



On Regulation, Productivity and Growth

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Concern over Australia's recent falling productivity growth should centre on the real contemporary policy task of achieving marginal reforms that enable individuals to propel long-run economic growth and prosperity.

The key policy framework to achieve this, we propose here, is a classically liberal approach to economic policy that involves maintaining the rule of law, limiting government, protecting private property and cutting red tape.

Adopting this approach understands that economic growth is fundamentally driven by individual decision making over heterogeneous capital resources, and that prospective policy changes should be judged on their capacity to facilitate individual economic calculation and action.

A competitive free market economy is essential for growth for two interconnected reasons: (1) that free markets provide the incentives for the discovery of novel methods to achieve economic ends; and (2) because the market mechanism acts as an indispensable selection process to determine

how those new things align with individual desires.

A competitive free market economy-centred on the institutions of private property and rule of law – does not only facilitate productivity growth, but also the important dynamic processes that ensure that growth meets human needs.

There are widespread claims that the liberalisation and microeconomic reforms of 1980s and 1990s Australia have been exhausted. Subsequently, new policy approaches towards productivity- for instance, investment in human capital-have been rationalised.

In this paper, especially given the present fiscal budget pressures, rather than examining specific determinants of changes in productivity statistics in the past, or propose new spending measures, we examine one major area of potential economic reform: cutting red tape.



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