

THE FUTURE OF REFORM

DR DARCY ALLEN

Editor of the *IPA Review*
and Research Fellow at the
Institute of Public Affairs



It wasn't until late November this year that the federal government remembered its long-term promise to cut taxes. Unfortunately, this wasn't a return to serious economic reform—it was a distraction from the ongoing citizenship saga. Indeed, through 2017 the government has not only failed to pursue reform, but has even failed to persuade voters that free market reform is possible.

Australia's remarkable prosperity was driven by individuals enabled by their economic freedoms. On many measures—from the protection of property rights to the stability of our liberal democracy—we are the lucky country. But political ignorance of our economic challenges and their causes is no longer an excuse.

Indeed, Institute of Public Affairs research has consistently demonstrated the problems we face.

Australian real wages and living standards are stagnating.

Electricity prices are some of the world's highest.

Business investment is in sharp decline and on the path to historic lows.

Fewer new businesses are being started each year as a percentage of existing businesses.

Red tape costs Australia \$176 billion annually.

But if an appetite for free market polices at the federal level is finally exhausted, what

is the next step for liberalism in Australia? One worthy approach is to return regulation and taxation powers to the state level, where they belong.

The current complex approach to distributing the GST is just the beginning of the stranglehold the federal government has over the states. Indeed, as the IPA's Morgan Begg outlines in a recent report, *Time to End GST Redistribution*, the current system of GST distribution fundamentally distorts the incentives of state governments to pursue reform.

➤ EMBRACING THE CLASSICAL LIBERAL PRINCIPLE OF FEDERALISM IS ONE OF THE ONLY PATHS LEFT TO GET THE GOVERNMENT OUT OF OUR LIVES.

At the same time, we have never had to obey as much Commonwealth law as we do now. Thousands of pages of legislation were added to the books again this year. Despite these warnings, the government has only sought to solve our economic challenges through further intervention and centralisation.

The Productivity Commission report into productivity in October is emblematic of how far the reform agenda has fallen. Instead of reiterating classically liberal principles of regulators getting out of the path of entrepreneurs to lift our productivity, the aptly-titled report, *Shifting the*

Dial, recommends government 'strengthen internal capabilities', 'support local government performance' and 'improve educational outcomes'.

Even the Productivity Commission has fallen for the interventionist mantra.

But all is not lost. As Daniel Wild writes in this edition of the *IPA Review*, if our energy crisis is caused by government, then it can also be solved by government getting out of the way.

Our energy policy is in a perpetual cycle of intervention wrapped up with different names, the latest being the National Energy Guarantee.

The consequence of expensive and unreliable energy resulting from emissions targets has continually been followed by further energy market interventions.

But current debates miss the more fundamental point that the federal government shouldn't be involved in environmental policy at all—it only gains that power through an expansive reading of the constitution.

Indeed, as Morgan Begg and Simon Breheny write in *The Ten Worst Provisions in the Australian Constitution*, one of the central drivers of our regulatory woes is the expanding role of the federal government, driven by poorly drafted constitutional provisions alongside progressive High Court interpretations.

It seems that embracing the classical liberal principle of federalism is one of the only paths left to get the government out of our lives and move into the next era of Australian prosperity. 