

[ACCOUNTABILITY: SILVANA ANTHONY]

# Ending the blame that mars

# the budget numbers game

## Economic advice

Australia's new parliamentary budget office should be modelled on its US Congress counterpart

Irrespective of which major party forms government over the coming week(s), Australia will have a parliamentary budget office established over the course of the next term.

While the Coalition promised this as part of its election platform, with modest funding of \$2 million, Labor has agreed to a budget office as part of a "deal" with the Greens. There has been some debate about whether such an office is needed, but there has been no real debate about how to structure and fund such an office so as to effectively service the Federal Parliament and raise the standard of the national economic debate.

Nonetheless, the commitment to establish a parliamentary budget office is an overdue reform that will prove more significant and useful than any change proposed so far to parliamentary processes or question time rules (which will continue to be a political tool of the government of the day).

The budget office's appearance as an election commitment by both the opposition and the Greens is testament to the wariness with which politicians, media and voters have come to treat the inane finger pointing over the "costing" of election policy promises. Over the past decade, the last weeks of Australian election campaigns have typically featured incumbents

accusing the opposition of incompetence and budget black holes while the opposition cries foul over the unfairness of the costing process.

Former treasurer Peter Costello's political construct – the Orwellian-titled Charter of Budget Honesty – gave the opposition "access" to the Treasury and Finance Department to cost election commitments, but the process was never about third-party access to public servants and always about exploiting incumbency.

As a result, there is no alternative "official" source of fiscal or macroeconomic advice available to opposition parties or backbenchers. The Parliament – and everyone else, for that matter – presently relies on the budget for information about the fiscal framework in Australia, including historical data on outlays, revenue and budget outcomes and spending estimates. Anyone familiar with the budget papers – particularly those seeking to track programs or policies over time – will be acutely aware of their significant limits. These documents also trap the fiscal debate within the confines of a political document, controlled by the treasurer of the day. This is not a criticism of the Treasury or Finance; it is the reality of our political economy.

If we seek only to increase the level of scrutiny of the budget and its estimates, including the costing of policy, then a simple solution is to



Closed table: Treasurer Wayne Swan with his departmental head, Dr Ken Henry, and Finance Department chief David Tune.

create a research body which examines information already in the public sphere and offers its expert opinion on the rigour of the costing, the effect of the cost on the budget and the macro-landscape.

This is the road that Britain took when it established the Institute of

Fiscal Studies, which relies on openly declared and non-partisan sources of funding to produce its research and analysis of policy across the parties. However, it still relies on the British Treasury's data and sources coming from government agencies.

The new coalition Government in Britain, in its recent establishment of the Office for Budget Responsibility, has made further progress to depoliticise difficult fiscal decisions. This office is tasked with assessing public finances and the economy, and having direct control over the budget forecasts and the decisions that underpin the official projections.

However, the Office for Budget Responsibility has had a rocky start and its independence has already been questioned, as has its location within the Treasury and the fact that it is staffed by Treasury officers. As a result, a series of changes will be introduced to strengthen the office's independence from both the chancellor of the exchequer and the Treasury. MPs on Britain's cross-party Treasury select committee will be

able to veto the chancellor's candidate for the position of chair. The Office of Budget Responsibility will also shift from within the four walls of the Treasury and be staffed with its own employees.

If Australia is to truly raise the bar on its economic and fiscal debate, it should heed the lessons from Britain and should seek to emulate the United States' Congressional Budget Office when it establishes the parliamentary budget office. The Congressional Budget Office is a comprehensive model of alternative budget and fiscal advice which assists parliamentary functions and debate, public access to fiscal and policy information, and helps improve the quality of third-party debate, including in the media.

As well as analysing and scrutinising the US Treasury's budget outputs and undertaking its own analysis of public policy, the Congressional Budget Office provides a third-party source of costings and budget estimates for the Congress. It provides a pre-budget publication based on a 10-year forecast so the Congress has

This sort of publication in Australia would have the potential to finally rid the Australian economic debate's fixation with budget numbers which present only one view of the macroeconomic landscape (and are notoriously too conservative in the boom years and too optimistic in leaner ones). The Congressional Budget Office model would provide balance in both access to information and a more robust foundation on which economic debate is conducted, by creating an alternative source of budget estimates, including spending and revenue estimates and macro forecasts.

There are extra benefits to pursuing a parliamentary-based outfit for fiscal reform. Its creation will rebuild parliamentary institutions, including committee scrutiny, legislative processes and the Parliamentary Library. Committees and legislative debates are currently hamstrung by their reliance on government departments to act in good faith and provide open and frank assessments of policies and their costings. Over the years, these processes have been eroded, as has the public sector's independence and capacity.

The parliamentary budget office will also fortify the important role of the Parliamentary Library, which provides an invaluable resource to all MPs and senators. It is renowned for its quality research and impartiality; however, in recent years, its resources have been diminished and so has its ability to adequately service non-incumbents, particularly the opposition in an election year. It lacks the capacity to provide costings, independent budget estimates or macro forecasts, even though it may have the expertise.

The establishment of a parliamentary budget office would also render the Charter of Budget Honesty legislation obsolete, and spare us the mindless accusations about costing inaccuracies and budget black holes.

Any attempt by the major parties to diminish the role of a budget office to a mere "coster" of policies would inevitably result in the office's reliance on Treasury and Finance to provide inputs, which would undermine the independence of its analysis and its confidentiality.

Those responsible for its establish-

inception will be critical to its viability: like the Parliamentary Library, the office will only be as reputable and skilled as its people, so it will need an initial budget of \$4 million to ensure that it can recruit, train and maintain its staff, ideally three teams of five people, each area specialising in fiscal, macro

would support budget and program analysis. (In the past decade, the library's staff levels have dropped 30 per cent and access to information sources have been rationed as a result of the efficiency dividend.)

If Australia follows the Congressional Budget Office-approach to fiscal and budget reform, we would enshrine macroeconomic and fiscal capacity in the parliamentary framework and open the door to robust fiscal and economic analysis within Parliament, which is accessible by all parties and all people. The outcome would be an institution that history will judge as the timeless gift of the hung Parliament of 2010.

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**Resourcing the parliamentary budget office in its inception will be critical to its viability: like the Parliamentary Library, it will only be as reputable and skilled as its people.**

ment will also need to safeguard the office against those vested interests within the bureaucracy which will fiercely guard their own monopoly on all things budget, including costings, estimates and macro forecasts.

Resourcing the budget office in its

and revenue modelling. The office will also need to invest in expensive macro and budget models, and will also require the existing Parliamentary Library to be restaffed and more adequately resourced to provide the necessary policy expertise which

“If you lead the people with correctness, who will dare not be correct?”

(Confucius)

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