

Latest PBO costings won't hold any parties to account

Written by The Conversation

While the Parliamentary Budget Office's (PBO) [2016 post-election report](#) represents a massive undertaking in time and effort, it won't hold any political party to account, nor provide any additional transparency to the electoral process.

In 2013, then treasurer Wayne Swan announced that the PBO would provide full costings for all election promises made by political parties within [30 days of an election being held](#) .

“Transparency would be further enhanced if the PBO were to prepare a post-election audit of all political parties, publishing full costings of their election commitments and their budget bottom line 30 days after an election. This will remove the capacity of any political party to try to mislead the Australian people and punish those that do.”

Who could possibly be against more transparency? Or opposed to holding political parties to account? No doubt Swan thought he was being clever.

Certainly he was hoping to cast the then opposition as being fiscally irresponsible. Swan would soon lose his position as treasurer, but the post-election audit lives on.

In one sense the fact that budgets and budgeting make up a large proportion of political debate is a good thing. Australians intuitively understand that underpinning a flourishing civil society is a sound economy.

To the extent that Australians are not as “relaxed and comfortable” as they were under John Howard, this is due to angst over the economy. The downside of the obsession with budgets and budgeting is that many Australians don't have the time or inclination to explore the numbers in any detail.

The first problem with the PBO's latest release is that the material is published after the election. By the 2019 election few voters will be interested in the PBO costings of the last

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election.

Policy tragics may well want to point to past mistakes, but overwhelmingly voters are forward-looking. After all, Labor was able to win the 2007 election after its 2004 costing disaster. The Coalition won in 2013 after its 2010 difficulties.

To avoid misleading the voters, this information needs to be available before the election. That, of course, is not practicable.

The second problem with the numbers is that they lack context and proportion. For example, we now “know” that the Greens policies would improve the budget bottom line by \$8.2 billion over the forward estimates.

The Coalition’s policies improved the bottom line by a mere \$1.1 billion, while Labor’s policies would have resulted in a \$16.6 billion deterioration. We’re invited to believe that anyone concerned about debt and deficit should vote for the Greens. Well, maybe not.

The Greens proposed tax increases of some \$104.9 billion and increased spending of a mere \$96.4 billion. There are several problems here. First, it beggars belief that an additional \$100 billion of tax revenue could be extracted from the economy with no adverse effects.

For example, the Greens would abolish accelerated depreciation for aircraft, the oil and gas industry and motor vehicles. The costing assumes “there is no change to the overall level or timing of investment as a result of this proposal”. But how plausible is that assumption? This is a general problem with all political budgeting in Australia – the costings simply determine if the numbers are correctly calculated, not whether the policy is plausible or even sensible.

Costing methodology does not investigate the broader macroeconomic consequences of policy proposals. To be sure, there are good reasons for this oversight, but it is a serious limitation of the usefulness of these costing exercises.

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Then there is an implementation problem. Pre-election policies are simply a wish-list. There is no point in holding parties to account for pre-election wish-lists when actual policy outcomes are determined by the election itself.

In 2010, Julia Gillard had to promise there would be no carbon tax under her government. Yet after the election, in order to actually form government, she had to break that promise.

Similarly, who would have expected four One Nation senators after the recent election? The costs of any policy will be determined by the horse-trading necessary to pass legislation through the parliament.

To be clear, the ability to undertake plausible and sensible policy costings and prepare coherent budgets is an important part of winning office. Yet those numbers need to be placed in a broader framework and narrative, which is lacking in the PBO report.

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