



Cut Red Tape, Get In Black

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If Scott Morrison and his government want to deliver an economic boom, they should follow the highly successful template of President Trump in the US and cut red tape.

New research released today by the Institute of Public Affairs finds that President Trump has overseen a \$45.6 billion (\$31 billion USD) reduction to the cost of red tape since 2017. That is the equivalent to around 20 new hospitals, 15 years work of Gonski 2.0 education funding, or four years' worth for funding for the NDIS.

The new research, titled *The Trump Administration's Red Tape Reduction Agenda*, finds that the key to Trump's success has been a one-in-two-out requirement where two regulations must be repealed for every new regulation introduced. This requirement imposes a binding restraint on the bureaucracy to consider the costs of the new rules they impose by introducing a trade-off into the equation. If bureaucrats consider that a new rule is of such importance then they can introduce it. But they have to find two existing rules to get rid of first.



The outcome of the red tape reduction agenda, along with corporate tax cuts and liberalisation of domestic energy production, has been a once-in-a-generation economic boom.

The unemployment in the US fell to just 3.5 per cent in September, which is the lowest rate since 1968. The unemployment rate in Australia, but contrast, is 5.3 per cent. New private sector business investment is above its 40-year average. There has been an increase to average quarterly business applications (a good indicator of new business formation) from 650,000 in 2016 to 826,000 in 2019. And a net increase of 422,000 jobs in the manufacturing sector since 2016. Try impeaching a President with that economic record, Democrats.

Importantly, the bounty of this economic boom has been widely shared across the US. The unemployment rate for African Americans is at a record low 5.4 per cent, which is down from eight per cent when Trump took office. And the Hispanic unemployment rate dipped to below four per cent for the first time on record in September this year.

To be sure, not all of this success can be attributed to Trump's economic policies. There has been a long-term structural improvement to the US labour market following the GFC in 2010.

But Trump's red tape cuts have supercharged the economy by making it easier and less expensive to do business in the United States. Indeed, while business investment into the US is booming, it is stagnating in Australia. New Private sector business investment in Australia is just over 11 per cent of GDP, which is lower than during the economically-hostile Whitlam years.

While not yet at Trumpian levels, the Morrison government have cottoned on to the fact that red tape reduction is the key to economic growth. In a speech to the Business Council of Australia last week, the Prime Minister outlined a number of important reforms including simplifying Australia's employment laws system and speeding up approvals for major projects.

In addition, government's red tape reform efforts are being driven by the highly capable Ben Morton, who is the Assistant Minister to the Prime Minister. Just yesterday Morton outlined important changes to the policy-making process that will require departments to provide more rigorous analysis to justify new regulations.

This is a welcome start. But much more work needs to be done.

To start with, the government must take the scissors to the mountain of green tape which is holding up projects across the country from dams and mines in Queensland to logging projects in Tasmania.

As reported in these pages on October 23, there has been a 80-fold increase in green laws since the first federal environmental department was set up in 1971. Much of this increase is duplication – and triplication in some cases – between local, state, and federal laws. At a minimum the government should remove areas of duplication by removing the federal government from regulating any areas that state governments or local councils are already involved with.



Most importantly, though, the government must hold the bureaucrats to account. Every year, more bureaucrats are employed by state and federal governments and, inevitably, look for more work to do. Unfortunately, more work for bureaucrats typically means more regulation for everyone else.

Imposing a regulatory budget on all federal government departments will bring them to heel. Such a budget could take a one-in-two-out form, such as with President Trump. Or it could be a numerical target of, say, a 10 per cent reduction to red tape each year. Either way, the bureaucracy would finally have some skin in the game and would feel the pinch of the ever-expanding array of regulations.

Morrison and Morton should build on a good start to cutting red tape in Australia by applying the highly successful approach of Trump. They too might just find it will produce a once-in-a-generation economic boom.

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