

Public sector spending binge costs us dearly

[Deregulation Unit](#) | [Alan Moran](#)

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It is the private sector that brings economic growth and high living standards. Government is required to keep the peace and ensure the law is upheld.

Other valued government functions involve spending on common facilities such as roads and on basic health and education.

But for the most part, government spending and its close relative, business regulation, detract from economic growth and wealth.

Quantifying the adverse effects of business regulation is notoriously difficult.

But governments have set up deregulation units to help reduce costs and the enterprise-smothering effects that their regulations cause.

In claiming successes in federal deregulation, minister Lindsay Tanner could identify only 30 redundant regulations that he had managed to put to the sword. Unwittingly he illustrated that there was little substance in the supposed achievements.

Eradicating redundant regulations is almost pointless since the regulations themselves are rarely enforced.

Genuine deregulation requires the elimination of government measures that distort business decisions.

The confusion that Mr Tanner and his colleagues share regarding the need for less regulation is demonstrated in wages policy.

Last week, the Fair Pay Commission ruled against a mandatory wage increase. That decision recognised the fragility of the economy and the risks to jobs from a mandatory wage increase.

Julia Gillard's ``Fair Work'' Bill already requires employers to increase wages in vulnerable areas such as retailing.

Unsurprisingly, she regretted the Fair Pay Commission's decision against an automatic pay rise, demonstrating a distressing preference for higher wages rather than keeping people in jobs.

Excessive spending is the other government activity likely to impair incomes.

Recognising this, over the past 20 years governments of many big-spending countries, such as Canada and Sweden, have considerably pruned their budgets.

Unfortunately that has not happened in Australia.

Government spending across all jurisdictions has rocketed and little of the increase has been on productivity enhancing infrastructure.

Recently, Australian government spending has been boosted, especially as a result of Kevin Rudd's spendthrift policies. State governments have also been no slouches in profligate spending.

The Brumby Government's expenditure this year will be 15 per cent of state product, up from the 12 per cent level it inherited from the Kennett days.

In relative terms that's a massive 20 per cent increase in the size of government and takes the state once more down the path that made us a laughing stock of bad government under Joan Kirner.

Australia and Victoria can and should get by with far less government spending.

Greater spending discipline is needed in Australia if the economy is to remain resilient.

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- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2013](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2012](#)

- > [December](#)
- > [November](#)
- > [October](#)
- > [September](#)
- > [August](#)
- > [July](#)
- > [June](#)
- > [May](#)
- > [April](#)
- > [March](#)
- > [February](#)
- > [January](#)

[2011](#)

[2010](#)
[2009](#)
[2008](#)
[2007](#)
[2006](#)
[2005](#)
[2004](#)
[2003](#)
[2002](#)
[2001](#)
[2000](#)
[1999](#)
[1998](#)
[1997](#)
[1996](#)

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[Events](#)
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