



Barriers To Prosperity: Red Tape And The Regulatory State In Australia

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Australia has experienced 26 years of unbroken economic growth. However, this aggregate figure masks stagnant wages growth and a deterioration in the living standards of many in the Australian middle class. The central cause of this deterioration is low and declining levels of business investment, which is approaching historic lows.

Overregulation and red tape are two key causes of weak investment. The regulatory burden on private enterprise has grown unabated for decades at the state and federal level, and under both Labour and Coalition Governments. Red tape reduces economic output by \$176 billion each year. This means that if previous attempts to eliminate red tape were successful, the Australian economy would today be 11 per cent larger and the average household would be \$19,300 better off each year.

The IPA believes that only measures which improve Australia's competitiveness will drive new business investment and provide a sustainable foundation for productivity improvements and growth in employment and wages.



In this paper we set out the size and nature of Australia's red tape problem. In doing so, this paper describes the opportunities available to policymakers to boost economic growth that requires no further call on the taxpayer, and would be vastly more effective than alternative measures which rely on simplistic economic stimulus proposals.

This paper is the first in a series of three. The second will identify the thirty key red tape reforms on which the federal and state governments should focus on now. The third and final paper will describe the policies and institutions governments should build to make sustained reduction in red tape.

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