

TITLE: Evidence-based policy gets lost in the politics of the day

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In New Zealand, cabinet documents are routinely released soon after cabinet has made a decision. In fact, the New Zealand guide for accessing cabinet documents states explicitly that the need for public servants to provide “frank and fearless” advice is not a reason to keep cabinet submissions secret.

Where many Australian public servants might react to this heresy by leaving out detail and problems, in New Zealand most public servants have had the opposite response. They know that their submission will most likely be read by academics, the opposition and the media so they work hard to ensure that cabinet is provided with an honest assessment of the strengths and weaknesses of the evidence and arguments for policy decisions.

Yet here in Australia, where major cabinet decisions are made on late-night phone hook-ups, we will probably have to wait two decades to read what sort of “evidence” cabinet takes into account.

So-called “evidence-based policy” played a brief, but not influential, role in Australian public policy after Kevin Rudd won the 2007 election. Last week provided two examples of its demise.

First was the beginning of the Senate inquiry into how the Gillard government developed the second version of the mining tax, with the inquiry necessary as the ministers who were in the room now admit they did not understand the detail of the deal they reached.

Second, after a 15-month roundtable process and clear acknowledgement that the current \$32 billion tax concessions for superannuation are unsustainable and inequitable, we ended up with minor tweaks that will save less than 1 per cent of that cost because the finance industry was threatening to run some TV ads.

Rudd swept to power promising his government would focus on evidence-based policy but in reality cabinet decision making is a lot harder than collecting and collating evidence. Decisions about what is fair, sustainable or wrong are inherently personal and, in turn, inherently political. While the public service, interest groups and statutory authorities can

provide evidence it is cabinet, and ultimately the parliament, to decide such matters. Waiting for more clear evidence is simply an excuse for inaction, or to retain the status quo.

The preferred vehicle for delaying hard decisions has become the commissioning of a cost benefit analysis from the Productivity Commission. While the PC often collects high quality evidence, no economists graduate with the ability to divine right from wrong. In fact, economists often can't even agree on the difference between efficient and inefficient.

While a cost-benefit analysis is a great tool for deciding between the cheap or expensive photocopier, it is next to useless in choosing between improving indigenous health and the impact of slightly higher tax rates on the motivation of the wealthy to work and save.

This week the Australian Industry Group called for a cost-benefit analysis of the NBN. While such an inquiry seems to make sense, the whole venture hinges on the capacity of economists to estimate the value of a piece of infrastructure that hasn't been installed yet, to citizens that haven't been born yet, who will be working in industries that haven't been invented yet. Any attempt would be glorified guesswork.

If the AIG is really worried about the potential for waste of taxpayers' money, it should support a cost-benefit analysis into the cost of tax concessions for superannuation. Over the next 10 years they will probably cost taxpayers more than half a trillion dollars while delivering small savings in the cost of the age pension. No doubt the Treasury has a good idea how small the savings on the age pension will be, and no doubt that is why we will have to wait years to read the cabinet submissions.

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