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IPA REPORT: GOVERNMENT INTERVENTION MAKES FAMILIES POORER

A new report released by the Institute of Public Affairs today, *How Regulation and Red Tape Makes Families Poorer*, authored by IPA Research Fellow, Daniel Wild, shows how government regulation and subsidies are driving up the prices of key household expenditure items and putting strain on family budgets.

“Government intervention through regulation and subsidies has caused the price of key household items such as education, electricity, and child care to rise rapidly over the past two decades. This means the family budget doesn’t go as far as it did in the past and working Australians are poorer as a result.”

“Families are working harder than ever before but are not getting ahead. Over the past two decades’ wages have been growing slowly but the cost of living has been rising. This is the result of misguided public policy by both political parties right across the economy.”

The report finds that government regulation increases business operating costs, increases barriers to market entry, and reduces competition. These factors push up prices. At the same time, governments have been providing extensive subsidies, which further bid up demand and push up prices.

“Prices have been rising most rapidly in industries which feature high levels of government intervention through regulation and subsidies.”

While wages have risen by just 90 per cent over the past two decades, the cost of housing has risen by 330 per cent, childcare by 310 per cent, electricity by 215 per cent, insurance by 209 per cent, and education by 174 per cent. These are all sectors in which we see substantial government interference.

“What is so interesting is that prices have been declining in sectors which have little government interference and are mostly market-based. For example, the cost of televisions and computing equipment have declined by 92 per cent of the past two decades, while motor vehicles have declined by 22 per cent.”

“Consumers get the best deal in market-based industries which feature limited government intervention and an openness to international trade and competition.”

“Governments must continue to reduce tariff and non-tariff barriers to increase openness to trade and increase competition.”

“What is clear is that free enterprise, free trade, the rule of law, and private property are the key ingredients for a prosperous economy where the middle class can live comfortably and get ahead.”

“A Government committed to reducing the cost of living for Australians should dramatically cut red tape in heavily regulated areas of the economy like housing, childcare and our energy market,” said Mr Wild.

For media and comment: Evan Mulholland, Media and Communications Manager, on 0405 140 780, or at emulholland@ipa.org.au