

TITLE: What we don't know can hinder us

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The federal government spent \$374 billion last year providing services to its citizens, but it's amazing what the government doesn't know about those citizens.

It is only every five years that we accurately measure the population through the census, and it's only every six years that we get an accurate indication of what households spend their money on.

Up until last week, we weren't even planning to collect accurate data on online retail.

In an era of so-called "evidence-based policy", it is amazing how little evidence many ministers are willing to base their decisions on or, alternatively, how happy they are to use old data rather than invest in a clear understanding of what is happening.

But it is not just public sector decision makers who seem happy to observe what is happening in the economy or society through blurry statistical binoculars.

Indeed, it was recently revealed in this paper that what was previously estimated to be a massive under-supply of housing, by 228,000, actually turned into an oversupply of 341,000 when accurate data from the latest census was used.

Whoops. You'd think the building industry would be clamouring for accurate data, but it seems not.

New data from the Australian Bureau of Statistics can be worth billions of dollars, as can be seen by the stockmarket's response to the release of new retail sales figures or the consumer price index (CPI).

Again, you would think investors who are keen to avoid buying the wrong stocks, or paying too much for them, would be leading the charge for more data to be collected and released more quickly. Again, it seems not.

The consequences of making big decisions on small amounts of evidence can be costly.

For example, the Reserve Bank of Australia described Australia's CPI as among the worst in the developed world, and went on to say that "in recent years, there have been a couple of instances of quarterly readings for inflation that subsequently proved not to be representative of the general trend".

That's a polite way of saying the RBA set interest rates on data that turned out to be wrong.

In 2010, after consulting with the RBA and other users of its CPI, the ABS recommended that the CPI be published monthly instead of quarterly but, two years later, the funding for such a refinement has not been found.

In recent years there has been heightened interest in the level of foreign investment in Australia with interest, not surprisingly, peaking whenever a large foreign acquisition is mooted. It would, of course, be more useful to have a considered discussion based on accurate data rather than an emotional debate about the symbolic significance of individual foreign purchases.

However, since the ABS no longer publishes regular data on foreign ownership, it seems we will have to settle for emotion-based policy instead.

Like all public sector agencies, the ABS is being asked to do more with less, but while the spin doctors can fudge the facts, the statisticians cannot. The smaller the sample size, the less reliable the data. The longer the gap between surveys, the less accurate the forecasts will be.

But in a rapidly changing world, it is not just our data collection that needs to be improved; we need to collect new data about new problems. Imagine if we knew if homes built last year used more or less energy per occupant than homes built the year before – we could evaluate if energy efficiency regulations were working.

Imagine if we knew the average traffic speed through our capital cities each morning – we could evaluate if the tens of billions of dollars we are spending on roads is delivering improvements.

And imagine if we knew how many people fell out of hospital beds or were given the wrong medications last month – we could evaluate how well hospitals were being managed rather than how quickly they patch people up on Saturday nights.

But imagining data is no substitute for collecting it, and governments, oppositions and business leaders seem content to pretend that organisations such as the ABS should do more with less rather than admit to themselves, and to the public, that there is much of the economy and society about which we have nearly no idea.

But while they can dissemble and excuse and feign surprise when it turns out problems aren't really being solved, there is one fact that not even the best spin doctor can frame in a positive light: the less we spend on data, the less we know about what's going on.

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