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Less tax or more social spending: twenty years of opinion polling

The debate over whether the Australian public wants tax cuts or more spending on social services has been highlighted in the media recently in the wake of new surveys on the tax-spend trade-off and the tax cuts in the Budget. This Research Paper looks at the results of major surveys on the issue of less tax or more social spending over the past 20 years. It considers the factors that underpin support for each option and examines the data on Australians' willingness to pay for specific items of public expenditure through higher tax. The paper concludes with an assessment of survey results in light of the political and public policy challenges facing Australia.

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Politics and Public Administration Section
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Abbreviations

NSSS	National Social Science Survey
AES	Australian Election Studies
EPAC	Economic Planning and Advisory Commission
IssaA	International Social Science Survey/Australia

Glossary

hypothecation	Earmarking particular revenues for spending on specific purposes. For example, in the US, spending on highways is financed from petrol excise
public good	A product or service where one citizen’s consumption does not diminish another’s capacity to consume; a good where it is not possible to charge consumers for their use. e.g. defence
Keynesian	Based on the ideas of English economist John Maynard Keynes (1883–1946), advocate using tax–spend policies to generate employment and restore economic equilibrium

Executive Summary

As an area of inquiry, public opinion on taxation and social service provision has several levels of interest and application. There is an obvious democratic interest—are the public getting what they want? There is an associated electoral component—will supplying these services deliver votes? There is a behavioural issue—what does the survey evidence tell us of citizens’ personal and societal priorities? In addition, there is a public policy application given the demographic challenges facing Western societies.

This paper contributes to all these interests. It presents a range of polling evidence on Australians’ attitudes to taxation, health and social services. The paper is primarily focused on the trend in polling patterns on the trade-off between less tax and more social services. It identifies the public’s preference for higher spending on specific items and uses poll data to speculate on the reasons for these preferences. Public attitudes to tax are then examined and in particular, the different results elicited on this issue from differently worded polls. The paper concludes by noting some of the dilemmas and opportunities that public attitudes present to governments.

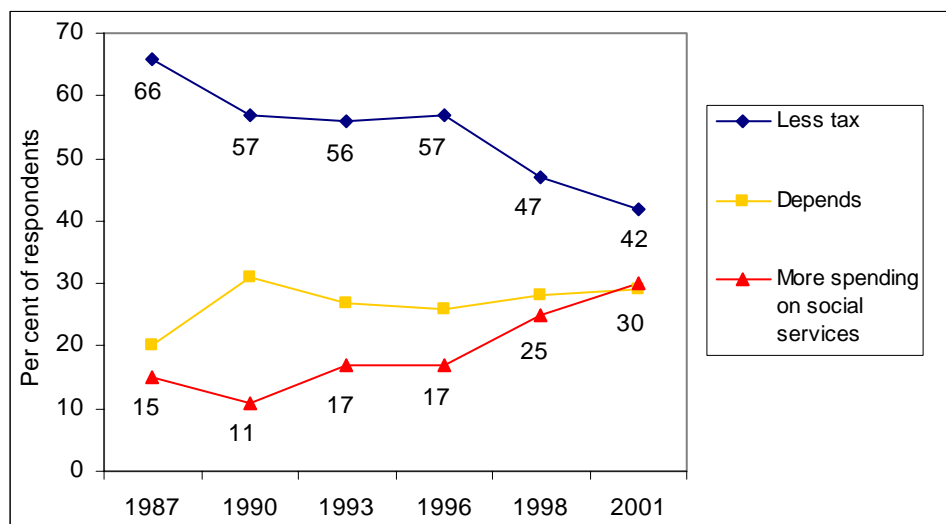
Opinion poll surveys often test the trade-off between less tax or more spending on social services. This is not surprising. Social service outlays account for over half of the Commonwealth’s expenditure on major items while health accounts for a further 22 per cent. Estimates for the 2003–04 financial year show that combined expenditure on social security, aged care, family payments and health was \$112.3 billion out of total expenses of \$184 billion. The size of these expenditures reflects the fact that a large proportion of the population are dependent on these benefits, either as a supplement to their income or as a principal source. It also reflects that a high proportion of Commonwealth tax revenue funds the social services budget. Still, Australia is by international comparison a low tax country. Total tax revenue as a percentage of GDP is roughly 30 percent, well below the OECD average of 37 per cent.

Australian opinion polls of the past 20 years on tax and spending issues display many of the characteristics identified in international studies. In terms of taxation, polls show the same reticence for higher tax as those in other rich democracies. The polls on tax indicate a keenly self-interested electorate believing lower tax to be of greater immediate personal benefit than any item of expenditure. In terms of the trade-off between less tax and more spending on social services, more people have preferred less tax to higher social service outlays in all polls since the mid 1980s. In terms of more spending on social services, there are popular items such as health services, old age pensions and family benefits, and unpopular items such as unemployment benefits, single parent payments and assistance to minority groups. Consistent with several international findings, most Australian opinion polls show public acceptance for higher taxes to pay for the popular broad-based items of health services and old age pensions. Health polls are unambiguous in the preference for higher spending and better services, reflecting health’s character as an issue of enduring national, personal and electoral concern. While Medicare is a popular program there is

clearly a base of public support for public money to be spent on improving the affordability of private options.

Harold Wilensky has argued that the general contours of public opinion on taxing, spending and the welfare state have remained quite stable ever since surveys about these issues have been conducted.¹ Many Australians, like citizens elsewhere, have an aversion to higher tax and a general preference for major in-kind services. That said, on the tax–spend nexus, the polling data reveal significant changes in opinion. During the mid-to-late 1980s, the public strongly preferred less tax over more spending on social services. Health and taxation issues ranked fairly similarly as issues of national and electoral importance. Over the 1990s and early 2000s, polls on the tax–spend trade-off have recorded progressively higher support for ‘more social services’ and correspondingly lower support for ‘less tax’ (see figure below). A likely contributor to the Australian trend is the importance of health as an issue of public concern. Health has been of higher electoral importance than taxation in the four federal elections since 1993 and since the early 1990s has progressively replaced unemployment as the national issue of greatest public concern. The same surveys found that taxation has, in relative terms, been an issue of declining electoral concern, particularly since the late 1990s. This paper notes the strength of public sentiment on the perceived decline in the standard of health services and the shift in public attention from the cost of private health insurance to the funding of public hospitals.

Figure: ‘If the government had a choice between more spending on social services or less tax, which do you think it should do?’



The survey data presented in this paper indicate that the Australian public holds intelligent opinions on these issues. The intelligence of public opinion is shown where:

- it displays a high level of stability over time

- Australians have a clear hierarchy of social service items that they believe should attract more money, ranging from health as the highest preference to unemployment benefits as the lowest
- it quantitatively differentiates between differently worded questions
 - there is more acceptability of higher taxation when polls cite popular expenditures such as health rather than ‘social services’
 - when asked about the best form of assistance for the individual, ‘less tax’ is by far the most preferred option; when asked about the issues the Federal Government should be doing something about, the preference for health has progressively increased while taxation issues have always ranked lowly
- it displays similar trends to similarly worded polls of different polling organisations
 - the Morgan Poll, Newspoll, ACNielsen, Saulwick Poll, UMR Research, the Clemenger Group and various surveys based at the Australian National University have all found growing identification over the 1990s and early 2000s with health as an important issue and as an area deserving of more public spending
- it is responsive to the wider political environment
 - since the recession of the early 1990s, Australians have ranked economic issues as progressively less important and social issues as progressively more important
 - polls show that taxation issues have been of less significance since the introduction of the GST
 - negative media publicity on the public hospital system has probably contributed to survey findings that respondents believe the standard of health services has declined since the mid-1990s, and
- it accepts the consequences of its views.

On this last score, public opinion is found wanting. Less taxation *and* more spending on health are consistent findings from separate polls within Australian surveys. The United Kingdom Commission on Taxation and Citizenship has sought to explain similar outcomes in British polls. It claimed that there was ‘a deep sense of disconnection from the taxes people pay and the public services which these finance’.² The preference in different polls by the same respondents for both higher health spending and less tax may reflect this disconnection: ‘If people could be sure that the money was genuinely going to improve the priority public services, they would be willing to countenance higher taxation’.³ This paper suggests that in the absence of such assurances, public opinion has preferred financing options for social services that leave tax levels unchanged, such as the spending of surpluses, deficit spending or reversing legislated tax cuts. The closer

alignment of the ‘less tax’ and ‘spend more’ outcomes of polls offering this trade-off reflects a reconciliation of two highly important issues in the public mind—tax and health. In policy terms, resolving these tensions may require more hypothecation of taxes to finance specific expenditures and greater reliance on private contributions to pay for health care and retirement.

Introduction

Politicians, the media, interest groups and public agencies often make claims about the public’s desire for either greater spending on health and social services or a cut in income tax. These issues gain particular salience in election years as parties seek to justify and sell their policy offerings, the media defines what it sees as the key preferences of ‘middle voters’ and the various interest groups lobby, partly on the basis of perceived public demands. Public opinion is always a coveted ally for political parties when selling the need for higher social spending or tax relief.

The tax or spend issue is often implicit in parties’ pitch for (re)election. Pork-barrelling is the modern pejorative for spendthrift pledges but the practice was well-recognised by Machiavelli.⁴ Political scientists have written extensively on the ‘catch-all’ party and ‘median voter’ theories in connection with expanding broad-based outlays.⁵ Tax cuts also have a long history of political appeal and have often been sold in terms of restoring incentives for employees to work harder and for businesses to increase investment. Underpinning the relative appeal of both the ‘spend’ and ‘tax’ options is a perception of what is of greatest political advantage. The presumption of politicians is that people will vote according to how they stand to benefit. In the words of George Bernard Shaw: ‘A government which robs Peter to pay Paul can always depend on the support of Paul’.⁶ Self-interest may be a good yardstick for determining public attitudes but it is wrong to presume this will always be the case. If public opinion is to be valued as a guide for pledging and acting on the tax–spend nexus, it is worth considering the evidence of opinion polls and, more particularly, the distinct patterns that emerge from these polls over time.

Pollsters are acutely aware of the tendency for political players to presume they know the public’s wishes. The founder of one of Australia’s largest polling organisations, Roy Morgan, claimed opinion polls act as an important check on media claims to know what ‘the public demands’. Morgan argued that, by posing a question to the public, polls focus the public mind on issues and, through their results, inform politicians and policy makers of the urgency of these issues.⁷ As a result, one cannot make sense of polling evidence if the political context is ignored. Moreover, the content, wording and timing of poll questions inevitably means that pollsters are themselves political players, often responding to the lead of politicians and the media to gauge public attitudes on a given issue.

This paper presents and analyses 20 years of polling evidence on Australians’ preferences on the trade-off between more spending on social services or paying less tax. It considers

the willingness of public opinion to increase tax to spend more on particular items. It also looks at the relative importance of health and tax as issues of personal and national concern. The aim is to identify patterns in public preferences on these issues over time.

Opinion polls—should they be trusted?

A few caveats need to be kept in mind with any use of opinion polling. Public opinion polling as an area of scientific inquiry has well-known shortcomings. Some have argued that polls are purely artificial and that in truth ‘public opinion does not exist’.⁸ Others have derided ‘issue-based’ polling, claiming that the public’s attitudes only count in ‘the competitive struggle for the people’s vote’.⁹ Perhaps the most common claim against public opinion is that citizens are either poorly informed, irresponsible or simply ambivalent about issues.¹⁰ A well-known American study of the 1960s concluded that the randomness of respondents’ answers was ‘as though one were flipping a coin’.¹¹ Critics contend that if individual responses in a poll display this irrationality, then ‘public opinion’ as a whole must be disregarded.

There have been important qualifications of these arguments. In his book *The Responsible Electorate*, V. O. Key argued that ‘the voice of the people is but an echo’, shaped by ‘the clarity of alternatives presented to it and the character of the information available to it’.¹² Where the information presented to the public is poor, public opinion does not (and cannot be expected to) show structure and coherence. A study of 60 years of American polling data by Robert Shapiro and Benjamin Page found that ‘the American public, as a collectivity, holds a number of real, stable and sensible opinions about public policy and that these opinions develop and change in a reasonable fashion, responding to changing circumstances and to new information’.¹³ Others have defended polling surveys as ‘exceedingly valuable in determining short-range facts about people and in measuring their attitudes after an issue has produced actual public opinion’.¹⁴ Such commentators claim that for all the claims of the artificiality of polls, they remain a most useful tool for political parties to determine public sentiment on specific policy issues.

Caveats aside, it is possible to trust the findings of polls if they meet four tests of quality and rationality:

- stable collective responses over time (test 1). Where there are major discrepancies based on polls with the same question wording and a random sample of a similar size, there are grounds to doubt the intelligibility of public opinion. That said, there is a statistical tendency for the vacillating responses of individuals over time to cancel out when distributed across the collective through averaging the long-term preferences of citizens.¹⁵
- responsiveness to the wider political environment (test 2). Where there are major shifts in policy, or a concerted media campaign either favouring or attributing blame to a group in the community, it is likely that public attitudes will be affected as new

information and perspectives are brought to bear. Responsiveness is an important check against the ambivalence of the electorate to polled issues.

- accepting the consequences of their views (test 3).¹⁶ This is essentially a test of responsibility. Majority public opinion favouring one option should not fundamentally conflict with majority opinion favouring another.
- consistency within polls, where trends in one indicator are offset by a shift in others (test 4).

The polls presented in this paper test these criteria of stability, responsiveness, responsibility and internal coherence. There are polls with the same question wording, which can test stability over time; there are polls referring to current concern for specific issues, which can test responsiveness; there are separate polls in the same survey that determine whether people are willing to take responsibility for their views; and polls that measure public attitudes to several variables which can test internal consistency. By and large, this paper finds that public opinion satisfies these tests, although there is an important exception.

Why is the tax–social services nexus so important?

Politics

The raising and spending of tax is inherently political. In a democratic system, the levying of taxes is not exclusively the exercise of power by government over citizens. If the public loses faith in the tax system, it puts the system's stability and effectiveness at risk and this, in turn, must affect the operation of government generally. Former academic and current Minister for the Environment, the Hon. David Kemp has argued:

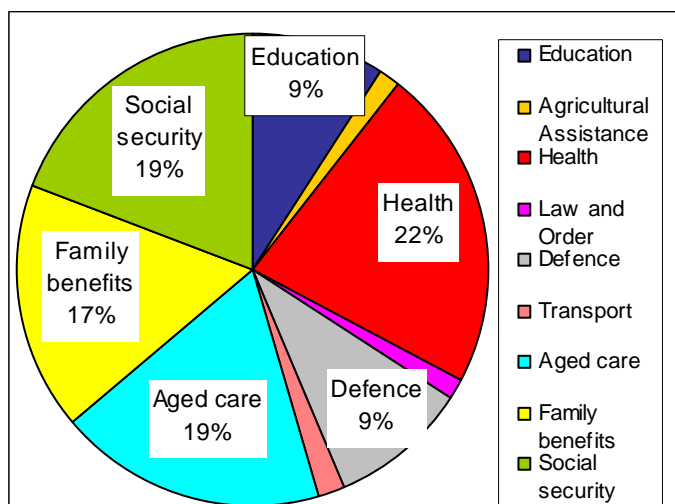
A tax system which conflicts with deeply held values and identifications in the electorate will not secure adequate levels of support ... and will be a continuing source of political risk for the government which maintains it.¹⁷

One of these 'identifications', of course, is the issue of where the money raised from taxation is to be spent. The extent to which the tax and social security system corrects the inequality of income should reflect the values and attitudes of the electorate. Where there is dissatisfaction with the level of redistribution, there is implicit dissatisfaction with taxation, which can translate into the devaluing of the institutions that administer this system and popular resentment against governments and the recipients of its aid. A 'tax-welfare backlash' has occurred in many Western countries since the 1970s.¹⁸

The political importance of the tax-social services nexus is also a reflection of the size of social service outlays as a proportion of total Commonwealth expenditure. Estimated actual outlays for 2003–04 show that social security, family benefits and aged care collectively account for 55 per cent of expenses (Figure 1). Health accounts for a further

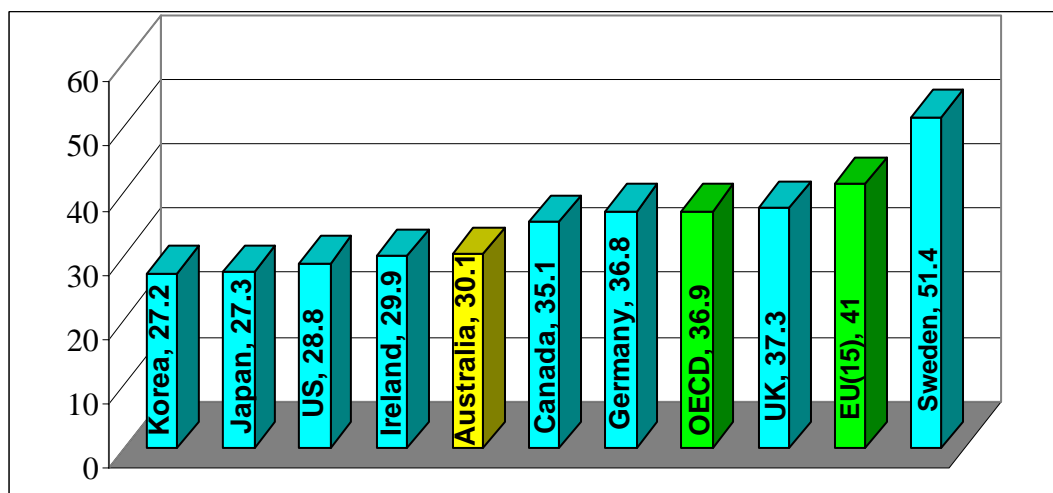
22 per cent. Moreover, a large proportion of the population is dependent on these benefits which are funded largely through direct taxation. Figure 2 shows that Australia is a low tax country relative to other nations although 2002–03 tax revenues as a percentage of GDP (31.5 per cent) are at an historical high. Surveys on the tax-social service nexus therefore test a key area of government activity and public involvement.

Figure 1: Estimated actual expenses for 2003–04



Source: Budget Paper No. 1, 2004–05.

Figure 2: Total tax revenue as a percentage of GDP



Source: OECD, 2001.

Electoral factors

The tax–spend nexus is also important for its electoral context and perceptions of citizens' election preferences. Political parties of all hues recognise the vote-grabbing potential of pledges for more spending or for less tax. Traditional theories of economic voting argue that expansionist policies of a Keynesian type are the most popular. More recent research identifies a pattern where a party makes generous spending pledges before an election only to renege on the grounds of fiscal constraints once elected.¹⁹ Governments face a dilemma with pre-poll demands for expansionary fiscal policy from the electorate while financial markets call for fiscal restraint.²⁰ There is some evidence that the Australian public acknowledges and supports the need for a prudent fiscal approach²¹, but this does not discount voters' tendency to favour less tax or more spending nor the parties' efforts to court these preferences.

Public policy challenges

In future years, several policy challenges will test the willingness of the Australian public to accept higher levels of tax, less reliance on state coffers and greater personal contributions to their own welfare to maintain even current levels of social service provision. Higher economic and productivity growth might alleviate some of these pressures but, at some point, public opinion on the limits of taxing more to spend more will be tested.

First and arguably the most important public policy issue facing most Western governments is the challenge of an ageing population. A February 2004 policy paper by the Australian Treasury has argued that unless the retirement age is extended and superannuation arrangements are made more flexible, the Commonwealth Government would have to substantially raise taxes, cut government spending or run large budget deficits.²² The Treasury's precursory 'Intergenerational Report' found that growth in health, aged care and pension costs meant that, in 40 years, spending would exceed tax revenue by five per cent of gross domestic product.²³ It identified one of the main reasons for this trend as the advances in medical technology. In a rich society such as Australia's, the lure of purchasing higher standards of medical technology inevitably raises the question of who should pay.²⁴ The question here is whether the incentives to stay longer in the workforce to maintain the tax base will strike a chord with the Australian public. If they do not, the option of reducing the tax-take will become fiscally impossible – tax increases will be needed simply to maintain existing standards of services.

A second public policy pressure is continuing inequality in market wages and whether the Australian public will continue to support increasing government assistance.²⁵ In 1983, a single income family with a dependent spouse and two children under five, earning two-thirds of average male earnings and renting privately, received four per cent of their net disposable income from government transfers. By 2003, these transfers accounted for 46 per cent of an equivalent family's income.²⁶ It may be that the inequality in private incomes will decrease but this is dependent on the future occupational composition of the

labour market. If market inequality and current policy settings continue, the pressure for accompanying tax increases will intensify to fund higher transfer payments.

While these two issues are of long-term concern, public opinion on taxing and spending will also be relevant to other issues, such as efforts to lower the top marginal rate of taxation, the financial viability of the private health insurance funds, the length of waiting lists for public hospitals and subsidisation of the Pharmaceutical Benefits Scheme.²⁷ Support for other areas of policy expenditure—such as spending on homeland security and defence—will assume greater relevance in public surveys as their demands on the public purse increase.

Psychological perspectives

There is also a psychological aspect to the tax–spend nexus that is important for understanding the political, electoral and policy implications of opinion poll findings. Beginning in the 1950s, various studies and models of human behaviour noted a fundamental contradiction between the preferences of private individuals and the common good. What is best for society is often not the same as the sum of what is best for individuals.²⁸ Opinion polls tend to support this finding. Studies of public preferences for government services have found that individuals do not generally base their values on self-interest alone but also on altruistic beliefs reflecting broader societal values.²⁹ This paper recognises that individuals substantively differentiate between what they believe would be of most help to themselves against what they believe would be of greatest benefit nationally.

Psychological perspectives also highlight a basic tension in the public mind between more spending and less tax. This has been labelled ‘the more for less paradox’.³⁰ Individuals want *both* less tax and more social services. This paper finds such views reflected in Australians’ attitudes. When asked as separate questions, majority opinion favours less tax and more spending on various items. When pollsters ask individuals to choose *between* less tax and more social services, there has consistently been a sizeable block of support for each. Where available, there has also been strong support for the status quo and for avenues such as deficit spending which can temporarily accommodate both preferences.

A possible explanation for the ‘more for less paradox’ is that high indirect taxes lead people to favour higher government spending because they perceive the cost of government services to be covered by direct taxation.³¹ More specifically, given that social services are generally funded through general tax revenue, the actual cost of these services is not clear to the public.³² Accordingly, polls often show that public demands for more government services exceed the capacity of government to deliver. This paper finds concurrent dissatisfaction with the level of tax and strong support for more public spending on major items. This is a fundamental tension in public attitudes on these issues and an obvious shortcoming of public opinion polls in the test of responsibility (see p. 4).

Australians' preference for more spending on social services or less tax

Two polling organisations have regularly tested Australians' preference for either more spending on social services or less tax. Between 1984 and 1990, the National Social Science Survey (NSSS) based at the Australian National University (ANU) conducted four polls on the issue.³³ Between 1987 and 2003, a separate group of ANU researchers conducted six post-federal Australian Election Surveys and a late 2003 survey on the issue.³⁴ Put together, it is possible to plot a trend on Australians' attitudes to this question over a 20-year period.

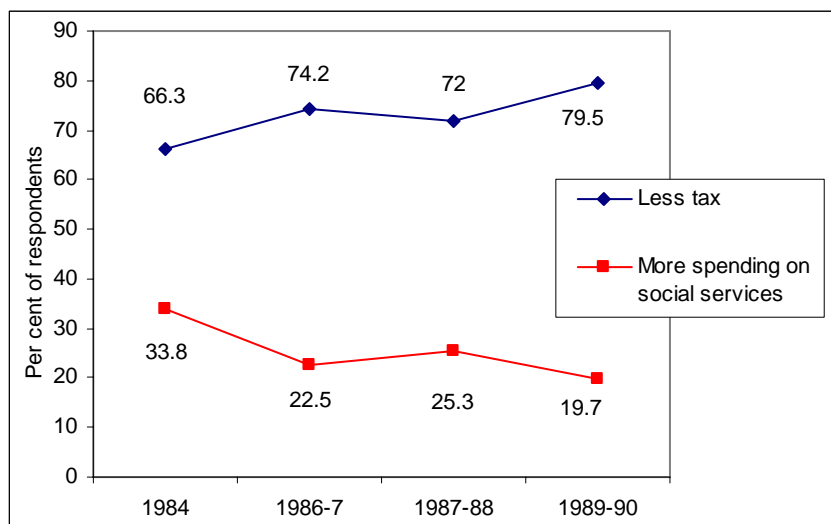
National Social Science Survey

The pattern of response in Figure 3 shows that public opinion in the second half of the 1980s strongly supported a cut in tax rates over spending on social services.

Table 1 shows that:

- the lowest aggregate percentage of respondents favouring 'less tax' was 66.3 per cent in the 1984 poll, while almost 80 per cent favoured this response in the 1989–90 poll
- the aggregate percentage of respondents favouring 'more spending on social services' over 'less tax' fell fairly progressively over the four polls, recording its highest level of 33.8 per cent of respondents in 1984 and its lowest level of 19.7 per cent in the 1990 poll
- in all except the 1984 poll, the intensity of support for 'more spending on social services' declined as the intensity for 'less tax' increased, and
- the highest percentage of respondents favouring 'less tax' in each of the four polls opted for 'very strongly favour less tax'; in all bar the 1984 poll, the highest percentage of respondents favouring more spending on social services opted for 'mildly favour social services'.

Figure 3: 'If the government had a choice between more spending on social services or less tax, which do you think it should do?'



Source: *National Social Science Survey, 1984–1990*

Table 1: 'If the government had a choice between more spending on social services or less tax, which do you think it should do?'

	1984	1986–87	1987–88	1989–90
	%	%	%	%
Very strongly favour less tax	30.6	34.3	26.5	38.2
Fairly strongly favour less tax	22.8	22.5	25.1	24.4
Mildly favour less tax	12.9	17.4	20.4	16.9
Favour less tax	66.3	74.2	72.0	79.5
Mildly favour social services	9.6	13.4	16.1	11.7
Fairly strongly favour social services	14.1	5.8	6.6	5.5
Very strongly favour social services	10.1	3.3	2.6	2.5
Favour social services	33.8	22.5	25.3	19.7

Source: *National Social Science Survey, 1984–1990*

Australian Election Studies

The pattern of response in Figure 4 shows that public opinion over the 1990s and early 2000s has increasingly favoured more spending on social services over less tax. That said, 'less tax' was the more popular option in all polls.

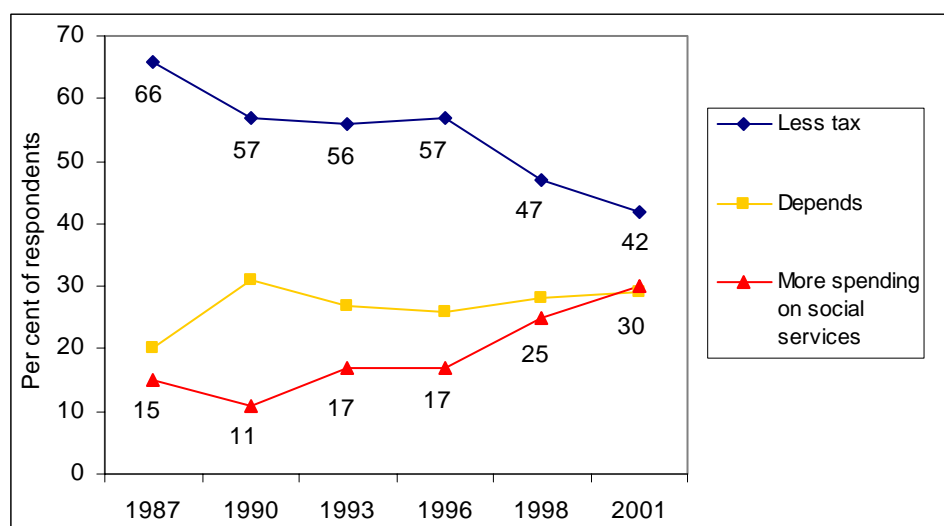
Table 2 provides a breakdown of the AES surveys according to the strength of support for each option. It shows that:

- the trend over the five polls was for more spending on social services. The margin between those wanting ‘less tax’ and those in favour of ‘more spending’ was narrowest in the 2001 survey. The percentage favouring more social services has nearly tripled since the 1990 survey
- the number of respondents ‘strongly’ in favour of less tax is consistently higher than those ‘mildly’ in favour
- between 1990 and 1996, the percentage of respondents favouring ‘less tax’ was stable. Since 1996, the percentage of respondents in favour of less tax has fallen sharply from 57 per cent in 1996 to 47 per cent in 1998 to 42 per cent in 2001. Underpinning this fall is a decline in the percentage of respondents strongly favouring less tax, and
- a substantial number of people, at least a quarter of respondents since 1993, have cited ‘depends’.

This last point may simply reflect inadequate information to make a choice. It may also reflect the high importance that a large number of respondents place on both ‘less tax’ and ‘more social services’. The same six AES surveys found that between 80 and 90 per cent of respondents believed that both health and taxation were important in the election context.

In December 2003, a further survey by the Centre for Social Research at the ANU was conducted on the trade-off between less tax and more social services. In this poll the question changed to: ‘If the government had a choice between reducing *personal income* tax or increasing social spending on services *like health and education*, which do you think it should do?’ [emphasis added]. In response, 48 per cent favoured ‘increasing social spending’ while 28 per cent favoured ‘reducing taxes’. This was the first survey in which more respondents preferred more spending on social services over paying less tax. The result is consistent with the trend in Figure 4 but the mention of health and education may have skewed preferences in favour of increased spending. The next section emphasises the growing popularity of health as an item deserving of more public spending.

Figure 4: 'If the government had a choice between reducing taxes or spending more on social services, which do you think it should do?'



Source: 1987–2001 Australian Election Studies

Table 2: 'If the Government had a choice between reducing taxes or spending more on social services, which do you think it should do?'

	1987	1990*	1993	1996	1998	2001
	%	%	%	%	%	%
Strongly favour less tax	43.7	35.0	37.5	40.8	33.3	27.1
Mildly favour less tax	21.6	22.5	18.5	16.3	13.5	14.8
Favour less tax	65.3	57.5	56.0	57.1	46.8	41.9
Depends	19.8	31.3#	26.8	26.1	27.5	28.5
Mildly favour social services	7.6	7.1	10.0	9.4	12.4	14.5
Strongly favour social services	7.2	4.1	7.3	7.4	13.3	15
Favour social services	14.8	11.2	17.3	16.8	25.7	29.5

Source: 1987–2001 Australian Election Studies

* Responses to 1990 poll ranged from '1' (strongly favour less tax) to '7' (strongly favour more social services).

Responses to 1990 poll where the respondents' favoured the middle option (category '4').

Australians' preferences for public spending and willingness to pay

This leads us to consider Australians' preferences for specific items of social service spending. Several Australian surveys have shown that public opinion consistently favours some social service expenditures over others (see test 1, p. 5).³⁵ A key argument of this paper is that within this template, it is the rising public support for more health funding that has contributed to the trend in Figure 4. This section presents the evidence.

There have been several Australian studies over the 1990s examining the willingness of the electorate to pay for specific goods and services out of taxation. Three findings emerge:

- polls show highest support for the maintenance of levels of taxation to finance existing levels of expenditure on all major items of social services. A majority of Australians would support some increase in personal taxation ‘if this meant that spending on higher education, health and welfare did not have to face big cuts’.³⁶
- Australians have a clear hierarchy for social service items that should attract more money, ranging from health as the highest preference to unemployment benefits as the lowest, and
- a comparison of surveys undertaken in 1992 and 2000 suggests the preparedness of Australians to increase tax to spend more on these popular items has increased over the 1990s.

The 1992 study mentioned in the latter finding asked respondents their willingness—in principle and in material terms—for governments to increase or decrease expenditure on a particular service on the understanding that increases would have to be paid for through higher taxation.³⁷ Table 3 summarises the results, which show majority support for increases in spending on health, old-age pensions and family payments. The relative level of support for these items over the past 25 years has been a common finding in Australian polls as well as in various international studies.³⁸

Table 3: Preference for adjustment to public outlays

<i>Spending</i>	Health	Old-age	Family payments	Unemployment benefits
	%	%	%	%
Decrease	3.3	3.6	3.8	26.3
Same	12.3	39.2	29	46.7
Increase	84.2	56.8	67	26.7

Source: *Economic Planning and Advisory Commission (EPAC), November–December 1992*

The study then gauged the willingness of respondents to pay for this spending relative to existing tax liabilities. Table 4 shows the annual tax liability in dollar terms per taxpayer for each item of expenditure compared with the willingness of respondents to pay for these items. It shows that there was little movement in the preferred adjustment to outlays on medical and hospital, old-age pensions and family assistance payments (relative to existing levels). Despite an overwhelming majority voicing ‘in-principle’ support for increasing public health funding, there was no willingness to pay for this through higher tax.

Table 4: Quantitative willingness to pay compared with tax liability (Mean in \$)

	Health	Old age pensions	Family payments	Unemployment benefits
Liability (\$)	1649	747	1104	405
Willingness to pay (Mean \$)	1648	777	1064	352
Mean Adjustment (%)	–	4	–4	–13

Source: EPAC, November–December 1992

A 1999–2000 study conducted by the International Social Science Survey/Australia (IsssA) also elicited Australians’ preferred items for spending and their willingness to pay.³⁹ It asked: ‘Do you think governments, both federal and state, should spend more or less on their activities, bearing in mind all the benefits that flow from those activities?’. Table 5 shows that a clear majority favoured more spending on hospitals and health. A narrow majority favoured more spending on education, slightly less than half favoured more spending on aged pensions and only 16 per cent opted for more spending on ‘social welfare’. As in 1992, the Australian public clearly ranked health as the first preference for increased outlays.

Table 5: Preference for adjustment to public outlays

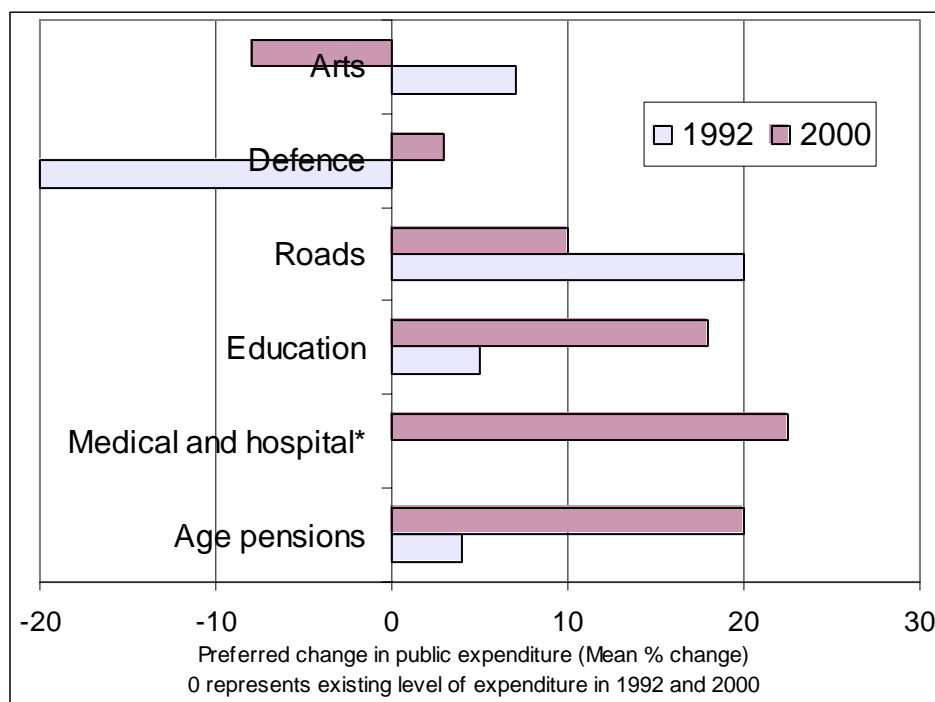
	Health—medical	Hospitals	Age pensions	Education—School	Social welfare
	%	%	%	%	%
Decrease	3	2	4	4	36
Same	33	22	49	45	48
Increase	64	76	47	52	16

Source: IsssA, 1999–2000

The IsssA survey also showed respondents the current average cost per taxpayer on each item of expenditure and asked by how much spending should increase or decrease. On average, respondents wanted the medical–health budget to increase by 25 per cent, hospitals and the age pension by 20 per cent, and the social welfare budget to be cut by 10 per cent. Figure 5 shows this is a significant change from the 1992 survey. These surveys suggest that over the 1990s there has been:

- a strong increase in public support for higher spending on health and old-age pensions, and
- a strong increase in the popularity of spending on health, education and old-age pensions relative to previous support for other areas of spending such as roads, defence and the arts.⁴⁰

Figure 5: Willingness of Australians to increase average spending per taxpayer on existing levels of outlay on public services



Source: EPAC, 1992 and IsssA, 1999–2000

* There is no bar for medical and hospital for 1992 given public opinion was unwilling to increase outlays (see Table 4). For the 2000 survey, an average is used for the categories ‘health–medical’ and ‘health–hospitals’ and for ‘education–schools’ and ‘education–universities’.

Various polls support the 2000 IsssA survey findings:

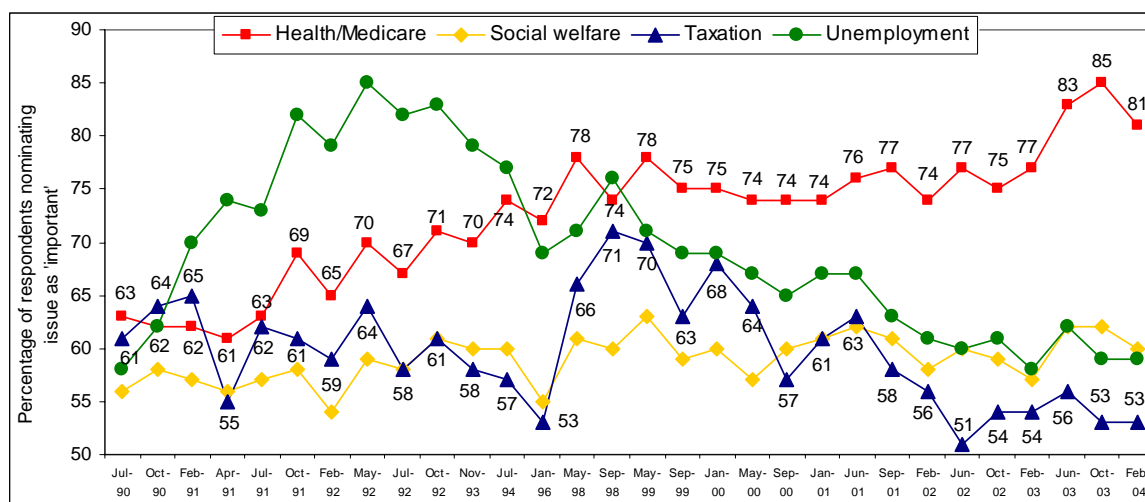
- in 1998, an ACNielsen poll asked whether people would be willing to pay ‘an extra one or two cents in the dollar in extra income tax’ to fund various outlays. In the areas of health, education and aged care, nearly 50 per cent (48–49 per cent) favoured increased spending through higher income tax; 33 per cent favoured keeping spending the same⁴¹
- in August 2001, an ACNielsen poll found 43 per cent of respondents preferred a budget surplus to be spent on health, while 27 per cent wanted it spent on education and 19 per cent wanted it spent on tax cuts⁴²
- in April 2003, a survey by UMR Research found 41 per cent would support an increase in the GST from 10 to 15 per cent ‘if it results in more services in health and education’; 24 per cent supported a rate of 15 per cent ‘if it results in a significant personal income tax cut’.⁴³

- in June 2003, a Newspoll responding to the federal budget found that 77 per cent of respondents would prefer the announced tax cuts to be spent on improvements in health and education; only 20 per cent opted for the tax cuts⁴⁴
- in November 2003, an ACNielsen poll found 88 per cent of respondents would be willing to pay more for prescriptions and higher taxes if the money goes to health and medical research⁴⁵
- in December 2003, the Australian Survey of Social Attitudes found 68 per cent of respondents were willing to pay higher taxes to spend more on health and Medicare; only 28 per cent of respondents were unwilling.⁴⁶ Those under 50 and those working full time record stronger support for 'less tax' than respondents in the 50+ age bracket.⁴⁷
- in January 2004, Newspoll found that 72 per cent of respondents would prefer a large budget surplus to be spent on health and education over personal tax cuts; only 9 per cent of respondents favoured tax cuts⁴⁸.
- in March 2004, the National Welfare Rights Network released a poll showing that most Australians would forgo a weekly \$5 tax cut if the money was spent on health, education and social services, and⁴⁹
- In April 2004, an ACNielsen poll found 72 per cent of respondents were willing to forgo a \$10 a week tax cut if the money were spent on social services.⁵⁰

Rising public concern for health

Figure 6 reveals the high and increasing importance of health over the 1990s and early 2000s. The survey presented respondents with a list of public concerns and asked 'how do you rate these issues?'⁵¹

Figure 6: 'How do you rate these issues?'



Source: *Newspoll, 1990–2004*. Note that the graph range is from 50% to 90%.

Figure 6 shows that:

- health has been the only issue (of the four) that has increased in importance over time
- in October 2003, health was rated as important an issue as unemployment had been in the early 1990s (when the jobless rate was over ten per cent), and
- between September 1998 and February 2004, the rating for health has increased from 74 per cent to 81 per cent while the rating for taxation has fallen from 71 per cent to 53 per cent. The falling rating of tax may reflect the perception that tax issues were no longer of high significance following the introduction of the GST (see test 2, p.5).

The nature of public concern for health

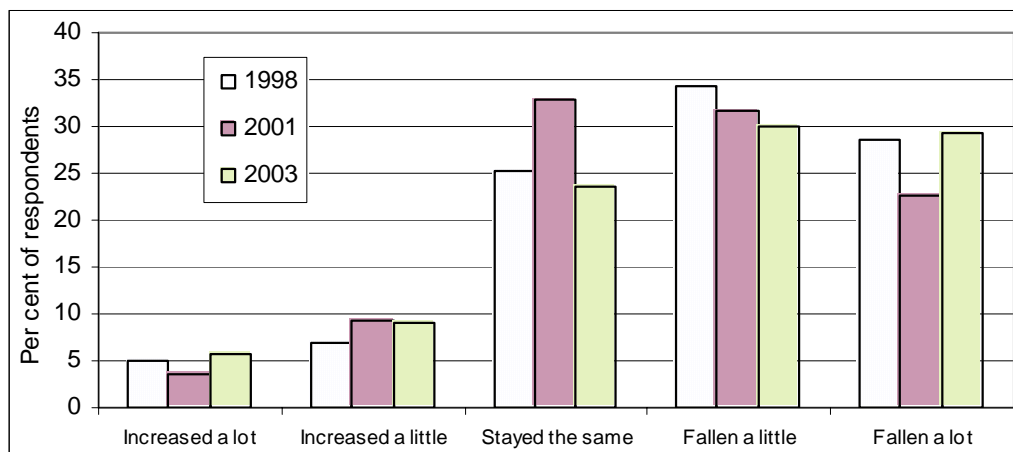
The evidence so far indicates that strong public preference for 'health' is the main factor driving the increasing support for 'more social services' over 'less tax' (Figure 4). 'Less tax' and 'more health spending' are clearly *both* popular. The 1980s NSSS surveys, for example, found 66–79 per cent support for 'less tax' over 'more social services' (Figure 3); a separate question to the same respondents in each of these four surveys found between 57 and 70 per cent to support 'more spending on health'. What, then, explains the public's apparent willingness in recent polls to pay higher tax to spend more on health?

One possible explanation is that in times of strong economic growth and rising real wages, the public sees economic issues as less important than the benefits they receive from in-kind public services such as health and education.⁵² They are better able and willing to pay for these services in buoyant economic times. The information in the Appendix would therefore indicate that, since 1992, Australians have ranked economic issues as

progressively less important and social issues as progressively more important (see test 2 and test 4, pp. 5–6).

A more convincing explanation, perhaps, can be drawn from the information in Figure 7, which shows that many Australians believe the standard of health services has declined since the mid-1990s. It is difficult to know whether the belief that health standards have fallen has caused more respondents to rate health as highly important or whether the belief that health is important has led them to take a more critical view of existing health standards. The media have tended to report negatively on the state of public hospitals and Medicare.⁵³

Figure 7: ‘Standard of health services since [previous] election’—increased, fallen, stayed the same



Source: AES, 1998 and 2001; ASSA, 2003

This publicity has probably influenced public opinion (test 2, p. 5). Recent polls find that Australians are increasingly concerned with the state of the public hospital system. Surveys among 50 Australians in 1997 and 2002 identified a set of 40 issues that were of greatest public concern. These issues were then presented to a large sample of respondents for ranking. Table 6 presents the evidence:

- in 1997, 68 per cent of those polled ranked the cost of private health insurance for inadequate benefits as an issue they were ‘very concerned’ about. This was the issue of fifth greatest concern in 1997 but fell to 36 out of 40 in 2002
- in 2002, 70 per cent of respondents ranked the closure of hospitals and declining numbers of hospital beds as an issue of great concern. This was the third most important issue of the 2002 survey, and
- in 1997, 64 per cent of respondents mentioned the issue of ‘no gap cover’, but this was not mentioned in the top 40 ‘problems’ in 2002.

Table 6: 'I am very concerned about this problem'

	1997 Survey (per cent)	2002 Survey (per cent)	Rank (/40) 1997	Rank (/40) 2002
Private health insurance benefits being costly but seeming not to deliver adequate benefits	68	46	5 th	36 th
Health insurance not covering gap	64	—	13 th	—
Closure of hospitals and declining numbers of hospital beds	54	70	33 rd	3 rd

Source: *Silent Majority Surveys III and IV*. The 'problems' are based on qualitative research with group discussions among 50 people. A questionnaire format was then composed (identical in 1997 and 2002) for quantitative research using telephone interviews among 750 people nationally. It asked respondents to rate each of the problems on a four point scale: a. *this is not a problem to me*; b. *I am a little concerned about this problem*; c. *I am quite concerned about this problem*; d. *I am very concerned about this problem*. The table records three of the problems that respondents were 'very concerned' about.

Table 6 might indicate that the public approves of measures to improve the affordability of private health insurance. The 1990 AES survey found 90 per cent of respondents supported the principle of private health insurance with 75 per cent of these advocating private treatment in public hospitals. A 1998 Morgan poll recorded 70 per cent support for the idea of a private health insurance rebate to improve the affordability of the private funds.⁵⁴

However, Medicare is also very popular and has been since its introduction 20 years ago. An indication of this popularity is found in AES polls asking which party has the preferred health policy. In five of the six election surveys since 1990, Labor has ranked higher than the Coalition. To some extent, Labor is probably preferred given the public perception it will spend more on health. But it is also likely that these polls reflect strong preference for retaining Medicare. The margin between the parties was greatest in 1993 when there was uncertainty whether a Coalition government would retain Medicare. In 1996, when the Coalition assured that Medicare would remain in addition to support for private health insurance, support for the Coalition's health policies was equal with that for Labor.

Public dissatisfaction with tax

The story so far is that Australians' preference for 'less tax' over 'more spending on social services' during the 1980s has been reversed since the early 1990s primarily because of rising public concern for spending on health. Polls indicate a preparedness to accept some higher level of tax to fund increased health expenditure. However, the public is happiest when the extra funds can be found without tax increases. These avenues include spending the money from budget surpluses or from forgoing tax cuts. The most favoured option for governments is to finance higher public outlays through the higher tax receipts received from economic growth. Economic growth satisfies the public's demand for more

spending, the financial market's demands for fiscal prudence, and allows governments the scope for tax relief.

Higher tax has never been a popular option, even for funding the most worthy expenditure items. Figure 4 shows that where health and education are not mentioned specifically, 'less tax' is a consistently higher preference than 'more social services'. Polls asking directly about the level of existing tax (relative to previous levels) without asking about social services invariably raised levels of dissatisfaction:⁵⁵

- a 2001 Saulwick Poll found 61 per cent of respondents believed that 'Australians are paying more tax than they used to'⁵⁶
- the 1998 and 2001 AES surveys found 47 per cent and 60 per cent of respondents respectively agreed that taxes had increased since the previous federal election
- the 2003 Australian Survey of Social Attitudes found 75 per cent of respondents believed that taxes had increased over the previous two years⁵⁷
- a 2003 ACNielsen survey commissioned by the Centre for Independent Studies found that substantial numbers of people believe that the current levels of income tax are unfairly high. Even when asked to consider tax levied on a single person earning \$120 000 per annum, 45 per cent said it was too high, 45 per cent said it was fair and less than 10 per cent said it was too low,⁵⁸ and
- a January 2004 Newspoll found a majority believed the current rate of 47 cents in the dollar for income earned over \$62 500 was too high.⁵⁹

These findings do not augur well for those (same) citizens demanding spending increases on major public items, or for governments seeking to deliver on these demands. The official data does support majority opinion that tax levels have increased; Commonwealth tax as a percentage of GDP is at record high levels (25.8 per cent in 2002–03) while the GST component has increased from 3.6 per cent of GDP in 2000–01 to 4.1 per cent in 2002–03.⁶⁰ Still, there is evidence that the public opinion on issues of tax and spending fails to understand the consequences of their choices. This relates to the test of responsibility (test 3, p. 6).

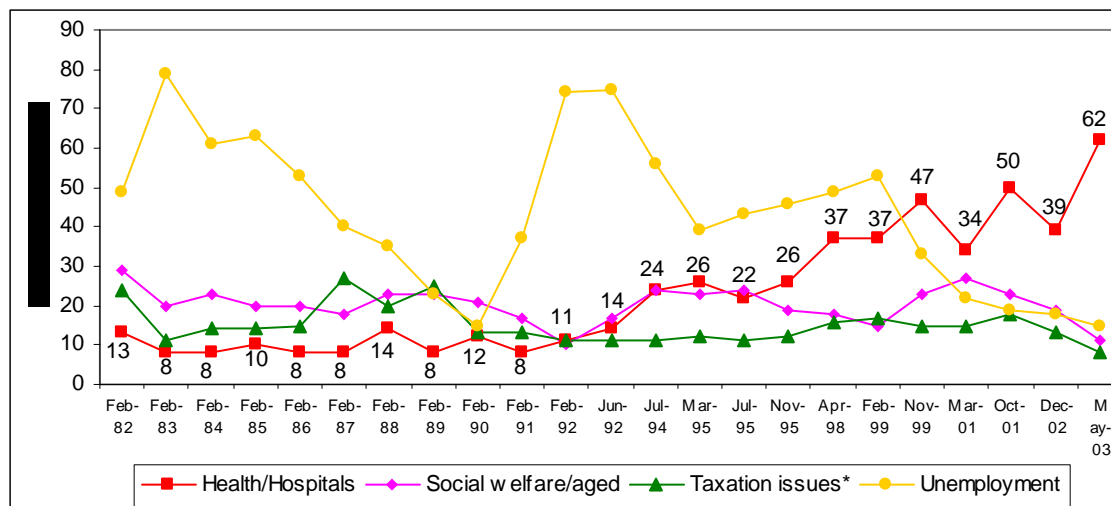
The nature of public concern for tax

Opinion polls indicate that the nature of public concern for health is qualitatively different than concern for tax. It was noted earlier that people's opinions are generally a mix of self-interest and altruism (see p. 7). A high-income earner with private health insurance may not benefit directly from Medicare but may be prepared to incur some increase in personal income tax to improve societal welfare. Whether private attitudes reflect self-interest or

the public interest depends heavily on the question asked and the issues involved, as evidenced in Morgan polls over the past 20 years.

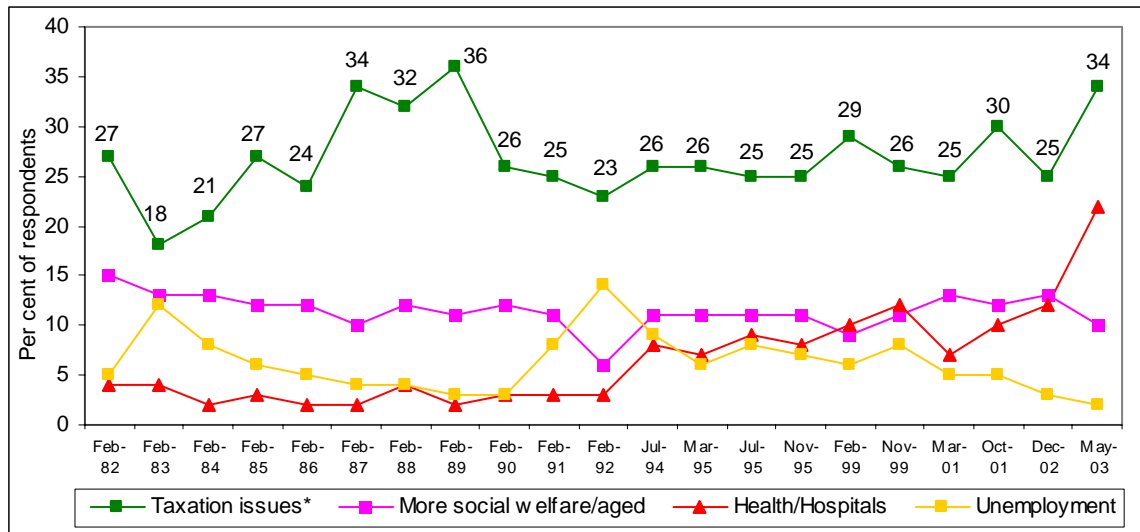
Between February 1982 and October 2001, Morgan Research conducted surveys asking two questions of respondents. The first was pitched in national terms: ‘Thinking about Australia as a whole, what are the three most important things the federal government should be doing something about?’ The second question directed attention to the respondent: ‘Thinking about yourself. What could the Federal Government do that would most benefit you and your family?’⁶¹ Figures 8 and 9 show very different aggregate responses to these questions.

Figure 8: ‘Thinking about Australia as a whole, what are the THREE most important things the FEDERAL GOVERNMENT should be doing something about?’



Source: *Morgan Poll 1982–2003*. Responses to question are unaided. The Morgan organisation only presents a breakdown of the ‘taxation’ category for polls since February 1999. The issues within the taxation category are ‘lower taxes’, ‘tax reform’, ‘no GST’ and ‘other taxation issues’. In these six polls, the percentage citing ‘lower taxes’ ranged between 3 per cent and 6 per cent. See <http://www.roymorgan.com/news/polls/2003/3635/>

Figure 9: 'Thinking about yourself, what could the FEDERAL GOVERNMENT do that would most benefit you and your family?'



Source: Morgan Poll 1982–2003. Responses to question are unaided. Note that this Figure has a different scale to Figure 8.

* The Morgan organisation presents a breakdown of the category 'taxation issues' for the six polls since February 1999. The issues within the taxation category are 'lower taxes', 'tax reform', 'no GST' and 'other taxation issues'. In these six polls between February 1999 and May 2003, 'lower taxes' was the highest sub category accounting for 18% (29%), 15% (26%), 12% (25%), 13% (30%), 15% (25%) and 26% (34%) [totals in brackets]. See <http://www.roymorgan.com/news/polls/2003/3635/>

Figure 8 shows that:

- as an issue of national importance, the ranking of tax has been static—between 10 and 20 percent— since the early 1990s
- health has been of increasing national concern over the 1990s, mentioned by fewer than 10 per cent of respondents in 1990 and more than 60 per cent in May 2003,⁶² and
- unemployment is the issue that Australians are most sensitive to as a national concern. Aggregate responses closely follow the trend in the national unemployment rate.

Figure 9 shows that tax consistently ranks higher than social welfare, health and unemployment as an issue of personal concern. Over the 20-year period, it was listed by an average of 25 per cent of respondents compared with only 7 per cent citing health. Between March 2001 and May 2003, however, the mention of health as an issue of personal benefit increased from 7 per cent to 22 per cent of respondents.

It seems that the cyclical component identified in Figure 6 and again in the Appendix is somewhat misleading when it comes to tax. Fluctuating concern for the economy is linked

more closely to concern for unemployment than tax. Although Figure 6 indicates falling public concern for taxation relative to other issues, Figure 9 shows tax *relief* is an issue of strong and ongoing appeal for the electorate. As Treasurer the Hon. Peter Costello has remarked:

I have never, ever come across anybody in 13 years of public life who believes they should pay more tax. I've come across a lot of people who think somebody else should pay more tax.⁶³

The more precise issue was observed by the Hon. Fred Chaney when he was Minister for Social Security:

We in Australia are very strong on public morality. "The Government ought to do this, they ought to do that". We are not quite as strong when it comes to private obligations. "I ought to pay for this. My taxes should be increased for that."⁶⁴

This paper has shown that opinion poll findings tend to be contradictory with majority demands for higher spending on health and aged care yet a majority rejects that even the wealthy can afford to pay. Even though polls have measured an increase in public willingness to pay higher tax to finance more health spending, it cannot be assumed that voters will act according to this preference when casting their votes.⁶⁵ The polls themselves may be misleading. Some pollsters and journalists have argued that telephone surveys understate the true level of public support for 'less tax' because people do not want to appear too selfish.⁶⁶ Moreover, as public support for more social services has been more widely publicised, it is more likely that responses will reflect the mood of the moment rather than actually reflect private opinions.⁶⁷

Conclusion: Political and public policy implications

The sensitivity of higher tax as an electoral issue presents obvious problems for politicians, political parties, policy-makers and governments. Opinion poll findings and public policy both point to the need for some level of higher spending and, therefore, higher tax. In an electoral setting it is easy for political opponents to attack spending proposals as fiscally irresponsible or dependent on undisclosed tax increases.⁶⁸ Upfront proposals for higher tax rarely pass electoral muster.

Policy-makers generally support hypothecated taxes because they draw a link for taxpayers between the cost and benefit of an item. The problem with these taxes is that they generally work only for small expenditures, rather than the major spending needed for health, retirement and aged-care.⁶⁹ The Medicare levy, for instance, covers only 17 per cent of total Commonwealth health expenditure. It is not surprising that taxpayers like Medicare because the benefits they receive far outweigh the cost of the levy. It is estimated that the Medicare levy would need to increase from 1.5 per cent to 8.7 per cent to fully fund health expenditure.⁷⁰ The short-term options are to roll the levy into the

income tax schedule or to take a political risk and substantially increase the Medicare levy.⁷¹

The long-term issue for governments facing spiralling health costs is not necessarily one of tax-spend. Perhaps the most appealing option—both politically and financially—is to subsidise health through an increase in the superannuation guarantee. This could be sold to the public as an increase in the level of personal saving rather than a higher levy, and unlike a higher levy would ensure the individual benefited directly.⁷²

This paper's finding of greater public support for more social spending in Australia probably reflects the need to redress the perceived decline in health service standards, rather than a recognition of the need to address pressures associated with long-term demographic challenges. A key future test of public opinion in the longer term is whether it accepts the size of the tax increases or spending cuts required to accommodate an ageing population, a shrinking tax base and new medical technologies. Much will depend on strong economic growth, political salesmanship in ear-marking taxes for popular items, continued cuts to upper-income welfare and further encouragement for private health insurance, voluntary superannuation contributions and extending the retirement age⁷³. Bi-partisan recognition of these challenges is an important bulwark for influencing public opinion.

Summary

Underlying attitudes

- Australians have shown a clear preference for public spending on health (medical and hospitals), aged pensions and family payments.
- Australians appear to be strongly self-interested when it comes to tax.
 - when asked about the best form of federal assistance for the individual, less taxation is by far the most preferred option.
 - when given the choice of 'less tax or more social services', 'less tax' has been the preference of more Australians in each survey of the past 20 years.
- Australians like Medicare but value the option of affordable private health insurance. High levels of support for more spending on health reflect both attitudes.

Trends

- Over the past 15 years, Australians have increasingly favoured 'more social services' over 'less tax'. Though 'less tax' remains the higher preference, the gap between these options has progressively narrowed over the 1990s and early 2000s.

- This trend is underpinned by the increased importance of ‘health’ as an issue of concern since the early 1990s. Health has progressively replaced unemployment as the issue of key concern.
- Australians have viewed economic issues as less important and social issues as progressively more important over the 1990s and early 2000s (see Appendix).
- There is some evidence that Australians have increasingly viewed public funding for hospitals as an issue of greater concern than the cost of private health insurance and the availability of gap cover.
- There is polling evidence of a commensurate willingness to pay higher taxes for increased spending on health services.

Behavioural issues

- Opinion polls indicate that Australians are prone to the ‘more for less’ paradox. Less taxation *and* more spending on health are consistent findings from separate polls within Australian surveys. There is little evidence that respondents accept responsibility for the consequences of their views on these issues.
- There is more acceptability of higher taxation when polls cite popular expenditures (such as health) rather than other social services. It is likely that reference to the term ‘social services’ heightened support for ‘less tax’ in polls over the 1980s, given public support for closer targeting of welfare expenditures.⁷⁴
- The most popular option is to finance higher outlays on public goods like the public health system through spending surpluses, deficit spending or reversing legislated tax cuts.
- A government which cuts taxation while eroding the standard of health, aged care and education services is unlikely to have the support of public opinion.

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35. See R. Smith and M. Wearing, 'Do Australians want the Welfare State?', *Politics*, vol. 22, no. 2, 1987, pp. 55–65.
36. A 1996 AGB McNair poll found that 60 per cent of respondents would support some increase in personal taxation 'if this meant that spending on higher education, health and welfare did not have to face big cuts'.
37. G. Withers, D. Throsby and K. Johnson, *Public Expenditure in Australia*, Economic Planning and Advisory Commission, Paper no. 3, Australian Government Publishing Service, Canberra, 1994.
38. See S. Kemp, *op. cit.*, Chapter 7.
39. The International Social Science Survey (IsssA) is the umbrella polling organisation of which the NSSS is a member. The results of this survey were taken from 'The budget, the election and the voter', *Australian Social Monitor*, vol. 4, no. 1, June 2001, pp. 9–14.
40. It is likely that the public would be willing to support higher outlays in defence since the increase in acts of terrorism since 2001.
41. See E. Baldry and T. Vinson, 'The current obsession with reducing taxes', *Just Policy*, no. 13, 1998, pp. 3–9.
42. <http://www.abc.net.au/7.30/content/2001/s347790.htm>
43. 'GST and Tax', UMI Research Pty Ltd, 24–28 April 2003.
44. <http://www.uq.edu.au/economics/johnquiggin/news/Budget0305.html>
45. 'Raise health spending: poll', *Canberra Times*, 1 March 2004, p. 1.
46. R. Gibson et al., *The Australian Survey of Social Attitudes*, Australian Social Science Data Archives, Canberra, Australian National University, 2003.

47. T. Breusch and S. Wilson, 'After the tax revolt: Why Medicare matters more to middle Australia than lower taxes', *Australian Journal of Social Issues*, Vol. 39, No. 2, May 2004, p.104.
48. Newspann and *The Australian*, 15–18 January 2004; See www.newspann.com.au
49. B. Ruse, 'More welfare funding put before \$5 tax cut', *West Australian*, 27 March 2004, p. 50.
50. M. Grattan, 'Tax cuts not an automatic winner: poll', *The Age*, 28 April 2004, p. 1.
51. The issues were 'education', 'health/Medicare', 'unemployment', 'environment', 'family issues', 'welfare', 'taxation', 'leadership', 'interest rates', 'inflation', 'defence', 'women's issues', 'industrial relations', 'immigration', 'aboriginal issues', 'balance of payments' and 'foreign investment'.
52. Data from the December 2003 Quarter of National Accounts shows that average real wages have increased from \$722 in March 1990 to \$766 in March 1996 and \$867 in December 2003.
53. See, for example: B. Hickman, 'Doctors feel weight of frustration', *The Weekend Australian*, 1 May 2004, p. 21; R. Yallop, 'A national state of emergency', *The Australian*, 4 May 2004, p. 7; J. Kelly et al., 'Despair, agony on the frontline', *Herald Sun*, 29 April 2004, p. 5.
54. See M. Wooldridge, *Hansard*, House of Representatives, 12 November 1998, p. 265. In the First Reading of the Private Health Insurance Incentives Bill, Minister for Health The Hon. Michael Wooldridge claimed that the policy was at one with public opinion:

Australians value a mixed system of public and private health care Australians value choice and this Government recognises the contribution that Australians wish to make to their own health care.

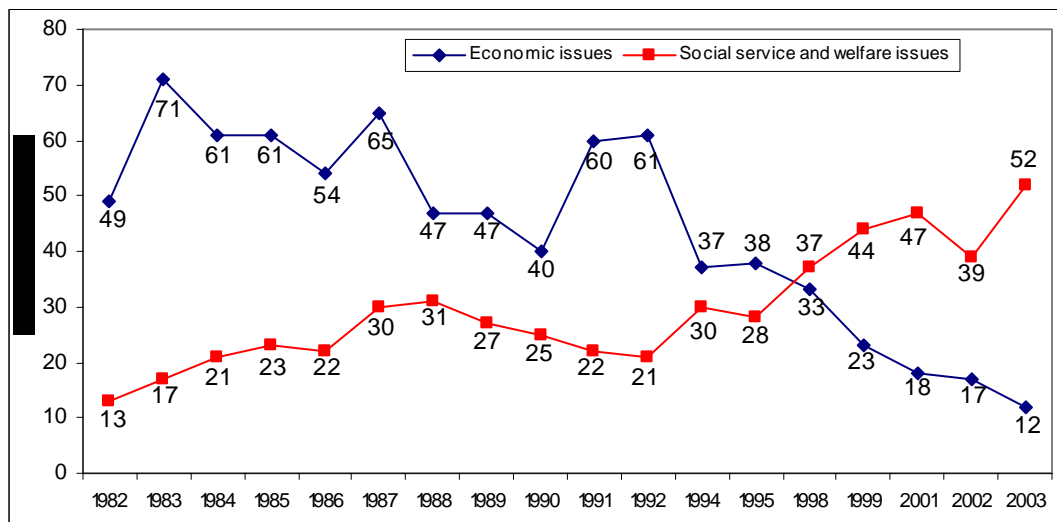
In similar vein, he later claimed:

[T]his is a tax cut. We are making private health insurance tax deductible. That is what the public want, so that is what we are going to give them.

M. Wooldridge, *Hansard*, House of Representatives, 23 November 1998, p. 374.
55. There are obvious parallels between these polls and the surveys asking about standards of health services (Figure 5). In the absence of a choice between two competing options, both types of survey elicit respondents' grievances.
56. 'Snapshot of a nation', *The Age*, 8 October 2001, p. 5.
57. R. Gibson et al, op. cit.
58. Low: 'A single person with no dependents who earns \$30 000 a year loses about 20 per cent of this (\$5 830) in taxes and levies. In your view is this tax deduction (a) unfair (they should pay less); (b) fair and reasonable; (c) unfair (they should pay more)?'
Medium: 'A single person with no dependents who earns \$60 000 a year loses about 30 per cent of this (\$17 080) in taxes and levies. In your view is this tax deduction (a) unfair (they should pay less); (b) fair and reasonable; (c) unfair (they should pay more)?'
High: 'A single person with no dependents who earns \$120 000 a year loses about 40 per cent of this (\$46 780) in taxes and levies. In your view is this tax deduction (a) unfair (they should pay less); (b) fair and reasonable; (c) unfair (they should pay more)?'

59. Newpoll and *The Australian*, 16–18 January 2004; G. Megalogenis, ‘Top rate too high, say half of voters’, *The Australian*, 23 February 2004, p.1.
60. Australian Bureau of Statistics, *Taxation Revenue 2002–03*, Cat 5506.0. See also D. Bassanese, ‘Howard writes tax history’, *Australian Financial Review*, 2 April 2004, p. 11.
61. The Morgan organisation did not supply respondents with issues to aid in the answering of these questions.
62. This is consistent with the data in Figure 4.
63. See M. Wade and M. Riley, ‘Everyone prefers a tax cut to better services: Costello’, *Sydney Morning Herald*, 31 May–1 June 2003, p. 10; A. Horin, ‘Opinion favours social spending, not tax cuts’, *Sydney Morning Herald*, 17 October 2003, p. 6.
64. F. Chaney, ‘Opening Address’, *Social policy in the 1980s*, J. Dixon and D. Jayasuria (eds.), Canberra College of Advanced Education, Canberra, 1983, pp. 1–6.
65. See Zaller, op. cit., 2001.
66. See the reference to the comments of Sol Lebovic in ‘Cutting income tax is a political winner’, *The Australian*, 23 February 2004, p.6. See also Grattan, op. cit.,
67. See T. Kuran, *Private truths, Public lies: The Social Consequences of Preference Falsification*, Harvard University Press, 1997, see pp. 84–104.
68. S. Wilson and T. Breusch, ‘Taxes and social spending: the shifting demands of the Australian public’, *Australian Journal of Social Issues*, vol. 38, no. 1, February 2003, p. 52.
69. See Keating, op. cit., p. 23.
70. Warren, op. cit., p. 220.
71. *ibid.*
72. C. Murphy, ‘Higher super urged to pay health costs’, *Weekend Australian Financial Review*, April 23–26 2004, p. 4. An increase in the superannuation guarantee (from 9 per cent to 15 per cent) was recently proposed by Access Economics. It argued that a 6 per cent rise in the guarantee would increase superannuation assets to 195 per cent of GDP in 2042 compared with the estimated 129 per cent.
73. On the issue of upper-income welfare, see B. Toohey, ‘The new welfare state’, *Australian Financial Review*, 16 February 2002, p. 17 and B. Toohey, ‘The new welfare state, How the older generation is milking taxpayers’, *Australian Financial Review*, 9 June 2001, p. 23.
74. See Grant, op. cit.

Appendix: 'Thinking about Australia as a whole, what are the THREE most important things the FEDERAL GOVERNMENT should be doing something about?'



Source: *Morgan Poll, 1982–2003.*

The Graph collates responses to the question according to two categories: economic issues and social welfare issues. The squared line represents the aggregate percentage of respondents mentioning a social welfare issue for each year. The issues within the two categories are as follows:

Economic cluster, 1982–1992: Unemployment, Business/industry/rural growth, Stabilise/improve economy, Lower tax, Overseas trade, Decrease deficit, Reduce imports from overseas, Reduce size and cost of government, Reduce cost of living, Interest rates

Economic cluster, 1994–2003: Unemployment, Taxation/lower taxes, Tax reform, Taxation/no GST, Other taxation, Economy and finance, Industry and business, Petrol prices, Interest rates.

Social cluster, 1982–1992: Improve education, Hospitals and health care, Help for elderly, More social welfare

Social cluster, 1994–2003: Health/hospitals, Medicare, Education/schools, Social welfare and aged, Housing/homeless, Child and youth services