

Debate on Budget Policy Statement - 17 March 2010

Hon Sir ROGER DOUGLAS (ACT): Unfortunately, I believe that the Budget Policy Statement once again demonstrates the Government's major deficit, and that is the deficit of imagination. The Government clearly lacks the guts to do what is right to turn round the New Zealand economy from where it is today. The Government has decided, in terms of this policy statement, to once again take the soft option—to hell with New Zealand so long as the Government survives. Once again, it has decided to borrow and hope.

The Budget Policy Statement summary states: "The key issues and themes are summarised below. The Government told us its primary focus for Budget 2010 will be on lifting and sustaining economic growth." But I want to predict that the Government will, in fact, fail. It will do substantially better than did Labour and the Greens, but essentially it is not doing enough to ensure that real growth occurs in this economy.

If we ever wanted a wake-up call, then I suggest that we got it yesterday with the announcement of the latest productivity figures. They showed us that we are going backwards. Improving our living standards and catching up with Australia is a promise but not a reality. The fact is that productivity is critical. A decrease in productivity, as we have had over the last 12 months, means that we are now getting less output for the same amount of input. In other words, we are getting less for what we are putting in. Between 2006 and 2009 under the Government of Labour and the Greens, New Zealand experienced negative labour productivity, and that is the first time that that has happened in 20 years. Overall, GDP decreased by 2.2 percent without—

Hon Trevor Mallard: Why, Roger?

Hon Sir ROGER DOUGLAS: It was because of the member's party's mad policies, actually—that is why. Without higher productivity per week there can be no higher wages. And that is the point: the only way we will have real increases in wages is by way of real increases in productivity. The fact is very simple. The fact is very simple, I say to members, and I want New Zealanders to ponder it: if New Zealand, between 2000 and 2009, had had the same labour productivity that we had between 1984 and 2000, then wages in this country would be more than \$100 over and above what they are now. The average weekly wage today is \$538. If we had had the same productivity in the last 9 years as in the 15 or 16 years before that, wages today would be \$107 higher and New Zealanders would be earning \$645 a week and not \$538. That is what a Labour and Green Government did to the people of New Zealand; they increased Government spending by more than 50 percent, and the result of that was a rapid decline in labour productivity. I might add that capital productivity and multifactor productivity also declined. But if members put that aside, they will see that Labour's legacy is wages lowered by 107 bucks a week because of the madness that the member for Hutt South and his colleagues introduced.

Before I come back to the main proposition—that is, lifting and sustaining economic growth—I will touch on one or two other points that have been raised in the Budget Policy Statement. There is a lot of talk in the statement about fiscal policy and tax, and the fact that we might adjust the tax system to our advantage. I want to make the point that the impact

on the New Zealand economy is not so much from the design of the tax system. Sure, we can design the system better, but if the Government and local government are spending 45 percent of GDP, then we have a problem. It does not matter how we design the tax system, we have a problem. When we think about the burden of tax, the quantity of Government expenditure that determines its cost—that is, about 85 percent—we can see that we might be able to improve the system by designing it a little better, but that accounts for and improves things only at the margins. What we need to do, I believe, is to look at Government expenditure and accept that until we reduce that expenditure and get it back to where it was 6 years ago, at 29 percent of GDP, we are going to have a lot of trouble.

I do not personally support the increase in GST; I think it is unnecessary. I believe that if we take the compensation—

Hon Trevor Mallard: Will you vote against it?

Hon Sir ROGER DOUGLAS: I ask the honourable member to listen. GST brings in about \$2.2 billion, but with paying compensation to superannuitants and to those on benefits, etc., as the Government intends to do, the net increase in revenue will be about \$1 billion to \$1.2 billion. That represents less than 2 percent of Government expenditure. We can have the tax cuts if we are prepared to reduce Government expenditure by less than 2 percent, and I suggest that—

Hon Trevor Mallard: Will the member vote against it?

Hon Sir ROGER DOUGLAS: I certainly will not be supporting the GST increase. On the other hand, it may well be that I will be voting for it, I say to Mr Mallard, because that is part of the supply agreement that we have.

Hon Trevor Mallard: Oh, you used to be a man of principle.

Hon Sir ROGER DOUGLAS: Well, it is quite easy. I can justify that, I tell Mr Mallard. I might not like the fact that National will increase GST by 2.5 percent, but if the option is to go back to the mad policy that you introduced over the years from 2000 to 2009, it is a no-brainer as to what I am going to do.

Hon Trevor Mallard: Retire.

Hon Sir ROGER DOUGLAS: Oh—well, you should have retired a long time ago.

Dr Kennedy Graham: I raise a point of order, Mr Speaker. In the last 30 seconds our colleague has suggested that you should retire and that you had maintained mad policies.

Mr DEPUTY SPEAKER: Yes, I heard that. I come back to the point that no member can bring the Speaker into the debate. Every time the member says “you” or “your” he is referring to the Speaker—and I do not intend to retire just yet.

Hon Sir ROGER DOUGLAS: I come back to the main proposition, which is about trying to lift and sustain economic growth. There are really seven principles to follow if we are to achieve that. I think, really, that the Government has only two of those under control, and they are the issue of monetary policy and the policies relating to free trade. But if we really want to give a boost to this economy, then private enterprise has to play a much bigger part than it is playing at the moment. We simply cannot have 40 percent of GDP being spent by the Government.

I actually agreed with the leader of the Green Party in terms of what he said about infrastructure. If infrastructure improves New Zealand's growth, then that is well and good. But there is also the situation where the Government is making investment decisions for political and not economic reasons. I personally think that a perfect example of that is Transmission Gully, the benefit-cost ratio of which is below one—that is, Treasury has estimated that it will cost far more than it will deliver in benefits—yet the Government is going ahead with it. If we continue to make political decisions in this country rather than rational decisions, we cannot expect the country to go forward. The fact is that we need to introduce more competition, particularly into the State monopolies of health, education, and welfare. We will move forward only when we have low taxes and minimal regulation.