

## TARGET30 – Towards Smaller Government and Future Prosperity

Simon Cowan

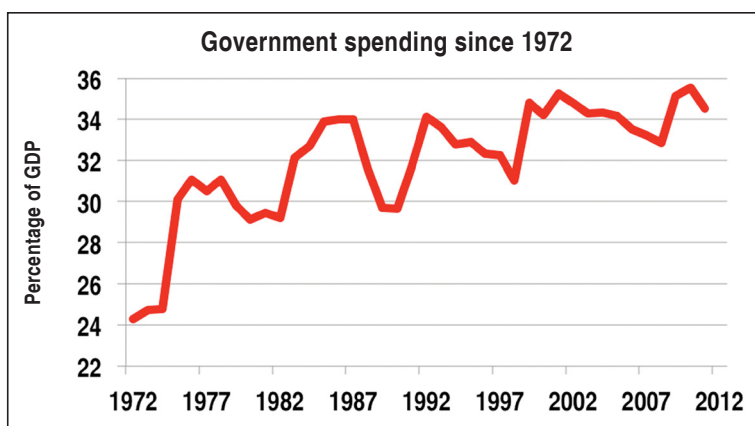
- Over the last 40 years, government has been steadily expanding into areas far beyond its core responsibilities.
- Since 1972, government spending has grown at an average of more than 4% per year and is now at nearly 35% of Gross Domestic Product (GDP) – and approaching critical levels.
- Australia faces budgetary pressures in the coming decades from an ageing population, falling economic growth, and rising costs, especially in health care. These challenges and escalating government spending will impose heavy burdens on future generations.
- As Australia's leading public policy research institute, The Centre for Independent Studies is best placed to address rising government spending because we at the CIS have been leading the fight for smaller government for more than 35 years.
- Our TARGET30 campaign will prepare Australia for its future challenges by proposing realistic policy solutions to reduce the level of government expenditure to less than 30% of GDP over the next 10 years.
- Without TARGET30, government expenditures may exceed 50% of GDP by 2050. The result could be ruinous: higher taxation, higher debt, lower economic growth, and a further reduction in social capital.
- Instead, smaller government would boost economic growth and reduce taxes – and that's where TARGET30 comes in. Shrinking the size of government will also stimulate the charitable sector, foster personal responsibility, and reforge the community ties that once bound our society together.
- TARGET30 is not an 'austerity' campaign. It does not propose to abolish the welfare safety net, or punish the poor.
- TARGET30 asks all Australians to consider what they really need government to provide, rather than simply demanding more of what they would like but don't want to pay for.
- TARGET30 will show how crucial government services in health, welfare and education can be delivered efficiently and effectively while curbing the uncontrolled growth of wasteful government spending.
- Australia is in an enviable economic position compared to the rest of the world, but the size of government is growing rapidly. We need to learn lessons from the fiscal and debt crises in big-spending, big-government countries and act now to ensure prosperity for future generations.

## Government has been expanding ...

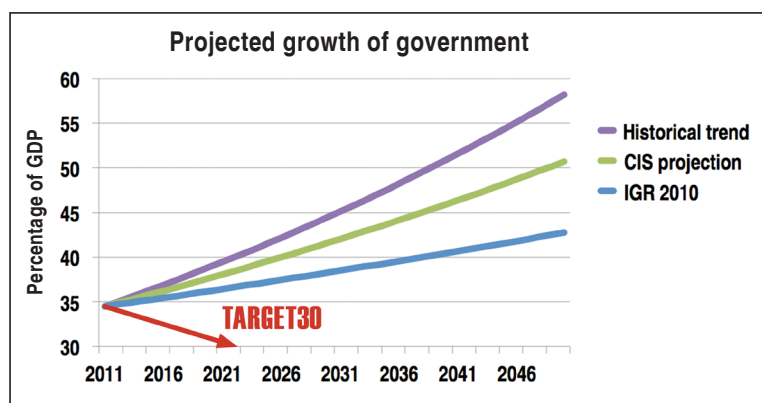
The size of government in Australia has rapidly expanded in the last 40 years, beginning with the implementation of the Whitlam government's social policies. Its reach now extends into areas far beyond core government responsibilities.

General government spending across all levels of government is nearly 35% of GDP.

New and expanded programs have been the biggest driver of spending over the last 10 years, making up 75% of Commonwealth spending growth.



## ... and will continue to grow and grow ...



The third *Intergenerational Report* (IGR 2010) predicts that an ageing population, increasing health costs, and slower economic growth will put pressure on future budgets.

IGR 2010 almost certainly underestimates the growth rate in government spending; a more accurate figure should include the effect of likely new spending programs to be introduced over the next 30 years.

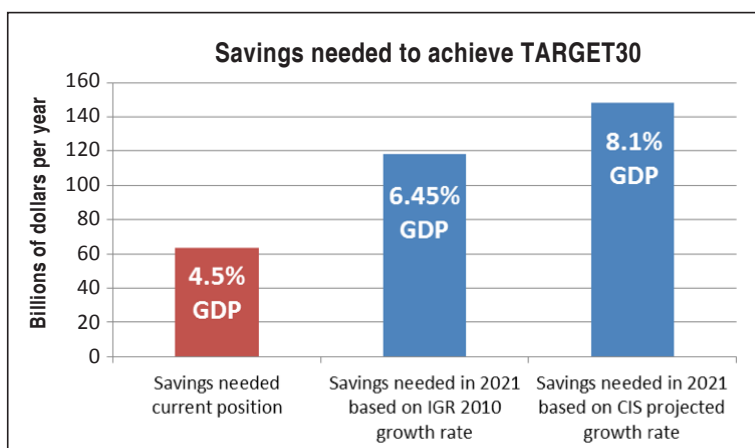
Without TARGET30, government spending may exceed 50% of GDP by 2050.

## ... TARGET30 will slow the growth and make savings ...

TARGET30 takes a pragmatic approach to cuts – reflecting a compromise between the economically ideal size of government (20% to 25%) and what is achievable given the difficulties in cutting government spending.

TARGET30 can be achieved just by holding government spending constant on a per capita basis.

Even after TARGET30, government spending in 10 years will still be \$65 billion a year higher than now.



## ... by focusing on areas like health, welfare and education ...

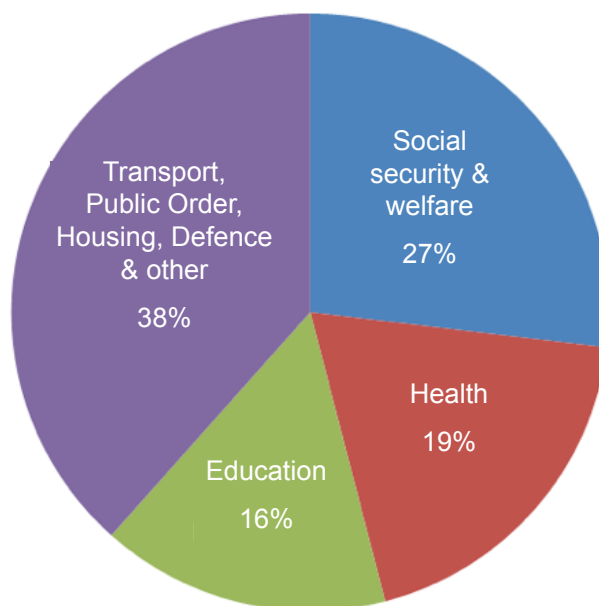
The majority of government spending goes into social security and welfare, health and education. That is why we will focus our initial research on these areas.

**Health:** To address long-term affordability problems in health, TARGET30 will look at improving the level of private sources of health funding. In addition, TARGET30 will look at ways to encourage competition that will spur improvements in public hospitals.

**Social security and welfare:** TARGET30 will look at spending on the aged and focus not only on reducing government expenditure but increasing personal responsibility for retirement savings and minimising lifetime tax-welfare churning.

**Education:** TARGET30 will look at the Gonski reforms, as well as education spending in general, to identify areas where increased productivity and savings can be achieved and to combat the belief that any money spent on education, however inefficiently, is a good investment.

General government expenditure 2010-11



## ... and providing simple tips to help government to TARGET30.

1. Limit and independently review new spending

6. Enforce fiscal targets and policy rules

2. Prioritise and save from existing programs

7. Automatically index income tax thresholds

3. Audit government programs to see if they are working

8. Provide greater transparency of long-term fiscal predictions

4. Contract out government services to the private sector

9. Eliminate fiscal churn

5. Extend means testing while optimising Effective Marginal Tax Rates

10. Increase public sector efficiency

10 tips to  
**TARGET30**  
REDUCING THE BURDEN FOR  
FUTURE GENERATIONS

It is also important to combat the expectation that government services will continually increase, especially through price signalling via user charges and more transparency around the costs of government subsidies.

## So what are we waiting for?

Australia is currently the envy of the world but we must act now to ensure prosperity continues for future generations. Support TARGET30 and lend your voice to the call for smaller government and a brighter future.

## What is TARGET30?

**TARGET30 is a campaign to reduce government spending from its current level of 35% of Gross Domestic Product (GDP) down to 30% within the next 10 years.**

### Why does Australia need TARGET30?

Having a smaller government will increase economic growth in Australia and strengthen social and family bonds, leading to better communities and better outcomes for all Australians.

Without TARGET30, by 2050 government could be clawing more than 50% of the value of all goods and services produced in the economy.

### What does TARGET30 involve?

TARGET30 is a campaign promoting the benefits of small government, supported by a series of research papers and companion activities, including public events. TARGET30 provides concrete plans and policy suggestions for reducing the size of government in key areas including welfare, education and health care.

The campaign focuses on ensuring that the crucial services Australians need are delivered efficiently and effectively by all levels of government while curbing the uncontrolled growth of inefficient spending.

**For more information on how you can be involved in TARGET30  
visit [cis.org.au](http://cis.org.au)**

### Author

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