

## Is Reform Hopeless In An Era Of Disillusion?

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Around 23 per cent of Australians gave their primary vote to minor parties and independents at the July federal election. This is the highest number since the formation of the Liberal Party and the three party system at the end of the Second World War.

When political historians look back on our era it is unlikely they will focus on the machinations that have seen prime ministers spilled and governments rolled. Rather, they are likely to see the most important trends of our time and the growing popular disillusion with the major parties—indeed, the growing disillusion with the entire political class. It's no surprise that in the privacy of the ballot box, more and more Australians are voting for none-of-the-above.

This trend is not unique to Australia. In the United States, the support for Donald Trump in the Republican Party and Bernie Sanders in the Democrats shows that even party loyalists are tired of what the mainstream is offering up. In the United Kingdom, Jeremy Corbyn's ascent to the Labour leadership and Brexit—the successful referendum to withdraw from the European Union—was driven by a similar anger.

This is the politics of our time. It's not about individual politicians—it's no more about the individual characters, even policy positions of Nick Xenophon or Pauline Hanson or Derryn Hinch, no more than it is about Donald Trump as an individual or Bernie Sanders or Jeremy Corbyn. It's about what has driven so many voters in the richest, most stable liberal democracies that human history has ever known to reject the political mainstream.

## **A MATTER OF TRUST**

A democratic political system is based on trust. Each party trusts that the other will accept the result of an election that does not go in their favour. This is a trust we take for granted in a country like Australia but a very real challenge for weak democracies in the third world.

But there are other layers of trust. We the voters trust that having elected a party it will govern in a way that resembles that which it promised before the election. In a representative democracy no government is obliged to fulfil its campaign promises—it does so by convention and fear that it will be punished by voters for failing to do so.

That promises are often broken is one of the long-standing norms of democratic politics. One 2009 survey of studies into election promises found that political parties in Europe and the United States kept an average of 67 per cent of their promises when in government. This number is if anything remarkably high. But in the Australian context what has mattered in recent years is not the number of promises broken or fulfilled, but how those achievements or failures have reflected in the perception of the government that promised them.

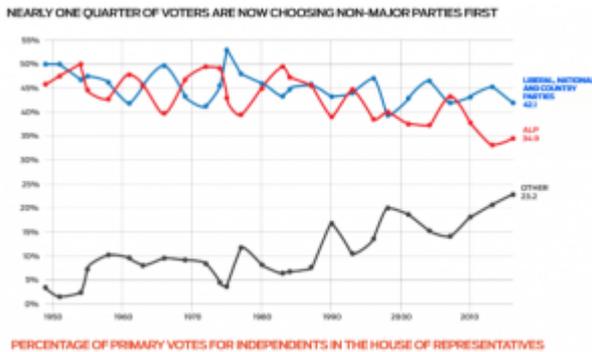
Take Julia Gillard's infamous election-eve statement that there would be 'no carbon tax under a government I lead'. This was followed in government by a fixed price emissions trading scheme that all commentators on the left and right admitted was functionally equivalent of a carbon tax.

Were many voters duped into voting Labor because of the specifics of a fixed price emissions scheme, and subsequently angry that they had voted under false pretences? This seems unlikely. But it spoke to a betrayal of the values which the Labor party had presented in 2010. Before the election, Gillard had punted the divisive issue of an emissions trading scheme to the 'citizen's assembly'—150 ordinary Australians who would listen to experts on climate change and what to do about it, and provide recommendations to the government. Labor's deal with the Greens to push through a carbon tax immediately not only reversed the go-slow approach but it gave the impression of a vastly different Labor government to that which had been cultivated during the campaign. Broken promises only hurt when they speak to a party's overall identity.

Likewise, Tony Abbott's decision not to pursue his promised repeal of section 18C of the Racial Discrimination Act has been a running sore on the Coalition's time in power because it presented, for the government's supporters, a rejection of the ambitions of a centre-right philosophical resurgence.

Section 18C is not the be all or end all of liberal policy, or even of the threats to freedom of speech

in Australia. But its promise sent a powerful signal that the tide could be turned towards liberty, and that a mainstream party was able and willing to make that change. When Abbott abandoned the promise, he undermined the vision of liberal-conservative government he had cultivated in opposition. The Coalition surrendered the very 'Freedom Wars' it had declared.



Credit: Parliamentary Library and ABC

It must have been somewhat to their horror that Malcolm Turnbull and Scott Morrison spent the first half of their eight-week election campaign talking about their changes to superannuation. Superannuation stung them for the same reasons that the carbon tax stung Julia Gillard and 18C stung Tony Abbott. Repeatedly throughout the Coalition's term in government it rejected the possibility of increasing taxes on super. Tony Abbott had ruled out no changes to superannuation in the 2013 term 'or the next'. Scott Morrison was publicly opposed to changes as recently as November 2015.



Tony Abbott on SBS stating there would be 'no cuts to education' and 'no cuts to health' in September 2013

The Coalition was gearing up for an argument that pitted the high taxing Labor party against the low taxing, small government Liberal-Nationals. Their error was in part strategic—to announce an extremely complicated policy that harms self-funded retirees, many of whom would be expected to be Liberal voters was always going to be fraught—but it was a serious policy mistake as well. It was a breach of faith that recalled the deficit levy in 2014, demonstrating that the Coalition was happy to whack its own supporters for expediency.



Trust, indeed, is fundamental to the superannuation system itself. Superannuation has long been presented as a secure foundation for savings. But now the Coalition has established that the Commonwealth sees it as a money pot which can be dipped into for fiscal or political expediency.

Having changed the rules this time, savers will rightly believe the rules can be changed again. This is the sort of policy manoeuvre that erodes faith in the public policy system as a whole.

In his 2016 book *The Trust Deficit*, Sam Crosby, executive director of the Labor leaning think tank the McKell Institute, points out that voters who do not trust that governments will act in their interests will vote for non-incumbent and third party candidates. Trust— as nebulous as it is—is the bedrock of political power in a democracy. And the major parties have been systematically eroding it, by governing contrary to what people thought they were voting for.

Kevin Rudd promised fiscal conservatism, and gave us the record stimulus spending. Julia Gillard promised a sober approach to climate change policy and gave us the carbon tax.

Tony Abbott promised a slower, more adult government than Labor and could not live up to that. Malcolm Turnbull promised us a new disciplined approach to economic management, and gave us six months of policy confusion, a tax increase, and an eight-week election.

The minor party vote is a reflection on the failures of the major parties.

## THE CONSEQUENCES

Australia's fiscal and economic problems demands serious reform. In 2016-17, the Australian government will spend, as a percentage of GDP, as much as it did when Kevin Rudd was stimulating the economy. In other words, the Commonwealth is at a permanent emergency level of spending.

Furthermore, our policy settings seem deliberately geared against the needed economic growth that might bring the budget back to surplus. For instance, Institute of Public Affairs calculations have found that red tape—that is, unnecessary and counterproductive regulation—costs the Australian economy \$176 billion a year. There are nearly 500 separate government bodies at the Commonwealth level involved in the imposition, administration and design of red tape.

Australia has fewer taxpayers supporting more people who are dependent on the state.

As the *Weekend Australian* pointed out in May 2016, if you add the 4.48 million people who are wholly dependent on federal government pensions, allowances and parenting payments to the 1.89 million people who are public sector employees, that means 44 per cent of Australians draw their livelihood from the non-productive sector. This is not sustainable—certainly if we are to maintain the high living standards we expect.

Whether they like it or not, the Turnbull government is going to have to reckon with these deep structural problems in the Australian economy. Yet the eroded trust between population and

politician is going to make it extremely hard to do so.

That lack of trust affects the possibility of reform in two ways. First, it is not clear that the minor party and independents that have been thrown up by the anti-major vote are capable of reckoning with this problem. Neither Pauline Hanson nor Nick Xenophon—to take the two most prominent winners from 2016—have an appreciation of the need for drastic economic reform. If the Coalition acquiesced to some of their policy positions—such as subsidies for private firms and protectionism—our economy would be in a substantially worse shape than it is now.

Second, and more fundamentally, reformers need the trust of the voting population in order to push major reforms through. Complex reform needs explanation, and if the public believes that explanation is not done in good faith they will reject it. No matter how certain they are of their course, few governments can swim against the tide of public opinion indefinitely.

This looks like a pessimistic story but it is not. One of the arguments that came out of the Gillard years was that the era of reform was over.

Paul Kelly, most influentially, argued that the political system had evolved a few key features that made reform if not impossible, then improbable. In his argument, the faster pace of political life (encapsulated by the unending panel shows of 24-hour news networks and the anarchic, unpredictable world of social media) along with the power of sectional interests (here he is thinking of the mining industry's campaign against Labor's mining tax) are structural barriers to reform.

There is no question that the pace of political life has changed. It's unclear how this selects against reform—more venues for political commentary does not imply the population is more interested in politics than they were in the past. Kelly's concern with 'sectional' interests is also misplaced. We are in an era where old power blocs are breaking down, rather than consolidating their power—at no time in history have the old industrial empires (media, unions, corporations) been under as much pressure and contestation as today.

In fact, Kelly's argument would be more convincing if he had traced the opposite argument: getting through political reform is no longer a matter of a few handshakes between unions and corporate leaders.

The trust deficit is in part a reaction to that cosy, conspiratorial style of politics.

Seen through this light, there's a clearly undemocratic thread running through complaints that minor parties make reform impossible. The criticism that non-major parties are 'populist' is a bizarre complaint in a democracy where voting is supposed to aggregate the popular preferences of the masses.

The nostalgia for political moves like the Hawke government's Accord is a nostalgia for government by handshake rather than popular consent.

Political strategists advise governments to shirk reform because it is unpopular.



It is true that John Howard took a GST to an election, explained the need for reform clearly and comprehensively, and nearly lost. But he pushed the policy through parliament after that election, and the GST is widely seen as the cap on the reform era.

By contrast, Malcolm Turnbull took very little to the 2016—failing to explain either his superannuation tax increase or his corporate tax reduction—and nearly lost.

Howard left 1998 empowered, despite the election being a close run thing. Turnbull looks wounded from his 2016 near loss.

Reform is hard to argue for. But if we are to tackle the substantial economic problems facing the Australian economy, the focus will have to be establishing a trust between the political class and the population they purport to represent.