

## **“Signs of the Honeymoon Being Over”**

**Rt Honourable Winston Peters  
Public Meeting  
The Hub, 23 Gordon St, Dannevirke  
2 pm, Sunday 14<sup>th</sup> February 2010.**

Politics is frequently a very strange business. No less so is popularity. One doesn't have to be a Kipling to understand that events are always in transition from somewhere to somewhere. And knowing what the Government intends to do informs the populace of likely future events. Between the Q & A TVNZ program on Sunday and the Prime Ministers opening address to Parliament this week, New Zealanders must indeed be confused as to what to expect and, more importantly, what is expected of them.

Reserve Bank Governor Bollards two admissions on Sunday were startling not so much for what he said, but that he said it. To begin with Governor Bollard said there was no chance of New Zealand ever catching up with Australia in economic performance. Astonishing really when 45 years ago our economy was stronger than that of Australia as was our currency and our then outlook. He put it all down to Australia's mineral wealth which must make Singapore and Taiwan wonder how they ever quickly took themselves from the third world to the first world. or how Scandinavians remain at the top of the first world despite none of these countries having the reputed advantage Governor Bollard suggests.

The second bombshell from the Governor was his open admission that our currency was too high. That latter remark seemed interestingly to evoke no great outcry from any part of the population including our so called financial markets. Now if a Treasurer or a Finance Minister had said that there would have been immediate bleatings from certain quarters that a senior politician was interfering with the financial markets. Moreover, if the Governor of the Reserve Bank is bemoaning the level of our dollar which had fallen considerably before the Sunday program, New Zealanders much surely be asking themselves why he hadn't spoken up a lot earlier when so much damage was being done to our exporters, and what anyone, including the Governor, intends doing about our bloated currency which is the most critical element in New Zealand ever achieving a lasting export led recovery.

For decades we have had virtually the highest interest rates in the OECD and the most volatile currency in the world in terms of movements upwards and downwards. And all this time there has been no relativity between our real trade figures and currency trading figures - All this in an immediate environment of global suffering and future debt resulting from the worst financial crisis since the great depression of the 1930's. It seems we Kiwis are destined to slave on regardless of the alarm bells indicating the serious wrongs in our economy.

After the Prime Ministers Tuesday speech thinking New Zealanders must have been even

more confused as to where we now intend to go. It appears we are about to experience another beloved 'step change', whatever that means, but that this step change is going to have one miraculous feature. Tax rates are going to change, GST is going to increase and yet nobody is going to be worse off. Now the Department of Treasury must surely have advised both their Minister and Prime Minister that such a result is impossible. And that is why the Honeymoon is coming to an end.

GST is a tax on discretionary income. It means that its' effects are so much harsher for those modestly paid, buying essentials with little spare discretionary cash. For the well off the effects are more benign because after the same essentials they have much more discretionary spending left. Some commentators casually refer to the fact that our GST is considerably lower than the equivalent tax in other economies. They fail to mention that in those economies cash in the pocket after taxation in a working week is twice that of the NZ taxpaying consumer. In contrast the third world spends little time talking about taxation matters because when you are on one dollar a day taxation theories have long been irrelevant.

Mr Key's speech this week is of concern because it demonstrates little understanding of NZ's fundamental problems. Low savings, low incomes, and low per capita exports. And in an export dependent economy which we have been for centuries, such a disconnect whilst preaching international economic theories to New Zealanders means that NZ is going to continue its slide down the first world ratings and that Dr Bollards statement about NZ never catching Australia was right on the button.

Here in Dannevirke, in the heartland of NZs economic productivity, Tuesday's message prospected little hope for an improved future and one doesn't have to wait until budget day in May to work that out.

NZs savings are in decline and no number of free trade agreements is really going to change our export performance without drastic policy changes back home.

And we're not going to find salvation in wholesale mining of the DOC estate.

Alongside these events our Primary Schools are to have new national standards. No bad thing, but under a Minister who seems incapable of understanding her portfolio or the required assistance teaching professionals need to put these new standards in place.

2010 will be an extraordinarily interesting political year with all the signs of some hopeless compromises beginning to emerge.

A new semi official Maori Party flag and a social welfare devolution program under the flag name of the Maori Party called Whanau Ora. All this has the hallmarks of the 1988 then Labour Party green paper for Maoridom in which \$50 million was devolved to them, of which \$20 million had gone missing straight through the dirt by the time National came to

power less than 2 years later. I know, because I was the Minister trying to find where the \$20 million was at the then change of Government.

At the same time New Zealanders wait breathless for the Governments answer on the Seabed and Foreshore Act repeal. Something has to take its place. And the compromise that Mr Key has made with the Maori Party now in a grand alliance with the Act Party is staggering to say the least. Not one millimetre of land changed hands when the Seabed and Foreshore Act was passed and tribes with traditional title such as Ngatai Porou heavily backed it. All these changes are a forerunner to heartache.

And the Prime Minister winging away to Gay Parades isn't going to help much either.

But to conclude with the premise of this speech of signs the honeymoon is over.

A number of conclusions can be reached already. The major one is that a new government out of power for 9 years has just wasted more than a third of its term either doing nothing or proposing too often to do the wrong thing.

Politics can sometimes bluntly be described as the science of who gets what, where, when, why and how.

As NZ'ers quickly come to realise this in 2010 the political landscape is going to change dramatically.

**ENDS**