

## Lobby Edition 25 January 2005

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In the complimentary Lobby Edition of Molesworth & Featherston this week...the main points of Don Brash's Orewa II speech and highlights of our analysis, plus a look at our economic wealth compared to other developed countries. Plus teasers about the content of the Governor's edition (paid subscriptions only), released yesterday.

## Orewa 2: We read it so you don't have to

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If National wants to be in government next summer, it will have to attract the votes of a few liberals. There is no coalition partner to collect the votes of 'soccer Moms'. But even while National has identified some sympathy for its welfare message, the tone of a race-taunting, beneficiary-bashing party is unlikely to carry middle New Zealand for long. Anyway, Don Brash's speech has forced him to concede the economy is bubbling and that unemployment has fallen to low levels. National has attempted to play down expectations of this year's Orewa effort, but that strategy has been thwarted by a greedy attempt to milk every drop of publicity by releasing the speech's contents widely in advance. Having invited front-page previews, Dr Brash can't also claim the speech is not the centrepiece of his election year thrust. There is, then, no option for him but to deliver a substantial polling gain and seize the initiative in political debate. Any other result and Orewa II will be marked a failure.

These are the main points from Orewa II:

Entrenched welfare dependency is holding New Zealand back.

Economic buoyancy has exposed the reality of a welfare system, which is no longer about providing a hand-up in times of adversity. If ever there was a time when beneficiary numbers should have fallen to record lows, it is now. Instead, combined population of two of our largest cities are on welfare at a time of a booming economy. The latest fiscal projections show that the numbers are projected to increase by a further 18,000 within three years.

The Unemployment Benefit, Sickness, Invalids' and Domestic Purposes Benefit are funded from the taxes of those who work. These are New Zealanders who are



trying to do the right thing. For them, this transfer of income to fund welfare takes place at a huge cost to their ability to save, to educate their children, to buy their own home.

Our tax system punishes enterprise and hard work, while the welfare system encourages a set of attitudes which are utterly destructive of self-reliance and self-confidence.

While many beneficiaries are great parents, how can we tolerate a welfare system which allows children to grow up in a household where the parents are permanently dependent on a welfare benefit? An entrenched welfare culture has been allowed to emerge, all too often accompanied by crime and family violence.

Some people are entitled to indefinite taxpayer support, including over-65s who are in receipt of New Zealand Superannuation and all those who are physically or mentally unable to support themselves.

National will work with doctors to ensure consistent evaluation of those applying for Sickness and Invalids' benefit to confirm recipients are in fact unable to contribute to their own support.

Those receiving the Unemployment Benefit will be required to attend job schemes, take part in community service work, or retraining. After an initial period, ongoing dole will be conditional on undertaking community work. A 90-day trial period will be introduced during which employees can be fired without penalty.

The DPB has been allowed to become a career option for far too many, and a way of allowing men to avoid their responsibilities. DPB has provided a way for women to escape violent or profoundly unsatisfactory relationships, and for women abandoned by men unwilling to face up to their responsibilities, while it is also making a very real contribution to family breakdown generally. The DPB has clearly contributed to many children growing up without fathers. Of those women on the DPB, almost 40% are Maori.

Those receiving the DPB be required to work, attend job training schemes, or take part in community service schemes once their youngest child is of school age.

DPB recipients will be required to name the father in all but quite exceptional circumstances with a significantly more substantial financial penalty for not doing so.

Those receiving the DPB will be required to present their present their pre-school children for all appropriate vaccinations (unless they have a conscientious



objection to vaccination, and are willing to sign a declaration to that effect) and health and dental checks.

There should surely be no automatic entitlement to additional state assistance for DPB beneficiaries who have further children after they go onto the DPB.

Our aim over 10 years is to reduce the number of those on benefits from over 300,000 to 200,000 - an enormous reduction but a level still six times that just 30 years ago.

## Not enough toys in the cot

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Our comparative national income level was the subject of an important release of economic data over the summer break. An OECD 'purchasing power parity' study ranked New Zealand's GDP far behind other smaller developed countries like Ireland and Norway.

Purchasing power parity shows how much stuff you can buy for the amount you earn. Precise measurement is a bit dodgy, and politically touchy for an organisation funded by sensitive governments, so the OECD groups countries into categories of income. New Zealand's group is just above the duffers.

The high-income group: Ireland, Luxembourg, Norway, Switzerland and the United States.

The high-middle income group (i.e. above average): Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Iceland, Italy, Japan, the Netherlands, Sweden and the United Kingdom;

Then there's a quite a gap on the numbers back to the 'low-middle income group: Cyprus, the Czech Republic, Greece, Hungary, Korea, Israel, Malta, Portugal, Slovenia, Spain and...umm, us.

At least we're ahead of the 'low income' group of Bulgaria, Croatia, Estonia, Macedonia (FYROM), Latvia, Lithuania, Mexico, Poland, Romania, the Russian Federation, Slovakia and Turkey.

It's a Year 2002 study, so political opponents of the government can't really blame Dr Cullen – it generally takes years to move between the groups and we didn't suddenly arrive here, although Ireland rocketed up from the high-middle to the high income group (and increased its raw score by 13 percent) from 1999 to 2002.



The highest income earning countries are very different kinds of economies. Low tax and high tax countries, heavily regulated and deregulated countries, all feature commonly in bottom, middle and upper rankings, although the higher ranked countries tend to be more open – at least to trade and investment from other developed countries (there are poorly ranked open countries too).

## In the Governor's Edition this week

Mentioned in the Governor's Edition this week: John Key, Katherine Rich, Simon Power, Paul Swain, Mark Burton, Steve Maharey, Tony Blair, Gerhard Schroeder, Jacques Chirac, Viktor Yushchenko, Bono, President Bush, John Roughan, Bill Andersen, Matt McCarten, Dr Michael Cullen, Peter Eley, David Kemeys, Shayne Currie, Sue Chetwin and Jenni McManus.

Cabinet met on Tuesday – we have highlights from the agenda and the week's major news events. Expect a \$300 million-plus package for Wellington transport including more spending on rail services and some new roads (but not the Transmission Gully alternative route out of Wellington) this week. On Thursday the Reserve Bank will release its (steady as she goes?) decision on the official cash rate, while economically this week the big news will be the World Economic Forum in the Swiss ski resort of Davos.

There is no new year update yet in the exclusive Molesworth & Featherston rolling poll of polls.

Unions begin the push for wage increases while we expect to see upheavals in union organization following the death of widely-respected union veteran Bill Andersen.

Media Tattle this week mentions Prime, the NZ Herald, the North Shore Times, Sunday News, Manawatu Evening Standard, Dannevirke Evening News, Herald on Sunday, its two magazines, Sunday Life and View, and the Independent.

## Fine Print

Every week Molesworth & Featherston brings you news of the bludgers who cause our nation's problems. Your comments are invited to:

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