

## Melbourne – The Policy Pitch

### *Post Trump, Post Brexit, Post Policy: the Rise of Populism*

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Established political parties are struggling across the developed world, while “outsider parties” rise. Although the outsider vote is rising everywhere, it has risen particularly fast in regions further from big cities.

These voting patterns are being used to justify all kinds of policy reforms such as increased income redistribution; more regional development money; tighter migration controls; and more intrusive security regulation.

But these proposals all make assumptions about what is really driving the rise of outsider parties. And opinions differ. Some focus on economic explanations: increasing inequality; slower economic growth; or differences in economic growth between cities and regions. Others think that the issues reflect culture wars: too much (or the wrong kind) of migration; too much social liberalism; or widening cultural divides between metropolis and region. And some think that the problems are institutional, reflecting falling trust in established structures, and a widening gap between rulers and ruled.

This *Policy Pitch* event detailed Grattan analysis about the real shifts in Australia’s economy, culture and institutions, and which of them are plausibly linked to shifts in voting. It then considered what policy reforms would do most to re-engage people in the institutions that are vital to good government.

**Speakers:** John Daley, CEO, Grattan Institute  
Paul Austin, Editor, Grattan Institute

ANNA BURKEY: Good evening everyone, welcome to State Library Victoria on what’s a pretty warm day out there, isn’t it? It’s nice and cool in here, so sit and relax. My name is Anna Burkey and I am the Head of StartSpace here at State Library Victoria. It gives me great pleasure to welcome you to tonight’s *Policy Pitch* which is *Post Trump, Post Brexit, Post Policy: the Rise of Populism*, which incidentally I think was the title of my high school history essay, my final exam, where they hoped we would learn lessons of the past and not need to revisit the rise of populism, but the wheel turns and here we are. I would like to acknowledge that this seminar is held on the traditional lands of the Kulin nation and pay my respects to their elders past and present and any elders who might be with us in the audience this evening. I’d also like to give a warm welcome to tonight’s speakers, John Daley and Paul Austin, the Grattan Institute Members and staff who are with us in the audience, the Friends of the Library, and all of you warm people who have stepped out of the sunshine tonight.

*The Policy Pitch* is a joint initiative between the State Library and the Grattan Institute and it's a really important partnership for us because it completes and augments our aim to be a catalyst for ideas and discussion and debate about the really important things affecting our world and giving us an opportunity to debate and discuss the future world, the future Australia that we want to live in. I am the Head of StartSpace, which is a new initiative from the State Library. It's our new centre for entrepreneurship and innovation. It doesn't open for a couple of years, it will open as part of the Library's major redevelopment plan in 2020, but it's there to support very early stage entrepreneurs, those who are thinking of starting a business, those who want to take over the world with their businesses, to give them co-working spaces and to give them access to business resources, mentors and coaches. It's going to be a really special place of events and education to empower and support their vision for the future and it also gives us an opportunity to continue that discussion about creativity and the world of work and what kind of Victoria we want to see in front of us.

Tonight I'm really looking forward to hearing some insights about the rise of populism, which I hope has progressed somewhat since my history high school paper, and I'm very pleased to be able to introduce our speakers to discuss the shifts over the years. John Daley is the CEO at Grattan Institute and is one of Australia's leading public policy thinkers, with 25 years' experience in public, private and university sectors. He's worked for ANZ and McKinsey in a career that also includes expertise in law, public policy, strategy and finance. Paul Austin is Editor at Grattan and worked for many years as a journalist and editor at Fairfax and News Corporation. He reported from Canberra and Spring Street's press galleries and was at various times Deputy Editor and Opinion Editor of both *The Age* and *The Australian* newspapers. More recently he's been an independent media and communications consultant specialising in speech writing, editing, and strategic and political advice. Please join me in welcoming John and Paul.

PAUL AUSTIN: Thank you so much Anna and can I also welcome everyone to this *Policy Pitch* forum at this wonderful institution, the State Library. I'd like to join Anna in acknowledging the traditional owners of the land on which we meet and I too pay my respects to their elders past and present.

As Anna mentioned, my name's Paul Austin, I'm the Editor at Grattan and I'm delighted to be joined on stage by my boss, Grattan CEO John Daley. Anna's mentioned just some of John's more formal credentials, but I thought I might add a few informal ones. John has been referred to publically on the ABC as "Australia's chief policy wonk" and he's been referred to privately in the Grattan Institute as "a force of nature" and if this is the first time that you've seen a presentation from John, you're about to see why. John and a team of researchers at Grattan have spent a good deal of the past year looking at and thinking about the topic that we're discussing tonight, the rise of populism. That work will culminate in a substantial Grattan report early next year, just in time for the resumption of parliament in 2018, as a matter of fact, but you will get much of the benefit of that work and thinking tonight. I hope you'll find it all fascinating; I'm sure you'll find some of it surprising. Before we start, let me briefly outline the structure for this evening. John and I will discuss the issues for half an hour/40 minutes before we open up to questions from you, our audience members. I've got here some questions that some of you sent when you registered for tonight's event, some of them are pretty good too, and I

hope to put some of them to John, but we certainly encourage live questions from the floor, so please be ready when that time arrives.

Right, let's get into it. I reckon, John, I need to say just three words to illustrate what we're talking about tonight: Brexit, Trump and Hanson. Those three words I think sum up one of the most tumultuous times in global and domestic politics that any of us have ever seen. All the old political certainties seem to be breaking down and we're all searching for some coherence amidst the chaos. So John, as I welcome you, I want to let you know that I want you to perform a small miracle for us tonight: all I want you to do is to make sense of this weird and wacky era of politics. We've called tonight's event *The Rise of Populism* and we want to cover three broad questions, firstly, what exactly has been going on in politics in recent times; secondly, why has this happened, what might have caused these voting trends and the rise of populism and protest politics; and, thirdly, what should be done about it? That's all John, that's all. So let's start at the start. John, what is the story of the ballot box over recent years, first internationally and perhaps then domestically?

JOHN DALEY: If we look internationally across the developed world for about the last 30 years the vote share of centre-left and centre-right parties has been falling, and that's true in pretty much every developed country. There was an extraordinary report put up by Barclays Bank, of all people. Obviously there was someone who had a First Class Honours degree in history from Oxford or somewhere and had always wanted to actually do something important, as opposed to write about the latest company, and this was a big enough trend that they finally let him or her off the leash. They wrote 70 actually quite brilliant pages on the rise of populism across the developed world and it's a very clear trend. One of the things that happened was when minor parties win 10% of the vote that's kind of a curiosity; when they win 20% of the vote that's vaguely interesting; when they win 30% of the vote that actually starts to matter; when they win 40% of the vote people actually pay attention; and when they win 50.01% of the vote then of course the election result is radically different. It's worth remembering that both the Trump and the Brexit results were very, very close. The important thing about them was more that they were not the culmination, they were just the latest point on the trend and if it hadn't happened then it might well have happened later. So that's what we see happening around the world. When we look at that trend in a bit more detail we can see the rise of these minor parties/alternative parties across the board but particularly in regions, so away from the large cities which around the world are an increasing share of the economy and usually an increasing share of the population as well.

PAUL AUSTIN: And that distinction between the cities and the regions is not just an Australian phenomenon?

JOHN DALEY: No, indeed. If you look at the map of Brexit it's absolutely true, as I think has entered the popular imagination, that London voted to stay, but it's not true that the rest of England voted to leave. In fact, if we look at England, Oxford, Cambridge, Bristol, Southampton, Leeds, Manchester and Birmingham - pretty much every single substantial city in England voted to stay and all of the country areas voted to leave. Of course, Scotland is literally these days another country and they all voted to stay as well, but it's a very clear pattern. Also, if you look at the map of the United States'

(US) election and what happened with Trump, again, the popular imagination is that Hillary won the West Coast and the East Coast and Donald won everything else, whereas if you look at the map very carefully, and the New York Times very helpfully lets you blow it up and go and play with it, what you discover is that Hillary didn't simply lose Iowa, for example, which of course is one of the most important states. Hillary carried pretty much every town in Iowa and she lost all of the regional areas in Iowa itself and when you zoom in on the map of the United States you discover that's kind of what happened everywhere. So Hillary took all of the cities and the towns and Donald basically took all the bits in-between, and it so happens that in the United States all the bits in-between actually cover a very large number of people.

It's an interesting contrast to Australia where something like 75% of the population live in five or six big cities and when you take out the major towns, the Bendigos and Ballarats of this world, the number of people who live in regional Australia, meaning towns of less than call it 5,000 people, is actually quite a small proportion of the population. You can colour a map and 89% of the population lives in parts of Australia that you can only see if you blow the map up really large; 11% of the population lives on most of what you can see at a distance.

PAUL AUSTIN: Who is benefiting from this within the Australia body politic?

JOHN DALEY: That's an interesting question because when we look at Australia we see two phenomena. We see a rise in the minor party vote in general, wherever you are. It used to be that minor parties - and I'm not counting the Greens as a minor party for the moment - took about 10% of the vote in inner city areas. They now take 20%, so there's been a big jump up. Then minor parties have always done better the further you go away from the capital cities, GPO, it correlates really well, our state boundaries are actually not drawn that badly and as you go further from the GPO the minor party vote goes up. It used to be about 20% and it's jumped up to typically round about 35%, so a big jump. So that's what we've seen and then who wins that? You started off by saying everyone thinks it's about Pauline Hanson. That's one of the myths I really want to explode here: this is not about Pauline. This is about a lot of people whose names you probably don't recognise.

If we look across the country, in the last Senate election Pauline Hanson's One Nation Party took about 3% or 4% of the vote. Minor parties in general took about 26% of the vote, so she's quite a small percentage of what is going on here. Even if you look at some Victorian electorates in the region, so let's take the seat of Murray, which covers Shepparton and the areas around it, yes, Pauline Hanson's One Nation Party gets more there than they did in the seat of Melbourne, which covers where we are now. They took 4%. They were almost outpolled by the Animal Justice Party which took 3%. Across Australia you see this pattern very commonly. In fact, if you go to Queensland, which is where Pauline won more of the vote than she did anywhere else, I don't think there is a single electorate in which the One Nation Party got more of the vote than all of the other minor parties. Indeed, you get a really interesting pattern in Queensland that shows you that the One Nation Party essentially got almost none of the vote in central Brisbane and its vote then went up and up as you went further and further away from Brisbane. All the other minor parties were actually pretty consistently around about 20% of the vote wherever you were.

PAUL AUSTIN: So it's not all about Pauline. Can I put it to you that you say "people we don't know" but there is a personality emphasis here, is there not?

JOHN DALEY: That's true and it tends to be very state-based personalities. Jacqui Lambie won more of the minor party vote than anyone else in Tasmania, Nick Xenophon won more of the minor party vote than anyone else in South Australia, Pauline did win more of the minor party vote than anyone else in Queensland and Derryn Hinch was the brand name, if you like, for Victoria. It's interesting that none of these brands really carried particularly well beyond their home state, for instance Derryn Hinch's Justice Party barely registers on the graph anywhere except Victoria. One Nation Party does register on the graph outside of Queensland, but often it's quite small in the overall scheme of things. So what we've been trying to work out is why is it that collectively these minor parties are getting so much more of the vote than they used to?

PAUL AUSTIN: Okay, so that's the easy bit, we've exploded one myth, it's not all about Pauline in Australia, but let me move on now to the hard bit, John. Why is this happening? Why is there a rise in the minor party votes? Why is there a rise in populism? I want to break it down, if I may, to three general subject areas. Are we talking about an economic phenomenon, a social phenomenon or a cultural phenomenon? Let me put a proposition to you John about economic factors. I reckon I know what's going on, this is all about economic disadvantage and increased inequality. As the cities have got richer and the regions have felt poorer, people in the bush have decided to protest at the ballot box. It's simple, isn't it? Isn't this all a cry for help from the bush?

JOHN DALEY: Well, one of the problems in this area is that a lot of things have been happening over the last ten years around the world, as well as in Australia, and people tend to say because this correlated with the rise of the minor party vote in the following country, the rise of the minor party vote was caused by that. As policy wonks in this room know, causation does not imply correlation, although one thing I do want you to think about is that, by and large, non-correlation does imply non-causation. If something doesn't happen and something else does happen, it's a pretty fair bet that the first thing did not cause the second thing. That's where Australia's very interesting because economically Australia's had quite a different course to a lot of the developed world over the last 10 or 15 years. The Global Financial Crisis was a really big deal in Europe and a pretty big deal in the United States, it affected the Australian economy but it was a minor deviation in an otherwise pretty rapidly rising economy, as opposed to a significant downturn that a number of European countries still haven't recovered from some eight years later. So Australia is an interesting case to try and find some of these non-causation/non-correlation things.

Let's look at what's actually happened here. One theory, and you hear a lot about this in the United Kingdom (UK), is that all of this is driven by economic lack of progress, wages being flat or declining and so on. The problem with that is in Australia the big jump in minor party votes actually happened in 2013. It didn't happen in 2016, it went up a bit further in 2016, but the big jump was in 2013. The problem is that in 2013 - and it is a little while ago, so we've probably forgotten - wages had gone up a long way in the previous four years. It was the end of the mining boom in Australia, in fact that had been pretty well shared. Yes, wages had gone up much faster in Western Australia and

Queensland than they had in Victoria and New South Wales, but even in Victoria and New South Wales things had gone pretty well. If you polled people they said that they were feeling pretty happy about their economic circumstances, and yet that was the point at which the minor party vote went up.

PAUL AUSTIN: Are you telling me boss that wages used to go up?

JOHN DALEY: Yes, once upon a time real wages used to go up, people had more to spend in their pockets and people who can remember back as far as 2013 will remember you could go and take a holiday in the US and it seemed cheap. Now it doesn't quite feel like that anymore, but that's what it was like. So that's one economic theory. The other economic theory you hear a lot about is this is all about inequality. It is absolutely true that in the US you've had a significant issue in which incomes for the top 1% have gone up a long way over the last 30 years and incomes for people at the bottom and in the middle have barely moved. They say, "Well that's what's happened, therefore we had the rise of Trump". The problem with that is the people who voted for Trump were not the people who were doing really badly economically; they were actually the people in the middle. Then when you apply that to Australia it really doesn't work because income inequality in Australia hasn't got particularly worse over the last 10 or 15 years.

PAUL AUSTIN: Say that again.

JOHN DALEY: Income inequality hasn't got that much worse. So yes, you can look at it and, depending on exactly what you take as your starting point and your end point, you can get your Gini co-efficient to go up by a tiny click or down by a tiny click, but the right way I think to read the data is all the boats rose a long way over a 15 year period. Wages of households in the bottom 20% over a 15 year period went up by about 25%. It's glib to put those in numbers, but let's turn that into real life. That means that if we were to undo that, from a low income household on call it \$30,000 a year we'd be taking in the order of \$7,000 away from them. Can you imagine the screaming? It's a very big shift that we have seen. So the bottom has done reasonably well. The top 20% has done a little bit better, but actually not that much better. Wealth inequality is a different story. Wealth inequality, essentially wealth for the top 20% has gone up a long way, whilst for the bottom 20% it's barely moved and, indeed, the next 20% up has also barely moved.

PAUL AUSTIN: But what about income inequality between the cities and the regional areas?

JOHN DALEY: Again, the conventional wisdom is that the regions have done really badly, but if you look at income per person over the last 11 years. This is an interesting story, we put out some work that looked at the tax statistics, because they've started putting out the tax statistics by postcode, which is fantastic, and you can look taxable income over an 11 year period. What it shows is that income per person in the regions is lower, always has been, but income per person in the regions rose at pretty much the same rate as in the cities. That's true for each of the states so, as I said earlier, incomes in Victoria didn't go up as fast as Queensland, but incomes in Victorian regions went up about as fast as incomes in Melbourne. If you really delve into the statistics what you see, and we published this in our piece on regional patterns of the economy and the population, is that they went

up fastest right in the centre of Melbourne, basically where we are here. But if you go more than about 3km or 4km away from here the income growth drops off pretty quickly and, in fact, the places in Victoria that have had the slowest income growth are not the regions, they are the outskirts of Melbourne and that's a pattern that you see repeated across each of the Australian states.

PAUL AUSTIN: Okay, so you've busted another myth, you're not going to let me hold onto that one.

JOHN DALEY: Before we go on from that, one of the interesting things is, it's very curious, if this is what is driving the minor party vote - none of them talk about it. If you go and look at the minor party platforms you'll see lots of things on those platforms, everything from anti-vaccination to tightening up rules up paedophiles, but you will struggle to find anything interesting about income inequality. They're just not that interested. Jacqui Lambie a little bit, but otherwise income inequality is not what they talk about. Then when you analyse their voters, their voters on a left/right scale are more or less exactly halfway in-between the Liberal Party and the ALP. They're not particularly pro-redistribution, they're not particularly anti-redistribution; they're literally in the middle.

PAUL AUSTIN: Okay, let's draw a line under the economic factors. What about then social factors and, again, let me put the proposition, surely this is a revolt by the bush against we inner urban sophisticates in our cosmopolitan cities with all our socially progressive attitudes? Does that explain what's going on?

JOHN DALEY: Very fortunately we've just spent it turned out \$110 million in the extremely good cause of testing that exact proposition with extreme thoroughness.

PAUL AUSTIN: Really? What was the result, John?

JOHN DALEY: Once upon a time we had to rely on the social surveys without a decent sample size. We now have a sample size of, I don't know what it was, pushing 15 million, so that's probably pretty reliable in the overall scheme of things, and what it showed was that support for same-sex marriage was very highly correlated with electorates that have lots of people who have no religion. So the biggest single predictor of the same-sex marriage vote was the religiosity or otherwise of a given electorate. It turns out that how far the electorate is from the city, what the income level is, all of those kinds of things, are actually much less good predictors of how the electorate voted and, of course, we saw that. The big no vote turned out not to be in the regional areas; it turned out to be essentially in Western Sydney. Yes, there were a couple of regional Queensland areas that were big no votes, but actually very few regional areas in Victoria that even voted no at all. So as an explanation that's not looking good and we, unfortunately, don't have \$110 million surveys for most of this stuff, we have to rely on something called the Australian Election Survey and a couple of others that have rather smaller sample sizes than 15 million people. Nevertheless, comfortingly, they do correlate with that \$110 million survey when they did look at same-sex marriage and what we can see from those surveys is that over time Australian support for what you might loosely describe as socially liberal causes has been increasing.

So whether it's about same-sex marriage or support for abortion or the belief that we shouldn't lock up as many people in jails or legalisation of drugs, particularly marijuana; in all of these causes we have gradually become more liberal. Then when you look at the differences between regions and cities you discover they're not that different on most of these things, as we just saw with the same-sex marriage survey. They're just not that different.

PAUL AUSTIN: So the minor party vote has increased as socially progressive attitudes have increased?

JOHN DALEY: That's right. That's a good example of non-correlation probably implies non-causation. The implication of that is I wish those who are setting up conservative parties in the belief that they're going to capture a lot of this minor party vote the very best of luck, because they may well need it.

PAUL AUSTIN: Okay, let's rule a line under the social progressive factors. What I call cultural issues, the idea that "my country is changing and I don't like it" and "people like me don't run the show anymore". Are we starting to get closer when we look at these sorts of cultural issues, John?

JOHN DALEY: Well of course, that sets up a kind of them and us, so I think it might well explain why we're seeing this increasing differential between the regions and the cities. I don't think it explains the general increase in the minor party vote, we'll have to find another explanation for that in a moment, but in terms of explaining this increasing differential between the regions and the cities, maybe.

One of the few things on which you do get significant differences in attitudes between regions and cities is around attitudes to migrants. Regional areas tend to be significantly, not enormously but significantly, more anti-migrants. They're more likely to say that Australia is taking too many migrants. They're more likely to say that migrants cause crime, which is one of those fantastic survey questions which is designed to actually test something completely different from what you are asking. It is very clear that regional areas are less pro-migrant than city areas. Interestingly, it hasn't changed that much and the only time that the attitudes saying that Australia has too many migrants really jumped was in 2009, which was also the time when Australia did actually very substantially increase the number of migrants coming to Australia, so it might well be that that was responding to a reality in terms of the number of people who were moving, as opposed to a cultural shift. So there is this big difference. It is clear that voters for minor parties are more likely to have anti-migrant attitudes because we can drill down on the surveys to see that that's what's going on. It's clearly true that some, but by no means all, of the minor parties have a less sympathetic attitude to migrants, is probably the most charitable one could be. Obviously the One Nation Party is in that category and Jacqui Lambie's party certainly has elements of the platform.

PAUL AUSTIN: But Xenophon certainly not, Hinch certainly not, I would argue.

JOHN DALEY: Yes, you'll struggle to find anything in there. So it's not a universal for minor parties, but some of them talk about it, certainly their voters are more likely to be worried about this. As we've been trying to trawl through the political science literature to understand what's going on here I think you put it beautifully when you talked about "people like me don't run the show anymore". There's a

whole line of theory in this which is that some of what's going on is about resentment. It's one thing not to have power; it's quite another to have had power and feel that you have lost it. That's a very potent political emotion and we think that that's one of the things that's going on here and, indeed, going on in Brexit and going on with Trump. It's no accident obviously that both the Brexit campaign and the Trump campaign had pretty strong anti-migrant elements to them, so we do think that's what's going on.

I think one of the nicest ways of illustrating it is go back 20-odd years when we gave four Gold Logies over the period of about six years to Bert Newton. I suspect that if you're in Benalla, Bert's kind of "one of us". Last year we gave a Gold Logie to Waleed Aly. Now I thought it was totally remarkable that we gave a Gold Logie to a genuine public intellectual, someone who's out there talking in public the whole time but who, at the same time, is actually a really, really good political scientist. If I had to talk about this stuff to anyone I'd talk about it to Waleed, he's deeply insightful, and so I thought that was remarkable. I don't think that the reaction we had at the time, which was quite significant, was driven by that perception. I think it was driven by the fact that although in Melbourne or Sydney he is "one of us", in Benalla he doesn't necessarily seem to be "one of us". One of the quite extraordinary things that's in the publication that we put out around regional patterns in Australia's economy and population is the maps of migrant origins, because it's really, really striking. If you take people born in Asia - so forget about people whose parents were born in Asia but they were born in Australia - if we take people born in Asia there is lots of Melbourne and, for that matter, Sydney, Brisbane and Perth, where you will find suburbs that are 15% born in Asia. If you go into regional Australia, with the exception of a couple of mining areas in WA and the Northern Territory, the only places in Australia that have more than 5% of the population born in Asia in regional Australia is the area around Shepparton and the area around Griffith. If you look for areas in regional Australia that have I think it's more than 2% of the population born in the Middle East the only place you'll find is Shepparton, whereas, of course, you can go to lots of places in Melbourne and you will find 10%, 15% of the population born in the Middle East and Africa.

So we've become ethnically very different societies: cities that are very multicultural with lots of people who've come from all over the world and regional areas that are without doubt very white. What I think that means is that when you ask "who is 'us'?" you get a different answer in regions. When you ask that question in cities it just never occurs to people to say that someone born in Asia isn't one of "us".

PAUL AUSTIN: And we're talking about fear of the unknown.

JOHN DALEY: It's fear of the other and by definition "other" just doesn't mean someone from Asia or someone from the Middle East in Melbourne or Sydney because they are very much part of the community, people that you see that are part of us. You actually don't even register where they're coming from, whereas when you go to regional pretty much anywhere in Australia it's very obvious.

PAUL AUSTIN: Let me summarise some of the written questions that we had around this issue, John. One of them is quite blunt. We're talking about anti-migrant attitudes from Hanson, from Lambie, from some populations outside the cities. Is this about a racist Australia?

JOHN DALEY: I think it's a bit more complicated than that, in fact, quite a lot more complicated than that. I think what it's about is, as I said, this feel of loss of power and it's not just about the way that the cities are now very different from the regions in terms of their ethnic mix. The cities are now also very different from the regions in terms of their educational mix, so essentially cities are getting more and more in the way of tertiary education; in regional areas it's going up much more slowly. You've also got differences just in the pure culture. It's not true today, but if you walk out of the front door of the Library and it's howling with rain it would be very easy to be in Boston or Helsinki or obviously London or Bristol or any number of big cities around the world, but you are very definitely not in Mildura. That's actually not true. If you look at pictures going back 30 years ago from Melbourne, it was a much less developed place. You still get a sense of this when you go to Adelaide; it's much, much less built up. Unless you're right in the one street in Adelaide, you can walk out the front door and you might be in Mildura, just even visually it's not that different. So our cities have visually changed, the built form has changed quite radically, what people do has changed quite radically and their education has changed quite radically, even the things we talk about have changed.

I remember when I went to school more years ago than I care to admit in public the texts we did in English were dominated by things that were essentially about regional Australia one way or another. I look at the texts that my children study and there's a smattering of things about regional Australia, but most of them are about life in Australia cities because basically that's where most of the people live. If anything, it took Australian literature longer to catch up with that than the reality, but it has very definitely caught up with it. If you look at the novels that have been published in Australia over the last 10 or 15 years most of them, one way or another, have dealt with life in Australia's cities as opposed to life in Australia's regions. It's not that we're ignoring the regions, but it's now much more a city-dominated culture in a way that going back certainly 40 years our culture was much more dominated by what was going on in regions.

PAUL AUSTIN: Let me put one other cultural idea to you, that this is about, in part, the phenomenon of falling trust in institutions and, in particular, declining trust in government.

JOHN DALEY: That I think is a much better explanation. It at least correlates, which is one better than most of the other things we've been talking about so far. Firstly, trust in government has been falling and falling quite quickly, both around the developed world and in Australia, so this is something where we are similar to the rest of the world. Minor party voters are much more likely to have attitudes that they don't trust government and say that government is run for a few big interests, all of those kinds of things. When you look at the language of minor parties, when you start looking at their language through this lens you suddenly see what they're up to - and it's not just Pauline Hanson, it's also Nick Xenophon - it's about the way that you cannot trust the large parties, they're not governing in the public interest, they're governing in their own interest. If you look at Donald Trump, who has many qualities, one is he has a remarkable ability to capture public mood. It was about "drain the swamp". It

clearly resonated as a line and if you start looking at what minor parties say you'll find that this is a really big part of their rhetoric. They say things that neither of the major parties would say about each other and, by and large, the Greens don't say either, that our institutions are broken and political parties are not working in the public interest, and you can see there's plenty of public resonance around this.

As you would know, Grattan Institute has done a lot of work on budgets and it always used to frustrate me that every time I stood up here and talked about budgets I'd get a question that said, "Yes John, but what about parliamentary entitlements?" and I'd sit there and think, "What about parliamentary entitlements?" In the scheme of Australian Government budgets, they are less than a rounding error. They just don't matter, they are not going to fix the problem, and it was when I did this work that it suddenly struck me that's not why people are excited about them. People are excited about them because they are an emblem, a symbol of the way that parliamentarians are governing in their own personal interest rather than the public interest. That's why it's such an important symbol, despite the fact that in the overall scheme of the Commonwealth Budget spending \$8,000 on a chopper really is not going to make any difference, but it played for weeks in the newspapers because it's symbolically important. I think that's the same reason that political donations play so large. In the overall scheme of the money sloshing around in Australia they're tiny, but as a symbol of power is being bought by some people and not by others they create an immense amount of focus and interest.

PAUL AUSTIN: Which I think neatly brings us to question three which is what should we do about all of this? I think before I ask that question let's start with a first principle question, should we do something about this? That is, why should we be concerned, John? Why does it matter in a democracy that populism is on the rise? That's a pure and simple expression of democratic will, isn't it?

JOHN DALEY: I think that's in a sense exactly right, to the extent that minor parties are, for example, going to push for governance that results in governance that's more in the public interest and less in the interests of those who are doing the ruling. That's probably a good thing and democracies have always been through that process. It's rarely entirely painless, but it's a good thing. The whole point about democracy is it's got an inbuilt mechanism that says at the point that government becomes too obviously separated from the interests of the people then the people have a tendency to change the government, and that is absolutely a good thing. The catches are I think particularly this regional phenomenon that we've seen. Having a country in which essentially one part feels like they're not part of it anymore is a real problem to the extent that this is expressing that feeling I think that is an issue that we need to deal with.

Then I think that the real problem is that there are as many theories about what is driving the rise of minor party voting as there are reactions to a Rorschach Blot and they tell you things like a Rorschach Blot tells you, in other words they tell you what it is that people really care about in advance and there's a real danger that we'll wind up adopting policies because people think it's going to reduce the minor party vote, rather than because it's actually good policy. One theory is that the minor party vote is going up because of increasing fear and increasing fear of migrants, so one way to deal with that is

that you spend a lot of time talking about national security. Ironically, I suspect that the more you talk about national security the more you make people afraid, the more you make people afraid the more they fear the other, and if they're already fearing the other in regional areas then the more you talk about national security the more you may be increasing the vote of minor parties, but I suspect that that's a political calculus that a number of people haven't necessarily thought through. Similarly, you see other political parties saying, "This is all about inequality so what we need to do is reduce inequality and the minor party vote will go down". My suspicion is they're going to be badly disappointed about that. Now, don't get me wrong, I'm not saying that inequality is not a problem, I'm not saying that we shouldn't necessarily do things about it, but I am suggesting that if you're doing policy simply because you think it's going to retrieve this minor party vote you are apt to be disappointed.

The third that worries me about this is I think there is something going on here around trust in government. You don't have to spend a lot of time thinking about why trust in government might be falling. We have parties whose members are less and less representative of the population as a whole so the memberships are shrinking. The ALP membership is now very much concentrated around union members and, of course, fewer and fewer people in the Australian population are actually members of any union. The Liberal Party is both shrinking and ageing - ageing is the most polite one can be about it.

PAUL AUSTIN: Dying.

JOHN DALEY: It too is becoming less and less representative of the population as a whole. You're also getting more and more people into parliament who have only ever worked as part of the political machine. It is very difficult to imagine a train driver as the Prime Minister today, someone who's actually driven a train, as opposed to gone and talked to one or two train drivers and then hopped off to the Industrial Relations Commission to talk about it; actual train drivers. So our parties are less representative. These surveys also show that there's an increasing belief that government is being run for a few big interests and certainly that's something we do see at Grattan Institute, the power of political lobbies and vested interest groups is getting larger, not smaller. One of the reasons why it's so hard and seems to be getting harder to get sensible policy reform through is that it's getting easier and easier for lobby groups to stymie change one way or another, and certainly the resources that are going into both lobby groups and into government relations areas appear to be increasing and they appear to be winning more often. So I can see why the average Australian voter might be saying, "I trust government less than I used to" and my worry is that we fail to take that seriously, and I think we should.

PAUL AUSTIN: Okay, I've had my turn. I want to open up for questions now.

AUDIENCE: Thinking about generational inequality, how does the age dynamic fit in? Are younger people in the regional areas more progressive? What's that dynamic at play?

JOHN DALEY: I think one of the traps in this area is to assume that when you're talking about one thing you're talking about everything. One of the things that's going on is the increase in the minor party vote. A totally different thing that is going on is people voting for political parties much more based on their age than on their income or social class, and we published a piece on this in The Guardian, you can find it on the Grattan website, a couple of months ago that looked at what happened in the UK election. The big story was not that young people came out and voted more than they had perhaps for the Brexit referendum and a number of elections before that. The big story was that younger people have always tended to be a little bit more left than older people, but in the last election they quite radically voted for Jeremy Corbyn and the Labour Party. Traditionally that split for, say, 25 year olds had been in the order of about 55/45. In the last election it was 75/25 and it wasn't just the 25 year olds; the 35 to 40 year olds broke 60/40. If you saw those kinds of patterns reflected in Australia with compulsory voting and a population that's a bit younger than the UK it would be a landslide. So I don't think that those younger people are voting particularly for minor parties, I think what you're seeing, at least in places like the UK, is them increasingly voting for, as it turned out, Jeremy Corbyn and the Labour Party and old people, correspondingly, very much voting for the Conservatives. You can see elements of that happening in Australia, but not so much in terms of the voting behaviour.

On the other hand, in terms of the underlying economics of that what drove that vote in the UK as far as we can make out was a couple of things. One was big increases in tertiary fees, much larger, I might add, than in Australia and much larger than are proposed in Australia. The second thing that happened, and this is at the risk of going into a wee bit of UK detail but it does actually turn out to matter, the UK has this thing for pensions which says that in any one year the old age pension will go up by whatever has increased the most out of inflation, a basket of goods that are the things that old people are more likely to buy, and wages. What that meant was that when the financial crisis hit Britain everybody else's real wages went down, but inflation of course kept doing its thing so pensioners got a real wage rise at the same time that the rest of the population got a wage cut. In Australia what we have is something a bit different which says that the age pension goes up by the greatest of wages or inflation back to an index, and I can't remember what date we set the index, but what it means is that if you have a year in which inflation happens to be higher than wages, in the following year if wages happen to be higher than inflation you kind of give that advantage back. In the UK you get to lock it in, which is why they call it the "triple lock" and May proposed in her election platform that she would do away with the triple lock. That wasn't surprising, this was something which has been acknowledged as a pretty big issue in the UK and it's not difficult to see why and there have been endless parliamentary inquiries about exactly what they're going to do and so on.

Anyway, May put it into her platform. It hadn't exactly been well telegraphed, it went completely berserk in The Telegraph and within literally 24 hours May had completely backtracked and said, "We are committing that we will never change the triple lock". That did lock in the over 60 year olds of the UK, but I suspect for the typical 25 year old it was a fantastic symbol of "Right, that's it, the Tories are never going to do anything for me". Of course, Jeremy Corbyn very much went after that youth vote and the rest, as they say, is history. If we look at what's happening in Australia and all of the work that we've done with *Wealth of Generations*, you're seeing some of the same patterns. You're seeing a

younger generation that's not seeing its income go up quite as fast as its parents, certainly not seeing its wealth go up nearly as fast as its parents. You're seeing increasing budget transfers to older households that younger households are either paying for now or will be paying for because we're deficit funding them. None of these things we're doing as badly as the UK, but we're heading in the same direction. So could it happen here? Our answer is we think it could, but I think it's a totally different issue from this minor party issue.

**AUDIENCE:** It seems to me that openness is a big driver of trust and I feel as if politicians are often not very open with the electorate as to the reasons for changes in legislation or taxation or whatever. Do you have any sympathy for the view that changing openness might be a lever?

**JOHN DALEY:** I think it would certainly help. The conventional wisdom has become that it's just too hard to get serious policy change through in Australia, the media cycle makes it impossible and so on, and there are certainly examples of policies that have been floated and have blown up in the media and within a week it's all over. One of the things I'd suggest though is a lot of the time those policies are floated without very much behind them, so there'll be very little in the way of explaining what problem do we think we're trying to solve here, there'll be very little in the way of analysis, there'll be even less in the way of something that says this is a better way to solve the problem than anything else. Often there's actually quite shoddy analysis and, if that's the case, it does tend to get found much faster than it used to because it's easier to do the analysis than it used to be and it's easier to publicise it via Twitter than it used to be, so there's plenty of things that have blown up very quickly. But I'd note you can take on tough reform and if you do prepare the ground you've got a fighting chance.

If you look at the GONSKI 2.0 reforms that Simon Birmingham successfully navigated through the parliament, in theory that should've be impossible. The Catholic school system didn't do particularly well out of the changes, certainly relative to what had been proposed historically, so in theory that should've meant that there was absolutely not chance it was going to happen. In practice though I think the minister did a very good job of a) explaining what problem there was, b) explaining what was being done, why it was being done and why it was fair, and c) having all of the detail at his fingertips or at least at his Departments' fingertips so that every time someone popped up and said, "Oh, it's unfair on such-and-such a school because they're getting such-and-such and their parents are such-and-such" the Minister's Office was immediately onto it. When we were watching what was going on on Twitter, literally within half an hour they were saying, "Well actually, that's not right. This is how much the school used to get. This is how much they will be getting. This is exactly what their parents look like". They were prepared and it showed. I think one of the things you can take away from that is it is possible to get substantial policy reform through even when there is quite substantial opposition, including from the Labor Party in that particular case, provided that you've done your homework. I think one of the issues is too often people haven't done their homework and then they're not very open about the fact that they haven't done their homework. Let's face it, who goes to their maths class and says, "Sir, I haven't done my homework this week"? We all try and bluff.

So I think that happens and, of course, the problem is that the electorate, a little bit like my maths teacher, are usually pretty good at seeing through that and they figure it out, so they don't trust people.

PAUL AUSTIN: Not just openness but depth, doing the work, yes.

AUDIENCE: Following on from that, I wondered about your thoughts on the distinction between trust in government in terms of policy and what people in parliament are actually doing and trust in the party political sign, electioneering, all these minor parties' communications and conversation on social media and cultural communications like that, if there's a distinction and where the lack of trust lies in that distinction?

JOHN DALEY: If you look at the data on trust historically for particular institutions it's not great because the questions aren't always exactly the same, but what you can see over the medium run are a couple of interesting patterns. One is trust in politicians is falling, full stop. Trust in the media is falling, so Paul jumped at the right time. Trust in what is termed in surveys "the Federal Government" is falling and I suspect that most people when they answer that question probably don't have a degree in constitutional law and so they interpret Federal Government to mean essentially "the ministers I see on television" falling. Trust in big business is falling. Interestingly, trust in the public service when you ask it very specific like that, holding up pretty well. Trust in the military is high and stable. Trust in the police force is high and stable. Trust in the judiciary, interestingly, is going up quite materially. So it's not a universal thing that trust in government, with a small g and very broadly defined as a constitutional lawyer might define it, is falling. I think trust in politicians is falling and trust in politics is falling as practised.

One of the interesting things is when you look at are young people happy with politicians? The answer is clearly no and there's any number of surveys that show that. Are they uninterested in politics? The answer is no, they're really interested in politics; they're all flocking to sign up to GetUp! and the Liberal National Party is really upset about that fact; they're all signing up to the electoral roll. Current enrolment of 18 to 19 year olds is more or less the highest on record and, as I think was very clear in the same-sex marriage survey, their participation rates, despite their alleged inability to know what a post box looks like, was as high as anyone. I think you had to be 50+ before your participation rate matched an 18 year old's. So I think it is worth drawing the distinction between trust in politicians, which is clearly low and falling, and trust in democracy as practised is not particularly high, but interest in the political system does appear to be quite high. I don't see people switching off politics per se, I see them switching off politicians and essentially what they're doing is saying, "I don't trust any of the major parties, that's why I'm voting for the minor parties".

PAUL AUSTIN: I think that interest in politics is a reason for optimism.

AUDIENCE: Whenever we talk about this cultural divide that you've been describing, whether it's here or abroad, the finger tends to get pointed fairly and squarely at the rise of populism as contributing to

that. How do you see progressivism now actually contributing to that divide and what are the issues attached to it?

**JOHN DALEY:** One of the things we haven't talked about so far that I think is a trend is increasing echo chambers between the right and left of our politics, so this is not about the minor parties, this is about the major parties. They're increasingly talking to themselves and, as they say, their base, which often means the party membership, which is very different from who votes for them. They're often talking amongst themselves in an echo chamber and not listening to the other side. There's been some very elegant work done in the US to show that's not just true of politicians and party members, it's actually true that the electorate as a whole has divided into two different echo chambers that have much less interaction than they used to. Online media is a big part of that explanation, it's much easier to narrowcast than it used to be, it's more profitable to narrowcast than it used to be and, consequently, there's a lot more of it going on. So I think that's one part of what's going on.

Another part of what's going on is it used to be that in order to be a big wheel in some kind of fringe party you just had to show up to a lot of meetings, so that tended to favour a certain personality type, shall we say, that wasn't necessarily particularly good at marketing. What's changed is that leadership in a lot of these fringe groups is now a function of your social media presence and actually that is a function of how good you are at marketing. So you now get status within these fringe groups not because you show up to a lot of meetings, but because you're actually quite good at marketing and you've got lots of social media following. I think that has reinforced that echo chamber and one of the consequences of this - Paul asked why do we care and this is something I really do care about. We care because civility is falling and civility is about saying, "I disagree with you about such-and-such, but finding a way to continue to live together is actually more important than whether I win or lose that fight". Clearly we have more and more people at the moment who are in the political game who think it's more important to win the fight than it is to live with the other side the day after. I think that's changed and I think that's a real danger, because that's when politics really does fall apart.

When people say that they would be a lot more worried about their child marrying someone who voted for the other political party than someone who's from a different religion or a different ethnic group or whatever you know there's something pretty fundamental going on, and I think that's a worry.

**PAUL AUSTIN:** I think that decline in civility is a good reason for pessimism too.

**AUDIENCE:** Going to another point, how much of the minor parties' influence is being exaggerated by a very convoluted and distorted voting system? The one that comes to mind is Senator Roberts, who only got 75 votes from primary votes. Is their influence lesser if you had a better established voting system that really reflected the intentions of the public?

**JOHN DALEY:** The way I'd put this is you look at the Senate vote in the last election, 36% of the electorate did not vote Liberal National Party, did not vote ALP. Any voting system worth its salt is going to reflect that 36% somehow; you can't just ignore it away. The minor party vote in the House of Representatives was higher than it's ever been as well. I think a good voting system, maybe you can

find some arguments about why it should ignore a 2% or 3% percentage point vote, but when collectively that minor party vote is, including the Greens, 36% I don't think that the electoral system should ignore it. Andrew Charlton's done a lovely chart - admittedly it's only got three data points that head in this direction, but at least all three do head in this direction - that shows every time the minor party vote has been this high historically a major party has gone out of business and a new major party has been born, usually out of the ashes one way or another. So I think that there is something significant going on here.

We can spend all night arguing about the niceties of the precise way that the Senate votes, but it's worth remembering that if you take one of the major parties' candidates and you look at number four on the list, the number of votes cast for them tends to be very small as well. It's essentially a consequence of the way the Senate works that you vote for the party and it trickles down from there. There are some exceptions to that, but I think overall it's worth saying this non-major party vote is growing, it is large, absolutely, it's as large as the vote for either the ALP or the LNP collectively and therefore, one way or another, the system should be reflecting that. If you look at what's been happening in the Senate over the last little while it's not obvious that collectively those minor party Senators are necessarily leading to particularly bad political outcomes, and not just the current Senate but the previous Senate. A lot of the time the government got most of its legislation through and through the Gillard years as well most of the time the government got its legislation through. When the Senate amended it, by and large, it kind of knocked the corners off it. That is what the Senate is supposed to do. You may or may not agree with a particular corner that they knocked off, but as an overall piece of institutional design I'd argue it's not fundamentally broken.

AUDIENCE: I'd like to ask you a question about immigration. You mentioned immigration a little and some concern about it in the regions. I just wonder if you could talk a bit more about where you see the standing of that issue at the moment in Australia, is there a difference between the cities and regions? Immigration was a big issue in the UK with Brexit I understand. Here we are, a country where 49% of people are either born overseas or have at least one parent born overseas, and I wonder if that makes a difference? Where do you see Australians on this issue at the moment when we have a very large migration program, yet are seeing unease in some quarters?

JOHN DALEY: Let me pick that apart. In terms of this minor party voting phenomenon we see - and this is true both in the UK and Australia but even more so in Australia when you remember those maps that I talked about in terms of the number of migrants in regional areas, or rather the lack thereof - that the places that are anxious about migrants are the places that haven't got any migrants. The migrants might be taking someone's job, but they're clearly not taking their jobs because they're not there. I think there is that cultural issue but, as I said, I don't think that putting the migrant numbers up or down is going to solve that cultural issue. I think that's a city versus regional cultural issue and the horse has well and truly bolted on that one. You can look at the last Federal Budget and there were any number of measures that, one way or another, that amounted to "be mean to foreigners, get foreigners to pay more tax" and people at the time did draw that line to say this is trying to respond to those cultural concerns. So I think that's one way that actually no amount of real policy change is in

fact really going to allay the anxiety because the anxiety is about this cultural distance between regions and cities and that's happened.

I think there's a whole set of other issues around migration, exactly how large do we want it to be, what is the economically optimal answer to that question? That's one question. Then there's a much more subtle question which is given the way that we are actually running our planning policy and our infrastructure policy, are we taking the right number of migrants? The reality is the Commonwealth Government has got choices about all this stuff. That's a whole set of different concerns. My observation would be I don't think that those concerns are shifting a lot of votes. I think they are real and genuine and very difficult policy problems that we should be working our way through and thinking about a lot harder than we are at the moment. Interestingly, those questions are not at all about ethnic mix, they're actually about absolute numbers and exactly in what categories with what skills. So it's a whole series of quite subtle questions that I think you ask who's done any material work on this in public over the last 15 years and it's a very, very short list - there's one Productivity Commission report and that's about it. So I think it's something we probably need to think through a lot more, but I don't think it will relate to this stuff around minor party voting.

PAUL AUSTIN: John, ladies and gentlemen, we're out of time. I want to cheat, John, I'm going to squeeze in one more question please, if I may? I want to ask you for a prediction. If we reconvene in this room, all of us, in about, say, ten years' time, are we still going to be talking about the rise of populism in Australia and the rise of protest politics? That is, is what we see now the new normal?

JOHN DALEY: I think that depends completely on what we do about it and we haven't perhaps talked as much as we should about what do we do about it. If we're right about this, if a lot of this is about falling trust in government it says if you do things that might try and increase trust in government you might make some progress. If our major political parties really did try and broaden their memberships that would be helpful. If they really did try and get more people in who hadn't basically finished university and then gone and worked for a Minister's Office that might be helpful. If we put in place a genuine system around political entitlements that was seen to be genuine that would be helpful.

PAUL AUSTIN: And we didn't take helicopters to party fundraisers.

JOHN DALEY: And we didn't take helicopters too often. If we put in place a serious policy around political donations that would be helpful. We all know that it would be possible to set up real time political donation reporting, give us a month and it'd probably be a week longer than we need, and yet they don't do it and we're all deeply cynical about it because we all know they could do it and they choose not to. We all know that you could limit the amount that people donate, yet we don't do it and I think people are pretty cynical about why not. In terms of influence, there's any number of issues which are clearly being run by the relevant lobby group rather than in the public interest and if governments made different decisions they'd probably get credit for it in the long run in terms of all of this kind of stuff. Poker machines would be a pretty good place to start and it's no accident that Nick Xenophon and Andrew Wilkie came to power talking about that, which I think is a really good emblematic issue around this. So those things would all help.

In terms of the regional thing, I think that's, in a funny way, harder because that kind of cultural stuff is very difficult to deal with, but I think that is actually about the rhetoric. You can talk about why immigration is such a great thing and why multiculturalism is such a great thing because people from overseas come here and they bring their own distinctive cultures with them and those distinctive cultures are there for all of us to see, and you have just pressed every red button in unison in the regions. You can also talk about isn't it great that we've got this fantastic multicultural program and people from all around the world come and participate in Australian democracy and they participate in Australia's economy, and one of the things that they do is they set up their own restaurants and we all get to go to those restaurants, and you haven't pressed any red buttons. You haven't actually said anything that's particularly different, but you have in one case emphasised a cultural distance and in the other case you've minimised the appearance of cultural difference. I think you can spend more time having your major ministers spend time in regional areas, not having the entire Cabinet descend on some poor unsuspecting country town for a week and then disappear with a sort of pigeon strategy, but having individual ministers go and open the Easter Festival in Taradale or wherever it might be and it's a symbol that the national government cares about your region.

I think one of the other things is we've spent way too much time talking about what national governments can do for regions in terms of making their populations grow and making their economies grow, when the reality, as we know after 170 years of experience, is that governments actually struggle to deliver on that stuff because it's really hard to make economic water flow uphill, and we're spending less time than we should be saying, "Alright, we can't make a big difference there, but we are going to spend more money on your hospital, more money on your school" and instead what we do is actually deliberately conceal the cross-subsidies for regional areas for health and education. It is very hard to find out that there is in fact quite a substantial cross-subsidy and governments go out of their way to pretend it's not there, when in fact I suspect they'd be doing a lot better in terms of minimising this cultural difference by saying, "Yes, of course we understand it costs more to deliver good health services in Western Victoria, that's why we spend more money doing it, because it's important that the people in Western Victoria get similar health outcomes". So I think we can do things like that which would at least go some way to minimising some of the cultural difference and that would at least help.

Will still be talking about this in ten years? Very selfishly, I hope so. I'm hoping to dine out on this for years! Putting on a proper public interest hat, no, I hope that we actually understand what's really driving it - as I said, I think it's about trust and cultural difference - and then work out if the voters are trying to send us a message here about something that they legitimately care about - and I think that these concerns are to some extent, a large extent often, legitimate - that we actually deal with the underlying causes.

PAUL AUSTIN: Alright, well we'll book this room again for about five years' time in that case, John. All that's left for me to do is to say a few very quick thank yous. I'd like to thank the State Library staff and Megan French, the Grattan Institute's events guru, they have made this event happen tonight and we very much appreciate it. I want to thank the State Library. It's a great institution, one of the things that makes this town such a liveable city is the State Library Victoria. It's a terribly exciting time at this

place, many of you will know of the Vision 2020 expansion program that's happening - if you don't, get on board and learn about it. This place is getting bigger, better, more lively and more future-focused. It's fantastically exciting. I want to thank you, the audience, for coming out on this warm night for your interest, for your very good questions, and I wonder whether you'd all please join me in thanking the star of the show, John Daley.

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