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The defenestration of Australian public policy and politics

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by Gary Banks

Poor policy processes over the past decade have, unsurprisingly, produced a string of poor policy outcomes, with no real end in sight. I am starting to find speeches recounting this a bit like Groundhog Day, except that each time things seem to have altered for the worse.

The undisputed first prize for "policy on the run" is the Bank Levy. It appeared so fast, with so little process, that it took everyone by surprise (even, as I understand it, some officials in the Treasury). Against the usual tests for a "good" tax, it strikes out not just on efficiency and equity grounds, but even effectiveness. And the face-saving notion that it might nevertheless be justified as an implicit charge for government "guarantees" does not hold water. If anything, it is likely to increase the risks to taxpayers – small though they may still be.

Right up there in poor policy-land, the combination of elevated state-based renewables targets and bans on gas production have uniquely succeeded in simultaneously forcing electricity prices to unprecedented highs and reliability to unprecedented lows. This 'wicked problem' for policy has been the creation of policy itself. It is a case of government failure, not market failure.

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We know from the Productivity Commission that the first phase of the price lift-off (pre-2012) was in large part related to network costs responding to regulatory signals; the second phase is attributable to (a) a RET-induced surge in intermittent renewable capacity, (b) the consequent retirement and non-replacement of large scale coal-fired base load capacity, and (c) high gas prices underpinned by a policy-induced shortage of domestic supply.



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Reforms undertaken during the Hawke/Keating era would not be possible today, a climate in which no losers are allowed.

As things stand, the resulting energy policy "trilemma" seems insoluble under the existing national abatement target. Given ongoing bipartisan attachment to it, one of the other two policy goals will have to give way – either reliability or affordability or (as now) both.

Part of the explanation for the position we find ourselves in is that for several years governments have encouraged the electorate to believe that, despite the relative fossil-fuel intensity of our economy, we could cut emissions at negligible cost and regardless of the instrument used. Indeed official government modelling largely assumed the costs away. Some state governments persist in this deception.

Like Tolstoy's famous observation about families in *Anna Karenina*, each of the many policy misadventures over recent years has its own unhappy story. But there are also some broader themes.

Processes ruining outcomes

Generally even where there was a good start to a policy development process, outcomes have been spoiled by poor engagement with stakeholders and the wider public, and ultimately poor implementation. Spin and sloganeering are increasingly substituting for explanation.

Along the way, we are seeing the language of public policy contorted. Tax hikes in the budget have become "saves". And, wherever possible, taxes are referred to as "levies" – like the bank tax – or even, more coyly, "prices" (carbon tax). We also found during the latest round of superannuation reforms – unlikely to be the last – that the word "retrospective" no longer has the meaning long ascribed to it. And of course the very word "reform" has departed from the dictionary definition of "change for the better" to mean just "change" – or even change for the worse.

Fairness has become the dominant criterion, with its interpretation going well beyond the traditional Aussie "fair go". A fair reform today is one in which there can be no losers, even

temporarily, unless they are at the upper end of the income distribution: a definition that would have ruled out every important structural reform of the past.

Governments' ability to hold the line in the face of political resistance is a pale shadow of what it was. For example, that GST reform was quickly raised and as quickly withdrawn on two separate occasions in the past few years – and under different PMs and Treasurers – is almost beyond parody.

The line of a previous Treasurer that "good policy is good politics", or at least can be made so via good process, has been perverted to the contrary proposition that "good politics must be good policy". And the new metric by which a government's policy performance is judged has become the volume of legislation it is able to steer through the Parliament.

How did it come to this? How might we extract ourselves? Each Groundhog Day weakens my confidence in seeking to answer the first question or even that doing so would help answer the second. Churchill famously spoke of the opportunities for reform afforded by a "good crisis". But it would be better not to have to wait.

Drawn from a speech to the Minerals Council conference, "Australia's Comparative Advantage". Gary Banks is former Dean of the Australia and New Zealand School of Government and Chairman of the Productivity Commission.

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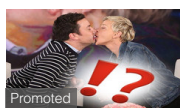


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