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# The Post-Truth Era in Government Evaluation of Major Projects and Policies

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Australian experience reveals an increasingly post-truth approach to economic evaluation, with governments ignoring or avoiding professional expertise when promoting their favoured projects and policies. Lack of formal guidelines for economic evaluation, such as those promulgated by Congress and successive American presidents, are a partial explanation. A concomitant hollowing-out of public service expertise in economic analysis has also occurred. More importantly, public sector agencies have even lost much of their capability to understand and assess evaluations carried out on their behalf by commercial consultants. An effective antidote to this deskilling would be the production and publication of analyses of major government policy and project proposals, as well as the development of a standardised analytical framework, reinforced with training for public servants.

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# **The Post-Truth Era in Government Evaluation of Major Projects and Policies**

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## **Abstract**

Australian experience reveals an increasingly post-truth approach to economic evaluation, with governments ignoring or avoiding professional expertise when promoting their favoured projects and policies. Lack of formal guidelines for economic evaluation, such as those promulgated by Congress and successive American presidents, are a partial explanation. A concomitant hollowing-out of public service expertise in economic analysis has also occurred. More importantly, public sector agencies have even lost much of their capability to understand and assess evaluations carried out on their behalf by commercial consultants. An effective antidote to this deskilling would be the production and publication of analyses of major government policy and project proposals, as well as the development of a standardised analytical framework reinforced with training for public servants.

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## **Introduction**

The nineteenth century French pamphleteer, Frederic Bastiat (2006) was a master at lampooning the protectionist proclivities of his compatriots. In ‘A negative railroad’, for example, he addressed a proposal made in a Bordeaux newspaper to engineer a break of gauge in the line from Paris to Bayonne. The proponent had claimed that, because goods and passengers would need to be transhipped in the city, boatmen, porters, hotel owners and others would all benefit. Bastiat illustrated the absurdity of the idea by proposing breaks in the line in a half dozen other towns and villages as a means of increasing employment across the nation.

Bastiat’s skirmishes with industrialists and legislators might today be portrayed as expert commentary in a “post-truth” milieu, where special interests continue to advocate views and repeat slogans, even if experienced professionals or analysts point out flaws and factual errors. Although it has been used for over a decade, the term ‘post-truth’ came to the fore in 2016 in the context of public debates in Britain over whether to remain in the European

Union (Brexit) and the November election of Donald Trump to the Presidency of the United States.

The *Oxford Dictionary* nominated post-truth as its 2016 Word of the Year, defining it as an adjective that relates or denotes ‘circumstances in which objective facts are less influential in shaping public opinion than appeals to emotion and personal belief.’ It is this sense of ‘post-truth’ that is adopted here, rather than the more common Orwellian concept of spin which is associated with devious or manipulative behaviour.

A common example of spin is to label traffic speed cameras as ‘speed safety cameras’. An analogous but hypothetical post-truth situation might involve a politician arguing that penalties for speeding need to be increased, with road safety experts pointing out in vain that the imposition of penalties has in fact been shown to increase the odds of crashes by drivers who have been penalised recently for traffic infringements (e.g. Walter & Studdert 2015).

Australians have long had a penchant for iconic projects (Butcher, 2008; Evans, 2008). Such projects have been variously portrayed as being “visionary”, “transformative”, “green”, “game changing”, “nation-building”, securing “critical infrastructure”, “sustainable”, embedding “resilience”, generating “export potential” and ensuring “future-proofing”. More recently, the former Chief Scientist, Ian Chubb, has deplored Australia’s fear of “big bold endeavours” to drive innovation (Redrup 2016). However, the mantra of “job-creating” remains the most-enduring and most-favoured among politicians and the business sector.

Noting the populist ‘water dreaming’ of politicians and media commentators who periodically seek to drought-proof inland Australia, Wooding (2008) examined Australia’s enduring fascination with the proposal made by John Bradfield to turn around coastal rivers in eastern Australia’s tropical north, in order to irrigate western Queensland. A less gracious perspective by Evans (2008) points out that ‘since colonial times, Australians have been suckers for white elephants ... massive debts to fund the construction of railways, dams and bridges, schemes that were often motivated more by status than economy’.

As Wanna (2008) notes, iconic projects ‘are treated differently than the norm’, gaining institutional and popular support because they ‘draw on popular emotions and rely on sentiment to get them through the normal policy process’. Projects perceived as successful are thereafter lauded as being prescient and far-sighted, while failures are ridiculed as white elephants, with their proponents forced to resort to excuses for the outcome.

The objective of this paper is to explore the growing dissonance between expert opinion, principally in the form of rigorous economic analysis of major project proposals, and the decision-making approaches adopted by post-war Australian federal and state governments. The proposition is advanced that a lack of formal standards, combined with the hollowing out of public sector expertise in economic analysis, now leaves Australian federal and state governments largely bereft of in-house capability to appraise reports produced by commercial

consultants, let alone produce such reports themselves. Similar problems affect other nations as well, so Australia's experience has important international lessons.

This paper employs a case study methodology. Of course a select number of examples cannot prove a general case. However, the persistent reluctance of Australian governments to publish policy and project evaluations offers little alternative. This paper seeks to compensate for the data deficiency by drawing on the author's experience in reviewing studies for government agencies, almost 30 years of experience in a range of government departments (including the Commonwealth Treasury), teaching cost-benefit analysis to public servants, and semi-structured discussions with state and federal government agencies in capital cities during 2014 (Dobes et al., 2016).

### **The nature of cost-benefit analysis and its critics**

Governments in democratic societies are ceded the right by their citizens to take decisions on behalf of the community as a whole. Decisions can be justified using gut instinct, political judgement, tossing a coin, seeking popular opinion, consulting an astrologer, applying ideological precepts, and so on.

However, it is not unreasonable to presume that elected representatives should seek to inform themselves as much as possible whether a proposed course of action, is likely to increase the well-being of their community or not before making a decision. Any such inquiry should be based on the available evidence, rather than simply on ideology or grandiose 'visions'. One means of prosecuting this inquiry is to carry out a genuine and rigorous economic analysis in the form of cost-benefit analysis.

Cost-benefit analysis is the only method that allows *commensurate comparisons* between different potential recipients of public funding, including sectors as diverse as roads, hospitals, dams and schools. It is a comprehensive methodology that takes into account factors such as environmental effects and other social costs and benefits. It is therefore best placed for any 'whole of government' determination of spending priorities.

The calculus of CBA is not intended to replace political decision-making functions. Its function is rather to systematically gather, analyse and present relevant evidence-based information to decision-makers, including any alternative means of achieving a government's stated objective. Its key advantage lies in its versatility, being able to address a wide range of policy issues. For example, estimating the social benefits of health warnings on cigarette packets (Abelson 2003), the social cost of compulsive gambling (Productivity Commission 1999), the effect of climate change (Nordhaus 1991), the economic cost of regulating optometrists (Haas-Wilson 1986), and the value of a switch to insensitive military munitions (White & Parker 1999).

Unfortunately, public understanding of the nature and reasons for cost-benefit analysis has diminished in Australia over the last few decades. For example, it is now common for the media and politicians to refer confusingly to ‘economic, social and environmental’ effects. Given that economic analysis includes social and environmental aspects, it is not clear what the term ‘economic’ actually represents in this formulation. Such pronouncements may be an unthinking reference to purely financial or commercial analysis, an inappropriate approach to evaluating public projects that is sometimes dignified with the title of ‘Triple Bottom Line’. Over the last decade, commercial entities have also begun to use the term ‘cost-benefit analysis’ to describe purely financial analyses, thereby adding to the confusion.

Despite popular misconceptions, cost-benefit analysis typically takes into account all effects on society, including social and environmental outcomes. It measures the net economic benefit to society in terms of the change in well-being generated by a project or policy in the form of social surplus. A particular feature of CBA is that it assesses the ‘relative desirability of competing alternatives, where desirability is measured as economic worth to society as a whole’ (Sinden & Thampapillai 1995, p. 1). That is to say, CBA recognises that there are trade-offs between the opportunity cost of using scarce social resources for a specific project, and the social benefits generated by it.

An important tool in expressing the opportunity cost of a particular project is discounting. Societies and individuals have a so-called rate of ‘time preference’. Figuratively speaking, people generally put off paying bills into the future for as long as possible, but prefer to receive benefits sooner rather than later. Costs and benefits in CBA are therefore ‘discounted’ by an annual percentage factor, the size of which increases as those costs and benefits occur further out into the future. Because the discount rate reflects the time preference of society as a whole, discounting reduces future costs and benefits in a way that takes into account the opportunity cost of forgoing investments in alternative policies or projects.

Because higher discount rates have more chance of culling the herd of white elephants, they are favoured by central agencies, the ‘guardians’ of government expenditure, while ‘spender’ line departments prefer low rates (Boardman et al., 2011). Unfortunately, there is little agreement among economists about the correct social discount rate. It is therefore open to misuse in manipulating the results of a CBA. But less obvious manipulation of forecasts of costs and benefits, the choice of the period of analysis, the ‘climate-cost’ of emitted greenhouse gases, non-consideration of alternative projects, and so on, can be equally effective fudge factors in the hands of unscrupulous analysts.

There is no unique method of conducting a CBA, because every policy or project is different. However, the application of an ordered sequence of steps (e.g. Boardman et al., 2011) helps to ensure that an analysis is internally consistent and comprehensive. Initial steps need to include specification of the policy objective, identification of alternative means of achieving the objective; projection of a basecase scenario likely to exist without the project or policy; legal, budgetary, climatic, geographic and other constraints; and the specification of key

variables and their dimensions (units). This approach ensures identification and itemisation of the full range of relevant costs and benefits prior to undertaking a valuation of a reasonable number of feasible options.

A potential weakness of CBA is the implicit assumption that the value of costs and benefits is the same for all individuals. That is, that everyone has an equal marginal utility of money. Millionaires and paupers are assumed to be equally happy to receive an additional dollar of benefit, and equally unhappy to lose it.

Some texts (e.g. Boardman 2011; Pearce & Nash 1981, ch. 3) discuss the application of weights to costs and benefits to reflect real-life differences in utilities. The objective of such weightings is to increase the number of projects that benefit less advantaged sections of society. But most such weighting systems are based on income classes alone, with asset wealth generally not considered. It is also moot whether adjustments based on an analyst's value judgements about income distribution should prevail in countries that have progressive income tax systems determined through democratic political processes. In any case, the use of CBA to redistribute wealth or well-being is thus a comparatively blunt instrument. If distributive weights are used regardless, then two sets of CBA should ideally be carried out for each project to make value judgements explicit; one with, and one without weights.

Pearce and Nash (1981, ch. 2) review a number of critiques of cost-benefit analysis, ranging from the neo-Marxian, through liberal and political science attacks to those of management science. Many of these critiques are based on misconceptions and confusion about the nature or the purpose of CBA. Ultimately, one is forced to respond negatively to the question: 'is there a more rigorous, comprehensive and informative evaluation technique than cost-benefit analysis?'

### **The slippery slope to post-truth decision-making**

Public cynicism about CBA has had the unfortunate result in Australia of providing politicians increased scope to ignore economic analyses that do not support their favoured projects. This slippery slope has, in recent decades, also allowed politicians to claim that CBA is not necessary because projects and policies can be justified solely on the basis of job creation, nation-building, and other mantras. In recent decades, this trend has degenerated into a situation where politicians have deliberately precluded CBA, even for key projects such as desalination plants.

Australia's most iconic project in the postwar period was the Snowy Mountains scheme, a culmination of proposals since the 1880s to divert the headwaters of the Snowy River westward to agricultural areas in the Murray-Darling catchment and to generate hydro-electric power for Sydney and Melbourne (Wigmore, 1968). It proceeded despite only

superficial consideration of the suitability of soils<sup>1</sup> in the irrigation areas; an omission which saw the emergence of major salinity problems in later decades.

In contrast to the Snowy River scheme, the Ord River irrigation project has the status in the public mind of a white elephant. It is occasionally linked with the famous quip by a Member of Parliament, Bert Kelly (1978, p. 26), that ‘at each election I can feel a dam coming on’. An evaluation by the Bureau of Agricultural Economics (1964) concluded that the benefits of the project would exceed the costs, but only if the domestic price of cotton continued to be supplemented with government bounties, high yields could be achieved and maintained, and insect pests could be controlled. Despite significant state and federal government spending on the project for over half a century, the Public Accounts Committee (2011) of the Western Australian Parliament finally accepted that the project was uneconomical.

The Snowy and Ord River projects might be excused in hindsight as having been approved in an era when environmental issues were not generally regarded by governments as being particularly material. However, they were both precursors to the ongoing problem of economic analyses focusing too narrowly on popular, preconceived solutions without consideration of less obvious or well-known, but possibly more viable, alternatives.

The Snowy Mountains scheme, for example, did not calculate the costs and benefits of alternative thermal power projects that could have generated additional electricity in Melbourne and Sydney, or provided irrigation water by other means. And the Commonwealth and Western Australian governments had already committed funds for preliminary works before commissioning the Bureau of Agricultural Economics (1964) to evaluate the economic aspects of a fully completed Ord River project. Again, no alternatives were considered to the Ord River site, although the Bureau’s report did point out that peanuts, one of the proposed crops, could also be grown successfully in Queensland.

Transport sector projects have also generally CBAs to preconceived solutions. Studies of new or expanded infrastructure have typically ignored alternative, market-based solutions such as congestion charging for roads or landing slot fees for airports. For example, despite considerable criticism by economists and the general public<sup>2</sup>, Canberra’s 12 km light rail project was favoured for political reasons<sup>3</sup>, with the ACT Government arguing that it was

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<sup>1</sup> The Commonwealth and States Snowy River Committee (1950, p. 19) claimed that ‘there is no doubt’ that the Murrumbidgee and Murray valleys are suitable for irrigation, ‘although the knowledge of soils and their suitability for irrigational development in the area commanded was very superficial (in some places not even a reconnaissance soil survey had been made or could be made in the time available) ...’.

<sup>2</sup> e.g. Dobes (2014), Raggatt (2016), Dobes & Leung (2015), Hughes (2014), Terrill et al. (2016) and the ACT Auditor-General (2016).

<sup>3</sup> During the October 2016 ACT election campaign, the Government announced an extension of the light rail to the Woden town centre in a marginal electorate, seemingly without any prior economic or technical analysis, or even the specific route to be taken.



necessary to avoid growing traffic congestion. But no consideration was given to the market-based alternative of introducing congestion charging<sup>4</sup>.

The predilection of governments for building more infrastructure cannot be excused by lack of suitable analysis or expert recommendations. In 1992, the Bureau of Transport and Communications Economics published a study that modelled optimal congestion charges at the level of one kilometre square grids for all Australian capital cities. Informal feedback provided by NSW public servants at the time was that their Minister for Transport had instructed that the report was ‘to be put on the bookshelf, and never taken down again’. Indeed, the Bureau’s report has been totally ignored by all jurisdictions, as has the Henry (2010) taxation review recommendation 61 that ‘variable congestion pricing’ be introduced. Only a quarter of a century later has the Australian Government (2016, recommendations 5.3 and 5.5) committed to a public inquiry into the development of a ‘road user charging reform pathway’ over the next decade or two.

It is but a small step from ignoring expert opinion to avoiding it altogether. This approach can take the form of conducting a Clayton’s economic analysis<sup>5</sup>, in the form of a ‘business case’ that effectively presupposes support for a project, or an ‘impact analysis’ using input-output or general equilibrium models. A pertinent example is the *Canberra Airport Master Plan 2014-2034* (Snow & Byron, 2015) which foreshadowed the introduction of international flights without night-time curfew. A rigorous CBA would not only have estimated the social cost to residents who live close to flight paths, but would have also investigated the purchase of aviation easement rights by the airport operators. In the event, the plan was approved solely on the basis of an ‘impact analysis’ that merely outlined issues such as job creation, tourism benefits, and projected decibel noise levels under flight paths.

A particularly egregious example is that of the National Broadband Network. A newly-elected Labor government in April 2008 sought proposals to build a fibre to the node network. No evaluation of the proposed project was carried out, although a panel of experts subsequently found that ‘none of the national proposals offered value for money’ (Martin 2010, p. 30.5). In April 2009, the Government announced, and later implemented, a technically enhanced \$43billion ‘nation-building’ fibre to the premises network, but, again, no evaluation was carried out. Indeed, Senator Stephen Conroy, the Communications Minister, stated in Parliament that there was no need for an evaluation because:

‘A range of studies have been carried out all over the world that have investigated the economic impact of broadband. ... We don’t need any more studies, any more cost

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<sup>4</sup> Genuine congestion charging varies by the degree of congestion at any particular time and can provide a reduction in traffic to an approximately optimal level. Cordon pricing schemes such as those in central London and Singapore and on Australian toll roads, on the other hand, do not provide economically optimal outcomes.

<sup>5</sup> Claytons was the brand name of a non-alcoholic whisky lookalike marketed in Australia and New Zealand in the 1970s and 1980s as “the drink you have when you’re not having a drink”. The term is popularly used to denote an inferior, ersatz or dummy thing or event.

benefit analyses, to know that this is an infrastructure investment that this country is crying out for.’ (Senate Hansard, Question Time, 12 May 2009, p. 2380.)

A cost-benefit analysis by the Vertigan (2014) panel later concluded that the social cost of the 2009 Conroy proposal exceeded social benefits by \$22b due to its relative inflexibility<sup>6</sup>.

### **Institutional influences**

The American Congress passed a series of Acts from 1917 to guide the evaluation of flood control projects by federal agencies (Arnold 1988), culminating in the landmark 1936 Flood Control Act that contained the famous phrase that the Federal Government should improve streams for flood-control purposes ‘if the benefits to whomsoever they may accrue are in excess of the estimated costs, and if the lives and social security of people are otherwise adversely affected’. Every President from Richard Nixon to Barack Obama has issued Executive Orders specifying in increasing detail the methodological principles to be used in evaluating proposed regulatory measures. The Office of Management and Budget has also issued a series of circulars detailing the use of CBA. ‘Also, Congress has required cost-benefit analysis in some statutes ... prohibited it in other statutes, and not precluded it in still other statutes’ (Carey 2014, p.1).

Recognising long-standing use of CBA at the federal level, particularly for regulatory decision-making, White & VanLandingham (2015, p. 377) found that American ‘state governments are increasingly mandating and conducting BCAs<sup>7</sup>, and had affected state policy and budget processes. They also noted that ‘as of December 2012, 48 states had passed 252 statutory mandates requiring BCAs’, with only Wyoming and South Dakota having none.

Although Australian governments from time to time require spending and regulatory proposals to be accompanied by an economic evaluation when submitted to Cabinet, such requirements are easily evaded (e.g. Harrison, 2009) by politically powerful Ministers who are able to have their proposals considered “below the table”. There is no legislative requirement for government departments to use economic analysis. Guidance on CBA for federal agencies that do make use of it is limited to a handbook issued a decade ago by DoFA (2006) and guidelines for developing Regulatory Impact Statements, issued by the Department of the Prime Minister and Cabinet<sup>8</sup>.

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<sup>6</sup> Compared to a Multi-Technology Mix (MTM) of copper, fibre and hybrid fibre-coaxial technologies scenario, the preconceived “fibre to the premises” solution involved an irreversible sunk cost once deployed. An MTM model would have permitted growth in future demand to be met flexibly using the most appropriate, cost-effective technology. Project flexibility would have added value in the form of a real option.

<sup>7</sup> American usage is typically Benefit-Cost Analysis (BCA), rather than Cost-Benefit Analysis (CBA) as used in the UK, Australia and New Zealand. However, Carey (2014) and occasionally others also use CBA.

<sup>8</sup> <https://www.dpmc.gov.au/regulation/developing-regulation-impact-statement> <viewed 24 January 2017>

Another institutional concern for CBA is the lack of clear standards. Accountants, engineers, pharmacists, surveyors, real estate agents, and other professionals generally have representative bodies and associations that require specific qualifications of those seeking membership. Economists, in contrast, tend to be comfortable allowing open membership of their associations. As a result, academics, analysts at investment and stockbroking firms, and media commentators are able to describe themselves as economists irrespective of their formal qualifications or expertise.

Moreover, economic associations do not generally seek to set analytical or operational standards in the way that their accountant and other counterparts do. Nor do they require their members to attend a certain number of professional development hours each year. There is no economics equivalent to the International Accounting Standards Board which sets standards specifying how transactions should be treated in financial statements. While there may be intellectual advantages to a laissez-faire approach, it can also result in uncertainty among decision-makers as to the credibility of any particular economic analysis or the legitimacy of the profession itself.

A lack of standards or methodological protocols can make manipulation and abuse of results by analysts easier. Fox & Herfindahl (1964), for example, reported that the US Army Corps of Engineers was able to claim benefit cost ratios greater than unity for dam construction projects by using low discount rates combined with lengthier periods of analysis. They also omitted alternative flood plain management projects in their assessments. Similarly, Wildavsky's (1966) critique of CBA is based in part on likely manipulation of analyses by US government agencies seeking political support for funding of watershed projects. Wildavsky confuses the legitimacy of CBA *methodology* with the veracity of its *application* in specific projects, but politically inspired manipulation of results ultimately risks fuelling public cynicism towards CBA.

One potential safeguard against manipulation of results or erroneous application of CBA methodology would be the standardisation of the basic analytical framework. For example, rather than merely specifying that alternative projects or methods be evaluated in considering a policy objective, a CBA should list a reasonable number of feasible alternative approaches, together with specific reasons for excluding any of them from the analysis. Dobes et al. (2016, chs. 5 and 6) detail a harmonised framework that could be used.

### **Attrition of Australian public service expertise in economic analysis**

Interviews with government agencies in Australian capital cities in 2014 revealed a dearth of expertise in economic analysis, let alone in cost-benefit analysis (Dobes et al., 2016). Departments that intermittently attempted cost-benefit analysis were often forced to rely on informal assistance from transport agencies, where the tradition of CBA was strongest. CBA

was entirely ignored in Queensland, with economic growth and business interests being paramount in policy formulation<sup>9</sup> under the then Newman Government.

A longer-term influence has been the ambivalent approach of successive federal governments to maintaining research and analytical capabilities in the public service. The Bureau of Industry Economics, for example, was abolished and absorbed into the Productivity Commission in 1998, but the Department of Industry now includes an Office of the Chief Economist. A similar fate befell the Economic Planning Advisory Council in the Prime Minister's Department. Staff numbers in the Bureau of Infrastructure, Transport and Regional Economics are now far smaller than those of its predecessor organisation, the Bureau of Transport Economics, despite its remit covering a much wider area of government functions. Even the federal Department of Finance, which had in earlier years produced high-quality CBA manuals (e.g. DoFA 2006), no longer has a unit dedicated to leading inter-agency evaluation approaches or providing guidance on CBA.

Pusey's (1991, p.1) polemical attack on the 'locust strike of economic rationalism' in Canberra was influential in marshalling opposition to the focus on 'dry' economics in government policy formulation. It was, perhaps, amplified by a sense of reform fatigue among policy makers. Coleman & Hagger (2001) argue persuasively that Pusey and other critics failed to define clearly what they meant by 'economic rationalism', and that they were in fact motivated by a dislike of, and opposition to economists and economics *per se*. Frequently employed as a term of abuse, 'economic rationalist' (or even EconoRat) was typically deployed at this time against those who advocated rigorous analysis of proposed policies and programs rather than automatically supporting projects considered to be self-evidently good or desirable.

Antagonism towards economists from the 1990s has coincided with a dwindling in the profession itself. Millmow (1995) noted a decline in the availability of academic positions for economists, and Riley (1994) detected a fall in the number of secondary-level students selecting economics as a subject. A decade later, Lewis et al. (2004) noted a decline in the tertiary-level numbers of economics students, and Abelson (2005) concluded that student standards had also declined. More recently, Lodewijks & Stokes (2014) have reported on the inevitable closure of economics departments across Australia, with many being subsumed into business schools and other faculties. Unsurprisingly, a desktop review of 39 Australian university websites in 2015 by Dobes et al. (2016) identified only five undergraduate or postgraduate courses dedicated to CBA.

The attrition of public sector expertise can be evidenced anecdotally. Multicriteria analysis is often used to justify policies and projects, despite being a fundamentally flawed technique (Dobes & Bennett 2009). Government departments that do engage with cost-benefit analysis

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<sup>9</sup> All policy proposals were assessed against their contribution to the 'four pillars' of tourism, agricultural development, mining, and construction. <http://www.thepremier.qld.gov.au/plans-and-progress/plans/6-months-july-dec-12/four-pillar-economy.aspx> <viewed 29 October 2014, but now inaccessible>.

are generally reliant on colleagues in transport agencies and Treasury or Finance departments for advice about technical issues. Public servants who attend courses on CBA frequently demonstrate confusion about the purpose of discounting, often believing its purpose to be ‘to allow for inflation’<sup>10</sup>, and many accept the popular precept that a positive net present value for a specific project means that it is automatically worth funding.

One consequence of the hollowing out of public sector capability in economic analysis has increased reliance on private consultants. This is a rational response, especially in the face of budget constraints or infrequent need for specialised skills in particular agencies. However, while consultants can conduct the analyses, it remains essential that public servants have the requisite knowledge to gauge the quality of consultants’ reports. As one public servant pointed out in an interview, ‘Ministers often call for CBA, but they rarely understand what it actually means’.

An example of the lack of expertise among both public servants and consultants is the Capital Metro Agency (2014) business case for the Canberra tram. Increased income tax receipts were included as a benefit, an error due to the omission of an initial step in CBA of defining the ‘standing’ of the analysis, in this case the Australian Capital Territory (ACT). The fact that income tax is a Commonwealth, rather than an ACT tax, was a point that the public servants who commissioned the report apparently failed to notice and rectify.

In a perverse sense, the evisceration of Australian public sector expertise in cost-benefit analysis has to some extent turned the erstwhile experts into potential populists. Public servants who lack relevant expertise risk promoting proposals advanced by narrow vested interests (so-called ‘stakeholders’) in their advice to ministers, rather than providing objective advice that addresses the well-being of the whole of society.

## **Prescriptions**

Re-skilling the public service need not be difficult or financially onerous. Harmonisation of CBA frameworks (Dobes et al., 2016, ch. 4) would promote analytical consistency and credibility. Training courses could be designed to help non-specialist departments understand the fundamental concepts and jargon of cost-benefit analysis to a level required to understand and review reports by consultants. The Senior Executive Service in particular should be targeted because it has become the primary conduit to ministers. And there is no reason why politicians and their staff could not be included in training courses.

A leading role could be taken by the Office of Best Practice Regulation (OBPR) in the Prime Minister’s Department, which already has a core of specialists. Secondment of OBPR officers to other departments would increase their knowledge of specific portfolio problems, and

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<sup>10</sup> Even the Guidance note on cost-benefit analysis issued by the Department of Prime Minister and Cabinet in February 2016 (p. 6) confusingly discusses discounting under the heading ‘Accounting for inflation’ <https://www.dpmc.gov.au/sites/default/files/publications/006-Cost-benefit-analysis.pdf> <viewed 19 Dec 2016>

allow them to train up a cadre of semi-specialist personnel. The UK Government Economic Service<sup>11</sup> is based on such a model, with specialist economists outsourced to line agencies to transfer analytical skills.

Treasury and Finance departments in various jurisdictions periodically try to remedy the lack of economic expertise by issuing manuals or guidelines for conducting CBA. Unfortunately, these publications are unlikely to be understood by their intended audience. They are generally highly summarised statements of sometimes difficult or counter-intuitive economic concepts, and lack guidance on what *not* to do. Resources could be put to better use by purchasing and distributing a good textbook, and then providing training courses to build expertise and clarify any misconceptions.

Subject to political will to undertake economic analyses, the most powerful antidote to a post-truth era of government evaluation of projects and policies is the light of day<sup>12</sup>. Once the government has considered an economic analysis, it should be published, with reasons provided for accepting or rejecting it. A good example is the New Zealand Government's publication of its consideration of the Clifford Bay ferry proposal, suitably redacted to protect commercially sensitive information<sup>13</sup>. Establishing such a practice would not only enhance the well-being of Australian society, but it would also go a long way towards re-establishing public trust in government more generally.

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<sup>11</sup> <https://www.gov.uk/government/organisations/civil-service-government-economic-service/about> <viewed 19 December 2016>.

<sup>12</sup> At present, the Freedom of Information Act militates against release of a CBA study if it has been part of a government 'deliberative process' (see Dobes et al. 2016, pp. 38-39 for detail).

<sup>13</sup> <http://www.transport.govt.nz/assets/Uploads/Sea/Documents/Clifford-Bay-Cabinet-paper-redacted-Nov-13.pdf> <viewed 19 Dec 2016>

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