paying attention or were we too busy bleating about governments that try to pare back, even slightly, a resources-funded lifestyle we have grown accustomed to?

The resources boom, the terms of trade explosion, the easy money — it's over. Growth is falling, demand is dropping and the price for iron ore — which accounts for one-fifth of our exports — plunged to $US61.64 a tonne last week. Iron ore prices crashed by 50 per cent last year, pulling down our terms of trade. There are predictions the price will fall to $US30 a tonne as China's steel manufacturing industry contracts further. Are we paying attention?

We applaud lower petrol prices and the Reserve Bank's recent cut to interest rates, but do we understand the reasons? The RBA predicts a grim picture of lower growth and lower wages.

Rocked by the polls and leadership vote

Rocked by the polls and the size of the leadership vote against him last week, the PM changed gear, saying: "Budget repair won't come at the expense of household budgets". Joe Hockey says they tried to do too much in the 2014 budget.

In fact, they tried for far less budget reform than the first budget of John Howard and Peter Costello in 1996. Yet still voters have turned away.

Our snub of a Prime Minister with reforming aspirations means one of two things. Abbott may take the easy road and squib reform to claw back in the polls. The Coalition will then be indistinguishable from Labor on the economy.

If this happens, Abbott and Bill Shorten will start to resemble those identical 1950s characters — Bill and Ben, the Flower Pot Men. Living at the bottom of the garden, retreating to a time when economic reform wasn't spoken about, they will look the same, talk the same, act the same. Just as the smallest mishap would see the nervy Bill and Ben quickly vanish into their flowerpot, so will Bill and Tony pull their heads in. Yet isn't this what voters also complain about — same, same, barely different political parties?

The PM could brave it out

Alternatively, the PM and Hockey could brave it out, continue their efforts to reform the budget, working towards a fiscal buffer so we don't become a second-rate economy the next time a global shock hits. And if voters continue to rebuff these efforts, what then?

Either way, Shorten will be handsomely rewarded for being irresponsible about budget reform, let alone the economy. Let's not forget the mess in the Senate where the government is hamstrung by a rainbow coalition of bright red Labor obstructionists, Green economic Neanderthals, and other colourful but clueless dimwits, one-trick ponies and attention seekers. But maybe this motley crew represents the make-up of the nation more than we care to admit.

Reform comes down to us. It always does

As economist Chris Richardson said last week, it’s time we looked in the mirror. Try it. If you find yourself looking at Shorten or maybe Sarah Hanson-Young, that explains why reform has become so difficult in this country. If we really are saying we’re happy for our children to foot the bill for our selfishness, we, the people, truly get the government we deserve.

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