

The Science of Pork Barrelling

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Most voters don't realise that public servants spend as much time killing off politicians' bad ideas as implementing their good ones. At election time there's no such oversight, writes Ian McAuley.

Seventy three per cent of Australians live in electorates held by Labor or the Coalition with a margin of 5 per cent or more. The safest electorates in each camp are in Victoria – Batman, north of Melbourne city's centre, on a 25 per cent margin for Labor, and Mallee, as the name suggests, out west on a 23 per cent margin for the Nationals. If you live in one of those electorates don't expect to see Rudd or Abbott turning up to promise a new road, hospital or naval base. (A naval base for Dimboola? Geography is not an insurmountable impediment to pork barrelling.)

Neglect of "safe" electorates, and undue attention to marginal electorates, are common problems in democracies with single member, regionally defined representation. These problems are heightened in federations, where national governments get into matters which should properly be the domain of state or local government.

Many years ago I was in the public service in charge of a small "regional development" unit. Our brief was to assess applications for grants to projects in regions needing an economic boost. In short, to dispense political patronage in favoured electorates, although that was not the wording in our duty statements. In fact many "applications" came from the minister's staff, meaning that our task was often to conjure up ex-post justifications for grants, providing a fig leaf of fiscal respectability to handouts.

Much of our work involved trying to put the kibosh on stupid proposals, and, when we couldn't dissuade our political masters, we aimed to get at least some public value-for-money from a program destined to be wasteful. Among ourselves we measured our successes by the number of dead-end proposals we managed to quash.

Sometimes we failed. My predecessor had vainly tried to head off a grant to a typewriter factory (remember typewriters?), just as the technical staff in our department were evaluating word-processing computers. My worst failure concerned a grant to a 35mm slide processing factory (remember slide evenings?), just as digital cameras were appearing on the horizon. People who criticise public servants would be surprised to learn how much of their time is spent trying to stop politicians' wasteful proposals from coming to fruition.

In an election campaign, under the caretaker conventions, there are no voices at hand to warn about unintended consequences, biased costings, and the risks of setting precedents. Without such constraints, all those old ideas re-emerge, like dormant weeds after the breaking of a drought.

In my time there were wacky ideas about northern development: a recurrent one was that Darwin should be a free trade zone, exempt from customs duties and certain labour laws – along the lines of such models in the thriving economies of North Korea and Myanmar. But not even in our intemperate Friday evening drink sessions could we have imagined making the entire Northern Territory into a tax haven, as is being proposed by both major parties this election.

Our attention was mostly directed to Tasmania, a state blessed with 12 senators and five members of the House of Representatives, giving it four times the per capita representation of NSW. Worse, Tasmania has a tradition of political fickleness. Every seat in Tasmania, regardless of its margin, is considered to be a swinging one.

That calculation has led Tony Abbott to declare Tasmania "a special economic zone", and to offer subsidies to Tasmanian firms that hire people who have been unemployed for more than six months. If you're unemployed in a depressed region on the mainland you miss out. He has followed this with a promised \$16 million grant for the Cadbury factory, in Andrew Wilkie's electorate. Not really fair to Cadbury's competitors, Haigh's in Adelaide and the struggling Darrell Lea in Sydney, both in comparatively safe seats. It's hard enough to find an economic justification for a subsidy to a particular industry, such as the car industry, and it's even harder to find an economic justification for a subsidy to a particular private firm. Don't we have a supposedly bipartisan national competition policy and international treaties under WTO rules?

Tasmania's problems are well-documented in a series of essays in the January Griffith Review. They are to do with culture — a belief that economic development and environmental protection are in conflict (the language in Tasmania is still about "striking a balance" between jobs and the environment), a failure to value

education (the four electorates with the nation's lowest year 12 school completion rates are all in Tasmania), and a mentality of dependence (reinforced by federal handouts). A national program to address education disparities, as recommended by Gonski, would do far more for Tasmania than handouts to firms.

Non-metropolitan Australia is peppered with the remnants of Commonwealth regional development projects. Many have simply extended by a few years the life of dying communities, giving no more than false hope in the process.

Listing all the parties' regional interventions would be a massive research task. The Greens are the purest. That's not to imply any superior morality for the Greens – it's more likely because they hold only one lower house seat. The Nationals have always been the worst offenders, and, true to form, on Thursday Warren Truss announced a \$200 million annual "Stronger regions fund", with criteria recycled from similar programs in the past.

Little benefit comes from these interventions. Most subsidies to specific firms and industries don't meet any test of market failure – the general test for the economic appropriateness of government intervention. Some grants are for legitimate public goods which the market will not provide, but for the most part they would be better provided by state or local government. The Coalition, for example, has promised funding for the Bruce Highway, a road in clear need of upgrading, but it lies entirely within Queensland, and, unless one believes that the Torres Strait is a major international gateway (a belief confined to shadow immigration minister Scott Morrison), it should be a Queensland responsibility. The same goes for various worthy urban public transport projects. Our deficits in these transport projects should be met with a better funding deal for the states, not with heavy-handed Commonwealth interventions.

Rather than using discretionary handouts, we should strengthen our existing mechanisms to ensure we keep regional disparities within bounds. Through our long-established Grants Commission we have a system of revenue-sharing between states, based on stated criteria and set formulae. We have national unemployment benefits, public pensions and health programs, which relieve states of their fiscal burdens. (Some federations, most notably the USA, place a great burden on states to raise revenue. In America poor states and poor local governments have weak tax bases, and therefore poor public services – a dynamic which shows up in huge and enduring regional disparities in education and therefore in general economic conditions.)

Our national government is properly involved in international and interstate communications and transport, including the NBN and subsidised transport across Bass Strait. We have remote area allowances for individuals – better targeted than a regionally based corporate tax rate – but our tax-based zone allowances have lagged far behind inflation. We have national standards to prevent states from engaging in destructive "races to the bottom" in environmental standards, but these need strengthening, (rather than weakening as some lobbies are seeking).

These revenue and regulatory mechanisms protect us from the worst regional disparities. How we strengthen these mechanisms is another matter. There are arguments for and against increasing the GST, but there are plenty of other contending taxes which could be set aside for states.

Otherwise the Commonwealth should butt out. Regions that succeed usually do so on their own initiative. Of course they need public investments, such as transport links and community infrastructure for health, education and recreation, but discretionary handouts are poor substitutes for these basic public goods. Successful regions are places where people want to live – a point which should be self-evident, but isn't. Also, the places where businesses thrive are the same places where artistic and cultural endeavours thrive, where the natural environment is valued, and where there is a spirit of openness and liberalism. Just which direction causality lies is uncertain – it's probably two-way.

In comparison with discretionary grants, generally-available mechanisms are administratively simple – they should be attractive to a party seeking a leaner public service. They tend to work with, rather than against the flow of private decisions. They are less subject to corruption: think of the long list of ministers who have lost their jobs thanks to irregularities in discretionary grants programs. And if our politicians can keep their hands out of doing what state governments do far better, we may see some space in our election campaigns for a contest of ideas.