

Lift the dead hand of government

PUBLISHED: 07 Feb 2012 PRINT EDITION: 07 Feb 2012

Jamie Briggs

Rather than lecturing European governments over their debt crisis, our Prime Minister would be better advised to tend to her own backyard. After years of waste and mismanagement, Australia's budget future hangs in the balance.

Many of Europe's debt problems are due to popular but overly generous social welfare programs.

Most commentators now acknowledge that European governments have been writing cheques for years without any consideration of whether they could afford to do so. This has resulted in an intergenerational debt crisis.

Unfortunately, Australia's long-term fiscal position is in danger of being placed in an eerily similar position because of a growing government-driven culture of dependence. Of course many will dismiss this as an alarmist claim because our current debt position is better than our American and European counterparts.

In other words, Labor is applying the "we're sick but it's OK because they're sicker" attitude to our fiscal policy. But what comes with these big-spending Labor governments is not just debt, higher taxes and more regulation; it's a society that is more and more dependent on government and its handouts.

Take, for example, childcare. Already the government spends nearly \$4 billion a year in supporting parents to send children to care. This is driven in part by the need for an increasing number of families to rely on two incomes to pay a mortgage.

But now, with the Labor government's so-called new "quality" framework, the cost of childcare will skyrocket. For instance, according to South Australian childcare providers, because of the government's "reforms" the cost of sending a three-year-old to childcare in 2016 will jump by more than \$80 a week above normal increases.

This will be too much for many of the ubiquitous working families already struggling with cost of living pressures. The result will be the ramping-up of political heat on the governing class to further increase subsidies to cover yet another seemingly endless cost increase. More regulations, more cost, more subsidy and more government intervention. It's a vicious cycle.

Ensuring that children are well cared for is important, but pricing families out of the market because of a government-driven campaign for more staff and greater costs is not something we can afford. The very children this policy claims to benefit will not thank us when they come of age and face a European-size debt crisis of their very own.

Tony Abbott's framework economic speech last week made a fundamentally important point: governments should do only what people can't do for themselves, and no more. Once upon a time government payments were a safety net to help those who could not help themselves. Increasingly, however, a vast portion of our population depends on the government every week just to get by. This cycle of dependency is reinforced by government policies that make it harder for people to get off the government teat. Over six years, Australia has witnessed an exponential increase in the reach of the federal government.

From the last Howard government budget in 2006-07 to the 2012-13 budget, spending will increase by 46.6 per cent while over the same period revenue will increase by 37.5 per cent. This is even before the expected carbon tax revenue is taken into account.

The expansion of government is creating a transfer payment dependency. Pensions, disability support, family tax benefits and childcare support, among others, create a cycle of dependency for millions of Australians. The dead hand of government with its Centrelink chequebook encourages many Australians to believe that there's no other way of life than putting your hand out.

The lesson from Europe is not just about debt, it is about the size and role of government. Reducing the size and pervasiveness of government will ensure that Australians have more of their own money to make their own choices and create their own opportunities.

Unlike Europe, it is not too late for us to avoid the old-world problems, but time is running out.

Jamie Briggs is the federal member for Mayo and is also on the executive of the Modest Members, a group of Liberal MPs.

The Australian Financial Review