REIGNITING AUSTRALIA'S ENTREPRENEURIAL FLAME: FINDING THE MISSING 275,000 BUSINESSES

Matthew Lesh
Research Fellow

November 2017

CUT RED TAPE TO UNLEASH PROSPERITY

Institute of Public Affairs
SECURING FREEDOM FOR THE FUTURE
1943 - 2018

This page intentionally left blank

REIGNITING AUSTRALIA'S ENTREPRENEURIAL FLAME: FINDING THE MISSING 275,000 BUSINESSES

Matthew Lesh, Research Fellow

Contents

Executive summary 2

Key findings 3

Introduction 4

1. What is the state of Australian entrepreneurship? 6

2. How do we compare internationally? 11

3. What are the barriers to entrepreneurship? 12

4. What is the state of venture capital investment? 14

Conclusion and recommendations 16

Bibliography 19

Executive summary

Australian entrepreneurship is in a state of stagnation, held back by red tape, inflexible industrial relations, and high taxes. This is undermining Australia's economic and jobs growth, productivity, and social mobility.

New business creation is vital to inject new ideas into industry and create value. Business dynamism, that is, firm entry and exit and expansion and contraction, is essential for 'creative destruction,' the reallocating of jobs and investment to the most worthwhile ventures.

Australia's firm entry and exit remains below 2003-04 levels, in both absolute terms and as a percentage of total businesses. Business entry has reduced by 16.10 per cent since 2003-04. There has been a reduction in entrepreneurship across all states and territories, business sizes, and industries.

If business growth had been maintained at pre-Global Financial Crisis (GFC) levels, there would be 275,000 additional firms in Australia today.

Australia has the lowest entrepreneurial growth rate of any OECD country, as measured by employment in high-growth enterprise.

Australia's venture capital investment, as a proportion of the economy, was 57 per cent lower in 2015 compared to 2007. Australia ranks 20 out of 29 OECD countries for start-up venture capital as a percentage of GDP. As a proportion of the economy, Australia attracts 27 times less start-up venture capital than Israel, 12 times less than the United States, and seven times less than Canada.

Australia's entrepreneurial spirit is being held back by public policy barriers. Australia erects more barriers to entrepreneurship, from burdensome regulation to higher taxes, than similar liberal market economies, including New Zealand, Canada, and the United Kingdom.

Australia's entrepreneurial flame can be relit through economic reform. In order to unleash our entrepreneurs, policy makers must cut Australia's $176 billion red tape burden, reform Australia's industrial relations system, and reduce taxes to boost start-ups.

Key findings

275,000 missing businesses since GFC	**-16.1%** change in business entry rate since 2003	**-19.1%** change in business exit rate since 2003
-29.0% change in Tasmanian business entry rate since 2003	**-78.5%** change in medium business entry rate since 2003	**32 of 32** of OECD countries for entrepreneurial growth
102 of 138 countries for total tax rate burden	**109 of 138** countries for flexibility of wage determination	**-57.6%** change in venture capital investment since 2007

Introduction

The Institute of Public Affairs has tracked the state of entrepreneurship in Australia since 2014.[1] This research was developed by Dom Talimanidis, the IPA's former Ian Mence Fellow for Entrepreneurship, and is now part of the IPA's *Cut Red Tape to Unleash Prosperity* project. Talimanidis found that the rate of firm creation, a key measure of entrepreneurship, has decreased.

This report presents the latest statistics on firm entry and exit, and considers a range of other Australian and international data, including firm age, venture capital, and barriers to entrepreneurship. Australian entrepreneurship is struggling in both historic and global comparisons.

Australian entrepreneurship is struggling in both historic and global comparisons.

An entrepreneurial society is essential to long-run economic prosperity, jobs and economic growth, productivity, and social mobility.[2]

Firm creation and destruction enables jobs and investment to reallocate to the most worthwhile ventures. This is essential to increase productivity, and therefore incomes, and avoid business stagnation. Joseph Schumpeter called this process 'creative destruction,' an implicit benefit of a free market economy.[3]

As Ian Hathaway and Robert E. Litan write for the *Brookings Institute:*

> Research has established that this process of 'creative destruction' is essential to productivity gains by which more productive firms drive out less productive ones, new entrants disrupt incumbents, and workers are better matched with firms.[4]

Consistent with the literature, newer Australian businesses outperform older firms. Australia's Department of Industry, Innovation and Science confirmed in 2015 that newer businesses have stronger jobs growth, higher sales, increased productivity and profit, and are more innovative and collaborative.[5]

1 Dom Talimanidis, "Where Have All the Entrepreneurs Gone? Australia's Falling Business Entry Rate" (Melbourne, VIC: Institute of Public Affairs, December 2014); Brett Hogan, "Where Have All the Entrepreneurs Gone? An Analysis of New Business Creation in Australia" (Melbourne, VIC: Institute of Public Affairs, October 5, 2015); Brett Hogan, "Red Tape Is Crushing Entrepreneurship" (Melbourne, VIC: Institute of Public Affairs, March 7, 2016).

2 John Haltiwanger, "Job Creation and Firm Dynamics in the United States," *NBER*, April 23, 2012, 17–38.Chad Syverson, "What Determines Productivity?," Working Paper (National Bureau of Economic Research, January 2010); Vincenzo Quadrini, "Entrepreneurship, Saving and Social Mobility," *Review of Economic Dynamics* 3, no. 1 (2000): 1–40.

3 Joseph A Schumpeter, *Capitalism, Socialism, and Democracy* (London: Harper & Brothers, 1942).

4 Ian Hathaway and Robert E. Litan, "Declining Business Dynamism in the United States: A Look at States and Metros," Washington, DC (Brookings Institute, May 2014).

5 Office of the Chief Economist, "Australian Innovation System Report 2015" (Canberra, ACT: Department of Industry, Innovation and Science, 2015), 23–36.

The Department, in a study of employment dynamics of Australian entrepreneurship from 2006 to 2011, found that newer firms are responsible for 40 per cent of new job creation, despite employing 15 per cent of the workforce.[6] It was also found that, over the period, new firms (less than 2 years old) created 1.44 million jobs, while older firms (3 or more years) shed 400,000 jobs.[7]

Australia's economy, however, is increasingly dominated by older firms.

Mark Perry at the *American Enterprise Institute* found 88 per cent of the United States' Fortune 500 companies did not exist fifty years ago.[8] Perry writes that this dynamic turnover is a positive sign: 'the process of market disruption is being driven by the endless pursuit of sales and profits that can only come from serving customers with low prices, high quality products and services, and great customer service.'

By comparison, nine of Australia's top ten ASX listed companies were founded before 1925 – the newest is Telstra, which was technically established in 1975.[9] This risks businesses producing the same products using stagnant methods, undermining productivity growth and the associated economic and jobs growth. Older firms, stuck in place due to red tape that keeps out new competitors, have no reason to provide customers with the highest quality goods and services at the lowest costs – and can instead profit from their monopolistic market position.

This report finds that Australia's level of firm entry and exit rates are low in historic terms; that Australia has the worst entrepreneurship rate in the OECD; Australia is attracting relatively limited venture capital; and there are substantial barriers to entrepreneurship.

In conclusion, fixing Australia's entrepreneurship stagnation requires economic freedom to be increased by cutting Australia's $176 billion red tape burden, reforming Australia's industrial relations system, and reducing taxes.

6 Luke Hendrickson et al., "The Employment Dynamics of Australian Entrepreneurship" (Canberra, ACT: Department of Industry and Science and Australian Bureau of Statistics, September 2015).

7 Ibid.

8 Mark J. Perry, "Fortune 500 Firms in 1955 v. 2015; Only 12% Remain, Thanks to the Creative Destruction That Fuels Economic Prosperity," American Enterprise Institute, AEIdeas (blog), October 12, 2015.

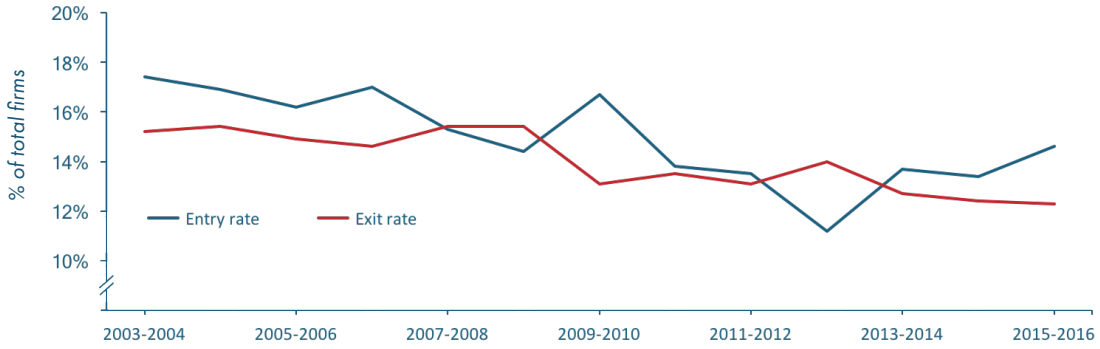
9 John McDuling, "Corporate Australia's Real Problem: Ancient Companies," The Sydney Morning Herald, November 26, 2015.

1. What is the state of Australian entrepreneurship?

In 2003-04, the number of new Australian business was 325,935. As Figure 1 shows, representing an entry rate of 17.40 per cent when compared to the number of existing businesses.[10] Meanwhile, 283,997 firms exited, and the firm exit rate was 15.20 per cent of total firms. In 2015-16, according to the latest Australian Bureau of Statistics data, there were 310,435 entrants, a 14.60 per cent entry rate, and 260,126 exits, a 12.30 per cent exit rate.

Australia's business entry rate contracted by 16.10 per cent, and the business exit rate has reduced by 19.10% over this period. The absolute reduction in the number of business entrants and exits is particularly concerning considering Australia's working age population (those aged over 15) has grown by 22 per cent over the same period.[11]

Figure 1: Business entry and exit rate



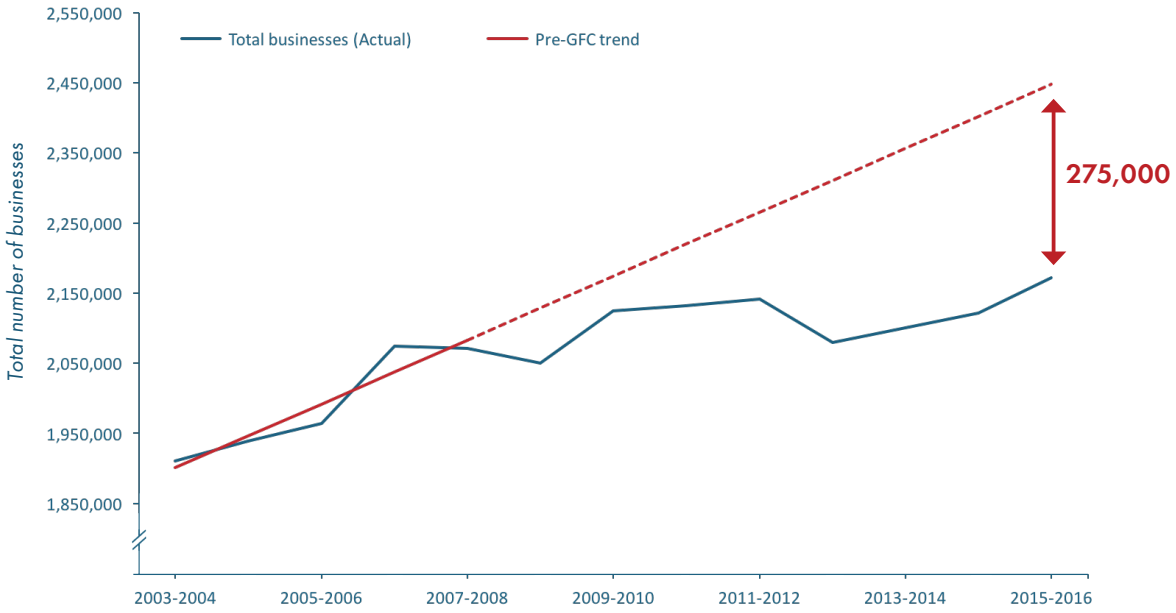
Source: Australian Bureau of Statistics, Cat. No. 8165.0; IPA calculations

10 Australian Bureau of Statistics, "8165.0 - Counts of Australian Businesses, Including Entries and Exits, Jun 2012 to Jun 2016" (Canberra, ACT, February 21, 2017).

11 Australian Bureau of Statistics, "3101.0 - Australian Demographic Statistics, Mar 2017" (Canberra, ACT, March 2017).

The total number of businesses has increased from 1.91 million in 2003-4 to 2.17 million in 2015-16, a net increase of 260,637 businesses. Nevertheless, as displayed in Figure 2, this is substantially less than if business entry and exit was maintained at pre-Global Financial Crisis (GFC) trend levels. If Australia had maintained the level of business growth achieved between 2003-4 and 2007-8, over the period to 2015-2016, there would be 275,000 more businesses today than is currently the case.[12] It would be expected that business growth would stagnate in the immediate aftermath of GFC, however the continued lacklustre situation almost a decade later indicates a lasting decline from the earlier trend.

Figure 2: Total businesses in operation (actual and trend)

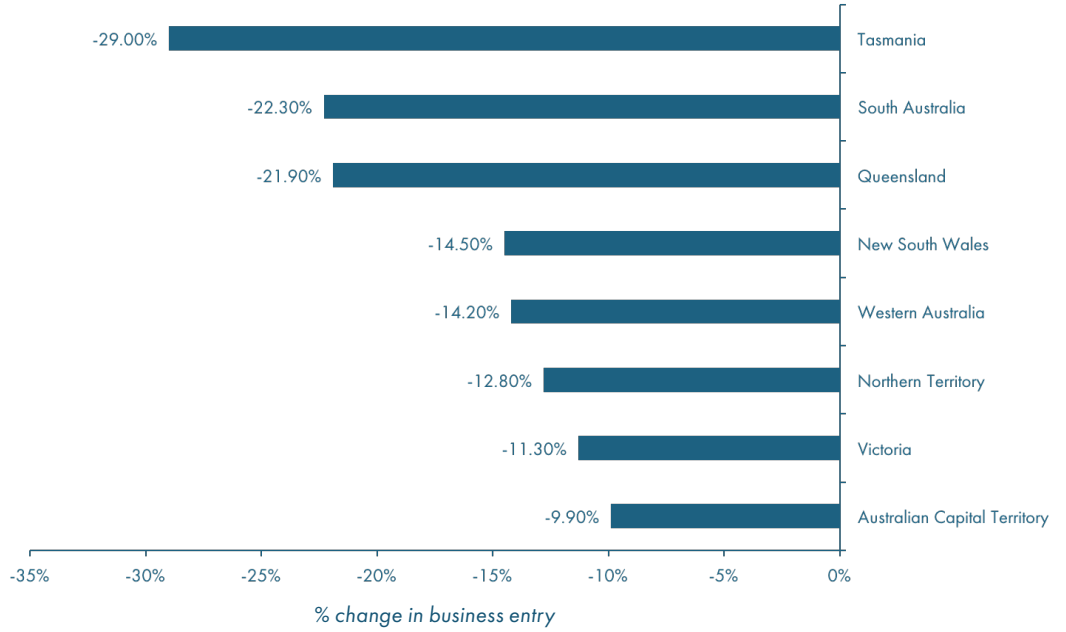


Source: Australian Bureau of Statistics, Cat. No. 8165.0; IPA calculations

12 This figure is calculated from the pre-GFC trend (2003-4 to 2006-7) business growth extended over the period from 2007-8 to 2015-16, see Figure 2.

There has been a reduction in business entry across all states and territories, however some states have fared worse than others. As Figure 3 displays, the worst impacted state is Tasmania, which has seen the business entry rate reduce from 15.5 per cent in 2003-4 to 11.0 per cent in 2015-16.[13] This is a reduction in business entry of 29.0 per cent. South Australia (-22.3 per cent) fared the next worse followed by Queensland (-21.9 per cent). The Australian Capital Territory (-9.9 per cent), Victoria (-11.3 per cent) and the Northern Territory (-12.8 per cent) have had the lowest reductions in business growth.

Figure 3: Change in business entry rate by state and territory (2003-04 to 2015-16)

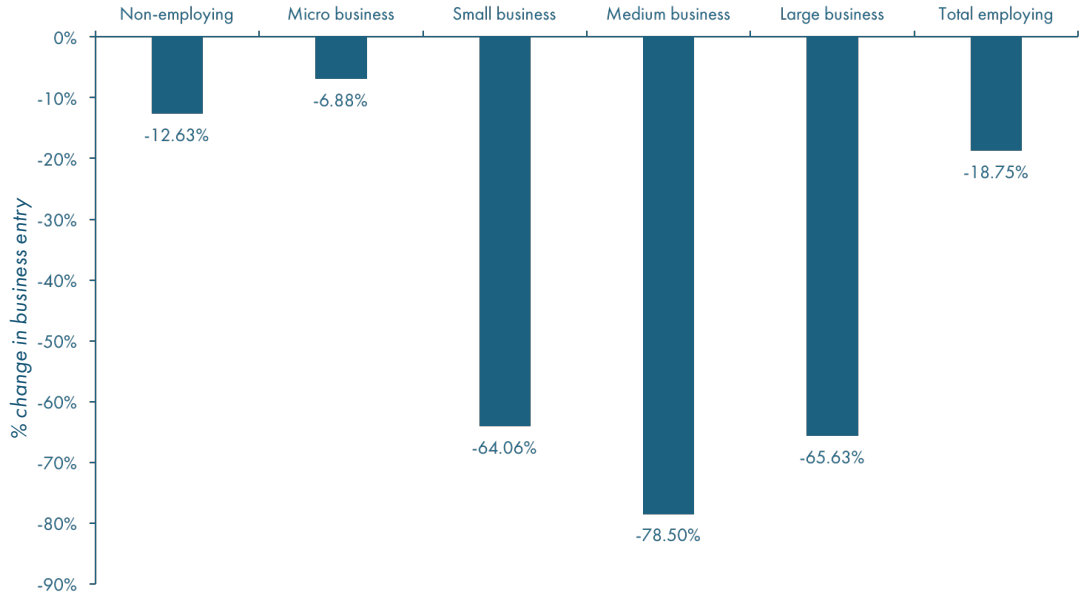


Source: Australian Bureau of Statistics, Cat. No. 8165.0; IPA calculations

13 Australian Bureau of Statistics, "8165.0 - Counts of Australian Businesses, Including Entries and Exits, Jun 2012 to Jun 2016" (Canberra, ACT, February 21, 2017).

There has been a reduction in firm growth across all firm sizes. As Figure 4 displays, the worst outcomes were for medium sized businesses (-78.50 per cent), followed by small businesses (-64.06 per cent) and large businesses (-65.63 per cent).[14] The relatively higher decline among small and medium businesses indicates that Australian businesses are struggling to grow beyond the non-employing and micro business phase.

Figure 4: Change in business entry rate by firm size (2003-04 to 2015-6)

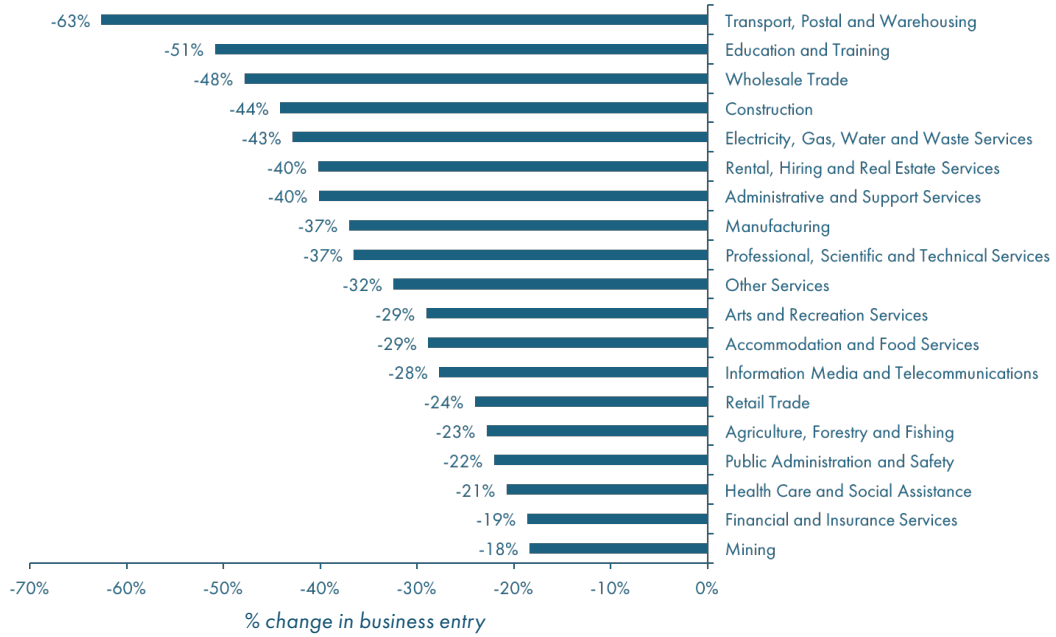


Source: Australian Bureau of Statistics, Cat. No. 8165.0; IPA calculations

14 Australian Bureau of Statistics, "8165.0 - Counts of Australian Businesses, Including Entries and Exits, Jun 2012 to Jun 2016" (Canberra, ACT, February 21, 2017).

There has been a reduction in firm creation in every industry since 2012.[15] As Figure 5 displays, transport, postal and warehousing have suffered the biggest reduction (-63 per cent), followed by education and training (-51 per cent), and wholesale trade (-48 per cent). The industries which have had the lowest reduction are mining (-18 per cent), financial and insurance services (-19 per cent), and healthcare and social assistance (-21 per cent).

Figure 5: Change in firm entry rate by sector (2011-12 to 2015-16)



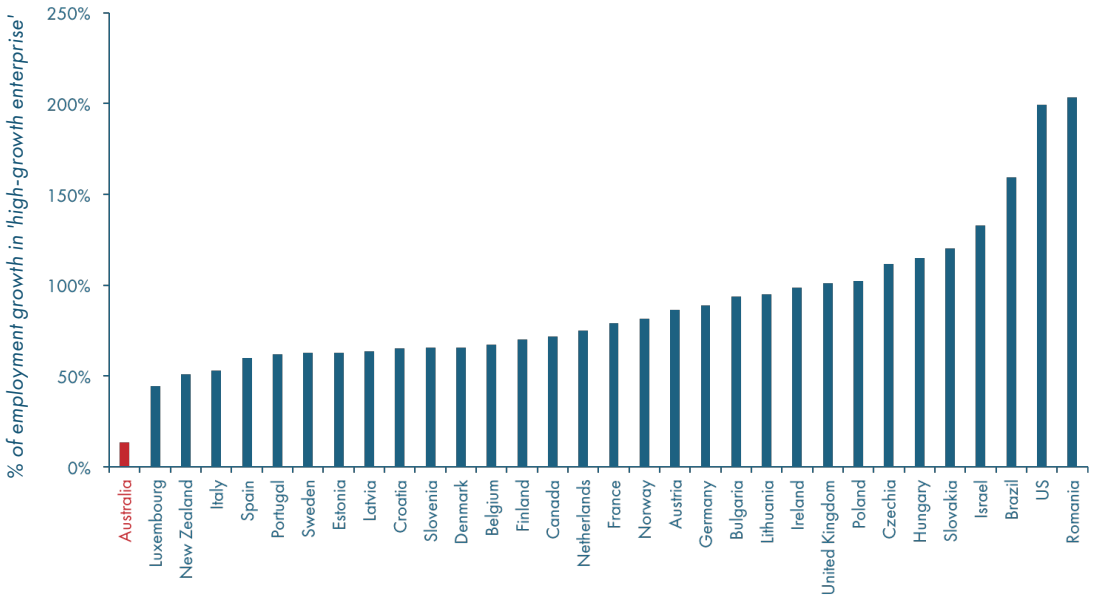
Source: Australian Bureau of Statistics, Cat. No. 8165.0; IPA calculations

15 Figure 5 is limited to 2012 to 2016 due to the change sector categories since the 2003-04 data set.

2. How do we compare internationally?

Australia has the lowest level of entrepreneurship growth of any OECD country. This is calculated by 'high-growth enterprise' as a proportion of employment in industry.[16] This reflects the growth in firms that are providing a high level of employment. Although these firms may represent a relatively small proportion of total businesses, these fast-growing firms create a substantial number of jobs. These are the enterprises with the strongest economic potential, and it is therefore deeply concerning that Australia has the lowest rate of growth in the OECD. This is a standard measure of entrepreneurship adopted by the OECD, and the Commonwealth Government Department of Industry, Innovation and Science's *Performance Review of the Australian Innovation, Science and Research System* in 2016.[17]

Figure 6: Entrepreneurial growth rate by country



Source: Entrepreneurship at a Glance 2016, OECD and Performance Review 2016, ISA

16 According to the OECD, high-growth enterprises "are enterprises with average annualised growth in employees equal to or greater than 10% or 20% a year, over a three-year period, and with ten or more employees at the beginning of the observation period." The 20% data is presented where available, for New Zealand, Canada, Israel, Brazil, and the United States, and 10% for other countries. See OECD, "High-Growth Enterprises Rate," in *Entrepreneurship at a Glance* (Organisation for Economic Co-operation and Development, 2016), 98–101.

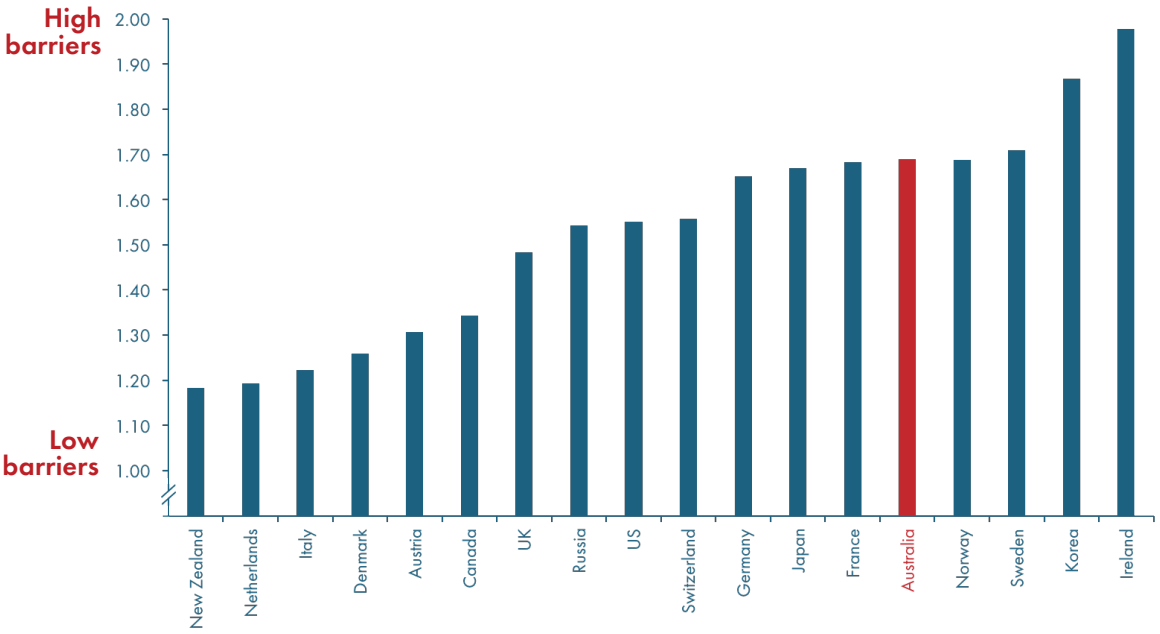
17 Innovation and Science Australia, "Performance Review of the Australian Innovation, Science and Research System 2016" (Canberra, ACT: Department of Industry, Innovation and Science, 2016).

3. What are the barriers to entrepreneurship?

Australia has a range of barriers to entrepreneurship that hold back our entrepreneurial spirit. IPA research has found that red tape reduces economic output by $176 billion each year.[18]

Australia ranks poorly in barriers to entrepreneurship according to the OECD. The OECD's barriers to entrepreneurship index considers the complexity of regulatory procedures (including licence and procedures), administrative burdens on start-ups (including obstacles to beginning new enterprises) and regulatory protection of incumbents that prevents competition. Overall, Australia ranks 20th out of 47 countries, and higher than many similar liberal market economies such as New Zealand, Canada, and the United Kingdom.[19] Australia ranks better than non-liberal economies such as China (3.13) and India (3.61). This indicates that, in comparison to similar economies, Australia has substantial barriers to entrepreneurship.

Figure 7: Barriers to entrepreneurship (1-6 index)



Source: Indicators of Product Market Regulation, OECD (Selected countries)

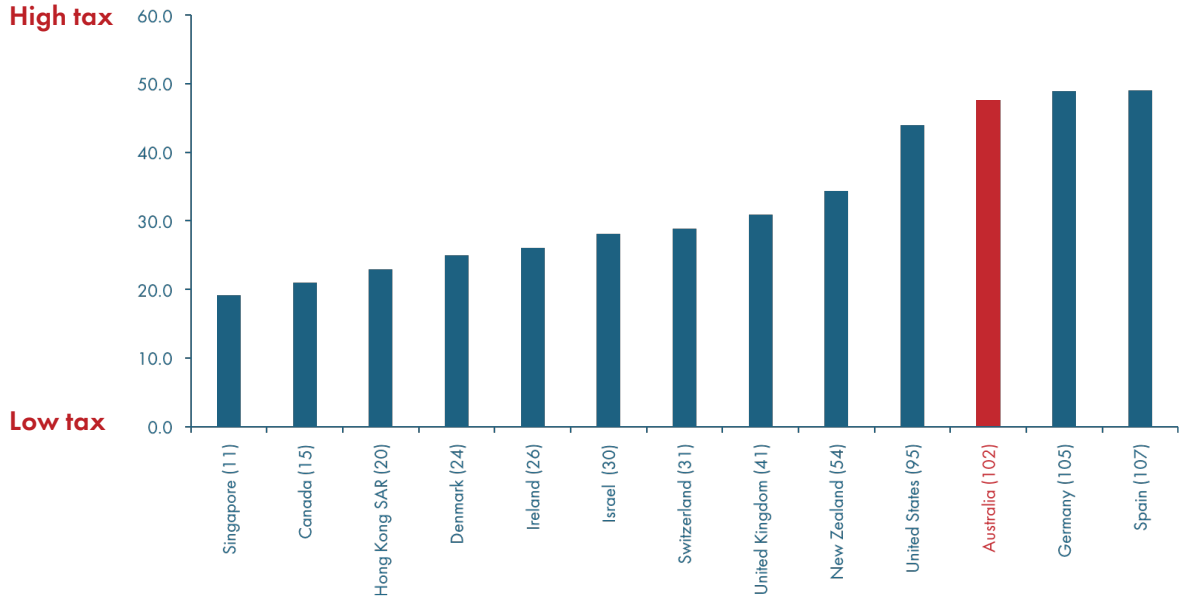
Australia also places a substantial taxation burden on entrepreneurs – which lowers potential returns and therefore discourages new business creation. According to the World Economic Forum, Australia ranks 102nd out of 138 countries for total tax burden, a measure which combines corporate tax, labour tax and other taxes on profits.[20]

18 Mikayla Novak, "The $176 Billion Tax on Our Prosperity" (Melbourne, VIC: Institute of Public Affairs, May 2016).

19 OECD, "Product Market Regulation 2013" (Paris, France: Organisation for Economic Co-operation and Development, 2013).

20 World Economic Forum, "The Global Competitiveness Index 2017-2018 Edition: Australia" (Cologny, Switzerland: World Economic Forum, September 27, 2017).

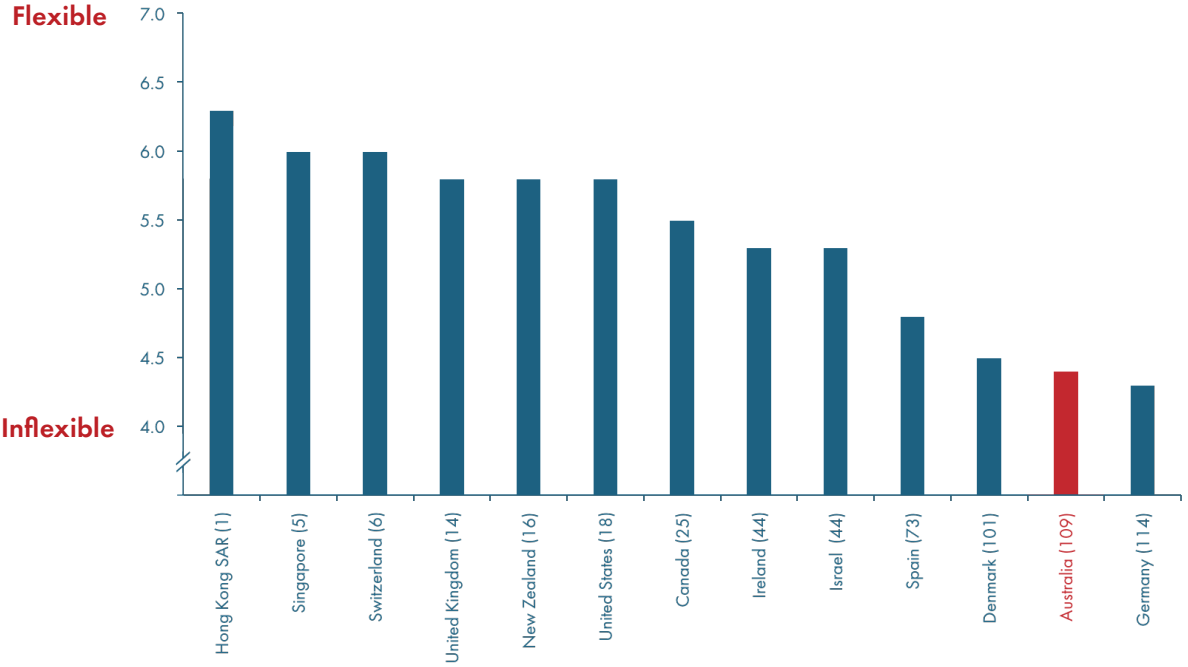
Figure 8: Total tax rate score (out of 138 countries)



Source: Global Competitiveness Index 2017-18, World Economic Forum (Selected countries)

In addition, Australia ranks poorly on measures of labour market efficiency. Australia ranks 110th out of 137 countries for hiring and firing practices, 109th out of 137 countries for flexibility of wage determination, and 102nd out of 137 countries for the effect of taxation on incentives to work.[21] These scores increase the burden on entrepreneurs creating jobs and growing businesses.

Figure 9: Flexibility of wage determination (out of 138 countries)



Source: Global Competitiveness Index 2017-18, World Economic Forum (Selected countries)

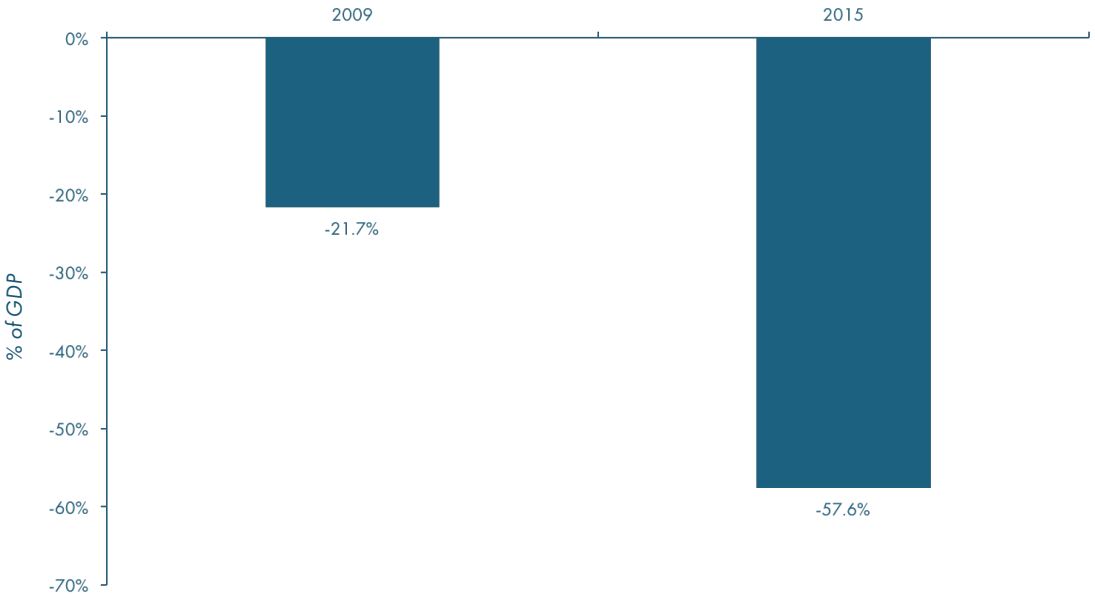
21 World Economic Forum, "The Global Competitiveness Index 2017-2018 Edition: Australia" (Cologny, Switzerland: World Economic Forum, September 27, 2017).

4. What is the state of venture capital investment?

Australia is also struggling to attract venture capital – financing for new and emerging firms that is essential for firm growth. Venture capital is required for young companies with new business models and growth potential.

According to the OECD, Australia's level of venture capital investment in 2009 was 21.7 per cent lower than in 2007, and by 2015 it was 57.6 per cent lower than 2007.[22] This indicates a substantial decrease in money flowing to Australian firms to innovate, produce and employ. While a reduction in venture capital might be expected in the immediate period following the GFC, as was the case in 2009, it is concerning that it has not only remained below pre-GFC levels, but had reduced even further by 2015.

Figure 10: Venture capital investment post-GFC (since 2007)

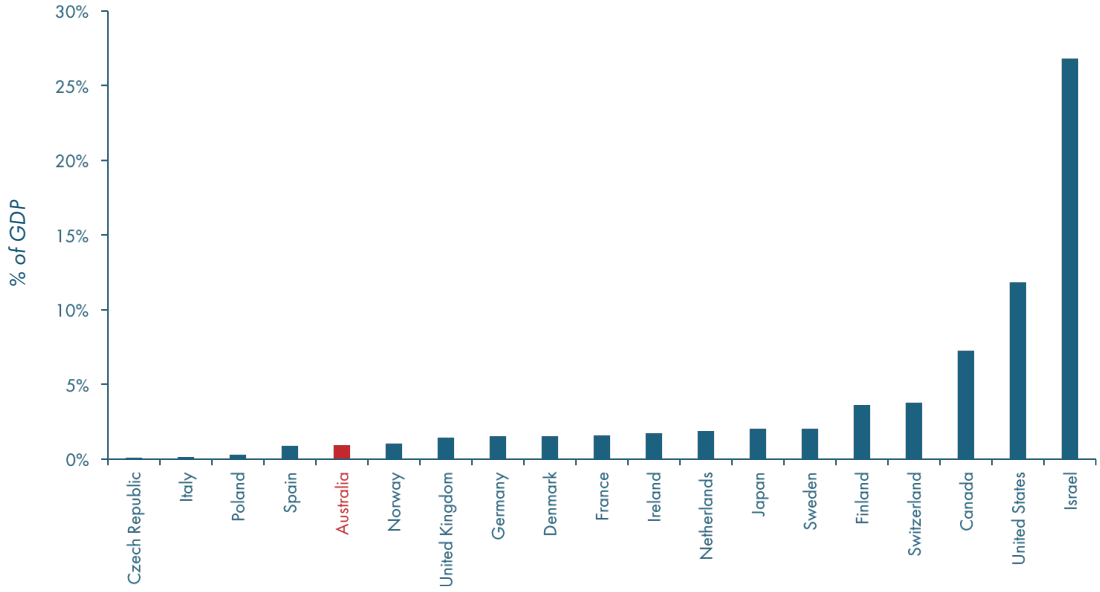


Source: Entrepreneurship at a Glance 2016, OECD

22 The 2009 and 2015 years are the comparative years presented by the OECD. See OECD, "Determinants of entrepreneurship: Venture capital," in Entrepreneurship at a Glance (Organisation for Economic Co-operation and Development, 2016), 135–142.

Australia also attracts a low level of venture capital funding in global comparison. Australia ranks 20 out of 29 countries, attracting just 0.95 per cent of venture capital investment for seed, start-up and early stage enterprises as a percentage of Gross Domestic Product (GDP).[23] Figure 8 displays selected developed economies similar to our own. Australia compares unfavorably to a wide range of other countries, attracting just one 27th of the investment of Israel, a twelfth of the United States, and a seventh of Canada.

Figure 11: Venture capital at the seed, start-up or early stage (as a percentage of GDP)



Source: Entrepreneurship at a Glance 2016, OECD

23 OECD, "Determinants of entrepreneurship: Venture capital," in Entrepreneurship at a Glance (Organisation for Economic Co-operation and Development, 2016), 135–142.

Conclusion and recommendations

The entrepreneurial spirit remains prominent in the Australian psyche. The IPA's *Growing Freedom* survey found that 60 per cent of young Australians would like to start their own business one day – an even higher percentage than in the United States.[24] The *Amway Global Entrepreneurship Report* found, in 2016, that 82 per cent of Australians have a positive attitude towards entrepreneurship, and 41 per cent of Australians can imagine starting a business.[25] Despite these instincts, entrepreneurship in Australia is stagnating.

The rate of new firm creation has shrunk, Australia's entrepreneurship rate is the lowest in the OECD, venture capital investment has contracted, and there are substantial barriers to business creation.

Entrepreneurs face substantial risk. The possibility of market failure and financial ruin is ever-present. There are a number of public policy barriers that increase entrepreneurial risk and add uncertainty, which help explain Australia's low level of entrepreneurship.

Australians have been found to have low intentions to start businesses, and are skeptical of entrepreneurship as a vocation. The Global Entrepreneurship Monitor ranks Australia 45th out of 64 countries for entrepreneurial intentions, and 46th out of 51 countries for those who believe that being entrepreneur is a good career choice.[26]

If Australia wants to unleash is entrepreneurial spirit it is essential to increase economic freedom.[27] Australia can encourage entrepreneurship, and accordingly increase jobs and growth, by pursuing three essential policies:

1. Cut Australia's $176 billion red tape burden

Red tape costs $176 billion a year (the equivalent of 11 per cent of GDP) in lost economic opportunity, an average of $19,300 for each Australian household.[28] This cost includes excessive paperwork, compliance burdens, delayed production, and diversion of economic activity. The IPA's Dr Darcy Allen and Professor Jason Potts note that red tape prevents 'experimentation with new ideas, technologies and businesses.'[29] 72.2 per cent of Australian businesses say regulation has had a negative impact on their business.[30] Red tape places burdens on business growth, prevents new businesses from forming, and gives existing businesses unfair advantages.[31]

24 Matthew Lesh, "Growing Freedom," *IPA Review*, April 23, 2017.

25 Amway, "Global Entrepreneurship Report" (Nuremberg, Germany: GfK, 2016).

26 Global Entrepreneurship Monitor, "Global Report 2016-17" (Global Entrepreneurship Research Association, 2017).

27 Christian Bjørnskov and Nicolai J. Foss, "Economic Freedom and Entrepreneurial Activity: Some Cross-Country Evidence," SSRN Scholarly Paper (Rochester, NY: Social Science Research Network, September 1, 2006); Steven F. Kreft and Russell S. Sobel, "Public Policy, Entrepreneurship, And Economic Freedom," *Cato Journal* 25, no. 3 (2005): 595–616; Richard J. Cebula et al., *Economic Behavior, Economic Freedom, and Entrepreneurship* (Cheltenham, UK: Edward Elgar Pub, 2015).

28 Mikayla Novak, "The $176 Billion Tax on Our Prosperity" (Melbourne, VIC: Institute of Public Affairs, May 2016).

29 Darcy Allen and Jason Potts, "Innovation Strangled by Red Tape" (Melbourne, VIC: Institute of Public Affairs, February 2015).

30 Australian Chamber of Commerce and Industry, "National Red Tape Survey" (Canberra, ACT: Australian Chamber of Commerce and Industry, March 2015).

31 Daniel Wild, "Barriers to Prosperity: Red Tape and the Regulatory State in Australia" (Melbourne, VIC: Institute of Public Affairs, October 2017), 25–26.

The IPA's Daniel Wild notes, for example, becoming a hairdresser in New South Wales costs $9,970 and requires 847 hours of study; meanwhile building approvals in Launceston take, on average, more than five months.[32] For Australia to attract entrepreneurs, it is essential to cut red tape.[33]

2. Reform Australia's industrial relations system

Australia's industrial relations system places a substantial burden on entrepreneurialism. Excessive labour market regulation increases the cost and risk of hiring additional staff, damaging the potential for entrepreneurial growth. For example, the extension of unfair dismissal provisions to businesses with 15 or more employees places a substantial risk on businesses expanding beyond 14 employees. According to IPA research, labour market red tape hampers the process of 'creative destruction' and recovery from economic crisis by preventing the reallocation of resources to more productive uses.[34] The World Economic Forum rates Australia's flexibility of wage determination at 109th out of 137 countries, and hiring and firing practices at 110th.[35] It is essential for Australia to reform the industrial relations system.[36]

3. Reduce taxes to encourage business start-ups

Higher taxes decrease entrepreneurs' potential returns, and accordingly decrease their incentive to open new businesses.[37] Australia has one of the highest corporate tax rates in the developed world, according to the OECD.[38] The World Economic Forum rates Australia's total tax burden, including profit, labour and other taxes on profit, at 102nd out of 137 countries.[39] President of the United States, Donald Trump, is aiming for a 20 per cent corporate tax rate, which is the same rate as Britain and is substantially lower than Australia's 30 per cent company tax rate, or 27.5 per cent for small businesses.[40] Other taxes, such as income tax and payroll tax at the state and territory level, also impede business creation and growth by lowering potential returns. In order to embolden entrepreneurs to take the risk of beginning new enterprises, Australia must lower taxes.

In conclusion, entrepreneurship in Australia is stagnating, however our entrepreneurial flame can be relit through economic reform.

32 Daniel Wild, "Barriers to Prosperity: Red Tape and the Regulatory State in Australia" (Melbourne, VIC: Institute of Public Affairs, October 2017), 25–26.

33 Please see the IPA's *Cut Red Tape to Unleash Prosperity* project for further discussion on how to reduce Australia's red tape burden: Institute of Public Affairs, "IPA Red Tape Project," 2017, http://ipacutredtape.org.au/.

34 Daniel Wild, "Barriers to Prosperity: Red Tape and the Regulatory State in Australia" (Melbourne, VIC: Institute of Public Affairs, October 2017), 25–26.

35 World Economic Forum, "The Global Competitiveness Index 2017-2018 Edition: Australia" (Cologny, Switzerland: World Economic Forum, September 27, 2017).

36 Please see the IPA's *Dignity of Work* project for further discussion of industrial relations issues: Institute of Public Affairs, "Dignity of Work," *IPA - The Voice For Freedom*, 2017, http://ipa.org.au/research-areas/dignity-of-work.

37 Ruta Aidis, Saul Estrin, and Tomasz Marek Mickiewicz, "Size Matters: Entrepreneurial Entry and Government," *Small Business Economics* 39, no. 1 (July 1, 2012): 119–39.

38 OECD, "Table II.1. Statutory Corporate Income Tax Rate," *OECD.Stat*, 2017.

39 World Economic Forum, "The Global Competitiveness Index 2017-2018 Edition: Australia" (Cologny, Switzerland: World Economic Forum, September 27, 2017).

40 Barney Jopson, "Donald Trump Seeks to Slash US Corporate Tax Rate," *Financial Times*, September 27, 2017.

About the Institute of Public Affairs

The Institute of Public Affairs is an independent, non-profit public policy think tank, dedicated to preserving and strengthening the foundations of economic and political freedom.

Since 1943, the IPA has been at the forefront of the political and policy debate, defining the contemporary political landscape.

The IPA is funded by individual memberships and subscriptions, as well as philanthropic and corporate donors.

The IPA supports the free market of ideas, the free flow of capital, a limited and efficient government, evidence-based public policy, the rule of law, and representative democracy.

Throughout human history, these ideas have proven themselves to be the most dynamic, liberating and exciting. Our researchers apply these ideas to the public policy questions which matter today.

The IPA's Cut Red Tape to Unleash Prosperity Program was launched to establish the economic costs of red tape in Australia, raise the public profile of the ways in which red tape holds back business investment and job creation, and offer solutions for how to reduce the red tape burden on Australian workers, businesses, families, and community organisations.

About the author

Matthew Lesh is a Research Fellow at the Institute of Public Affairs. Before joining the IPA, Matthew founded a mobile application development start-up, and worked for state and federal parliamentarians and in digital communications. He has been published on a variety of topics across a range of media outlets, as well as provided commentary on radio and television. Matthew holds a Bachelor of Arts (Degree with Honours), from the *University of Melbourne*, and recently completed an MSc in Public Policy and Administration at the *London School of Economics*.

Bibliography

Aidis, Ruta, Saul Estrin, and Tomasz Marek Mickiewicz. "Size Matters: Entrepreneurial Entry and Government." *Small Business Economics* 39, no. 1 (July 1, 2012): 119–39. https://doi.org/10.1007/s11187-010-9299-y.

Allen, Darcy, and Jason Potts. "Innovation Strangled by Red Tape." Melbourne, VIC: Institute of Public Affairs, February 2015. https://archive.ipa.org.au/portal/uploads/200215_Submission-DA-innovation_strangled_by_red_tape.pdf.

Amway. "Global Entrepreneurship Report." Nuremberg, Germany: GfK, 2016. http://globalnews.amway.com/amway-global-entrepreneurship-report.

Australian Bureau of Statistics. "3101.0 - Australian Demographic Statistics, Mar 2017." Canberra, ACT, March 2017. http://www.abs.gov.au/AUSSTATS/abs@.nsf/Lookup/3101.0Main+Features1Mar%202017?OpenDocument.

———. "8165.0 - Counts of Australian Businesses, Including Entries and Exits, Jun 2012 to Jun 2016." Canberra, ACT, February 21, 2017. http://www.abs.gov.au/ausstats/abs@.nsf/mf/8165.0.

Australian Chamber of Commerce and Industry. "National Red Tape Survey." Canberra, ACT: Australian Chamber of Commerce and Industry, March 2015. https://www.acci.asn.au/resources/national-red-tape-survey-march-2015.

Bjørnskov, Christian, and Nicolai J. Foss. "Economic Freedom and Entrepreneurial Activity: Some Cross-Country Evidence." SSRN Scholarly Paper. Rochester, NY: Social Science Research Network, September 1, 2006.

Cebula, Richard J., Joshua C. Hall, Franklin G. Mixon Jr, and James E. Payne. *Economic Behavior, Economic Freedom, and Entrepreneurship*. Cheltenham, UK: Edward Elgar Pub, 2015.

Global Entrepreneurship Monitor. "Global Report 2016-17." Global Entrepreneurship Research Association, 2017.

Haltiwanger, John. "Job Creation and Firm Dynamics in the United States." *NBER*, April 23, 2012, 17–38.

Hathaway, Ian, and Robert E. Litan. "Declining Business Dynamism in the United States: A Look at States and Metros." Washington, DC. Brookings Institute, May 2014. https://www.brookings.edu/wp-content/uploads/2016/06/declining_business_dynamism_hathaway_litan.pdf.

Hendrickson, Luke, Stan Bucifal, Antonio Balaguer, and David Hansell. "The Employment Dynamics of Australian Entrepreneurship." Canberra, ACT: Department of Industry and Science and Australian Bureau of Statistics, September 2015. https://www.industry.gov.au/Office-of-the-Chief-Economist/Research-Papers/Documents/2015-Research-Paper-4-The-employment-dynamics-of-Australian-entrepreneurship.pdf.

Hogan, Brett. "Red Tape Is Crushing Entrepreneurship." Melbourne, VIC: Institute of Public Affairs, March 7, 2016. http://archive.ipa.org.au/sectors/economics-deregulation/publication/2470/red-tape-is-crushing-entrepreneurship/pg/7.

———. "Where Have All the Entrepreneurs Gone? An Analysis of New Business Creation in Australia." Melbourne, VIC: Institute of Public Affairs, October 5, 2015. https://archive.ipa.org.au/publications/2425/where-have-all-the-entrepreneurs-gone-.

Innovation and Science Australia. "Performance Review of the Australian Innovation, Science and Research System 2016." Canberra, ACT: Department of Industry, Innovation and Science, 2016. https://industry.gov.au/Innovation-and-Science-Australia/Documents/ISA-system-review/index.html.

Institute of Public Affairs. "Dignity of Work." IPA - The Voice For Freedom, 2017. http://ipa.org.au/research-areas/dignity-of-work.

———. "IPA Red Tape Project," 2017. http://ipacutredtape.org.au/.

Jopson, Barney. "Donald Trump Seeks to Slash US Corporate Tax Rate." *Financial Times*, September 27, 2017. https://www.ft.com/content/79538ba6-a35b-11e7-b797-b61809486fe2.

Kreft, Steven F., and Russell S. Sobel. "Public Policy, Entrepreneurship, And Economic Freedom." *Cato Journal* 25, no. 3 (2005): 595–616.

Lesh, Matthew. "Growing Freedom." *IPA Review*, April 23, 2017. http://ipa.org.au/publications-ipa/ipa-review-articles/growing-freedom.

McDuling, John. "Corporate Australia's Real Problem: Ancient Companies." *The Sydney Morning Herald*, November 26, 2015. http://www.smh.com.au/business/the-economy/corporate-australias-real-problem-ancient-companies-20151125-gl7wu2.html.

Novak, Mikayla. "The $176 Billion Tax on Our Prosperity." Melbourne, VIC: Institute of Public Affairs, May 2016. http://ipacutredtape.org.au/wp-content/uploads/2016/05/The-176-Billion-Tax-On-Our-Prosperity.pdf.

OECD. "High-Growth Enterprises Rate." In *Entrepreneurship at a Glance*, 98–101. Organisation for Economic Co-operation and Development, 2016. http://www.oecd-ilibrary.org/content/chapter/entrepreneur_aag-2016-23-en.

———. "Product Market Regulation 2013." Paris, France: Organisation for Economic Co-operation and Development, 2013. https://stats.oecd.org/index.aspx?DataSetCode=PMR.

———. "Table II.1. Statutory Corporate Income Tax Rate." OECD.Stat, 2017. http://stats.oecd.org/index.aspx?DataSetCode=TABLE_II1.

Office of the Chief Economist. "Australian Innovation System Report 2015." Canberra, ACT: Department of Industry, Innovation and Science, 2015. https://industry.gov.au/Office-of-the-Chief-Economist/Publications/Documents/Australian-Innovation-System/Australian-Innovation-System-Report-2015.pdf.

Perry, Mark J. "Fortune 500 Firms in 1955 v. 2015; Only 12% Remain, Thanks to the Creative Destruction That Fuels Economic Prosperity." American Enterprise Institute. *AEIdeas* (blog), October 12, 2015. http://www.aei.org/publication/fortune-500-firms-in-1955-vs-2015-only-12-remain-thanks-to-the-creative-destruction-that-fuels-economic-growth/.

Quadrini, Vincenzo. "Entrepreneurship, Saving and Social Mobility." *Review of Economic Dynamics* 3, no. 1 (2000): 1–40.

Schumpeter, Joseph A. *Capitalism, Socialism, and Democracy.* London: Harper & Brothers, 1942.

Syverson, Chad. "What Determines Productivity?" Working Paper. National Bureau of Economic Research, January 2010. https://doi.org/10.3386/w15712.

Talimanidis, Dom. "Where Have All the Entrepreneurs Gone? Australia's Falling Business Entry Rate." Melbourne, VIC: Institute of Public Affairs, December 2014.

Wild, Daniel. "Barriers to Prosperity: Red Tape and the Regulatory State in Australia." Melbourne, VIC: Institute of Public Affairs, October 2017.

World Economic Forum. "The Global Competitiveness Index 2017-2018 Edition: Australia." Cologny, Switzerland: World Economic Forum, September 27, 2017. http://reports.weforum.org/pdf/gci-2017-2018/WEF_GCI_2017_2018_Profile_AUS.pdf.

This page intentionally left blank

Institute of
Public Affairs
SECURING FREEDOM FOR THE FUTURE
1943 - 2018