



15 July 2019

Striving for influence: the importance of accessibility, transparency and humility in the provision of economic policy advice

Jenny Wilkinson, Parliamentary Budget Officer

CHECK AGAINST DELIVERY

Thank you for the opportunity to participate in this keynote panel and may I commend you on your program for this conference. The next two days provides the opportunity to explore a wide range of important public policy issues from an economic perspective.

I have worked in and around public policy making my whole career. This has ranged from central banking, to climate change policy, to retirement incomes policy. For the past two years, I have been leading the Parliamentary Budget Office where we aim to provide transparency around fiscal impacts and pressures.

In all of these roles, I have drawn upon the economic skills and frameworks that I learned in my undergraduate and post-graduate studies. These have been supplemented by the perspectives, particularly around 'how' to influence outcomes, which I have learned 'on the job'.

In my experience, the economic paradigm has had, and continues to have, a significant influence on public policy making in Australia. It provides guidance on options for policy reform, on the consequences of alternative directions for policy reform and on the trade-offs that these may involve.

This is not to say that economists have always won the policy argument on the day. And it is worth noting that there have been a significant range of important policy issues upon which economists themselves have had different perspectives. All one needs to do is flick through the Economic Society's own polls of economists on specific policy questions to see evidence of this.¹

However, I think it is reasonable to say that over the past decade concerns have been raised about the economic reform agenda stagnating. Many senior officials have attributed this to systemic issues – the processes for debating and making reforms, the contribution of the media, and the appetite for decision

¹ In late 2015 the Economic Society of Australia (ESA) established the National Economic Panel (NEP) and developed an expert polling platform to obtain expert opinions from panel members (prominent economists selected by the ESA President) on current economic issues. Since November 2015, monthly polls of the NEP have been published in partnership with the Monash Business School on the [ESA-Monash Forum website](https://www.monash.edu/business/economics-forum/polls) (<https://www.monash.edu/business/economics-forum/polls>) covering a wide spectrum of topics and policy ideas.

makers to take tough decisions to pursue reforms.² And it is at least arguable that Australia's macroeconomic circumstances have provided a challenging environment within which to pursue reform. These are useful perspectives on the system within which reform takes place and what needs to change within those systems.

What I would like to focus my remarks on, however, is what we (economists) could be doing ourselves to be more influential in the policy debate. How can we ensure that our contributions are genuinely considered as part of the public policy making process?

My experience has been that influence comes down to three key traits: good communication skills, transparent and effective use of data, and a decent dose of humility.

Clarity and accessibility

Let me start with good communication skills. To have influence, it is necessary to be able to speak the language of the person you are engaging with – to clearly explain the problem that needs to be addressed and why a particular solution should be considered.

Given that most decision makers and most of the public do not have economics training, this means that economists need to think hard about how to communicate ideas in a way that resonates with non-economists. It means using language that is both accessible and demonstrates an appreciation for the perspective that others may be coming from.

It also means that economists need to work hard to find and articulate the argument or position most likely to persuade the particular person they are engaging with – which may well be different from the argument that they, personally, find most compelling. After all, the most insightful economic advice will have no influence if you can't express it in a way that resonates for others.³

At the PBO when we publish analysis on fiscal policy, we are seeking to shed light on fiscal issues in a transparent and objective way to improve an understanding of these issues and improve the quality of the policy debate. Our papers are drafted for the engaged non-economist and recognise that interlocutors, such as the media, play an important role in disseminating the messages from our reports. At the same time, we recognise that technical material and precision is important, and include that material in appendices to our reports.

The point I would like to leave with you is that as a profession we need to continue to strive to improve the way that we communicate economics to a broader audience. We need to continue to look for new ways to present material and express arguments to improve their accessibility.

² See Professor Gary Banks AO, "Productivity policies: the 'to do' list", Economic and Social Outlook Conference, 'Securing the Future', Melbourne, 1 November 2012. <https://www.pc.gov.au/news-media/speeches/productivity-policies/productivity-policies.pdf>. See also Ken Henry, "Public Policy in the Asian Century", <https://nsc.crawford.anu.edu.au/news-events/news/183/public-policy-asian-century-ken-henry>

³ Ken Henry made a similar point about the importance of economic advice being compelling in his address to the Curtin Public Policy Forum in 2006. As he said, as much attention needs to be paid to the construction and presentation of an argument as to the quality of its analytical content and the soundness of its strategic perspective. http://archive.treasury.gov.au/documents/1305/HTML/docshell.asp?URL=Curtin_Public_Policy_Forum.htm

Transparency and the effective use of data

This brings me to my second point around transparency and data.

Economists have a key ability that they often harness to garner influence—their strong numeracy skills. We have access to a wide range of data sources that can be used effectively to tell stories and to sharpen an understanding of trade-offs. Using data effectively can enhance our ability to understand issues and to persuade decision makers; bringing evidence to the policy debate and decision making table is a highly valuable contribution for us to make.

Making use of graphs and graphics, in particular, can help communicate ideas and sharpen an understanding of key relationships – and, coming back to my first point, can be effective for people who absorb information through pictures rather than prose. The RBA, Grattan and the PC use graphs and graphics particularly effectively in their publications.

But data can undermine influence if not used well.

When using numbers, economists need to be aware of how their use can complicate and confuse the policy debate. People who are numerate and economically trained understand the difference between levels and growth rates, baselines and policy scenarios, reals and nominals, and stocks and flows. But most people do not understand these differences and need numbers to be put into context.

If economists wish to improve the quality of the public policy debate, they need to be prepared to assist people understand the numbers that they present. Debates around government debt, for example, are often misunderstood. This is for two reasons – first, because debt (a stock) is generally presented as a ratio to GDP (a flow). While debt servicing costs as a share of GDP (a flow divided by a flow) probably provides a better indicator of how sustainable a given debt position is, including how it could change over time, you rarely see debt positions discussed in this way. The second reason this debate is challenging is because, measures of government debt, such as gross debt and net debt are complex and not consistent across jurisdictions. Earlier this year the PBO published a paper to shed light on trends in net debt at the Commonwealth level – it showed that the devil is in the measurement detail.⁴

Economists also need to be particularly careful when drawing upon model-generated outputs to improve a given policy debate rather than confuse it.⁵ An enhanced commitment to transparency, around critical assumptions, measurement details, and alternative ways of presenting results, is one way that economists can improve the value of this advice.

The PBO's experience has been that a high level of trust is the natural consequence of a high level of transparency. Our recently released 2019 Post-election report, which summarised the fiscal impact of the election platforms of each of the major parties, included the individual costing documents that underpin every major election commitment. These detailed costing documents (around 170 in total) provide transparency – to a greater degree than the budget papers – around the details of the policy proposal, the assumptions, methodology and data that have been used to cost these proposals, and our assessment of how reliable these estimates are.

⁴ Net debt and investment funds – Trends and balance sheet implications, Parliamentary Budget Office, Report 01/2019, 14 March 2019.

⁵ In debates around the economic costs of climate change mitigation over the past decade, model outputs have been presented in so many different ways it is arguable that they have served to confuse the debate rather than enhance it. This has occurred in a range of other policy debates.

Increasingly, independent fiscal institutions like the PBO and independent analytical institutions like the PC are being established across many countries to improve transparency around policy issues with the aim of improving the quality of the economic policy debate.

Humility

So this brings me to my final point. Humility.

The study of economics provides some very useful frameworks and models, which do an excellent job of improving our understanding of some situations and insight into ways to improve outcomes. Some economic prescriptions are counter intuitive, others common sense. The thing that economic tools really do is sharpen the debate.

But, as Dani Rodrik says, economics is not a theory of everything and it does not provide a set of principles that can be uniformly applied.⁶ Looking around the world we see lots of different ways in which economies have evolved with fundamental differences between them. The size and scope of government differs significantly across countries. Institutional arrangements differ significantly. Fundamental economic characteristics such as inequality differ widely across countries.

As economists, we need to be open about this and have the humility to recognise that economics presents a set of tools and models rather than a single framework through which to analyse the world. We need to be open and transparent about the fact that there are some circumstances where some economic models are more appropriate than others.⁷ The important thing that economists need to do is to explain why the particular model they are using in a particular context, including the associated simplifying assumptions, are relevant and appropriate. And we need to be open to continually expanding our models and frameworks to provide new perspectives on policy problems that are consistent with the evidence.

Finally, there are broader debates taking place that we need to be aware of in order to ensure the relevance of our advice. We need to recognise the economic perspective as one of many perspectives relevant to public policy making and that working to understand how economic considerations fit with other priorities – be they security, social, or environmental objectives, for example – is critical to being influential.⁸ This implies that economists need to continue to strive to engage effectively with experts in other disciplines as we develop advice to address issues in a holistic way.

Conclusion

So to sum up, public policy making, at the end of the day, is about improving peoples' lives, taking into account a wide range of different perspectives, values and priorities. Public policy reforms should reflect a range of considerations, ideally one of which is the economic consequences.

⁶ Dani Rodrik, *Economics Rules: The Rights and Wrongs of the Dismal Science*, New York: W.W. Norton, 2015.

⁷ For example, there are some circumstances where taking a behavioural economics perspective is particularly relevant, and others where observed outcomes (such as downward rigidities in wage setting) mean that a model that assumes perfectly functioning markets and rational individuals will have little relevance.

⁸ For example if concerns are being expressed within the community around inequality issues, it is important to understand the distributional implications of a policy proposal that strives to improve the efficient operation of the economy and actively consider the support that could be to effectively support those who may lose out in the transition.

In my view, economics has continued to have a significant influence on public policy making over recent decades, as much as anything else because an economic way of thinking has infiltrated the way lots of public policy issues are discussed and framed.

To maximise our influence on the policy debate, however, I think we, as a profession, do need to think more deeply about how we communicate to non-economists, we need to use data and evidence to persuade rather than manipulate to build trust in our advice, and we need be more open to admitting that economics provides a set of tools to think about issues rather than the definitive answer to most policy problems. Economic policy advice will be most influential if it provides a reasoned, transparent, compelling and objective perspective on the issues at hand taking into account the broader context.