

Evidence-Based Policy and Mixed Economy in Australia

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Abstract

This paper examines the nature of evidence-based policy and explains how the ethic can be applied to improve the position of the firm in the mixed economy. Government participates in the mixed economy in several imposing ways. Indeed, government is very much the 'elephant in the marketplace' to be understood and effectively managed by the firm. However, the firm can better its position by consistently applying an evidenced-based approach when dealing with government. Evidence-based policy practitioners purport to rely upon the empirical and 'scientific' rather than a priori arguments for policy setting. Where evidence is available, this should form the basis of petitioning government. If not available, then heuristic positions may be put, but only if arrived at through empirical rather than a priori means. The conclusion is that it is not so much what the firm says to government, but how it is said. Working consistently from within an evidence-based paradigm means the firm is more easily understood and, importantly, can positively influence decision-making to benefit the firm with effects lasting well beyond short-term political or news cycle.

Keywords

Evidence-based policy, Australia, Government, Firm

Introduction

Citizens, whether they be concerned, apathetic or ignorant are equally affected by decisions of government. Firms and households – the non-government citizen actors in the mixed economy – have a legitimate expectation that decisions of government are not made capriciously, arbitrarily or corruptly. Further, they reasonably demand that good decisions and policy be made. It is the expectation of good decision making and policy setting that constitutes a substantial quid pro quo for the power citizens cede to government for civil society in which government should give priority to serving citizens over self-interest. Citizens choosing to organise into firms for the purposes of profit, as well as for non-profit purposes, expect likewise.

There may be different perspectives about what exactly constitutes non-self-serving government but it is posited here that responsible and reasonable decision making is a prerequisite. While political and 'special interests' render naïve the assertion that governments are primarily concerned with all citizens all of the time, it has become less naïve to expect decisions be made on the basis of evidence and not (only) from preference, appeal or whim, because the latter is self-serving and undermines the fundamental compact. In this setting, the idea of evidence-based policy is being discussed more frequently in Australian policy settings.

Firms are especially affected by government decisions so it is the relationship between the firm and government that shall be the focus of this paper. To succeed in the mixed economy, a firm must both understand the concept and work within it to better its position and effectively deal with the 'elephant in the (marketplace)' – the government. It will become apparent that the potential of evidence-based policy, and how it is practised are somewhat divergent. Evidence-based policy will be considered generally, but also by the use of two illustrative case studies: one from Canada and one from Australia. Finally, some suggestions are made as to how the firm can act in ways consistent with the emerging ethic and reflect back at government its use of it.

By holding government true to its rhetoric and practising the ethic itself, the firm has the potential to improve its position in the mixed economy. Opportunities therefore exist for the firm to improve its relative position by upholding evidence-based policy.

1. Government as principal actor in the mixed economy

Government is an imposing presence in a mixed economy in which firms and households are also participants. From the Left, government activism is claimed to be beneficial: governments effect necessary transfers of incomes, redistribute wealth, support the provision of public goods, and make laws to improve society through identifying and redressing injustices. From the Right, the government actor is viewed more cautiously: the 'elephant in the marketplace' substantially retards an otherwise freely functioning economy of rational firms and households actors that, unfettered, would make optimal decisions resulting in the most satisfying exchanges. If necessary at all, governments could make policy only to protect property, preserve freedom of markets, bring peace and order – a minimalist intervention. While the proper place and roles of government are open to innumerable definitions and preferences, the presence of a government defines the mixed economy over other kinds. And, within the prevailing global paradigm of trading nation-states, mixed economies are ubiquitous.

Actions and decisions of the government actor have far-reaching effects on the freedoms, rights and responsibilities of the non-government actors in the economy: households and firms. While government may decide that a policy or decision should also apply to itself, it is usually firms and households that are targeted by government activity. Underpinned by legislation and the application of appropriated (public) moneys, decisions are made in respect of virtually every subject matter. In Australia, this is particularly true when all three levels of government are taken together to constitute the one government actor. If government chooses not to intervene in respect

of any subject, then this is rarely for want of its ability to do so, such is the freedom of movement the government commands.

Although seemingly omnipotent, like other actors in the economy, governments must ration their choices. Notwithstanding the many opportunities of government, it is the scarcity of resources that requires this. Limits around political will, time, availability of public moneys, bureaucratic and market limitations as well as skill (or lack thereof) means the government is forced to choose carefully the decisions it makes and policies it pursues. The competing interests and values of firms and households as communicated to government confound things further. Because decision and policy making will invariably re-portion the rights of some actors to others, perhaps the most that can be hoped for is that preference and whim alone do not finally decide public issues. And, all the while, the self-interest of the government is a present threat liable to subordinate the interests of others, depending upon where the government finds itself in the political or news cycle.

2. The precarious firm in the mixed economy

The firm is particularly susceptible in the mixed economy to the decisions and policies of government. The power households have over firms is largely a function of their capacity to spend incomes and allocate their labour between firms. Absent of a government actor in the economy, households and firms would be left to resolve issues between themselves. Government, however, can dictate to the firm and modify its otherwise perfect freedom of movement in market through regulation. And governments can affect firms indirectly through households. Taxing and regulating households require households to present to firms in a modified form. Finally, governments become significant economic participants their own right through exercising the product of their coercive taxation and revenue powers. Governments encourage, create and perpetuate political, legal, social and economic institutions favourable to these ends and it is in this context the firm must act.

Generally, households present as opportunities to the firm – to profit from, and as a source of labour. Government, on the other hand, generally threatens. While threats to firms posed by government may outweigh the opportunities, the latter cannot be ignored. For example, some opportunities for the firm to influence government include:

- a. selling goods and services to government;
- b. competing directly with government taking market share;
- c. being available to conduct activities for and on behalf of government as:
 - i. an intermediary to distribute transfer payments, goods and/or services through grants or funding arrangements; or
 - ii. as 'outsourced' suppliers of government services to households and other firms; and
- d. central to this discussion, provide policy advice to government and/or influence government decision making by using or requiring the use of evidence.

3. Policy setting and decision making

Before explaining evidence-based policy and how firms can seek to gain within that framework, the notion of policy setting must be introduced. As explained earlier, governments must ration their decision making and policy setting. Although powerful, governments' abilities are not unlimited. The government will

pursue some things, and leave others alone. The government must have partly or wholly decided that it has capacity and responsibility to resolve an issue and, usually, it is profitable for it to do so. A policy or decision made is a positive act by government to impose itself upon the other actors. Given this background, the following schematic representation of policy setting is offered:

1. An issue or problem arises or opportunity appears
 2. Government chooses to respond or be proactive
 3. Environmental scan – government defines problem; undertakes consultation; collects and considers information
 4. It list options for resolution/action – including resources; cost/benefit
 5. Government selects policy/makes decision
 6. Implementation plan – budget; legislation; policy adoption; communication; market approaches adopted
 7. Implementation – contract/program management; communication; expectation management
 8. Troubleshooting – adjustment; further budget allocations; legislation; performance management, expectation/media management and public affairs
 9. Review and evaluation – to assess efficacy; value for money; gather information for review and evaluation
 10. Close-off/cancel program – or prepare for recurrence/renewal
 11. Capture leanings; cost-benefit; identify new opportunities and policy options
- [Some steps can be rearranged]

4. Different ways the firm might attempt to influence government

Having outlined the policy setting process, firms must seek to influence the policy and activity of government to ensure decisions are made that improve the position of the firm (or, at least, minimise harm). In light of earlier discussion, it becomes clearer that the inactive firm is at risk of being disadvantaged by actions and decisions of government. Firms must be proactive where possible and be prepared to positively influence the policy making process. Some ways of influencing government include:

- A. 'Playing politics':
 - confrontation
 - political marketing to government; and 'win hearts and minds' of households
 - political dis/endorsement
- B. 'Sticky power'. Adapting the concept in foreign and strategic policy and applying to the present setting, a firm can use 'sticky power' (Mead, 2004) particularly in respect of large firms or industry sectors by:
 - entering public-private partnerships
 - supplying to government
 - acting as agent for government
 - competing with government
 - research partnerships

All of these approaches draw government close to the firm thereby creating a relationship of interdependence, and influence, from which government cannot easily withdraw...

- C. Working with government, preferably on a methodological 'level playing field', to develop policy or shape decision making:
 - lobbying for change proactively or reactively in response to proposals or those already set, and
 - working with evidence-based policy

Option A may be attractive to the firm, but it is a framework within which government is well-versed. Politics is the domain of government and few firms will defeat the government playing in this space. If the firm or its lobbyist does not have the sophistication to effectively 'play politics', and does not have the scale to exercise sticky power, then a conversation with government developed within an evidence-based policy framework may be the best remaining option.

5. Evidence-Based Policy – Background, Emergence and Definitions

Lisel O'Dwyer describes evidence-based policy as policy based on research that has undergone some quality assurance and scrutiny, and distinguishes it from public policy based on little more than faith, intuitive appeal, tradition and politics, or policy based on unqualified evidence (O'Dwyer, 2003). "Evidence-based policy strategies aim to maximise the quality of the evidence and to minimise the influence of other factors in policy making" (O'Dwyer, 2003: 16, italics added). In citing his earlier work, Philip Davies describes evidence-based policy juxtaposed against *inter alia* 'untested views', but makes an important additional point: about the selective use of evidence (Davies, 1999):

Evidence-based policy has been defined as an approach that "helps people make well informed decisions about policies, programmes and projects by putting the best available evidence from research at the heart of policy development and implementation" (Davies, 1999a). This approach stands in contrast to opinion-based policy, which relies heavily on either the selective use of evidence...

A proponent of evidence-based policy purports to give primacy to 'the evidence' over other factors such as whim, opinion or appeal when making decisions and formulating policies that affect households and firms. Certainly, a claim that decision making or policy is based on 'the evidence' is a potent public appeal by government to legitimacy. A firm is well-placed to reflect this back to government, and appropriate it for its own uses. To convince government (and households) takes credibility, and evidence can provide it. But to more properly understand what 'the evidence' means in the present context requires consideration of the place evidence has in science and how this may differ to its political and public uses – something which will be illustrated in the case studies later.

The scientific method provides a way knowing based on the discovery and acceptance of truths through the accumulation of evidence to prove those things hypothesised or predicted beforehand. Importantly, a theory or known phenomenon resulting from this enquiry is accepted as 'truth' but only if (and only for as long as) positive attempts to falsify the theory or phenomenon fail. If new evidence arises so falsifies, the phenomenon is no longer true and cannot remain within what is 'known'. Philosophers like Karl Popper (1959) explain how this conceptualisation and application of evidence lies beneath one of the great products of Modernity: the scientific endeavour. The idealised scientist properly adhering to the 'scientific method' may be curious, but must be agnostic as to the outcome, irrespective of their prediction and, importantly, their commitment to it. The scientist must follow the evidence to the conclusion. Evidence is king, and this is why it is claimed that science and its scientific method is the best way of knowing about the physical world (Gauch, 2003). However, when it comes to matters of policy and the political, notions of evidence are somewhat differently focussed.

The focus of the policy or decision maker diverges from that

of the scientist when it comes to evidence. A different paradigm for 'the evidence' emerges. The policy or decision maker finds themselves in a social, economic and political world typical of contemporary pluralist liberal polities. Policy decisions need to be made, and must be defended, in the context of political and other accountabilities. This requires a focus on outcomes, rather than methods, particularly those that are able to be politically justified or legitimised. In terms of legitimacy and justification, 'evidence' becomes short-hand for a claim to some "gold standard" in policy that, supposedly, reasonable people ought not disagree with. Direct or indirect appeals to reason, empiricism, science (and its method) therefore enhance the status of a policy outcome. Scientific or quasi-scientific claims are brought to bear upon the political. The decision maker claims to be better able to overcome the difficulties of balancing competing interests, including private and public ones, as arise in the archetypal contemporary Western society. As Rawls (2005), Gaus (1990; 1995) and Nagel (1991) demonstrate, it takes considerable work to derive frameworks that routinely produce sufficiently correct and acceptable outcomes that are cognisant of all reasonable competing interests and claims in society. Claims to outcomes based on 'the evidence' attempt to make infeasible to those decisions and policies imposed by government on the other actors.

Political uses of evidence immediately transform evidence-based policy into something very different from that arising in scientific endeavour. Evidence becomes a marketing method: a policy can be sold as reasoned, reasonable and is justifiable. And, while it may be all of these things, the outcome sought is persuasion or justification. With little regard to prediction, it is common for the outcome sought to be posited more definitively than any scientific phenomenon. This is a serious limitation of evidence-based policy and provides a somewhat ironical example of what John Venn meant when he said: "No science can be safely abandoned entirely to its own devotees" (1866: ix). The 'generalist' politician has appropriated from the scientist-devotee a means of best promoting and marketing their preferences and values in a world of competing interests in which the truth is difficult to derive from the milieu of positions found in pluralist liberal polities.

Viewed most favourably, it has been argued that evidence-based policy attempts to move government away from making decisions based on selective and dubious evidence and other methods more closely connected with traditional politicking. However, for reasons discussed (and by use of case studies to follow) it seems that evidence-based policy is quite vulnerable to be overtaken by other factors. Therein lay the limitations of the doctrine. Those in the political space that would genuinely purport to uphold the ethic of evidence-based policy, in its purest sense, run hard up against these other factors. Having considered some philosophical background to the notion, it is now timely to consider how the evidence-based policy emerged and actually manifests itself the public spaces of contemporary liberal polities.

In recent decades, evidence-based policy has gained currency in many Western countries. 'Evidence based medicine' emerged in Canada around 1990 and has been likened to "the mother" of a "new religion" growing in prominence throughout the West, including Australia (Sweet, 2008). In the United States, evidence-based policy came in the wake of laws such as the 1993 Government Performance and Review Act and later anti-drug/safety laws. These laws imposed requirements like benchmarking of programs, accountability of agency performance and the requirement that funding go to programs that arise from re-

search outcomes (Petrosino et. al., 2001). In the United Kingdom, evidence-based policy emerged somewhat differently, as the evolution of the principles underlying those found in medicine applied instead to government (Sweet, 2008).

In Australia, evidence-based policy gained traction more recently (Sweet, 2008; O'Dwyer, 2003) even though the concept and its principles are not without precedent. To use one example, Australia's Financial Management and Accountability Act 1997 (Cwlth) applies at the federal level (Attorney-General's Department, 2008). Under this financial management framework, agency heads are made responsible and accountable for the use of public resources: the 'efficient, effective and ethical use' of resources for which the agency head is responsible (Attorney-General's Department, 2008: section 44). Effectively, the framework requires agency heads formulate local rules and systems to facilitate good decision making within a paradigm of evidence. In respect of procurement in particular, the Commonwealth Procurement Guidelines (Department of Finance and Administration, 2005) exist to ensure that, with very few exceptions, supplies to government are made competitively and there is evidence that decision making has taken into account as objective measures to arrive at 'best value for money' decisions. This framework of accountability purports to make empirical bases for decisions routine. The Australian experience that emerged in the late-1990s is therefore somewhat similar to that of the United States' several years earlier.

More recently, Australia's preference for evidence-based policy has become more akin to the British experience. Perhaps the biggest proponent of the "new religion" in the Australian context is the current Australian federal government. In a recent address to department heads Prime Minister Rudd spoke of the need to develop "evidence-based policy making processes as part of a robust culture of policy contestability" (Rudd, 2008). In the lead up to the 2007 Australian federal general election, the Australian Labour Party made repeated reference to acting on reviews proposed. Criticism was levelled at the ALP for policies and approaches to policy making that had arisen in the United Kingdom under Prime Minister Tony Blair's government. Referencing evidence-based policy, the Blair government espoused the approach: 'what matters is what works' (Carson, 2003).

The ideal (at least) of evidence-based policy is in vogue. As discussed earlier, the nature of political discourse appears to necessitate a disingenuous application of even robust methodologies from time to time. The case studies below support this conclusion. Melissa Sweet, who has written about the subject for various health groups in Australia and overseas, including Australia's National Health and Medical Research Council, provides examples of causes for scepticism around how evidence-based approaches have been undermined or are themselves deficient in dealing with policy processes (Sweet, 2008). Elaborating on Sweet's (2008) examples, and supported by the views of others (eg. Marston and Watts, 2003; Walshe and Rundall, 2001) important limitations around evidence-based policy become apparent real-world contexts:

- + rhetoric is easy, following and committing to evidence based processes to inevitable outcomes, more difficult: 'when votes are at stake, evidence goes out the window', says Sweet.
- + irrational assumptions
- + the quality (or lack) of the data constituting evidence
- + the extent or lack of public debate limiting what evidence is considered/used
- + the limitations of the evidence generally: what works in one setting may not work in another
- + the lack of sophistication or maturity of politics and

institutions to take advantage of evidence based approaches.

Nutley et. al (2002) neatly summarise that the limitations of the application of evidence-based policy are very context dependant and include limits on the quality and quantity of the evidences available in different fields. "Thus knowledge of 'what works' tends to be influenced greatly by the kinds of questions asked, and is in any case largely provisional and highly context dependent" (2002: 4).

From this discussion so far, a hierarchy of a motivations for using evidence-based policy can be derived.

1. The political imperative is strong such that while government may be genuine in prescribing or upholding evidence based frameworks, it is simply unable to adhere to them.

2. A less favourable view is that government will work within evidence-based frameworks – to be seen to be doing so – but solely in ways that encourage outcomes that are politically self-satisfying, rather than those that best serve households or firms.

3. Less favourably still, governments use evidence-bases to 'cherry-pick' within the framework the best evidence bases not for good policy or decision making, but for the purpose of supporting a priori positions based on ideology, preference or whim.

4. Most cynically, with such a proliferation of both scholarly and non-scholarly work available in an information age, isn't hard for civil servants or a sufficiently forewarned independent experts or consultants to data-mine to arrive at the 'correct' outcome. In this sense, evidence-based policy is used merely as a façade to hide behind and disguise real intentions and a priori decisions – even those undermined by the actual evidence itself.

Accepting that policy making, by its very nature, is a political construct (Gerston, 2004) this doesn't entirely exclude the proper application of evidence bases even when political reasons prevail:

- a. Political emphasis on value for money
- b. The desire for robust evidence showing that something probably will work before committing public moneys to it
- c. The need to show that spending is efficient and that potential losses are minimised;
- d. Greater government accountability;
- e. To counter a growing public cynicism toward governments, professionals and research institutions [as alluded to earlier] by an increasingly educated public (Sweet, 2008).

6. Case Study One

In light of the discussion thus far, if 'sticky power' is not available to the firm, and it wants to avoid a head-to-head political contest with government, then evidence bases may be the preferred way to improve a firm's position vis-à-vis government. The various points made in the preceding chapter are now illustrated by the following two case studies.

'Canada bans Bisphenol A'

The Canadian health minister announced on 18 April 2008 that Canada had conducted a review of the chemical Bisphenol A, used to make polycarbonate plastics and epoxy resins:

Based on the results of our assessment, today, I am proposing precautionary action to reduce exposure and increase safety... The draft assessment tells us that most Canadians need not be concerned. This is because health effects occur at levels much greater than those we are exposed to in Canada. But, this is not the case for newborns and infants. We have concluded that early

development is sensitive to the effects of bisphenol A. Although our science tells us exposure levels to newborns and infants are below the levels that cause effects, it is better to be safe than sorry. Consequently, I am announcing actions today that will reduce exposure and increase safety. And so, if no new, relevant and compelling information comes forward during the public consultation period, it is our intention to ban the importation, sale and advertising of polycarbonate baby bottles. With this action, Canada will be the first country in the world to take such action to limit exposures to bisphenol (Health Canada, 2008).

In December 2006 Canada instituted a Chemicals Management Plan placing the onus on industry to prove that chemicals reviewed by Canada Health were safe:

This approach puts the onus on industry. Instead of making government prove a substance is unsafe, the Challenge Program puts the onus on industry to prove to us they are using chemicals safely. When the Prime Minister and I rolled-out the Chemicals Management Plan, he committed to keeping our nation at the forefront of health and environmental protection. And with today's announcement, we are meeting that commitment (Health Canada, 2008).

In the Canadian public space, industry is being called upon by government to participate in an evidence-based policy debate around the use of bisphenol A. Interestingly, the government has decided to use a 'precautionary principle' in proposing the ban because of elevated levels of bisphenol A in polycarbonate baby bottles, even though evidence suggests the elevated levels of the chemical are below those which would cause harm. Even so, affected stakeholders, including industry, have 60 days in which to make their submissions to government.

Here government is following a heuristic approach in its application of evidence-based policy: it appears to accept that there is scientific disagreement around the effects of bisphenol A at the levels of the chemical present but, because the levels present are much higher in certain contexts (for example, as a result of boiled water in baby bottles), this is sufficient to direct that industry 'show cause' as to why future use of bisphenol A in Canada should not be banned. And, remember, scientific disagreement extends to the conclusion that levels are in fact below unsafe levels (Canadian Broadcasting Corporation, 2008). In this case, government speculates that the mere possibility of some harm arising is sufficient to ban the chemical.

On 17 October 2008, Canada Health announced that bisphenol A would indeed be banned from baby bottles, making Canada the first country in the world to do so. The rationale was the uncertainty around the issue. Thus, following application of a precautionary heuristic, the outcome is a total ban of bisphenol A by early 2009. Interestingly, the Canadian Government has also committed to spending \$CAD 1.7 million over three years to conduct further research into the issue (Health Canada, 2008a). In a response by industry, "Robert Brackett, chief science officer for the Grocery Manufacturers Association, said Friday that Canada's precautionary action regarding the use of BPA is disproportional to the risk determined by public health agencies" (Associated Press, 2008).

Such is the privileged position of government in the mixed economy that it can, as this case study illustrates, 'have a bet both ways'. Government can adopt a heuristic approach as reason to make a decision [one which, presumably, is politically satisfying] but then demand an evidence-based approach be followed by industry if industry has any hope of changing the government's policy. A key consideration for the firm working in this space is to ascertain just how frank their reporting of evidence should be. Consideration must be given to whether an evidence-based

approach will trump the precautionary principle adopted by government. Carefully balancing the requirement to fairly represent all issues and derive conclusions based on the evidence in the context of a decision that seems to have been made for a variety of other reasons (political, public health, precautionary) means the firm cannot effectively and properly 'fight its corner'.

While it may be of little comfort to realise that the firm's corner is one into which the firm has been placed by government, the firm is at liberty to emphasise deficiencies in the evidence or failures by government to follow its own purported preference for evidence, and may benefit from raising these arguments when seeking, for example, administrative law remedies. On the other hand, a firm or industry acting effectively and properly within a paradigm of evidence-based policy must be prepared to accept the outcomes of their own research, even when these work against their case for beneficial public policy outcomes. In this case study, a genuine discussion around the merits of evidence-based policy is largely made irrelevant by the approach taken by the government actor. Because of the nature of evidence in a policy and political paradigm, this will often be the case.

7. Case Study Two

'Alcopops tax rise'

A public policy debate arose in the wake of the Australian federal budget of May 2008 around an increase in the tax on 'alcopops'. Alcopops are premixed, spirit-based, alcoholic drinks popular among younger consumers. The Australian government has reportedly adopted a policy of encouraging fewer premixed alcoholic drinks be consumed, particularly by teenage girls, and that scientific and other evidence before it says that raising the per-unit price would reduce overall consumption levels. While acknowledging that there would be an overall increase in the rate of consumption of alcopops, the tax – which would accrue the federal government \$3.1 billion over four years – would succeed in having retarded this rate of increase (Grattan et. al., 2008; Kerr, 2008). The opposition in Australia claims, on the other hand, that binge drinking in the age group concerned had already peaked, and emphasised the fact that the treasury department's own figures indicated a compounding increase of ten per cent per year in the increase in consumption of these ready-to-drink beverages (Australian Broadcasting Corporation, 2008).

Firms had no warning of the increase in tax on alcopops. As Josh Harrison wrote:

Federal taxes on pre-mixed alcoholic drinks were increased without warning at midnight last night [26 April 2008] by 70% under a Rudd Government plan to fund a new preventive health program and tackle binge-drinking among teenagers, particularly girls ... Under the tax increase, the level of excise charged on the increasingly popular pre-mixed drinks — also known as "alcopops" — has leapt from \$39.36 per litre of alcohol content to \$66.67 ... It means alcopops are now taxed at the same rate as spirits, closing a loophole introduced with the GST [Goods and Services Tax] in 2000 whereby the excise is lower when the product is purchased pre-mixed than when it is mixed fresh (Harrison, 2008).

Christian Kerr noted that news of the tax increase was given by government to selected media organisations on 26 April 2008 (Kerr, 2008). Notwithstanding this 'deliberate leak', news of the issue did not create significant public debate until a couple of weeks later, following the delivery of the May 2008 budget and the subsequent attack on the government's policy by the opposition party.

In this case study, the government appears to have based its

decision on the evidence that, although rates of drinking among teenage girls may have peaked, the government has nonetheless concluded this demographic of younger drinkers is still the most vulnerable to harm by alcopops. This, arguably, is the evidence basis for its policy decision (Australian Institute of Health and Welfare, 2008; Grattan, M. et. al., 2008; Australian Broadcasting Corporation, 2008; Harrison, 2008). Secondly, the measure was introduced to redress an anomaly in 2000 Australian Goods and Services Tax legislation that treated pre-mixed drinks differently from the constituent spirits from which they were derived (Grattan, M. et. al., 2008; Australian Broadcasting Corporation, 2008; Harrison, 2008). On the other hand, the \$3.1 billion (over four years) is a small but significant contribution to a projected underlying cash surplus for financial year 2008-9 of \$21.7 billion (Australian Government, 2008). Revenue, therefore, is suggested as another primary motivation for the policy (Kerr, 2008; Grattan, M. et. al., 2008).

In this second case study, the firm is placed in a difficult position by a policy around which it had little control over. A policy that arguably has positive health outcomes, as well as significant budgetary implications is unlikely to be reversed. Perhaps all that is left for the firm is to argue *ad hominem* against the government introducing it. Evidence may be gathered to show that people are buying fewer alcopops but, instead, buy a bottle of spirit and a bottle of soft-drink to 'mix your own'. It may be that a perverse incentive is been created whereby a 'mix your own' culture emerges amongst younger drinkers. Overall, consumption of standard-drink equivalents could be shown to increase as a result of the policy. Perhaps it is possible to demonstrate that it is not young teenage girls but some other demographic that is most at risk. Finally, it may be demonstrated that other social harms are being created by price increases more generally, through inflationary effects, and effects on small business and upon the budgets of people least able to afford price increases if their purchasing behaviours around alcopops do not change.

The case studies do demonstrate that there is uncertainty around governments' application of evidence-based policy. Claims of evidence bases are apparent in each example but the discussions around each beg the question, 'to what ends are evidences cited by government being put?' Answered positively, the case studies show evidence-bases being used to generate

public policy decisions unfettered by preconceptions – allowing the evidence to lead to the outcome and then accepting it, come what may. Viewed negatively, the evidence is used as a device of public justification of decisions made *a priori*, more to do with defending political capital. Both views are arguable, and this illustrates an important point: firms that are most able to understand and work within the emerging paradigm of evidence-based policy are best positioned to influence policy outcomes or, at the very least, minimise harm imposed upon them by the 'elephant in the marketplace'.

8. Conclusion

The firm is precariously positioned in the mixed economy. The perceived power of all but the largest firms is overstated, because of the relative power of the government. This may be seen by many as a good thing. But the firm, being a creature of markets, prefers freedom of movement within its own space and therefore must successfully navigate imperfections in that marketplace generated by the activities, decisions and policies of government.

Over the last few decades evidence in policy setting and decision making has emerged as a preference of Western governments. In Australia, this emergent phenomenon is more recent still. As evidence-based policy takes hold and is used – and perhaps misused – by government, the firm has to position itself to work within the new paradigm if it seeks to be able to effectively influence decision making. The issues around evidence-based policy discussed here, including the case studies cited, demonstrate how problematic the notion of evidence-based policy can be, particularly for the firm. However, if the firm is prepared to work with government and, by doing so, aims to hold government to its own rules for decision making on the basis of evidence then (more) optimal decisions can result.

Given that mere rhetoric is no substitute for the proper application of the ethic, the firm must steer government away from preference and opinion and towards evidence as best it can. Using and promoting the use of the ethic in a positive and non-cynical way could positively influence both the scope and content of government decisions and policy settings to the benefit of the firm and, perhaps, for the government too.

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