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Treasury's conduct a disservice to public

HENRY ERGAS THE AUSTRALIAN SEPTEMBER 08, 2014 12:00AM



Illustration: Tom Jellett Source: Supplied

WHAT game is Treasury playing? Last Wednesday, Mathias Cormann, Minister for Finance and Acting Assistant Treasurer, launched a Minerals Council monograph by Professor Tony Makin on Australia's declining international competitiveness.

Cormann unequivocally endorsed Makin's finding that Labor's stimulus spending had aggravated that decline, while making little contribution to Australia's recovery from the global financial crisis.

Two days later, Treasury issued a press release directly contradicting its minister and criticising Makin's conclusions. To make matters worse, the release was not cleared with the Treasurer's office or that of the Acting Assistant Treasurer.

Treasury's conduct is unprecedented in the history of Australia's public service. In publicly attacking the positions taken by its minister while endorsing the claims made by the opposition, it breaches every convention on which the public service rests, from the duty of loyalty to the government of the day through to the obligation of prudence in commenting on issues that are politically contentious. And far from enhancing the autonomy of the public service, it will only undermine it.

After all, autonomy has never meant that the public service acts without regard to the government's position. On the contrary, ever since the Northcote-Trevelyan reforms of the 1850s in Britain and the 1880s in the Australian colonies, it has been clear that the service is an institution separate from government, with its own structures, mechanisms and conventions, but which exists to serve the

government of the day.

Indeed, its autonomy is essential because it allows it to better meet that goal, as it gives the service the continuity which underpins orderly transitions between successive governments. Described by the British historian Peter Hennessy as “the greatest single governing gift of the 19th to the 20th century”, those orderly transitions require “a politically disinterested Service with core values of integrity, propriety and objectivity, able to transfer its loyalty and expertise from one elected government to the next.”

For the system to work, each government must be confident that the service will take its best interests to heart; and as Sir Eric Bridges, Britain's cabinet secretary during World War II, put it, it is precisely because the government can rely on advice being provided in that spirit that the public servant, in “giving his minister the fullest benefit of the storehouse of departmental experience”, is able to “let the waves of practical philosophy wash against ideas put forward by his Ministerial master.”

But it is inconceivable that the relationship of trust could survive if the adviser also wanted to be a player, reserving the right to intrude in politics at the expense of the minister whom it seeks to guide. Yet that is what Treasury has done, trashing public service guidelines in the process.

Nor has Treasury done so to protect the public from an even greater danger. For sure, an immediate, otherwise irremediable, threat to public order could legitimate conduct that would normally be unacceptable. But even in the Khemlani loans affair, Treasury never contradicted ministers; and it could scarcely be argued that conflicting evaluations of the stimulus measures pose a greater risk than did the attempted purloining of taxpayers' funds.

Rather, Treasury's conduct reflects misplaced ideological fervour. And like shamans taking credit for recoveries they did nothing to cause, the rain dancers of Langton Crescent ignore reality after reality in claiming the stimulus saved Australia from disaster.

The determining role monetary easing played in depreciating the Australian dollar and stimulating net exports at the worst of the GFC; the fact that government spending only picked up when the economy was already in an upswing; and the even more inconvenient fact that nearly half the stimulus' disbursements occurred in the mining boom, making the boom all the more difficult to absorb, are simply swept aside in Treasury's rewriting of the historical record. And ignored entirely are the costs of the stimulus, in terms of public debt, wasteful expenditure and continuing upward pressure on the exchange rate.

But none of that should be surprising. From the moment it was announced, the stimulus became a Treasury article of faith. When, immediately after the unveiling of the second stimulus package, Alex Robson and I pointed out that programs such as Building the Education Revolution and the Home Insulation Program seemed poorly designed and should be subject to careful evaluation, our call for caution was summarily dismissed by Treasury deputy secretary David Gruen.

Little wonder then that so little was done to properly manage the risks those programs created; what is incomprehensible, however, is that four deaths and squandered billions later, the Treasury line remains stubbornly unchanged. That is not to question the calibre of Treasury's staff, nor the sincerity of its views. But there is a world of difference between conviction and zealotry; and not even deeply held beliefs can justify a great department ignoring the principles and processes on which our system depends.

Ultimately, to be active in policy, the public service must be neutral in politics. Its relationship with the government will therefore always have an element of distance: it must, in Barbara Castle's memorable

terms, remain a “companionable embrace” that never develops into a passionate affair. During and after the GFC, Treasury struggled with that distinction; now, its deliberate, calculated and continuing campaign to justify, at whatever harm to its standing, the actions it championed under Labor is as dangerous as it is ill-conceived.

With per capita national income growing at its slowest rate since Paul Keating’s “banana republic” comment of 1986, Treasury would do far better to endorse Makin’s detailed recommendations for restoring Australia’s competitiveness, including tax reform, labour market deregulation and more rapid fiscal consolidation. By instead chasing yesterday’s battles, it lets down its proud traditions, and its duty to the public as well.

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