



Crisis of trust? Implications of falling trust for Australia's politics and society

**Maddocks
Danielle Wood, Grattan Institute
2 July 2019**

A crisis of trust

Trust in government and business is on the decline

- Trust in government and business has been on the decline for a decade
- BUT trust in other institutions has so far held up

Why has trust declined?

- A range of factors at play
- Let's focus on two: policy failure and influence of vested interests

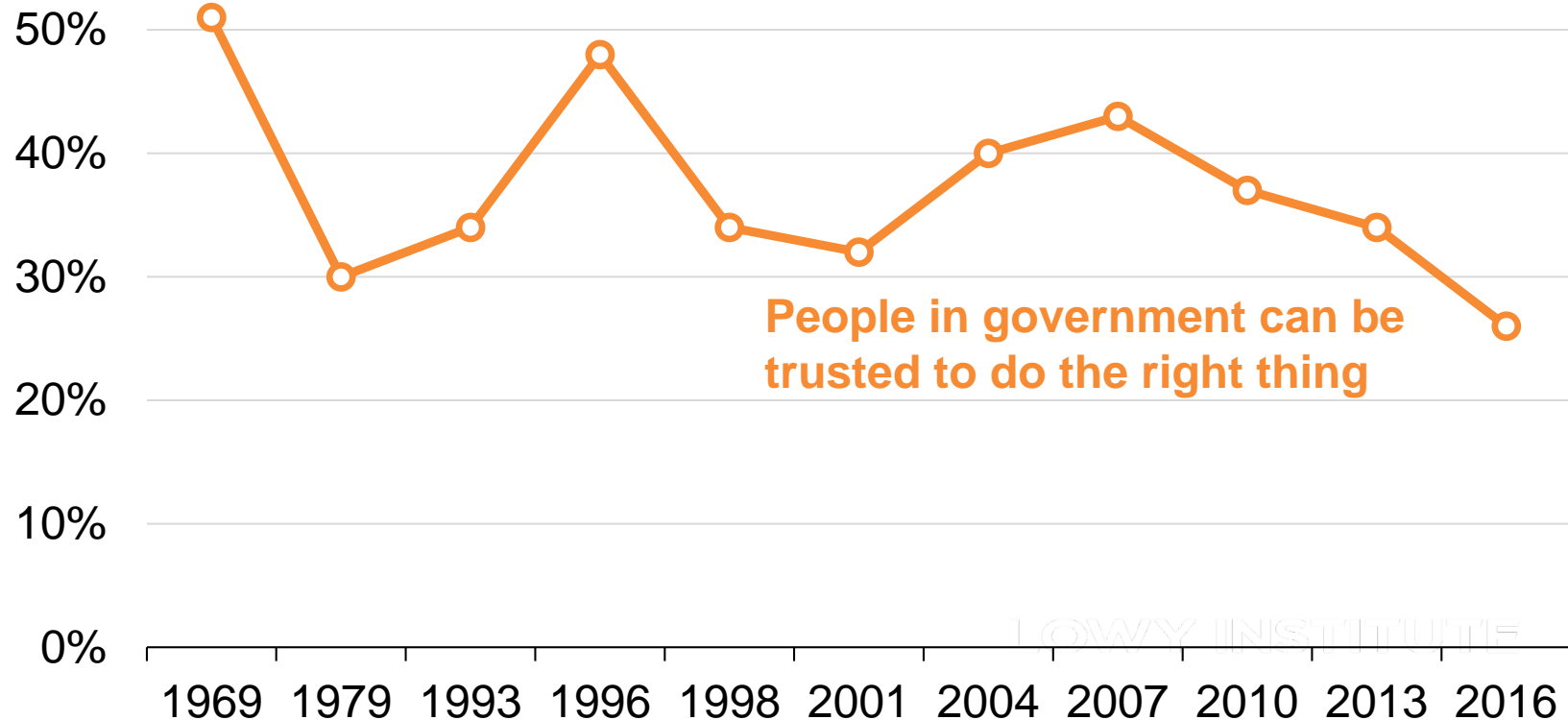
What are the implications of falling trust?

- Rise in minor party vote makes majority government less likely
- Lower trust means harder for government to propose difficult reforms
- Low trust erodes social fabric and faith in democracy

What should governments do?

Trust in government is the lowest on record

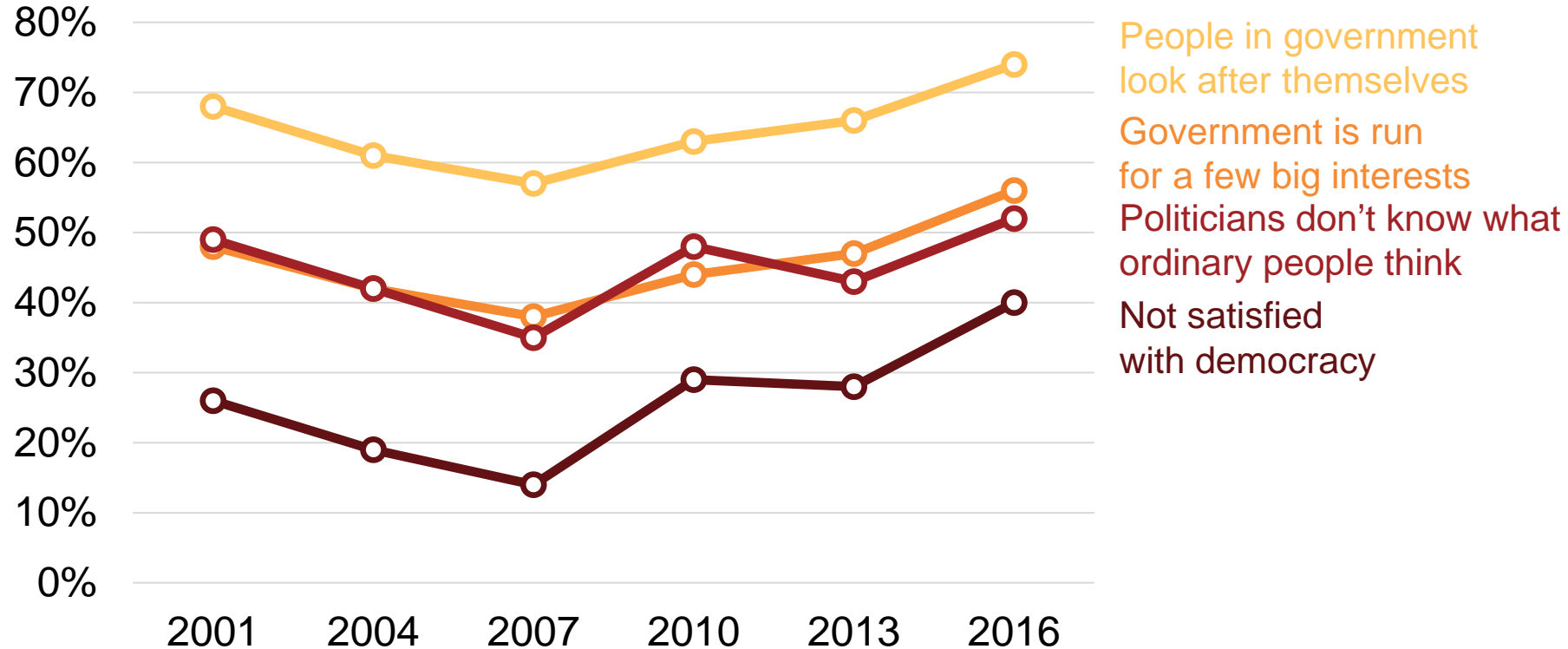
Trust in government, per cent



LOWY INSTITUTE

This lack of trust holds across a number of dimensions

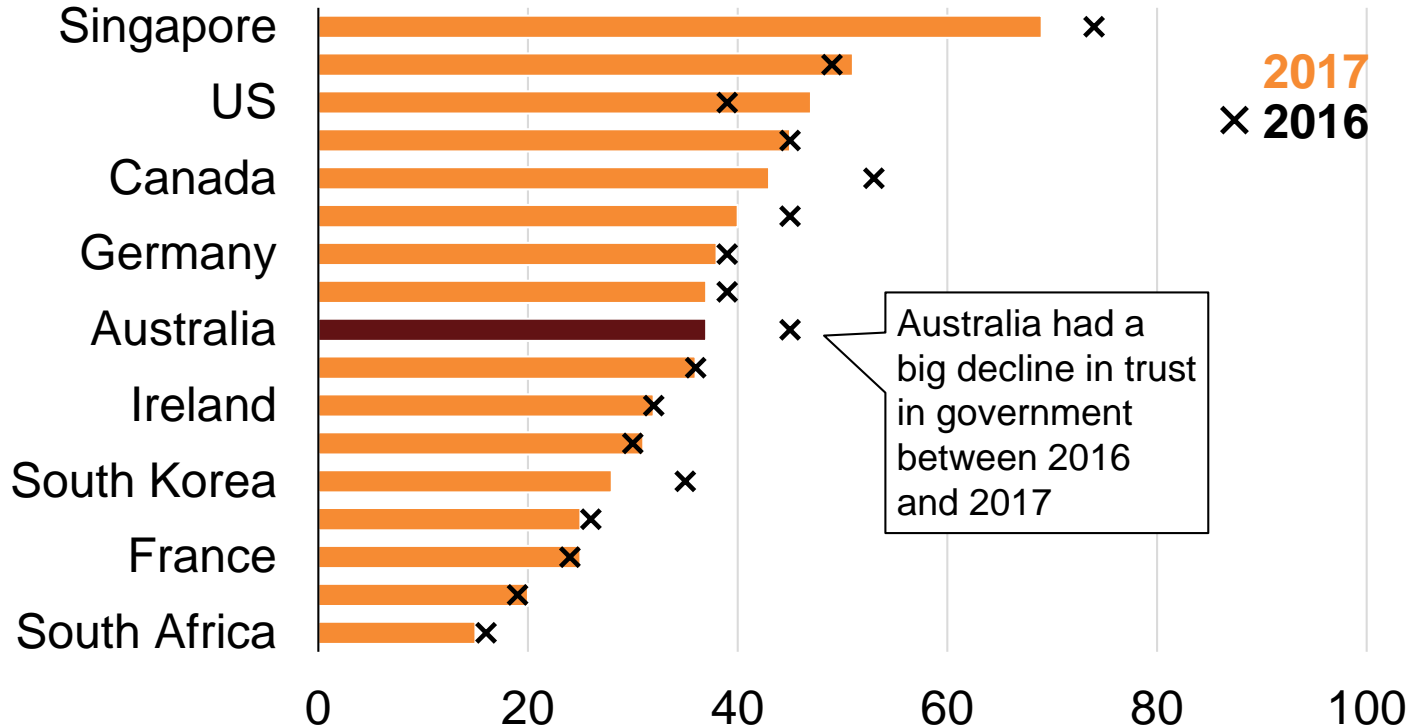
Percentage of survey respondents who agree with selected statements



Sources: AES 2016; Grattan analysis; Grattan Institute, *A crisis of trust*; see also Scanlon Foundation, *Social Cohesion Survey 2016*; Edelman, *Trust Barometer 2017*

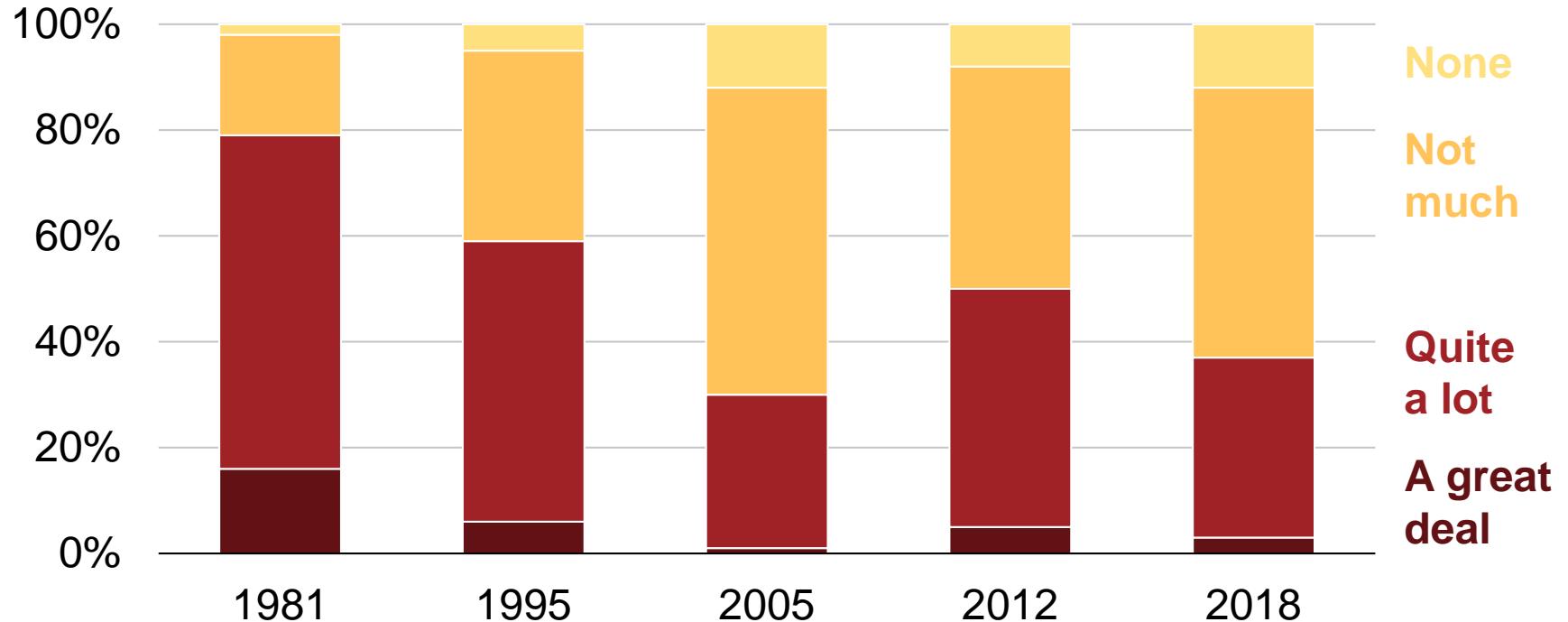
Trust in government is low in most high-income countries

Percentage of people who select a top 4 (positive) response on a nine-point scale



Australians' trust in major companies is also in decline

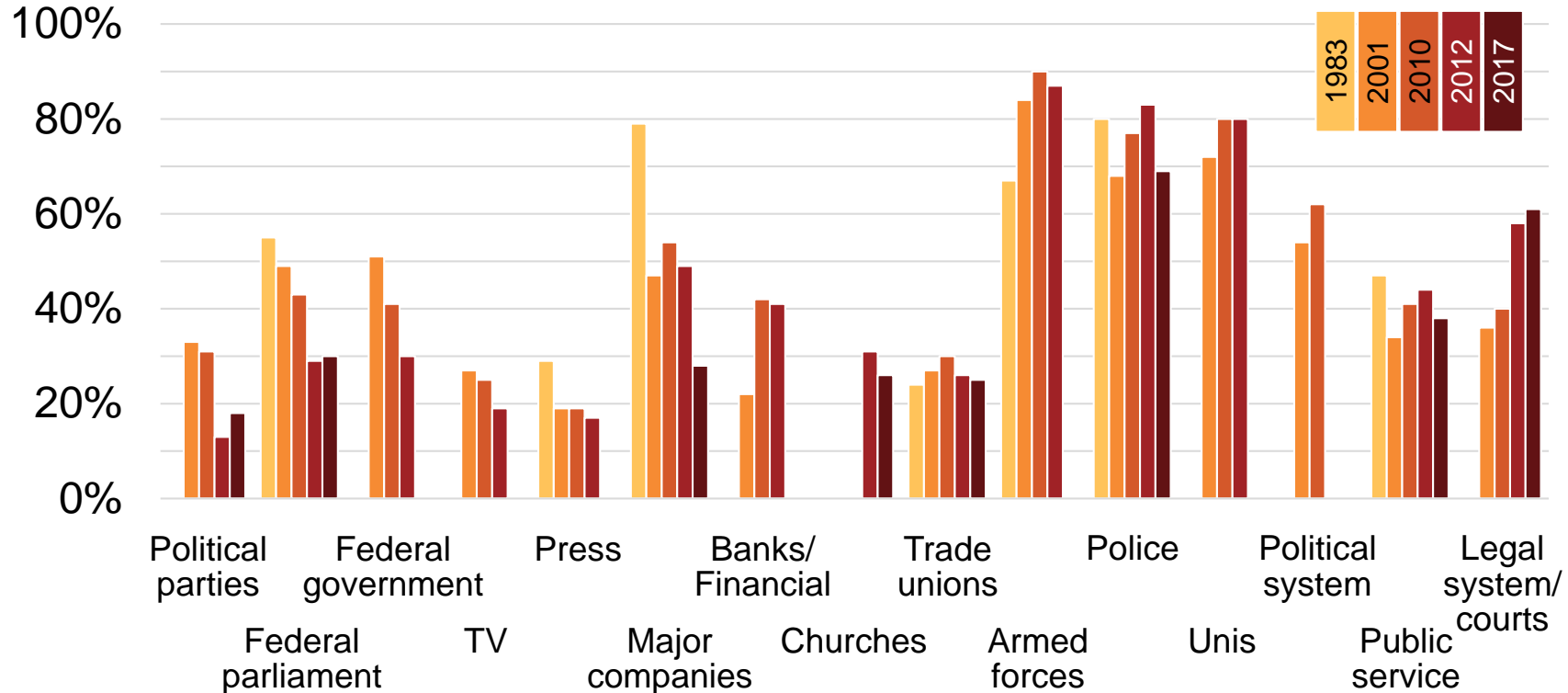
Confidence in major companies, per cent



Notes: World Values Survey Wave 7, conducted during 2017 and 2018. Survey question was "I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?" Source: World Values Survey.

Trust in politicians, corporates and media is falling; in executive and courts is rising

Confidence in institutions, per cent



Note: trends indicative only as poll questions and methodologies not consistent
Source: Lowy Institute; AES; Essential Media; Grattan Institute, A crisis of trust

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Some causes of falling trust

Great expectations raised and dashed, e.g.: housing affordability; jobs; cost of living; regional growth
Sense of chaos, e.g.: energy policy; tax policy

Policy failure

Influence of vested interests

Political donations – at least *appearance* of conflict
Lobbying spending and activity is high
Transparency is limited

Media increasingly fragmented, creating echo chambers
Declining trust in experts and other gatekeepers

Fewer authoritative voices

Un-representative democracy

Politics increasingly a “job for life”
Political parties less representative and membership falling

“Not the Prime Minister I voted for”
Personal ambition over public good

Leadership changes

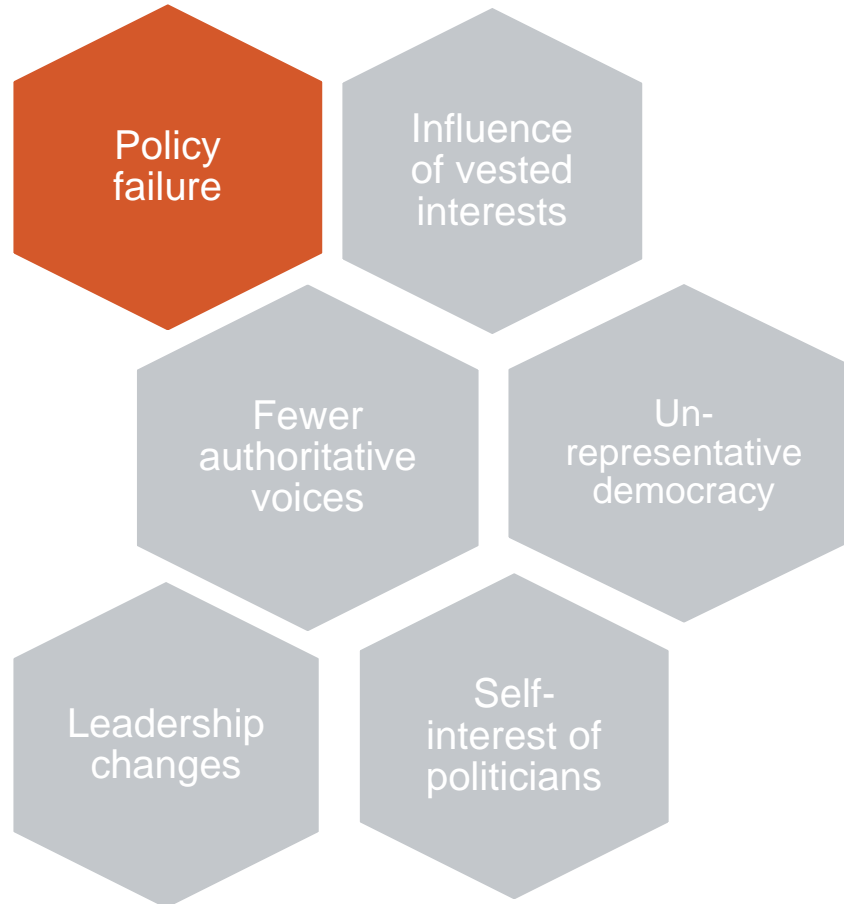
Self-interest of politicians

Abuse of entitlements feeds cynicism
“Jobs for mates” reduces confidence in decisions

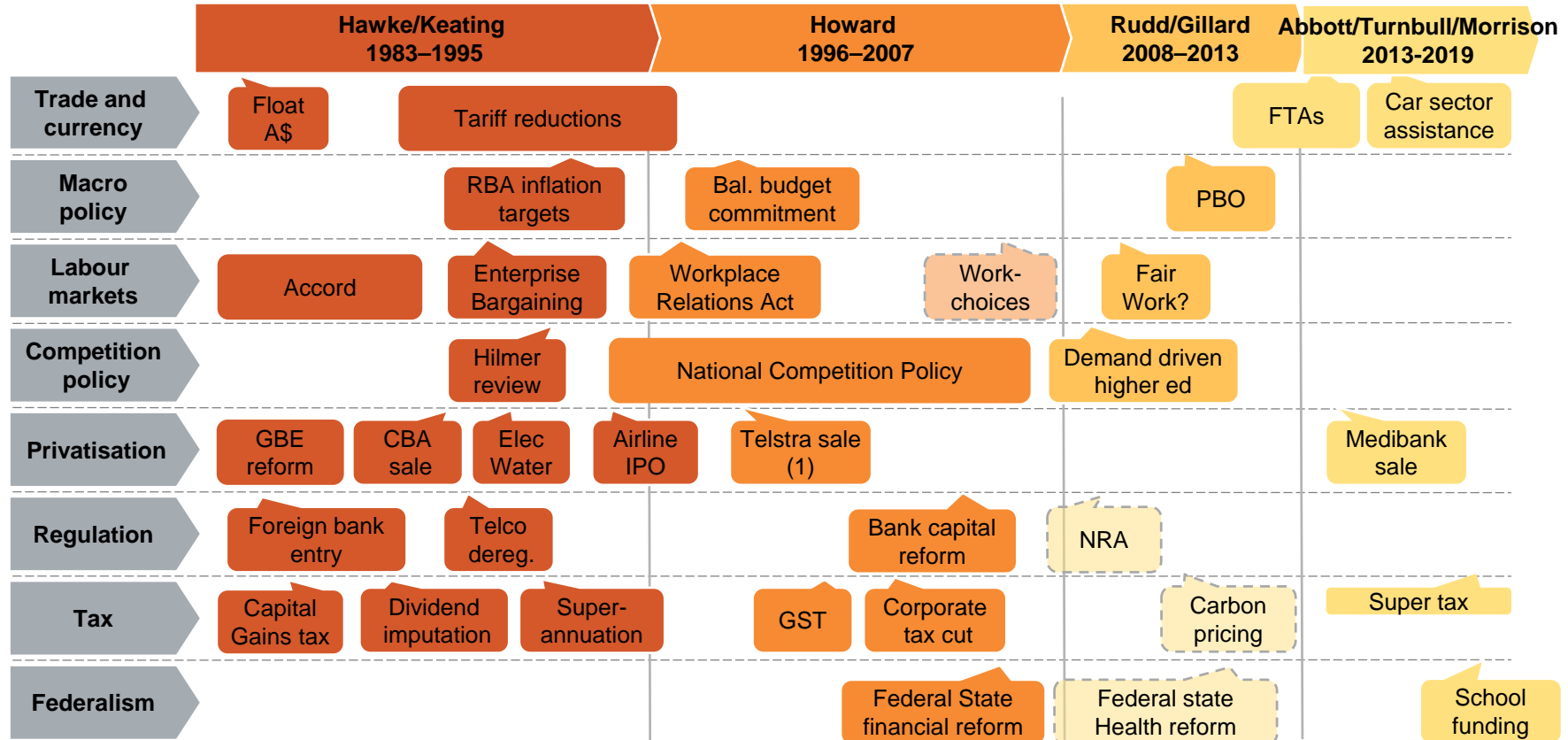
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Sense of chaos, e.g.: energy policy; tax policy



Australia has made fewer tough economic choices this past decade



Note: The NRA is a broad set of microeconomic reforms largely focused on public sector efficiencies

Source: Access Economics; The Reform Dividend; 1983-2004—Calculating the Payout; The Economist, Special report Australia, 28 May 2011.

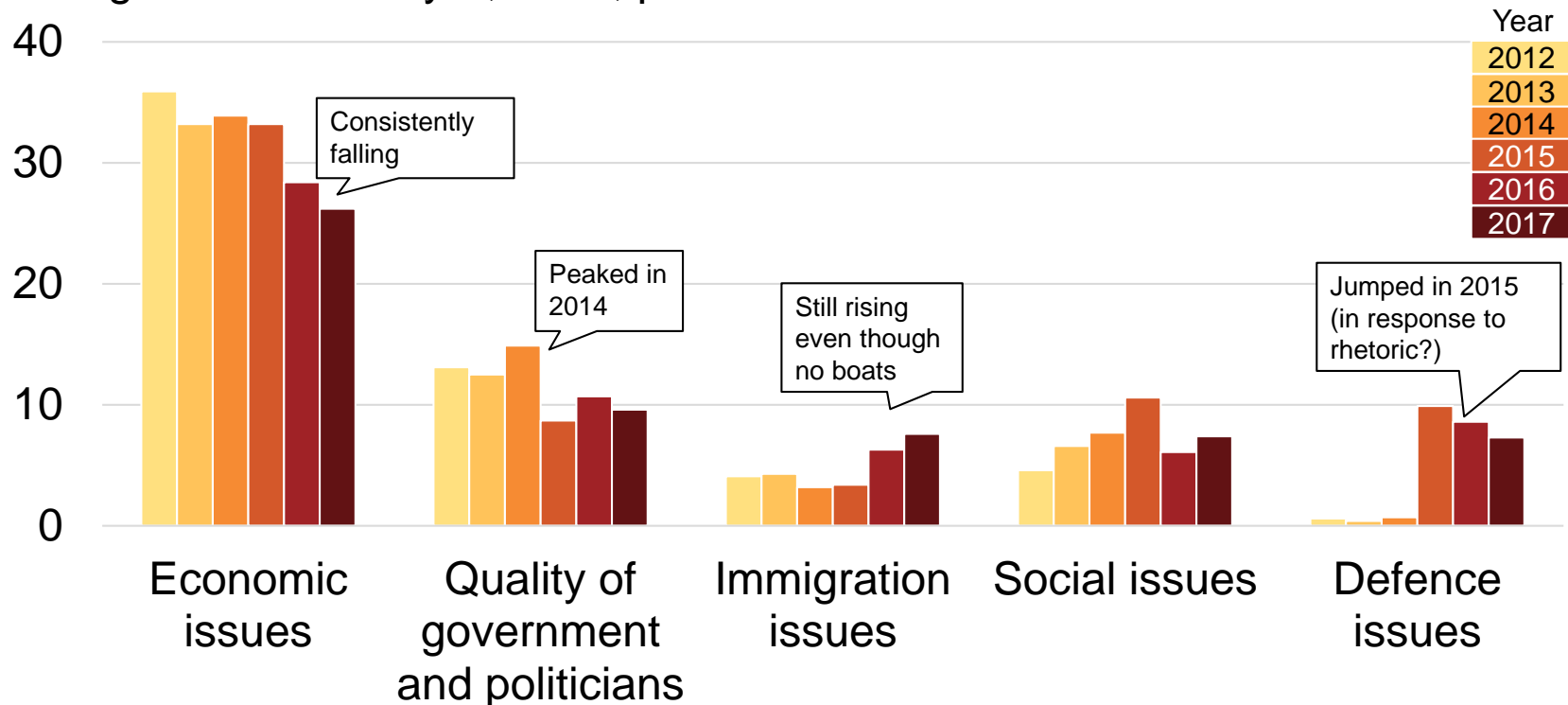
The climate wars: a sad saga of Australian energy policy

Policy	Who	When	Outcome
Renewable Energy Target	John Howard	Implemented 2002	Still in place
State-based ETS	Designed by state Labor Governments	Proposed 2006-7	Abandoned with Rudd election
National ETS (Shergold Report)	John Howard	Proposed 2007 Election	Abandoned after defeat
Carbon Pollution Reduction Scheme (ETS)	Kevin Rudd	Proposed 2008	Abandoned – no support from Coalition or Greens
Fixed price ETS	Julia Gillard	Implemented 2012-2014	Axed by PM Abbott
Direct Action (Emissions Reduction Fund; Safeguard mechanism)	Tony Abbott/Greg Hunt	Introduced after 2013 election	Still in place with little impact; funding increased in 2019
Emissions Intensity Scheme	Proposed by Federal Labor; Considered by Josh Frydenberg	2016	Ruled out by PM Turnbull
Clean Energy Target	Proposed by Alan Finkel	2017	Ruled out by Turnbull Government
National Energy Guarantee	ESB; Malcom Turnbull/Josh Frydenberg	2018	Abandoned by Turnbull Government

State-based schemes: NSW Greenhouse Gas Abatement Scheme (Baseline & Credit trading scheme); ACT and VIC renewable energy auctions; QLD Gas Energy Scheme

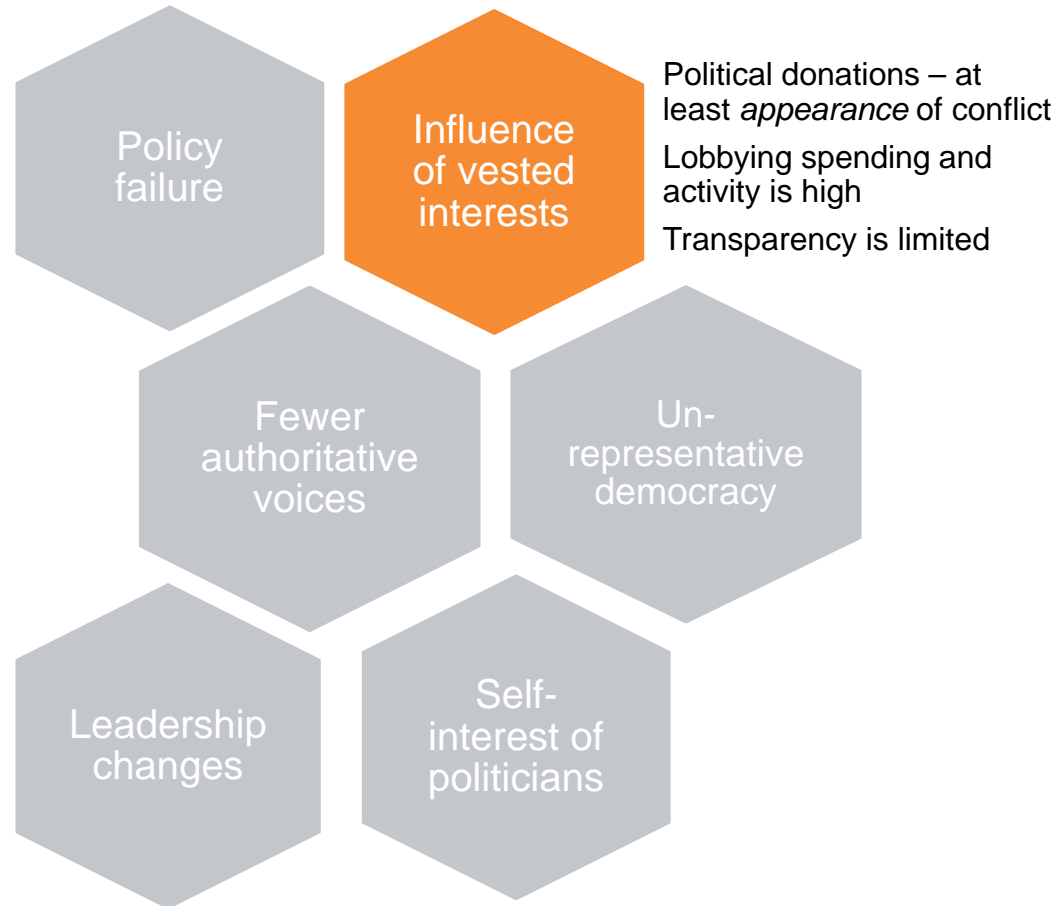
Quality of government consistently ranks as a top concern in social surveys, behind economic issues

Top five responses to “What do you think is the most important problem facing Australia today?”, 2017, per cent



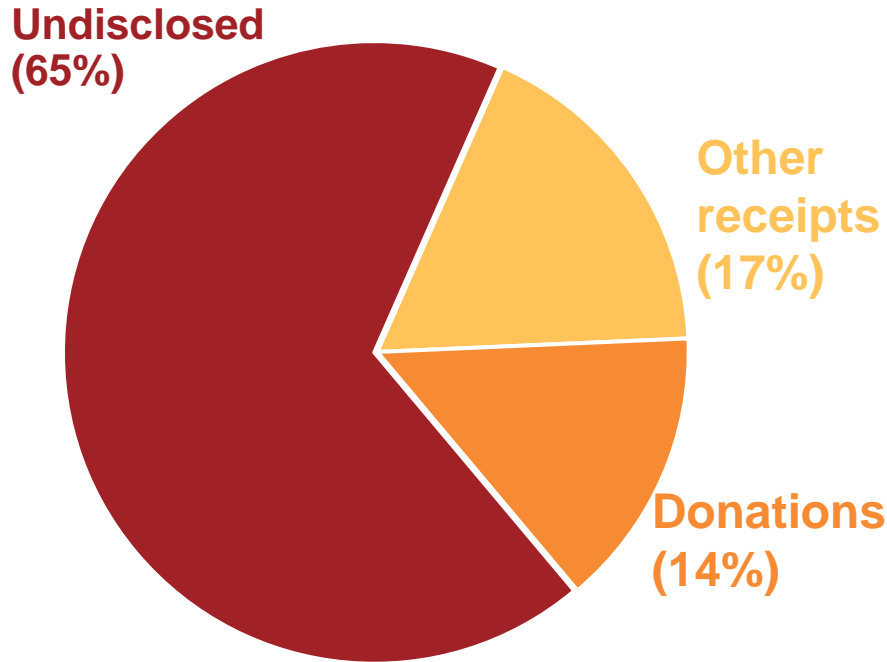
Notes: This question is open-ended, so survey respondents can nominate any issue rather than choosing from a predetermined list. The responses were then grouped by theme. Source: Scanlon Foundation Surveys, Markus 2017, p. 33-4

Some causes of falling trust

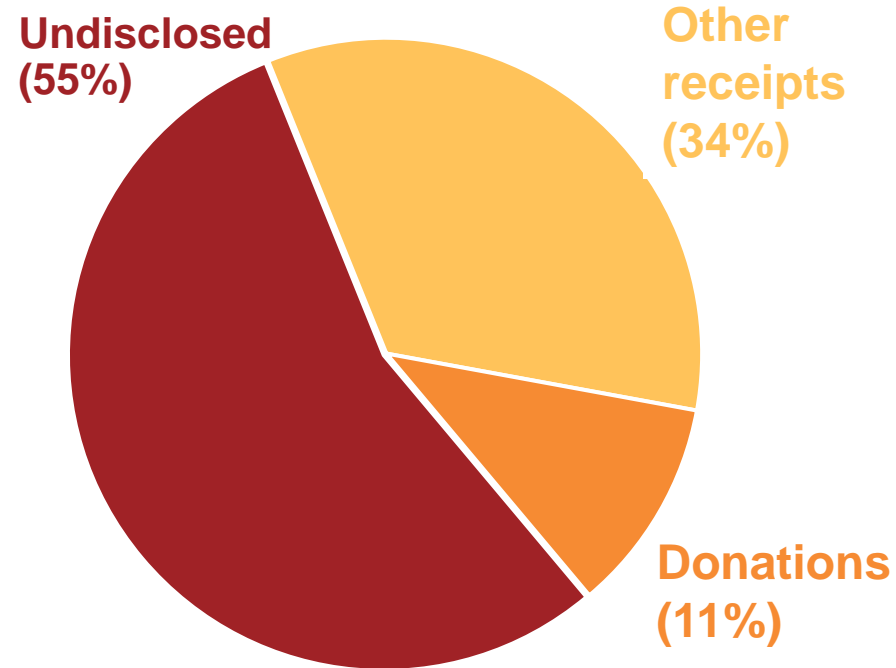


The “hidden money” in political donations

Liberal Party private income, 2016-17
\$43.3 million

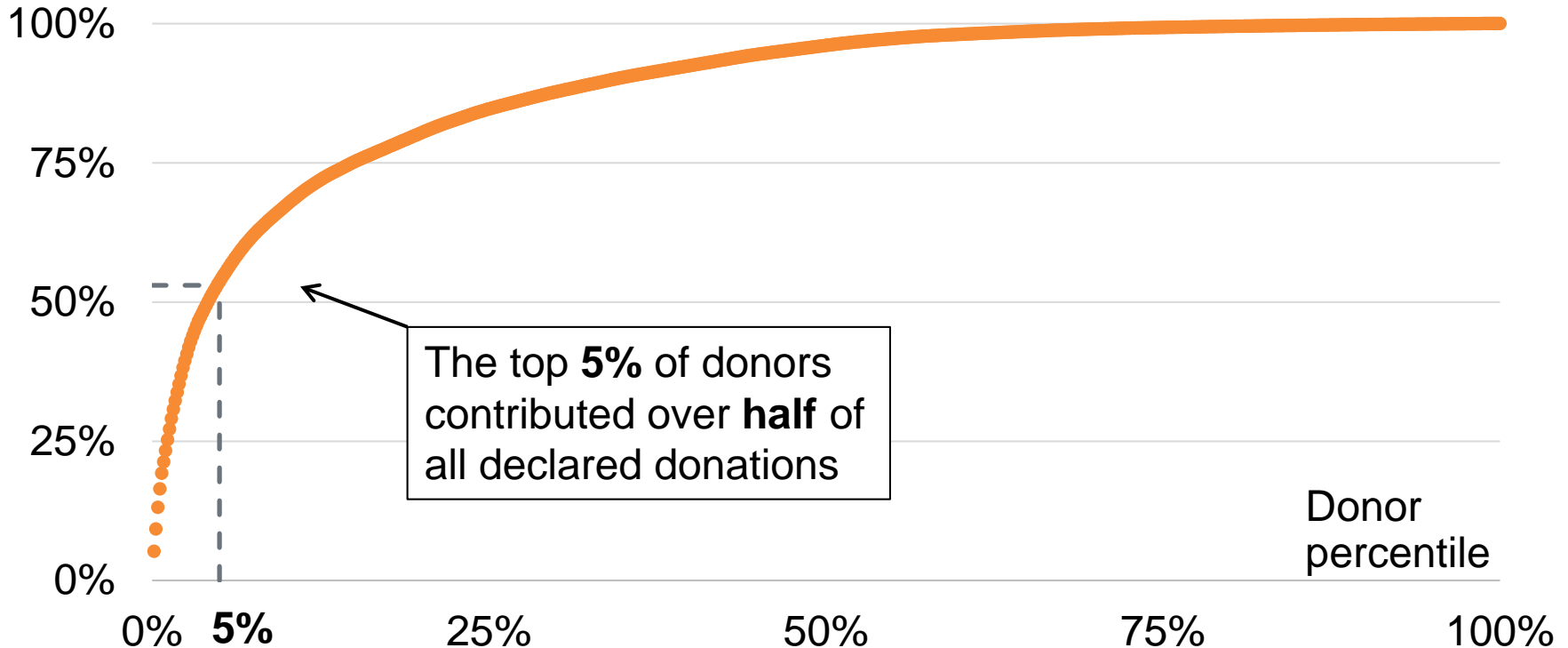


Labor Party private income, 2016-17
\$38.9 million



What we do know: most declared donations come from a small share of donors

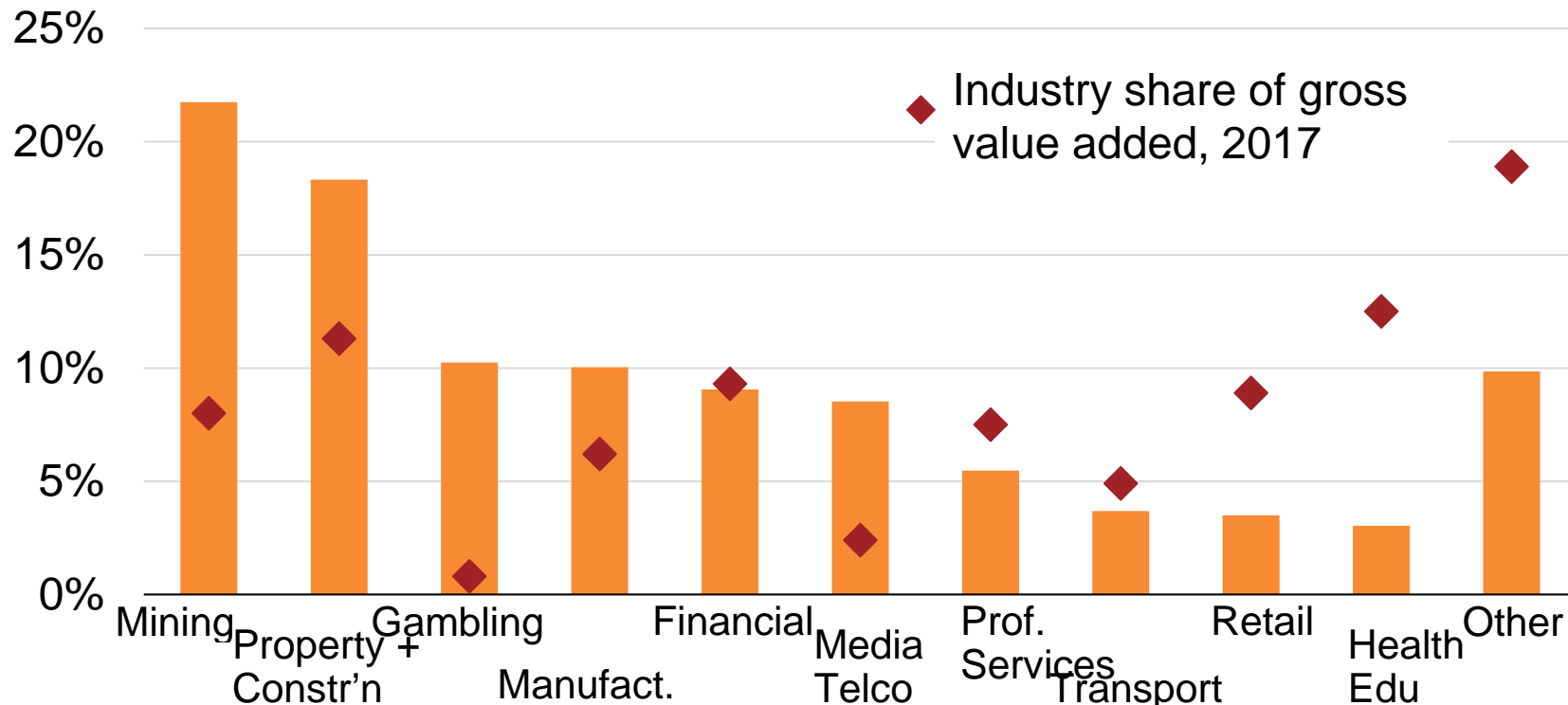
Percentage of total declared donations, cumulative sum, 2015-16 and 2016-17



Notes: Chart excludes intra-party receipts declared as donations. Parties were not required to declare donations of less than \$13,500, but the ALP and the Greens have set lower disclosure thresholds (\$1,000 and \$1,500 respectively). Non-union associated entities excluded. With non-union associated entities included, the top 5% of donors contribute nearly 60% of all declared donations. Source: Party declarations to AEC 2016-17 and 2015-16; Grattan analysis.

Some industries are large donors relative to their economic contribution

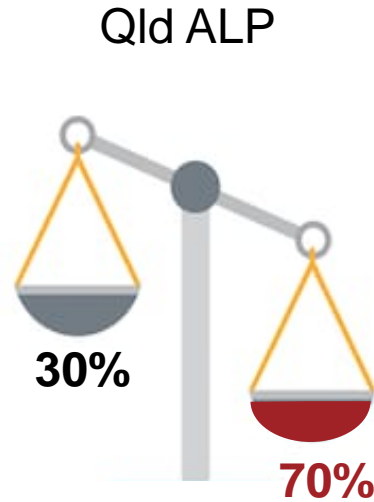
Share of donations by industry, 2015-16 and 2016-17



Notes: Individuals who donated more than \$60,000 have been categorised by industry if publicly available information showed they have financial interests in a given industry. The gambling industry's share of gross value added shown is all of 'Arts and Recreation', although gambling is only a subset of this.

Sources: Grattan analysis of party declarations to the AEC 2015-16 and 2016-17 (AEC (ibid.)) and IBISWorld database.

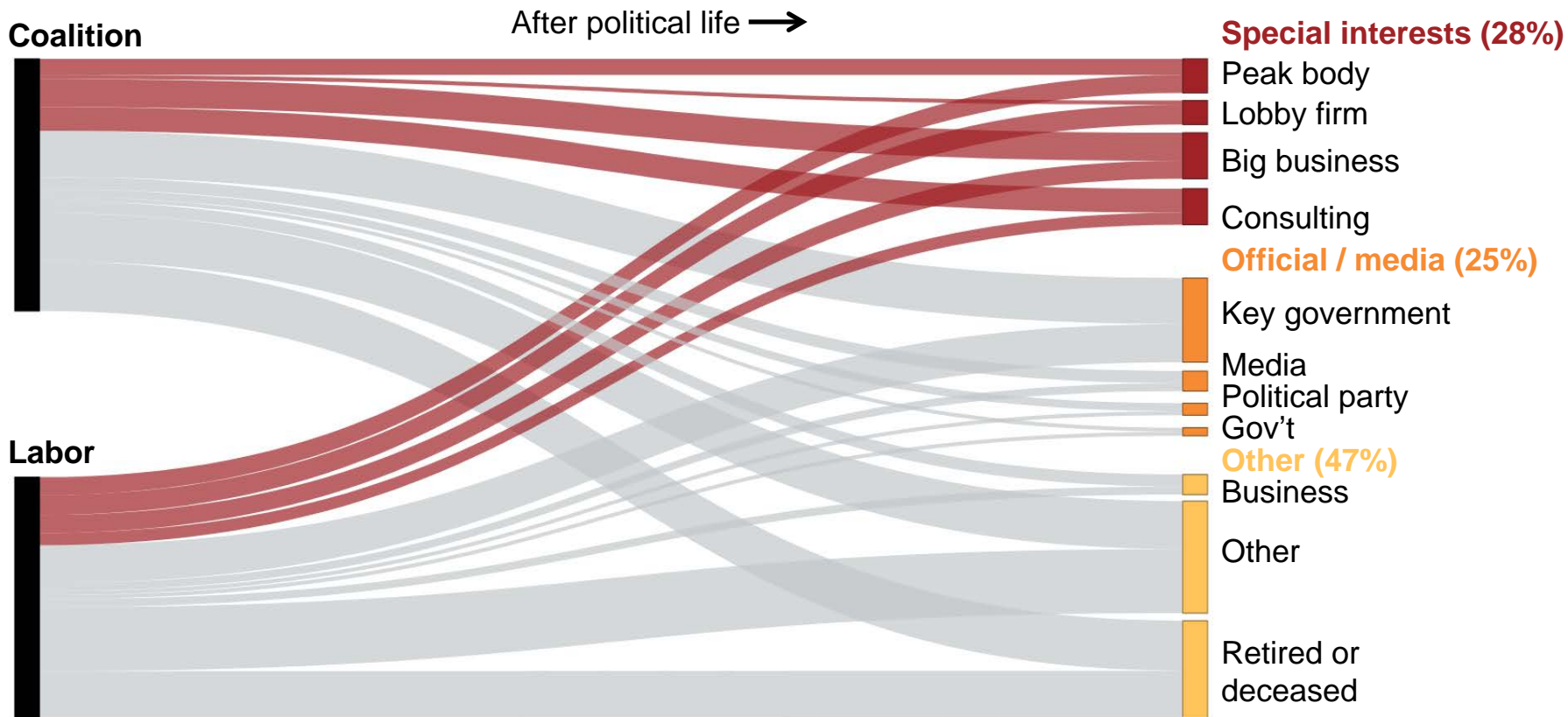
Political donations give you a good chance of access



70 per cent of donations come from 15 per cent of donors

Half of the major donors got a meeting with a senior minister

A quarter of ministers take on roles with special interests after politics



Notes: Includes 191 people who were either federal ministers or assistant ministers and left politics in the 1990s or later. Some have had more than one role since. 'Big business' is Top 2000 Australian firms by revenue in 2016.

Sources: Grattan analysis of Parlinfo.apf.gov.au (2018), LinkedIn (2018), Wikipedia (2018), news articles and various internet sources.

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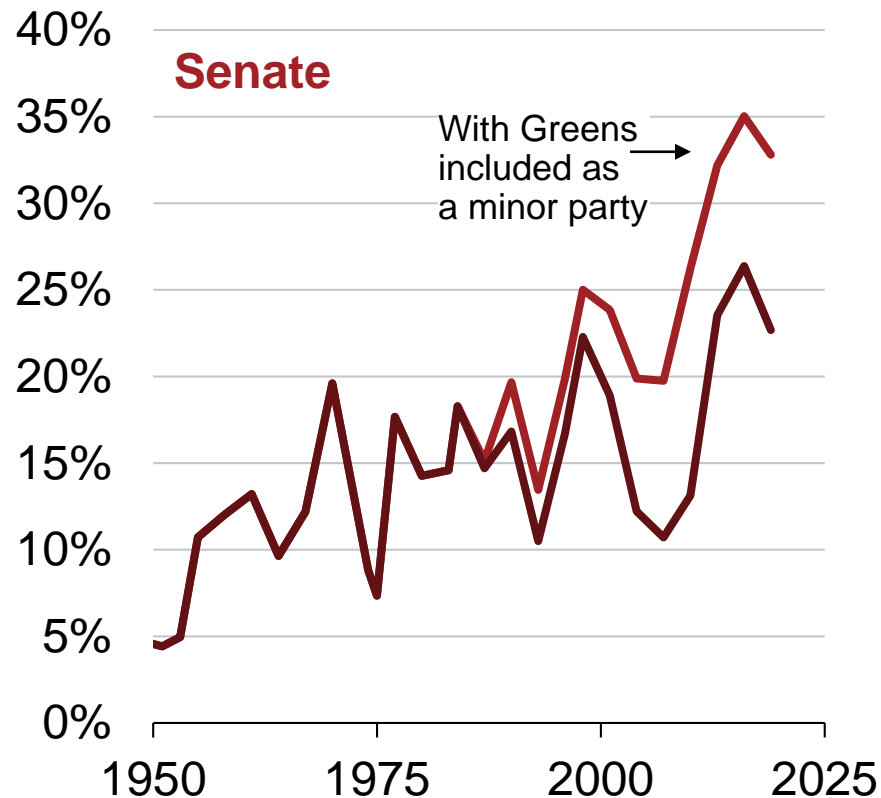
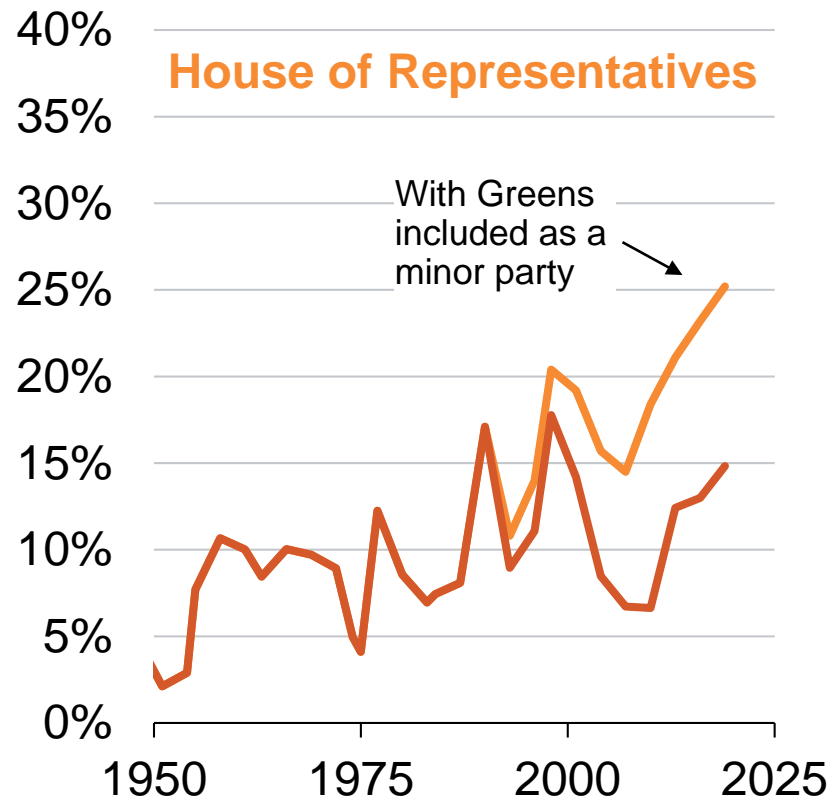
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What should governments do?

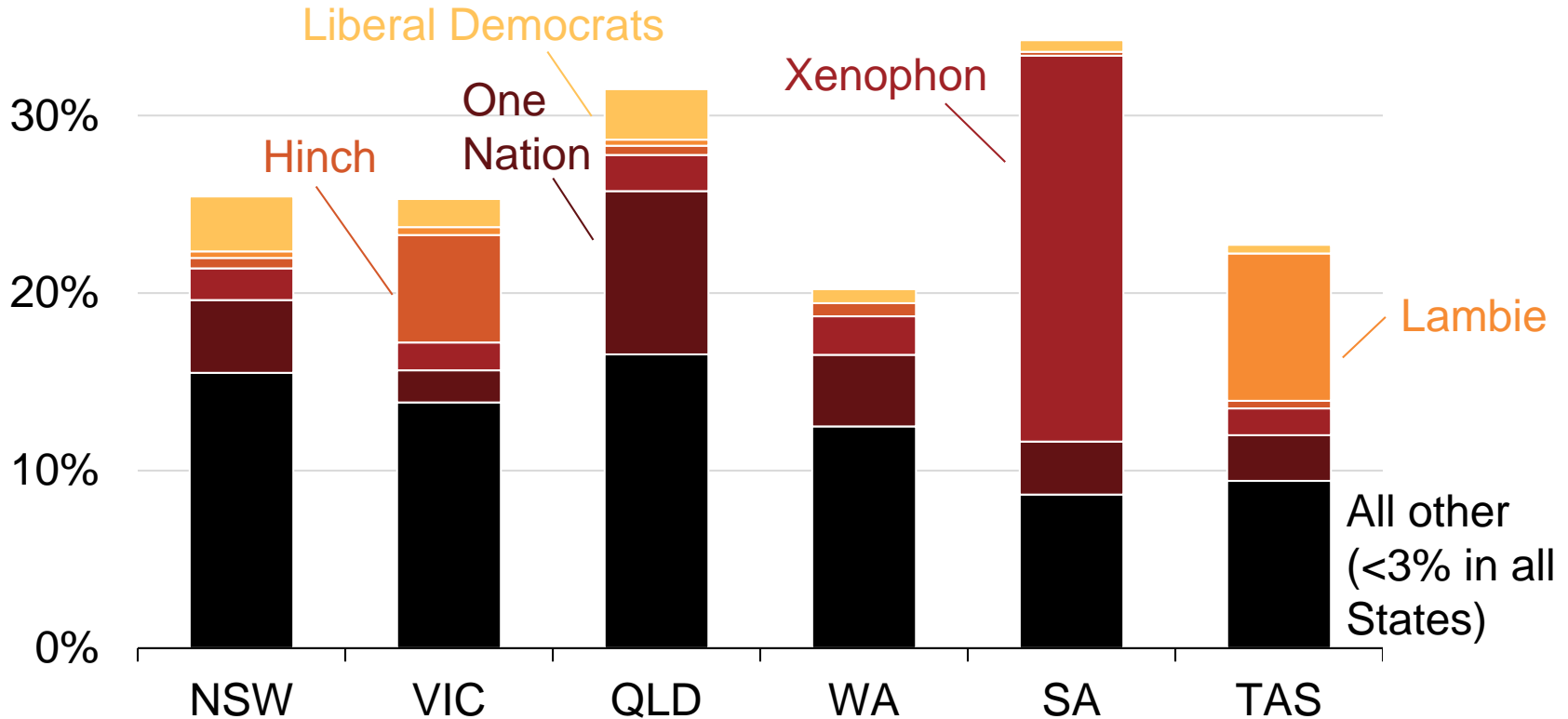
The minor party vote at the last two elections was at historic highs

First preference votes to minor parties as a share of the formal vote



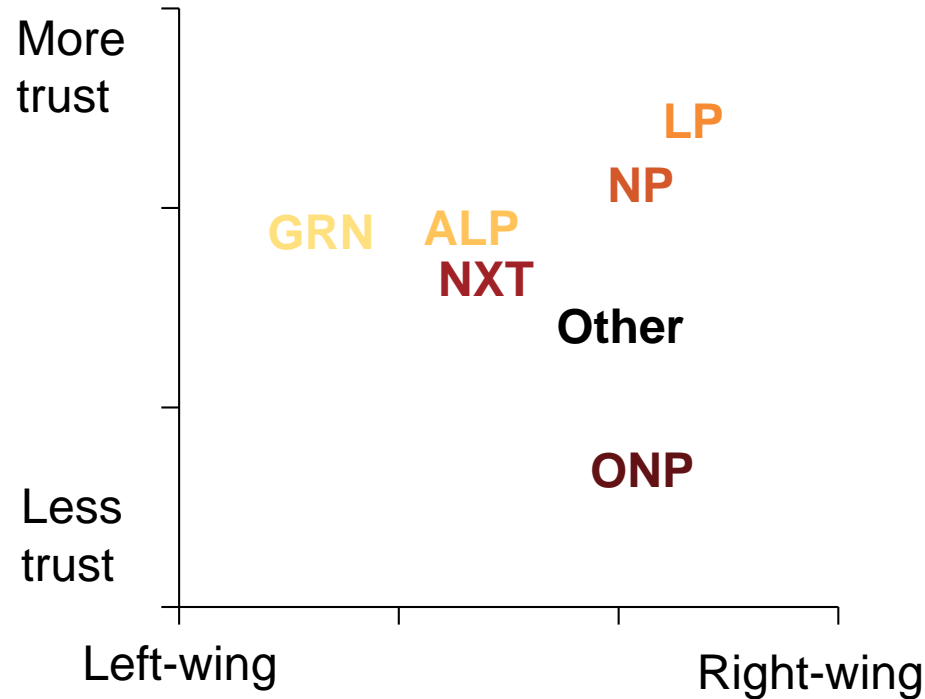
The minor party vote is fragmented, and partly driven by State-based personalities

First preference Senate vote share, minor parties (not LNP, Labor, Greens), 2016



Minor party voters are different in terms of their lack of trust, not their left-right views

Index of trust in government and big business and index of left-right views, 2016



“People trust me”



Pauline Hanson, 7 News 2016

Most minor parties seek to tap in to lack of trust



Pauline Hanson's One Nation is a political party representing the people of Australia who are concerned that their will is being ignored by the two party system.

Pauline Hanson One Nation Party website



*We're all about looking at issues on their merits and working out the best outcome for everyone
We stand for:*

- *Honest and accountable government*
- *Looking after the national interest – not vested interests*

Nick Xenophon Team party website



I became an independent Senator because I could see party politics and self-interest meant elected representatives weren't putting Tasmania first.

Jacqui Lambie Network website

Low trust makes it difficult to prosecute ambitious policy change

Always some losers with major policy reform. Public will only buy in when the can be convinced:

- It's in the national interest
- The government can successfully deliver

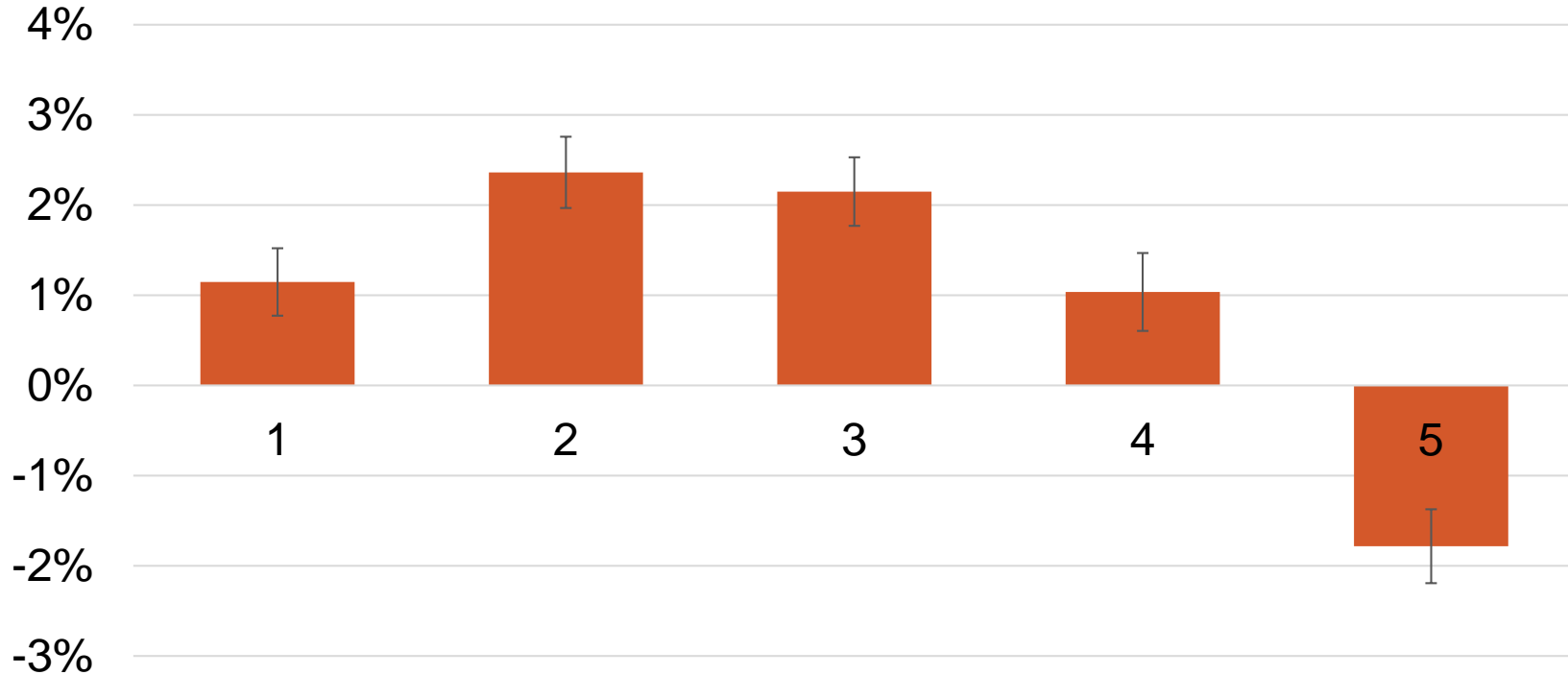
This is a good (partial) explanation for the 2019 election result

- Morrison perceived to be more trustworthy than Shorten¹



Labor's policy agenda may not have failed on self-interest

Swing to the Coalition, 2PP, by income quintile of polling booth postcode

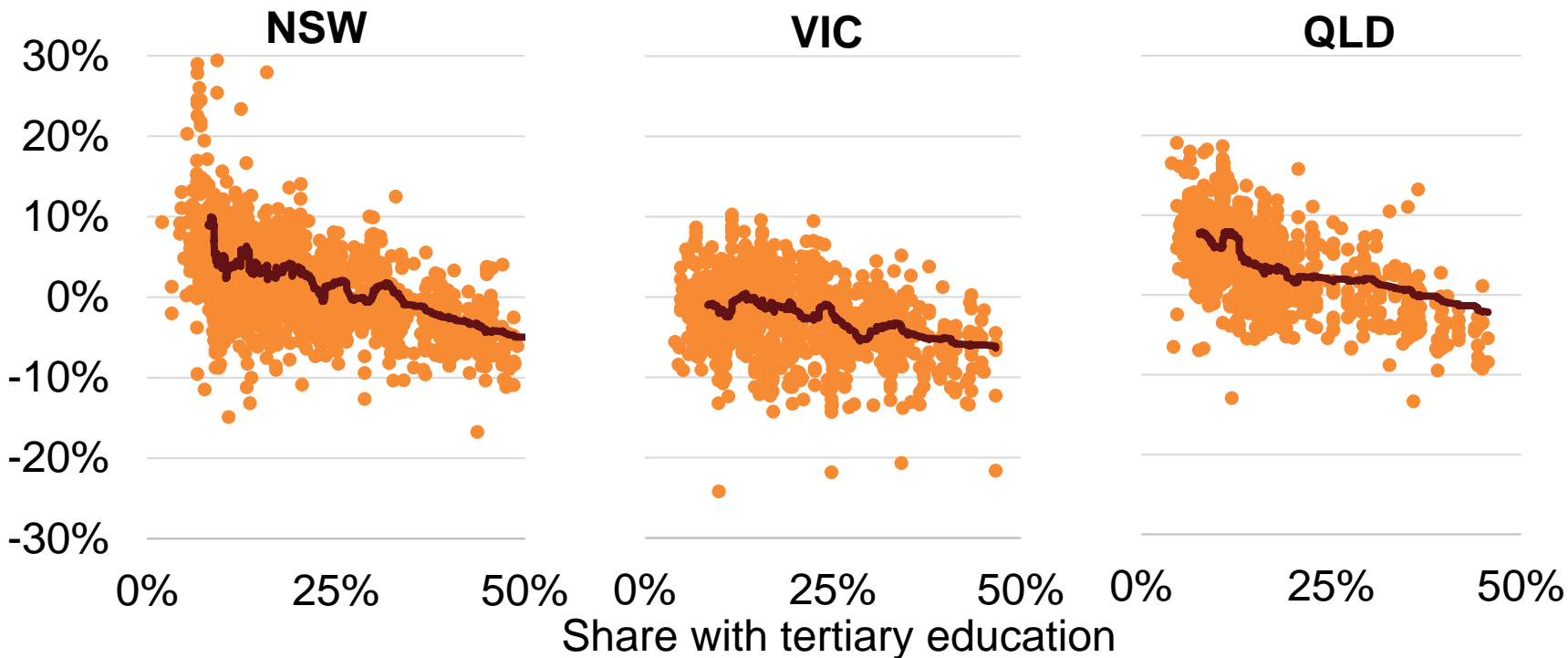


Notes: Income quintiles are population weighted. Mobile or pre-poll booths, and polling booths that collected fewer than 500 votes excluded. Data excludes polling booths in electorates where the contest wasn't between candidates from the Coalition and Labor.

Sources: Grattan analysis of ATO (2019) Taxation Statistics; AEC (2019) Tally Room.

Areas with low rates of tertiary education tended to swing to the Coalition

Swing to the Coalition, 2PP, by polling booth, and share of the population with a bachelor's degree or higher by postcode



Notes: Some polling booths with large swings to the Coalition not shown. Mobile and pre-poll booths, and polling booths that collected fewer than 500 votes excluded. Data excludes polling booths in electorates where the contest wasn't between candidates from the Coalition and Labor. Higher education data from the 2016 Census.

Sources: Grattan analysis of AEC (2019) Tally Room; ABS Census Table Builder

Broader implications of falling trust for government and society

All businesses and policy institutions exist courtesy of a social contract with society. That contract is maintained not by law but by trust. A loss of trust in institutions is important because it is a breach of that social contract and signals an erosion of social capital.



Andy Haldane, Chief Economist, Bank of England

...cynicism is corrosive of democracy because it undermines the contract between elector and elected: it undermines the concept of mandate if citizens cast their vote without the expectation that their representatives will represent their views or act in their interest.



John Faulkner, Former Labor Minister

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What should we do?

- Embrace a period of quiet policy delivery
 - Stop overpromising
 - Party stability
- Broaden popular involvement in parties
- Reform politicians' entitlements (symbolically important), proper codes of conduct
- Address reality that elites have increasing access and influence:
 - Donations and lobbying reforms
 - Broaden third party consultation (publish diaries, statements from general public at senate hearings, citizens juries?)