

Law of the jungle swallows fear of budget black hole

Canberra Observed
From the working class to the chattering classes, almost everyone has abandoned the need to even consider budget discipline.



Phillip Coorey

For much of 2019, before anyone had heard of COVID-19, the Morrison government was in a running battle with the shipping industry over plans for a biosecurity levy. As outlined in the 2018-19 budget, the levy was to be imposed on cargo ships "to enable the government to invest in measures that will help it detect, identify and respond to exotic pests and diseases earlier".

It was intended to raise \$100 million a year and, *quelle surprise*, the industry fought back because it did not want to pay. Its case was helped by the levy's poor design.

But the government was determined to prevail because it was hell-bent on meeting its promise to return the budget to balance (which it did), and then to surplus (which it didn't). Every dollar was being fought over.

The push for the levy was consumed by the onset of the pandemic, and eventually the government quietly waved the white flag and stumped up the money itself.

With little fanfare, in May 2021, Scott Morrison unveiled a \$371 million biosecurity package to put a "protective ring" around the agricultural sector. The bill was put on the nation's credit card.

The levy saga was small beer as a policy issue, but highly emblematic in terms of the shift over the past three years in attitudes towards the state of the budget. How quaint it now seems that we once fought over something worth \$100 million a year.

Whereas the Howard era enshrined a fear of deficits and debt, the COVID-19 era of mega-spending by both tiers of government in response to the pandemic's multifaceted challenges has let loose the law of the jungle.

This includes a reinvigoration of the handout mentality that John Howard also engendered with his middle-class welfare, and which Labor subsequently began to unwind upon coming to power.

Today, so far have we regressed as a polity that Labor feels no compunction about going to Saturday's election promising higher deficits than the Coalition.

This is a complete reversal of the orthodoxy of previous elections, when any opposition would bend over backwards to unveil a bottom line better, or at least no worse, than that of the incumbent, or be accused of creating a "budget black hole".

Nine days before the 2019 election, in one



Defending deficits: Shadow treasurer Jim Chalmers. PHOTO: ALEX ELLINGHAUSEN

The treasurer who delivers the next surplus is most probably not even in parliament yet.

of the most comprehensive costings exercises ever conducted by an opposition, then-shadow treasurer Chris Bowen and finance spokesman Jim Chalmers promised not only to match the government's timeline to return to surplus, but to deliver a surplus of \$23 billion, more than twice what the government was promising.

Three years later, it has released costings forecasting cumulative deficits \$7.4 billion higher than the government's figures, and presented this as a virtue because the spending is geared towards driving productivity.

Surely the most symbolic statement of the campaign in terms of what has happened to fiscal rectitude was that of Chalmers on Tuesday when he defended the higher deficit strategy. "The most important thing here is not whether deficits are a couple of billion dollars each year better or worse than what the government is proposing,

what matters most is the quality of the investments," he said.

Imagine saying that three years ago. Given the size of the current deficit forecasts, \$7.4 billion is not a lot. One Labor source described it as a "bee's dick".

But in 2019-20, just before the novel coronavirus ruined the party, the forecast surplus was \$7.1 billion. Such a number meant something then.

The government has not been much better. Rather than find real offsets to pay for the \$2.3 billion in extra spending it has promised since the March 29 budget, it just amped up the public service efficiency dividend by 0.5 per cent for three years.

In terms of fiscal pissantry, this is on par with Labor's pledge to save \$3 billion over four years by cutting the use of consultants and other hoary old chestnuts such as clamping down on tax evaders.

The frustration among the remaining fiscal conservatives about the seeming lack of resolve over budget repair is not confined to the timidity of the political classes. There is growing antipathy towards elites that are turbocharging the handout mentality with demands for huge changes without any suggestion of how they will be paid for.

Exhibit A is Nicola Forrest and her push via the family's Minderoo Foundation for a

tapered subsidy scheme pushing towards universal free childcare. The Thrive by Five campaign is a worthy initiative but would be costly. It argues a \$5 billion-a-year increase in the childcare subsidy would deliver an \$11 billion boost in gross domestic product.

Even Labor, with its plan to extend childcare subsidies by another \$5.4 billion over four years if elected, has not gone this far. It has listed universal childcare as an aspiration and will have the Productivity Commission look at it.

No one in government is complaining about Forrest's idea, just that neither she nor her wealthy backers, including Lucy Turnbull and Therese Rein, seem to be suggesting a tax increase or some other measure to pay for it.

It is an example of what one source calls the "realisation of the country".

"A pampered upper-middle class that can rip stuff down but not actually have anything to say about the core tasks of government, like economic management, apart from feel-good blather," says one.

The despair extends to corporate Australia insofar as there has been a big fall in recent years in corporate philanthropy, for so long a mainstay of relieving the burden on government.

The corporates aren't doing philanthropy any more but ploughing that money into their brand on ESG protocols to make sure they are regarded as good corporate citizens.

Just because no one on either side is talking about budget repair this side of the election does not mean they aren't thinking about what they will have to do come May 22.

Neither side is threatening austerity. Both are pledging to grow the economy back to health, essentially by generating sufficient revenue to pare back the deficit.

But there will have to be structural savings as well, such as ridding the NDIS of the crooks and slysters before it reaches its anticipated \$64 billion annual cost.

The budget forecasts deficits for at least another 10 years. Regardless of who wins the election, the treasurer who delivers the next surplus is most probably not even in parliament yet.

Phillip Coorey is The Australian Financial Review's political editor.

Where the election night surprises are likely to turn up

Voting intentions
The major parties and their leaders ignore the real threat to them in this election, which is the loss of their traditional supporters.



John Black

Tomorrow night's count is going to be a bit more complicated than usual, given the fading relevance of the major parties, a trend pushed along by two increasingly unpopular leaders losing primary votes from their traditional supporters wherever they travel, by negatively campaigning against each other and yet still wondering why the contest is getting tighter.

It's become a bit like opposition leader Billy Snedden's negative campaign in 1974, carping relentlessly against the then popular prime minister Gough Whitlam and wondering aloud to reporters: Everywhere I go, people tell me something is wrong. Indeed.

For the record, I've still got Labor forming government, winning 10 seats from the Coalition: Bennelong, Lindsay and Reid in NSW; Leichhardt and Dickson in Queensland; Boothby in South Australia; Braddon in Tasmania; Chisholm in Victoria; and Swan and Pearce in Western Australia.

I have the teal group gaining six seats, all from the Coalition: Wentworth and North Sydney in NSW; Kooyong, Goldstein and Flinders in Victoria; and Curtin in Western Australia.

And the Greens, having doorknocked most of the Goat Cheese Circle seats of Ryan, Brisbane and Griffith, look like picking up the first two from the Coalition, but I can see a situation where the Liberals, Greens and Labor could win one each.

It's that close, especially with the low primary votes for the major parties.

No one can see Coalition supporter Bob

Katter moving his big white hat from Kennedy in Queensland, or Andrew Wilkie moving his left-wing vote from Clark in Tasmania.

That leaves the ALP on 79, the Coalition on 58, the teals on nine, the Greens on three, and two independents.

In my undecided column, Casey in Victoria is a seat like Ryan, which could go one of three ways.

In 50 ways, we never fail to see significant differences in voting intention between persons under 40 who have kids and those who don't.

Mackellar in NSW is a bit of a toss-up between the teals and the Liberals, while Nicholls in rural Victoria is a seat that could remain with the Nationals or go to right-of-centre independent Rob Priestly, to keep Katter company.

I can't see Labor losing seats, although if it does the first to go could be Lingiari in the Northern Territory, following the retirement of popular member Warren Snowdon.

The major political parties have yet again made the mistake of campaigning negatively against their opposing major party leader over trivial issues.

This cheers up their party workers but, unfortunately, voters believe what each leader says about the other, and both parties lose primary votes as a result.

The leaders themselves also lose on their net satisfaction scores for being relentlessly negative, and for every three-point drop in their net satisfaction scores, their party primary vote drops about 1 per cent.

It also means the major parties and their leaders ignore their real threat, which is the loss of support from their traditional demographics.

In Labor's case, that means working-class trades and miners; and in the case of the Liberals, it means well-paid professionals, particularly professional women.

The problem has been compounded by the parties sampling only their marginal seats, rather than including a couple of their safe seats.

So they've been flying blind, not picking the loss of their supporters, who are concentrated in their safe seats but also located in their marginal seats.

The published polls have also had some problems in that talkative voters are always the cheapest to sample and they tend to be Labor-voting professionals working at home in once-safe Liberal seats and ticked-off conservative voters on low incomes and surviving on transfer payments in once-safe Labor seats.

When you profile the polls themselves, you see a regression to the normal, with safe seats from both sides moving to the centre of the swing pendulum.

And pollsters, for some reason, are still not asking respondents if they have children.

In 50 years of proofing, we never fail to see significant differences in voting intention between persons under 40 who have kids and those who don't, with the former typically more conservative with their vote and focused on saving their house rather than saving the planet.

We've had the minor parties of the left and the right totally ignored by the major parties, despite being their main threat and despite having some of the weirdest policies, both economically and in terms of our national security.

Google it, mate.

And if you're wondering who's going win seats where there's a serious challenge to the Coalition from the teals, check the primary vote for the Coalition and for the teal candidate, and if it's below 43 per cent and above 30 per cent respectively, the teal is likely to win on the preferences of the remaining 27 per cent of the vote.

And open a good red, it's bound to help.

John Black has pioneered demographic and political profiling in Australia since the early 1970s and is a former Labor senator for Queensland. He is executive chairman of profiling company Australian Development Strategies.