Policy Forum: Assessing Party Platforms for Fiscal Credibility in the 2019 Federal Election

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PRÉCIS
Les programmes électoraux des partis sont importants. Ils donnent une indication des priorités des partis politiques et à qui les partis s'adressent. Les programmes électoraux peuvent servir à prévoir le comportement du gouvernement et constituent un outil utile pour obliger un gouvernement à rendre des comptes. Lors de l'élection fédérale de 2019, tous les grands partis ont publié des documents décrivant une série de positions politiques visant à relever les défis politiques à court et à moyen terme. Pour la première fois, tous les partis ont travaillé avec le directeur parlementaire du budget et ont publié des évaluations indépendantes du coût des principales mesures qu'ils proposaient. L'Institut des finances publiques et de la démocratie (IFPD) de l'Université d'Ottawa a évalué si le plan financier — recettes, dépenses et soldes — et les hypothèses économiques et financières sous-jacentes à chaque programme électoral étaient réalistes, responsables et transparents. Cet article décrit l'approche adoptée par l'IFPD pour évaluer la crédibilité financière des programmes électoraux des partis, les résultats obtenus et les implications potentielles pour gouverner dans un Parlement où le gouvernement est minoritaire et les prochaines élections.

ABSTRACT
Party platforms are important. They signal what matters for political parties and with whom parties are engaging. Platforms can be used to predict government behaviour and are an important tool to hold a government to account. In the 2019 federal election, all the major parties released platform documents outlining an array of policy positions to address short- and medium-term policy challenges. For the first time, all political parties worked with the parliamentary budget officer and released independent costings of their major proposals. The Institute of Fiscal Studies and Democracy (IFSD) at the University of Ottawa provided an assessment of whether the fiscal plan—revenues, spending, and balances—and the economic and fiscal assumptions underlying each platform were realistic, responsible, and transparent. This article describes the approach taken by the IFSD to assess the fiscal credibility of party platforms, what was found, and the potential implications for governing in a minority Parliament and future elections.

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CONTENTS

Context 482
Assessment Framework for Fiscal Credibility 484
Political Party Results 487
Looking Back and Forward 487

CONTEXT

It is generally accepted that elections play a critical role in democracies. Citizens must be given the opportunity to elect representatives in elections that are free and fair. The role that elections can play in holding governments accountable is less axiomatic. There are a number of factors that make elections challenging mechanisms for accountability, including low levels of voter turnout and the complexity of policy issues (that is, limited cognition). In Canada’s 2019 federal election, voter turnout was 66 percent—below the average turnout since 1867 (70.5 percent) but higher than in most elections since 2000. The extent to which voters were able to grasp the nuances in policy priorities and directions across parties (for example, affordability, climate change, and health care, among others) is an open question for debate and research.

Party platforms play an important role in political campaigns. It is now an expected practice that parties will provide a document with their vision for the country, priorities to address the major challenges, policy positions and proposals, and a fiscal plan.

There are three reasons why platforms matter: first, they signal what matters for political parties and with whom the party is engaging; second, they predict government behaviour; and third, they are an important tool for citizens and parliamentarians to hold a new government to account.

According to a 2017 international comparison study that examined party platforms in 12 countries (including Canada),1 parties that form governments generally fulfill high percentages of their election pledges. It is safe to say that, overall, parties are likely to govern, or at least try to govern, according to the pledges set out in their platforms. Platforms are a road map of what the particular parties want to implement and achieve in the future.

1 Robert Thomson, Terry Royed, Elin Naurin, Joaquín Artés, Rory Costello, Laurenz Ennser-Jedenastik, Mark Ferguson, Petia Kostadinova, Catherine Moury, François Pétry, and Katrin Praprotnik, “The Fulfillment of Parties’ Election Pledges: A Comparative Study on the Impact of Power Sharing” (2017) 61:3 American Journal of Political Science 527-42 (https://doi.org/10.1111/ajps.12313).
Platforms are also an important communicative tool to voters. They are a statement by which parties assert their strengths and demonstrate their principles to their base supporters as well as to other voters. Voters tune in to platform statements as a way to infer the policy positions of candidates and parties.

Despite the relevance of political platforms, there are few international or recognized standards that exist for their formulation and content. While content on campaign organization and strategy abounds, less consideration is given to these guiding documents. Given this remarkable gap, it can be difficult to assess whether a platform has been well drafted and whether its commitments are feasible from an accountability perspective.

In the 1990s, Prime Minister Jean Chrétien successfully took on the fiscal challenge of high debt. While the government benefited from an environment of continuous growth, the setting of deficit-reduction targets was a key element of the Liberal platform (the so-called Red Book)\(^2\) in 1993.

In 2008, Prime Minister Stephen Harper was forced to refocus his government’s agenda when the world financial crisis hit. The Conservative Party’s platform in 2008\(^3\) made little to no mention of the dark economic clouds that were on the horizon. Notwithstanding good intentions, governments can still be hit by unforeseen events, such as a financial crisis, that will upset platform plans.

To help support all parties with their platform-planning challenges, the Liberal government under Prime Minister Justin Trudeau implemented a 2015 electoral commitment in the 2017 budget to strengthen the role of the parliamentary budget officer (PBO). The budget officer was made an officer of Parliament. The mandate was expanded and additional resources were provided to include the costing of party electoral platforms.\(^4\)

Giving all parties access to PBO technical expertise on costing issues was a positive step. Estimating the potential fiscal costs of complex tax measures such as the taxation of digital companies, or major spending reforms such as pharmacare, is challenging. The provision of this service by an independent and reputable office enhanced confidence in the numbers used by political parties. To provide a baseline to underpin platform costing, the PBO released a pre-election economic and fiscal outlook in the summer of 2019.\(^5\)

The five major political parties in the 2019 federal election used the PBO baseline and made significant use of PBO costing. It can be argued that the work of the PBO

\(^2\) Liberal Party of Canada, Creating Opportunity: The Liberal Plan for Canada (Ottawa: LPC, 1993).
\(^3\) Conservative Party of Canada, The True North Strong and Free: Stephen Harper’s Plan for Canadians (Ottawa: CPC, 2008).
\(^4\) These changes were enacted by An Act To Implement Certain Provisions of the Budget Tabled in Parliament on March 22, 2017 and Other Measures, SC 2017, c. 20, section 128; royal assent June 22, 2017.
\(^5\) Office of the Parliamentary Budget Officer, Election Proposal Costing Baseline (Ottawa: PBO, June 2019).
created space for political parties to spend more time debating policy priorities and directions, and less time defending the veracity of their numbers. What the PBO did not do, because it was not part of its mandate, was assess the overall fiscal plans of political parties.

To address this gap, at least in part, the Institute of Fiscal Studies and Democracy (IFSD) assessed the fiscal credibility of the platforms as a whole. This work was led by the authors of this article and Sahir Khan, all former senior members of the parliamentary budget office. While fiscal management is just one dimension of a party platform, it is an important one. We have learned from recent history that the ability of parties to implement their platform can depend critically on the economic and fiscal outlook and a government’s capacity for fiscal management. The path forward can start with the party platform.

In this article, we outline the framework used by the IFSD to score the fiscal credibility of the political party platforms. We present our findings and compare results for the five major political parties. We make the case that, thanks to the work of all major parties and the PBO costings of specific initiatives, Canada achieved a relatively high mark for fiscal transparency and responsibility in the 2019 federal election campaign.

ASSessment Framework for Fiscal Credibility

For the 2019 federal election, the IFSD examined platforms based on a framework for fiscal credibility underpinned by three principles:

1. realistic and credible economic and fiscal projections,
2. responsible fiscal management, and
3. transparency.

The IFSD acknowledges that scoring the platforms on the basis of these principles involves a degree of judgment. To highlight the nature of the judgment, evaluation criteria and a simple scoring system were designed. For each criterion linked to a particular principle, a political party could achieve a score of 0, 1, or 2,

6 The term “fiscal credibility” has been used by economists over the years. We think the clearest interpretation was provided by Scott Clark, a former federal deputy minister of finance. See C. Scott Clark, “What Is ‘Credible’ Fiscal Policy? The Canadian Experience, 1983-2010: The View of a Former Practitioner,” in Fred Gorbet and Andrew Sharpe, eds., New Directions for Intelligent Government in Canada: Papers in Honour of Ian Stewart (Ottawa: Centre for the Study of Living Standards, 2011), 101-26.

7 The criteria and scoring system were outlined in a paper posted on the IFSD website. Kevin Page, Mostafa Askari, and Emily Woolner, “IFSD Platform Assessment Framework: Fiscal Credibility of 2019 Federal Party Election Platforms,” Last Page Blog, September 16, 2019 (https://ifsd.ca/en/blog/last-page-blog/assessment-party-platforms).
depending on the degree to which the platform responded to or aligned with the principle. A platform could achieve a total score of 18 based on this fiscal credibility assessment. First-class standing would require a score of 14 out of 18, or 78 percent. This would be a good score and would suggest that the platform performs well from a fiscal credibility perspective and should provide some confidence to voters. The assessment framework is illustrated in table 1.

Realistic assumptions are a critical component of planning. Political platforms that are based on a realistic view of the planning environment are more likely to generate confidence and trust, and are better able to support successful implementation of new policies and programs in a timely manner. Political platforms should be designed in a way that sheds light on the need for and the nature of adjustments to priorities and policies as unanticipated developments or risks materialize.

In 2008, political platforms in the fall federal election in Canada did not acknowledge the prospects for a global financial crisis and a recession. Unforeseen events can have serious consequences. The crisis created significant hardship for Canadians and required the government and Parliament to undertake extraordinary measures within months of an election. A number of analysts have suggested that the failure of leaders across the globe to see and address risks building in the leadup to the financial crisis fundamentally damaged trust in democratic institutions.

Responsibility in fiscal management means managing the full range of policy challenges with taxpayer dollars in a fiscally sustainable manner. Budgetary constraints are required to ensure that fiscal policy supports economic growth and stabilization (that is, through budgetary deficits when the economy is weak and surpluses when the economy is strong), and that public debt does not grow out of balance with Canada’s gross domestic product (GDP) and thus impair future economic outcomes for citizens and the policy choices of future governments. Given the uncertainty associated with planning environments, responsible fiscal management also implies embedding in the fiscal-planning framework a level of prudence to address risks.

In 2019, Canada’s federal government was in a relatively good fiscal position, as illustrated by a relatively modest budgetary deficit and public debt. The budgetary deficit was structural in nature—meaning that a deficit is run while the economy is believed to be operating near its trend level. In this context, the fiscal policy stance was modestly accommodative with respect to growth. Reflecting low interest rates, the carrying cost of debt (public debt interest relative to budgetary revenues) was at historic low levels. According to the PBO’s pre-election economic and fiscal baseline projections, budgetary deficits and debt relative to GDP were expected to decline over the medium term. The PBO estimated that the federal fiscal structure was currently sustainable in the face of aging demographics.8

Transparency is the sine qua non of political discourse, accountability, and trust. Political leaders may be inclined to be vague on the details of new policy proposals

8 Office of the Parliamentary Budget Officer, Sustainability Report, 2018 (Ottawa: PBO, September 2018).
(for example, policy parameters, costs, impacts, and risks), for any number of reasons: they do not have that information; details expose tradeoffs that create winners and losers; and there are factors beyond the party’s control that are critical to success, among other reasons. The pressure is on citizens, civil society, and political opponents to push for greater transparency in political discussions and policy platforms in the leadup to an election.

Policy platforms are not budgets or legislation to be tabled in Parliament. The level of detail required for financial due diligence in a legislative setting is much higher. Nonetheless, political parties will lay out plans in party platforms that involve tens of billions of dollars of taxpayers’ money over the next five years, and should the party be successful in forming a government, it will likely declare that it has been given a political and policy mandate to move forward. It is important, in this regard, that policy platforms be as transparent as possible. This means that platforms should provide sufficient detail on the proposed measures, and a clear and feasible implementation plan.

Major political parties were well positioned to have strong political platforms for the 2019 federal election from a fiscal credibility perspective (that is, first-class standing). The Liberal government’s change to the legislation underpinning the PBO was a major factor.

**TABLE 1  IFSD Assessment Framework**

| Principle                                      | Assessment                                                                 |
|------------------------------------------------|-----------------------------------------------------------------------------|
| Realistic and credible economic and fiscal assumptions | The platform uses the updated latest PBO baseline economic and fiscal forecast. Economic challenges are articulated. Fiscal challenges are articulated. |
| Responsible fiscal management                  | The platform commitments are consistent with a defendable medium-term fiscal strategy and framework. The platform’s commitments maintain long-term fiscal sustainability. The fiscal-planning framework contains adequate provisions for fiscal risks, economic risks, and unforeseen events. |
| Transparency                                    | The platform provides economic and fiscal forecasts for five years (2019-2023) with details on key indicators, which incorporate the proposed policy measures. The platform provides sufficient detail on the proposed measures. The platform provides a clear implementation plan for key policy measures. |

PBO = Office of the Parliamentary Budget Officer.
POLITICAL PARTY RESULTS
The IFSD prepared fiscal credibility assessments for all party platforms, including the first and second releases of the Green Party fiscal plan. The results of the assessments were published on the IFSD website within 24 hours of a platform’s release. An arrangement was made with the Toronto Star to ensure print media coverage, and some TV networks highlighted the assessment results.

Four of the major political parties passed the assessment (see table 2). In this regard, the IFSD concluded that the electorate was sufficiently well prepared to understand the fiscal consequences of party platform proposals. The Liberal Party received a good grade (first-class standing), with the Conservative Party close behind. Both the Green Party and the New Democratic Party (NDP) received a pass—but a relatively weak grade.

The five major political parties made good use of PBO analysis, including the pre-election economic and fiscal outlook and PBO costings for the more complex tax and spending proposals. Most of the political parties clearly linked their platform to PBO projections and costings. All major parties presented fiscal plans with a declining projected budgetary deficit as a percentage of GDP (figure 1) and a declining debt-to-GDP ratio over the medium term (a five-year horizon, 2019-20 through 2023-24). The Conservative Party committed to a balanced budget in 2024-25. With these fiscal plans, it was concluded that all major parties had presented platforms that would be fiscally sustainable over the long term (that is, debt would not rise relative to GDP in the face of aging demographics). This fiscal sustainability assertion is consistent with analysis by the PBO and the federal Department of Finance.

The distinguishing feature between the Liberal and Conservative platforms from a fiscal credibility scoring perspective was the disparity on the issue of transparency. The relatively low score for the Conservative Party reflects the party’s reliance on a large (unspecified) spending restraint measure to achieve its fiscal objective of a balanced budget in 2024-25. Moreover, the party’s fiscal plan was released relatively late in the campaign, after all the political debates.

While the Green Party and NDP fiscal plans received a passing grade, their scores were significantly lower than those of the Liberal and Conservative parties. The Green Party and NDP scores are largely attributable to credibility concerns (relating to economic impact, and public management and implementation challenges) tied to historically large tax increases in the short term to pay for ambitious and aspirational plans to address a number of issues—climate change, pharmacare, accessibility to post-secondary education, First Nations, and infrastructure expansion (see figure 2).

LOOKING BACK AND FORWARD
History will judge whether the 2019 federal election was a high-water mark for policy platforms backed by fiscal plans underpinned by common assumptions about the economic and fiscal outlook, and for independent costing of major proposals. At a
minimum, the IFSD believes, it is a big step in the right direction for transparency and responsibility, strengthening confidence and trust around political debates. At a time when political commentators in other countries talk about a post-truth environment, Canada has been making positive strides.

This movement in a positive direction can be credited to several sources: a current commitment by political parties to transparency; the initiative of the Liberal government following the 2015 election in strengthening the PBO and providing resources to cost political platforms; the work of the PBO in preparing costings and staying above the political fray; and positive pressure by the media and citizens.

As noted, we are former members of the PBO. We supported the Liberal government’s proposal to expand the PBO’s legislative mandate to include costing of political party platform proposals and to make the budget officer an officer of Parliament. While this work is relatively novel for legislative budget offices, there are precedents in the Netherlands and Australia. We think the success of PBO’s costing efforts in the 2019 federal election will be noticed internationally and could create positive pressure for other independent fiscal institutions around the world to provide a similar service.

The IFSD views the work that it conducted around assessing the fiscal credibility of party platforms as complementary and supportive. It is similar to the work that many academics undertook in assessing various aspects of party platforms, including the economic and distributional impacts of specific tax changes or platform commitments on climate change. To strengthen our democracy, it is important that civil society be engaged. There is always room for improvement.

To the extent that the IFSD was successful in participating in platform assessment, that success can be attributed in part to the design of a simple framework for making timely judgments while minimizing political bias, and to the fact that the media and political parties saw value in highlighting the results. It is also hoped that political parties will feel pressure to raise their game with respect to fiscal transparency and responsibility if they know that they will be assessed by credible, independent actors.

### TABLE 2  IFSD Political Platform Scoring on Fiscal Credibility, 2019 Election

| Assessment                  | LPC | CPC | GPC | NDP | Bloc |
|-----------------------------|-----|-----|-----|-----|------|
| Principle                   |     |     |     |     |      |
| Realistic assumptions       | 70  | 75  | 70  | 58  | 33   |
| Responsible fiscal management| 83  | 83  | 42  | 50  | 25   |
| Transparency                | 83  | 58  | 50  | 42  | 33   |
| Overall (average score)     | 80  | 72  | 53  | 50  | 31   |

LPC = Liberal Party of Canada; CPC = Conservative Party of Canada; GPC = Green Party of Canada; NDP = New Democratic Party of Canada; Bloc = Bloc Québécois.

Electronic copy available at: https://ssrn.com/abstract=3642736
FIGURE 1  Projected Budget Deficit as a Percentage of GDP, Political Parties' Fiscal Plans, 2019 Election

GDP = gross domestic product; LPC = Liberal Party of Canada; CPC = Conservative Party of Canada; NDP = New Democratic Party; GPC = Green Party of Canada.

FIGURE 2  Projected Change in Average Revenues and Expenditures, 2020-21 to 2023-24, as a Percentage of GDP, Political Parties' Fiscal Plans, 2019 Election

GDP = gross domestic product; LPC = Liberal Party of Canada; CPC = Conservative Party of Canada; NDP = New Democratic Party; GPC = Green Party of Canada.
We think the more general fiscal credibility assessments provided by the IFSD will remain outside the purview of legislative budget offices like the PBO for the foreseeable future. It is easier to maintain and protect the independence and non-partisan reputation of the PBO if its mandate is restricted to specific and technical costings of platform proposals, as opposed to broader judgments that address issues like the defensibility of medium-term fiscal strategies.

Looking ahead, we feel it would be a mistake to underestimate the relative fiscal credibility success of the 2019 election from a citizen perspective. In the current minority Parliament, we could be facing an election sooner rather than later. Maintaining standards in the next election could be a challenge.

One opportunity for improvement would be to utilize the time before the next election to help political parties to develop and strengthen plans to implement bolder policy initiatives. For example, while both the Green Party and the NDP signalled a political commitment toward a single-payer pharmacare system and benefited from a PBO costing, they were not in a position to lay out a plan over the medium term that could garner support with provincial governments and industries. Similarly, the significant increase in revenues required to support a federal option necessitates consideration of complicated and controversial tax measures, including wealth taxes, which likely warrant further analysis to facilitate decision making and possible implementation. The road to better policy platforms starts now.

The IFSD plans to continue to provide fiscal credibility assessments in the next federal election. We plan to refine our scoring system to better clarify judgments, and to release (once again) a pre-election framework and scoring system. One area in which the IFSD has not done work, and which could be considered by colleagues in other think tanks and universities, is the provision of economic impact assessments of fiscal plans. In the 2019 election, the parties prepared their fiscal plans without measuring the potential economic and fiscal feedback effects of the proposals. It would be useful if parties had access to this type of analysis while putting together their platforms.