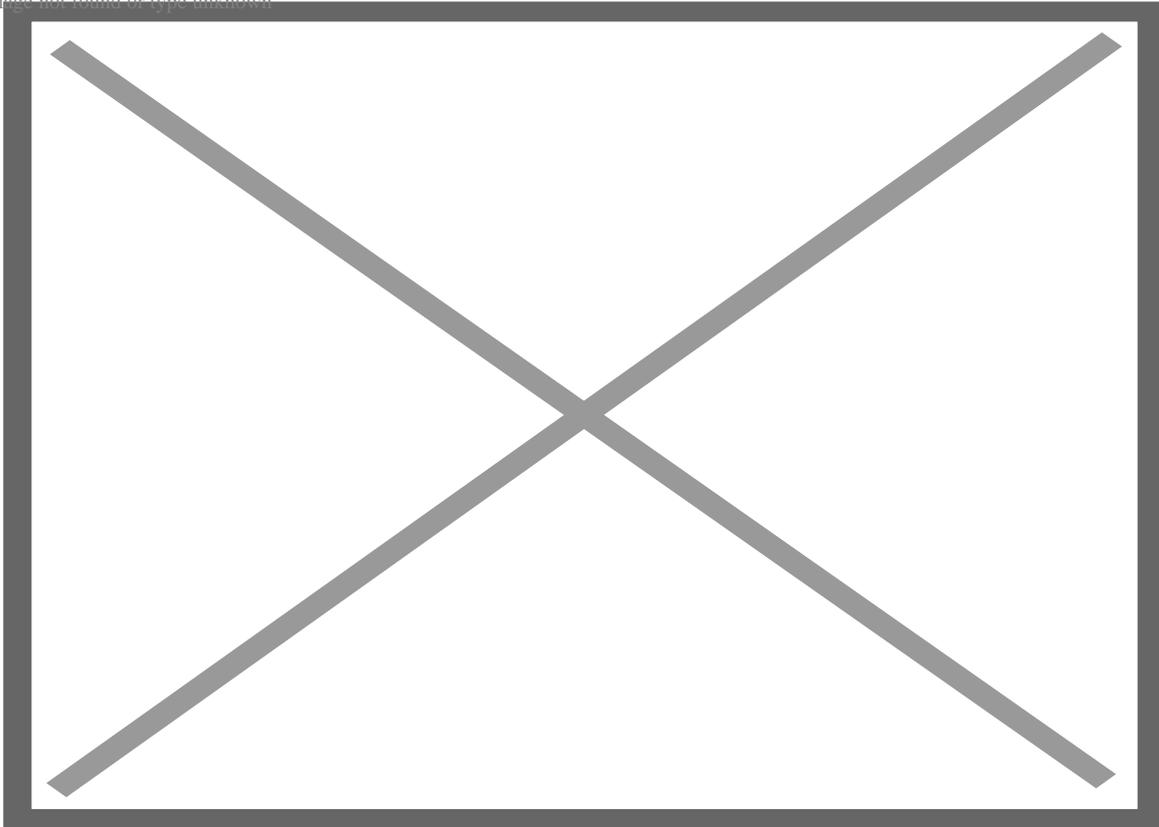


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## Federal Spending A Dangerous Drug Of Dependence

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While the deal struck last week between the government and opposition to get \$6.3 billion of savings over four years through the Parliament is welcome, it is still just treating the symptoms rather than tackling the disease.

In fact it is the expectation that Canberra must be involved in tackling every problem and managing every program, with the assumption that this commitment is backed by spending, funded by taxes and powered by regulation, which is slowly poisoning the patient.

Government spending has become a dangerous drug of dependence.

According to the budget papers, Australian government spending more than doubled from \$209 billion in 2003-04 to \$425 billion in 2015-16 and is forecast to reach \$502 billion by 2019-20.

Gross debt, which was worth about \$55 billion in 2007-08 rose to \$427 billion in 2015-16 and will pass \$500 billion in the next 12 months.



It is the inability to control government spending that recently led the three major credit rating agencies to issue warnings to Australia.

It is the need to fund government spending that drove the government's superannuation tax changes, turning the objectives of the retirement incomes system on its head and convulsing its voter base for a paltry \$2.9 billion net over the forward estimates.

It is the absence of any government spending boundaries that has drawn the federal government into so many areas of private sector or state government responsibility including health, education, childcare, energy, transport, planning, the environment, and local government to name but eight.

This trajectory is clearly unsustainable yet still doesn't include the full impact of the NDIS from 2019-2020, the cost of implementing election promises and deals with minor parties, or – heaven forbid – another global financial crisis or dip in commodity prices.

To begin the healing process you must first isolate the patient from the cause.

As a first step, the government should use the deteriorating budget position, fractious political climate and ratings agency warnings to set a firm target to cut its own spending to the pre-GFC benchmark of 23.1 per cent of GDP (currently 25.8 per cent) as soon as possible, but by no later than the end of this parliamentary term.

All spending commitments over the next three years would need to be viewed through this prism, with all policy ideas on the table. Achieving this target would alone put the budget back in surplus and enable the government to start paying off debt.

But to get there, a number of big changes need to be made to our approach to government.

The federal health and education departments should be abolished, and these powers transferred back to the states. A small secretariat inside the Prime Minister's Department could administer residual responsibilities, with the states wholly responsible and accountable for policy and service delivery.

Australia's clean air, water and impressive state and national parks are due to state and not federal government management. All environmental, planning and other land management functions should be returned to the states with the federal government absolving itself of responsibility for funding cities and local governments.

Noting that the federal government collects about 80 per cent of taxation revenue, the partial repatriation of income taxing powers or a fixed proportion of existing income tax revenue would help the states to fund these returned responsibilities.

The government should also abolish the Renewable Energy Target, and supporting bureaucracies. The role of government should be to promote cheap sources of energy, and support genuine competition between technologies, rather than cripple one of Australia's few



remaining international advantages.

If the government must get itself involved in childcare, a more affordable policy that respects parent choice would be to just offer vouchers so that parents can choose the arrangements that best suit them, rather than featherbedding the interests of private-sector operators.

In the second decade of the 21st century, the rationale for state-run media organisations, a parcel service and national communications infrastructure or vast bureaucracies that regulate what people say to each other, whose cars they can get into or what they can charge for their labour is also worthy of consideration.

The resurgence of protectionist forces both domestically and overseas, and parlous financial state of many governments and central banks, mean that unless we address our spending and debt addiction now we risk international events taking these decisions out of our hands.

Making it crystal clear at the beginning of the new parliamentary term that there is a limit to what individuals and businesses can expect from government would be a major step towards healing the body politic.

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