

## ***Not My Taxes! Explaining tax resistance and its implications for Australia's welfare state<sup>1</sup>***

Shaun Wilson, Lecturer in Sociology

Department of Sociology, Macquarie University

Shaun.Wilson@mq.edu.au

**Abstract:** In discussing Australia's need to increase taxes to pay for future social security, Michael Keating worries that voters see taxes as a 'burden' and that 'the link between taxation and citizenship has been broken.' This paper deals with the problem of tax resistance (preferring lower taxes even when tax cuts risk public services) for Australia's welfare state. First, I describe how two Australian fiscal institutions—a residual welfare system and visible income taxes—promote tax resistance among voters. Second, I draw on these insights to develop several explanations for tax resistance: voter self-interest, voter hostility to minorities, voter disengagement (low trust and lack of interest in politics), and individualistic attitudes. The main conclusion is that tax resistance in Australia is institutionalised, making it easier to mobilise interests around low taxes, and harder to advocate for alternatives. Results of multivariate analysis using AES 2004 data indicate that an 'anti-tax coalition' can build on three diverse publics; one of higher and middle income earners attuned to self-interest, another hostile to welfare beneficiaries, and another 'tuned out' of politics and willing to support *any* call for tax cuts. Inevitably, the debate about the welfare state is shadowed by a debate about voter willingness to pay taxes that finance it.

Forthcoming in: *Australian Journal of Political Science* (accepted 18 March 2006)

---

<sup>1</sup> I wish to acknowledge the very helpful comments of two referees in revising this paper. I also wish to thank Dr Gabrielle Meagher (Political Economy, Sydney University) for her comments on an earlier draft and assistance with data problems. I also gratefully acknowledge helpful advice on data from Dr David Cairns (Psychology, Macquarie University).

## ***Introduction***

This paper deals with the problem of tax resistance—preferring lower taxes even when tax cuts risk poorer public services—for financing Australia’s welfare state.<sup>2</sup> Contrary to common perceptions, Australia’s welfare state has continued to expand since the early 1980s (OECD 2004). At a time when the forces pushing against welfare states—big business, ‘neoliberal’ governments, and globalisation—have appeared most potent, Australia’s welfare effort has not retreated in expenditure terms. Not of all this growth can be explained by structural spending either, such as greater compensation for higher unemployment or new outlays to cope with an ageing population. Increased spending has involved discretionary activity of governments from both sides of politics (Wilson and Breusch 2005; see also Whiteford 2005).<sup>3</sup> Under the Howard government, the welfare state has adapted to the needs of the Coalition’s main constituency—an ‘aspirational’ middle class—by using tax revenues to channel public funds to private education and to subsidise private health insurance and child care.<sup>4</sup>

This expansion still does not qualify Australia as a high taxing and spending welfare state on comparative measures. To catch up to the OECD-30 average for public social outlays, Australia would need to increase spending by over 3 percent of GDP (see OECD 2004; see also Whiteford 2005). And, to catch up to the average tax revenue of

---

<sup>2</sup> I was inspired to research this topic after reading Bartels (2005). He suggests that Americans fail to link their support for tax cuts to falling spending on public services. While his thesis is fascinating, my view is that the weak development of welfare institutions in the United States leaves the public unable to identify the welfare costs of reducing tax cuts. The same could not be said of Sweden.

<sup>3</sup> Peter Whiteford (2005, 1-2) points out that some of the expansion of social expenditures in Australia can be attributed to improved data estimates in more recent times. But measurement changes do not account for all of the growth.

<sup>4</sup> Other than concessional taxation of superannuation, the largest tax expenditure is for the private health insurance rebate which was introduced in 1999, and costs \$590 million according to recent estimates (see Adema and Ladaïque 2005, 47). A similar tax rebate for private child care was mandated in late 2005, and which will finance the growth of private providers. Australia’s net private social expenditure (as a share of GDP) ranks 2<sup>nd</sup> (behind the United States) among 23 OECD countries (Adema and Ladaïque 2005, 32).

the OECD-30, Australia would need to find an additional 5 per cent of GDP in taxes (OECD 2005; see also Keating 2004).<sup>5</sup>

Financing the future demand for social services will, however, require additional tax revenues (Keating 2004), so the question then arises: how acceptable will tax rises be to the Australian electorate? The expansion of Australia's welfare state during the 1980s and early 1990s faced a latent, but quite real, constraint in public opinion. Throughout the 1980s and 1990s, social survey data showed that the public consistently favoured government cutting taxes over more spending on social services. Only after the election of the Howard government in 1996 did this policy mood begin to change. From the late 1990s, Australians started to redirect their priorities around increased social expenditures (Wilson and Breusch 2003; 2004). If we accept James Stimson's (1999) thesis—that policy mood is counter-cyclical to policy activity—then the shift in favour of spending is a response to the fiscal priorities of the Howard government. For example, Australians received income tax cuts in 2000 (as part of the GST package), 2001, 2003, and again in 2004. After winning a Senate majority in the October 2004 federal elections, the Howard government committed to overhauling the income tax system as part of what McAllister (2005) predicts will be period of faster pace economic reform. The likely outcome is lower marginal rates, especially at the higher end.

While the Australian model of social security has deliberately lived within a 'hard' tax constraint, this approach may be reaching its limits. If the future welfare of society depends on raising public resources to meet new demands for income support and services, then the inability or unwillingness of governments to raise taxes will need to be confronted (Keating 2004, 1-2). The conventional wisdom is that the publics of

---

<sup>5</sup> Comparing gross public outlays on welfare to rank the overall generosity of national welfare states can be misleading. As Adema and Ladaique (2005) point out in their recent OECD Working Paper, welfare states with high public outlays also *tax* benefits more highly than do liberal states. This means that measures of the overall welfare effort are not only complicated by rising reliance on private social expenditure in some countries (like Australia and the United States), but also by the impact of higher taxation on government outlays especially under universal systems. Although I acknowledge these considerations, this paper still identifies Australia as a residual (of not low spending) state, and one that affords a limited role for government. These two factors, rather than the level of overall spending, are the more relevant for this paper.

‘liberal’ welfare states (among which Australia is listed<sup>6</sup>) resist paying higher taxes. Welfare state scholars have frequently referred to the *welfare state coalition*, made up of industrial workers, the unemployed and public sector employees; but, in the Australian context, one may equally refer to the *low tax coalition* made up of high income earners, mortgage-bound families, and small business owners. In popular discussion, this wisdom is repeated by politicians and commentators who believe that Australians have an almost ‘natural’ preference for tax cuts. As Federal treasurer, Peter Costello, has remarked: ‘I have never, ever come across anybody in 13 years of public life who believes they should pay more tax’ (Grattan 2004).

While aggregate tax revenues qualify Australia as a low-tax democracy, few studies have considered the range of factors that sustain low taxes as a voter priority, even when the same voters express their dissatisfaction with the state of public services. Moreover, researchers in the area have paid only limited attention to the problem of tax resistance for the larger design and legitimacy problems confronting contemporary welfare states (see Peters 1991, 149). As Paul Pierson has remarked, ‘social scientists have generally treated social expenditure and taxation as two distinct realms of research. In reality ... they are two sides of the same coin, inextricably linked’ (2000, 424).

This paper hopes to better understand why voters resist paying taxes (here, I mainly refer to income taxes) even when possible negative effects of tax cuts on government services are made apparent. While welfare state and public finance scholars readily connect the state of public services to the size and health of the tax base, less is known how *voters* understand the links between their taxes and the condition of social services. Three explanations for voter behaviour can be considered. Some voters may understand the connection, but prefer cutting taxes either because poorer services are an acceptable trade-off or because they do not value public services for some reason i.e. self-interest, opposition to spending on minorities, belief in self-provision. Others may sidestep the choice, and prefer lower taxes *and* more spending, adopting either a ‘free rider’ position (to draw on the language of economists<sup>7</sup>) or an implicitly ‘pro-deficit’ fiscal stance. As Guy Peters remarks, ‘Citizens like the benefits they receive

---

<sup>6</sup> In describing Australia as liberal, I acknowledge the significant qualifications of this description proposed by Castles and Mitchell (1992).

<sup>7</sup> See Atkinson and Stiglitz (1989, 309).

through the public sector, but do not like to pay the price for those services, which are their taxes' (1991, 152). Still others may *not* understand the connection between lower taxes and poorer services in deciding in favour of tax reductions, as recent American research has suggested (Bartels 2005; Graetz and Shapiro 2004, 130). Larry Bartels has suggested that such voters act out of 'unenlightened self-interest' (2005, 21).

Since this paper considers the Australian case, the first part of the paper highlights two institutions that encourage tax resistance among voters: a targeted (or residual) welfare system, and a reliance on visible taxes. These two institutions are mainstays of Australia's fiscal architecture. The second part draws on these considerations in exploring a wider range of factors that explain tax resistance among voters. A new survey item included in the Australian Election Study (AES) of 2004 is central to the multivariate analysis that follows. The AES question provides respondents with a choice between two statements about the effects of tax cuts: that cutting taxes means the government has *less money to waste* or that the government has *less money to provide necessary services*. I am ultimately interested in understanding what factors lead voters to prefer tax cuts, and what these factors tell us about the potential 'low tax electorate' in Australia.

### ***Tax resistance in Australia: the role of fiscal institutions***

As mentioned above, Australia's fiscal architecture rests on two institutions implicated in tax resistance elsewhere: targeted welfare and direct (and visible) taxes. It is well established that, overall, the English-speaking welfare states spend less on welfare than their continental and Scandinavian equivalents (OECD 2004), and that the guiding principle of social provision is to provide a modern version of 'poor relief' to those who cannot make a living in the marketplace (Esping-Andersen 1990; Svallfors 1997; Bergh 2004, 747). Increasingly, this provision itself depends on the recipient's effort to find gainful employment. Australia's version of targeted welfare has long traditions, and is partly a result of the 'labourist' strategy of promoting security in work rather than in universal welfare (see Castles 1985; Castles and Mitchell 1992).

The cross-party consensus on the residual model was only enhanced by the modernising efforts of the Labor governments of the 1980s and 1990s, which

promoted highly targeted increases in spending as a means of achieving equity within a tight budget constraint (Castles and Shirley 1996, 95-96). This strategy survived two tests implicitly established for the Australian model. It increased Australia's overall welfare effort and improved anti-poverty measures overall (see McNamara et al 2004). And it survived the test of public opinion, which was hostile to the expansion of the welfare state during this time. In fact, Australia's welfare state now exemplifies the targeted approach: more of its redistributive benefits are directed at the bottom few income deciles than any other welfare state (Whiteford 2005, 25).

Labor's strategy did little to challenge the underlying welfare orientations of the Australian public—that welfare is to relieve poverty, is conditional on the job search of the recipient, and does not replace the market as the primary vehicle for providing living standards. As a result, Australia's modernised version of residualism remains a candidate for the two main criticisms levelled at residual welfare institutions: weak solidarity and high stigma (Esping-Andersen 1990, 26; Pierson 1994; Svallfors 1997; Castles 2004, 178).

Both problems have implications for tax resistance. A main criticism of targeted welfare is the failure to lock the middle class into the pro-welfare state coalition; by concentrating on relieving only the worst poverty, the welfare state offers few middle class benefits and little institutional solidarity. As Bo Rothstein remarks, 'Some modern capitalist democracies have more universal welfare systems, while others have more selective arrangements, and this follows to a large extent from the electoral behaviour of the middle class' (2002, 211).

Cross-class support for public provision has been limited in two ways. Peter Whiteford points out that stricter targeting has meant that middle-income working families fall outside the sweep of redistributive policy, and face 'high effective marginal tax rates ... even though overall levels of taxation are low by the standards of OECD countries' (2000, 87). Without receiving tangible benefits, Whiteford believes that middle Australia's support for welfare is reduced accordingly (2000, 86).<sup>8</sup> Where the public has expressed willingness for spending, the Howard

---

<sup>8</sup> The Labor family tax payment initiative, built on substantially by the Howard government, is an exception. Providing income support to lower-to-middle income families with dependent children, this benefit is designed to assist poor and middle income earners via the same

government has responded to this ‘new demand’ by laying the foundations of a private welfare state that exists apart from the public one.

This private welfare model is designed around *tax expenditures*, which create incentives for the purchase of private welfare goods, and can be understood as an adjunct to the residual approach. For example, two new concessions that encourage private provision in health insurance and child care implicitly acknowledge the need for greater welfare goods, but are designed to finance it through *tax cuts* and *private means*. As Julie Smith points out, ‘tax expenditures are emerging as a more important tool of social policy’ (2003, 33). Although these tax concessions are actually welfare expenditures, predominantly benefiting the middle class, they channel resources away from the public system, and thus limit the growth of a constituency for public provision.

The social logic of residual welfare may contribute to tax resistance as well. Paying taxes to support the poorest may appeal to middle class norms of a good society, but designing welfare to only assist this group also contributes to the stigmatisation of welfare—and its beneficiaries. Those relying on assistance usually have the poorest labour market prospects, but are frequently criticised for an apparent lack of a work ethic. If voters associate their taxes with programs for groups with poor employment success, then the same voters will resist paying taxes, and even support restrictions on assistance.

Welfare program design is not the only source of tax resistance in welfare states. Tax design generates its own problems, and these have been the subject of comparative research by Harold Wilensky. Considering the experience of a group of rich democracies between the 1960s and 1990s, Wilensky observes that strong resistance to taxes has emerged in countries with quite different welfare states (Denmark and New Zealand, for instance). Although he acknowledges the role of the welfare backlash in this resistance, Wilensky finds that the ‘tax revolts’ of the 1970s and 1980s, led in Denmark by the Progress Party, and in Italy by the Northern League (2002, 365, 366-7), were manifest in countries reliant on *direct* taxes. He shows that

---

*system*. There is no empirical analysis about whether middle income families who have benefited from this program have strengthened their attachment to welfarist policies (over lower taxes).

countries with highly visible taxes, particularly on income and property, create opportunities for tax revolts because they are paid with ‘full awareness of the amount and ambiguity about what services they buy’ (Wilensky 2002, 380). Wilensky singles out the extremely unpopular British poll tax proposal of 1989 as an example of such an ‘obsession with tax visibility’ (2002, 383).

Wilensky includes New Zealand as a late candidate for tax revolt politics. Indeed, the Association of Citizens and Taxpayers (ACT) promoted a low tax model, and gained support of some New Zealand voters (2002, 385), eventually challenging the National Party to break with its ‘welfarist’ past. In 2005, the National Party differentiated itself from Labour with a popular and ambitious income tax cuts program, improving its primary vote by 18 per cent. The electoral popularity of tax cuts squares with Wilensky’s findings on government reliance on direct taxation: New Zealand heavily depends on personal income taxes to finance government (and welfare). The same is true of Australia (see OECD 2005).<sup>9</sup> The overall dependence on individual income tax—a highly visible tax—did not fall as a proportion of Australian government revenue between 1975-75 and 2003-4 (Department of Treasury 2005, Table G3).<sup>10</sup>

**<Figure 1 about here>**

If Australia remains heavily reliant on personal income taxes, why has it avoided a tax revolt that produced protests against taxes and government welfare of the kind described by Wilensky? A couple of factors assist in an explanation.<sup>11</sup> The preferential voting system in the federal House of Representatives makes it difficult for ‘tax revolt’ protest parties to enter national politics in the same way they have under proportional systems in Denmark, Italy and New Zealand. Although not

---

<sup>9</sup> Residual welfare states (generally) do not rely on social insurance contributions from employers and workers as do continental and Scandinavian welfare states. These contributions reduce reliance on property and personal income taxes as visible means of financing the welfare state. For a comparison of tax composition present across OECD countries, see OECD (2005).

<sup>10</sup> In fact, reliance on personal income taxes has risen slightly over this time. Because the GST is considered a state tax, it does not have an impact on the mix of Federal revenues. Even if the GST was included, it is unlikely to lower overall reliance on income taxes enough to change Australia’s comparatively high dependence on these taxes.

<sup>11</sup> Peters (1991, 180) criticises Wilensky’s (earlier) research on the ‘visibility’ explanation for tax revolts; he even asks ‘Why no significant protest movements in New Zealand and Australia with tax structures that are even more visible than that of Denmark?’ Subsequent low tax politics in both countries perhaps count in favour of the visibility argument.

manifest in a protest movement, simmering tax resistance registered in opinion polls has influenced both major political parties, especially the Coalition.<sup>12</sup>

Although its low tax credentials were compromised by the introduction of the GST, the Howard government has responded to pressures from business and the electorate for lower taxes by regularly cutting taxes on individuals and business. It has soothed resistance by providing near-annual tax cuts at budget time, and its political rhetoric reinforces the idea of the tax burden as a policy ‘problem’, as political scientists call it (see Majone 1989, 23-24; also Hacker and Pierson 2005, 38). But, at the same time, the government has been criticised during its fourth term for not sharply reducing tax *rates*; often, this criticism has been strongest in its own ranks (see Megalogenis 2005). Failure to cut rates may reflect differences in opinion within the government about how far cutting taxes should go.<sup>13</sup> But, it may also suit the government politically *not* to act decisively in lowering taxes while a tax-resistant electorate still favours the Coalition over Labor on tax.

Trends in the tax share of GDP accord with this explanation. Figure 1, which presents Federal revenue and outlay trends between 1971-72 and 2007-08 (projected), indicates that the Howard government has reduced Federal tax revenues and outlays as a percentage of GDP *if* the GST is included as a state tax. Even if the GST revenue are included in Federal revenues (again, see Figure 1), it represents a once-off increase in taxes, and not a trend toward higher overall tax: current surpluses are likely to finance tax reform.

### ***Tax resistance: factors influencing public opinion***

---

<sup>12</sup> Tax sensitivity of (especially) middle Australia is reflected in the policy convergence between the present Federal government and the Federal Labor opposition on tax. And, in recent times, both major parties have more responsive to the tax cut agenda than to public pressures for increased social spending. To appreciate factors that determine responsiveness to public opinion, see the debate between Erikson, Mackuen and Stimson (2002) and Jacobs and Shapiro (2002).

<sup>13</sup> After considerable political interest about the ‘problem’ of taxes, Peter Costello announced a review of the Australian tax system in February 2006. There appear to be several motives in this review. The Treasurer has sought to establish his authority in the tax debate previously dominated by others including Liberal MP Malcolm Turnbull; promote the government’s overall tax agenda; and to legitimise measures to lower the top marginal tax rate because it encourages ‘higher-income earners to dress up personal income as corporate income’ (Gordon 2006).

We have seen that Australia's fiscal architecture, reliant on targeted welfare to provide social assistance and visible taxes to raise revenue, is implicated in anti-tax politics. We can now build on these insights to further develop an explanation for tax resistance to the welfare state among Australian voters. Elements of an explanation emerge out of our observations of Australia's fiscal institutions, but other problems with the 'tax-welfare' nexus relevant to our investigation confront all welfare states. Our object, then, is to provide an account of anti-tax public opinion that can be readily tested using multivariate techniques on AES 2004 data, which is undertaken in the next section.

#### *Tax resistance out of self-interest*

Although welfare state research has concentrated on the different *worlds* of welfare capitalism (Esping-Andersen 1990; Castles 2004), most or all welfare states generate cleavages of support and opposition determined by economic self-interest (see Svallfors 1997; see also Gilens 1999, 54; Linos and West 2003). Higher income earners have incentives to oppose taxes especially under conditions of income tax progressivity and targeted welfare.<sup>14</sup> As we note above, Australia's fiscal model relies on both and is the most redistributive of 24 welfare states welfare states surveyed by the OECD. While this is heralded by some as a 'design achievement' that combines equity with fiscal efficiency, we can equally expect that it promotes tax resistance among higher income earners who pay taxes but receive little in return.

Not all forms of interest-based opposition to taxes emerge out of economic class cleavages. Interests generated across the *life-course* by decisions about homeownership, childbearing and retirement are equally important. Accordingly, we would expect wage-earning families to be tax resistant as they directly contribute a large share of Federal tax revenues through income tax. Younger wage-earners head families with dependent children, and who face the additional costs of housing and childrearing.<sup>15</sup> While families with children have been 'winners' from changes to

---

<sup>14</sup> *Even if* a rational choice-theoretic approach to the problem is adopted, self-interest does not explain all of the dynamics of preferences for taxes and spending. Bo Rothstein (2002) usefully adapts the concept of dual preference function—individuals maximise their interests *and* their values—to explain support for welfare.

<sup>15</sup> Recent research drawing on *British Social Attitudes* data points to longer-term shifts in support for the welfare state by age group. Support has declined among younger people and has risen among the elderly (Sefton 2003). This may due to changing experiences of welfare

Federal income support since the late 1980s (Whiteford 2000, 85), these same families are likely to resent income taxes given life-course pressures. Home buying is particularly relevant: strong preferences for home ownership influenced the early low tax design of Australia's welfare state (see Castles 1985, 95), and homeownership has since kept mortgaged families particularly sensitive to taxes. (In effect, taxes are not unlike a higher 'rate of interest' on home borrowings). By contrast, we would expect that retirees are *less* tax resistant because they are presented with a favourable balance of income support and taxes, and are more likely to use a range of public health and social services.<sup>16</sup>

#### *Tax resistance to supporting minorities*

As suggested, a paradox of targeted welfare states is that they are fiscally efficient but attract weak public loyalty. Comparative analysis has found that Australian support for redistributive measures is lower than it is in European equivalents, and lies closer to American attitudes (Svallfors 1997; Linos and West 2003, 398). Support for redistributive welfare is strongest where these institutions are firmly in place; support is weaker where these institutions are limited. At the same time, weak welfare institutions with little distributional sway, and only support the poorest, attract public criticism. Because the profile of welfare recipients under tightly targeted regimes reflects other social inequalities, especially those attached to race, ethnicity and migration, the problems of welfare and ethnic status overlap in the public mind.

American research is particularly advanced in describing this problem. Martin Gilens' study of public opinion towards welfare in the United States reveals the place of negative racial perceptions of African-Americans in low support for welfare (1999, 204-205; see also Fox 2004 on perceptions of Latinos). In Australia, by contrast, there is less research into how attitudes about welfare are shaped by racial attitudes (see Meagher and Wilson 2005). However, two groups stand out for voters: immigrants and Aboriginals. One study conducted by the Social Policy Research Centre suggests that the public single out unemployed migrants as the group receiving 'too much'

---

(lower unemployment among younger people today means less contact with the welfare state) or ongoing, generational decline in support for welfarism.

<sup>16</sup> As Francis Castles points out, residual welfare states that relieve poverty tend not to tax benefits for the same reason (2004, 178), and so older voters pay less tax. This is not the case elsewhere (see Adema and Ladaique 2005).

support from the government (Eardley, Saunders and Evans 2000, 16-17). And, the AES has consistently recorded a high number level of respondents who agree that government support for Aboriginals has gone too far (Bean et al. 2004, 87; on land rights: see Gibson, McAllister and Swenson 2002, 828). Both minorities are publicly criticised for their poor work ethic and reliance on welfare.<sup>17</sup> We would anticipate, then, that Australians with a high level of antipathy towards migrants—on either the grounds of interests or identity (see Gibson, McAllister, Swenson 2002, 832)—or antipathy towards Aboriginals will oppose paying taxes if they appear to support programs that benefit these groups.

#### *Tax resistance arising from political disengagement*

Two forms of political disengagement—losing trust in government and having little or no interest in politics—are central to tax resistance. Consider first the problem of low trust in government. Low tax populism builds on a knee-jerk rejection of ‘high taxes’, ‘waste’ and the creeping role of government (Wilensky 1980, xi)—a mood which was particularly strong in the 1970s (see Ladd et al 1979; Peters 1991, 177-182) and has remained potent since. In the eyes of its detractors, paying taxes is one of the most direct experiences of the ‘coercive’ nature of the modern welfare state, so it is no surprise that tax resistance exemplifies deeper mistrust in government. If the public loses trust in a particular administration or, more symptomatically, in the function of government generally, then the task of raising revenue becomes harder. In fact, the results of Stefan Svallfors’ research suggest that the impact of low trust in welfare state democracies is primarily felt on the *taxation* side of government, and not on welfare. As Svallfors puts it:

People with less political trust do not want less welfare state intervention than others do. The bad news is that such people are more likely to be negative towards taxes, more suspicious towards welfare abuse, and less willing to support collective financing and public organisation of the welfare state (2002, p. 200).

A second form of disengagement is having little interest in or awareness of politics. Larry Bartels’ provocative explanation for why Americans support tax cuts that mainly favour the wealthy contends that most Americans adopt an ‘unenlightened

---

<sup>17</sup> Of course, attitudes towards immigrants vary depending on original nationalities but the AES 2004 does not ask respondents about migration from different nations.

form of self-interest' (2005, 21) in which poor awareness of the effects of tax cuts leads many Americans to make sub-optimal choices about their own welfare. In the words of economist Alan Krueger, Americans do not connect 'the dots from tax cuts for the wealthy to loss of benefits' (2003).

#### *Tax resistance as consistent with individualism*

While we have considered interest-based opposition to taxes, we must also consider normative opposition that comes under the banner of *anti-welfarism*. Bo Rothstein reminds us that 'the willingness to act out of norms of solidarity is simply much higher and more widespread than the standard economic theory about human behaviour predicts' (2002, 212). The same argument applies to the *norms of individualism* as well: the willingness to promote self-reliance in work and income protection has a value-content. Resistance to taxes and social spending emerges out of a larger opposition to government hindrance of the individual work ethic (taxes on earnings, for instance), and to government support for 'able-bodied persons' not at work. We might expect that, in Australia, conservative (Coalition) voters are inclined to oppose policies that they see as 'welfarist' and/or redistributive (i.e. high taxes on individuals to pay for redistributive social policies).

#### **Data analysis**

How these factors bear on tax resistance in Australia can be tested using cross-sectional data from the Australian Election Study 2004.<sup>18</sup> As mentioned in the Introduction, AES 2004 includes a new item that enables respondents to classify themselves according to their views about the effect of lower taxes on government spending and services. The question asks: If you had to choose, which of the following would be closest to your views?

- (1) Cutting my income tax would mean the government has less money to spend on public services I need;

---

<sup>18</sup> The Australian Election Study is the 7<sup>th</sup> election study conducted since the Australian Election Study series started in 1987. It is a mail survey administered on behalf of the Principal Investigators (Clive Bean, Rachel Gibson and Ian McAllister) by the Australian Social Science Data Archives housed at the Australian National University. The net response rate is approximately 44 per cent, producing 1769 valid responses.

(2) Cutting my income tax would mean the government has less money to waste on spending that doesn't benefit me.<sup>19</sup>

<Table 1 about here>

Unweighted frequencies for each category are presented in Table 2. Australians split fairly evenly between the two substantive categories (44 per cent for less money to spend on services, and 45 per cent for less money to waste). Still, 45 per cent agreement with less money to waste means that nearly half the respondents express *resistance to paying the current level of taxes to maintain services*. Presumably, these respondents either recognise no link between lower taxes and fewer services or acknowledge one, but prefer lower taxes for a variety of reasons. Importantly, 10.6 per cent of respondents did not respond to the question, which is relatively high for AES questions (but, similar in magnitude to non-responses for the personal income question).

<Table 2 about here>

A series of binary logistic regression models are specified with independent variables from AES 2004. These variables (outlined in Table 2) allow us to measure the impact of the factors described previously on tax resistance. The models express the odds of choosing the tax resistance option (lower taxes reduce waste) over the 'welfarist' alternative (lower taxes reduce needed services). Non-responses are excluded from the main analysis.<sup>20</sup>

The first block of independent variables includes basic demographic controls of respondent gender, age, education and gross income. The income variable deserves additional comment for a couple of reasons. Income doubles as a demographic control

---

<sup>19</sup> The question asks respondents to consider both 'public services' and government 'spending' but it does not specifically ask about *welfare* payments or services. Although this is less than ideal, the question is perhaps overly general rather than misdirected.

<sup>20</sup> A relatively high level of non-responses may indicate that respondents found the question difficult to understand (see Berinsky 2004) or were unable to classify themselves into either category. A separate binary logistic regression was performed to investigate the differences between those who responded to the question and those who did not. Some independent variables predicted significant differences (with  $p < 0.05$ ) between the two response groups. Women, younger and lower income respondents were more likely *not* to respond as were mortgage-holders and those with a low interest in politics. With the exception of gender, the profile of non-respondents is closer to those who express tax resistant views. This result reinforces a key finding of this paper—that disengagement (indicated as non-response) of various forms is consistent with tax resistance.

and as the chief variable for capturing economic self-interest, which we anticipate influences tax resistance. But responses to income question in the AES are (typically) less than ideal, recording some 10 percent missing cases. The models here exclude for which income data is missing, but the inclusion of an additional 48 cases obtained by predicting household income from a simple linear regression yielded similar results.<sup>21</sup>

The second block of variables models life-course interests. Here, two dummy variables are specified to capture the effects of holding a mortgage and working full-time.<sup>22</sup> To measure any effects of retirement/ageing on reduced support for lower taxes, we rely on the (continuous) age scale included in the first block (an additional dummy for retirement is unlikely to be significant). Two measures of living standard perceptions—one personal and the other general—are also included as ‘life-course’ variables because they provide an indication of the *direction* of living standards over time. These measures will vary in absolute terms with the state of the economy, but in a single cross-section, they provide some intertemporal assessment of living standards. A third block includes two further intertemporal measures but, this time, more explicitly linked to the performance of government in two areas relevant to tax resistance: perceptions of the movement of taxes and the standard of health services (both since the last election). While the inclusion of a measure about how voters evaluate changing tax levels is an obvious control, a further measure of voter

---

<sup>21</sup> The missing data for household income (some 180 cases or 10.6 per cent of the total sample) was not included in the final model. However, some investigation of the impact of missing income data on the final model was undertaken. A simple linear model was specified to predict based on respondent household income using data available on the gender, age, qualifications and work status of respondents (R-square of 0.30) This led to the correction of 112 cases for which data was available, and the elimination of a reduced number of cases (68). The independent variables were: age (over 65 or not), gender (male or female), qualifications (post-secondary qualifications or not) and work status (full-time work or not). The predicted scores differ from the categorical structure of the original data, so cases were assigned to their equivalent income category (using a simple rounding technique). The range of predictions was somewhat limited, between 4 and 11 on an ordinal scale that ranged from 1 to 16. The inclusion of the additional cases (48) in the revised model did not yield different results for either the revised income variable or for the model as a whole.

<sup>22</sup> An additional control for the presence of dependent children in the respondent’s family would enable further evaluation of the impact of the financial pressures of childrearing on tax resistance, as outlined in the previous section. Unfortunately, the AES 2004 does not ask respondents about family type.

perceptions of health services is included. The assumption here is that perceptions of declining health services will moderate tax resistance.

The fourth block of variables deals with resistance to minorities. Evidence from elsewhere suggests that holding negative views about minority groups—especially those associated with welfare dependence—is likely to increase unwillingness to pay taxes. For immigrants, we include several measures that capture both interest and identity-based opposition to immigration: a dummy variable for lower immigration preferences, and dummy variables (derived from 5-point likert scales) for agreement that ‘immigrants take jobs from Australians’ and ‘increase the crime rate’ respectively. To capture hostility to the most politicised group of immigrants— asylum seekers—a dummy variable for agreement with the proposition that ‘all boats carrying asylum seekers should be turned back’ is included. The AES offers fewer items to measure resistance to supporting Aboriginals but the one available is especially useful; respondents are asked whether or not they think ‘government support for Aboriginals has gone too far’ (and a dummy is specified for the two ‘gone too far’ categories).

Two final blocks of variables are included to test the effects of political disengagement and anti-welfarism respectively. In the fifth block, political disengagement is measured. Drawing on the two forms of disengagement discussed in the previous section, a standard measure for low trust in government—agreement or otherwise with the proposition that ‘people in government usually or sometimes look after themselves’ (see Bean 2005, 126-129)—is entered; and a measure for low levels of political interest (a dummy variable coded to include ‘not much’ or ‘none’ responses to a standard question on political interest) is also included.

Lastly, anti-welfarist orientations are included in a sixth block. The first measure is opposition to the redistribution of income to ordinary working people (a dummy variable that includes ‘neither’, ‘disagree’, and ‘strongly disagree’ responses versus both ‘agree’ responses). The second accounts for taxes as a threat to the work ethic (a dummy variable is specified measuring agreement with the statement that ‘high income tax makes people less willing to work hard’). A measure of conservative political identification is included (as Liberal-National party identification) to capture any partisan political influence on tax resistance. A final measure of political non-

alignment (No Party identification) is included to further probe any effects of political disengagement.

<Table 3 about here>

## **Results**

Table 3 presents the results of the multivariate analysis (six sequential binary logistic models are included). The results are expressed as odds ratios, which are not directly comparable between continuous and dummy variables. All blocks entered add to the explanatory power of the final model, which has a (Nagelkerke) R-square statistic of 0.15. A simple test for multi-collinearity yields no Pearson  $r$  correlation statistic that approaches 0.7 for any independent variable.

First, we turn to the demographic controls. Men are significantly more likely than women to express tax resistance than women, as are younger voters. As expected, older voters are significantly more likely to believe lower taxes will reduce services. Variation by income is very significant and this held for a separate model that includes predicted income data (see note 12). As anticipated, higher income earners are significantly more tax resistant than lower income groups. Education levels are not significant in any of the models.

Life course interests are also significant. Consistent with our anticipations, mortgage-holders are 50 per cent more likely to express tax resistance than others (those who, variously, own their homes, rent or board). Full-time workers, however, are no more likely than other respondents to express tax resistance. While perceptions of one's *own* living standards are unimportant, perceptions of declining *general* living standards weakly predict tax resistance. Perhaps voters who are gloomy about the general direction of living standards (somehow) link this decline to the burden of taxes. This same mood is found in perceptions of government activity. Among the 58 per cent of voters who believe that taxes are rising (Bean et al 2004, 77), we encounter tax resistance although of weakening significance across models 3-6. Perceptions of health services have no explanatory impact.

No measure of opposition to immigration are significant, an important finding. Australians may have begun dissociate immigration and 'welfare dependence' after a

long period of economic growth (that curbs perceptions that immigrants subsist on welfare), and after the 1997 Howard government decided to curtail new migrant access to some welfare benefits. By contrast, antipathies about government help for Aboriginals *do* increase tax resistance. Aboriginal Australians appear to hold a similar status as African-Americans do in US welfare politics (even though the former make up an even smaller fraction of the population).

The two measures of political disengagement—low trust and low interest in politics—strengthen tax resistance. Preferring to view government services as unbeneficial waste, these disconnected voters clearly want their money back, a finding that is addressed in the concluding section. As we would anticipate, holding the belief that high taxes damage the work ethic increases resistance to tax. By contrast, opposing redistribution does not. Political identification (either identifying as Liberal-National or identifying with no party) also does not have any significant effect on tax preferences.

### ***Discussion: from tax resistance to low-tax coalition***

With the benefit of a new item included in AES 2004, this paper finds that Australians divide evenly between viewing lower income taxes as a threat to public services, and as way of reducing government spending they do not value or think is wasted. Voters who choose the latter, I suggest, express strong resistance to paying taxes; for whatever reason, they believe that paying taxes subsidises unnecessary or unwanted government. But multivariate analysis has drawn out the interests and beliefs that lie behind the slogan of ‘wasteful government’ that public opinion researchers had first identified with the tax politics of 1970s America (see Ladd et al 1979). Peters remarks that for many voters, taxes have become ‘a convenient target for their disaffection’ and a ‘symbol of rejection of ... aspects of government, or perhaps a rejection of some values of modern, urban industrial society’ (1991, 188).

Still, this paper reveals a clear pattern of interests and motivations in individual voter responses that implicate fiscal institutions. As expected for most welfare states with progressive taxes, income differences influence the distaste for taxes. Australia’s highly targeted-redistributive model is thus prone to resistance from middle and high income-earners. We are yet to see whether ‘middle class welfare’ as it pejoratively

called (Garnaut 2005) will translate into support for the welfare state, and declining tax resistance, especially among those working families who now benefit from family payments (Whiteford 2000, 85). In all likelihood, the Coalition's tax expenditure approach to social provision that mainly benefits middle-income families will limit the development of and attachment to a more broadly-based welfare system.

The limited scope of the residual model makes a difference to the tolerance of taxes across the life-course as well. Corresponding to their limited contact with welfare, younger respondents are more tax resistant than older voters. Something of a generational shift to less welfarist views may have begun, but recent developments in the political economy are relevant here too: stronger employment opportunities for younger Australians have meant that chronic youth unemployment and with it, regular contact with the social security system, has declined. Other than with Medicare, most young Australians have little or no contact with the welfare state until they form families and have children, typically in their late 20s and early 30s.<sup>23</sup>

By contrast, the elderly draw on a wider range of benefits and services—the Age pension, community health and social support services, and medical facilities. Older people also pay less income tax with a greater proportion of their overall income in the form of tax-free pensions or superannuation benefits that attract concessional tax. Since women rely more on income support across the lifecourse (Whiteford 2000, 53-54), it is not surprising that women are significantly less inclined than men to find an appeal in low tax politics.

Any intergenerational conflict over the size and scope of the welfare state will be intensified by continuing strong homeownership aspirations of the Australian public. Tax resistance is stronger among mortgage-holders—and perhaps especially at the time mortgage-holders anticipate rising interest rates and house prices are high. With home-ownership rates falling from highs of 70 per cent (see Yates 2003) we can expect voters trying to join the housing market, as well as those already in it, will be sensitive to tax levels. For mortgage-holders, the prospect of higher taxes is tantamount to the prospect of higher interest rates—a link easily forged by politicians.

---

<sup>23</sup> The exception here is for the very young (16 to 26 years of age) who, on 1998 statistics, had a slightly higher level of income support—one measure of contact with the welfare state—than the 27 to 50 year age group (see Whiteford 2000, 53-54).

As Peters makes clear, a range of motivations other than economic self-interest—perceptions, prejudices, values and policy orientations—also shape the contours of tax resistance. As Rothstein (2002) points out, support for the welfare state cannot be explained by mere recourse to a model based on individual self-interest. Not all normative judgments about welfare are positive; some express beliefs about who *should* and *should not* benefit from government. Not surprisingly, tax resistance is stronger among the 45 per cent of Australians who believe that government support for Aboriginals has gone too far. However, attitudes to immigration do not have a significant bearing on tax preferences. This finding is perhaps surprising. However, It may indicate changing times; as suggested earlier, a better employment situation, and restrictions of migrant access to welfare, may now have registered with voters.

Hostility to the idea of interventionist government has a varying significance to explaining tax resistance. Voters who think that taxes discourage work effort prefer lower taxes, but voters' opinions to redistribution do not matter to tax preferences. A likely reason for this is found in the substantial share of respondents (53 per cent) who prefer lower taxes also believe that 'income and wealth should be redistributed towards ordinary working people.' Here, many voters may identify redistribution of income with *cutting* taxes—rather than taxing the wealthy—and this is especially likely if fiscal institutions create greater visibility of the tax 'burden' than of the benefits of welfare.

While welfare state scholars worry that declining political trust will weaken the redistributive capacity of government, Larry Bartels argues that poor awareness of *who* benefits from tax cuts explains support for tax policy in the United States. My paper relies on a different gauge of political disengagement—self-reported interest in politics—but finds something similar.<sup>24</sup> It is significant that disengaged voters abandon their general political indifference to favour lower taxes. But, more generally, an electorate unable to link lower taxes to declining public services creates a headache for pro-welfare politics.

Disengaged citizens who reveal their mistrust or lack of interest in politics are, not surprisingly, a prime audience for low-tax populism. Along with those with an

---

<sup>24</sup> Bartels uses "a measure of political information based on interviewers' ratings of respondents' general level of information about politics and public affairs" (2005, 23).

economic interest in lower taxes—those at the higher end of the income scale—mistrustful and disengaged voters form two crucial elements of any potential low-tax coalition, which stands in contrast to the *welfare state coalition* frequently discussed welfare state scholars. Indeed, this paper suggests that such a coalition in Australian politics would bring together an amalgam of diverse publics; one of higher income earners attuned to self-interest, another attuned to anti-welfare messages, and another that is ‘tuned out’ and willing to follow *any* call for lower taxes.

Although these publics may—or may not—respond to coalition-building efforts of Australia’s political parties, their common interests are not a coincidence. The less voters see the benefits of welfare, and the more they are reminded of taxation, the less tax is understood as necessary element of social citizenship, and the more it is seen as wasteful burden. Where high taxation and welfare citizenship are most happily married—Scandinavia—conservative politicians risk a voter backlash when they propose tax cuts. Norway’s centre-right coalition lost office in 2005 when it offered income tax cuts because voters feared for their universal welfare system. One can speculate whether a similar policy would have met with the same misfortune in English-speaking welfare states where the welfare coalition is more fragile.<sup>25</sup>

This paper has examined the problem of tax resistance, and has claimed that low tax politics is fostered by Australia’s fiscal architecture. Although it is clear that Australians are worried about the state of public services and infrastructure, and are willing to forgo tax cuts to pay for improvements, my claim is that both politics and policy remain highly sensitive to the fiscal discontent of mortgage-holders, higher-income earners and the politically disaffected—a potentially powerful coalition of interests in favour of tax cuts. The dynamics of support for a low tax model suggest its critics must find a rationale for tax rises that best accords with these interests and sensibilities. One possibility would be to extend the taxation of wealth, which is popular with most anti-tax voters because it addresses their interest in tax equity, but

---

<sup>25</sup> There are notable recent exceptions. In its second term, the Blair Labour government raised taxes (mainly ‘sin’ taxes) to pay for health, education and social reforms, and went on to win the 2005 British general elections. Paul Martin’s Liberal government survived the 2004 Canadian general elections (in minority form), campaigning against the Conservatives’ tax cut plans on the grounds that they threatened public services. Helen Clark’s Labour government narrowly won a third term in the 2005 New Zealand elections, campaigning against income tax cuts proposed by National. Still, there is no sign that right-of-centre politics will abandon low tax policies while tax cuts remain popular.

this carries political risk. Instead, Michael Keating proposes greater *hypothecation* of future taxes to raise revenue while limiting voter resistance (2004, 22-23). In deliberately attaching tax increases to the most popular (or necessary) spending, Keating's strategy hopes to avoid populist attack of vague tax *largesse*, and make it easier 'to raise taxes as the connection between the extra revenue and how it will be spent is ... clearly established (2004, 22-23). The larger point for reformers is that the connection between taxing and spending *is* made—both in political communication and in policy.

## **References**

Adema, W. and M. Ladaïque. 2005. *Net Social Expenditure, 2005 Edition: More comprehensive measures of social support*. OECD Social, Employment and Migration Working Papers No. 29. Paris: OECD. URL: <<http://www.oecd.org>>. Consulted 5 December 2005.

Atkinson, A.B. and J.E. Stiglitz. 1989. *Lectures on Public Economics*. London: McGraw Hill International.

Bartels, L.M. 2005. 'Homer Gets a Tax Cut: Inequality and Public Policy in the American Mind.' *Perspectives on Politics* 3(1):15-31.

Bean, C. 2005. 'Is there a crisis of trust in Australia?' In *Australian Social Attitudes: The First Report*, eds S. Wilson, G. Meagher, R. Gibson, D. Denmark and M. Western. Sydney: UNSW Press: Sydney.

Bean C., I. McAllister, R. Gibson and D. Gow. 2004. *Australian Election Study, 2004: User's Guide for the Machine-readable Data File and Data File ASSDA Study no. 1079*. Australian National University, Canberra: Australian Social Science Data Archive. URL: <<http://assda.anu.edu.au/analysis.html>>. Consulted 5 December 2005.

Bergh, A. 2004. 'The Universal Welfare State: Theory and the Case of Sweden.' *Political Studies* 52: 745-766.

Berinsky, A. J. 2004. *Silent Voices: Public Opinion and Participation in America*. Princeton, NJ: Princeton University Press.

Castles, F.G. 2004. *The Future of the Welfare State: Crisis Myths and Crisis Realities*. Oxford: Oxford University Press.

Castles, F.G. and I. F. Shirley. 1996. 'Labour and Social Policy: Gravediggers or Refurbishers of the Welfare State?' In *The great experiment: labour parties and public policy transformation in Australia and New Zealand*, eds F.G. Castles, J. Gerritsen and J. Vowles. St Leonards: Allen and Unwin.

Castles, F. G. and D. Mitchell. 1992. 'Identifying Welfare State Regimes: The Links between Politics, Instruments and Outcomes.' *Governance* 5(1): 1-26.

Castles, F. G. 1985. *The Working Class and Welfare: Reflections on the political development of the welfare state in Australia and New Zealand, 1890-1980*. Sydney: Allen and Unwin.

Department of Treasury. 2005. *Budget Paper No. 1 Statement No.5: Revenue*. URL:<[http://: www.treasury.gov.au](http://www.treasury.gov.au)>. Consulted 5 December 2005.

Eardley, T., P. Saunders and C. Evans. 2000. 'Community attitudes towards unemployment, activity testing and mutual obligation.' *SPRC Discussion Paper no. 107*. UNSW: Social Policy Research Centre.

Esping-Andersen, G. 1990. *The Three Worlds of Welfare Capitalism*. Cambridge: Policy Press.

Erikson, R.S., M.B. Mackuen and J.A. Stimson. 2002. 'Public Opinion and Policy: Casual Flow in a Macro System Model.' In *Navigating Public Opinion: Polls, Policy and the Future of American Democracy*, eds F. Lomax Cook, J. Manza and B. I. Page. Oxford: Oxford University Press.

Fox, C. 2004. 'The Changing Color of Welfare? How Whites' Attitudes toward Latinos Influence Support for Welfare.' *American Journal of Sociology* 110(2): 580-625.

Garnaut, J. 2005. 'Middle-class benefits blow welfare spending sky high.' *The Sydney Morning Herald*, 17-18 December.

Gibson, R., I. McAllister and T. Swenson. 2002. 'The Politics of Race and Immigration in Australia: One Nation Voting in the 1998 Election.' *Ethnic and Racial Studies* 25(5):823-44.

Gilens, M. 1999. *Why Americans Hate Welfare: Race, Media, and the Politics of Antipoverty Policy*. Chicago: University of Chicago Press.

Goot, M. and I. Watson. 2005. 'Immigration, Multiculturalism and National Identity' In *Australian Social Attitudes: The First Report*, eds Wilson, S., G. Meagher, R. Gibson, D. Denmark, and M. Western Sydney: UNSW Press.

Gordon, J. 2006. 'Tax review could strengthen calls for shake-up.' *The Age*. March 14.

Graetz, M. J. and I. Shapiro. 2005. *Death by a thousand cuts: the fight over taxing inherited wealth*. Princeton, NJ: Princeton University Press.

Grattan, M. 2004. 'Are tax cuts losing their lustre?' *The Age*, 5 May.

Hacker, J.S. and P. Pierson. 2005. 'Abandoning the Middle: The Bush Tax Cuts and the Limits of Democratic Control.' *Perspectives on Politics* 3(1): 34-53.

Jacobs, L. R. and R. Y. Shapiro. 2002. 'Politics and Policymaking in the Real World: Crafted Talk and the Loss of Democratic Responsiveness.' In *Navigating Public Opinion: Polls, Policy and the Future of American Democracy*, eds Lomax Cook, F., J. Manza and B. I. Page. Oxford: Oxford University Press.

Keating, M. 2004. 'The Case for Increased Taxation.' *Academy of the Social Sciences Paper, no 1*. Canberra: Academy of the Social Sciences in Australia. URL: <<http://www.assa.edu.au>>. Consulted 5 December 2005.

Krueger, A. 2003. 'Connecting the dots from tax cuts for the wealthy to loss of benefits.' *The New York Times*, 16 October.

Ladd Jr, E.C., Potter, M., Basilick, L., Daniels, S and D.Suszkiw. 1979. 'The Polls: Taxing and Spending.' *Public Opinion Quarterly*. 43(1):126-135.

Linos, K. and M. West. 2003. 'Self-interest, Social Beliefs, and Attitudes to Redistribution.' *European Sociological Review* 19(4): 393-409.

McAllister, I. 2005. 'The Australian federal election, October 2004.' *Electoral Studies*. 24(3): 545-551.

Majone, G. 1989. *Evidence, Argument and Persuasion in the Policy Process*. New Haven, Conn.: Yale University Press.

Meagher, G and S. Wilson. 2005. 'Any family resemblance? Attitudes to taxes and welfare in Australia and New Zealand.' Presented at the Australasian Political Studies Association Annual meeting held in Dunedin, New Zealand, August.

Megalogenis, G. 2005. 'Battlers carry the tax can.' *The Weekend Australian* 26 November.

McNamara, J., R. Lloyd, M. Toohey, and A. Harding. 2004. 'Prosperity for all? How low income families have fared in the boom times.' *National Centre for Social and Economic Modelling*. University of Canberra. URL:<<http://www.natsem.canberra.edu.au/publication.jsp?titleID=OP0414>>. Consulted 21 December 2005.

Organisation of Economic Cooperation and Development. 2005. *OECD in Figures: Statistics on the Member Countries*, Paris: OECD. URL: <<http://www.oecd.org>>. Consulted 5 December 2005.

Organisation of Economic Cooperation and Development. 2004. *Social Expenditure database (SOCX), 1980-2001*. Paris: OECD. URL: <<http://www.oecd.org>> (Accessed: 5 December 2005).

Pierson, P. 2000. 'Coping with permanent austerity: Welfare State Restructuring in Affluent Democracies.' In *The Politics of the New Welfare State*, ed P. Pierson. Oxford: Oxford University Press.

Peters, B.G. 1991. *The Politics of Taxation*. Oxford: Blackwell.

Pierson, P. 1994. *Dismantling the welfare state? Reagan, Thatcher and the politics of retrenchment*. Cambridge: Cambridge University Press.

Rothstein, B. 2002. 'The Universal Welfare State as a Social Dilemma.' In *Restructuring the Welfare State: Political Institutions and Policy Change*, eds B. Rothstein and S. Steinmo. New York: Palgrave-Macmillan.

Sefton, T. 2003. 'What we want from the welfare state.' In *British Social Attitudes: the 20th report: continuity and change over two decades*, eds Park, A. et al. London: Sage.

Smith, J. 2003. 'Tax Expenditures: the \$30 Billion Twilight Zone of Government Spending'. *Research Paper No. 8 2002-03*, Canberra: Department of the Parliamentary Library.

Stimson, J. A. 1999. *Public opinion in America: moods, cycles, and swings*. 2<sup>nd</sup> edition. Boulder, Colo: Westview Press.

Svallfors, S. 2002. 'Political Trust and Support for the Welfare State: Unpacking a supposed relationship.' In *Restructuring the Welfare State: Political Institutions and Policy Change*, eds B. Rothstein and S. Steinmo. New York: Palgrave-Macmillan.

Svallfors, S. 1997. 'Worlds of welfare and attitudes to redistribution.' *European Sociological Review* 13(3): 283-304.

Whiteford, P. 2005. 'The Welfare Expenditure Debate: Economic Myths of the Left and Right Revisited.' Delivered at the Social Policy Research Centre Conference, University of New South Wales, Sydney, 21 July. URL:<<http://www.sprc.unsw.edu.au>>. Consulted 5 December 2005.

Whiteford, P. 2000. 'The Australian system of social protection—an overview', *Policy Research Paper No. 1*. Canberra: Department of Family and Community Services. URL:< [http://www.facs.gov.au/internet/facsinternet.nsf/vIA/occasional\\_papers/\\$file/No.6.pdf](http://www.facs.gov.au/internet/facsinternet.nsf/vIA/occasional_papers/$file/No.6.pdf)>. Consulted 20 December 2005.

Wilensky, H.L. 2002. *Rich Democracies: Political Economy, Public Policy, and Performance*. Berkeley, University of California Press.

Wilensky, H.L. 1980. 'Foreward' In Coughlin, R.M. *Ideology, Public Opinion and Welfare Policy: Attitudes to Taxes and Spending in Industrialized Societies*. University of California, Berkeley: Institute of International Studies.

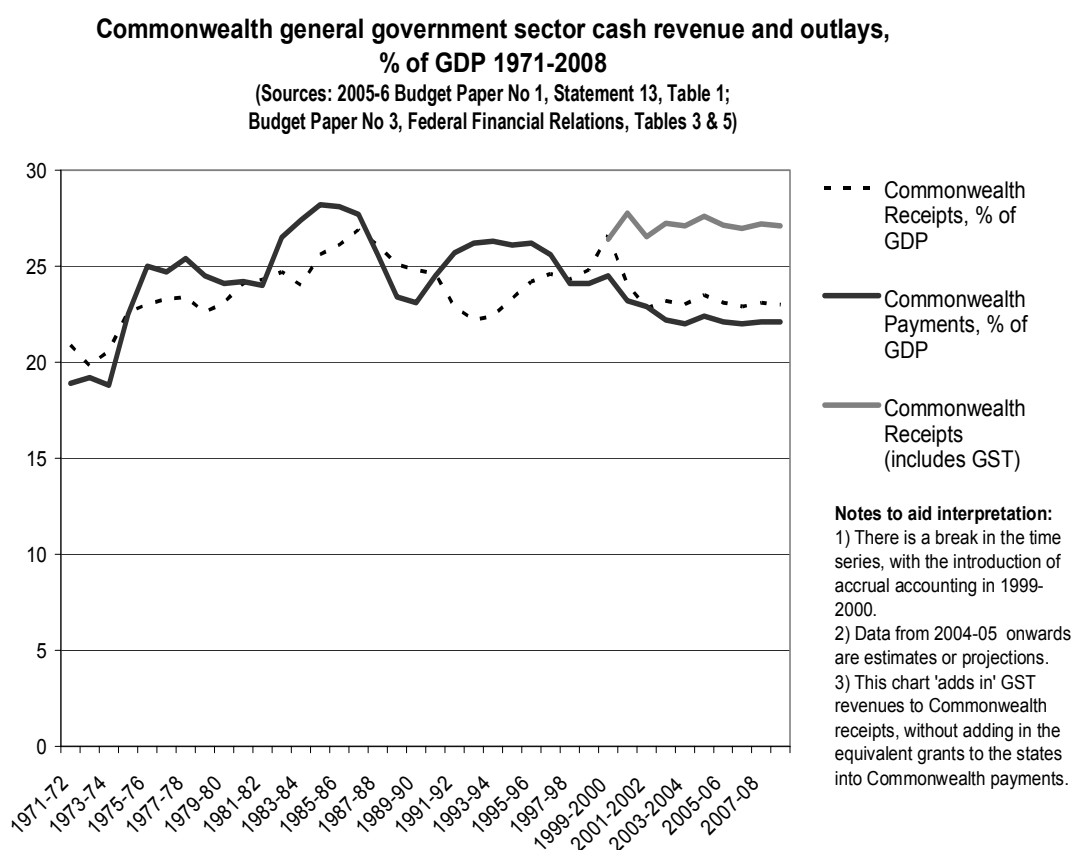
Wilson, S. and T. Breusch. 2005. 'The expansion of the Australian welfare state after 1980.' Delivered at the Social Policy Research Centre Conference, University of New South Wales, Sydney, 21 July. URL:<<http://www.sprc.unsw.edu.au>>. Consulted 5 December 2005.

Wilson, S. and T. Breusch. 2004. 'After the tax revolt: Why middle Australia matters more Medicare to lower taxes.' *Australian Journal of Social Issues*. 39(2):99-116.

Wilson, S., G. Meagher and T. Breusch. 2005. 'Where to for the welfare state?' In *Australian Social Attitudes: The First Report*, eds S. Wilson, G. Meagher, R. Gibson, D. Denmark, and M. Western. Sydney: UNSW Press.

Yates, J. 2003. 'Has home ownership in Australia declined?' *AHURI Research & Policy Bulletin* 21, May. URL:<<http://www.aduri.edu.au>>. Consulted 10 December 2005.

**Figure 1**



**Table 1: Opinion on cutting income taxes**

Cutting my income tax would mean the government has...	N	<i>Percent</i>
Less money to spend on services I need	778	44.0
Less money to waste on spending that doesn't benefit me	804	45.4
<b>Non-responses</b>	187	10.6

Source: Bean et al (2004)

**Table 2: Variable descriptions**

<i>Variable</i>	<i>Description</i>
<i>Dependent</i>	If you had to choose, which of the following would be closest to your views? (1) Cutting my income tax would mean the government has less money to spend on public services I need; (2) Cutting my income tax would mean the government has less money to waste on spending that doesn't benefit me.
<i>Female</i>	Female respondent
<i>Older</i>	Year of birth (continuous)
<i>High school</i>	Completed high school only (dummy)
<i>Vocational</i>	Completed a tertiary qualification (trade or diploma, but not university degree; dummy)
<i>Higher income</i>	Respondent gross household income (16-point scale)
<i>Mortgage-holder</i>	Respondent is paying off mortgage (dummy)
<i>Full-time worker</i>	Respondent works full time (dummy)
<i>Own living standards down</i>	Agree that personal living standard fell a little or a lot since 2001 (dummy)
<i>Gen. living standards down</i>	Agree that general living standard fell a little or a lot since 2001 (dummy)
<i>Taxes up</i>	Agree that taxes increased a little or a lot since 2001 (dummy)
<i>Health improved or same</i>	Agree that the standard of health services stayed the same or increased (a little or a lot) since 2001 (dummy)
<i>Prefer lower immigration</i>	Prefer the number of immigrants is reduced a little or a lot (dummy)
<i>Immigrants take jobs</i>	Strongly agree or agree that immigrants take jobs away from people born in Australia (dummy)
<i>Immigrants increase crime</i>	Strongly agree or agree that immigrants increase the crime rate (dummy)
<i>Turn back asylum seekers</i>	Strongly agree or agree that All boats carrying asylum seekers should be turned back (dummy)
<i>Govt. help to Aborigines</i>	Agree that government help to Aborigines has gone too far or much too far (dummy)
<i>Low interest in politics</i>	Not much or no interest in politics (dummy)
<i>Governments can't be trusted</i>	Strongly agree or agree that people in government usually or sometimes look after themselves (dummy)
<i>Do not support redistribution</i>	Neither agree nor disagree, disagree, and strongly disagree that income and wealth should be redistributed towards ordinary working people (dummy)
<i>High taxes</i>	Strongly agree or agree that high income tax makes people less willing to work hard (dummy)
<i>Liberal-National ID</i>	Identify as Liberal or National voters (dummy)
<i>No Party ID</i>	Do not identify with any political party (dummy)

**Table 3: Binary logistic regressions models that analyse tax resistance, 2004**

<b>Demographics</b>	<b>Model 1</b>	<b>Model 2</b>	<b>Model 3</b>	<b>Model 4</b>	<b>Model 5</b>	<b>Model 6</b>
<i>Female</i>	0.78*	0.76*	0.77*	0.76	0.74*	0.75*
<i>Older</i>	0.98**	0.98**	0.99**	0.98**	0.99**	0.99**
<i>High school</i>	0.95	0.98	0.99	0.95	0.99	0.99
<i>Vocational</i>	0.76	0.79	0.83	0.82	0.98	0.98
<i>Higher income</i>	1.04**	1.04**	1.04*	1.04*	1.05**	1.05**
<b>Life-course interests</b>						
<i>Mortgage-holder</i>		1.58**	1.61**	1.57**	1.59**	1.54**
<i>Full-time worker</i>		1.04	1.03	1.02	1.01	1.03
<i>Own living standards down</i>		1.30	1.33	1.32	1.28	1.21
<i>Gen. living standards down</i>		1.46*	1.46*	1.49*	1.43*	1.45*
<b>Perceptions of government</b>						
<i>Taxes up</i>			1.45**	1.46**	1.39*	1.36*
<i>Health improved or same</i>			1.33*	1.27	1.30	1.31
<b>Resistance to minorities</b>						
<i>Prefer lower immigration</i>				1.01	0.99	1.01
<i>Immigrants take jobs</i>				1.01	0.99	0.98
<i>Immigrants increase crime</i>				1.11	1.12	1.10
<i>Turn all asylum seekers back</i>				1.29	1.28	1.30
<i>Govt. help to Aborigines gone too far</i>				1.45**	1.47**	1.43*
<b>Political disengagement</b>						
<i>Government can't be trusted to do right thing</i>					1.64**	1.59**
<i>Low interest in politics</i>					1.61**	1.54**
<b>Anti-welfarist orientations</b>						
<i>Do not support redistribution</i>						1.16
<i>High taxes</i>						1.54**
<i>Liberal- National ID</i>						0.88
<i>No Party ID</i>						1.16
<i>-2 log likelihood</i>	1612.3	1581.0	1568.8	1553.1	1528.9	1514.5
<i>N</i>	1195	1195	1195	1195	1195	1195
<i>Nagelkerke R- Square</i>	0.05	0.08	0.09	0.11	0.14	0.15

Notes: \*\* p<0.01, \* 0.01<p<0.05. Dependent variable is dichotomous. Odds ratios are expressed as marginal odds of choosing the 'lower taxes reduces waste' option (see Table 1).