Counterpoint: Canada needs the budget office

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budget, Kevin Milligan

Few private-sector groups can make fiscal forecasts as well as this parliamentary office

By Kevin Milligan

Just before Canada’s legislators headed for their summer cottages in June, the Office of the Parliamentary Budget Officer (OPBO) came under direct attack from the normally obscure standing joint committee on the Library of Parliament. Among other things, the committee has recommended that the OPBO’s analysis and reports should be released only to parliamentarians rather than to the public and that the Office be further buried within the bureaucracy of the Library of Parliament, instead of being an independent Office of Parliament.

Last week in these pages, William Watson questioned the continued existence of this office, arguing that its functions could as easily be performed outside government. Along with 129 prominent economists, I have signed an open letter in support of the Office. The list of signatories includes 15 past presidents of the Canadian Economics Association and seven Canada Research Chairs, from coast to coast.

The letter includes economists known to favour limited government and those known to favour the social welfare state. What unites this diverse group is the notion that the Office of the Parliamentary Budget Officer needs to be well funded, independent and unleashed to speak directly to the Canadian people.

Parliament should pursue these actions for three reasons. First, the OPBO can produce independent, detailed and credible fiscal projections. The Department of Finance has a very talented economic staff, but under our...
parliamentary system these economists are restrained by the political stance of the finance minister. Other groups of economists both inside and outside government lack either the mandate or the resources to effectively produce detailed fiscal projections and costing of government initiatives. Without the OPBO, important and vital information about Canada’s fiscal position would be lost.

Second, the OPBO contributes to elevating democratic debate in Canada. A properly supported OPBO could put out credible estimates of fiscal revenues and expenses, as happens in its older sibling institution in the United States, the Congressional Budget Office. Ideally, this allows parliamentarians to focus more on the merits of government economic initiatives, rather than allowing the debate to degrade into quibbling over differing economic assumptions. In a time when many are questioning the prevailing standard of political debate in Canada, we must support an institution that improves democratic discussions.

Third, the OPBO in its short existence has a commendable record of success. For example, the OPBO’s predictions of the fiscal consequences of the current recession appear prescient. Such credibility is hard-earned and harder-still to recreate if discarded.

We should allow the OPBO the opportunity to build on its success. But, as William Watson asks — can’t we just let the private sector do the OPBO’s job? Prof. Watson is likely right that the economists at the OPBO have no unique advantage over others in forecasting the path of the macro-economy. However, that is not the only thing that the OPBO does or could do. Turning the macro forecasts into fiscal projections seems like something few private-sector groups (banks, think-tanks or academics) would have the incentive to do as proficiently as the OPBO does. Moreover, beyond fiscal forecasts, the OPBO is charged with putting price tags on policy initiatives.

For example, the U.S. Congressional Budget Office recently released a timely and helpful
cost analysis of the new health-insurance proposal before Congress that has contributed substantially to the debate about the options facing U.S. legislators. Non-government groups of economists are unlikely to have the expertise, the data access or the incentives to do this kind of work. As sympathetic as I may be to the case for limited government, it strikes me that a basic and non-delegable responsibility of government is to provide transparent and unbiased information about the state of public finances.

Our democracy requires this information for citizens to make informed choices. These are the reasons that I have added my voice to 129 other economists in calling for support of the OPBO.

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