

Howard dumbs down policy debate

There are probably only two theories that elicit agreement among economists. First, generating and refining new ideas is the key to continuing improvements in living standards. Second, competitive markets usually produce better outcomes than monopolies.

Yet while Canberra's economists have levelled every playing field in sight, chanting the mantra of deregulation, privatisation and corporatisation, they act as though there remains one market in which competition is unwarranted. Not surprising for a group that understands self-interest so well, the last great monopoly is the market for economic policy advice.

The Australian policy-making process is stymied by a lack of sufficient data and analysis in the public domain. Government reports are often produced not with the aim of fostering informed debate, but in an attempt to mollify the voters. The underlying technical analysis is rarely released. Yet if research by government boffins is not made public, how can it be contested?

In the market for policy ideas, the invisible hand is tied behind the public back, when it should be allowed to deftly sort out the best ideas and analysis.

This need not be the case. In the UK, a slew of green papers (which raise options) and white papers (which outline proposed legislation)

It's time to deregulate economic policy, argue **Andrew Leigh** and **Justin Wolfers**.

encourage careful examination of policies. In the US, the complete separation of the legislative and executive branches of government requires the President to substantiate his proposals with detailed analysis if they are to have any chance of being approved by Congress.

Yet despite our Anglo-American political history, neither practice has prevailed here. Indeed, recent years have seen the problem worsen.

Since 1996, the Howard Government has refused to publish its modelling on the costs of meeting the Kyoto targets on greenhouse gas emissions, failed to provide its analysis substantiating the scrapping of the superannuation co-contribution, declined to release an independent report on productivity on the Australian waterfront and rebuffed calls to make public the most sophisticated econometric analysis of the GST.

In each case, taxpayers had paid for the research, yet were denied the benefit of having it openly dissected and debated. Do not be surprised if the effects of the GST differ from what the Government predicts.

Even the key statistics are not readily available. Unlike its US counterpart, the Australian Bureau of Statistics releases very little of its information on the internet. Everyone — including academics and

charitable bodies — must pay a hefty subscription rate. Businesses can afford to pay for the data that affect them, but for independent policy bodies, the effect is to further discourage the provision of timely, high-quality analysis.

This monopolisation of information sits oddly with the neo-liberal orientation of the Howard Government. While promoting public versus private sector competition in health care, telecommunications and employment services, it seems to eschew competition in the vital area of policy formulation.

What's good for Employment National is not, it seems, good for the Department of the Treasury.

Ideally, a process analogous to "creative destruction" — whereby innovation destroys old firms and creates new ones — can also operate in the policy-making arena.

With free and informed debate, innovative thought will flourish and new ideas will supplant old ones. As the pace of change accelerates, creative destruction should help government continually reinvent its institutions and policies.

The stultifying effect of monopolising the market for advice is to "dumb down" our policy debates.

The High Court has held that freedom of political speech is pro-

tected by our Constitution, since the community has an interest in information, opinions and arguments concerning government and political matters. But the quality of political debate depends on whether the Government provides sufficient basic information for these opinions and arguments to be informed. Free but uninformed speech helps no-one.

With insufficient analysis to wrestle with, it is not surprising that our think-tanks have become little more than speechmaking venues.

If the information sluices were opened up, these think-tanks might once more engage in the process of serious policy debate. It is simple economics to argue that if the market for ideas remains uncompetitive, the quality of our democracy must suffer.

Until this is acknowledged, however, we taxpayers will continue to suffer the ignominy of paying for analysis that our Government is too fearful to expose to public scrutiny.

How ironic — to have a Government that spruiks the rhetoric of competition, yet insists on monopolising information.

■ *Andrew Leigh is an adviser to Senator Peter Cook.*

Justin Wolfers is a Fulbright scholar completing a PhD in economics at Harvard University.