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Tony Abbott pays price for ignoring basic political principles in budget

HENRY ERGAS THE AUSTRALIAN DECEMBER 08, 2014 12:00AM

LIKE watching a dog hit by a car, the dying takes longer than one could possibly have imagined. But as budget measure after budget measure writhes in agony, the government has struggled to adapt to the situation it finds itself in.

That is not to suggest this Senate is the first to obstruct a government's budget proposals. On the contrary, its behaviour only takes a long-run trend to fresh heights. Budgets were once judged as a whole, allowing governments to package bitter medicine with sweeteners which alleviate the pain. Now, as they are picked apart, the less contentious elements are quickly passed, leaving the spotlight on the parts which are most politically costly.

With the government's opponents having no interest in bringing the damage to an end, the result is maximum political harm for minimum budgetary gain. Repelled by the squabbles, voters' confidence is shattered, making it even costlier for the government to persist; so budget repair becomes ever more unlikely.

It is scarcely comforting that American budgetary processes have long operated this way, impeding all attempts at durable fiscal consolidation. Nor does it help to note similar developments in Europe, with the populist Swedish Democrats, for the first time in Swedish history, last week using a budget vote to force the collapse of a government elected barely two months ago.

Rather, those parallels merely confirm that in today's political marketplace, trust is more elusive and expensive than ever, and the grounds for distrust easier and cheaper to disseminate effectively. As Tony Abbott well knows, that shifts the balance of power from governments to oppositions; the question is what his government can do to manage the dangers that creates.

Having policies that can better withstand the attack is clearly a crucial part of the answer. That is hardly rocket science; rather, it involves respecting principles so simple as to make it almost embarrassing that they need restating.

It is, for example, obvious that the more contentious a policy is likely to prove, the greater the care that should go into its design and the solidity of its rationale. That makes the fiasco over the GP co-payment all the more inexcusable.

After all, it should not have required great flair to recognise the co-payment was going to prove a slow seller; why not take the time to get its design right? And if the government was determined to proceed with the co-payment, why not ensure it had a clear, properly explained justification?

Instead, displaying a stunning lack of political judgment, the government has treated voters to a half-baked proposal backed by a jumble of explanations. Is the co-payment intended to reduce the deficit, as Joe Hockey and Mathias Cormann have claimed? Why then devote its receipts to added spending on medical research? Or is it a price signal aimed at encouraging more efficient use of primary care, as Peter Dutton has suggested? If so, what evidence is there that it would achieve that goal without

imposing unnecessary social costs?

With so poorly articulated a rationale, it is unsurprising that the co-payment is floundering; and much the same could be said about the paid parental leave scheme. That is not to argue that the PPL scheme lacks merit. The problem, however, is that it places the government in the position of advocating a major new expenditure program while foreshadowing harsh cuts to public spending. A better established government, with more political capital, might have managed that tension; this one can't. By integrating parental leave into a comprehensive new framework for funding child-related expenses, Abbott can recognise that fact and move on.

At the same time, he should recognise that he needs all the help he can get. With confidence in parliament near record lows, contentious proposals only secure legitimacy if they fall on well-ploughed soil. The Productivity Commission, with its highly regarded processes of transparent public inquiry, has a key role to play; it is therefore baffling that the PC is less used than at any time since the late 1990s.

That is all the more troubling as greater reliance on the PC could so effectively ease the government's daunting task. The public has neither the desire nor the background to assess individual policy proposals; but it does have a sense of what processes are worthy of respect.

Little wonder a carefully prepared PC report greatly facilitated the recent extension of accommodation bonds in residential aged care, which had caused the Howard government such grief. Similarly, a well-crafted PC report on co-payments and the financial sustainability of Medicare could both improve any co-payment's design and increase the pressure on the Senate to act responsibly.

No doubt, that could add an element of delay. But with the co-payment otherwise facing a humiliating defeat, delay is the government's friend, especially if it is used to properly address the community's concerns.

No amount of good process could, of course, dent Bill Shorten's stance, much less his rhetoric. Given his role in causing our budget predicament, he has little choice but to be shameless, as his proposals for fiscal perpetual motion machines (which costlessly defer tough choices into an ever-receding future) indeed are.

But while Shorten's feigned concern for the public interest brings tears to one's ears, what matters now is whether Abbott has the resilience to address the current impasse. "It has been observed", wrote Tocqueville, "that a man facing danger rarely remains as he was: he will either rise well above his habitual level or sink well below it. The same thing happens to peoples" — and one might add, to governments.

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