

NZ concerned as PM Rudd “paraphrases the philosophies of Marx and Mao”

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Is National Doing Enough?

“Socialism is a philosophy of failure, the creed of ignorance, and the gospel of envy, its inherent virtue is the equal sharing of misery” – Winston Churchill.

Socialism never rests. It harnesses the very worst of human emotions to demonise the virtue of self interest as greed; it perpetuates the fallacy that wealth is only accumulated at the expense of others and the myth that free markets exploit the poor; it promotes the fiction that governments are benevolent.

Astonishingly, over the last few days we have seen comments along these lines emanating from no other than our close friend across the Tasman, the Prime Minister of Australia! Elected to office in 2007 on the basis of economic conservatism, Kevin Rudd has denounced the successful economic strategy of John Howard’s government (a strategy that has long been a magnet to ambitious Kiwis) by describing it as *neo-liberalism*: “that particular brand of free-market fundamentalism, extreme capitalism and excessive greed which became the economic orthodoxy of our time.” He goes on to claim that “social democracy” will be the saviour of Australia, with its “properly regulated competitive markets”, where the “*government* is the regulator”, the “*government* is the funder or provider of public goods”, and where the “*government* offsets the inevitable inequalities of the market with a commitment to fairness for all”.^[1]

What Kevin Rudd appears to have overlooked, as he paraphrases the philosophies of Marx and Mao, is that the social utopia he desires for Australia has not only failed throughout history, but has more recently failed here in New Zealand. Helen Clark’s big brother social democratic government has been the downfall of New Zealand, weakening our economy to the point where we plunged into a recession some nine months before the onset of the global economic crisis.

Closer to home, the former Vice Chancellor of Waikato University and former British Labour Party MP, Bryan Gould, leapt into this same debate, claiming that “*free* or unregulated markets are extremely dangerous mechanisms ... particularly financial markets, because of their inherent instability”.^[2]

This sort of shallow analysis brought a predictable response from Dr Don Brash, the former Leader of the National Party and Governor of the Reserve Bank for 14 years. Don Brash, this week’s NZCPR Guest Commentator, in his article “Don’t assume that all our problems are the result of *free and unregulated banking*” puts the record straight:

“Critics like Gould imply that the economic crisis was caused by ‘free and unregulated markets’, especially in the financial sector. This is quite simply nonsense. Banks may be relatively lightly regulated in New Zealand (where there is no banking crisis), but they have been highly regulated in the United States and Europe for many years. Government agencies have stipulated minimum capital levels that banks must maintain, and have enforced a wide range of rules and restrictions, including limits on concentration of credit risk, limits on net foreign exchange positions and much more. They have monitored those rules by regular on-

site inspections.

"I well recall meeting a man who had just joined the board of one of Britain's largest banks in the early nineties. He had spent most of his career in the British Treasury. I asked him how he found switching from the Treasury to the board of a bank. His reply was profoundly disturbing. He said that he had always assumed that banking was largely about measuring and pricing risk, and of course he had not been involved in that in the Treasury. He said he was greatly relieved to discover that all he had to worry about was whether his bank was complying with the Bank of England's rules." To read Don's article, click the sidebar link>>>

One simply cannot disregard the corrupting effect that government interference has had on markets. It is well documented that the banking crisis in the US was due in part to the Clinton administration's politically correct affirmative action programme in the mid nineties. That programme saw massive political pressure put on banks to grant mortgages to minorities on welfare. Under threat of racial discrimination law suits, Clinton demanded that banks regard welfare benefits as a valid income source for the purposes of qualifying for a mortgage. This meant that the standard business practice of taking into account the mortgage applicant's credit history and ability to make a down payment, when considering them for a home mortgage, was sidelined in favour of their ethnicity and social status.[3]

In other words, mass political interference created the environment where those with little or no hope of repaying loans were given credit. That created sub-prime mortgages and a resulting massive housing bubble, as families that really couldn't afford to buy a house were lent money to become home owners. When interest rates rose they were, of course, the first to default, and the rest - as they say - is history.

In his article, Don mentions that the "highly restrictive zoning policies of local governments" is another factor that has been driving the "housing bubble". These policies to prevent "urban sprawl" and "protect" farmland are alive and well in New Zealand. In many areas they forced up the price of residential land and led people to assume that house prices would continue to climb.

While the National Party railed against this in opposition, it is rather disappointing to see that they have done little to address this critical issue in their first round of reforms of the Resource Management Act. As RMA specialist Owen McShane writes, "There does not appear to be any proposal to prevent regional councils dictating patterns of growth and development on the basis of the numerous theories of Growth Management and Smart Growth and no proposal to make Metropolitan Urban Limits unlawful. The reforms appear to target applications and some of the proposals will definitely reduce compliance costs but if Councils continue to strangle land supply the overall impact of these reforms will be negligible".[4]

In fact, with the first 100 days of the National Government drawing to a close (today is day 91), and with the economy in an increasingly dire state, New Zealanders could have expected more decisive action on some of the economic roadblocks the country faces. That is not to say that the changes that have been announced aren't welcome - they are. But for instance, if the outcome from Wednesday's "Jobs and Growth Plan" announcement was to improve business confidence and create jobs, why didn't National announce a reduction in business tax down to 25 percent, as business groups have called for? That would have created exactly the sort of response that the country needs, and would respond to.

At the same time they could have reduced personal tax down to match it in order to give families the relief they need to better cope with the financial crisis. After all, the only tax cuts that families can look forward to are the same as those proposed by Labour – leaving New Zealanders facing tax burdens that are amongst the highest in the western world!

To fund such tax cuts, National should be doing what every family and business is now having to do – cut back. With the government's bureaucracy having increased by some 20,000 public servants over the last nine years, taking the axe to poor quality public spending and pruning the bureaucrats who administer these wasteful programmes, should be a priority of the highest order. The same applies to local bodies where building permits and developments have dried up, yet most councils will have retained on the payroll all of the planners, inspectors, and other bureaucrats that dealt with these matters.

One area of proposed poor quality public spending that should definitely be put on hold is the government's emissions trading scheme. The reality is that an emissions trading scheme or a carbon tax – the two mechanisms being proposed by the government – have *nothing* to do with the climate or pollution or saving the planet. All they are designed to do is to make the general public pay for a cost that is presently sitting on the government's balance sheet.

When the Labour Government signed the country up to the Kyoto Protocol they calculated we would make a \$500 million profit. They even included the agricultural sector, even though every other country had excluded food producers. But Labour got their sums wrong and New Zealand now faces a multi-million dollar liability. However, not only is this liability not due until 2012, under the scheme as it is there are no penalty provisions for non-payment.[5]

Bearing this in mind, it would be grossly irresponsible for the government to introduce a scheme to transfer the cost of the Kyoto liability onto the public at this point in time as the outcome would be to drive more businesses to the wall and cause more severe hardship amongst families. The best thing that the National Government could do would be to either repeal the emissions Trading Scheme or suspend it indefinitely.

With public submissions to the Select Committee dealing with this matter closing this Friday, I would urge anyone who feels strongly about this issue to put in a simple submission.[6] The more people who do this, the more chance there is that the government will be forced to listen. Further, if you have a view that you would like to share with our politicians – on this issue or on anything else for that matter – I would urge you to visit the NZCPR Website's **Parliament** page to email MPs and share your opinion. In a democracy that is a very powerful thing to do.

FOOTNOTES:

All articles can be found on the NZCPR RESEARCH PAGE: <http://www.nzcpr.com/research.htm>

1. Kevin Rudd, The Global Financial Crisis
2. Bryan Gould: Global crisis shows need for revision of economics
3. Ann Coulter, They gave your mortgage to a less qualified minority
4. Owen McShane, Further responses to the RMA Reforms
5. UN, Kyoto Protocol- Article 18
6. Parliament, Review of the Emissions Trading Scheme