

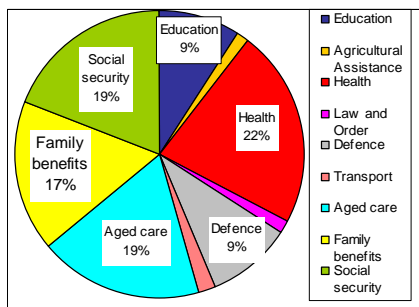
## Less tax or more social spending: twenty years of opinion polling

### Introduction

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 serving these preferences 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.

Opinion poll surveys often test the trade-off between less tax or more spending on social services. One reason is that 'social services' are the largest item of government expenditure in Australia. Estimated actual outlays for 2003-04 show that social security, family benefits and aged care collectively account for 55 per cent of expenditure on major items of public provision (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 mainly through direct taxation.

Figure 1: Estimated actual expenditure for 2003–04



Source: *Budget Paper No. 1, 2004–05*

Australia is a low tax country relative to other nations although 2002–03 tax revenues as a percentage of GDP (31.5 per cent) is at an historical high. Surveys on the tax-social service nexus

therefore test a key area of government activity and public involvement.

### Poll findings

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.

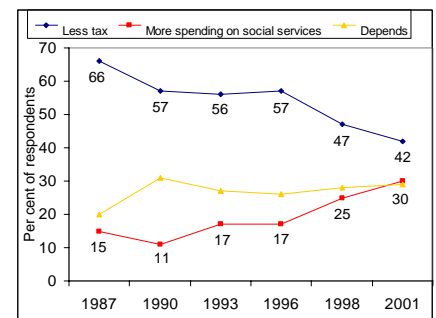
Consistent with several international findings, most Australian opinion polls show public acceptance for higher taxes to pay for the popular broad-based items of health services and old age pensions. Health polls are unambiguous in the preference for higher spending and better services, reflecting health's character as a public good 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.

Most 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 reveals 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' (Figure 2).

Figure 2: Less tax or more spending



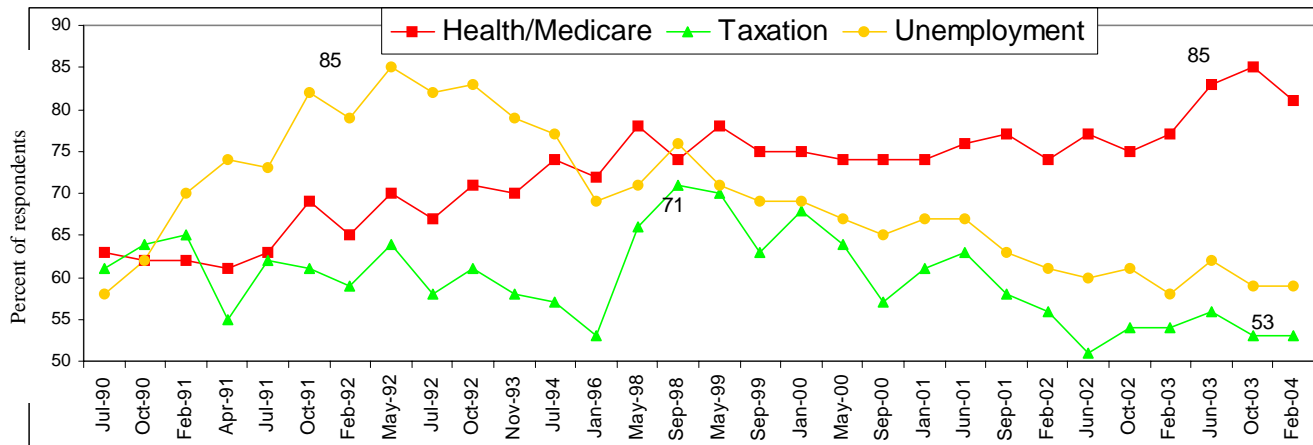
Source: Australian Election Studies 1987–2001

A likely contributor to the 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 (Figure 3).

Polls show 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.

In 1997, the cost of private health insurance was ranked fifth among

Figure 3: 'How do you rate these issues?'



Source: Newspoll, 1990–2004

40 issues that respondents were 'very concerned about'. By the 2002 survey, its ranking had fallen to 36<sup>th</sup>. In 2002, the closure of hospitals and declining numbers of hospital beds were ranked the third most important issue, having been ranked 33<sup>rd</sup> in the 1997 survey. In 1997, 'no gap cover' was ranked 13<sup>th</sup> but was not rated among the top 40 'problems' in the 2002 survey.<sup>1</sup>

### Patterns in public attitudes

Survey research has identified several criteria that public opinion must satisfy if polls are to be treated seriously. Australian survey findings on the tax-social services nexus indicate that the public thinks intelligently about these issues. This intelligence 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' (Morgan Poll), 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*
  - several commercial and academic polling organisations have 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, and*
  - since the recession of the early 1990s, Australians have ranked economic issues as progressively less important and social issues as progressively more important (Figure 3)
  - 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 the standard of health services has declined since the mid-1990s
- *it accepts the consequences of its views.*

### More for less

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'.<sup>2</sup> 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'.<sup>3</sup>

In the absence of such confidence, 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.

1. *Silent Majority Surveys.*
2. The Commission on Taxation and Citizenship, *Paying for progress: A new politics of tax for public spending*, Fabian Society, London, 2000, p. 3.
3. *ibid.*

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