

An aerial, high-angle photograph of a busy city street at night, completely gridlocked with various vehicles including cars, vans, and taxis. The scene is illuminated by streetlights, creating a warm, orange glow. The vehicles are packed closely together, with some headlights and taillights visible. The overall composition suggests a state of total congestion, which serves as a metaphor for the 'Gridlock' mentioned in the title.

Gridlock

Removing barriers to policy reform

John Daley

July 2021

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Grattan Institute Report No. 2021-08, July 2021

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Overview

Australia's governance has deteriorated over recent decades. The formal institutions and the informal norms of behaviour are weaker. Others have written about how this soft corrosion can easily bloom into hard corruption. This report shows how weaker governance also means that governments are adopting less policy reform – changes to policy that would improve the lives of Australians.

Many people hark back to the golden years of policy reform in the 1980s and '90s. This isn't just a rose-coloured view: it is confirmed both by a simple history of reform, and an analysis of OECD recommendations. The more recent gridlock of policy reform can't be explained away as the absence of worthwhile reform to do – governments in Australia have failed to progress many reforms that have sat on the shelf for decades.

This report analyses the outcomes of a wide range of reforms proposed by Grattan Institute in the decade from 2009 to 2019. More than two thirds of the suggested reforms have not been adopted.

Many reforms that were desirable for the reasons explained in Grattan's reports, were nonetheless unpopular with the electorate. *None* of these were adopted. Unpopularity has become an insuperable obstacle to reform, a significant change from the past when political leaders implemented many reforms even if they were unpopular, doing their best to explain why they were in the public interest.

Reforms that crossed shibboleths – beliefs that mark party or factional loyalty – almost always failed. They have become a major obstacle to sensible reform, particularly in tax, superannuation, and energy policy.

Other reforms were blocked by powerful vested interests. But vested interests were often overcome when substantial independent public evidence made the case for reform. Not surprisingly, policies that would

have dragged significantly on the budget have also struggled. The upper houses of parliament, and the division of federal responsibilities – often raised in public discussion about governance – were rarely the root cause of governments failing to adopt reform.

Popular opinion, markers of party loyalty, and vested interests have blocked reform in part because the fourth estate has limited resources for expert journalism, is concentrated, is sometimes hyper-partisan, and is morphing due to social media. But there are other culprits. The growing number and power of ministerial advisers make it harder to pursue reform. The public service has been weakened: often it is not asked to provide policy advice, is not capable of providing it, and is overly pliable in serving the political interests of the government of the day. Reform is also undermined by political patronage – awarding government contracts, making favourable policy decisions, and granting appointments to partisan friends, made easier as the reasons for decisions become more opaque.

Institutional changes to ministerial adviser roles, to processes for appointing and dismissing senior public servants, to ministerial influence over government contracts and grants, and to controls over political donations, campaign finance, lobbying, and post-politics careers would all help to break the gridlock in policy reform. These changes would also promote the emergence of champions who are usually crucial to the prospects of reform.

Unfortunately, politicians from both major parties routinely block such institutional changes. The most politically realistic path to institutional change is for independent members of parliament to champion institutional changes, particularly when they hold the balance of power. Without institutional changes, Australian governments will not deliver many of the policy reforms that would increase Australian prosperity.

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1 Introduction

‘Everybody knows’ that policy reform in Australia is gridlocked. And almost everyone has a theory about what the problem is – and what the solutions might be.

This report examines the evidence: which reforms did happen, and which did not? It identifies the blockers that consistently result in gridlock, and it identifies changes to the mechanisms and institutions of government to clear these blockages so that next time might be different.

This report lays bare the concrete costs of how we have been governing Australia. Problems with our institutions – our systems of governance – are crueLLing the chances of policy reform.¹ The slow corrosion of our institutions is gnawing away at Australian prosperity. We hope this report galvanises people to change how Australian government works.

This report shows that Australia tended to adopt policy reform more often in the past (Chapter 2). Such historical analysis can bolster the case for institutional change. If reform previously happened more often, then changed governance arrangements deserve more scrutiny.

To see how Australia could have done better over the past decade, this report systematically analyses the history of all 73 concrete policy reforms proposed by Grattan Institute between 2009 and 2019 (Chapter 3). These include reforms across a wide range of policy areas including budgets, tax and welfare, retirement incomes, housing, transport and cities, health, energy, and education. This report evaluates whether the proposed reforms were substantially implemented. It uses their histories to identify the blockers that do –

1. In keeping with Banks (2011, p. 4), we agree that a policy change doesn’t count as ‘reform’ unless it is in fact in the public interest.

and do not – make a material difference to the prospects of reform. Appendix A contains more details of our methodology, a summary of the reforms, their outcomes, and their characteristics. Although history is prone to interpretative bias, we hope that people will agree with most of our individual judgments, and therefore that the overall patterns are insightful.

This is not a perfect approach to analysing institutions. Although the sample is much broader than most, and covers about 75 per cent of the areas where governments spend money,² it does not include substantial areas of government activity, particularly public safety (including criminal law, policing, and national security), international relations (including diplomacy, defence, international agreements, and refugees), industrial relations, and telecommunications and media.

But our approach at least reduces selection bias: the reforms were all selected by Grattan Institute as necessary when its reports were written, rather than as illustrations of institutional success or failure cherry-picked in retrospect.

To forestall claims that policy proposals failed because they were not in the public interest, the report relies on the extensive analysis that Grattan Institute has already completed for each of them in the relevant reports. Grattan selected areas for its reports where the key questions did not depend on value judgments that were contested between the two major parties.³ Instead it selected policy issues where evidence could indicate better answers. As a result its work is regularly used by all sides of politics. It is distinct from think tanks such as the Institute of

2. Daley et al (2019a, p. 15).

3. As shown in Daley et al (2020a, pp. 16–17, 23–24), the valuable ends of government are all but universally agreed, although how they should be balanced against each other is often contested.

Public Affairs or the Australia Institute, whose boards are dominated by people connected to a particular political party, and whose work often depends on value judgments that are much more contested by major political parties.

Of course, policy analysis is not an exact science, can be contested, and may shift over time as evidence or analysis develops.⁴ While people may not agree with each and every report, we hope that they will agree that Grattan's recommendations over the past decade have been *mostly* good proposals. As a starting point, we hope that people will agree that Grattan bats better than average – its recommendations are more likely to be in the public interest than a random selection of policy ideas. If most of these ideas are blocked, then it is unlikely that they failed simply because they were *all* poorly conceived.

This report then identifies institutional changes that might reduce the blockers to worthwhile reform (Chapter 4). It builds on a substantial literature about how Australia's institutions affect policy development,⁵ and literature about the nature of policy change and the conditions that make it more likely.⁶

The report takes a broad approach to the institutions that might improve our governance. The institutions of government include formal constitutional structures, and the institutions set up by statute and administrative arrangements, from the Reserve Bank to parliamentary committees. They include the rules governing these institutions, including electoral law, public sector staffing legislation,

and subordinate rules. They also include the structures of the political parties that are crucial in practice.

As well as the formal rules, the conventions that shape political behaviour also matter. While by definition these conventions are not legally binding, shared views of 'how things ought to be done' can affect policy outcomes as much as the formal rules. These conventions (such as the matters for which a Minister will resign) can evolve over time, and affect the chances of policy reform. Consequently, we analyse these conventions as a key part of governance institutions.

Finally, this report considers what might motivate our current system of government to adopt some of these institutional changes, many of which have themselves been proposed, and ignored, for many years (Chapter 5).

We hope that the evidence base of this report focuses energy on institutional changes that will make the most difference to policy reform. We hope that it helps to promote those changes when they are resisted by those with something to lose. Institutional change is always hard – it invariably redistributes power. But as this report shows, institutional changes are vital to improving the prosperity of Australians.

4. A good example is increasing scepticism amongst policy experts about the size of the economic growth dividend if government reduces company tax rates: see footnote 20.

5. These include invaluable contributions such as Banks (2011), Tingle (2012), Tingle (2015), T. Moran (2017), Russell (2021), Parkinson (2021), Thodey et al (2019) and Davis (2021).

6. For example, Lindquist and Wanna (2011), 't Hart (2011), Cerna (2013), Luetjens et al (2019) and Daley et al (2020a).

2 The failure of policy reform

It's become a truism of Australian politics that important economic reform peaked in the 1980s and 1990s. Sometimes the first two terms of the Howard government in the early 2000s are given credit as well.

This isn't just the rose-coloured view of retired politicians and public servants. A simple catalogue of historical reforms, and an analysis of OECD recommendations, both show that the pace of reform has indeed slowed. This can't be explained away as Australia simply having less reform to do – our institutions have failed to make progress with plenty of reforms that have sat on the shelf for more than a decade.

2.1 Accepted wisdom

A broad range of senior politicians, public servants, and journalists have all complained about the slowdown in reform.⁷ It's possible that this judgment merely results from the rose-coloured memories of people involved in those 'golden years of reform'. But a listing of major reforms, analysis of OECD recommendations, and analysis by the consulting firm Alphabeta, all confirm the accepted wisdom that the pace of valuable policy reform has slowed.

2.2 Mapping major reforms

Listing major economic reforms by government illustrates slowing reform over the past two decades (Figure 2.1 on the following page).⁸ The substantial reforms of the 1980s and 1990s have not been matched more recently.

7. For example, P. Keating (2017), Parkinson (2014), Stutchbury (2018) and P. Kelly (2011).

8. Daley et al (2019a, pp. 17–18, 31).

Not only is it easier to identify major reforms from between 1983 and 2000, they appear to be more significant than more recent changes. The reforms enacted by the Coalition Government in the past seven years are small compared to those of the Hawke/Keating and Howard Governments: ending automobile industry assistance was not nearly as significant as the tariff reforms of the 1980s; the sale of Medibank was less significant than the sales of Qantas, Telstra, and a host of electricity businesses; and the capital gains and dividend imputation tax reforms were much more substantial than the revision of superannuation tax arrangements in 2016. Similarly, many State governments corporatised, commercialised, and privatised many government business enterprises in the 1990s to increase productivity, but since 2000 have walked back many of these reforms.⁹

As Figure 2.1 on the next page illustrates, Australian governments have also become more prone to unwinding the policy changes of their predecessors (whether or not they are 'reforms' that are in fact in the public interest): Work Choices, the demand-driven higher education system,¹⁰ and carbon pricing¹¹ were all largely repealed.¹²

And governments failed to land high-profile reforms to which they committed: for example the Abbott/Turnbull/Morrison Government proposed and then abandoned cuts to the company tax rate, and an increase to the Age Pension age.

9. Allan (2019).

10. Norton et al (2012); Norton (2013); and Norton and Cherastidham (2018, p. 65).

11. T. Wood et al (2016).

12. A detailed set of US case studies of repealed reforms found that repeal is less likely if the reform creates groups that benefit from the reform, induces industry players to make substantial investments consistent with the reform, reinforces market forces, and changes the institutions responsible for decisions in the area: Patashnik (2008, pp. 176–180).

Figure 2.1: Fewer major economic reforms have stuck since about 2000

Major economic policy changes

	Hawke/Keating 1983–1996			Howard 1996–2007			Rudd/Gillard 2007–2013	A/T/M 2013–2021		
Trade and currency	Float A\$	International students	Tariff reductions					FTAs	End auto assistance	
Macro/budget policy			RBA inflation targets		Balanced budget commitment		PBO			
Labour markets	Accord		Enterprise Bargaining	Workplace Relations Act	Skilled migration	Work Choices	Fair Work	Age Pension access 67	Age Pension access 70	
Competition policy			Hilmer review	National Competition Policy			Demand-driven higher ed			Super fees
Privatisation	GBE reform	CBA sale	Elec Water	Airline IPO	Telstra sale (1, 2, & 3)				Medibank sale	
Regulation	Foreign bank entry		Telco deregulation			Bank capital reform				
Tax	Capital Gains Tax	Dividend imputation	Super-annuation	GST	Personal income tax cuts	Company tax cut		Carbon pricing	Super tax	Co tax
Federalism	Medicare					Federal/state financial reform	Federal/state health reform	NDIS		School funding

Notes: Reforms that were not passed, or that were subsequently substantially wound back or repealed, are shown shaded out. A/T/M = Abbott/Turnbull/Morrison. FTAs = Free Trade Agreements. PBO = Parliamentary Budget Office. GBE = Government Business Enterprise. CBA = Commonwealth Bank of Australia. Airline IPO = Initial Public Offering and sale of Qantas in 1993 and 1995.

Sources: Access Economics (2019); The Economist (2011); Grattan analysis.

It is noteworthy that the two most significant sustained reforms of the past decade – school funding and the National Disability Insurance Scheme – were largely bipartisan, and as much social reforms as economic reforms.¹³

It's possible that this analysis suffers from 'recency' bias: perhaps the truly important reforms of the past decade aren't yet apparent. But a review of the outcomes of reforms proposed in advance by the OECD shows this is not the case.

2.3 OECD reform track record

Between 1972 and 2018, the Organisation for Economic Co-operation and Development produced 31 *Economic Surveys of Australia* – roughly one every 18 months. Each publication put forward reforms that the OECD believed would increase economic growth and living standards.

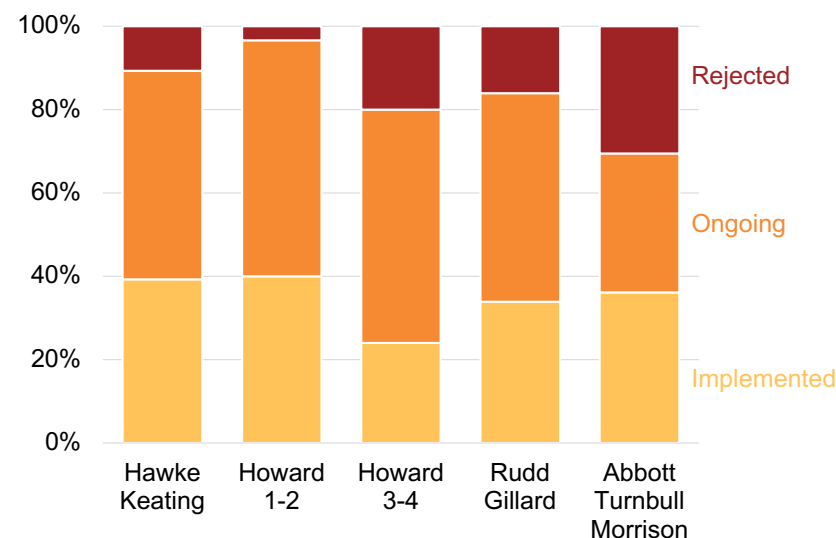
Our analysis of the series (summarised in Appendix B) finds that between 1984 and 2001, the overwhelming bulk of the OECD recommendations were taken up by the Hawke/Keating Government, and by the Howard Government in its first two terms.

But from roughly 2003 onwards, the record is a lot more patchy: more of the reforms recommended by the OECD were either rejected, only partially implemented, or (in the case of carbon pricing) implemented and then unwound (Figure 2.2).

Policies that the OECD recommended but which ran into the sand include reducing the gap between the company tax and top personal income tax rates, implementing a mining resource rent tax, reviewing negative gearing, creating competitive neutrality among

13. There was very significant common ground between the school funding reforms implemented under the Gillard Government and under the Turnbull Government – not least in that David Gonski championed both.

Figure 2.2: Governments appear less guided by expert opinion
Fate of OECD Economic Survey recommendations



Note: For more details on methodology, see Daley and Anderson (2020).

Sources: OECD, Economic Surveys of Australia; Grattan analysis.

Australian ports, aligning the eligibility ages for superannuation and the Age Pension, including more of the value of owner-occupied housing when calculating eligibility for the Age Pension, and raising Newstart/JobSeeker.

Several other reforms proposed by the OECD continue to sit in the too-hard basket, including increasing the rate and coverage of the GST, swapping stamp duties for property taxes, congestion charging for roads, and using smart meters for time-of-day electricity pricing.

As a means to evaluate the history of reform, the OECD Economic Surveys aren't perfect, but they're a reasonable guide. It's true that the scope and number of OECD recommendations expanded over time, but that expansion had already begun during the Hawke/Keating and Howard eras. And it's arguable that these days, the OECD recommends smaller reforms. It's also likely that the OECD's recommendations are partly influenced by the views of the government of the day. But many recommendations have been suggested under one government and implemented by the next. And while OECD recommendations aren't gospel, many policy experts support most of them. For instance, *all* of the policies that are on the OECD's continuing wish-list are also advocated by Grattan Institute's *Orange Books* that summarise its view of what should be federal and state government reform priorities.¹⁴

Our review of the OECD's recommendations for Australia over the past 48 years is consistent with the oft-cited view that governments in the most recent 20 years have not pursued significant reforms as often as governments in the 20 years before them. And it is consistent with work by the consulting firm Alphabeta, when it reviewed the history of Australian economic reform.¹⁵

14. Daley et al (2019a); and Daley et al (2018c).

15. Cranston (2020).

2.4 The opportunities for reform

Some explain away the slowdown in reform on the basis that today there are fewer reforms worth doing because much of the largest policy fruit – productivity reforms that affected the entire economy – was picked in the golden years of reform.

But plenty of worthwhile reforms have been identified and not adopted. In 2017 the Productivity Commission identified an emerging agenda, more focused on issues such as city shape and the delivery of human services, often largely funded by government.¹⁶ Governments have not pursued this agenda, or reforms proposed by the OECD, with the same vigour that they pursued reform in the golden years.

Other lists of reforms that could have made a difference were not enacted. For example, Grattan's report, *Game-changers: Economic reform priorities for Australia*, published in 2012, attempted to catalogue the major economic reforms that were broadly accepted at the time as worth considering.¹⁷ Over the following nine years, 18 of the identified initiatives have made minimal progress or have gone backwards. Only 5 of the identified initiatives have moved forward, but they all still have a long way to go. Much has been spent on transport infrastructure, but given the lack of discipline in project selection (perhaps because political imperatives tend to outweigh other considerations),¹⁸ it is far from clear that the benefits have truly exceeded the costs.¹⁹ The Coalition proposed a substantial corporate tax cut, which foundered in the Senate.²⁰ Reforms to childcare benefits removed some of the

16. Productivity Commission (2017).

17. Daley et al (2012).

18. Terrill and Ha (2019); G. Moran and Ha (2019); Terrill and Ha (2018); and Terrill (2016).

19. Terrill et al (2016a); and Terrill et al (2016b).

20. Unlike the other proposals in *Game-changers*, subsequent analysis suggested that this reform might be less attractive than was generally accepted in 2012. The gains to national income are materially smaller than the gains to domestic product,

disincentives to work,²¹ but take-home pay for second-income earners remains very low.²² There have been minor improvements to the efficiency of our health system, but many of the opportunities remain on the table.²³ And while Sydney and Melbourne have softened some planning restrictions, Australian cities still have a relatively sparsely populated ‘missing middle’, and housing development pre-COVID did not keep pace with population growth.²⁴

Other reform lists are similarly long and unprogressed. Grattan’s work over the past decade has typically recommended more specific reforms than those outlined in *Game-changers*. But most of them remain unadopted, as the rest of this report will show.²⁵ Many of the reforms analysed and recommended by the Productivity Committee had sat on the shelf for years before its Chair, Gary Banks, articulated a ‘to-do’ list in 2012.²⁶ Almost all of this list still remains undone nine years later.

While government ‘can’t float the dollar twice’,²⁷ there are plenty of other good policy ideas that governments have failed to adopt. And while governments have less ability to influence outcomes on a number of policy issues because of deregulation and privatisation,²⁸ governments could improve outcomes with all of the unadopted reforms described above.

which includes offshore profits: Daley and Coates (2016) and Prihardini and Dinar (2016). Some have even argued the corporate tax cuts would impose net costs on Australians: Dixon and Nassios (2016).

21. Stewart (2018).

22. Stewart (2017); D. Wood et al (2020); and K. Griffiths et al (2021b).

23. For summaries see: Daley et al (2019a, pp. 3–4, 90–91) and Daley et al (2018c, pp. 3–5, 10, 69–70).

24. Daley et al (2018a, p. 53).

25. See also Daley et al (2019b).

26. Banks (2012).

27. Frydenberg (2021).

28. Tingle (2012).

2.5 A shifting agenda?

One might argue that in the past decade or so governments have prosecuted fewer of the reforms advocated by the OECD and Grattan Institute because they have been more focused on social and identity issues (such as same sex marriage, violence against women, and dying with dignity) and security issues (particularly asylum seekers and the threat of terrorism). The OECD and Grattan Institute have always focused on economic issues – although the OECD increasingly raises health and education issues, and about 40 per cent of the Grattan case studies concern education, health, and the social aspects of cities.

There have been obvious shifts at the margins. Same sex marriage was a high-profile issue – although it is not obvious that it consumed more airtime than social and identity issues in previous eras concerning issues such as the legalisation of abortion and homosexuality. There was a boom in national security legislation after 9/11, but it has since subsided.²⁹

There has been a big shift in the agendas of some think tanks. The Institute of Public Affairs, for example, was once focused on economic issues, particularly free trade and deregulation. It now dedicates about a third of its space to ‘culture wars’ issues: academic freedom; religious freedom, cultural relativism, and identity politics.³⁰ This shift may well be driven by fundraising: these issues are more emotive, and they may well motivate a large share of think tank donations.³¹ On the other hand, think tanks and organisations on the left, such as the Australia

29. McGarrity and Blackburn (2019).

30. Of 45 articles in the four 2019 issues of the *IPA Review*, 15 were primarily about these topics; many others discussed recent political history with significant emphasis on these issues.

31. For example, the end of financial year 2021 donations page for the Centre for Independent public Studies was headed ‘Thank you for your generous gift supporting CIS and our work combatting ‘Cancel Culture’ and protecting our freedoms’: CIS (2021).

Institute and GetUp!, while focused on redistribution, are much less focused on the culture wars. The shift in the agenda of right-wing think tanks may be reflected in the focus of right-wing politicians, either because these think tanks influence their world-view, or because politicians feel the same emotional pull of these issues that influences think tank donors.

But there is little evidence that the overall agendas of the public, media, or politicians have shifted much. As shown by the comprehensive study of Keith Dowding and Aaron Martin, while issues come and go, voters have always put economic and health issues at the top of their list of concerns for government. Concerns about the environment and migration have risen in importance since about 2005, and housing has become more prominent recently. Voters have typically not been nearly so concerned about defence, crime, and civil rights, apart from a spike in concern about defence from 2002, presumably driven by 9/11.³² As Dowding and Martin show, the focus of legislative and executive attention has (unsurprisingly) roughly followed popular concerns.³³

Another possibility is that ‘conservative’ governments are true to label, starting from the presumption that no change is the better policy outcome. But none of the Howard, Abbott, Turnbull and Morrison Governments positioned themselves this way; they all held themselves out as ‘liberal’ governments, looking to drive a vigorous policy reform agenda.³⁴

2.6 Explaining the slowdown in reform

It’s possible that Australia will never regain the heady pace of reform during its golden decades because of their unique features. After an

extended period with little economic reform, a lot of evidence had accumulated about the needed reforms, and many economists had aligned around a paradigm that emphasised markets more. Savage recessions created a sense of crisis that appears to aid reform in Australia.³⁵ While some are trying to build a sense of urgency around reform today,³⁶ the threat of slow wage growth in future is inherently less salient than the big loss of income that many had endured through the recessions of the 1970s and 1980s. And in the golden years, peak bodies, particularly the ACTU and BCA, actively promoted reforms in concert with government, perhaps because government involved them more in the policy process, offering trade-offs that fulfilled some of their underlying aims.

Through the golden years there were a number of economy-wide one-off reforms, such as floating the dollar, reducing tariffs, privatising many government businesses, introducing enterprise-level industrial relations, and widening competition law. Today’s reform lists might be long, but there are relatively few measures that will affect activity across the whole economy.

Reform fatigue from past decades may also be hindering current reform initiatives.³⁷ The ‘golden years’ of reform transferred significant risk from government to people. People may blame structural reforms to government-funded services (such as Vocational Education and Training, aged care, and employment services) for current issues. This fatigue can persist even if these reforms are delivering better services than the government monopolies they replaced.

32. Dowding and A. Martin (2017, pp. 207–208); and Daley et al (2018a, p. 11).

33. Dowding and A. Martin (2017) presents data to 2017; the Policy Agendas Project has work in progress to diagnose whether there has been significant deviation from these historic patterns over the past four years.

34. For example, Frydenberg (2021).

35. P. Kelly (2011, pp. 47–48); Daley et al (2020a, p. 30); and Parkinson (2021, pp. 5–6).

36. BCA (2021).

37. Lora et al (2004); Banks (2005, pp. 11, 26); Simons (2020a); and Daley et al (2020a, p. 7).

So rather than diagnosing Australia's recent policy history as a decade of drift,³⁸ one might see the golden years as an aberration resulting from unusual coincidence – although this view may well sell short Australia's much longer history of successful institutions, policy innovation, and economic growth.³⁹

Whether we are trying to increase the chances of another reform era as fruitful as the heady policy decades from 1985 to 2005, or just trying to do better than otherwise, the remainder of this report analyses what has blocked reform over the past 11 years, to work out how we can do better in future.

38. Parkinson (2021).

39. McLean (2013).

3 Patterns from the past decade

3.1 Summary findings

Our analysis of a wide range of reforms proposed by Grattan Institute in the decade from 2009 to 2019 reveals clear patterns of both success and failure. Appendix A lays out a summary of the outcome and the factors affecting each reform.

Of 73 reforms, 23 were substantially implemented and 50 have not been adopted. When we investigated their history, common patterns emerged, as shown in Figure 3.1.

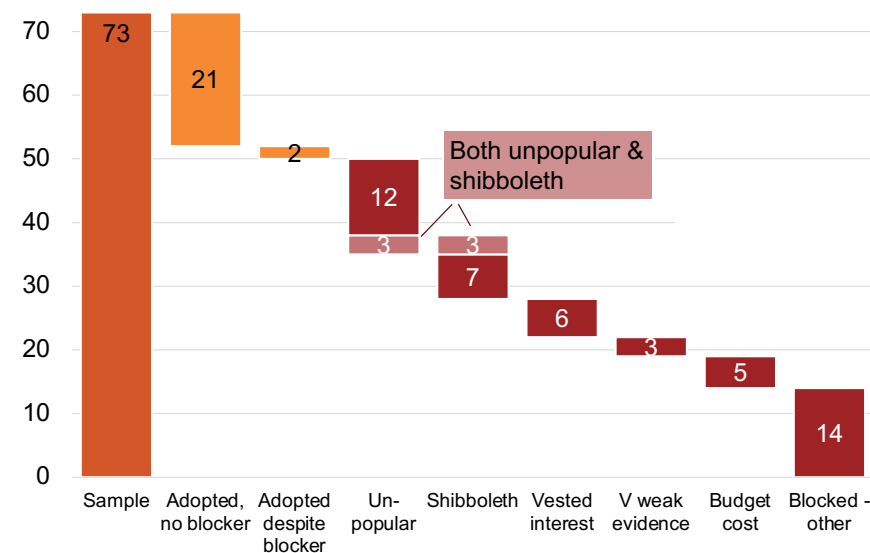
- 15 were **unpopular** with the electorate, and none of these were adopted;
- 10 were blocked by party **shibboleths** (3 of these were *also* unpopular);
- 6 of the remainder were actively opposed by powerful **vested interests** untempered by high-quality public evidence, and none of these were adopted;
- 3 of the others had poor or contradictory **supporting evidence** (other than Grattan's work), and none were adopted; and
- 5 were blocked because they involved very large (at least \$2 billion a year) additional **budgetary costs**.

Only 2 reforms were adopted despite these blockers: 1 crossed a shibboleth (increasing superannuation taxes), and 1 involved a large budgetary outlay (increasing childcare subsidies).

Of the 23 reforms that were substantially implemented, *none* was unpopular, *none* was actively opposed by powerful vested interests

Figure 3.1: Unpopularity, ideology, and vested interests blocked about half the reforms that were not adopted

Number of Grattan policy proposals adopted and blocked



Source: Grattan case studies.

untempered by substantial independent evidence, only 1 ran counter to a party shibboleth, and only 1 involved a big budget outlay.

A number of other factors that are commonly raised in discussions of institutional change were relatively unimportant to the outcome of reforms proposed by Grattan.

- The **upper house** of parliament only stymied 2 reforms that probably would not have been blocked anyway.
- **Federalism** was probably only significant for 6 reforms, and all of these would probably have been blocked anyway by other forces such as partisan shibboleths or powerful vested interests untempered by high-quality public evidence.

3.2 Popular opinion

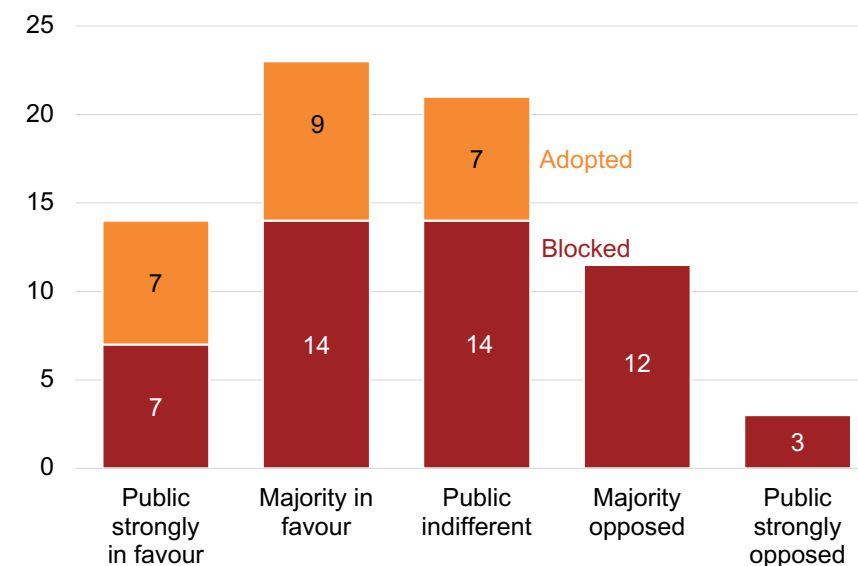
The most crucial blocker has been adverse public opinion. For the past decade, public opposition invariably doomed a proposal for reform. Popular support is no guarantee that a policy will be adopted. But it certainly improves its chances. Of the Grattan proposals that had clear majority support in polling or other data, about half have been adopted. A few have been adopted where the public were indifferent. But none were adopted when a majority opposed them (Figure 3.2).

Adopted reforms include a number of widely accepted school education reforms where the biggest hurdle is successful implementation rather than a complex policy trade-off: measuring school performance on improvement rather than absolute level of achievement; targeting teaching more to individual student needs based on frequent testing; introducing expert teacher roles; and turning around under-performing schools more systematically.⁴⁰

40. Jensen (2010); Goss and Hunter (2015); and Jensen and Sonnemann (2014).

Figure 3.2: Reforms have poor prospects if they lack active public support

Number of Grattan policy proposals adopted and blocked



Source: Grattan case studies.

For another group of adopted reforms, the first-order impact is to reduce prices for consumers: regulating the rate of return for electricity distribution networks; setting a default price for electricity to prevent price gouging of unwitting consumers; and reducing prices paid for pharmaceuticals no longer covered by patents.⁴¹

A variety of other adopted proposals were inherently popular. A large majority have for a long time favoured direct government support for low-emissions technology, and recommendations to reduce emissions through the mechanism of a reverse auction have been adopted by some governments.⁴² People support reforms to residential tenancy law to make it easier for tenants to have pets and hang pictures – there are more tenants than landlords.⁴³ There is widespread public support for better palliative care at end of life.⁴⁴ A public long-frustrated by taxis that didn't arrive when booked, needed little convincing that new ride-share services such as Uber should be legalised.⁴⁵ Reforms to school funding were so widely supported that they even sparked a popular movement, the 'Give a Gonski' campaign.⁴⁶ Tightening of superannuation tax breaks in 2016 had popular support because the targeted changes affected fewer than a million people.⁴⁷

41. T. Wood et al (2012); T. Wood et al (2017); and Duckett et al (2013).

42. T. Wood and Mullerworth (2012); and T. Wood and Blowers (2015).

43. J.-F. Kelly et al (2013, pp. 18–21); and Daley et al (2018a, pp. 75–79, 126–128).

44. Swerissen and Duckett (2014).

45. Jacks and Gauci (2019); Solon (2017); and Fels (2019, pp. 76–77).

46. E. Griffiths (2013).

47. On the impact of the changes, see Daley et al (2016, pp. 24–25). Tightening superannuation tax concessions for high income earners generally had *net* support (proportion of those in favour less proportion against) of between 20 per cent and 40 per cent. The Coalition's package in May 2016 was more strongly supported than any other proposal polled between 2013 and 2017: Grattan analysis of Essential Research polls 8 April 2013, 31 March 2015, 28 July 2015, 9 February 2016, 12 April 2016, 27 April 2016, 10 May 2016, 15 June 2016, 14 March 2017, 31 March 2017, 1 August 2017, and Hudson and Uren (2016). Specific proposals to cap after-tax contributions, and to tax earnings over

But public opinion stands in the way of a number of much larger reforms: increasing middle-ring housing density;⁴⁸ shifting from stamp duties to land taxes;⁴⁹ more rational transport project selection; road congestion pricing;⁵⁰ increasing the Age Pension age; including more of the value of the family home in the Age Pension asset test; ending decades of counter-productive first-home-buyer incentives; rationalising regional development programs; and not increasing compulsory contributions under the Superannuation Guarantee above 9.5 per cent.⁵¹ These are some of the largest opportunities for economic growth and improved prosperity, and were all part of the reform agenda well before Grattan published reports about them. Governments and their agencies have flirted with most of them, but there has been little progress towards actual legislation on any.

The only reform recommended by Grattan that governments have pursued in the face of public opposition is to increase housing density in some of Australia's middle suburbs. This is key to improving long-term housing affordability, but NIMBY (not in my back yard) forces

\$100,000 a year in retirement, were not supported: Grattan analysis of Essential Research polls 15 April 2013, 2 August 2016.

48. Where governments in Australia have consulted extensively they have generally found that residents prefer solutions other than infill. For example, New Democracy conducted a citizens' jury process for the ACT Government to consider planning policy. It recommended mandatory green space and plot ratios that would limit infill: Housing Choices Collaboration Hub (2018). Similarly the Brisbane City Council ran an extensive consultation plan ahead of its *City Plan 2014*, which allowed significant development in the inner ring on the edge of the CBD, but largely prevented infill development in the middle suburbs of Brisbane: Daley et al (2018a, p. 116).

49. McNally (2016).

50. Terrill et al (2019, pp. 13–14).

51. Net approval for increasing the Superannuation Guarantee from 9 per cent to 12 per cent was around 60 per cent during the Rudd-Gillard Government (10 May 2010, 23 May 2011, 25 August 2011, 2 April 2012, 10 September 2012), dropping to 48 per cent (24 June 2013); and under the Abbott Government was between 30–35 per cent (16 September 2014, 3 November 2015): Essential Report polling.

remain powerful around the world. Australian governments have made some progress, particularly in Sydney, perhaps because popular concern about housing affordability is also very high. But they have stopped well short of more comprehensive solutions that would be more visible and unpopular.⁵²

Beyond the reforms in our case studies, governments have occasionally pursued unpopular policy changes – usually unsuccessfully. John Howard's Work Choices package was unpopular, and the Abbott/Hockey budget of 2014 contained many unpopular decisions.⁵³ Without debating whether these changes were in fact good policy, the proposals didn't stick.

It might be argued that public opinion is dictating outcomes more because the public tend to put a greater weight on non-economic values that increasingly concern governments too. Putting aside the fact that governments have *always* cared about non-economic values,⁵⁴ this is at best a partial explanation for the increasing power of public opinion. For example, public opposition to increasing the Age Pension age, changing the Age Pension assets test, or changes to the Superannuation Guarantee, might reflect a public preference for a secure income in retirement, rather than maximising distributional fairness or working-age income.⁵⁵ But much of the public opinion that has blocked reform is not about conflicting values. Instead it is the result of a tendency to focus on the immediate economic consequences, putting little weight on the long-term benefits. Examples include popular support for counter-productive first home-buying incentives, and gas reservation, and opposition to congestion pricing,

swapping property taxes for stamp duties, and time-sensitive electricity network tariffs.

It is not surprising that public attitudes shape government actions – after all, that is the point of a democracy. But government is usually better when popular views are tempered by expert institutions – from courts and central banks, to expert administrators of everything from water allocation to child protection. Overall, populations tend to trust experts much more than politicians.⁵⁶ Liberal democracies are usually a delicate balance between popularly elected rulers and a whole series of institutions designed to temper popular views.⁵⁷ It has been accepted constitutional theory for centuries that the primary duty of elected representatives is to govern according to their judgment of what is in the interests of their electors, rather than simply following the opinion of their electors.⁵⁸

Of course, leaders can change public opinion – indeed that is an essential part of leadership. At least some of the time the views of political leaders and expert analysis can influence popular opinion.⁵⁹ And public opinion can change once people experience the reality of policy change: for example, voters usually oppose road congestion pricing in advance, and then support it once implemented.⁶⁰ So it is surprising that unpopularity has become an automatic strike-out for policy reforms.

Many of the reforms adopted in the 1980s and '90s were unpopular at the time:

52. Daley et al (2018a).

53. Tingle (2018, p. 25).

54. Daley et al (2020a, pp. 14–24).

55. The values at play may be more complex than this: these changes are opposed most by those who are already retired – and who will be least affected.

56. See Figure 4.1 on page 40 and Goldfinch et al (2021).

57. Mounk (2018); and G. Jones (2021).

58. In Edmund Burke's famous formulation: 'Your representative owes you not his industry only, but his judgment; and he betrays, instead of serving you, if he sacrifices it to your opinion': Burke (1857, Vol. 1, p. 221).

59. Bullock (2011); and Daley et al (2020a, pp. 6–7, 27).

60. Terrill et al (2019, pp. 13–14).

- **Tariff barriers** to protect Australian manufacturers were supported by about 60 per cent of the population;⁶¹
- A **capital gains tax** was usually opposed in opinion polls ahead of its introduction in 1985 with about 70 per cent opposed and only 23 per cent supportive;⁶²
- **Fringe benefits taxes** enjoyed more popular support – particularly when they were labelled ‘perks taxes’ – with about 41 per cent opposed and 50 per cent supportive in 1985;⁶³
- Attitudes to **privatisation** were mixed: in 1984 most of the electorate opposed privatising the Commonwealth Bank, while a slim majority favoured privatising Trans Australia Airlines (TAA), Australia Post, and Telecom (the predecessor to Telstra).⁶⁴ Support for privatisation dropped consistently through the decade from 1985 to 1995.⁶⁵

Since then, most of these reforms have remained unpopular, with a large majority in favour of increasing trade protection, and more people supporting than opposing the re-nationalisation of Qantas, Telstra and the Commonwealth Bank, although more people support than oppose floating the dollar and introducing a GST.⁶⁶

61. Age Poll (1979); Age Poll (1981); and Braithwaite (1988, p. 29).

62. Morgan Gallup (1984a), Morgan Gallup (1984b), Morgan Gallup (1985a) and Morgan Gallup (1985b), although one poll found support more evenly divided: Spectrum Research (1985).

63. Morgan Gallup (1985c) and Spectrum Research (1985), although attitudes varied depending on the particular benefits, with 73 per cent approving of tax on a company car used for private purposes, but only 41 supporting a tax on employer-subsidised housing loans: Morgan Gallup (1985c). Support dived once the tax became operational in 1986 with 52 per cent opposed and only 37 per cent supportive: Morgan Gallup (1986).

64. Goot (1999, pp. 215–216).

65. Ibid (pp. 218–219).

66. Essential Research (2011); Woods and P. Lewis (2015); Essential Research (2016a); and Essential Research (2017a).

Many of the other key reforms of the 1980s and 1990s were not prominent on the public radar: for example, no opinion polls were conducted about floating the dollar, workplace bargaining, or competition reform between 1983 and 1990.⁶⁷ Their effect on the hip-pocket was not obvious, and many people may not have understood how they would affect their long-term interests.

Other reforms were unpopular, but politicians worked to shift public opinion. For example, John Hewson’s suggestion of a goods and services tax in his Fightback package is widely seen as losing him the 1993 election; John Howard ruled it out under pressure in 1995, and then introduced it in 1997, investing much time and political capital in reducing public opposition.⁶⁸

The increased influence of public attitudes on policy outcomes is perhaps the clearest and most substantial difference to the ‘golden age of reform’. Politicians never ignore public opinion, but Hawke, Keating, and Howard went out of their way to try to persuade key institutions and the public that unpopular policies were in fact in the public interest.⁶⁹ Keating spent much of his time selling changes to a sceptical public, and the public campaign waged by Howard and Costello was probably crucial to GST reform.⁷⁰ Governments can at least influence the course of public debate by arguing publicly and privately for the merits of their reforms, explaining how the wins outweigh the losses.⁷¹

In general Australian governments today seem less willing to take on public opinion. How have Australia’s institutions changed to make public opinion so much more decisive?

67. Based on the exhaustive compilation of opinion polls in Goot et al (1993).

68. Kehoe (2020).

69. P. Kelly (2011, p. 48); Tingle (2018, pp. 24–25); and Daley et al (2020a, pp. 6–7).

70. Daley et al (2020a, pp. 6–7).

71. Ibid (p. 6).

Inherently this is more speculative. But it's likely that social media and the 24-hour media cycle have made it more difficult to pursue an unpopular policy. Public opposition gets louder much faster than it did in the past. There is now almost no gap between ministerial announcement and social media response, so it is harder for a minister to get clean air to lay out the initial case.

It may be that public opinion is more transparent to politicians. Public opinion makes itself heard more readily through social media than newspaper letters pages. Opinion polling is much more widespread and regular. Political parties use focus groups more to understand popular reactions to issues. The belief among politicians may be growing that voting intentions are primarily affected by winning each media day rather than delivering substantial welfare improvements through well-designed and implemented policies.

Governments may be less willing to take on public opinion when they only have narrow parliamentary majorities, and a small shift in the popular vote will cost them power. In the past 15 years, only the Rudd and Abbott federal Governments have enjoyed significant majorities, although many state governments have remained comfortable for much longer periods.

Ministers may also be reluctant to argue for an unpopular policy because the price of failure is so high. Of course there is the risk of a voter backlash. But in addition, a high-profile policy failure may limit subsequent career opportunities – ironically, high-profile personal failings appear to be much less of an issue. The end of generous defined-benefit superannuation schemes for parliamentarians has made it more important for them to find well-paid employment after political life.⁷² But many politicians today do not have a career outside

of government to fall back on. Immediately before entering politics, many federal politicians worked as ministerial advisers and union representatives (Figure 4.3 on page 47). Unlike Prime Minister Ben Chifley, none has actually driven a train.⁷³ There are increasing opportunities for former politicians to use their government experience to gain post-politics employment. With both motive and opportunity, former government officials are an increasing proportion of Canberra's lobbyists.⁷⁴ One in four former ministers works for special interests, and another one in four has an official or media role.⁷⁵ These employment factors mean that it is very costly for a minister to be associated with a high-profile policy failure or even a successful but bruising policy battle in the public interest against vested interests that reduces their post-politics career prospects.

Ministers are also surrounded by advisers who are likely to discourage them from pursuing an unpopular policy. Advisers tend to be focused on winning the immediate war of public opinion in a culture of continuous campaigning. Ministerial advisers, increasing in number, and increasingly drawn from political backgrounds rather than the public service (Section 4.5 on page 47), tend to focus more on keeping the minister out of *political* trouble rather than pursuing good policy. These advisers are more likely to gain their next step on the career ladder – often as a more senior adviser, preselection for parliament, or in government relations – if they are seen to have minimised political damage to their minister. By contrast, senior public servants are less worried about public opinion if they think the reform is in the public interest.⁷⁶

While there are far more public servants than advisers, advisers have much more regular contact with ministers. In the federal government,

72. For example, Special Minister of State Scott Ryan made this link explicit in defending Andrew Robb when Robb entered a substantial employment contract with Chinese-owned Landbridge on leaving parliament: Chan (2017).

73. Crisp (1961, pp. 11–12).

74. D. Wood et al (2018b, p. 22).

75. Ibid (p. 24).

76. As immortalised in *Yes Minister*.

most advisers are physically located in the same office as their minister, both at Parliament House in Canberra and on the road; whereas public servants are all housed in separate buildings. The division is less extreme for state governments: the offices of ministers and their advisers are usually located in the same building as their department.

Media, polling, beliefs about the drivers of voting, the incentives for politicians, and the background and focus of advisers, have all increased focus on short-term public reactions rather than long-term public impact. Fewer appear to believe that ‘good policy is good politics’.⁷⁷ These factors have made politicians more reluctant to embark on extended policy reform processes which can explain the issues and shift public opinion, as well as co-opting supportive stakeholders. And consequently in the past decade there has been much less unpopular policy reform.

3.3 Shibboleths

Partisan shibboleths are another key blocker of policy reform.

This report defines partisan shibboleths as policy views that are contrary to the weight of policy evidence, but which are all-but-universally held within a political party, or a party faction, while much less widely accepted in other circles.⁷⁸

Shibboleths are most obvious when people from a given party or faction all take the same position on questions of fact, so that the *policy* implications align with ideologically-driven preferences. As Jerry Taylor points out, it is a question of fact whether human activity is affecting the climate, whether the returns to capital are greater than the rate

of growth, or whether tax cuts pay for themselves. But people from a particular political party or faction all tend to align on the same side as other members of their group on each of these empirical questions, partly because the implications fit their prior view about the desirable size and role of government.⁷⁹

One of the functions of shibboleths is that they mark membership of a group – a ‘tribe’. A belief is likely to be more effective as a marker of membership when it is *not* rational – otherwise the belief would be shared by many people who are not part of the tribe. Shibboleths are important when members of a tribe mutually agree (implicitly or explicitly) to support each other to share in the spoils of power, in preference to outsiders. Group members need a way of knowing who is ‘us’ and ‘them’.

Shibboleths are more than a mere ideological orientation. The ALP is more concerned about redistribution. The Coalition prefers smaller government. The Coalition puts more emphasis on the value of individual choice of schooling, healthcare, and aged care, even when consumers lack information, tend to make poor choices, and consumer choices are delivering poor outcomes.⁸⁰ But these positions are not existential: parties are prepared to forgo these preferences if there are other competing considerations. For example, despite a preference for parental choice of school, the Turnbull Government was prepared to implement substantial reforms that reduced funding for some independent schools (albeit increasing it for many others). It probably helped that this reform was popular, supported by a substantial evidence base, supported by many in the independent schools lobby, and effectively positive for the budget overall.

77. Tanner (2012).

78. The word ‘shibboleth’ is derived from the Hebrew word for an ear of corn. Its contemporary meaning is based on the story in *Judges* 12:4-6, when it was used as a password to distinguish friends from foes, who pronounced the word differently.

79. Taylor (2018).

80. Jensen et al (2013); Duckett and Nemet (2019, pp. 13–22); and Yang et al (2021).

Shibboleths now abound in Australian politics. Perhaps the most high-profile is that members of the conservative wing of the federal Coalition have consistent views about carbon emissions: human activity is not causing climate change; even if it is, Australian governments should act behind rather than ahead of other countries; if they do act, Australian governments should intervene using any mechanism other than a price on carbon. While people might well have different views on each of these questions, *all* the members of a particular party or faction hold the same view as each other about them because the beliefs mark tribal membership. And they hold these views even though contrary evidence has been assembled about them as part of the most widely researched policy issue of our time. The somewhat arbitrary nature of shibboleths is illustrated by differences between the State and federal Coalition parties: while all States and Territories (including NSW) have adopted a target of net zero carbon emissions by 2050, the federal Coalition continues to avoid commitment.

There are many other examples. It is hard to think of any Coalition Government that has increased regulation of labour markets. It is repeatedly asserted by members of the Liberal Party as self-evident that Commonwealth taxes should not be more than 23.9 per cent of GDP.⁸¹ No one has ever provided any rationale for this particular target – and it appears to be an arbitrary limit chosen because it was the level of tax at the end of John Howard's term as Prime Minister. Nor has anyone explained whether it is rational given structural increases in Commonwealth spending (particularly on the NDIS and aged care). It is allied to an article of faith that 'taxes will always be lower under the Coalition', a line first included in the 2019 Budget speech of Treasurer Josh Frydenberg, and repeated in his two subsequent

81. This 'tax cap' was formally adopted as part of the Turnbull Government's fiscal strategy in May 2018: Treasury (2018, Budget Paper 1, pp. 1-12), although it had been an underlying assumption of budgeting since the Coalition Government took office in 2013: Treasury (2014, pp. 6, 31-32), a history further explored in Richardson and Browne (2018).

budget speeches. It illustrates how shibboleths can have little basis in fact: on average, Commonwealth tax as a proportion of GDP has been higher under both of the past two Coalition Governments than either of the previous two ALP Governments.⁸² This shibboleth manifests as a policy view that the Coalition should always oppose raising tax *rates* (although like all governments they have effectively used bracket creep to increase average tax rates for most income taxpayers). The major exception is the targeted increase to some superannuation taxes in 2016, discussed further below.

It is arguable that belief in the contribution of small business is another shibboleth. It certainly lacks a fact-base: large business contributes much more to both employment and economic growth.⁸³ But it doesn't obviously mark party or factional membership – the ALP is prone to using similar rhetoric to justify small business handouts. And it may well be simply electorally motivated: about 10 per cent of the working population works for a business that has no other employees.⁸⁴

For the ALP, it is virtually impossible to find any MP on the record prepared to contemplate increasing or broadening the GST, even though it is not particularly difficult to design a reform package (including welfare changes and income tax reductions) that would be progressive.⁸⁵ Similarly, there is *no* ALP MP who has ever publicly conceded that the Superannuation Guarantee should not be increased, despite many experts outside the tent arguing that the case for

82. Commonwealth tax receipts as a proportion of GDP averaged 21.9 per cent under Hawke/Keating; 23.5 under Howard, 21.3 under Rudd/Gillard, and 22.0 under Abbott/Turnbull/Morrison: Grattan analysis of Treasury (2021a, Budget Paper 1, pp. 361-362) and see also Keane (2021).

83. Plastow (2021); and Eslake (2021, pp. 18-20).

84. See footnote 204.

85. Daley and D. Wood (2015).

increases is weak and that increases in superannuation will largely be lost in lower wages growth.⁸⁶

Many shibboleths are the consequence of history. The ALP's attitude to the GST is probably driven by the memory of having fought (and lost) two elections opposing the GST that is now in place – and ironically it is not much different from the broadly based consumption tax advocated by Paul Keating as part of 'Option C' at the 1985 tax summit.⁸⁷ The ALP's attitude to the Superannuation Guarantee may well be driven by Keating's unrelenting promotion of it as a key part of his legacy, reflected in the way that ALP platforms consistently include the claim that 'Labor created universal superannuation'.⁸⁸

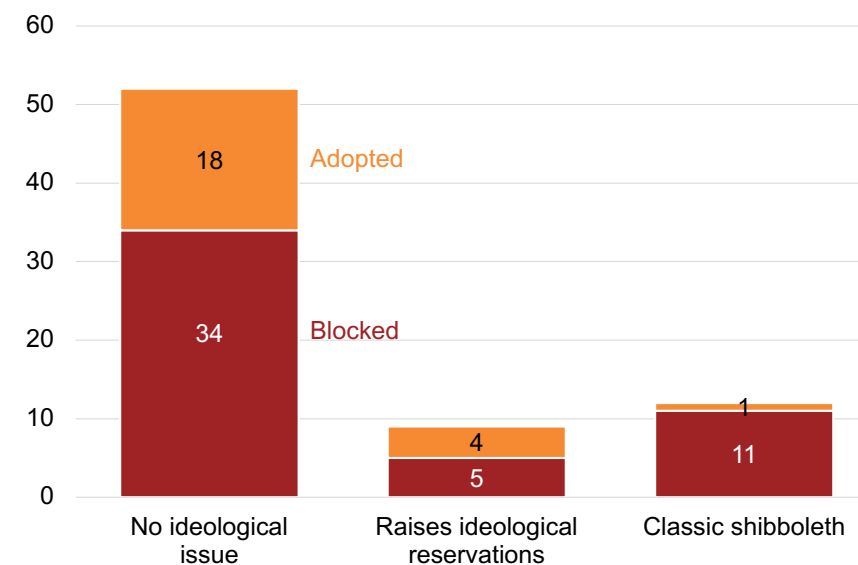
Shibboleths are unhelpful for good policy reform: as noted above they are most likely to be effective markers of group membership when *not* backed by evidence.

So it is concerning that where a reform runs counter to a strongly held partisan shibboleth, its prospects are poor. Of 12 such reforms suggested by Grattan Institute, only one – to reduce the tax breaks on superannuation – has been implemented (Figure 3.3). This was so even though there was majority public support for five of them (taxes on sugary drinks, winding back capital gains and negative gearing tax concessions, not committing too far in advance to big income tax cuts for people on higher incomes, regulation of labour hire platforms, and carbon pricing).

The only reform adopted despite a party shibboleth was the Coalition decision in 2015 to wind back superannuation tax breaks. It may well have been motivated by a desire to blunt the ALP's 'fat cat' campaign

Figure 3.3: Reforms have poor prospects if they run into partisan shibboleths

Number of Grattan policy proposals adopted and blocked



Source: Grattan case studies.

86. Including Daley et al (2018b), Productivity Commission (2018), Callaghan et al (2020) and Eslake (2020a); and Ellis from the RBA in Hansard (Economics Committee, House of Representatives, 7 February 2020, pp. 25-26).

87. P. Kelly (2008, pp. 155–177).

88. Australian Labor Party (2018, pp. 10, 18, 245).

against Prime Minister Malcolm Turnbull.⁸⁹ It had *net* popular support of between 20 per cent and 40 per cent,⁹⁰ it did not appear to cost the Coalition support in the election,⁹¹ and support was highest among Liberal voters, high-income earners, and those making after-tax superannuation contributions.⁹² But the cost of crossing party norms was high: the proposal was bitterly opposed by Liberal Party members. The pre-selection of the responsible minister, Kelly O'Dwyer, was threatened. Many Liberal Party members ceased to be donors, as one investor with hundreds of millions of dollars in his superannuation account told the Liberal Party's treasurer he would never donate to the party again.⁹³

As this internal reaction illustrates, the power of shibboleths to block reform is understandable. Politicians and advisers who rely on political and government relations jobs for their entire careers,⁹⁴ face a high price if they rock the boat. And this price is higher when patronage is rife – that is, when government appointments, grants, and contracts are influenced by party affiliation, previous party loyalty, and adherence to tribal beliefs.⁹⁵

89. Shorten (2016a); and Shorten (2016b).

90. Grattan analysis of Essential Research polls 8 April 2013, 31 March 2015, 28 July 2015, 9 February 2016, 12 April 2016, 27 April 2016, 10 May 2016, 15 June 2016, 14 March 2017, 31 March 2017, 1 August 2017, and Newspoll: Hudson and Uren (2016).

91. The electorates most affected swung less to the ALP than the national average: Daley et al (2016, p. 10).

92. Essential Research (2016b).

93. Daley et al (2016, p. 10), Turnbull (2020, pp. 318, 381) and Murphy (2017a). One could argue that this reaction was an example of vested interests attempting to influence a policy outcome. But it seems that many of these donors *framed* their response as a reaction to the Coalition abandoning fundamental party philosophy.

94. See page 19 above.

95. The tribal approach of the Abbott government to the appointment and dismissal of public servants and ministerial advisers is discussed in Grattan (2014), and see further Section 4.9 on page 53.

Of course, party ideology has always shaped policy change. But the shibboleths driving some decisions are now almost insuperable. This is another major change from the golden years of reform. Hawke and Keating privatised government businesses and deregulated labour markets despite what had been core ALP beliefs before then. They may have been responding to the global policy zeitgeist for deregulation, but the federal Coalition (unlike its state counterparts) has responded little to the global policy zeitgeist to reduce carbon emissions. And for decades the ALP has not responded to an ongoing global policy consensus that it would be desirable to rebalance the tax mix more to sales taxes than income taxes.

The shape of political parties affects the importance of shibboleths. When policy debate is muted *within* political parties, shibboleths are more likely to grow because there is less space to question their rationale. When central campaign spending is controlled by party officials, then members of parliament are under more pressure to toe the party line. The power of party officials is even greater when parties have fewer members: party officials then have more ability to influence pre-selections; and the campaign activities they pay for matter more when there are fewer members campaigning on the ground.

Partisan media – both social and mainstream – can strengthen shibboleths. Media has incentives to reinforce existing beliefs: people are more likely to consume news that confirms what they already believe.⁹⁶ By doing so, partisan media increases the strength of existing beliefs, and discourages critical re-examination.

This kind of partisan media provides a mechanism to define group membership by a set of beliefs rather than shared backgrounds, goals, or other interests. As a source of 'truth' shared by those who are members of the group and not by others, it enables members of the group to identify each other by their distinctive beliefs.

96. Knobloch-Westernwick (2015).

Australia's institutions are all evolving in ways that increase the power of shibboleths. There are more ministerial advisers, they are more politicised, there are more people who rely on political and government relations jobs for their careers, appointments are increasingly partisan, internal party policy debate has been muted, political party membership is falling, media is increasingly partisan, and on occasion vested interests have worked to make an issue such as climate change a shibboleth (all discussed further in Chapter 4).

3.4 Vested interests

Vested interests have always influenced policy development. As Mancur Olson laid out in his classic, *The logic of collective action*, concentrated interests often win policy contests, even when overall the community loses.⁹⁷ Collectively diffuse interests – what we often call the ‘public interest’ – tend to be less organised and to lobby less than the small number of people who are directly affected.⁹⁸

As Lindy Edwards demonstrated through a series of case studies of Australian policy development, corporate interests tend to win not because they have better arguments, but because they convince politicians that it is in their political self-interest to support them. Vested interests primarily influence politicians through networks of mates, political donations, and actual or threatened marginal-seat and general public campaigns.⁹⁹ While Edwards' case studies provide good evidence about *how* vested interests win, they provide less evidence about *how often* they win, and what factors make a win more likely.

In our sample, vested interests were not the most frequent blocker of reform. As discussed above, more reforms foundered because of adverse public opinion or party shibboleths rather than vested interests.

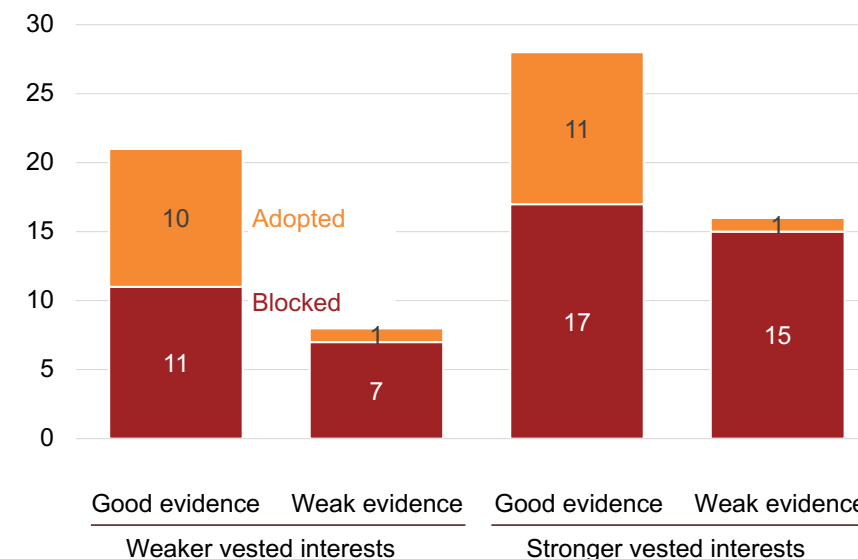
97. Olson (1965).

98. Michael (2018).

99. Edwards (2020).

Figure 3.4: Reforms have poor prospects if opposed by vested interests and the evidence is poor

Number of Grattan policy proposals adopted and blocked



Source: Grattan case studies.

As shown in Figure 3.4, 44 reforms in our sample faced strong vested interests. Where vested interests did have something to lose, they were much more likely to stymie reform if the public evidence base was weak.

Reforms adopted despite powerful vested interests include:

- Legalising ride-sharing services, opposed by the owners of existing taxi licences.¹⁰⁰

100. Fels (2019).

- Setting a much lower default price for retail electricity customers, opposed by electricity retailers.¹⁰¹
- Reducing the amount the federal government and individual Australians pay for 'generic' pharmaceuticals no longer protected by patents. This was opposed by Medicines Australia, which represents pharmaceutical manufacturers, and which is traditionally counted as among Australia's most powerful lobby groups.¹⁰²

Although not adopted in full, there was substantial progress on other reforms opposed by powerful vested interests, including:

- Limiting the exemptions from carbon pricing for emissions-intensive industries (while the carbon price remained in force)¹⁰³ – although as discussed below, vested interests were very successful in rolling back the entire carbon pricing reform (Box 1 on page 28).
- Reducing the costs of superannuation by amalgamating small dormant accounts, making it easier for consumers to switch and amalgamate funds, changing defaults for life and income protection insurance, penalising underperforming funds, and making superannuation fund performance more transparent and easier to compare.¹⁰⁴

101. See the industry submissions to the Review of electricity and gas markets in Victoria conducted by John Thwaites for the government: DELWP (2019).

102. Medicines Australia (2017).

103. Unlike the previously proposed carbon pricing legislation, the *Clean Energy Act 2011* effectively created incentives for emissions-intensive industries to reduce their emissions more, and mandated a Productivity Commission review of the free permits system.

104. A suite of reforms introduced by the *Treasury Laws Amendment (Protecting Your Superannuation Package) Act 2019* and the *Treasury Laws Amendment (Your Future, Your Super) Act 2021*.

In all these cases, the public evidence base (in addition to Grattan's work) was relatively strong.¹⁰⁵ Each of these reforms was supported by a substantial body of academic work or at least one substantial report by a quasi-public agency.

- Deregulating ride-sharing had been routinely cited by the Productivity Commission and others as a pin-up example of a productivity-enhancing reform.¹⁰⁶
- Lower priced defaults for retail electricity pricing had been recommended by both the ACCC and a Victorian government inquiry.¹⁰⁷
- Lower prices for generic drugs were supported by a broad academic literature.¹⁰⁸
- Less support for emissions-intensive industries was recommended by the Garnaut Climate Change Review and the OECD.¹⁰⁹
- Reducing excessive superannuation costs was recommended by the Financial Services Inquiry in 2014, the Productivity Commission in 2018, and Kenneth Hayne's banking royal commission in 2019.¹¹⁰

105. For these purposes we have not regarded Grattan reports as part of the evidence base (although they doubtless contributed to it) lest this lead to self-fulfilling analysis. By definition all of the proposed reforms in our sample were the subject of a Grattan report, and so have at least this much evidence supporting them.

106. Productivity Commission (1999), Productivity Commission (2005, p. 20), Banks (2012, pp. 10–11) and Fels (2012). For a history of the long line of reviews recommending reform of taxi licensing, see Fels (2019, pp. 41–61).

107. ACCC (2018); and Thwaites et al (2017).

108. Mansfield (2014); Clarke (2013); Clarke (2014); and Babar et al (2019, p. 241).

109. DOCCEE (2008) and Lanzi et al (2013).

110. D. Murray et al (2014a, 2-101 to 2-112); D. Murray et al (2014b, pp. 101–116); Productivity Commission (2018); and Financial Services Royal Commission (2019, pp. 250–251).

It is not surprising that evidence makes such a difference to the prospects of a reform. A substantial evidence base weakens the effect of a powerful lobby group.¹¹¹ Without such evidence, it is relatively easy for a lobby group to assert that policy change will cause the sky to fall in.¹¹² Without independent evidence, a responsible minister is at a disadvantage in the face of claims by those who are inherently closer to the coalface. With independent evidence, assembled by those able to check the facts, the responsible minister can more easily reject industry claims as self-serving.

This implies that greater corporate access to decision makers through donations and connections¹¹³ tends not to convert to favourable policy outcomes where there is a strong evidence base. But it also implies that a vested interest can promote its cause simply by discouraging governments from assembling the evidence.¹¹⁴ Of course the failure to do so is much less visible, and so can be a far more insidious form of influence. And vested interests can exercise outsize influence on the finer details of reforms that are less salient and visible to the public.¹¹⁵

In our sample, evidence only helps reforms that are popular and do not cross party shibboleths. But this may overlook an important interaction.

111. See also Daley et al (2020a, pp. 27–28).

112. As noted in one of Grattan's earliest reports, Daley et al (2010, p. 27), Charles Dickens wrote about this tendency as long ago as 1853: 'Surely there never was such fragile china-ware as that of which the millers of Coketown were made. . . They were ruined, when they were required to send labouring children to school; they were ruined, when inspectors were appointed to look into their works; they were ruined, when such inspectors considered it doubtful whether they were quite justified in chopping people up with their machinery; they were utterly undone, when it was hinted that perhaps they need not always make quite so much smoke.'

113. See D. Wood et al (2018b) which documents how vested interests obtain greater access than other interests to decision makers.

114. The most effective forms of interest group influence often occur well before a final decision comes to the legislature: Hall and Wayman (1990).

115. Teles (2013).

Vested interests might have a very substantial impact if they succeed in arousing public opposition, or turning an issue into a party shibboleth.

The ability of vested interests to shape public opinion may be overstated. The most high-profile attempt to do so in recent years was the Minerals Council campaign against the minerals resource rent tax. The evidence suggests it did not have much impact on public opinion about the tax, although it may have played a part in reducing public support for Prime Minister Kevin Rudd and his Government.¹¹⁶ Arguably the Minerals Council campaign was more effective because the Government's position was not vigorously supported by external voices in the public debate.¹¹⁷

Other examples suggest that vested interests have struggled to turn public opinion. For example, despite vigorous public campaigns by the Property Council and the Real Estate Institute over proposed changes to negative gearing and capital gains tax,¹¹⁸ public opinion shifted *in favour* of reform (Figure 3.6 on page 29). And it appears that advocating reform did *not* cost the ALP votes in the 2019 federal election.¹¹⁹ Edwards examined seven high-profile cases of corporate influence where vested interests largely got the outcomes they wanted. But in six out of the seven cases, these vested interests did not substantially shift public opinion in their favour. The exception was the minerals resource rent tax, where it is hard to be definitive about the impact of vested interests on public opinion. Instead, vested interests typically succeeded through direct access and influence over decision

116. Edwards (2020, Chapter 1) and Padula (2013, pp. 6–7, 23–24). However, it is hard to tell: the Minerals Council campaign in May–June 2010 coincided with Rudd's announcement in late April 2010 that he would defer efforts to implement a carbon pricing scheme, substantially undermining his authority given his previous description of global warming as the 'great moral challenge of our time': Chubb (2014).

117. Edwards (2020, Chapter 1); and Padula (2013, pp. 6–7, 23–24).

118. Daley and D. Wood (2016a); and D. Wood (2019a).

119. Emerson and Weatherill (2019, p. 7) and D. Wood (2019b).

makers.¹²⁰ Nevertheless, politicians ‘inside the bubble’ may *think* that the public will be swayed by highly visible campaigns, even if they often turn out to be ineffective.

The primary example of vested interests shaping party ideology is over attitudes to climate change. Vested interests were crucial in making attitudes to climate change part of right-wing political thinking in Australia and the US, for a while in Canada, but not in the UK (Box 1 on the next page).

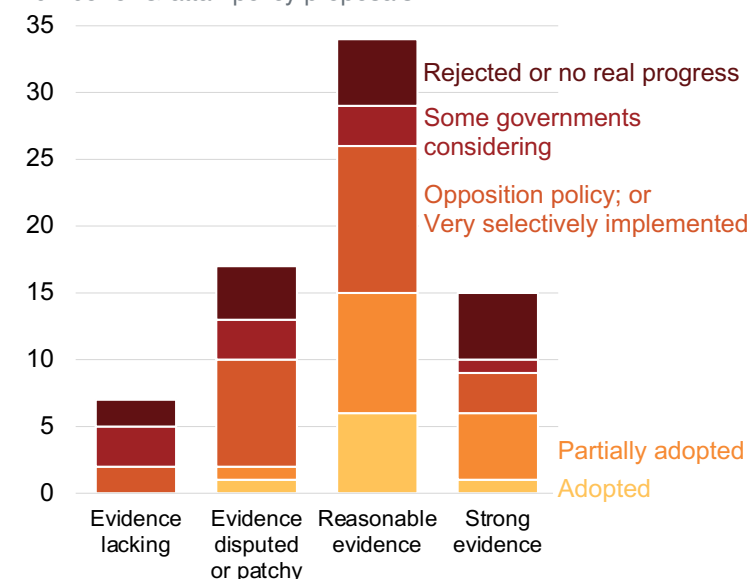
Evidence is not the only force that counters vested interests. A vested interest may be less powerful because it is itself part of government (such as electricity network owners in some states). Sometimes interest groups were divided, and at least some of them had a position that aligned with the public interest as identified by Grattan’s work. For example, doctors’ groups insisted that only doctors should provide a range of health services; they were countered by pharmacists’ groups keen for governments to allow pharmacists to give routine vaccinations, which would expand pharmacy revenue.¹²¹ School funding reforms, opposed by some parts of the Catholic education system, would have benefited many lower-fee independent schools that stood to gain more revenue. The historically powerful taxi lobby, which had successfully resisted reform for decades, was undermined by ride-share services such as Uber.¹²²

3.5 Evidence base

Whether or not there are powerful opposing vested interests, better evidence makes reform more likely. As shown in Figure 3.5, the stronger the evidence, the more likely that a Grattan-recommended reform was adopted, or at least made substantial progress. Where

Figure 3.5: Better evidence makes reform more likely

Number of Grattan policy proposals



Source: Grattan case studies.

evidence is all but absent (except for Grattan’s work) there is usually little progress.¹²³

Better evidence improves the chances of reform in many ways. It may convince decision makers to act, it may shift public opinion, it may shift the balance of power between interest groups, and it may reduce the long-term political risks by increasing the probability of successful implementation.¹²⁴

For example, Grattan Institute’s recommendations to tighten negative gearing and capital gains tax concessions were consistent with work

120. Edwards (2020).

121. The Pharmacy Guild of Australia (2016, pp. 164–166); and McCauley (2019).

122. Fels (2019, pp. 61–81).

123. As noted above in footnote 105, for the purposes of this analysis we have not counted Grattan work as part of the evidence base.

124. Daley et al (2020a, pp. 27–28).

Box 1: How vested interests and media made climate change a shibboleth for the conservative wing of the Coalition

Vested interests were crucial in making attitudes to climate change part of right-wing political thinking in Australia and the US, for a while in Canada, but not in the UK.

There is an inherent rhetorical link between right-wing parties and opposition to climate change.^a Mining industry interests in the US, Canada, and Australia were primed to oppose climate change concerns because land rights and environmental legislation in previous decades had imposed substantial costs on them.^b They mobilised early to oppose action on climate change, adopting strategies used by the tobacco industry. They put substantial resources into groups that cast doubt on climate change science and the economics of reducing carbon emissions.^c These mining interests were closely linked with right-wing parties: people moved between party, political, and industry jobs; and mining personnel held senior positions in party administrations. They used these links to build opposition to action on climate change within the Coalition.^d

Climate change policy also became a factional marker for people who supported Tony Abbott rather than Malcolm Turnbull as leader of the Liberal Party. Although Abbott had not had particularly defined views on climate change policy, he used it as a rallying cry when unseating Turnbull in 2009, and since then it has been a defining policy for those on the 'conservative' side of the Coalition.^e

The Murdoch media – closely connected to both mining industry and right-wing parties – generally adopted an anti-climate change stance, and reinforced opposition to climate change within the Coalition in Australia and the Republican Party in the US. The Murdoch media has been more sceptical than other media about climate science for over a decade. In 2019, almost half of all Murdoch media articles in Australia about climate change were sceptical about the findings of climate science. Both Kevin Rudd and Malcolm Turnbull have identified the Murdoch media as the most important force globally resisting action on climate change.^f

It may not be a coincidence that in Canada, where Murdoch media is much less dominant, the weight of public opinion has driven the leading right-wing party to support significant action on climate change, despite the beliefs of many of its rusted-on supporters.^g

In the UK, the climate change debate played out very differently. With no large domestic mining industry, opposing action on climate change was never part of right-wing party policy – indeed policies to substantially reduce emissions were first mooted by a conservative government. Perhaps as a consequence, the Murdoch media in the UK generally supported policies to reduce carbon emissions.^h

- a. Climate change is the archetypal environmental concern. Many environmentalists are dubious about continued economic growth. So some free marketeers associate climate change with a world view antipathetic to their own: Hamilton (2010, pp. 82–91).
- b. Brett (2020, pp. 95–96).
- c. Hamilton (2007, pp. 110–114); and Oreskes and Conway (2010).
- d. Hamilton (2007, pp. 114–118); Brett (2020, pp. 98–105); and Wilkinson (2020, pp. 11–12, 37, 49–51, 147–151).
- e. Wilkinson (2020, pp. 137–138).
- f. Hamilton (2007, pp. 168–175); Bacon (2013, p. 78); Bacon and Jegan (2020, p. 7); and Kuper (2021).
- g. Tasker and Poisson (2021) and Fournier (2021).
- h. Hamilton (2007, pp. 170–171).

from the Australian Tax and Transfer Institute, the McKell Institute, and the Australia Institute.¹²⁵ There were also supported at least in part by work from the Reserve Bank, the Productivity Commission, the Henry Tax Review, and the Murray Financial System Inquiry.¹²⁶ This work shifted the public debate in favour of reform (Figure 3.6), encouraged the ALP to propose reform and assemble a detailed policy paper from opposition,¹²⁷ and meant that the ALP lost few votes in the subsequent election for adopting these policies.¹²⁸

The impact of evidence is also illustrated by the progress of tenancy reforms in different Australian jurisdictions. In Victoria and Queensland, where more extensive reviews had been conducted, governments have enacted more comprehensive reforms widening tenants' rights such as to own pets and to make minor alterations to their accommodation; in other jurisdictions governments tended to back down in the face of landlord opposition.¹²⁹

Similarly, NSW government bodies have published substantially more on the virtues of replacing stamp duties with general property taxes.¹³⁰ As a result, this reform appears closer to adoption in NSW than in other jurisdictions (except for the ACT).¹³¹

125. Holden (2015); Holden (2018); Ingles (2015); Grundoff (2015); Hewson (2015); and Stewart et al (2015, pp. 53–55).

126. BCA (2016, p. 62) and Standing Committee on Economics (2016, KPMG Submission no. 10) and see citations in Daley and D. Wood (2016b, p. 27).

127. Aston (2016); Australian Labor Party (2015, p. 31); and Australian Labor Party (2018, pp. 38–39).

128. See footnote 119.

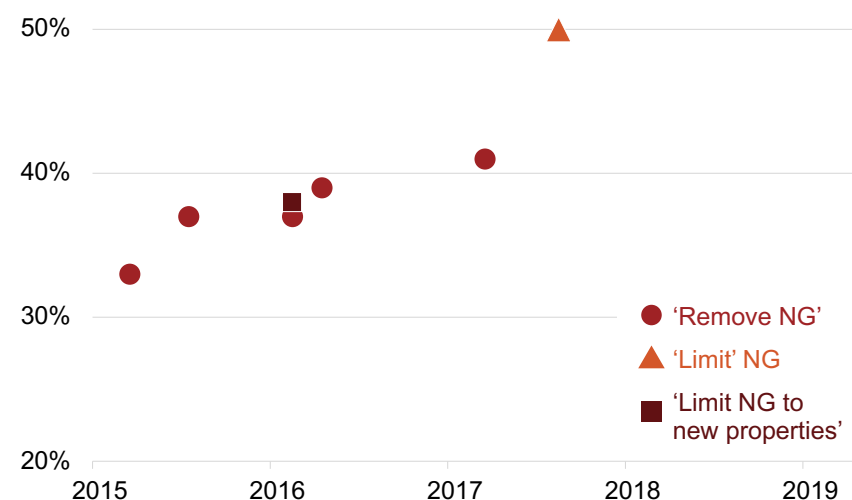
129. Consumer Affairs Victoria (2021); and ARTD Consultants (2019).

130. IPART (2008); Lambert (2011); and NSW Government (2020).

131. The NSW Government announced proposals for substantial reform in the November 2020 budget, and embarked on an extensive consultation process which is due to result in final proposals for reform in July 2021: NSW Treasury (2021).

Figure 3.6: Public support for negative gearing reforms increased with evidence and debate

Net support (proportion of survey respondents supporting, less proportion opposing) reform to negative gearing



Sources: *Essential Research* polling; *Grattan analysis*.

Unfortunately, these examples are not the norm. Despite the value of evidence, governments in recent years have tended to push through policy change by announcing it and consulting only on the implementation rather than the shape of the reform. As the newDemocracy project showed, very few major initiatives in recent years have compared alternative policy solutions or designed the implementation pathway.¹³²

Of course, evidence is not all-powerful. As noted in Section 3.3 on page 20, shibboleths are often impervious to facts – indeed they are more effective tribal markers if they are *not* based on facts.

The evidence base would be stronger if more work was done and published by sources independent of vested interests. This might be the work of public service departments, independent arms of government such as the Productivity Commission or the Reserve Bank, parliamentary committees, the Parliamentary Research Service, or think tanks. Publications are more likely to be high quality and useful to public consideration of policy change if they are more independent of the government of the day. Of course, independence is a question of degree: a minister's office may exercise some control over departmental publications; separate arms of governments may feel under pressure to avoid offence, particularly if their funding is under threat; and think tanks may be aligned with particular political parties, or prone to donor influence.

But many parts of government are not resourced or encouraged to publish policy evidence. The public service today publishes less that is independent of the views of elected ministers. For example, until 2015, Secretaries of the Commonwealth Treasury had a well-established tradition of making speeches that took a 'long-term view' and consequently were not always consistent with current government policy. The Commonwealth Treasury published about eight articles a

year of analysis relevant to economic policy issues in the *Economic Roundup* series from 1997, but that series was also discontinued in 2015. Government departments used to make submissions to parliamentary inquiries that were clearly separate from the views of the government of the day. Paul Keating was once queried about a Treasury paper and simply responded that 'it was not the view of the Government' – it is unimaginable that a department would put its minister in such a position today.

The public service is publishing less work independently because of an increasing focus on its role to serve the government of the day. Obviously this is *one* of its roles. But it is also required to 'work collaboratively to achieve the best results for the Australian community'.¹³³ One of the ways it can do so is by *also* advising the public.

There may also be less evidence because of the decline in regular program evaluation. If done properly, evaluations build the evidence base for future reforms of what does and doesn't work. Research for the Thodey Review concluded that in the Commonwealth government, evaluation is piecemeal in scope and quality, and tends to pre-empt and divert criticism rather than learn from experience. The Thodey Review found that the major obstacle was not lack of capability, but cultural practices that resist high-quality evaluation and its publication.¹³⁴ Senior public servants report that over the past decade or so, an evaluation was often the first thing to be cut from a program under budget pressure.

Contemporary Australian government also has fewer semi-autonomous agencies than it once did. The Howard Government was openly hostile to non-departmental public bodies, reducing the autonomy of many of them, in accordance with the recommendations of the Uhrig Report that

132. Daley et al (2020a, p. 26); and newDemocracy (2020).

133. *Public Service Act 1999 (Cwth)*, s.10(1).

134. Rob Bray et al (2019, p. 8).

it had commissioned.¹³⁵ Since then, governments have shown limited enthusiasm for giving new agencies real independence to analyse and publish.

It's not surprising that ministers don't like publications by government departments or independent agencies that do not reflect current policy. In the short term such publications inevitably encourage potentially embarrassing questions about why governments haven't acted accordingly, even if they have good reason for rejecting the advice.

But in the long run it's harder for ministers to prosecute reform without credible independent publications that argue the case for reform. Independent publications encourage debate on an issue, potentially shifting public attitudes, without the responsible minister having to commit to a position. Independent publications are easy to find and adopt if events open the window of political opportunity.¹³⁶ And independent publications lend credibility to a minister's cause once the minister has decided to advocate a reform.

Perhaps because there are fewer sources of independent authoritative advice, governments have set up an increasing number of royal commissions in recent years to inquire into wide-ranging policy issues on everything from natural disaster arrangements to mental health, aged care, disability services, and financial services.¹³⁷ The quasi-legal structure of a royal commission may not be ideal for consideration of multivalent policy problems – and it's almost certainly not the cheapest way of going about it. About half of the policy-focused royal

commissions of the past 50 years have had little policy influence,¹³⁸ which implies they have no more influence than other forms of evidence (see Figure 3.5 on page 27) – and these other forms of evidence usually come cheaper than a Royal Commission.

Think tanks can also contribute to the evidence base. Although our methodology has excluded Grattan's contribution from the analysis, it has clearly had an impact.¹³⁹ Many other think tanks in Australia have contributed as well, and their number, resourcing, and influence have grown over the past 15 years, perhaps because their work has part-filled a vacuum created by the absence of other sources. Of course, their work may not always be in the public interest: in at least some cases they appear to have been used as a front for commercial interests.¹⁴⁰

Think tanks are a less than perfect substitute for analysis conducted by government agencies. Think tanks usually don't have access to the proprietary data held by governments,¹⁴¹ although if they do gain access to the data, they may have more capability or time than departments to analyse it.

135. Wettenhall (2007).

136. Daley et al (2020a, p. 30).

137. The Commonwealth government set up 18 royal commissions in the 1970s, 13 in the 1980s, 3 in the 1990s, 4 in the 2000s, and 7 in the 2010s. More recent royal commissions have tended to have broader terms of reference into an entire area of administration rather than into a specific set of events: see the list of royal commissions compiled in Parliamentary Library (2021).

138. Mintrom et al (2021, pp. 84–85).

139. Daley et al (2019b).

140. For example, the Koch brothers funded a number of think tanks in the US to oppose action on climate change that would have harmed their energy investments: Mayer (2019). In Australia, Gina Reinhardt provided about a third of the revenue for the Institute of Public Affairs for at least two years, in which it conducted a Northern Australia program that overlapped with her mining and pastoral interests: Seccombe (2018) and R. Jones (2018). Other examples of think tanks being used to amplify corporate influence are described in Lipton and Williams (2016) and Lipton et al (2016).

141. There are exceptions: Grattan Institute for example, gained access to the Independent Hospital Pricing Authority's database of operations in Australia: Duckett and Breadon (2014); ACARA's NAPLAN data: Goss et al (2018); and various higher education datasets: Norton and Cherastidham (2018).

There may have been more policy reform in the ‘golden years’ because a substantial evidence base for many of the key reforms had been assembled over the previous decades (Section 2.6 on page 12). But there has been lots of public evidence for many of the reforms that have not been adopted over the past decade. Well before Grattan published work about them, many people had written about key reforms that remain stalled today, including increasing the Age Pension age; changing the Age Pension asset test to include owner-occupied housing; reforming negative gearing and capital gains tax (indeed these were reforms that Paul Keating introduced and then walked back); swapping stamp duties for property taxes; pricing carbon emissions; changing planning laws to enable more medium-density housing; introducing congestion pricing (implemented in Singapore in 1975); and abandoning futile incentives for first home buyers and regional development.

As this illustrates, an extensive and long-standing evidence base certainly *helps* reform, but it is no guarantee of success.

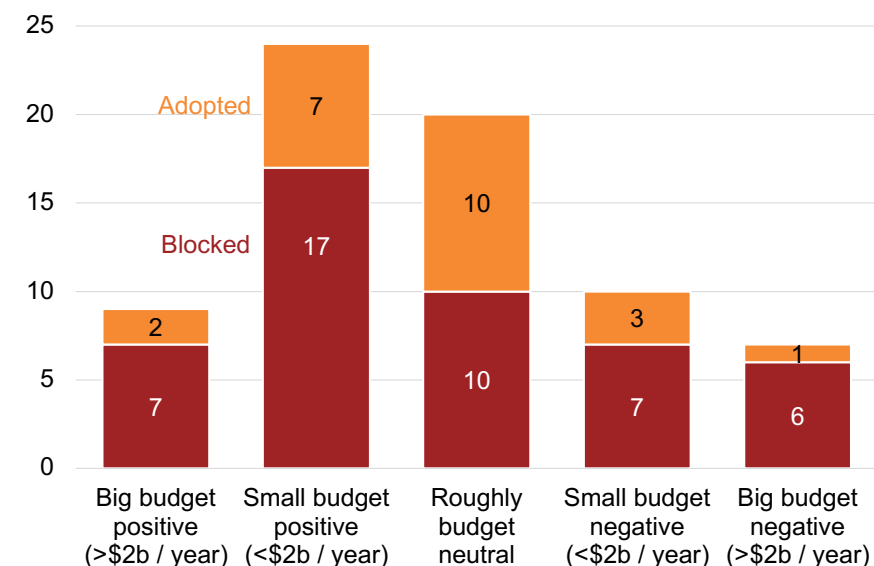
3.6 Budgetary costs

Most of the reforms in our sample had relatively minor budgetary costs (Figure 3.7). A substantial number would have improved budget outcomes by either increasing taxes or reducing outlays.¹⁴²

142. Note that we have classified Grattan’s proposals on school education funding as a significant budget positive. The original Gonski school funding reforms were extremely expensive: the changes enacted by the Gillard Government in 2013 would have cost an extra \$7 billion a year by 2020: Daley et al (2013a, p. 34). But the substantial changes advocated by Grattan and enacted in 2017 *reduced* long-term budget costs relative to the 2013 legislation and redirected funding to underfunded schools. The 2017 legislation wound back 2013 provisions that over time would have increased support per student much faster than school costs: Goss et al (2016, p. 26).

Figure 3.7: Large budgetary costs impede reform, but a positive budget impact doesn’t obviously help

Number of Grattan policy proposals adopted and blocked



Notes: Excludes 3 recommendations for which calculating a budgetary cost was not meaningful.

Source: Grattan case studies.

Budget outcomes made little difference to success unless the reform would have cost more than \$2 billion per year – and just 7 out of 70 of Grattan’s recommendations were in this category. But when such large budgetary outlays are required, they are clearly a major obstacle. Only 1 of Grattan’s 7 proposals that cost more than \$2 billion per year made substantial progress: legislative changes have increased childcare subsidies so as to increase the incentives for second-income earners to work more hours. The other 6 proposals remain largely unimplemented, and the budgetary cost clearly didn’t help. Of these, only 1 also faced another obvious obstacle: increasing property taxes (but reducing stamp duties) is unpopular as well as expensive.

Beyond our case studies, big budgetary costs – at least in the first four years – are a major obstacle. Between 2010 and 2019, *no* single budget initiative (whether or not it was part of a Grattan recommendation) cost more than \$2 billion a year within the forward-estimates period.¹⁴³ Governments made bigger budgetary commitments in 2009 and in 2020 in response to recessions, but these were typically not ongoing.

Political expectations have increased the cost of reform, and as a consequence budgetary costs are an obstacle more often. The design of the GST package in 2000 adopted a paradigm that there would be ‘no losers’. To ensure that *no-one* is worse off, governments must usually overcompensate many others. The costs can be very substantial: the GST package in 2000 cost about \$12 billion a year, and carbon pricing also overcompensated almost all low-income households.¹⁴⁴

Governments have made large budgetary commitments where the big numbers were further into the future, outside the four-year budget estimates. Commitments to increase school funding, implement

the NDIS, increase defence spending, increase foreign aid, and the ‘Stage 3’ tax cuts all cost more than \$2 billion a year – outside the budget-estimates period.¹⁴⁵ Promises from opposition were similarly long-dated for paid parental leave and direct action carbon reduction schemes.¹⁴⁶

The political advantage of this kind of commitment is that the cost is much less visible. The annual impact is never quantified in the budget list of new initiatives.¹⁴⁷ One might conclude that policy proposals with large budgetary costs are more likely to succeed if governments phase them in slowly and postpone full implementation until outside the four-year estimates period.

3.7 Upper house obstructionism

Obstruction by the upper house of parliament – usually not controlled by the government of the day – is often cited as a major obstacle to reform.

But in practice upper houses don’t block much reform (Figure 3.8 on the following page). In the vast majority of proposals in our sample, the upper house was irrelevant (because legislation was not required), or the upper house would probably have supported reform. The blockers already discussed were much more important in practice. In nine cases, the upper house might have blocked reform, but it is hard to know, because legislation was never introduced – probably because the policies were also unpopular or ran contrary to a party shibboleth.

145. Daley et al (2013a, p. 34); Daley et al (2014b, p. 63); and D. Wood et al (2019a, p. 7).

146. Daley et al (2013a, p. 35).

147. Budget papers only identify the impacts of policies in the four-year budget estimates period. While not publicly quantified, commitments further in advance are added into Treasury’s underlying budget projections, and future budgets only specifically identify new initiatives that add or subtract from these projections.

143. Daley et al (2020a, p. 7).

144. Daley and D. Wood (2015, pp. 13–14).

In three cases the upper house encouraged poor policy changes that ran directly counter to Grattan's recommendations – but the upper house would probably have passed their repeal as well. The Senate approved repeal of a carbon price, approved excessively large income tax cuts made too far in advance, and approved changes to increase the amount paid by higher education students for selective disciplines that had little relationship to rational criteria.¹⁴⁸

In all these cases, governments 'bought' reform with other relatively minor changes on other issues that furthered the agenda of individual cross-benchers.¹⁴⁹ The same cross-benchers would almost certainly have passed repealing legislation if it was again coupled to other policies that the cross-benchers supported.

There were only five cases where the Senate blocked reform or supported retrograde change. In only two of these cases was the Senate the ultimate stumbling block to achieving the core of the reform.

- Grattan recommended against gas reservation, but Senators backed it, reflecting popular opinion.¹⁵⁰ But the Senate didn't compel governments to reserve gas, and if they ultimately do so, it will probably be a decision they would have made anyway.
- When the Abbott Government proposed increasing the age of access to the Age Pension, cross-bench Senators made it clear that they would oppose the move, reflecting very strong popular opinion.¹⁵¹ But the Abbott and Turnbull Governments never introduced legislation to implement the proposal – indeed they never really prosecuted the case in public – and the policy was

148. In 2014 and 2017 the Senate had previously rejected bills to increase university student fees. University fee increases are generally unpopular: Essential Research (2017b).

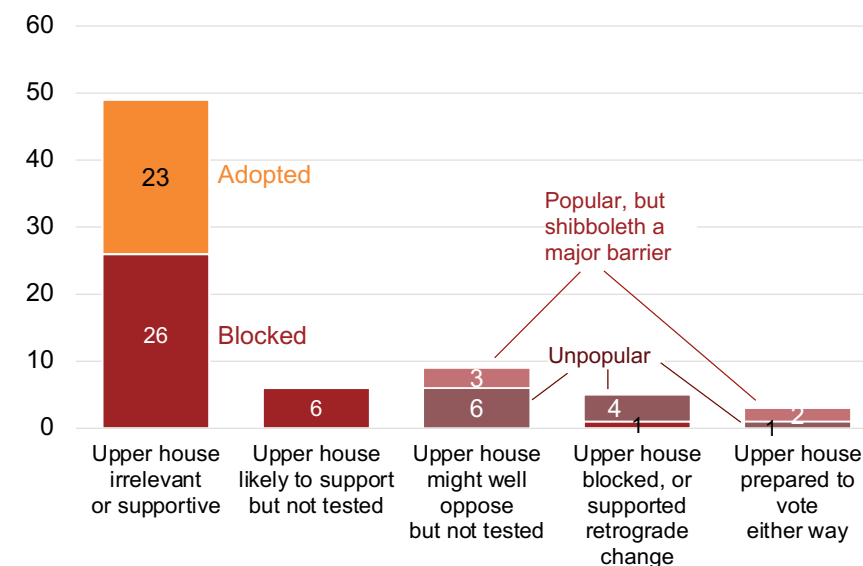
149. E. Griffiths (2014); Doran and Calderwood (2020); and Belot (2019).

150. Murphy (2017b).

151. Bray and Gray (2016); and Essential Research (2014a).

Figure 3.8: Upper houses have little independent impact on the prospects for reform

Number of Grattan policy proposals



Note: The Senate's rejection of budget cuts in 2014 has been classified as 'popular' because the measures it rejected were generally unpopular, even though budget repair is generally popular.

Source: Grattan case studies.

dropped when Scott Morrison became Prime Minister, presumably because it was so unpopular. It is quite possible that fear of a popular backlash was the real reason the proposal didn't proceed.

- The Senate opposed cutting corporate tax rates – and again the Senate reflected popular opinion, although popular attitudes to cutting corporate tax rates depend a lot on how the question is framed.¹⁵² But it would almost certainly have passed alternative policies to achieve similar effects to a cut in corporate tax rate, such as an investment allowance or accelerated depreciation.¹⁵³
- The Senate ultimately passed the bulk of the budget cuts proposed by the Abbott Government. But it refused to pass a number, which were very unpopular,¹⁵⁴ and their wisdom was open to question.
- The Senate passed some changes to recover HELP (Higher Education Loan Program) debts from Australians overseas, but it blocked changes that would have recovered HELP debts earlier from Australians onshore in 2014 and 2017, a change that was

152. In 2016, reducing company tax was supported by 50 per cent and opposed by 34 per cent in 2016: Essential Research (2016c). In 2017, 25 per cent thought a cut would attract more investment but 43 per cent thought it would simply deliver more profits that should instead be invested in services: Essential Research (2017c). 29 per cent approved, and 54 per cent disapproved of giving \$50 billion in tax cuts to businesses: Essential Research (2017d). 34 per cent thought a cut would attract investment and create more jobs and higher wages, whereas 41 per cent thought it would simply deliver more profits and wouldn't result in higher wages: Essential Research (2018).

153. Minifie (2017a, pp. 37–41) and Daley and Coates (2016). The ALP formally proposed a substantial corporate investment allowance in its 2019 election platform: Bowen (2018).

154. Although budget repair in theory is popular, most of the specific budget cuts proposed by the Abbott Government and blocked by the Senate were unpopular: Essential Research (2014a).

supported by a relatively slim majority of the population.¹⁵⁵ The Senate ultimately passed a package in 2018 that changed a number of HELP recovery thresholds with the net result that most people will repay less.¹⁵⁶

As these examples illustrate, governments often don't bring forward legislation on an issue that is unpopular. It is then hard to tell if the underlying blocker is public opinion or the upper house. Examples include proposals to include more of the value of the family home in the Age Pension asset test, and to swap property taxes for stamp duties.

Overall, upper houses have only played a minor role in blocking quality policy reform. The crucial problem is that governments have generally not been prepared to take on public opinion. On the rare occasion that governments do propose policy contrary to current public opinion, they have not used the benefits of incumbency to try to shift public opinion. Like vested interests – and often in opposition to them – upper houses can play a larger role in shaping the details of change that typically fly under the public radar. Consequently reform to the Senate or state upper houses is unlikely to make much difference to the prospects of policy reform. And whereas many of the institutional changes we outline in the next chapter could be implemented by simple executive action or legislation, most reforms to upper houses must run the gauntlet of constitutional amendment.

3.8 Federalism

Federalism is also often cited as a block to reform. But again, its impact in practice appears to be limited (Figure 3.9 on the next page).

In the clear majority of cases (about four in six) either the federal government or state and territory governments have clear responsibility,

155. Essential Research (2014a); Essential Research (2014b); and Essential Research (2017b).

156. Mackey (2019).

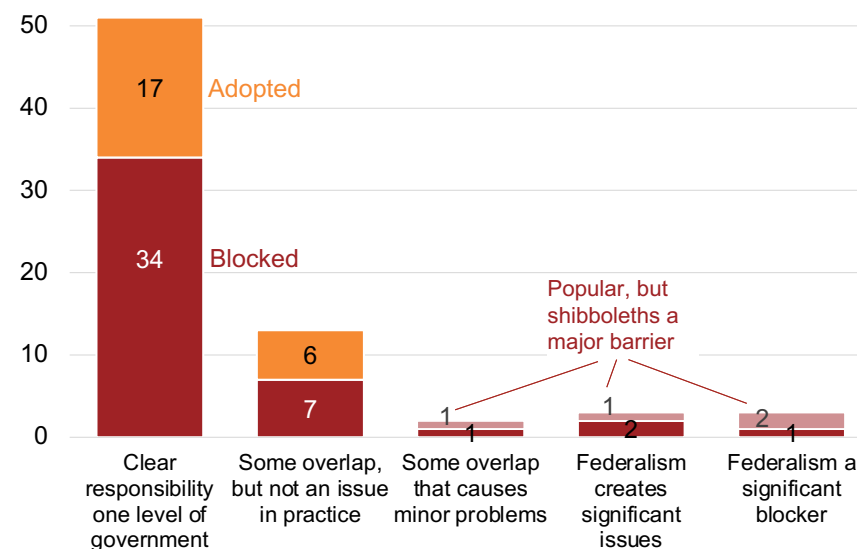
either as a matter of constitutional law or as a matter of political convention. In about one in six cases there is some overlapping responsibility, but incentives are aligned, and federalism issues are not significant barriers on the path to reform.

Federalism does cause significant issues where responsibilities overlap and institutions have not been designed effectively. This is a particular problem for energy regulation: four of the six reforms recommended by Grattan where federalism is a significant issue involve regulation of the electricity sector. Any change to the National Electricity Market effectively depends on agreement between the federal government and all the eastern states, and this has created problems in ensuring the orderly closure of coal plants, reducing the gaming of wholesale electricity markets, and designing markets to deliver reliable electricity with an increasing the share of renewables.¹⁵⁷ The problems are not insuperable – the institutions did succeed in reducing excessive returns to distribution networks that were set by regulation.¹⁵⁸ And federalism is often not the key blocker – in electricity policy, vested interests tend to be strong (electricity revenues are well over \$30 billion a year),¹⁵⁹ the issues are often technical so that the public doesn't understand them, and in many cases the evidence base was poor.

Federalism was also a significant issue for regulating labour hire platforms, and improving the management of chronic diseases – but in both cases progress is also blocked by strong vested interests not countered by a powerful evidence base.

In cases where federalism is a real issue, ideology is often an issue as well. For example, the federal Coalition struggles to deal rationally with

Figure 3.9: Federalism has little impact on the prospects for reform
Number of Grattan policy proposals adopted and blocked



Source: Grattan case studies.

157. T. Wood et al (2019a); T. Wood and Blowers (2018); and T. Wood et al (2019b).

158. A series of decisions by the Australian Energy Regulator and the Energy Ministers Council have ratcheted back the rates of return on distribution investment: see T. Wood (2014) and Macdonald-Smith (2018).

159. AER (2020, pp. 70, 132).

climate change issues. As a result, climate change reforms would have foundered irrespective of the federalism issues (Box 1 on page 28).

Federalism was the key blocker for GST reform. Any increase to GST would involve a lot of political pain for the federal government, but much of the additional revenue would flow to the states. It is hard to see a deal that provides enough upside for both the federal government *and* the states relative to the political pain inevitably associated with major tax changes.¹⁶⁰ But for these federalism issues, the Coalition might well have pushed through GST reform, despite the federal ALP's deep-seated opposition to GST increases partly for historical reasons.

Overall, federalism was the dominant blocker of reform only for change to the GST. Federalism was not the dominant blocker of reform for any other case in our sample. Even if Australia only had one level of government – a somewhat unlikely institutional change – progress on the policy reforms we have examined would be little different.

3.9 Residual factors

There are still 14 reforms recommended by Grattan that haven't been adopted even though they are not unpopular, ideologically difficult, opposed by vested interests, or expensive for the budget. These reforms should be easier. As shown in Figure 3.5 on page 27, a good evidence base improves their chances of success from about one in three to one in two. So it's concerning that there is often little public evidence for important reforms. About a third (24/73) of the reforms recommended by Grattan were not supported by strong public evidence (other than a Grattan report). Similarly, of 20 case studies analysed by the Institute of Public Administration Australia in 2012, only 10 had been developed through even a moderately evidence-driven process.¹⁶¹ And of 52 case studies analysed in the Evidence Policy

160. Daley and D. Wood (2015).

161. IPAA (2012).

Project between 2018 and 2020, only 21 had followed an 'acceptable' process (or better).¹⁶²

Of course governments may not have adopted reforms simply because they weren't a priority. As discussed in the Grattan report *Prioritising a government's agenda*, governments should put off reform if the payoff is low relative to the political capital required to pursue adoption, or if there are substantial implementation issues.¹⁶³ On the other hand, some reforms did proceed over the past decade despite difficult implementation: for example highly complex implementation did not stymie carbon pricing reforms in 2011.

Alternatively, these reforms may just be waiting for events that open the 'policy window' to make them politically more salient or feasible.¹⁶⁴ For example, gun control had long been on John Howard's radar, but the Port Arthur massacre created a political opportunity for him to pursue reform.¹⁶⁵

3.10 What works

To look at life more positively, there are some common features of those reforms that have been adopted (Figure 3.10 on the following page): almost all enjoyed popular support; only one crossed a partisan shibboleth; almost all had at least reasonable supporting evidence; few faced united opposition from vested interests; and the reforms typically did not drag much on the budget.

162. newDemocracy (2018), newDemocracy (2019), newDemocracy (2020) and Daley et al (2020a, pp. 25–26). This does not include the 8 case studies of policy responding to the COVID emergency reviewed in newDemocracy (2020).

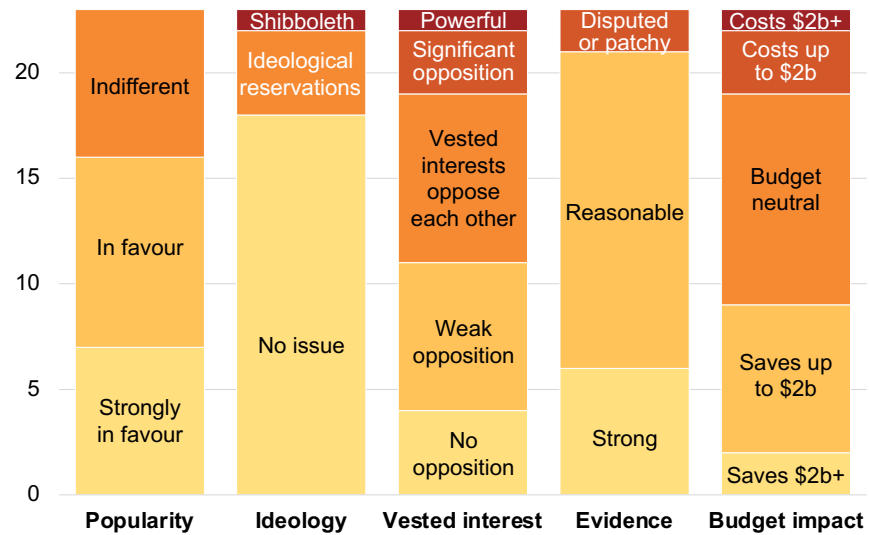
163. Daley et al (2020a, pp. 30–31).

164. Ibid (p. 30).

165. Alpers and Ghazarian (2019); and Davies (2019).

Figure 3.10: Almost all adopted reforms enjoy popular support

Number of Grattan policy proposals that were substantially or partially adopted



Source: Grattan case studies.

4 Improving the chances of reform

What changes might improve the prospects of reform? How might Australia's institutions be altered so that instinctive popular opinion is not invariably a blocker; so that partisan beliefs driven by tribalism rather than the public interest are less influential; and so that evidence more often counters the power of vested interests?

4.1 Approaches to institutional change

Unfortunately, comparative approaches don't help much to identify useful institutional changes. The analysis has not been done to identify features of government that lead to more reform in other countries, or in the different states in Australia. Although we can compare the states collectively with the Commonwealth, the analysis is not decisive. Of the 26 Grattan reforms that are primarily a state responsibility, 15 have been substantially or partially adopted. By contrast, of the 30 reforms that are primarily a Commonwealth government responsibility, only 8 have been adopted. But it is difficult to draw conclusions from this. The states may have adopted more reforms because they are responsible for policy areas that are easier to change, rather than because they have better systems of governance than the Commonwealth.¹⁶⁶

Approaching reform by demanding 'better leadership' simply leads back to questions about how institutions can be changed to encourage better leaders. Some think we will only get more policy reform if Australia has better leaders, in both political and public service roles,

prepared to champion reform more.¹⁶⁷ Almost all substantial policy changes have one or more champions who persuade others to support them, argue the case in public, and corral the interest groups. But while the 'great men' theory of history sees change as driven by whichever leaders emerge and their qualities,¹⁶⁸ the better view is that history is substantially shaped by social forces and institutions. The importance of these structural forces is suggested by the way that the Commonwealth and the states appear to have followed the same arc of substantial policy reform in the 1990s, followed by much less reform in the following decades (Section 2.2 on page 7). Of course, leaders must work extremely hard to drive reform. But our institutions of government can make this task easier – or harder. So however much we hope for better leaders, the practical question for policy makers remains, 'What institutional changes would make it more likely that leaders emerge who can successfully bring about policy reform?'¹⁶⁹

Many of the forces that make reform more difficult can't be changed. The now overwhelming power of popular opinion (Section 3.2 on page 15) is in part a consequence of more regular polling and focus groups. Similarly, most of the features of social media are here to stay (Section 4.3.4 on page 44), as are global shifts in the alignments of political parties (Section 4.4 on page 45). Australia's major political parties are unlikely to regain mass memberships.

So instead this chapter focuses on the features of government – what this report calls institutions – that we can change. This includes

166. Almost all the reforms Grattan proposed to housing, transport, and school education policy were primarily state responsibilities. Almost all of the reforms that Grattan proposed to tax, welfare, retirement income, and higher education policy were primarily Commonwealth responsibilities. In energy and health policy, responsibility varied more, with a mix of issues requiring either Commonwealth, state, or joint adoption.

167. For an example of this leadership lens, see Russell (2021).

168. Carlyle (1841, Lecture 1).

169. Triffit (2019, pp. 12–13) similarly reframes calls for better leadership as a question about what structural change is needed so that leaders can emerge and be effective.

changing the Constitution, legislation, political conventions, and party rules. It examines the actors of government and their interactions that lead to policy change:

- the public (including their attitudes to government, and the way that their views are shaped in the media);
- policy makers (including political parties, ministerial advisers, the public service, and champions of reform outside of government); and
- government processes (including the policy making process, the influence of vested interests, and government patronage).

It asks what features of these actors and interactions might be contributing to the blockers identified in Chapter 3, and which of these could realistically be changed.

4.2 Low trust in government

Low trust in government is a crucial reason governments have not been prepared to pursue unpopular reforms. With low public trust, governments know that they will have little ability to influence public opinion towards a reform, and the public are less likely to accept that a government is acting for the right motives when it implements a reform.¹⁷⁰ Trust in government matters less for policies that deliver benefits across the board; it matters much more for public acceptance of redistributive policies that leave some people worse off – and consequently are more likely to be unpopular.¹⁷¹

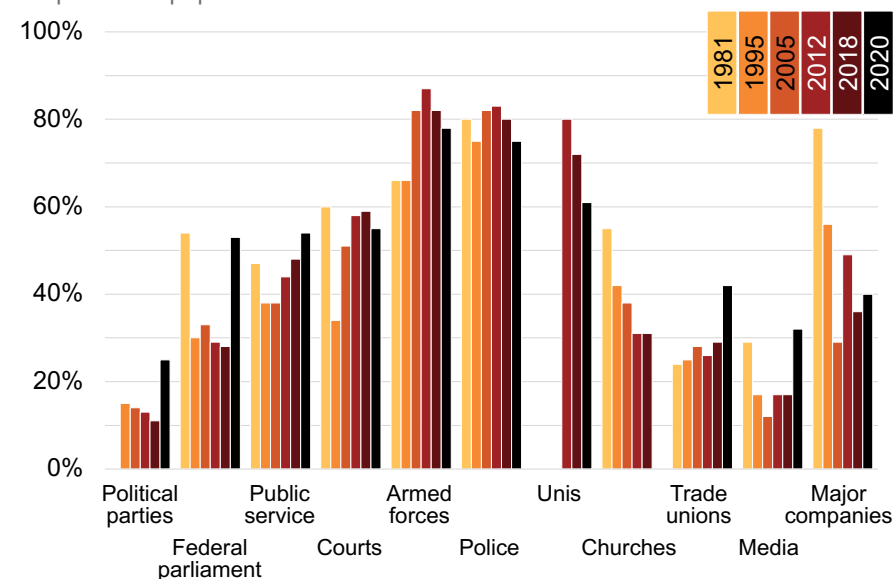
Public trust in many of Australia's institutions, particularly political parties and the federal parliament, was low in the decades before the COVID-19 pandemic (Figure 4.1).

170. Daley et al (2020a, pp. 5–6).

171. Hetherington (2004).

Figure 4.1: Trust in political parties and federal parliament has been low, but recovered during the COVID-19 crisis

Proportion of population with confidence in institutions



Note: The substantial lift in confidence in 2020, presumably associated with the response to COVID-19, is consistent with other surveys such as by Essential Research, reported at P. Lewis (2020).

Sources: World Values Survey (2020) and Evans et al (2021).

Surveys often report low ‘trust in government’, although many survey participants probably think of ‘government’ as the ministers they see on the evening news. More careful surveys that distinguish the federal parliament from the public service show reasonable levels of trust in the public service, but low levels of trust in politicians, at least before the COVID-19 pandemic.

Trust in the public service bottomed around the turn of the century, and has increased since then (Figure 4.1 on the preceding page). While the Thodey Review noted preliminary results showing low levels of trust in public services,¹⁷² the full survey suggested that more than half the population are satisfied with and trust Australian public services – a significantly larger proportion than had confidence in parliamentarians and presumably ministers in the pre-COVID decades.¹⁷³

The response to the COVID-19 crisis has increased trust in many institutions (Figure 4.1 on the previous page), particularly federal politicians, political parties, trade unions, and the media. Australia emerged relatively well from the first 18 months of the pandemic, with fewer deaths and less economic damage than most developed countries. The responses of Australian governments evidently led to good outcomes, and sharp increases in trust probably reflect this. Confidence in institutions recovered less in Italy, the US, and the UK than in Australia, perhaps because their governments were less successful in responding to COVID-19 (Figure 4.2).¹⁷⁴

As the COVID-19 crisis illustrates, nothing increases public trust in government so much as competent government. It remains to be seen whether the recent increase in trust persists. As discussed in the 2018 Grattan Institute report, *A Crisis of trust*,¹⁷⁵ trust in government is also likely to improve if:

172. Thodey et al (2019, p. 50).

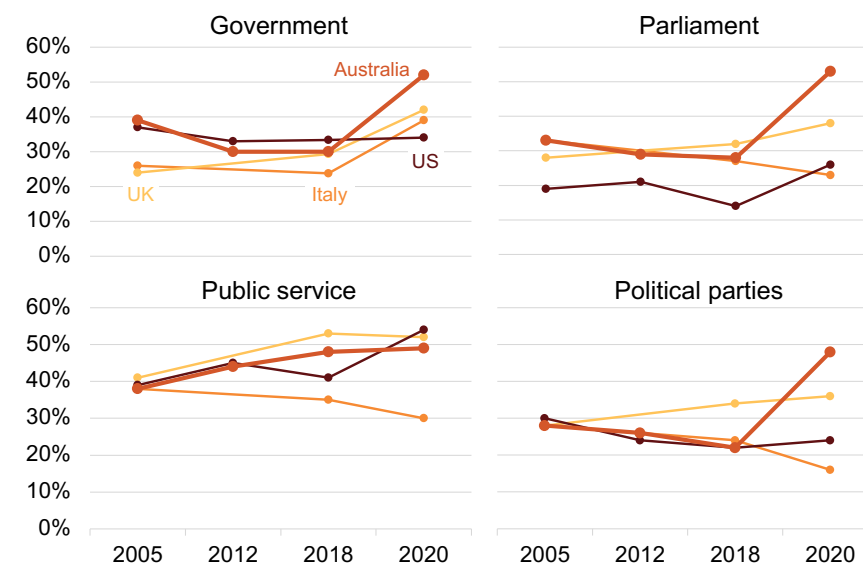
173. DPMC (2021).

174. Jennings et al (2021); and Tiffen (2021).

175. D. Wood et al (2018a).

Figure 4.2: Confidence in institutions increased during the COVID crisis more in Australia than in other countries

Confidence in institutions



Sources: World Values Survey (2020), Jennings et al (2021, p. 22) and P. Lewis (2020).

- Governments are careful not to over-promise;
- Political party membership and the backgrounds of politicians broaden to be more representative of the population;
- Governments do not favour vested interests at the expense of the public interest; and
- Benefits to politicians (including parliamentary entitlements, appointments, and post-politics roles) are limited to be consistent with community norms.¹⁷⁶

Restoring norms of political behaviour is also likely to restore trust in government. One analyst has argued that 12 out of 23 members of the current federal cabinet have been involved in incidents that in the past might well have led to their resignation.¹⁷⁷ By contrast, 17 years ago, the responsible minister resigned as a result of her role in awarding sports grants,¹⁷⁸ in circumstances that appear to be no worse than recent, much larger, more obviously electorally-motivated, pork-barrelling schemes, for which no minister has resigned.

Trust in government would probably also be improved by the other institutional changes outlined in the rest of this chapter, to limit the role of ministerial advisers, increase the competence and independence of the public service, limit political patronage, and reduce pork-barrelling.

4.3 Media

A number of media trends have made it harder to propose an unpopular policy, harder to lead a public conversation about why it is nevertheless in the public interest, and easier to oppose a reform with half-truths if not outright falsehoods.

176. D. Wood et al (2018a, pp. 83–85); for similar conclusions see Stoker et al (2018a).

177. Ireland (2021).

178. SMH (1994).

4.3.1 Journalist expertise

Media coverage of policy issues has tended to become less informed as declining advertising revenues caused cutbacks in newsrooms. Australia lost about 12 per cent of its journalists between 2011 and 2016, and the cuts have continued since then, with a net reduction of another 100 journalists between January 2019 and May 2021.¹⁷⁹

This trend may contribute to the difficulty of prosecuting unpopular reform. Relatively uninformed journalists may gravitate towards the intuitive views of their audience (particularly if they are reinforced by vested interests), rather than writing articles to explain why reforms are nevertheless worthwhile.

This trend may also contribute to the power of vested interests. With fewer specialised journalists, it is easier for well-resourced vested interests to drown out the public interest. A journalist who has not accumulated expertise in a policy area, and who is under pressure to publish (and tweet about) several stories per day, may be more inclined to reproduce uncritically the press release of a vested interest,¹⁸⁰ rather than attempting to provide insight on the issues for their audience.

Some plausible changes would increase media expertise. Funding public broadcasting certainly helps, and it is probably no accident that the ABC enjoys much higher public trust than other media outlets.¹⁸¹ The Federal Government's decision to give \$20 million over two years to keep Australian Associated Press alive is another example of how governments can support journalism in the public interest,¹⁸² and the ACCC has identified a range of other ways that government can

179. ACCC (2019, pp. 309–315); and Dickson (2021, p. 4).

180. D. Wood et al (2018b, pp. 51–53).

181. Meade (2021).

182. Treasury (2021a, Budget Paper 2, p. 161); and Samios (2021).

help.¹⁸³ New requirements for search engines and social media to pay publishers may also increase the resources for journalism.¹⁸⁴

Philanthropy is also increasingly supporting public-interest journalism,¹⁸⁵ partly because relatively small sums of money can have a significant social impact. On a larger scale, prominent business owners in the US have bought media outlets, at least in part because they wanted to support institutions that are important to civil society.¹⁸⁶ Government could go further in providing DGR (deductible gift recipient) status or R&D-style tax rebates for public-interest journalism, and an appropriate regulatory regime, to encourage these developments in Australia.¹⁸⁷

Such reforms to increase media expertise are not politically costly, and they might help. But they are probably not crucial: even with relatively few specialised journalists, many reforms in the Grattan Institute sample were implemented despite powerful vested interests, provided that there was good public evidence.

4.3.2 Media concentration

Australia's media, always relatively concentrated, has become even more so, with the two largest players controlling 75 per cent of the print/online news sector.¹⁸⁸ This may make it harder for governments to

conduct a sensible public discussion about a reform which is unpopular, and reinforce partisan shibboleths.

Murdoch's News Corp has a significant market share, and often runs extended campaigns on policy issues in ways that former Prime Ministers Rudd and Turnbull have both argued does not serve the Australian public interest.¹⁸⁹ More partisan media may contribute to an echo chamber that encourages opponents to shout louder, drowning out more nuanced discussion.

While concentrated media has only a limited ability to choose governments,¹⁹⁰ it can put an issue on the agenda and keep it there. In rare cases, a crusading and partisan outlet may contribute to reinforcing a party shibboleth which blocks sensible reform. As discussed in Box 1 on page 28, Murdoch media may have been decisive in maintaining Coalition opposition to serious action on climate change.

A number of reviews have responded to these issues by calling for laws to reduce media concentration, and to impose more oversight on media output.¹⁹¹

But such changes are very unlikely. Increased oversight tends to be vigorously opposed by *all* media outlets on free-speech grounds, and inherently they have loud megaphones, which increases the political costs of change. As a result, media regulation regimes

183. ACCC (2019, pp. 328–335).

184. Visentin (2021a).

185. For example, the Judith Neilson Institute is supporting journalists at a range of outlets, and the Balnaves Foundation and the Susan McKinnon Foundation have both contributed to reporting at *The Guardian*: Judith Neilson Institute (2021) and Michael (2018).

186. Jeff Bezos bought *The Washington Post*, John Henry bought *The Boston Globe*, Patrick Soon-Shiong bought the *Los Angeles Times*, Laurene Powell Jobs bought a majority stake in *The Atlantic*, and Marc Benioff bought *Time*: Schleifer (2020).

187. ACCC (2019, pp. 336–341); and PIJI (2020).

188. ACCC (2019, p. 290).

189. Simons (2020b); and Visentin (2021b).

190. Although Opposition Leader Bill Shorten blamed News Corp for his election loss in 2019, the internal ALP review of the election blamed the loss on other factors: Osborne (2020) and Emerson and Weatherill (2019). And the Queensland ALP Government was re-elected in 2020 despite relentless opposition from the Murdoch media.

191. Finkelstein (2012).

are often toothless in practice.¹⁹² Australian governments have for decades shown little enthusiasm for legislating to reduce media concentration: the Victorian Government ignored the recommendations of the Norris inquiry in 1981; the Hawke Government facilitated the Murdoch takeover of the Herald and Weekly Times in 1986; the Keating Government ignored a House of Representatives report on media ownership in 1992; and the Turnbull Government abolished cross-media ownership rules in 2017.¹⁹³

4.3.3 Hyper-partisan media

Some parts of the media have become hyper-partisan, openly supporting one side of politics, with scant concern for objectivity or accuracy. Australia does not yet have any direct parallel to Fox News in the US, although Sky News ‘after dark’ is often compared to it.¹⁹⁴ Hyper-partisan media makes it particularly difficult to pursue evidence-based policy reform.

Hyper-partisan media has limited *direct* impact on the electorate: Sky News typically has only about 60,000 viewers after 7pm for shows such as *The Bolt Report*, and its subscription audience is not obviously growing.¹⁹⁵ However, its regional audience appears to have grown rapidly since WIN agreed to broadcast Sky News free-to-air in regions, and it may be substantially affecting opinions in some regions, particularly where coal mining is important, and the anti-climate-change messaging of Sky News resonates.¹⁹⁶ Hyper-partisan media may also be increasingly important because it has shifted strategy over

192. For example, the Australian government ignored the recommendations of the Finkelstein Inquiry in 2011, and the UK government buried the Leveson Inquiry in 2012: Muller (2021a).

193. Muller (2020).

194. Muller (2021b).

195. Muller (ibid), and see the regular documentation of TV ratings by Glenn Dyer for *Crikey*.

196. Wilson (2021).

the past few years so that its content is much more widely viewed on social media channels such as Facebook and YouTube.¹⁹⁷ The long-term impact of this shift depends on the regulation of social media, discussed in the next section.

Hyper-partisan media is probably more important because it sets an agenda, as programs on Sky News after dark are discussed in mainstream media. It can particularly influence how the stable of News Corp publications approaches an issue. And it may also be important in shaping and reinforcing partisan shibboleths by signalling a shared set of beliefs, particularly for the conservative wing of the Coalition.

4.3.4 Social media

The virality of social media tends to promote emotion and controversy – even in established media – crowding out space for thoughtful reflection. It tends to promote rather than dispel untruths, because its algorithms encourage echo chambers rather than a public square full of challenging voices.¹⁹⁸

These features of social media reinforce existing majority opinion, reinforce the shared beliefs of partisan tribes, and may be prone to manipulation by well-resourced vested interests. They help to explain why these forces are such powerful blockers of reform, and increasingly so.

But social media is not an insuperable barrier. A well-resourced government media team, for example, actively and rapidly countered misinformation about Minister Birmingham’s school funding reforms.¹⁹⁹

197. Davies (2021).

198. Aly (2016); and ACCC (2019, pp. 346–350).

199. During the public debate, the Minister’s social media unit regularly published facts about funding for specific schools soon after their circumstances were publicly raised by opponents of the reform.

It was largely effective in preventing vested interests from distorting the debate.

While many features of social media are all but impossible to change, some forms of regulation would curb its excesses. The ACCC suggested that social media be subject to a regime that could impose sanctions on ‘disinformation (inaccurate information created and spread with the intent to cause harm)’ and compel its take-down.²⁰⁰ But Australian governments have shown no sign of acting on this idea.

The storming of the US Capitol in January 2021 may well be a tipping point for both self-regulation and government regulation of social media. Social media companies have become more active – taking down the account of a sitting President – and lawmakers have become more strident in the need to treat social media platforms as publishers, subject to similar requirements that apply to traditional media not to incite violence or other crimes, and to correct untruths.²⁰¹ Such measures are unlikely by themselves to remove all the obstacles that social media creates for policy reform, but they would help.

4.4 Political parties

The dominant alignments of political parties are changing in Australia, and around the world. These shifts are making it harder to push through unpopular reforms, and increasing the role of partisan beliefs detached from rational argument. But it’s difficult to see what institutional changes could counter these shifts in political alignments.

Traditionally, right-wing parties were aligned with business owners, high-income earners, and people with high levels of education. But over the past 20 years, people with high levels of education, including those with relatively high incomes, have increasingly voted for left-wing

parties,²⁰² while the proportion of the Australian population with tertiary education has quadrupled.²⁰³

The Australian workforce has fewer unionised workers, who were once the core of the ALP. Self-employed sole traders have lower levels of income and education than employees,²⁰⁴ and they are much more likely to vote for right-wing parties.²⁰⁵

Partly because the interests of their core constituencies are changing, policy issues are becoming more fluid within the parties. Many policy issues such as government intervention in the economy and industrial relations that defined political parties for decades have reached largely consensus positions; whereas social and identity issues such as same sex marriage, workplace harassment, and racial disadvantage remain more contested. Many of these social issues cross traditional party lines. Bill Shorten has many policy views in common with Simon Birmingham; Joel Fitzgibbon has much in common with George Christensen; it’s less obvious what policies they share with all those in their respective parties, apart from the relatively small (but important) set of shibboleths discussed above (Section 3.3 on page 20).

But parties have weakened mechanisms to express and work through these differences. They systematically mute internal debate because it is perceived to harm electoral prospects. And they have effectively unshackled parliamentary representatives from the policy positions articulated by party members. The unresolved internal divisions on

202. Piketty (2020); and Gethin et al (2021).

203. The proportion of 15-64 year-olds with a bachelor’s degree has risen from 8 per cent in 1990 to 32 per cent in 2020: ABS (2020a, Table 28).

204. About 1.3 million people (more than 10 per cent of the workforce) are owner-managers of enterprises with no employees. When incorporated, their average earnings are lower than for employees with leave entitlements; it is very likely that when unincorporated, average earnings are even lower: ABS (2020b, Tables 8.1, 8.3, 10.1).

205. Sensis (2019).

200. ACCC (2019, p. 34).

201. Simons (2021).

many issues preclude policy reform, even when there is a plurality across party lines. Instead of being defined by shared policy goals, political parties are increasingly defined by the shared promise of mutual patronage. Political parties around the world are increasingly ‘cartel parties’ – part of the machinery of government, detached from their members, operated by a professional political class.²⁰⁶

With less policy to rally around, and less influence over party policy positions, party memberships have fallen over the medium term, and less than 0.4 per cent of the population are now members of one of the two major political parties.²⁰⁷ This fall is compounded by a general social trend of fewer people being active members of community organisations.²⁰⁸ Falling membership makes it easier to influence if not stack branches to pre-select people on the basis of their factional fealty rather than their appeal to mass branch members, reinforcing the drift towards patronage, the power of shibboleths, and reluctance to undertake ‘courageous’ policy reform.

There are alternative models emerging. Organisations backing independent candidates appear to have actively engaged many more people in politics: for example, Voices for Indi, which successfully campaigned for the election of Cathy McGowan and then Helen Haines, attracted 600 volunteers, 1,000 donors, and 5,000 online supporters in a single electorate.²⁰⁹

206. Katz and Mair (1995).

207. The best guess is that nationally in 2019-20 the ALP had about 49,000 members and the LNP combined had 47,000 members. These estimates are based on NSW, the only State for which there is reliable data on membership, and the assumption that membership in other states is proportionate to population: Grattan analysis of NSW Electoral Commission (2021) using methodology from S. Murray (2018a). See also D. Wood et al (2018a, pp. 77–78).

208. Leigh (2010).

209. Hendriks (2017, p. 487).

While the focus of political parties is changing, there is little evidence that the priorities of the *public* have shifted. Although attitudes to homosexuality and abortion have clearly changed over the long term, the economy, health, education, and housing continue to dominate the electorate’s concerns, and the major long-term change in the shape of the public agenda is increasing concern about the environment (Section 2.5 on page 11).

Given all these trends, it is not surprising that an increasing proportion of the Australian electorate does not think of itself as aligned to a major political party; and the vote for minor parties is at historic highs.²¹⁰ This is not simply a tendency to extremism: most of the people elected as independents or from a micro-party to the House of Representatives in the past two parliaments are clearly from the political centre.²¹¹ And it is harder for major political parties to lead public opinion simply by adopting a position, which at least shifts the attitudes of their rusted-on supporters.

These trends in political parties and their relationship with the public are consistent with the increasingly definitive power of public opinion, the increasing power of shibboleths (Section 3.3 on page 20), and the growth of patronage (Section 4.9 on page 53). But shifts in the alignment and function of political parties are occurring globally, suggesting that they are difficult to resist. Political parties in Australia are reforming internally to try to limit branch-stacking, but are doing little to solve the underlying problem of small and falling memberships. The changes most likely to attract new members would also weaken the power of party leaders, and so it’s hard to see such changes gaining momentum.

210. Cameron and McAllister (2019a, p. 24); Cameron and McAllister (2019b, pp. 21, 23); and Chivers (2019).

211. These include Cathy McGowan, Kerry Phelps, Andrew Wilkie, Rebekha Sharkie, Helen Haines, and Zali Steggall.

4.5 Political advisers

Ministerial advisers, growing in number and power, and increasingly connected to political parties rather than the public service, are making it harder to pursue unpopular reforms, reinforcing the power of shibboleths, and reducing enthusiasm for independent bodies to gather policy evidence (Chapter 3).

The Commonwealth's ministerial staffing structure was set up by the *Members of Parliament (Staff) Act 1984*, which allowed the employment of ministerial staff separate from the public service.

The number of ministerial staffers grew from 210 in 1983 to 339 in 1996 to a temporary high of 437 at the end of the Howard Government in 2007. It fell back when the Rudd Government was elected, but rose again to 450 today.²¹² Ministerial advisers can play a valuable role in providing ministers with an alternative source of politically focused advice, as Peter Shergold, former Secretary of the Department of Prime Minister and Cabinet, emphasised.²¹³ Under Hawke and Keating, many ministerial staffers, particularly the Chiefs of Staff, were drawn on secondment from the public service. Don Russell argues that this network was behind the ability of the Hawke/Keating Government to pursue so much productive reform.²¹⁴

But an increasing number of ministerial staffers today have strong party affiliations, little if any experience in the public service, often little experience beyond student politics, and aspirations either for pre-selection or a career in various forms of government advocacy.²¹⁵

212. Holland (2002), Maley (2020), Russell (2021) and Thodey et al (2019). There are about 1,220 advisers in the States and Territories: S. Murray (2018b).

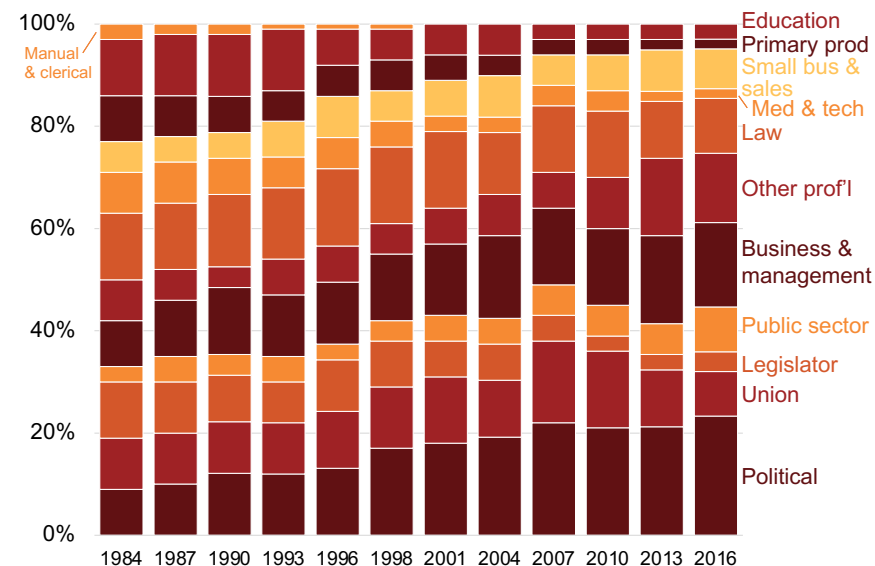
213. Shergold (2015, pp. 30–32).

214. Russell (2021, pp. 36–37).

215. Russell (ibid, pp. 15–23) and Thodey et al (2019, pp. 135–136).

Figure 4.3: Members of parliament increasingly have political backgrounds

Proportion of members of federal parliament



Source: Mooney (2018, p. 35).

On the latest available data (from 2016), only 20 per cent of ministerial staffers are drawn from the public service.²¹⁶

An adviser role is increasingly the path to election as a member of parliament (Figure 4.3). This is particularly true for ALP MPs and for Senators from all parties.²¹⁷ Over half of all federal politicians had

216. Maley (2017, p. 410). Such public servants take leave from their department, work in a minister's office, and like other staffers are answerable to the minister. A separate regime applies to public servants seconded to a minister's office as Departmental Liaison Officers; they remain subject to the usual obligations applying to public servants.

217. Mooney (2018, pp. 32–52).

worked as an adviser at some time before they were elected.²¹⁸

Ministerial staff remain relatively unaccountable. Their names are not public (they were removed from the government directory in 2002).²¹⁹ Although they are subject to a *Statement of Standards for Ministerial Staff*, the last two major reviews of the public service both recommended that the standards be amended to make it clear that advisers can only issue instructions to the public service at the express behest of their minister.²²⁰ In theory an adviser is accountable because their minister is responsible for their actions.²²¹ But in practice there is often a ‘black hole of accountability’: advisers can provide plausible deniability for ministers while by convention they cannot be called to appear before parliamentary committees.²²² Although some argue that advisers are highly responsible because their minister can hire and fire them at will,²²³ this merely ensures that their primary focus is to protect their minister and their party rather than to serve the public interest.

The Thodey Review of the Australian Public Service recommended that the code of conduct for advisers should be legislated and enforced; and that at least half of all advisers should have public service experience.²²⁴ The Morrison Government rejected these recommendations on the basis that it saw no problem with the current arrangements.²²⁵ It’s also at least arguable that it would be desirable to cap the number of ministerial advisers. Others have called for a change to convention (by legislation if necessary) so that ministerial advisers

can be compelled to appear before parliamentary committees.²²⁶

Other shifts in ministerial adviser roles could be identified with further research. But for more than 30 years, governments have not shown any interest in restraining the growth and politicisation of ministerial advisers with little accountability.

That’s a pity, because institutional changes such as those outlined above would improve the chances of policy reform.

If there were fewer advisers, or more of them had public service backgrounds, it is likely that the blockers to reform identified in Chapter 3 would be much weaker.

- Ministers would receive less advice focused on the short-term impact on public debate, and more advice focused on the long-term public interest. As observed by Martin Parkinson, previously Secretary to the Department of Prime Minister and Cabinet, advisers tend to focus too much on ‘message over substance’.²²⁷
- Ministers would probably receive less advice to avoid the high-quality inquiries that improve the evidence base, and the disciplined policy process that is more likely to shift public opinion in the long term. The main objection to inquiries and public processes is that they often result in recommendations that create short-run political inconvenience – which tends to concern partisan political advisers more than public servants.
- The echo chambers that reinforce shibboleths would be less reinforced by partisan ministerial advisers concerned to toe the party line to improve their future career prospects.

218. McIlroy (2017a); and A. Lewis (2019).

219. Maley (2020).

220. Thodey et al (2019, p. 135).

221. Thodey et al (2019, p. 135); and Shergold (2015, p. 33).

222. T. Moran (2013, p. 5), Tiernan et al (2019, p. 26) and Ng (2017), but cf Shergold (2015, p. 33).

223. Ashpole (2012, pp. 50–54).

224. Thodey et al (2019, p. 137).

225. DPMC (2019).

226. T. Moran (2013, p. 5); Ng (2017); and Holland (2002).

227. Quoted in Tingle (2015, p. 24).

- More Members of Parliament, and therefore ministers, would be drawn from backgrounds other than ministerial adviser positions. To become a reform-oriented minister who crafts policy detail and persuades a sceptical public, it is less than ideal to have early career training as a ministerial adviser in backroom politicking with low policy content.
- The balance of power would shift back towards the public service, encouraging the public service to put more resources into policy development, and to attract more people skilled in doing so.

4.6 Public service

Policy reform is more likely to succeed if the public service:

- is asked by the government of the day to do policy work;
- produces high-quality policy work; and
- is not too compliant to the government of the day, maintaining the balance between serving the public interest and serving the interests of the government of the day.

There are concerns that Australia's public services are failing on all three of these fronts.

4.6.1 Public service role

Many have noted ministerial attitudes that the public service should have less influence over policy, a tendency for ministerial advisers rather than the public service to develop policy, and increased outsourcing of policy work to consultants.

As the Thodey Review of the Australian Public Service (APS) observed, 'some Ministers no longer regard the APS as their primary, nor even

their preferred, source of advice'.²²⁸ In part, this reflects the view of some ministers that the public service is less capable – a view shared by many senior public servants (Section 4.6.2 on the next page). In part it reflects Coalition political positioning that government is unnecessarily large, and that a bloated public service is the primary problem.²²⁹

In part, it reflects a shift in the locus of power from the public service to ministerial advisers.²³⁰ As the former Deputy Premier of Victoria, John Thwaites, observed, some senior ministerial advisers are more powerful than junior ministers.²³¹

In part, it reflects a view that ministers should have their own agenda, and should not be furthering the agenda of public servants. Prime Minister Scott Morrison said in a speech shortly before the COVID-19 pandemic:

Responsibility for setting policy ... lies with the elected representatives of the people. ... Ministers ... must not allow a policy leadership vacuum to be created, and expect the public service to fill it and do effectively the job of Ministers. ... I expect my Ministers to be in the centre driving policy agendas for their agencies.²³²

This speech did say the public service should provide policy advice, and it did not say that the *only* role of the public service

228. Thodey et al (2019, p. 133), citing Tiernan et al (2019, p. 13).

229. For example, the Coalition's platform for the 2013 federal election claimed that it would restore structural integrity to the budget by 'reducing the size of the bloated Commonwealth payroll': Liberal Party of Australia (2013). In fact even on an optimistic basis, plausible public service cuts (whether or not desirable) could not deliver more than \$2 billion a year in savings – small relative to the structural budget deficit of the time exceeding 1.5 per cent of GDP: Daley et al (2013b, pp. 7, 75–77).

230. Ng (2017, pp. 115–116).

231. Ibid (p. 116).

232. Morrison (2019).

is to implement policy. But it could easily be read as suggesting a command-and-control system in which the public service has little role in proposing policy directions, and Ministers rely more on their own ideas than those of the public service for setting the policy agenda.²³³

Ironically, since this speech was delivered – and the COVID-19 pandemic struck – health and economic policy decisions have been justified much more frequently on the basis that they are ‘consistent with advice’ from the public service. It remains to be seen whether this presages a longer-term shift.

The public service also has less influence when policy development is effectively outsourced to consultants – which at least two former secretaries of Prime Minister and Cabinet have identified as a growing and undesirable trend.²³⁴

It is hard to quantify this trend – the publicly available data is not consistent because ‘management advisory services’ are not always flagged as ‘consulting’. But on any view, the value of work done for the Commonwealth government by the ‘Big 4’ accounting/consulting firms has substantially increased over the past decade,²³⁵ and overall spending on labour contractors and consultants has increased rapidly over the past five years while departmental wages and salaries have remained stagnant.²³⁶ This outsourcing also weakens the public evidence base, because there is often a presumption that a consultant’s report will remain private, whereas there is often an expectation that the work of a public organisation will be published.

233. Davis (2021).

234. Shergold (2012); and McIlroy and Dingwall (2017).

235. D. Wood and Percival (2018, p. 12).

236. Thodey et al (2019, p. 186).

4.6.2 Public service capability

The Thodey Review found that members, observers, and partners of the public service all expressed ‘credible concerns’ that APS capability has declined, particularly through the ‘hollowing out of strategic policy skills’.²³⁷ Any number of former secretaries are on the record expressing their concerns about public service policy capability over the past few years.²³⁸

A less active role for the public service in policy development creates a spiral of decline. When policy muscles aren’t used as much, internal ability is developed less. People interested in policy development are less likely to be attracted to the public service, and more likely to work in consulting. And a less capable public service is likely to be asked to develop policy less, and to be less trusted when it does.

Other causes identified for the decline in policy capability include:

- A focus on short-term responsiveness and implementation that squeezes out time for policy thinking;
- Staffing caps that often result in reductions to long-term strategic areas where cuts are less immediately painful;²³⁹ and

237. Thodey et al (ibid, p. 183); see also Tiernan et al (2019, p. 13).

238. For example, ‘The APS has been stripped of specialist capability and service delivery experience’: T. Moran (2017, p. 10); ‘The public service . . . has . . . lost depth when it comes to policy thinking’: Varghese (2016, p. 104); ‘Our agencies are so flat-out and stretched that we have scant capacity to invest in serious thinking. My concern is that the less we engage in thinking about longer-term policy issues, the less capable we become of engaging in it when it is required’: Borthwick (2009, p. 104); ‘Many departments have lost the capacity to develop policy’: Ken Henry, quoted in Tingle (2015, p. 24).

239. Thodey et al (2019, p. 185).

- More frequent terminations of senior staff on the basis of their prior policy work (discussed in the next sub-section), which leaves some public servants reluctant to take on a senior role.²⁴⁰

4.6.3 Public service pliability

Many also argue that the public service has become too compliant with the wishes and interests of the government of the day.

‘Pliability’ is another way to frame the desire that the public service be ‘responsive’ to elected officials. In the past, many politicians were concerned that the public service was not responsive enough. Gough Whitlam, and a succession of Prime Ministers after him, all saw departmental secretaries as wielding too much power. They responded by increasing the role of ministerial advisers, and increasing ministerial control over the public service – not least the power to hire and fire secretaries.²⁴¹

There are claims that governments increasingly appoint secretaries of departments who share their ideological views. As an unnamed former secretary told the Thodey Review: ‘Governments have shifted from wanting advisers to wanting fellow travellers, and tend to look more for those with similar views; this makes it much more difficult for the APS to operate according to the traditional model (such as being apolitical).’²⁴² But these claims are hard to prove from the public record. While 9 of the 14 Commonwealth secretaries in October 2020 had previously worked in ministerial offices, their pasts were evenly divided between working for Coalition and ALP ministers and shadow ministers.

On the other hand, the power to dismiss is frequently used. Between 1996 and 2019, almost 30 per cent of Commonwealth secretaries were

sacked.²⁴³ At least some ministers perceive that this power delivers a more compliant public service – Barnaby Joyce reflected that:

One of the only ways I could deal with [the bureaucrats] when I was the Ag minister was [that] I invited the head of the department up, brought him into my office and sacked him – just to remind him where the authority starts from. And then I got a lot more sense out of the rest of them; they were great.²⁴⁴

The deeper concern is that there is an increasing culture of not merely implementing the policy of the government of the day, but serving its *political* interests. It is hard to read some Senate Estimates Committee Hansard without suspecting that the public servants feel under pressure to frame their evidence to portray the actions and policies of current ministers in the best possible political light; and that different responses might be provided if there were a change in government. And some have suggested that some reviews of politically sensitive events by senior public servants are conducted and framed so as to minimise political embarrassment.²⁴⁵

Outsourcing policy advice to consultants may result in even more pliable advice. Commercially dependent on repeat contracts, consultants may be under even more pressure than public servants to produce answers that the minister wants to hear.

4.6.4 Public service and policy outcomes

The role and effectiveness of the public service has a significant long-term impact on the adoption of policy reform.

If the public service isn’t asked to do policy work, or does not always produce high-quality policy work, or is inappropriately compliant, then it is less likely that the public service will counter-balance the weight

240. A view expressed by Martin Parkinson, as reported in McIlroy (2017b).

241. Russell (2021, p. 13); Tingle (2015, pp. 38–45).

242. Thodey et al (2019, p. 133).

243. Burgess (2019).

244. Easton (2019).

245. Waterford (2021); and Twomey (2021a, pp. 335–338).

of public opinion, of party shibboleths, and of vested interests. Its views are also less likely to be trusted in the long run by the public. And just as bad, its advice is less likely to be trusted by ministers, which is particularly crucial when ministers are being lobbied by vested interests.

It follows that reforms to increase the policy role of the public service, its policy capability, and its independence are likely to reduce the major barriers to policy reform identified in this report.

While it is beyond the scope of this report to prioritise public service reforms, the key recommendations of the Thodey Review – not least those rejected by the Morrison Government – are a good starting point. These include recommendations to remove the staffing cap (which encourages the use of consultants rather than in-house staff), and reforms to ministerial advisers discussed above (Section 4.5 on page 47). The Thodey Review also called for a more widespread culture of evaluation, requiring systematic evaluations through Cabinet and Budget processes, embedding evaluation skills widely across the public service, and systematically publishing evaluations.²⁴⁶ While the Government ‘agreed in part’, it rejected the core of these proposals.²⁴⁷

The Thodey Review also recommended that secretaries should be appointed only after a selection panel had provided a clear ranking of preferred candidates, possibly requiring governments to indicate when they had chosen not to follow this preference.²⁴⁸ It recommended that secretaries should only be dismissed on specific legislated grounds, after independent evaluation by the APS Commissioner.²⁴⁹ The Morrison Government rejected all these proposals on the basis that

rejection was ‘consistent with the Secretaries Board’s advice’²⁵⁰ – advice which did little to counter impressions of public service pliability.

As discussed above (Section 3.4 on page 24 and Section 3.5 on page 27), independent published evidence may not be decisive, but it makes a big difference to the prospects of reform. Policy reform would be more likely if governments reversed the 20-year trend of terminating rather than creating autonomous government bodies that can publish their findings.

There was a clear pattern to the Government’s response to the Thodey review – it systematically rejected changes that would reduce the power of ministers.²⁵¹ Unfortunately, those changes are precisely those most likely to improve the chances of reforms that would otherwise be blocked because they face hostile public opinion, party shibboleths, vested interests, or lack independent evidence.

4.7 Encouraging external champions of reform

As discussed above (Section 4.1 on page 39), good leadership is almost always important to reform. The raft of changes proposed in the Thodey Review (Section 4.6.4 on the preceding page) would encourage public servants to show more leadership, and changes to the regimes for ministerial advisers and post-political careers would encourage politicians to show more leadership (Section 4.9 on the next page).

Leadership from outside government can also help policy reform, but many current arrangements discourage it.

University academics are less likely to be champions because university incentives have reduced their focus on practical policy

246. Thodey et al (2019, pp. 223–228).

247. M. Keating (2019).

248. Thodey et al (2019, p. 294).

249. Ibid (p. 296).

250. DPMC (2019, p. 26).

251. Grattan (2019).

problems.²⁵² They would be more likely to champion reform if universities changed their criteria for the employment, performance management, and promotion of academics, to focus more on involvement in policy processes (such as submissions to parliamentary committees) rather than refereed journal articles. It would also help if universities created incentives to focus more on domestic policy problems (typically discussed in local journals) rather than the more general problems typically discussed in prestigious international journals that typically count for more in academic hiring and promotion decisions. Universities may be more likely to make these changes if the Commonwealth Government changes the incentives it imposes on universities accordingly.²⁵³

Not-for-profit organisations might be more effective champions for reform if governments did less to discourage them from participating in policy debates. The High Court's decision in the *Aid/Watch* case confirmed the legitimacy of charities advocating for policy change.²⁵⁴ But the Commonwealth Government attempted in 2017 to prevent any charity from engaging in policy advocacy if it received donations from an overseas entity, although it backed down in the face of overwhelming public opposition.²⁵⁵ For decades, governments have inserted 'gag clauses' to prevent many not-for-profit social organisations from using Commonwealth funding for policy research and advocacy, and have cut funds to organisations that conduct policy research and advocacy.²⁵⁶

Similarly, governments have discouraged corporations from policy advocacy. Governments have threatened corporations when the participation of their employees in public debate became too strident

for the government's liking. For example, governments threatened the ANZ Bank with adverse regulatory consequences if it did not change its climate-change lending policies, or if its Chief Economist continued to criticise government policy.²⁵⁷

One way to encourage external champions of reform would be to specifically recognise the value of this kind of not-for-profit advocacy in legislation, and ask independent commissions against corruption to police government attempts to dissuade not-for-profits and corporations from engaging in advocacy.

4.8 Policy making processes

Many have noted the decline of disciplined policy processes that are more likely to lead to the adoption of reform. The essential elements of change management have been well documented in the business sector.²⁵⁸ Ken Wiltshire outlined how these applied to government, and the key steps of a disciplined policy process likely to lead both to better quality policy, and more public acceptance of the outcome.²⁵⁹ Such processes are more likely to shift and overcome hostile public opinion that is the largest single blocker of reform. And they are likely to produce high-quality public evidence that can overcome the resistance of vested interests. But governments seldom use such a disciplined process,²⁶⁰ perhaps because it is hard to control the public discussion that ensues.

4.9 Political patronage and preferential access to government

Political patronage occurs when a government disproportionately favours those who are politically aligned, or have a similar political

252. Daley et al (2020a, p. 29).

253. The Commonwealth Government may already be heading in this direction: Tudge (2021).

254. HCA (2010).

255. Ng (2018).

256. Edgar (2010); and Hunyor and Goldie (2019).

257. Eslake (2020b).

258. Kotter (1996).

259. IPAA (2012).

260. newDemocracy (2020).

background. Political patronage comes in many forms such as grants, profitable contracts, and appointments to remunerated government roles. It is closely related to policy decisions that favour vested interests with preferential access to government.

Political patronage increases the barriers to reform. Obviously it tends to favour vested interests. It also reinforces partisan shibboleths – if people expect that loyal service will be rewarded, they are more likely to stay loyal, even when it is not in the public interest. Ministers and their advisers are less likely to cross public opinion if doing so causes their party political pain, because they may personally receive less patronage later. And patronage undermines public trust in government, so that it becomes harder for governments to lead the public to accept unpopular policy reforms.

There are reasons to be concerned about the level of political patronage in Australia.

At least some government appointments are increasingly politicised. In 2019, 65 of the 333 members of the Commonwealth Administrative Appeals Tribunal were former Liberal Party staffers, former Liberal or National politicians, party donors, members, unsuccessful Liberal candidates, or Liberal government employees. By contrast, when the ALP left office in 2013, only 15 members of the Administrative Appeals Tribunal and associated tribunals had any sort of political connection, and many of them did not owe their initial appointment to the ALP Government.²⁶¹ An increasing proportion of senior diplomatic appointments are former politicians from the party in government.²⁶² Forthcoming Grattan analysis will show that the Commonwealth and almost all state and territory governments (particularly the ACT, Queensland, and Victoria) regularly appoint people with political connections to the boards of government business enterprises. The

261. Hardaker and Landis-Hanley (2019).

262. Oliver and Bosworth (2021).

Coalition and the ALP both overwhelmingly appoint directors connected to their own side of politics.

Pork-barrelling appears to be growing in scale, and inherently it invites patronage. In many small grants programs, ministers over-rode allocations recommended by the public service, including the Urban Congestion Fund, the Community Development Grants program, the Female Facilities and Water Safety Stream program, the Communities Environment Program, the Safer Communities Fund, and the Community Sport Infrastructure Program, which led to the ‘sports rorts’ affair. The Commuter Car Park Projects as part of the Urban Congestion Fund was pork-barrelling on an even larger scale, without even the pretence of departmental evaluation.²⁶³ Several regional programs also heavily favoured electorates that elected Coalition members of parliament, including the Building Better Regions Fund, the Regional Growth Fund, the Drought Communities Programme, and the Regional Jobs and Investment Packages.²⁶⁴

At a state level, the NSW Stronger Communities Fund and a bushfire grants program disproportionately favoured Coalition and marginal electorates. The Premier’s office destroyed documentation of its involvement in the Stronger Communities Fund.²⁶⁵ Over the longer term, governments of all stripes have tended to disproportionately fund infrastructure projects in marginal electorates.²⁶⁶

Even when the *selection* process for grants and contracts is rigorous and transparent, a government can make fellow-travellers much more aware of the opportunity to apply. For example, far more proposals for community sports facilities were submitted from Coalition electorates than others.

263. ANAO (2021).

264. Feik (2021).

265. Swanston (2021).

266. Terrill et al (2016a).

Politicians may attempt to justify pork-barrelling on the basis that they won the subsequent election.²⁶⁷ But while the practice may be long-established, pork-barrelling effectively spends scarce public resources to disproportionately benefit electorates whose votes are particularly important to the political fortunes of the incumbent government. It uses government resources to benefit the political party in power.²⁶⁸ By definition it does not use public money where it will have the most public benefit. Presumably this is why the public generally dislike pork-barrelling (unless they are in the electorate receiving the pork).²⁶⁹

Grant schemes may disproportionately benefit people well-connected to power. For example, Commonwealth grants were awarded to organisations run by a Coalition branch president and administered by the local member's electorate officer.²⁷⁰ While those involved argue the grants were allocated through an independent mechanism, the direct involvement of politicians in selecting recipients, and the opaque processes, mean that such schemes are inherently vulnerable to abuse.

Of course, pork-barrelling also erodes public trust (Section 4.2 on page 40), because by definition public money is not spent where it would have the most impact according to an impartial criteria-based assessment.

Government contracts also allow patronage to flourish. \$423 million in contracts for security at Manus Island were awarded through a

non-competitive tender process to a company that at the time was relatively small. \$443 million was given to the Great Barrier Reef Foundation that at the time had just six full-time staff, and which has subsequently raised very little of the private support that was supposed to justify the grant.²⁷¹ And a number of water purchases have been questioned.²⁷² Increasing government intervention, particularly in energy markets, invites accusations that decisions have been made favouring companies aligned with the government.²⁷³ These may all be examples of opaque or poor process rather than patronage, but there is seldom any way to know.

It is difficult to ensure that such decisions are not merely rewarding friends and supporters because they usually have public policy justifications that are at least plausible. For example, when the Queensland Government provided a one-off incentive to Glencore's Mount Isa copper smelter, it was at least arguable that it would stimulate local economic activity and employment.²⁷⁴ Similarly, one could argue that stimulating economic activity was the motivation when the Commonwealth Government appointed a National COVID-19 Commission Advisory Board with a number of members and advisers closely associated with the gas industry. The advisory board unsurprisingly recommended government support for the construction of new gas pipelines and government under-writing for new gas supply projects – followed by a government announcement of a 'gas-fired recovery plan' with a combination of government funding and mooted regulatory changes that benefited gas suppliers and customers.²⁷⁵

But it is hard to dispel the suspicion that grants and contracts are patronage for those associated with the government in power,

267. McGowan (2021); and AFR (2021).

268. Leigh (2008) shows that pork-barrelling in Australia materially increases the government's vote in electorates receiving the pork, at least for large-scale infrastructure projects, although analysis of the sports rorts affair suggests that it may have less effect for smaller-scale community programs: Bowe (2020).

269. Indeed, 77 per cent think that politicians should resign if they engage in pork-barrelling: Crabb (2021).

270. S. Martin (2021).

271. Cox (2021).

272. Feik (2021).

273. Knaus and Cox (2021).

274. ABC (2020a).

275. Fossil Fuel Watch (2020); McIlroy (2020); and Morrison (2020).

because government decisions are becoming more opaque. Cabinet-in-confidence and commercial-in-confidence exceptions are increasingly used to conceal the basis for decisions and the nature of contractual arrangements. This secrecy makes it easier for patronage to flourish. Without a federal integrity or anti-corruption commission, many are concerned that questionable dealings are not thoroughly investigated even when they come to light.²⁷⁶

Tighter links between decision makers, political party machines, ministerial advisers, and vested interests increase the opportunities and incentives for patronage. With stronger incentives to toe the party line, shibboleths are more likely to arise, and to be maintained. For example, political donations increase the power of senior party officials (usually not members of parliament), because their power to decide where election funds will be spent can be leveraged into influence over sitting members of parliament, and over ministerial advisers who hope to gain pre-selection. A rapidly revolving door between ministerial adviser roles and government relations roles creates incentives to stay particularly loyal to the party rather than the public interest. A golden escalator from ministerial roles into government and government relations jobs creates similar incentives. All are gaining pace in Australia.²⁷⁷

When vested interests have preferential access to government, it reduces the prospects of reform in the public interest. Political donors gain substantially more access to decision makers. Those with the most to gain from government decisions tend to donate substantially more.²⁷⁸ While many states have increased controls over donations in recent years, the Commonwealth has not. The revolving door between ministerial adviser roles and government relations roles

that encourages patronage also facilitates decisions that favour the well-connected.

It is beyond the scope of this report to prioritise reforms that would reduce political patronage and preferential access for vested interests, but a number have been suggested elsewhere,²⁷⁹ including:

- Publishing ministerial diaries;
- Expanding the definition of lobbyist and the controls over lobbyists, and linking registration to unescorted access to Parliament House;
- Improving the comprehensiveness, detail, and timeliness of disclosure of political donations;
- Capping the amount that can be spent on election campaigns;
- Implementing a code of conduct for members of parliament;
- Independently administering codes of conduct for ministers and members of parliament;
- Independently enforcing limits on roles for those leaving parliamentary and ministerial adviser positions;
- Using more independent appointment processes and norms for government roles;
- Codifying and independently enforcing rules to prevent pork-barrelling grant schemes; and
- Establishing a federal anti-corruption body with a broad remit.

More radically, some are even suggesting that former members of parliament should again be entitled to more generous defined benefit pensions – coupled to a regime that puts far more restrictions on their

276. Feik (2021).

277. D. Wood et al (2018b, pp. 20–24).

278. Ibid (pp. 18–20).

279. Ibid (pp. 56–68).

employment, and makes the pension conditional on not accepting paid roles.²⁸⁰ Reforming parliamentary pensions in this way would not just improve the quality of short-term decisions, and trust in government; it would also improve the prospects of long-term reform. But this may not be an ideal place to start, because it is one of the few institutional changes that is unpopular.

By reducing patronage, such institutional changes would weaken the incentives for party loyalty, thereby weakening the power of shibboleths and the fear of crossing public opinion. Many of these changes would also reduce the power of vested interests.

4.10 Institutions for institutional reform

In an ideal world, governments would set up institutions that embed pressure for institutional reform. Independent corruption commissions can be useful in this way. The NSW ICAC, for example, has issued two reports aimed at institutional changes to increase controls over lobbying for vested interests. These include articulating a binding Lobbying Code of Conduct, and creating a dedicated lobbying commissioner to police it.²⁸¹

280. Badham (2021).

281. NSW ICAC (2021).

5 Getting there

5.1 What we need

As shown in the previous chapter, many institutional changes would improve the chances of governments adopting policy reform, including:

- Strengthening the **public service** with tighter controls over appointment and dismissal of secretaries, less outsourcing, more focus on program evaluation, and emphasising more its obligation to the public as well as the government of the day;
- Strengthening rather than abolishing **independent policy institutions** that build the public evidence base for reforms;
- Reducing the influence of **ministerial advisers** by reducing their number, hiring more from the public service, tightening their code of conduct, and making them more accountable to Parliament;
- Increasing the appetite for **political leadership** by tightening controls on post-politics roles;
- Reducing the corrosive effects of **patronage** through restrictions on the revolving door, better appointments processes, tighter controls on government grants and contracts;
- Reducing the power of vested interests in policy making through reforms to **donations and lobbying**;
- Setting up an independent corruption commission with teeth to police institutional controls and embed pressure for further institutional change;
- Increasing **public trust** by not over-promising, seeking representatives with broader backgrounds, and keeping entitlements in line with community norms;

- Encouraging **public-interest media** through grants and tax deductions; and
- Imposing sanctions and requiring **take-down of social media** disinformation.

There are plenty of arguments in principle for such institutional changes. They would increase accountability, transparency, and access to government. They would increase both the perception and reality that government is fair, balancing competing interests appropriately, rather than giving extra weight to those that buy influence. These arguments appeal to claims about the intrinsic value of good government.²⁸² These institutional changes would also reduce the prospect that the soft corrosion of Australia's institutions outlined in this report hardens into corruption. History suggests that the costs of this would be extremely high.²⁸³

But the point of this report is that these institutional changes would also improve the prospects of substantive policy reform to improve the lives of Australians.

5.2 The missed opportunities for institutional change

Many of the institutional changes that would improve the chances of policy reform are long-standing ideas. But governments and political parties show few signs of implementing substantial institutional change, particularly at the Commonwealth level. In many areas they are going backwards: the power of ministerial advisers continues to increase;

282. For example, Dworkin (1998) claims that there is inherent value in working with others towards valuable ends, and this is promoted by government in which citizens are free and equal partners.

283. Acemoglu and Robinson (2012).

appointments are increasingly politicised; and the public service (at least pre-pandemic) continued to lose influence, capability and independence. Governments have systematically rejected changes that might reduce their control.²⁸⁴

Despite state government reforms to the level and disclosure of political donations and lobbying, the Commonwealth has largely ignored these reforms,²⁸⁵ although the ALP (from opposition) has advocated for faster disclosure of donations and a disclosure threshold reduced to \$1,000.²⁸⁶

The Commonwealth's progress towards introducing an anti-corruption body has been extremely slow, and the proposals it has made would have little impact on corrupt politicians where oversight is most needed.²⁸⁷

States have adopted more of these institutional changes – although they still have a long way to go. Most of the states and territories have improved disclosure and tightened controls over political donations and lobbying and all except for the ACT have set up anti-corruption commissions.²⁸⁸ Most of the states have adopted fixed four-year terms of parliament, which some argue make it easier for governments to adopt unpopular reforms well before there is an election.²⁸⁹

But the much longer list of institutional reforms outlined above remains off the agenda for almost all Australian governments. Most states have followed the long-term Commonwealth trend to increase ministerial

control over public servants, and increase the number and effective power of ministerial advisers. Patronage and pork-barrelling continue to afflict the states as well as the Commonwealth.

Institutional changes are themselves an example of blocked policy reform. Popular opinion is not blocking institutional change. For example, around 80 per cent of the electorate favour limiting the amount that can be spent on election campaigns and that can be accepted from donors, increased disclosure of stakeholder meetings, and the creation of a Federal ICAC.²⁹⁰

The major block to institutional changes is the vested interest of the major political parties themselves. Most of these institutional changes will reduce the control of party officials, the power of ministers, and their perceptions of their chances of re-election, at least in the short-term. Few governments have such a long-term view that they think that these disadvantages would be outweighed by voters grateful for more policy reform in the public interest.

5.3 The impact of public opinion

Historically, concerns about poor governance have sometimes led to overwhelming popular pressure, a change in government, and institutional changes. In the wake of the corruption revealed by the Fitzgerald Inquiry, a long-lived Queensland Government lost first its premier, Joh Bjelke-Petersen, and then the 1989 election. The newly elected Goss Government implemented all of the Inquiry's key recommendations for institutional reform. In NSW, ICAC public hearings into allegations against Eddie Obeid and the Premier, Barry O'Farrell, provided the impetus for substantial changes to the limits and disclosure of political donations, and the publication of ministerial diaries.

284. Grattan (2019).

285. Daley et al (2019a, p. 149).

286. Crowe (2019).

287. Twomey (2021b). The Coalition's proposed anti-corruption commission would not be able to investigate 38 out of 40 political controversies from the last few years: Knaus et al (2021).

288. Daley et al (2019a, p. 149).

289. Bennett (2003); and AAP (2017a).

290. Stoker et al (2018b, p. 14), Jennings et al (2021, p. 14), Essential Research (2017e) and Essential Research (2020).

When an independent body holds hearings into corruption allegations against senior government figures, it creates political theatre. When the hearings go on for weeks, reported most nights on the television news, issues of governance become salient for voters. As with other reforms, it helps if previous work has gathered the evidence on what kinds of reforms would work, and how they should be designed. And it also helps if there is the perception that the reforms are fair to all parties.

But as these examples illustrate, often the institutional rot has set in a long time before the stench becomes so overwhelming that the electorate reacts.

In the past 10 years almost all the states and territories have introduced stricter donation laws and anti-corruption commissions, and several started publishing ministerial diaries. Other states didn't have the same publicity-driven impetus for change as NSW and Queensland, but they adopted many of these changes. It may be a form of 'copycat federalism', enabled because once changes were in place in one state, it was harder to argue that they would have adverse unforeseen consequences.

But without the impetus of ongoing public hearings of scandal, improving the quality of governance is not high on the list of concerns for today's voters.²⁹¹ Even though institutional changes to political donations, disclosure of stakeholder meetings, and corruption commissions are very popular with voters,²⁹² these issues are usually not sufficiently high on voters' agendas that governments feel under pressure to act on them. While some individual members of the Commonwealth parliament were voted out because of environmental or other policy concerns,²⁹³ it is hard to think of any Commonwealth

291. In November 2019, only 9 per cent of Australians saw government as the most important problem facing Australia: environmental, economic, and social issues all ranked much higher: Roy Morgan (2019).

292. See footnote 290.

293. For example, Sophie Mirabella and Tony Abbott lost their seats to independents.

ministers who were singled out by the electorate because they were tainted by public scandal. By contrast, at a state level, public scandals in recent years seemed to result more often in ministers resigning and then not standing at the following election.²⁹⁴

Consequently, public opinion and the threat of the ballot box are unlikely to lead to institutional change in the near future, particularly for the Commonwealth government.

5.4 COVID changes

The COVID-19 pandemic has shifted the tectonic plates of government. It has opened up reforms that have been blocked for many years, in policy areas from telehealth to migration.²⁹⁵ Philosophically, it has legitimised the end of 'debt and deficit' rhetoric, and accelerated a trend towards more government intervention in markets. Institutionally it has re-invigorated the authority of state governments, and has substantially increased trust in government – at least in the short term.

Governments might take this opportunity to pursue reforms that are widely recognised as desirable, but which face popular opposition. Some state governments appear to be doing so: the NSW Government is increasing property taxes and reducing stamp duties, and the

294. For example, in Victoria, Adem Somyurek was accused of bullying, and then branch stacking, and was forced to resign and expelled from the party; Robin Scott and Marlene Kairouz resigned as ministers in the wake of the same branch-stacking allegations (although they remain Members of Parliament): Towell and Fowler (2020); in the wake of accusations of misusing parliamentary allowances, Steve Herbert resigned his ministry, Telmo Languiller and Don Nardella resigned as Speaker and Deputy Speaker, and Khalil Eideh resigned as Deputy President of the Victorian Legislative Council, and none of them stood again for election: ABC (2016), AAP (2017b) and AAP (2018). In NSW, John Sidoti resigned as minister in the wake of corruption allegations; and Don Harwin resigned as minister after breaching COVID-19 health orders: Smith and Cormack (2021) and ABC (2020b).

295. Daley et al (2020b, pp. 77–79); and Coates et al (2021).

Victorian Government has instituted a tax to capture some of the windfall gains when property is rezoned.²⁹⁶

But there is little sign of the Commonwealth making big policy reforms,²⁹⁷ and no sign of any government pursuing the kind of institutional changes that this report has identified as important to enabling policy reform in future.

5.5 Independents

The most likely prospect for institutional change is that independent members of parliament demand it as the price of their support when they hold the balance of power or their votes are needed to pass legislation.

A drive for institutional changes is likely to fit with the electoral platform and political self-interest of cross-benchers. The platforms of almost all independents and minor parties include promises to reform parliament and our system of government, appealing to a 'keep the bastards honest' sentiment. People who vote for them tend to have less trust in government, and more concern that the system is not working for them.²⁹⁸ Independents and minor parties can claim credit for institutional changes without tarnishing their credentials to be independent of both major parties.

Many of the independents in today's Commonwealth parliament are championing institutional changes. Jacqui Lambie has championed reforms to political donation disclosure and lobbying.²⁹⁹ Cathy McGowan and her successor Helen Haines have both championed a federal anti-corruption body, and *all* of the cross benchers in both the House of Representatives and the Senate have championed the

creation of an anti-corruption commission with rather sharper teeth than those proposed by the Coalition Government.³⁰⁰ This is one of very few issues on which all of the Greens, One Nation, Helen Haines, Andrew Wilkie, and Bob Katter have such a unity ticket.

When they have the power to determine which party forms government, lower house independents can extract a high price for their support. Cross-bench senators can also demand institutional changes in return for their support on particular issues, but typically the price is lower.

Lower house independents have secured institutional change as the price of power in the past. Those supporting the minority Gillard Government demanded a raft of parliamentary reforms spelt out in a 10-page annex to their agreement to support the Government.³⁰¹ These reforms included the creation of the Parliamentary Budget Office, perhaps the most significant institutional reform to the Commonwealth government in the past 15 years.

Experience suggests that cross-benchers should make their support for a minority government conditional on implementing reforms promptly. Such agreements are not legally enforceable, and governments have a track record of breaking them once they no longer require the support of independents. For example, the Gillard Government abandoned its undertakings to regulate poker machines once it was less dependent on the support of Andrew Wilkie.³⁰²

Lower house independents are increasingly likely to hold the balance of power in Australian parliaments. In the Commonwealth Parliament, voting for minor parties and independents has increased significantly, and they received one in four first-preference votes in the House of Representatives at the last election.³⁰³ This translated into six

296. Coates (2021).

297. Coorey (2021).

298. D. Wood et al (2018a, pp. 74, 82).

299. K. Griffiths et al (2021a); and Lambie (2017).

300. Somerville and Thomsen (2020); and Whealy (2020).

301. Parliamentary Library (2011).

302. E. Griffiths (2012).

303. Chivers (2019).

members of the House of Representatives not belonging to either of the two major party blocks (they were joined by Craig Kelly when he resigned from the Liberal Party). Once elected in their own right, independents tend to hold their seats until retirement. With minor-party and independent voting and elections at this level, it is very possible that cross-benchers will hold the balance of power after an election in the next decade.

The findings of this report suggest that independents should add some of the substantial recommendations of the Thodey Review to their wish-list, alongside the other reforms outlined in Section 5.1 on page 58.

5.6 Otherwise

Without significant institutional changes, policy reform will continue to flounder. Many of the policy reforms that matter are unpopular; the track record of the past decade suggests that few if any of them will be adopted with the current institutional settings. Similarly, partisan shibboleths are unlikely to be dealt with, creating significant obstacles for three of the largest policy areas in Australia: tax, energy and superannuation. And with a weaker public service, it is likely that the public evidence base for reform will continue to weaken, making vested interests even more powerful.

Institutional change is seldom exciting. But better policy outcomes in Australia now depend on it. We cannot just hope for better leaders: our current institutions discourage the rise of those focused on the public interest, and then erect almost insuperable obstacles to them pursuing many worthwhile reforms.

Economists who focus on productivity growth need to add institutional change to their to-do list. Strong institutions don't just improve productivity by increasing certainty.³⁰⁴ Strong institutions have a much

bigger impact on productivity by encouraging good reform. Social reformers should likewise focus more on institutional change. In the long run, productivity reform is *not* almost everything.³⁰⁵ As this report has shown, robust institutions of government are the true bedrock of prosperity, and then the rest can follow.

304. Treasury (2021b, p. 54) drew this link between strong institutions and productivity.

305. Cf Krugman (1992, p. 9).

Appendix A: Grattan case studies

A.1 Scope

This report is based on an analysis of all the major recommendations made in Grattan Institute reports between 2009 and 2019. It therefore excludes reports published since the beginning of the COVID-19 pandemic.

Where multiple reports made similar recommendations, these were combined into a single recommendation. This includes Grattan's *Orange Books* recommending priorities for governments, which are primarily based on previously published Grattan work.³⁰⁶

Closely related policy proposals were combined into a single recommendation. For example, proposals on negative gearing and capital gains tax were combined into a single 'Investment taxes' recommendation.³⁰⁷ A variety of proposals to make infrastructure project assessment more rigorous (including using reference cases, realistic discount rates, and more independent assessment) were grouped into a single recommendation for better 'transport project selection'.³⁰⁸

Where a single report made unrelated policy proposals they were treated as separate recommendations. For example, a proposal to deregulate ride-sharing was treated as a separate recommendation to a recommendation to increase taxes on sharing platforms.³⁰⁹

Reports have not been included in scope where they focused on diagnosing policy problems or mapping the landscape, but did

306. Daley et al (2018c); and Daley et al (2019a).

307. Daley and D. Wood (2016b).

308. Terrill et al (2016a); Terrill et al (2016b); Terrill et al (2018); and Terrill and Batrouney (2018).

309. Minifie (2016).

not make specific policy proposals,³¹⁰ or did not include detailed justifications for them.³¹¹ The core recommendation of two reports were excluded from scope because it was too difficult to assess whether governments had adopted their core recommendations (for deeper citizen engagement in decision making about cities, and for schooling to become a more consciously adaptive system).³¹²

A.2 Approach

Detailed histories of government progress or otherwise on the recommendations were compiled for 32 of the 73 recommendations, covering all of Grattan's reports in the areas of economic growth, budgets and tax, retirement incomes, housing and transport, cities and regions. These histories were based on other reports about the policy issue, contemporary media articles, published polling, and other relevant sources. The histories covered developments and sources available until July 2021.

The histories identified blockers to reform that participants and observers of each policy debate identified as important at the time. Taken together, the histories presented a pattern of recurring blockers to reform. As discussed in the main body of this report, these were public opinion, party shibboleths, vested interests, the quality of the public evidence base, budgetary cost, and the impact of upper houses and federalism.

310. For example, Norton and Cherastidham (2018) and the other *Mapping Australian higher education reports*, and Daley et al (2014a), D. Wood et al (2018a), J.-F. Kelly (2010a), Jensen et al (2012), Goss and Sonnemann (2016) and Goss et al (2018).

311. For example, Eslake and Walsh (2011), Minifie (2017b) and D. Wood et al (2019b).

312. J.-F. Kelly (2010b); and Goss (2017).

For the remainder of the recommendations, we gathered key sources to identify whether they had been adopted, and whether the blockers identified in the detailed case histories were present. We compiled a background document identifying these sources and detailing the assessment of the blockers for each recommendation in the areas of energy, health, higher education, and school education.

The outcomes of these assessments are summarised in the following table, were tested with a broad range of stakeholders, and are consistent with the judgments of the Grattan Institute Program Directors (both past and present) responsible for each relevant Program.

The case histories and the detailed table assessing outcomes and blockers for each recommendation are available from the author on request.

A.3 Case study assessment

We assessed a recommendation as ‘substantially adopted’ if the core aim of the Grattan recommendation was achieved, even if governments used a different mechanism to achieve the same end. For example, in order to reduce the price paid by the Commonwealth government for generic pharmaceuticals, Grattan recommended adoption of New Zealand’s model, which sets a global budget for pharmaceutical purchases spent on the basis of prices negotiated by an independent board. While the Commonwealth Government did not adopt this precise mechanism, it used a variety of other measures that substantially reduced the price of generic pharmaceuticals after years of relative inactivity.³¹³

Public opinion was primarily gauged using individual issue polling, particularly by Essential Research. Assessments are based on net

approval: that is, proportion supporting less the proportion opposed, which excludes respondents who don’t know, are neutral, or undecided.

Ideology was gauged from the public record. Issues were only counted as ideological where a frequently stated view was widely held within a major party or one of its factions, and this view was clearly different to views (whether or not widely held) by the other major party. Ideological views were only counted as shibboleths if they were unanimously and consistently held (at least in public) by *all* members of a major party or one of its factions, and they were contradicted by the overwhelming weight of evidence.

Vested interests include companies and not-for-profit organisations such as universities, schools, and industry superannuation funds that are particularly affected by a policy issue. In assessing their views and actions we included the views and actions of their industry and representative associations. In assessing the power of a vested interest, we took into account whether the vested interests were united in their response to the recommendation, their ability to advocate effectively (both in private and publicly), and the forcefulness of their response as evidenced by the extent of public statements and media articles.

The **evidence base** includes published reports and other detailed assessments of the policy issue that are independent of vested interests. It does not include unpublished internal government analysis. It includes publications by government agencies such as the Productivity Commission and the Australian Competition and Consumer Commission, and published government-commissioned reviews. It includes significant academic work that recommends clear policy responses to the issue. It also includes relevant publications by think tanks, except where they were commissioned by a vested

313. Duckett et al (2013).

interest.³¹⁴ We did not include within the evidence base publications by vested interests, or by entities commissioned by vested interests, given the inherent unreliability of these reports.³¹⁵ Because all recommendations (by definition) were supported by at least one Grattan report, we did not include Grattan reports when assessing the strength of the evidence base.

The **budget impact** of a recommendation was assessed at the time that the report was published, rather than the current impact of adopting the recommendation, which may be affected by subsequent policy developments.

Our **analysis of collective recommendations** excludes from the assessment any recommendation for which a blocker was not applicable. For example there is no meaningful budgetary impact of Grattan's recommendation to balance budgets using both taxation and spending measures, and so this recommendation was excluded from our assessment in Figure 3.7 on page 32.

314. For example, Industry Super Australia commissioned the Australia Institute's publication on the link between the Superannuation Guarantee and wages: Stanford (2019).

315. D. Wood et al (2018b, p. 54).

Key to rankings

Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Substantially adopted	Public strongly in favour	No ideological issues	No opposing vested interest	Strong evidence	Big budget positive (>\$2b/yr)	Upper house irrelevant, supported, or almost certain to support	Clear responsibility one level of government
Partially adopted	Majority in favour		Weak opposition from vested interest	Reasonable evidence	Small budget positive (<\$2b/yr)	Upper house likely to support but not tested	Some overlap, but not an issue in practice
Opposition policy OR Very selectively implemented	Public indifferent	Raises ideological reservations	Vested interests oppose each other		Roughly budget neutral	Upper house might well oppose, but not tested	Some overlap that causes minor problems
Some governments considering, but no actual movement	Majority opposed		Significant vested interest opposing	Evidence disputed or patchy	Small budget negative (< -\$2b/yr)	Upper house prepared to vote either way	Federalism causes significant issues
Rejected or no real progress	Public strongly opposed	Classic shibboleth	Powerful vested interest actively opposing	Evidence lacking or contrary	Big budget negative (> -\$2b/yr)	Upper house supported retrograde change or blocked	Federalism a significant blocker

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Economic growth								
Economic growth priorities	Partly government policy	Not applicable	No particular issues	All businesses support their 'own' reform	Largely lacking	Not applicable	Not applicable	Not applicable
Female workforce participation	Partly implemented, additional reforms 2021. Opposition policy to go further	Support, but non parents concerned re cost	No particular issues	Reform supported by industry	Strong consensus	-\$5b/yr	Senate would have supported	Clear Cwth responsibility
Age Pension age	Government policy, subsequently abandoned	Polling shows strong opposition	ALP issues with inequity	Community groups opposed	Disputed	\$12b/yr over very long term	Senate opposed, but not brought to vote	Clear Cwth responsibility
Ride sharing	Legislated, but over-compensated	Support given Uber's perceived service advantages	No particular issues	Taxi industry opposed, but Uber sophisticated	Strong consensus	Could have saved \$1b	State upper houses not a particular issue	Clear state responsibility
Short-term rentals	Some legislation in some states	Support, but housing affordability concerns	No particular issues	Relatively weak on all sides	Largely lacking	No budgetary cost	State upper houses not a particular issue	Clear state responsibility
Labour hire platform regulation	No movement	Probably support	Sits on industrial relations faultline	Powerful groups on both sides	Substantial expert evidence base	No budgetary cost	Unknown	Significant ambiguity about responsibility
Taxes on sharing platforms	Minimal movement	Strongly in favour	Coalition opposed to higher taxes	Platforms opposed and increasingly powerful	Evidence growing through OECD Base Erosion and Profit Shifting Program, but thin	Could be \$5b/yr	Senate would have supported	Clear Cwth responsibility
Taxes on users of sharing platforms	Government inquiry, inching to reform	Probably support as anti 'tax cheats', but low interest	Coalition opposed to higher taxes	Platforms likely to oppose	Evidence growing through experts	Could be \$2b/yr	Senate would have supported	Clear Cwth responsibility
Retirement incomes								
Superannuation Guarantee	Government initiated inquiry	Public supports more money in super	Big issue for ALP	Super firms advertising and lobbying	Backed by PC, Retirement incomes review. Some opposition with limited rigour	About \$2b/yr	Senate may well not pass	Clear Cwth responsibility
Commonwealth rent assistance	No movement	Not on public radar	Coalition rhetoric concerned about size of government	Welfare groups supportive, super firms distracting	Not deep, but all in the same direction	About -\$0.3b/yr	Senate very likely to pass	Clear Cwth responsibility
Age Pension asset taper	Opposition open to change	Not on public radar, but likely to support pensioners	No issue as increases savings incentive	Welfare groups supportive, super firms distracting	Lots of analysis, only one opposed	About -\$1b/yr, more long-term	Senate very likely to pass	Clear Cwth responsibility
Superannuation costs	Material change – account consolidation, performance testing	Not on public radar	Tricky for ALP	Super firms advertising and lobbying	Very detailed PC report	Would save \$0.2b/yr	Senate passed major reforms; attitude to best-in-show unclear	Clear Cwth responsibility

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Housing and transport, cities, and regions								
Housing density and diversity	Some in Sydney; more ap'ts in Melb/Brisb	Oppose – NIMBYism very powerful	No particular issues	Development industry generally supportive	RBA, PC support, but planning academics dispute	No budgetary cost	Not an issue	Clear state responsibility
Home-buying incentives (avoid)	New incentives announced	Polling shows strong support for current arrangements	No particular issues	Developers unhelpful, but not key issue	Strong consensus	Could save \$1b/yr	Not an issue	Overlapping; both doing the wrong thing
Residential tenancy policy	Significant movement where major reviews	Generally support – more tenants than landlords	Coalition not keen as perceived drag on investment	Real Estate Institute opposed, but tenancy groups louder where encouraged by govt	Growing evidence base in some states	No budgetary cost	Not an issue	Clear state responsibility
City design for social interaction	Rhetoric sympathetic, but little real change	Generally support but not high on radar	No particular issues	Lobby groups generally supportive	Undisputed, but little evidence of what works	Minimal	Not an issue	Clear state responsibility
Regional development (avoid)	No movement	Regional electorates strongly support status quo	National Party raison d'être	Regional small businesses opposed	Partial – governments avoid collecting	About \$1b/yr	Regional subsidies a big deal for some senators	Overlapping; both doing the wrong thing
City transport access	Focus of projects shifted towards cities and rail	Generally support if increase total funding	Abbott preference for individual choice through private cars rather than public transport, but not followed by rest of party	Focused mainly on larger pie, not allocation	Reasonable consensus	Budget neutral	Not an issue	Overlapping, but similar incentives
Transport project selection	Infrastructure bodies appointed, but limited impact	Electorates strongly support current local projects	Bipartisan consensus for no change	Focused mainly on larger pie, not allocation	Strong consensus	Would probably reduce spending	Not an issue	Overlapping, but similar incentives
Transport project funding (avoid)	Enthusiasm for value capture evaporated	Probably oppose as creates concentrated losers	No particular issues	Some hope value capture would increase spending	Counter views from several infrastructure bodies	Value capture might help budget	Not an issue	Overlapping, but similar incentives
Congestion pricing	No movement	Almost certain to oppose in short-term	No particular issues	Businesses focused on national pricing; consumer groups unconvinced	Many supportive, and few opposing voices	Small budget plus	Not an issue	Clear state responsibility

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Budgets and tax								
Budget consolidation – repair	Government policy, implemented late	Losers complain, but deficit fears generally bigger	Both parties committed, Coalition more so	Business groups supported tightening	Weakened by poor forecasting, MMT, and COVID	Not applicable	Senate opposed some Abbott budget repair	Federalism enables Cwth to evade responsibility
Budget consolidation – tax v spend	No movement	Losers always complain	Coalition committed to being 'low tax' party	Some business lobbies opposed tax increases	Not a major topic in literature	Not applicable	Senate would have supported tax increases	Clear Cwth responsibility
Home in Age Pension asset test	Immediately disowned by both Government and Opposition	Public strongly opposed	No particular issues	Lobby groups largely supportive, inc business and ACOSS	Almost unanimously supported in extensive literature	Would save \$1b to \$2b/yr	Senate might have blocked, but never tested	Clear Cwth responsibility
High income tax cuts (avoid)	Was Opposition policy, now unclear	Public supports progressive taxes	Coalition committed to being 'low tax' party	Lobby groups largely absent	Strong evidence about distribution and eco impact	Would save \$10b+/yr	Senate passed poor changes in deals, would probably repeal in deals	Clear Cwth responsibility
Investment taxes	Was Opposition policy, now unclear	Polling shows reform ultimately supported	Coalition believes low tax crucial to investment	Property lobby funded campaigns	Some disagreement (e.g. Henry Review)	\$5b/yr	Senate might have blocked, but never tested	Clear Cwth responsibility
Superannuation taxes	Legislation passed, Opposition go further	Most support change	Coalition committed to being 'low tax' party	BCA supported reform, super industry played dead	Evidence strengthened, philosophy shifted	\$2b/yr net	Some shenanigans, but ultimately passed	Clear Cwth responsibility
Age-based tax breaks	No movement	Oppose as reduces old age support	No particular roadblocks	Largely ignored	Grattan report undisputed, but little else published	About \$1b/yr	Unclear – never tested	Clear Cwth responsibility
GST	No movement	Public unsympathetic	ALP bete noir due to history	Welfare lobby oppose strongly; business groups support	Evidence weakened over time	\$7b/yr, net of give-backs	Unclear – never tested	Split between political pain and \$ benefit
Company tax	Government policy, not passed	Unpopular, although depends on framing	ALP intuitively against reducing company taxes	BCA support, but unsubstle	Evidence weakened over time	-\$10b/yr	Senate blocked simple cut; would probably pass inv allowance	Clear Cwth responsibility
Property taxes	ACT implemented, NSW process underway, other states baulked	Public opposed, but not fatally as ACT demonstrates	No issue as no net change in taxes	Lobby groups largely supportive, inc business and ACOSS	Strong and broad evidence but differences on transition	Substantial, depending on transition model	State upper houses may be a problem	Clear state responsibility
Integrity reforms	Largely implemented by states; ignored by Cwth	Extremely popular	No issue, but strikes at heart of party control	Lobby groups indifferent -- many benefit from current system	Substantial academic and state-based bodies	Not material	Independents and ALP (in opposition) support	Each responsible for own

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Energy								
Carbon pricing	Gone backwards – repealed	Majority in favour if compensated	Archetypal shibboleth	Opposed by fossil fuel interests, but BCA walking back	Very extensive	Net cost about -\$0.5b/yr	Both passed and repealed	Overlapping – states might have passed themselves
Carbon pricing exemptions	Permit floor abandoned, PC review mandated	Unclear, but probably concerned about export industry viability	Too technical for ideology	Emissions-intensive trade-exposed industries vociferous	Some support from Garnaut review	Improves budget position by \$3b/yr	Not material	Clear Cwth responsibility
Early stage low-emission technology support	Some state mechanisms in place	Public prefers more tangible mechanism	No longer contested	Renewables groups generally supportive	Some support in Garnaut supporting papers	Cost -\$0.2b/yr	Not material	Overlapping – applies to both Cwth and states
Market-delivered electricity reliability	Obligation legislated, but may not work. Extensive government intervention	Public more concerned with cost; low Ministerial tolerance for blackouts	Linked to climate change shibboleth	Supported by industry and consumers	Some support from Aust. Energy Market Com'n, Energy Security Board, Chief Scientist	Bound to be cheaper	Not material	Requires joint Cwth-state decision, and hard to obtain
Escrow fund for closures	Some states considering, but others under-writing or providing guarantees	Public tends to prefer directive solutions	Preferred solution ideologically	Resisted by coal-fired generators	Flagged by Energy Security Board, but thin evidence base	Cheaper than alternatives	Not tested	Would work better if Cwth/states agreed through National Energy Market
Wholesale market gaming	Big stick legislation, and Qld government directive, but no structural solution	Public prefers direct intervention to reduce prices	Not material	Wholesalers contested reform	Aust. Energy Market Com'n found no real problem, although ACCC supportive	Not material	Not material	Requires joint Cwth-state decision, and hard to obtain
Regulated rate of return for distribution	Australian Energy Regulator rules tightened. Limited merits review abolished	Public prefers direct intervention to reduce prices	Not material	Weaker response because state-owned companies	Mostly decision of independent agency, Australian Energy Regulator	Reduces dividends from government-owned business	Not material	Abolished unilaterally by Cwth
Network write-downs	No movement	Public concerned about price, but technical issue	Not material	Resisted by energy networks	ACCC backed write-downs	One-off \$13b cost	Not tested	Individual state decision
Time-sensitive network tariffs	Changed for business, but generally not for retail	Public strongly opposed	Not material	Industry supportive	Aust. Energy Market Com'n and CSIRO supportive	Overcompensation for losers required	Not tested	Retail a state decision
Retail pricing defaults	Default introduced in Vic, and nationally	Public strongly in favour of mandated lower prices	Not material	Most retailers opposed	ACCC and Vic inquiry in favour	Minimal	No issue at Cwth or state level	Overlapping responsibilities
Gas reservation (avoid)	Gas reservation mostly resisted	Public favours intervention	Not material	Reservation resisted by producers but promoted by manufacturers	ACCC suggested potential need to intervene	Minimal	Cross-bench encouraged reservation	Overlapping responsibilities

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Health								
Pharmaceutical pricing	80% reduction in generic drug prices; little progress on therapeutic groups	Public probably support, but vulnerable to pharmacy campaigns	Not material	Big pharma contested analysis	Broad academic support	Save up to \$1b/yr	Unlikely to be an issue	Cwth responsibility
Public hospital efficiency	Most states implemented activity based funding	Probably support, but issue not visible	Not material	Public hospitals have few avenues to resist	Supported by Nati'l Health Priority Areas & Independent Hospital Pricing Authority	Save up to \$1b/yr	Legislation not required	State issue, although Cwth authorities helpful
Unnecessary operations	Small reductions in unnecessary operations	Potential public concern about freedom of choice for private	Not material	Limited opposition; a few specialists oppose some specific changes	Many states now publishing statistics, NSW supports in theory	Small budget plus	Legislation not required	State issue in public; Cwth issue for private; minimal overlap
Hospital safety data	Some hospital clinician and public reporting	Probably support, but issue not visible	Not material	No opposition	Qld Health discussion paper	Save up to \$1.5b/yr	Legislation not required	State issue
Pathology prices	Prices frozen but not cut	Issue not visible, and vulnerable to Mediscare campaign	Not material	Big listed pathology opposed; Consumer Health Forum supported reform	None except Grattan	Save up to \$0.2b/yr	Not tested, but very unlikely to oppose	Cwth responsibility
Health care role expansion	Pharmacist role expanded most states; nurses in some	Issue not visible, and vulnerable to AMA campaign	Not material	Pharmacists strongly support, AMA oppose	Action by one state provides evidence for others	Save \$0.5b/yr	Not tested, but very unlikely to oppose	State issue
End-of-life care	Adopted in most states	Not controversial, but often confused with assisted dying	Not material – crosses party lines	Religious groups not opposed	Supportive reports from PC and in most states	Small savings	Upper houses required better palliative care	Overlapping but not conflicting
Chronic disease management	Little material change to Primary Health Networks	Not controversial	Not material	Some concerns about excessive government control	Evidence weak, particularly on ideal scheme design	Short run costs; may save \$0.3b in long run	Not an issue	Comprehensive reform requires significant Cwth-state coordination
Dental care scheme	Adopted by federal Opposition, and small scheme in Vic	Likely to be strongly supported	Coalition prefers personal responsibility	Community groups support; dental associations lukewarm	Some academic support, but thin	Cost -\$5b/yr	Not tested, but very unlikely to oppose	Cwth has clear power, but reluctant to pay for current state schemes
Hotspot analysis	Little change	Not controversial	Not material	No obvious losers	Aust. Inst. of Health & Welfare and Australian Comm'n on Safety & Quality in Health Care used Grattan approach, but little evidence on how to intervene	Small short term costs likely to be offset by savings	Legislation not required	Overlapping responsibilities
Sugary drinks tax	Rejected by Government and Opposition	Popularly supported if revenue spent on obesity campaigns	Nationals opposed Agriculture producer tax	Opposed by supermarkets, drink manufacturers, farmers	Endorsed by AMA, academics, public health organisations	Raise \$0.5b/yr	Not tested, but regional independents may be difficult	Clear Cwth responsibility, although states wear some of the costs
Private health prices and charges	No movement, but Government talking about reducing low-value treatments	Untested, but public probably concerned about out-of-pocket costs	Competing ideological concerns for Coalition	Opposed by private hospitals, AMA, device manufacturers; but insurers support	Minimal other than industry groups	Minor savings through lower insurance rebates	Not tested	Cwth responsibility
Private health insurance premiums	Change momentum building, but deferred by COVID	Complex reform; hard to communicate	No particular issues	Insurers oppose – prefer independent action or government handouts	APRA picked up concerns	Roughly budget neutral	Not tested	Cwth responsibility

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
Higher education								
Demand-driven funding	Demand-driven abandoned, Opposition promised to restore in 2019	Public not that concerned provided there are enough places	Not material	Universities equivocal	Kemp/Norton review supportive	Open system costs ~\$0.5b /yr in short run, and much more in long run	Cross-bench refused to pass legislation to cap	Cwth responsibility
Cost-reflective funding	Cwth shifted to more cost-reflective model in 2020	Some limited public opposition	Not material	Universities not particularly vocal	Supported by Deloitte report	Minor cost savings	Cross-bench passed legislation	Cwth responsibility
Student contribution level	2014 fee increase abandoned; 2020 changes irrationally selective	Strong public opposition to increasing fees	Not material	Universities not particularly vocal	Few supporting voices	Increase of 15% could save \$0.7b/yr	Cross-bench opposed in 2014; but passed in 2020	Cwth responsibility
Higher Education Loan Program debt recovery	Some changes implemented, but big tickets ignored	Significant public aversion to recovery from deceased estates although public supported earlier HELP repayment	Not material	Universities not hostile	Minimal	Save \$1b/yr	Senate blocked some reforms in 2014 and 2017, and passed legislation in 2018 that reduced recovery	Cwth responsibility
Teaching-only roles	Teaching only roles gradually increasing	Little evidence of public concern	Not material	Universities indifferent	Minimal	No budget impact	Legislation not required	Cwth responsibility
Attrition before census date	Government penalising universities with high attrition rates	Some public concern about 'wasted degrees'	Not material	Universities quietly resistant because of financial implications	Some support from Higher Education Standards Panel	Minimal	Legislation not required	Cwth responsibility

Policy	Outcome	Public opinion	Party ideology	Vested interests	Evidence base	Budget impact	Upper house	Federalism
School education								
Teaching targeted to frequent testing	Some elements adopted by school systems, but query classroom implementation	Technical issue	Not material	Teachers support but implementation challenges	Supported by Gonski	Material cost to build teacher capability, new materials, and tools	Legislation not required	State responsibility
Student engagement	Little change to teacher ed or support	Technical issue	Not material	Teachers supportive	NSW government and Aust Inst for Teaching & School L'ship reports	Material cost to build teacher capability, new materials, and tools	Legislation not required	State responsibility
Expert teacher roles	Selective implementation in some states and supported by federal Opposition	Technical issue	Not material	Supported by unions and principals	Supported by Ed deans, Gonski, NSW PC	\$2b/yr when fully implemented	Legislation not required	State responsibility
Teacher appraisal and feedback	Picked up in NSW and Vic govt documents, but variable implementation in practice	Technical issue	Not material	Teacher unions often resistant to appraisal	Supported by Gonski, NSW PC	Likely to require significant investment to drive implementation	Legislation not required	State responsibility
Teacher time allocation	Little change to system guidance but some schools changed	Technical issue	Not material	Teachers support, but parents have status quo bias	Supported by Gonski, NSW PC	Cost neutral	Legislation not required	State responsibility
Underperforming schools	Some elements implemented in several states	Broader public in favour	Not material	General support, but local communities can be resistant	Supported by Aust Council for Ed'n Research, WA Ed Dept and substantial textbook	Some investment required	Legislation not required	State responsibility
Commonwealth's role in schooling	National schools agreements largely avoided temptations	Technical issue	Not material	State governments resist Cwth interference	Consistent with COAG Reform Council findings	Minor cost savings	Legislation not required	Cwth responsibility
Spending to reduce class sizes (avoid)	Smaller classes now largely off the agenda	Smaller classes very popular with parents	Not material	Teacher unions often advocate smaller classes	Gonski recommended against smaller classes; other evidence extensive	Budgetary costs of smaller classes very large	Legislation not required	State responsibility
Choice-driven approach to school improvement	States moving to more centralised direction	Parental views mixed	Coalition concerned about school choice	Teacher unions never supported choice-driven model	Vic Competition and Efficiency Com'n, ANZSOG, and Bracks all concluded tighter control required	Minimal	Legislation not required	State responsibility
School funding	Cwth funding reallocated, although some backsliding	Gonski model very popular in 2013 but some independent school parent concern	Coalition concerned about school choice	Vigorously opposed by some non-government schools; strongly supported by teacher unions, and Save our Schools;	Extensive literature	Saved Cwth \$1bn/yr (and more in future) relative to legislated commitment	Passed, and cross-bench imposed useful amendments	Cwth responsibility
System measurement	My School now focuses more on progress	Technical issue	Not material	Teacher unions hostile to NAPLAN but not student progress focus	Years of progress increasingly used in literature, including Aust Curriculum Assessment & Reporting Auth'y	Minimal	Legislation not required	Cwth responsibility

Appendix B: Summary of OECD recommendations

	Recommended	Partly implemented	Implemented	Abandoned or repealed		Whitlam			Fraser					Hawke Keating					Howard terms 1-2					Howard terms 3-4			Rudd Gillard			Abbott Turnbull Morrison						
	?	No action by last report	✓	X		72	74	75	76	78	79	80	82	83	84	85	87	88	90	92	94	95	97	98	99	00	01	03	04	06	08	10	12	14	17	18
Lower tariffs and industry protections			✓															✓																		
User charging for goods and services				X																																
Restrict wage growth to limit inflation															✓				✓																	
Limit increases of public expenditure																		✓																		
Financial market competition as per Campbell Committee															✓																					
Introduce broad goods and services tax																	X									✓										
Make wage fixation more flexible																			✓																	
Improve standard of vocational ed, and integrate with secondary ed																																				
Tariff reduction (automobiles and textiles)																											✓									
Increase higher education participation																																				
Telecommunications competition																								✓												
Utility competition (National Electricity Market, etc.)																																✓				
Encourage enterprise bargaining; reduce coverage of general awards																												✓								
National Competition Policy as per Hilmer report																																				
Reduce marginal tax rates for low-income households																									✓									✓		
Casemix throughout Australian health system																									✓											
Create competitive employment services market																									✓											
Harmonise federal & state industrial relations laws																																				
Financial reform (ACCC, APRA, ASIC)																									✓											
Competitive neutrality among ports																																	X			
Encourage private participation in vocational ed / traineeships																								✓												
Income-contingent loans for vocational education																							X													
Remove state-based indirect taxes																																				
Exempt small business from unfair dismissal laws																														✓		X				
Corporate law reform – business judgment rule; takeover regulation																									✓											
Lifetime community rating for private health insurance																									✓											
Mutual obligations on unemployment benefits																									✓											
Reduce gap between income and company tax rates																															X					
Align superannuation and pension age																																X				

Gridlock: Removing barriers to policy reform

	Whitlam			Fraser					Hawke Keating					Howard terms 1-2				Howard terms 3-4			Rudd Gillard			Abbott Turnbull Morrison							
	72	74	75	76	78	79	80	82	83	84	85	87	88	90	92	94	95	97	98	99	00	01	03	04	06	08	10	12	14	17	18
Limit owner-occupied housing exempt from pension test																							X								
Privatise National Rail																								✓							
Tradable water rights																									✓						
Broaden secondary curriculum to increase participation																															
Reduce company tax																															X
Privatise remaining state-owned electricity generators																															
Markets to reduce carbon emissions																											✓	X			
Tighten eligibility for Disability Support Pension																											✓				
Implement Dawson competition review																									✓						
Expand and increase GST																															?
Abolish stamp duty for land tax																															?
Abolish awards																							X								
Alternative indexation for Pharmaceutical Benefits Scheme																						X									
National Reform Agenda																															
Improve standard & integration of pre-schooling																										✓					
Implement Mining Resource Rent Tax																													X		
Mutual obligations on childcare benefits																													X		
Phase out automotive industry subsidies																												✓			
Review negative gearing																													X		
Improve preventive health																															✓
National Disability Insurance Scheme																													✓		
Raise Newstart																													X		
Paid parental leave																											✓				
Increased public transport infrastructure funding																															✓
Congestion charging																															?
Smart electricity meters																															?
Regulate poor-quality & overcharging vocational education suppliers																															✓
Facilitate 4th telco entry																															?
Reduce oversupply of tertiary ed																															?

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