LOCATING THE PLACE OF IDEAS IN TAXATION - THE INFLUENCE OF IDEAS ON AUSTRALIAN CONSUMPTION TAX REFORM

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Introduction:

Much has been written about the wave of tax reform that swept the world from the 1980s onwards, a movement said to be ‘without precedent in fiscal history.’

Amongst the key features of these reforms were: the lowering and compression of marginal income tax rates; reduction in corporate tax rates; efforts to broaden the tax base; and attempts to shift the emphasis from the direct taxation of income to the indirect taxation of consumption often through the adoption of a value-added tax.

The breadth and pace of the reforms offer an example of ‘policy convergence’ whereby policy instruments are becoming progressively similar across advanced (and advancing) industrial states. The tax reform trend itself provoked revision of a body of literature which appeared ‘better suited to explaining why the reforms were impossible, than for explaining how and why they did succeed.’

The explanations for the reforms can be broadly grouped into five categories:

1. Environmental explanations which attribute the reform to the economic uncertainty following the oil shocks of the 1970s;

2. Institutional explanations which seek to explain reform outcomes by reference to institutional settings such as parliaments, the bureaucracy or, at an international level, the World Bank, International Monetary

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4 Peters op. cit. p. 271.
Fund (IMF) or the Organisation for Economic Co-operation and Development (OECD);

3. Explanations that attribute the reforms to the distribution of power within society;

4. Explanations which focus on the process of reform such as the structure of reform packages, the importance of the political sell and the impact of individual leaders;

5. Ideational explanations which attribute policy outcomes to specific cultural or ideological trends or broader ideational shifts in economic and political thought.

The many and varied explanations for tax reform warrant close and detailed attention to not only better understand the nature of tax politics but to better comprehend the complex nature of political change more broadly. However, such an examination is beyond the scope of this paper.\(^5\)

Instead, this paper focuses on the role of ideas in shaping tax policy outcomes. This issue has divided scholars from Marx to Weber, the former viewing ideas as a product of the underlying structure of the economic system,\(^6\) the latter regarding ideas as a significant and separate basis for social change (or policy outcomes).\(^7\) Adding to this impressive and fiercely contested intellectual lineage are the oft-quoted remarks of John Maynard Keynes and TS Adams. Consistent with the Weberian approach Keynes famously wrote:\(^8\)

…the ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than commonly understood. Indeed the world is governed by little else. Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves to some defunct economist.

In contrast, TS Adams, president of the American Economists Association in 1927, wrote:\(^9\)

The dominating factor of economic interest in taxation determines to a large extent the role or place of idealism in taxation. Ideals are effective when they further the interest of the powerful groups.

\(^5\) It is currently the subject of a doctoral dissertation by the author.


While these remarks may do no more than reflect the divergent perspectives of ideologue against practitioner, they encapsulate the core of the scholarly debate over how to conceive of the roles of ideas, power and interests in influencing policy outcomes. This paper examines this debate with reference to the efforts to introduce a goods and services tax (GST) in Australia.

The Australian GST is discussed for three main reasons: first, the duration and profile of the Australian consumption tax reform experience provides fertile ground for testing political theory. Despite the value-added tax being identified as ‘one outstanding feature’ of wave of worldwide tax reform during the 1980s, by the time Australia introduced a GST in 1999 it was one of only two OECD countries who had not yet done so. Secondly, focusing on a specific example over a prolonged thirty year period enables examination of the evolutionary nature of ideas, instances of policy learning and the process of translation of ideas to outcomes. So, for example, it is customary, indeed prosaic, to trot out the key criteria of equity, simplicity and efficiency in tax reform. However, a focus on the specific treatment of these value-laden and normatively charged concepts over the three decades of debate offers the opportunity to not only trace the interplay of ideas to policy proposals but to begin to understand the malleability and manipulability of these concepts in tax policy discourse. The purpose of this paper however is not to construct an alternative basis for theorising about the normative questions of tax policy but rather to understand the process by which extant ideas influence tax policy. Thirdly, the example is illustrative rather than conclusive. The case of Australian consumption tax reform is a means to discuss the issues raised by analyses of the role of ideas in public policy.

While the duration of the Australian consumption tax reforms is significant, it naturally only encompasses a slither of the broader ideational developments preceding it. However, the purpose of this paper is not to engage in a broad historical exegesis of fiscal policy but to explore the interplay of ideas on specific policy proposals and outcomes. For this purpose the Australian consumption tax reforms are an ideal vector for analysis. While one cannot jump to broad conclusions on the back of one example, this paper aims to provide a framework by which to engage in further comparative analysis amongst other tax instruments and jurisdictions.

To undertake such an analysis this paper is divided into four main parts. Part I and II surveys the existing literature on the role of ideas in public policy. Part III briefly recounts the Australian consumption tax reform efforts from 1975 to 2000. Part IV develops a framework or typology of ideas using the Australian

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10 Sandford op. cit. p. 10.
consumption tax reforms. Part V develops some preliminary conclusions and observations on the role of ideas in tax policy.

**Part I – the literature:**

Despite the distinguished intellectual heritage, Blyth argues that until recently ideas were a traditionally neglected area of political economy used as a “filler” to shore up pre-existing research programs rather than as a topic of analysis in their own right.  

A renewed interest in the role of ideas emerged, in part, as a response to the rational choice models of policy-making which focus on the self-interest of individuals in policy-making. Under such an approach ideas are reduced to the ‘individual utility calculi’ of the rational actor. In contrast, scholars in the historical institutionalist tradition focus on how institutions mediate the historical and structural contexts of policy-making. They analyse how past patterns of politics constrain present policy options through concepts such as path-dependency which at its broadest can mean ‘that what happened at an earlier point in time will affect the outcomes of a sequence of events occurring at a later point in time.’ While historical institutionalist scholars viewed the institutional environment as mediating the behaviour, relative power and interests of the political actors within, it typically viewed institutions as ‘constraining rather than enabling political action’. As a result, historical institutionalism appeared better suited to explaining policy inertia, that is how policy change is incremental rather than sudden, rather than the ‘path-breaking’ revenue reforms of the 1980s. In an attempt to account for such rapid change, historical institutionalist scholars turned to exogenous factors such as the impact of ideas. The end point appears, as Blyth argues, that ideas ‘become desiderata, catch-all concepts to explain variance’ where no

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12 Mark M Blyth, ""Any More Bright Ideas?"" The Ideational Turn of Comparative Political Economy' (1997) 29(2) Comparative Politics 229.
13 A sub-set of these approaches is the rationalist institutionalist branch of political science who view institutions as ‘chosen structures to minimize transaction costs, increase information flows and monitoring, and thereby facilitate Pareto-superior outcomes. As Blyth explains under the rationalist model ‘all factors anterior to individuals (such as idea and institutions) must be reducible to the actions (and hence the preferences [or beliefs] of individuals): Blyth above n. 13 p. 230; See Judith Goldstein and Robert O Keohane, Ideas and foreign policy: beliefs, institutions, and political change (Cornell University Press, Ithaca, 1993).
14 Definitions of institutions vary markedly. Hall defines institutions as ‘the formal rules, compliance procedures, and standard operating practices that structure the relationship between individuals in various units of the polity and economy’: Peter Hall, Governing the Economy (Oxford University Press, New York, 1986), p. 19. While the meaning of institutions goes beyond the scope of this paper Steinmo, correctly in my opinion, criticises the breadth of these types of definitions as being ‘so vague that they leave nothing out’: Sven Steinmo, Taxation and Democracy: Swedish, British and American Approaches to Financing the Modern State (Yale University Press, New Haven, 1993), p. 12.
17 Blyth op. cit. p. 230.
'progressive attempt is made to analyse ideas themselves' and question “what are ideas” and “what do they do.” '18

If the treatment of ideas in political economy has been peripheral, the treatment of ideas in the analysis of tax reform is positively subliminal. Most accounts of the worldwide reforms attribute the reforms to some general ideational shift in economic and political thinking without any serious theorising as to how ideas themselves contributed to the change. '19 Thus Sandford concludes that ‘[above] all…tax reform reflected a change in economic philosophy’ which resulted in ‘pushing back the boundaries of the state’. '20 However, beyond this description no more is said as to why this change occurred, how it was affected, why these ideas and not others took precedence or how ideas were presented to and accepted by the public.

However, there have been some notable exceptions in the tax politics literature which have examined the role of ideas more seriously. Sven Steinmo, an historical institutionalist scholar, traces the evolution of ideas in tax policy over the twentieth century and concludes that ‘elite ideas about tax policy have changed dramatically over the past century and that these ideas have had enormous consequences for the development of the modern state.’ '21 In a similar vein, Dennis Ventry Jr traces the post-war shift from equity to efficiency in US tax policy and comments that ‘the transformation was not the result of war, politicians, or social movements. Rather it reflected changes within the economic profession and its influence within the tax policymaking process.’ '22 However, neither of these analyses attempts to provide a framework to examine the nature, evolution and reception of ideas in tax policy. '23 In the Australian context, Eccleston devotes two pages of serious theoretical discussion of the role of ideas in tax policy outcomes. '24

This article therefore seeks to redress the dearth of serious consideration of the role of ideas in tax policy and to build on the work of scholars who have attempted to remedy absent or defective analysis on the role of ideas in public policy.

18 Blyth op. cit. p. 231.
19Sandford op cit; Boskin and McLure op. cit.
20 Sandford op. cit. p. 20.
23 Steinmo briefly establishes a typology of ideas (‘policy ideas (problem solutions), beliefs (interpretations), values (basic normative preferences) and interests (material self-interest’) but does not explain these terms any further: Steinmo (2003) op. cit. p. 207. Eccleston op. cit. pp. 22-23.
Part II – Typologies:

Of those who contend that ideas are an important influence on policy outcomes, more sophisticated accounts attempt to at least formulate a typology of ideas. Often the development of a typology as opposed to a definition results in some circularity, however in constructing such a typology we may indirectly begin to address fundamental questions such as: What do we mean by the concept of idea? What of the related concepts of ideology, norms, values or culture? What is the relationship between ideas and interests? How do ideas influence policy outcomes? Why are some ideas more influential than others? How does change occur?

Two of the most useful typologies have been offered by Peter Hall and John Campbell. Hall, an historical institutionalist, conceives of policy-making as a process involving three central variables: ‘the overarching goals that guide policy in a particular field, the techniques of policy instruments used to attain those goals, and the precise settings of these instruments.’ He labels this interpretative framework a ‘policy paradigm’. From this paradigm stems his account of policy change. First order change occurs where overall goals and instruments of policy remain the same but instrument settings are changed. In the taxation context, such a change might occur with efforts to reduce marginal tax rates. Second order change occurs where both policy settings and instruments change but the overall goals of policy remain the same. This might be evidenced by a move to expand the direct tax base in 1985 to include capital gains and fringe benefits to shore up the overall goal of generating adequate government revenue. Finally, third order change occurs when all three levels of policy change – the instruments, setting and the hierarchy of goals behind the policy itself. As an example of third order change, Hall focuses on the shift in macroeconomic policy from Keynesian to monetarist and supply-side economics from the 1970s onwards. This example will be discussed further below.

While Hall acknowledges that ideas themselves can facilitate change he makes the necessary concession that change depends on ‘the range of material circumstances, institutional structures, and ideas that were already there.’ He cites three criteria by which ideas might bring about third order change: first, there must be ‘economic viability’, that is the ‘apparent capacity

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26 Hall (1993) op. cit. p. 278.

27 Ibid. p. 279.

28 Ibid. p. 278.

29 Ibid. pp. 278-279.

30 Ibid. p. 279.

of ideas] to resolve a relevant set of economic problems'. This is tied to factors such as the nature of economic problems and an idea's theoretical appeal amongst scholars. Second there must be 'administrative viability' defined as the 'degree to which the new ideas fit the long-standing administrative biases of the relevant decision makers and the existing capacities of the state to implement them'. This invites consideration of the structure of the bureaucracy, the dominance of Treasury in macroeconomic policy or the role of the central bank. Thirdly, there must be 'political viability' defined as the 'fit between the new ideas and the existing goals or interests of the dominant political parties, interest groups, institutions and more broadly with the 'prevailing set of political ideas' of a nation. This last concept, he defines as consisting of 'shared conceptions about the nature of society and the economy, various ideas about the appropriate role of government, a number of competing political ideals, and collective memory of past experiences.' Each of these criteria might be weighed differently in different circumstances. Thus, Hall attributes the rise of supply-side economics more to its political viability which outweighed its lack of perceived economic viability within much of the economics profession.

While Hall offers one of the most sophisticated accounts of the role of ideas policy change there are a number of problems with his theoretical model. First, while we have 'policy paradigms' and 'viability', we are still left wanting for any meaningful conceptualisation of ideas. While a policy paradigm contains ideas they are not one and the same. Moreover, the linear framework focuses on how a pre-existing idea is received in a policy community. Surely, the ways in which these ideas are generated and in part a product of the 'political discourse of a nation' is an equally important area of enquiry. Hall hints at this in his conclusion:

Hence, ideas are central to politics in two ways. From the competing moral visions put forward by contenders for political power, a sense of collective purpose is forged; and out of the policy proposals generated by intellectuals and officials alike, solutions to common problems are devised.

Secondly, the distinction between second and third order change is not a bright line that is easy to draw. For example, while a move to reduce marginal tax rates would most likely be a first order change if the reduction occurs to such an extent that it may shift the revenue reliance from direct to indirect taxes it may be a second order change. Nevertheless the broader distinction between third order and other more prosaic policy change is useful. Thirdly, Hall's analysis of the means by which an idea gains 'political viability' is incomplete. While his account provides a useful schema to understanding how ideas gain currency at an elite or institutional level, it says little about how
a ‘new set of economic ideas’ such as Keynesianism come to fit the ‘prevailing set of political ideas’ or the ‘universe of political discourse’ in which it is thrust.\textsuperscript{39} Hall does not proceed much further than oblique references to the importance of media and interest groups in the ‘flow of ideas’\textsuperscript{40} between state and society. As Blyth contends, ‘[t]he mechanism of translation from academic debate to popular consciousness needs to be spelled out.’\textsuperscript{41} This paper aims to rectify the means by which ‘political viability’ is achieved.

In an attempt to spell out this process of translation, we might refer to John Campbell who offers a fourfold typology of ideas based on two important distinctions. The first distinction is that ideas can be background or foreground. By background he means the underlying or taken for granted assumptions or more broadly accepted and unquestioned principles of faith. By foreground he means the explicitly articulated policy-making of elites.\textsuperscript{42} The second distinction is that ideas may be either cognitive, that is they describe cause and effect relationships, or normative, that is they consist of values and attitudes.\textsuperscript{43}

Based on this dual distinction, Campbell develops his fourfold typology of ideas: Background ideas consist of both ‘paradigms’ and ‘public sentiments’. ‘Paradigms’ are cognitive background assumptions about the way things work, such as the principles of neoclassical economics. These in turn constrain actions by limiting the range of alternatives that policy-making elites are likely to perceive as useful.\textsuperscript{44} ‘Public sentiments’ are the elusive normative broad-based attitudes or assumptions of the public. These sentiments constrain actors who limit the range of alternatives by what they perceive as legitimate and acceptable to the public.\textsuperscript{45} Sentiments are ineffectively gathered through methods such as opinion polling. Building on this background are the foreground ideas consisting of ‘programs’ and ‘frames’. ‘Programs’ are policy prescriptions – cognitive concepts and theories that facilitate action amongst elites by specifying how to solve specific policy problems.\textsuperscript{46} An example of such a program would be the proposal for a GST. ‘Frames’ are the normative concepts that elites use to legitimise these programs to the public. Frames include the techniques of the political sell such as advertising, press releases and sound bites.\textsuperscript{47} Campbell links these ideas directly to the interested groups within the policy-making process:\textsuperscript{48}

The ability to influence policy making depends in part on finding which frames are the most appropriate to the policy-making struggle and that

\begin{itemize}
  \item\textsuperscript{39} Ibid. p. 383.
  \item\textsuperscript{40} Hall (1993) op. cit. p. 289.
  \item\textsuperscript{41} Blyth op. cit. p. 237.
  \item\textsuperscript{42} Campbell (1998) op. cit. p. 384.
  \item\textsuperscript{43} Ibid.
  \item\textsuperscript{44} Ibid. p. 385.
  \item\textsuperscript{45} Ibid. p. 392.
  \item\textsuperscript{46} Ibid. p. 389.
  \item\textsuperscript{47} Ibid.
  \item\textsuperscript{48} Ibid. p. 398.
often depend, in turn, on the ability of various interests to dedicate resources to them.

Whereas the strength of Hall’s account is to provide an explanation of the means by which ideas gain currency by elites and within institutional settings, the advantage of Campbell’s framework is that it more closely analyses the political process of translation from ideas into the ‘political discourse’.  However, it seems artificial and contrived to say the least that ‘programs’ are cognitive and ‘framing’ is normative. As will be shown, a program such as the GST, privileges certain values and attitudes in addition to offering purely cognitive problem solutions.

Moreover, there are deficiencies which neither theory seems apt to redress. First, we are still wanting for a more meaningful concept of ideas that is not either circular (that is ideas as policy), oppositional (ideas are not interests) or where ideas are purely descriptive labels for the categories of norms, values and economic theories contained therein. Secondly, Campbell does not move much further beyond the linear conception of the influence of ideas on policy outcomes. Thirdly, the difficulty or futility of creating accurate phenomenological labels is demonstrated by the divergent approaches both Campbell and Hall take to situating supply-side economics. For Hall it is a broad-based paradigm shift (akin to third-order change), for Campbell it is a program (akin to Hall’s first or second order change). Finally, as both authors admit, neither has formulated an adequate conception of the relationship between ideas and interests. 50 While Campbell advances the analysis with his concept of framing we do not progress much further than the usual references to the strategies open to politicians and interests groups, such as media campaigning and policy-packaging.

These respective strengths and deficiencies will be taken into account in developing the analytical framework for assessing the role of ideas in tax

49 Campbell is weaker on this aspect, for example in his analysis of the rise of supply-side economics (program) in policy-making he claims it gained ascendancy amongst economists because of the dominance of neo-classical economics (paradigm). This claim is made despite substantial evidence of opposition to supply-side theories amongst economists: For example David Beam argues ‘the theory’s key propositions never earned the widespread expert support normally thought to be necessary for such a dramatic impact on public policy.’: David R. Beam, ‘If Public Ideas Are So Important Now, Why Are Policy Analysts So Depressed?’ (1996) 15(3) Journal of Policy Analysis and Management 430.432; See also Hall (1989) op.cit. p. 383.

50 ‘Without denying the impact of material interests on the policy process, we need to know much more than we do now about the role that ideas play in policymaking and in the process whereby policies change.’: Hall (1993) op. cit. n. 23. p. 292; ‘Indeed the relationship among ideas, interests, and public policy is a complex one. A comprehensive analysis of the interactions among different types of ideas and interests, particularly with respect to paradigms and public sentiments, is beyond the scope of this article, but specifying different types of ideas and their possible effects is an important starting point for such an investigation.’: Campbell (1998) op. cit. pp. 400-401; See also Blyth ‘A better theoretical understanding of ideas needs to be developed’ op. cit. p. 245.
policy. In developing this framework, the example of the introduction of an Australian consumption tax will be used. In order to provide some context a brief history of the Australian consumption tax debate will be provided.

Part III - A brief history

Broad-based consumption tax reform dominated the Australian taxation agenda and eluded those who sought to pursue it for the better part of three decades. During that time, a broad-based consumption tax was the focus of no less than four major reform initiatives.

Its inauspicious debut began in 1974 and 1975 with the Reports of the Taxation Review Committee (‘the Asprey Committee’) which recommended the introduction of a value-added style tax amongst a raft of other measures for comprehensive tax reform.51 The recommendation failed to attract government support for the remainder of the decade, despite its later promotion by, then Treasurer of the conservative Coalition Government, John Howard.

The second attempt crossed the partisan divide, with the Labor Government’s 1985 Draft White Paper recommending a retail sales tax (RST) of 12.5 per cent as a central component of the Government’s preferred ‘Option C’ for comprehensive tax reform.52 The proposal was scuttled four weeks later in the pluralistic fall-out from the 1985 National Tax Summit (an unheralded Australian experiment in consensus-based tax policy making).

A new decade brought renewed reform efforts. In 1993, a 15 per cent goods and services tax (GST) was promoted by Coalition opposition leader, John Hewson, as the centrepiece of the Fightback! election package.53 The package, designed to return the conservative Coalition to office after 13 years in opposition, virtually single-handedly caused the loss of the ‘unlosable’ election.

The fall-out from this electoral disaster prompted the, then leader of the opposition, John Howard, to issue a ‘never ever’ declaration in 1995 that

53 Liberal Party of Australia, Fightback! It’s your Australia: the way to rebuild and reward Australia (Liberal and National Parties, Canberra, 1991); Liberal Party of Australia, Fightback! the Liberal and National Parties’ plan to rebuild and reward Australia (Liberal and National Parties, Canberra, 1991); Liberal Party of Australia, Fightback! Fairness And Jobs (Liberal and National Parties, Canberra, 1992).
hailed the death of the GST as Liberal-National Coalition policy. However, like Lazarus rising from the dead, less than three years later, a 10 per cent GST was proposed as the core component of the now incumbent Howard Conservative Government’s 1998 election tax reform package. The resurrection was facilitated by an ‘unholy’ alliance between the peak business association the Australian Chamber of Commerce and Industry (ACCI) and peak welfare body ACOS who both campaigned for consumption tax reform. The Government’s package, unassumingly entitled, A New Tax System (ANTS) promised, as the name implied, ‘not a new tax’, but ‘a new tax system’. On 3 October 1998, the Government was narrowly returned to office enabling it to negotiate passage of the legislation through the Australian Senate on 28 June 1999. On 8 July 1999, the Commonwealth Parliament of Australia enacted the A New Tax System (Goods and Services) Act 1999 (Cth), which heralded the introduction of a GST into the Australian tax system after more than 25 years of reform efforts.

Part IV - Building a framework of ideas:

As with other analyses, this paper develops a typology of ideas. It consists of: culture, values and norms, ideology, idea paradigms and policy proposals. Although mindful of analysing ideas by type rather than content, the aim of this paper is to advance the analysis of ideas in tax policy which, at least in the Australian context, is bereft. To this effect it will build on the approaches in the existing literature which define ideas by type. While it may be beneficial at some future point to seriously investigate alternative ways in which to conceptualise ideas, this is a question which requires reference to philosophy and which therefore goes beyond the purpose of this paper. However, in more closely interrogating these types of ideas, a clearer, albeit functional, conception of ideas should emerge.

The typology adopted maintains Hall’s distinction at least between first and second/third order change. That is between significant realignment of policy goals and more limited change of policy instruments or settings. However, in discussing how these ideas gain currency it goes beyond mere platitudes about national culture (Hall’s ‘prevailing set of political ideas’) to interrogate more closely not just the notion of culture but also the key concepts of norms and values (which sit both within and across cultures). In an attempt to address the lacuna between conceptualising the relationship between ideas and interests the concept of ‘ideology’ is introduced into the typology. As will be demonstrated, ideology may bridge the political gap between ideas, interests, norms and values. Finally, consistent with Campbell’s concept of

‘framing’, the analysis will briefly focus on the translation of ideas into policy outcomes.

Four key texts from each reform period will be used to specifically demonstrate the role of ideas in tax reform. These texts include:

- The Asprey Report (1975)\(^{58}\)
- The Draft White Paper (1985)\(^{59}\)
- *Fightback! It’s your Australia* (1991) (hereafter ‘Fightback!’)\(^{60}\)

As the context of each text differs slightly there are differences in approach. The Asprey report was produced by a non-partisan government committee with very broad terms of reference. Both the Draft White Paper and ANTS were produced by Treasury at the request of the Hawke Labor government and the Howard conservative government respectively. However, the Draft White Paper was produced after an election whereas ANTS was produced for an election. This may contribute to a more partial tone in ANTS. *Fightback!* is a product of John Hewson’s Liberal Party in opposition and is a highly-charged political polemic. The differences in the purpose, context and authorship of the text themselves will of course account for variations. However, keeping this in mind, as the major texts for each reform phase they are important documents to examine in order to assess the role of ideas in the Australian consumption tax reform discourse.

**Culture:**

In explaining policy outcomes, both Hall and Campbell refer broadly to notions of *culture*. Culture in this sense is usually conflated with national identity.\(^{62}\) Attempts to attribute policy outcomes to specific national cultures are often made in tax policy analyses.\(^{63}\) They usually occur either implicitly or explicitly, frequently in relation to isolated case studies often within a single jurisdiction and are generally made without verification.

From this perspective, the history of the GST reforms might be attributable to a certain Australian political culture. Thus, in 1998 Tran Nam attributed the failure to institute major consumption tax reform in Australia to an electorate

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\(^{60}\) Liberal Party of Australia, *Fightback! It’s your Australia: the way to rebuild and reward Australia* (Liberal and National Parties, Canberra, 1991).


\(^{62}\) Hall (1989) op. cit. p. 383.

who ‘are generally conservative and very reluctant to support any radical proposals’. However, the Howard government’s electoral success later that year on the platform of the GST begins to show the limitations of the cultural approach. Moreover, isolated claims attributing tax policy outcomes to specific cultural traits are liable to fall victim to largely futile contests for some kind of cultural ‘exceptionalism’. Thus Smith makes the claim of Australia that ‘[m]ore than in other countries, the popular will has resisted the extension of indirect taxation’. However, in a separate account of the Japanese consumption tax reforms Junko Kato makes a similar claim: ‘Japan encountered the strongest and most persistent public opposition to the introduction of the VAT.’

If there is merit in a more serious exposition of the cultural account, it requires more than the glib one-line assertions of cultural inimitability. In developing such an account of Australia we might begin by identifying some recognised patterns of national identity. Therefore, perhaps as a reflection of its geographic isolation, the tradition of Australian public policy has been isolationist or, as one commentator argues: ‘Australia has tended to insulate itself from the rest of the world to an abnormal degree.’ Twenty-first-century examples of this trend include the White Australia Policy’s migration restrictions, tariff protection for domestic industries and centralised wage-fixing. While these policies have been phased out to varying degrees, the approach continues to inform Australian public policy. Although efforts to divine national cultural norms are fraught with difficulty, there is, at least in much political discourse, an emphasis on a ‘fair go’. Of course, as with most norms or values the content of the notion is subject to endless political manipulation. Increasingly, however, the use of the term ‘fair go’ in political discourse connotes fairness of opportunity (for some) rather than fairness of outcome (for all).

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64 Binh Tran Nam 'Introduction and Summary' in Binh Tran-Nam (ed) Tax Reform and the GST: An International Perspective (Prospect Media, St Leonards, 1998), p. 4.
67 Alan Fenna, Australian public policy (2nd ed, Pearson Education Australia, Frenchs Forest, N.S.W., 2004), p. 28.
69 Some formal political efforts to capture the notion of a ‘fair go’ include the legislative insertion of a ‘fair go all around’ in section 635 Workplace Relation Act 1996 (Cth) relating to termination of employment; In 1999, Prime Minister Howard (amongst others) put various proposals for a preamble to amend the Constitution. The initial proposal read: ‘We value excellence as well as fairness, independence as dearly as mateship’. The final proposal (rejected by referendum in 1999) read: ‘We the Australian people commit ourselves to this Constitution…supportive of achievement as well as equality of opportunity for all’ (emphasis added): Constitution Alteration (Preamble) Bill 1999 (Cth); Gough, Deborah, ‘Australians value a ‘fair go’ highest’, The Sunday Age, 12 November 2006, 6.
Whether influenced by this isolationist tendency or otherwise, commentators beyond Tran Nam have remarked upon the conservatism of the Australian electorate as evidenced by a reticence for change, particularly evident at constitutional referenda. Moreover, the electorate’s scepticism of self-interested elites and a growing embrace of populism have recently been prominently demonstrated by the parliamentary success in the late 1990s of the xenophobic One Nation party and its subsequent impact on mainstream Government policy. This ‘strong populist streak’ extends to tax policy and, when combined with an adversarial two party political system, makes ‘it exceedingly difficult to pass tax legislation without first demonstrating...considerable popular support in the community.’

Thus, the Australian electorate’s conservatism, scepticism of political elites and embrace of the notion of a ‘fair go’ entrenched public resistance to a drastic reform prescribed from above with unknown effect. This tendency to maintain the status quo was assisted by populist ‘scare’ campaigns against major tax reform. From an historical perspective, the protectionist and isolationist nature of the Australian state from Federation may further explain the resistance to global reform trends.

However, there are two major problems with the cultural explanation: the first is definitional the second is causal. Firstly, culture is neither unitary nor immutable. One could equally highlight aspects of an Australian political culture that might indicate support for reform, for example, the small and highly targeted nature of Australian social spending could indicate less of a concern for those most adversely affected by a move to regressive indirect taxation. Indeed, one would need to make counter cultural claims in order to explain the acceptance of a GST by the Australian public. Secondly, while political culture may assist in explaining Australian resistance to reform, can the sudden turnaround from 1993 to 1998 be explained on cultural grounds alone? At a comparative level, is there anything to suggest that Australians are more or less resistant to reform than, for example Canadians, who virtually deposed their ruling government for implementing a GST? As Steinmo argues, the global tendency to tax policy convergence and the lack of empirical evidence in support of the cultural approach undermines its

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70 See Fenna, op cit p. 53.
71 Only eight of forty four proposals to amend the Constitution have been carried.
72 Fenna, op cit p. 57.
73 For example, following the ‘Tampa Crisis’ (where the Australian government refused permission for the Norwegian cargo vessel the MV Tampa to dock following the ship’s rescue of 460 asylum seekers) the 2001 federal election campaign was dominated by the issue of ‘border protection’ whereby John Howard campaigned on the slogan ‘we decide who comes into this country and the circumstances in which they come’: see David Marr and Marian Wilkinson, *Dark Victory* (Allen & Unwin, Crow’s Nest, NSW, 2003).
In order to establish any link between nebulous notions of culture and specific policy change, cultural explanations need to be complemented by political ones.

**Norms/values:**

As both Hall and Campbell indicate, we might more specifically examine the norms or values which a culture might be said to hold or promote. While this is a useful avenue of inquiry, the problem with such an approach is the way in which Hall's 'prevailing set of political ideas' or Campbell's 'public sentiment' appear to simply be confined to national boundaries. While norms and values might be given specific content by appeal to cultural ideals, norms and values also transcend national boundaries.

An analysis must therefore be able to comprehend at least five things: first, the ways in which appeals to norms and values are translated with reference to cultural identity; secondly, the inverse corollary of how culture is packaged in terms of norms and ideas; thirdly, how norms and values operate across national boundaries – indeed given the increasingly globalised domain of fiscal policy the need to conceptualise these key norms and values beyond national boundaries seems vital; fourthly, how norms and values are given content by different methodological appeals to, for example, economic, political or philosophical discourse; and finally, how the content given to norms and values changes over time.

The public finance criteria of equity, simplicity and efficiency in taxation provide a useful starting point for such an analysis. An analysis of the treatment of these norms and values in the Australian GST debate demonstrates that better understanding the role of these concepts is not simply a matter of academic interest.

**The cultural content of norms**

In deciding how far the concept of equity should embrace the 'essentially and acutely political question' regarding the appropriate role of taxes in the distribution of income and property, the Asprey Report attempts to divine an 'underlying national unity' from which to answer the question posed. The report states:

> Australia has a very homogenous society, both economically and socially...it is predominantly tolerant and individualistic. Most Australians are self-reliant and indisposable to believe that there exists any kind of exact social scale in which they have their own precise

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77 Ibid. p. 286.

78 Asprey Report op cit p. 32.

79 Ibid. p. 33.

80 Ibid.
place, still less to identify such a scale and their own place in it by reference to their own and their neighbour’s income or wealth.

From these assumptions the committee arrive at the elliptic conclusion that, as a minimum, every Australian would agree:\(^{81}\)

that taxes should be related to ability to pay, that they should be used to assist the aged, the unemployed, the sick, the economically weak, and those burdened with the upkeep of large families; that while poverty exists some limits should be put upon the passage of growing accumulations of wealth from generation to generation.

However, the Committee refrained from using culture to explain how to achieve these basic goals quantitatively because this was a question that stemmed ‘ultimately from the moral – or if you will, immoral-beliefs of individual citizens.’\(^{82}\)

Thus, in Asprey, one can see quite clearly the imputation of culture to legitimate (albeit reluctantly) its broad conclusions for reform.

**The normative appeal of culture**

As discussed above, Australian public discourse is replete with references to ‘a fair go’. The consumption tax literature contributes to the trend – generally in relatively clumsy attempts to attribute some specifically Australian notion of fairness. Thus *Fightback!* under the heading ‘Individual values & national goals’ states that ‘Australians know what they don’t want. They don’t like big government, big unions and big bureaucracy.’\(^{83}\) Therefore ‘our leaders must re-dedicate themselves to the values Australians have in common.’ These values of course include equity where:\(^{84}\)

For us, equity means giving everyone the right to pursue their own goals in life without being penalised and brought back to the lowest common denominator if they succeed. For Labor, equity means promoting government as the first, not the last, resort and concentrating more on redistributing wealth than creating it.

While *Fightback!* was ultimately a political disaster, similar claims of some unique quality of Australian fairness are made in the ANTS material. Here tax reform is required in order to ‘uphold the proud Australian tradition of a fair and open society which ensures both incentives to achieve and protection for the disadvantaged.’\(^{85}\)

**The global appeal of norms:**

Even the most cursory examination of the international public finance literature reveals that appeals to equity, efficiency and simplicity transcend

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81 Ibid. p. 32.
82 Ibid. p. 33.
83 *Fightback!* op. cit. p. 23.
84 Ibid. p. 24.
85 ANTS op. cit. p. 11.
However, the global context dramatically alters the interpretation of these norms. Neil Brooks has commented that owing to the ‘increasing internationalization of domestic economies’ a further criteria might be added to tax policy, that of ‘international harmonisation or competitiveness.’ This claim is borne out by an examination of the Australian consumption tax literature. While the Asprey Report makes international comparisons it does so as a means to better comprehend and assess the Australian tax system. Moreover, following a heavy discussion of the three primary criteria, under the heading of ‘Other Objectives’ the Asprey Report devotes a mere paragraph to a ‘subject of much controversy’, namely the role of economic growth as a legitimate objective in tax policy.

In contrast, the ANTS package laments an ‘internationally uncompetitive’ tax system and calls for its replacement with ‘a modern tax system’ so as to secure ‘Australia’s future economic growth and dynamism.’ Here globalisation serves as not just a yardstick but a lightning rod for appeals to increase economic growth so as to enhance international competitiveness. Therefore Asprey’s peripheral and controversial criteria of economic growth gains urgent ascendancy.

**The disciplining of norms**

Despite the occasional intrusion of political or philosophical analysis, ideas in fiscal policy are frequently dominated by economics. The hegemony of economics in tax policy might be attributable to a number of factors. First, and most obviously, the importance of tax in the operation of market economies. Secondly, economics offers at least some hope for modelling or predicting the effects of different choices. In turn it is one of the few disciplines that promise to redress the ‘large empirical uncertainties about the economic consequences of different choices’ in fiscal policy. However, the lines between description, prediction, normative agenda and political interest are often murky in economic analysis. As Blyth explains:

In the case of economic ideas, by defining the economy and polity and the role of the individual within them in a specific manner they act as both a normative and positive theory of the optimal state of economic (and therefore) political affairs.

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88 Asprey Report pp. 8-11.
89 Ibid. p. 17.
90 ANTS op. cit. p. 5.
91 Ibid. p. 3.
94 Blyth op. cit. p. 246 [emphasis added].
This duality of norm-setting and description in combination with the esoteric language of economics is open to manipulation. Thus Ventry provides a compelling account of how, during the post-war period, the official institutions of US tax policy, the House Ways and Means Committee and the Senate Finance Committee, eschewed discussion of the more ephemeral and immeasurable concepts of equity in favour of the more readily verifiable concepts of efficiency and neutrality. While ostensibly non-partisan and neutral, this approach favoured the ‘supply-side emphasis on economic growth and efficiency’ over ‘concerns regarding income and wealth inequality.’ As will be shown under the discussion of idea paradigms, a similar privileging of supply-side theories occurred within the Australian consumption tax reform debate.

**The evolutionary content of norms**

Commentators such as Sven Steinmo and Joel Slemrod, have highlighted the evolution of economic thinking over the twentieth century from an emphasis on the values or norms of equity and redistribution to efficiency and neutrality. In this respect, the global shift to consumption taxes can be seen as a reflection of the global shift in dominant economic thought. Within this shift a ‘fair tax’ gives priority to ‘equality of opportunity rather than equality of result.’ Indeed Ventry goes further, arguing that by the early 1980s, tax “efficiency” in some circles meant the same thing as tax “equity.”

This evolution can be traced through the Australian consumption tax reform debate. Prior to the Asprey Report, a broad-based consumption tax was rejected on fairness grounds. However, in recommending broad-based consumption tax reform both the Asprey Report and the Draft White Paper were acutely aware of the balancing the competing criteria and the need to strike inevitable compromises.

However, in ANTS the problem of compromise is simply avoided by conflation:

> The new tax system will be fairer. It provides stronger incentives to work and save...The government’s tax reform plan builds on four pillars to achieve a fairer tax system: incentive, security, consistency and simplicity.

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95 Ventry op. cit. p. 47.
98 Ventry op. cit. p. 54.
101 ANTS op. cit. p. 15.
Thus fairness becomes the catch-all imprimatur for whatever concept of fairness or efficiency or simplicity its authors seek to promote. Fairness is incentive, fairness is simplicity, fairness is whatever you want it to be.

**Idea paradigms:**

Consistent with Hall’s definition of ‘third order change’ within policy paradigms, this typology examines the broader idea paradigms or frameworks specifically those offered by Keynesian or monetarist macroeconomic policies.

The advent of stagflation\(^{102}\) in the 1970s in Australia and elsewhere undermined one key tenet of Keynesianism - that of the inverse relationship between unemployment and inflation as represented by the Phillips curve.\(^{103}\) Moreover, the economic instability opened the Keynesian world view of the economy and government to attack. Keynesianism and monetarism were based on fundamentally different cognitive world views. The Keynesian view of fiscal policy as strong and monetary policy as weak reflected a view of ‘the private economy as unstable and in need of intermittent fiscal adjustment’.\(^{104}\) This included specific policy prescriptions such as ‘counter-cyclical demand management’.\(^{105}\) In contrast, monetarist economists ‘saw the private economy as stable and discretionary policy as an impediment to efficient economic performance’.\(^{106}\) They viewed economic fluctuations as attributable to changes to the money supply rather than expectations affecting aggregate demand. Therefore, policy prescriptions were targeted towards the control of money. Meanwhile supply-side economic theories advocated tax cuts for high-wealth and income earners on the basis that lower tax rates would encourage greater productivity, higher levels of investment and therefore stimulate growth (and therefore government revenue).\(^{107}\)

The divergent conceptions of the economy led to fundamentally different conceptions of the role of government. Whereas Keynesianism required a strong government that was able to intervene in the market with policies to stimulate employment and growth, monetarism advocated policies directed towards pushing back of state boundaries including deregulation, privatisation and reductions in expenditure.\(^{108}\) The dramatic demise of the ‘big-spending’

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\(^{102}\) Stagflation is the simultaneous rise of inflation rates and fall of real GDP growth rates and employment rates: Douglas McTaggart, Christopher Findlay and Michael Parkin, *Economics* (Second ed, Addison-Wesley, Sydney, 1996).

\(^{103}\) Campbell (1998) op. cit. p. 386.

\(^{104}\) Hall (1993) op. cit. p. 284.

\(^{105}\) Keynesianism viewed the economic fluctuations as arising from changes in expectations affecting aggregate demand. Therefore prescriptions such as counter-cyclical demand management required more spending and tax reductions in periods of recession so as to stimulate economic growth. Conversely, during periods of excessive demand it required deflationary policies to reduce consumer demand and thwart inflationary pressure: McTaggart et al. op. cit. p. 774.

\(^{106}\) Hall (1993) op. cit. p. 284.

\(^{107}\) Campbell (1998) op. cit. p. 386.

\(^{108}\) Sandford, op. cit. p. 20.
Whitlam government provided further ammunition for the monetarist advocates.

The economic instability of the 1970s alone does not explain the rise of monetarism as the dominant ideational paradigm. The subsequent advances in neo-Keynesian analysis demonstrate there was nothing necessarily finite about the proclaimed end of Keynesianism.\textsuperscript{109} Moreover, it was by no means coincidental that the positivist prescriptions of monetarism fit neatly with the normative values of conservatism.\textsuperscript{110}

The monetarist critique of fiscal activism contained a new set of arguments for the long-standing Conservative position that public spending and the role of the state in the economy should be reduced.

Hall provides an account of how monetarist macroeconomic policies gained ascendancy in the United Kingdom through the action of its conservative promoters. He cites aggressive proselytising by those advocating monetarist policies, the election of conservative leaders (Margaret Thatcher, Ronald Regan, Malcolm Fraser), institutional changes within the bureaucracy and the advocacy of key media commentators (over public finance economists) as contributing to the third order change.\textsuperscript{111}

One can trace the dominance of supply-side theories in the official consumption tax policy documents. *Fightback!* unquestioningly asserts that ‘[h]igh marginal rates have discouraged work, saving and investment – and also increased the incentive to avoid tax.’\textsuperscript{112} ANTS continues on the same theme:\textsuperscript{113}

The current personal income tax system combines high marginal rates and low thresholds. The result is that the system has eroded the incentive for many Australians on average incomes to work harder, and earn more for themselves and their families.

On one view, the shift from Keynesian economic policy to monetarist policies might simply be regarded as an instance of policy learning triggered by the worldwide economic shocks of the 1970s. However, the sudden rise of a largely peripheral economic theory to the dominant policy paradigm of macroeconomics is more than an instance of simple policy learning. While the shift was triggered by material circumstances (the economic uncertainty of 1970s), the change occurred for more complex reasons. Thus powerful conservative actors were able to employ the monetarist paradigm to promote their ideological and normative preferences. Change was achieved through strategic and aggressive tactics of promotion which succeeded in achieving political viability at least at the elite level. These paradigmatic ideational

\textsuperscript{109} McTaggart et. al. op. cit. p. 775.
\textsuperscript{110} Hall (1993) op. cit. p. 286.
\textsuperscript{111} Ibid. pp. 283-292.
\textsuperscript{112} *Fightback!* op. cit. p. 18.
\textsuperscript{113} ANTS op. cit. p. 6.
changes in turn provided a basis from which to legitimise the clamour for tax reform.

**Interests:**

As Hall rightly acknowledges:114

Policymaking in virtually all fields takes place within the context of a particular set of ideas that recognize some social interests as more legitimate than others and privilege some lines of policy over others.

Thus we introduce the concept of interest (material self-interest of individuals and groups).115 Under this approach we might consider how ideas are both created by and employed by various actors or groups in order to achieve desired policy outcomes.

This critical juncture overlaps with the vast body of literature concerning the impact of the distribution of power within society on policy outcomes and is therefore outside the scope of this paper.116 While it is impossible to separate ideas from the actors who create and pursue them, this paper is not concerned with the power-based analysis so much as tentatively exploring the confluence between ideas and interests. For present purposes we might therefore make some preliminary observations.

While Hall and Campbell focus on the role of powerful conservative elite in promoting the monetarist agenda.117 However, when we examine the more specific issue of the Australian consumption tax reform the role of interested actors becomes much more complex. Undoubtedly certain elite interest groups such as the Business Council of Australia (BCA) or the Australian Chamber of Commerce and Industry (ACCI) played a critical role in advocating consumption tax reform. However, the somewhat anomalous and surprising promotion of consumption tax reform by the peak welfare group ACOSS indicates the issue is more complex. Why did ACOSS pursue such a line? Why was their support perceived to be important by other (arguably more powerful) actors? While answering the first question goes beyond the

115 Ibid.
scope of this paper, the answer to the second suggests something about the role of ideas in policy outcomes. The support of welfare groups was perceived to be important in order to implement a GST. This speaks of the need for legitimacy in public policy, it is of course a more compelling argument to state this change will be better for everyone rather than this change will be better for the well-off.

**Ideology**

The concept of ideology perhaps offers the greatest hope for elucidating the means and methods by which interested actors contest for legitimacy and acceptance of ideas. While the concept of ideology in tax policy is certainly not new, no serious attempt has been made to link the concept to a broader ideas framework.\(^{118}\)

Reflecting the political subject matter of the term, definitions of ideologies are themselves often value-laden or pejorative. Giddens, for example, defines ideologies as the ‘values and beliefs which help secure the position of more powerful groups at the expense of less powerful ones’.\(^{119}\) Such a definition sees ideology as concomitant with a unidirectional flow of power, thus ideologies are forged by powerful groups at the expense of others.

Michael Freeden has developed a much more sophisticated approach to conceptualising ideology. Freeden highlights the functional and semantic role of ideologies. In a variant of his approach, we might define ideology as a system of thought held by a significant group through which specific meaning is conferred upon every political concept in their domain with the aim of justifying, contesting or changing the social and political arrangements and processes of a political community.\(^{120}\) Ideologies are recurrent rather than isolated (and thus distinct from, say, a policy). While a significant group might be a powerful group, Freeden’s definition moves beyond Gidden’s unidirectional conception by conceiving of a number of potentially significant groups struggling in the contest for meaning. Significance may be derived by various means such as control over the media, resources, the means of production or through intellectual hegemony. Moreover, ideology is purposive in the sense it tries to influence policy or political outcomes.

Freeden also crucially contends that an ‘ideology attempts to end the inevitable contention over concepts by decontesting them, by removing their meanings from contest. ‘This is what justice means’, announces one ideology,

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\(^{119}\) Giddens op. cit. p. 670.

'and that is what democracy entails.' \textsuperscript{121} Thus ideologies attempt to render uncertainty obsolete and claim absolute legitimacy in political discourse.

In identifying ideologies we can have recourse to the leading ‘isms’ (such as liberalism, conservatism, socialism) which seek to attribute a particular absolute meaning to politically contested concepts. However, analyses of tax policy have been somewhat less refined. Attempts that attribute tax policy outcomes to specific ideologies fix on the most visible manifestation of ideology – partisanship. Thus, at its crudest, one might expect parties associated with the left to embrace more progressive modes of taxation while those on the right to favour more regressive taxes. \textsuperscript{122}

Susan Hansen offers an example of such an approach in relation to tax policy in the United States by linking policy outcomes favouring redistribution in the United States with legislatures controlled by the Democrats. \textsuperscript{123} Hansen supports her proposition by two primary means. First she bases it on the observation that that many tax changes up until 1978 were the work of Democratically-controlled congresses. However, beyond these specific references to reform, Hansen circuitously rests her argument on three assertions: (a) Democrats have higher support for redistribution (than amongst general electorate) (b) redistribution is mostly achieved through expenditure rather than revenue (c) Democratic legislatures are more likely to spend more…therefore Democrats show stronger support for redistribution. \textsuperscript{124}

Beyond the methodological problems, the bipartisan embrace of consumption taxation in Australia from the early 1980s contradicts a firm hypothesis linking partisanship to policy outcomes. As Peters concludes, the link between political ideology and tax policy is not strong because ideological purity is always tempered by political reality, primarily the need to secure re-election. \textsuperscript{125}

However, ideology is broader than what is reflected in political parties. Neil Brooks articulates the case for the significance of ideology on policy outcomes. His comments are worth repeating at length: \textsuperscript{126}

\begin{quote}
In the 1960s, when regard for the progressive income tax reached its peak among economists and policymakers, the prevailing ideology was one of optimism about the value of striving for a more equal and just society and the ability of governments to achieve those ends. During
\end{quote}

\textsuperscript{121} Ibid. p. 54; Michael Freeden, \textit{Ideologies and political theory: a conceptual approach} (Oxford University Press, Oxford, 1996), p. 75.

\textsuperscript{122} Peters, op. cit. p. 9.


\textsuperscript{124} Ibid.

\textsuperscript{125} Ibid.

the late 1970s, when economists became infatuated with consumption taxes, the dominant ideology was moving decisively to the right. Policymakers were being urged to constrain democratic impulses and collective decision-making and to liberate individual greed. Public finance economists rushed to provide an intellectual foundation for that prevailing ideology.

Leaving aside Brooks’ own obvious ideological preferences, commentators are virtually unanimous in their appraisal of the worldwide reforms of which the Australian GST was a belated part. As Steinmo concludes, ‘virtually all analysts agree that the cumulative effects of the many tax policy changes in OECD nations over the past decade and a half have made these tax systems less progressive.’

As a means by which groups vie for control over meaning, ideology is inextricably linked to interest. The success of the wealthy in redistributing the tax burden downwards might signal a victory in ‘the continuing struggle among contending interests for the privilege of paying the least.’ While such a victory might be attributable to the rise of a specifically conservative ideology, this ideology was given legitimacy by both the ‘intellectual foundation’ of monetarist economics and by appeals to cultural and normative and values. In part the victory was the product of resigned realism, as Sandford argues:

[G]overnments believe they can no longer effectively manage or control private economic decision-makers through the tax system. A ‘good tax system’ has moved from being one that explicitly introduced distortions into the capitalist market-place to one that minimises these distortions. In short, it is widely believed by the left and the right that a ‘good tax system’ keeps the government out of economic decision-making.’

Thus, in the struggle over ‘decontest ed’ meaning the answer was simple, let the market run free of government interference – growth and greater inequality is preferable to more equality and less growth.

The process of decontesting is aptly demonstrated in the Australian consumption tax reform literature. While it was not the place of Apsrey to express an opinion on the size of government, each of the subsequent reform

\[127\] Steinmo (2003) op. cit. p. 223; See also: Peters ‘the effect of tax reform has been to impose a somewhat higher rate on lower and middle incomes’: op cit p. 278; Sandford ‘With hardly an exception, vertical equity, if it entered at all, was seen as a constraint rather than an objective; there was little or no attempt to ensure that tax reform did not increase them – that it was distributionally neutral.’: op cit p. 22, 223.

\[128\] ‘Tax reform has now come to mean the redistributing of existing tax burdens downwards’: Steinmo (1993) op. cit. p. 156.

\[129\] Eisenstein op. cit. p. 4.

\[130\] Sandford, op. cit. p. 224
efforts spruiked the cause of small government. Thus the Draft White Paper states:\textsuperscript{131}

The present Government has already accepted the view that the growth in government spending and in the overall burden of taxation should be curtailed.

In more polemic tones \textit{Fightback!} declares:\textsuperscript{132}

Government which tries to correct every social ill invariably creates more problems than it solves. The more governments replace wide freedom within clear rules with a raft of special regulation designed to keep everyone happy, the closer they come to dictatorship.

Moreover, \textit{Fightback!} deliberately refutes ideology in favour of indisputable facts:\textsuperscript{133}

The Coalition’s commitment to individual choice, private enterprise and economic growth is one that derives no from ideology but from practical results. Our own history testifies, and the collapse of socialism everywhere confirms, that economic growth based on individual private enterprise is the best way to generate a dynamic economy, to maximise freedom and to enable society to care properly for those in real need.

Of course one might struggle to find a more ideologically-driven call to arms. Finally, in a similar vein, ANTS called for tax reform to ‘liberate the potential of Australia’s unique human and natural assets through removing the dead hand of centralised control’.\textsuperscript{134}

Regardless of whether one can adequately formulate a link between partisanship and tax policy, the above discussion shows that not only is ideology, as defined, an indisputable influence on policy discourse it is a key vehicle by which culture, norms and idea paradigms are employed for political ends.

\textit{The translation or ‘framing’ of policy proposals into outcomes:}

The final two components of the framework, consisting of policy ideas and translation, bear only brief mention as they have already been addressed in the above discussion.

Policy proposals are simply problem solutions\textsuperscript{135} or akin to Hall’s first or second order change. This would include the GST. The above discussion

\begin{flushright}
\textsuperscript{131} Draft White Paper op. cit. p. 1.
\textsuperscript{132} \textit{Fightback!} op. cit. p. 28.
\textsuperscript{133} Ibid. p. 25.
\textsuperscript{134} ANTS op. cit. p. 11.
\textsuperscript{135} Steinmo (2003) op. cit. p. 207.
\end{flushright}
has shown the means by which a policy idea gains currency via cultural, normative and ideological manipulation.

Translation is akin to Campbell’s framing and enables the examination of the strategies and rhetoric employed to sell or package policy ideas politically. The various tactics employed in the official documents of the Australian consumption tax debate to package ideas along cultural, normative and ideological lines has already been discussed. However, we can safely assume that few Australians bore the information costs of poring over these key texts. Therefore, an examination of translation would also have regard to the additional strategies open to proponents of major tax reform such as the importance of the political sell for tax policy specifically by individual leaders and increasingly through media campaigning where what is left unsaid is equally, if not more, significant than what is said.\(^{136}\) Such a discussion goes beyond the scope of this paper.\(^{137}\)

**Part V - Theoretical insights/preliminary conclusions:**

This paper began by acknowledging the problematic treatment of the role of ideas in public policy and the almost negligent treatment of ideas in tax policy analysis. Its primary aim has therefore been twofold: firstly, to argue for the importance of ideas in tax policy outcomes; secondly, to advance scholarly debate on the role of ideas in tax policy.

It did so through the development of a typological framework of ideas consisting of culture, values/norms, idea paradigms, ideology and policy proposals. Within this framework it also discussed the related concepts of the power of interested actors and the translation of policy proposals into policy outcomes. While acknowledging the limitations of conceptualising ideas by type, the framework highlights the fluid relationship between culture, norms, ideology, idea paradigms and policy outcomes. Thus, for example, it was shown how culture was employed in the Australian consumption tax debate as a means to give specific content to the key public finance norms of simplicity, efficiency and equity. Importantly, the framework introduced into the literature the key concept of ideology as a means by which to better understand the nebulous link between ideas and interests. In applying this framework to the Australian consumption tax reforms we were able to see how the development of a more sophisticated framework for analysing ideas is not simply a matter of academic interest but of practical importance.


\(^{137}\) However, it falls within the fourth paradigm of explanations for tax reform, that of processes, and is therefore also the subject of the author’s doctoral thesis.
The scope of this paper was deliberately confined. As a result there are omissions which will require further examination. First, there may be merit in attempting to formulate a definition of ideas in tax policy that is not circular (that is ideas as policy), oppositional (ideas are not interests) or that reduces ideas to descriptive labels. However, the formulation of any definition of idea should not become too esoteric. An advantage of the typological approach is that it focuses on key aspects of the policy process. Secondly, this paper did not explore, in any significant depth, the relationship between ideas, material circumstances (environment), interests (power), institutions and processes. This is however the subject of the author’s doctoral dissertation which is currently in progress. Thirdly, this paper did not consider the emergence of ideas (as opposed to the reception of ideas). Investigating how ideas emerge may be a useful avenue of inquiry. Developing an understanding of the ways in which ideas are generated and in part a product of the ‘political discourse of a nation’ contributes to a non-linear and arguably more useful conception of ideas in policy processes. Such an enquiry would also enable examination of what some have labelled the declining quality of public ideas. For example, Beam claims that the quality of ideas is declining because ideas are now designed with the ascertainment of specific policy outcomes in mind rather than for broader public purposes.\textsuperscript{138} Such an analysis should also highlight the ways in which interested actors employ resources such as think tanks so as to deliberately generate ideas in order to achieve policy outcomes.

This paper has aimed to provide a framework from which to pursue these further avenues of inquiry. Such efforts will lead to a greater understanding of the important role of ideas in influencing tax policy outcomes.

\textsuperscript{138} Beam op. cit. p. 433.
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