

[PUBLIC ADMINISTRATION: OLIVER MARC HARTWICH]

# A simple idea for our complex bureaucracy

## Red tape

What if public servants were financially rewarded for designing more efficient regulation?

It must be a fairly complicated person, at least if the French poet Remy de Gourmont is to be believed. He once claimed that “very simple ideas lie within the reach only of complex minds”. I actually had one very simple idea a few months ago – and I am still trying to figure out whether it actually makes any sense at all.

It happened at the height of the controversy over the Rudd government’s carbon pollution reduction scheme last year. The more I heard ministers sing praises to cap-and-trade schemes, the more I wondered why they were not extending this logic to other areas. If an emissions trading scheme allegedly made it possible to cut environmental pollution in the most cost-efficient way, then why should we not use something similar for, say, red tape in government?

Let’s reconsider the basic idea behind trading schemes. Trading schemes start off by deciding that there are things we can do without.

Carbon emissions, for example. Carbon is an unwanted byproduct of our energy consumption. We are not running our car engines because we want to emit carbon but because we want to travel from A to B. We are not heating our homes because it emits greenhouse gases but because we don’t want to sit in the cold.

One way of reducing this unwanted carbon byproduct is by introducing a trading scheme that caps the amount of carbon that the economy can emit. Polluters receive certificates that allow them to emit a specific amount of carbon below their

what would you call bureaucracy? Nobody, masochists excluded, enjoys filling in forms, filing tax returns or complying with complicated reporting requirements. But we also understand that there are good reasons for these exercises. We know that without *some* regulation, society would not work. The trick is to achieve *effective* regulation without filling in *too many* forms.

Now, the similarities between carbon emissions and bureaucracy are clearer. Carbon emissions are the unwanted byproduct of heating your house. Bureaucracy is the unwanted

us each year. Countries like the Netherlands have shown us that it is possible to measure the cost of filling in forms. The Dutch government has developed a standard cost model, which makes measuring regulatory burdens a straightforward task. The time needed to fill in forms is multiplied by the hourly costs of employing the form fillers. Multiply this by the number of these forms filled in across the whole economy in a year and you get the red tape cost of this one form. Do this with all forms and you know what red tape costs us in total. This may seem a little

budget buying red tape certificates.

Just imagine how wonderful the world of red tape trading would be. Health and safety bureaucrats could be competing with their colleagues at the Australian Taxation Office over who would be cutting their forms first. Instead of outdoing each other in the production of ever more bureaucracy, they would be doing the very opposite. A bureaucrat seeking a higher budget could get extra money by cutting red tape faster than in other departments. And why would they do so? Because we would give them financial rewards for doing their job with less bureaucracy.

As I am happy to admit, it is an extremely simple idea; so simple in fact, that when I first had it I thought, “Gee, someone must have thought about this before.” But as far as I could see, this scheme has never been tried anywhere.

So maybe it is just an outlandish, completely unworkable, and barny idea. Or, maybe, I am just too complicated?

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current emission levels. This leaves companies with the choice of cutting their emissions; alternatively, they could buy certificates on the carbon market from those who have reduced their emissions and have extra carbon credits. This way, carbon pollution gets a price, and each polluter has an incentive to reduce the amount of emissions.

If you’re wondering what this has to do with red tape, consider this: if carbon is an unwanted byproduct,

byproduct of paying taxes. If both are pollutions, can we deal with them in the same way?

Instead of an *emissions* trading scheme, consider a *red tape* trading scheme. There are no reliable estimates at the moment, but it would be reasonable to assume that red tape costs households and businesses tens of billions of dollars.

For a red tape trading scheme, we would first measure the total amount of money that our bureaucracy costs

difficult, but the Dutch have completed the measuring exercise for their economy within two years.

Once we figure out the actual cost of red tape, we can issue red tape certificates to government departments. And here is the trick: just like environmental pollution certificates, red tape certificates for government agencies would be set at levels lower than their current level of pollution. This means that bureaucrats will need to cut the form-filling – or spend their

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