

How to fix the costings fight

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It's time for some competition to improve the standard of fiscal debate in Australia writes Silvana Anthony

The last weeks of Australian election campaigns have become characterised by inane finger pointing over the “costing” of election policy promises.

The rules of costing, under the Charter of Budget Honesty Act 1998 are made for incumbency. The legislation is a politically contrived attempt at “transparency” which the Coalition created for its own benefit. As incumbents Labor can now enjoy watching their opponents squirm.

Like forecasting and modelling, costing policy can be complex. Incumbents have access to the departments of Finance and the Treasury and their “official” costings. The Opposition has no such access and rely on their own staff and independent experts to cost their policies prior to announcement.

More complex policies -- tax cuts, rebates, health or education policies -- require assumptions about take up, unit costs, and sometimes even elasticities and economic parameters. Only an incumbent has access to the budget, macro-economic and revenue models required for these sorts of costings. For an opposition there are two options: keep policies simple and avoid mistakes; or use up-to-date public sources to underpin such a costing.

Under the Charter of Budget Honesty process, such a policy would inevitably be costed differently by a government department which

would have access to unpublished and even updated economic parameters and variables.

The result is a sub-standard debate that does nothing to inform Australians about which party has affordable and effective policies that an Australian economy can sustainably deliver into the future.

The establishment of a Parliamentary Budget Office (PBO), modelled on the US' Congressional Budget Office, can transform such debates and strengthen our parliamentary democracy.

The Parliament – and everyone else – relies on the Commonwealth Budget for information on the fiscal position, historical outlays, budget outcomes and revenue and spending estimates. This traps the debate within the confines of a political document.

A PBO would model alternative budgets and economic advice to assist parliament, promote public access to fiscal and policy information and improve the quality of third party debate. It would ideally have the capacity to: provide alternative costings and budget estimates for Parliament; scrutinise government budget proposals; prepare 10 year pre-budget forecasts to give Parliament a context when Treasury delivers its budget; and cost policy at the legislative and committee stages. They could prepare regular long term budget outlooks (not just five yearly) and examine alternative budget options for taxes and spending at the beginning of a parliament.

There are benefits in a Parliamentary body rather than an “independent” external body. Its creation would rebuild parliamentary institutions including committee scrutiny, legislative processes and the parliamentary library. Parliamentary committees and legislative debate are hamstrung by reliance on government departments to provide open and frank assessments of policies and costings. These processes have

been eroded as has been the public sector's policy capacity and independence. A PBO would fortify the Parliamentary Library, an invaluable resource for members and senators. Though known for their research and impartiality, in recent years their resources and independence have been diminished. So has their ability to adequately service non-government MPs, particularly in an election year. They certainly do not have the resources to provide independent budget estimates or macro forecasts, even though they may have the expertise. The CBO approach to fiscal and budget reform would strengthen this capacity and open the door to robust fiscal and economic analysis within the Australian Parliament that is accessible by all parties and all people.

It would also render the Charter of Budget Honesty legislation unnecessary – and spare voters the mind-numbing accusations about costing inaccuracies and budget black holes.

The Treasury and the Department of Finance might not appreciate the competition, but a Parliamentary Budget Office would transform economic debate in Australia and rebuild confidence in our system of government and public administration.

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