

Lobby Edition 10 February 2005

In this week's complimentary Lobby Edition there is big update of data in the exclusive Molesworth & Featherston rolling average poll of polls. The government prepares to greet a trio of VIPs and the board of a multi-national paper giant comes to Kawerau. Pressure for larger wage increases continues to grow, we have details of Treasury's latest economic briefing to Ministers and we take a look at the problem with government setting up individual savings funds.

It's Thursday now

You know we're always looking to keep you better informed...we've made a few changes to the Lobby Edition. Now that the paid-subscriber only Governor's Edition is available on Tuesday, we're moving your complimentary Lobby Edition to Thursday.

Meanwhile, you can now use your credit card to subscribe to the Governor's Edition and be up to date with the first in the loop. You'll find a link below.

Mentioned in this week's Governor's Edition...

Katherine Rich, Helen Clark, Jim Anderton, Cherie Blair, John Howard, Göran Persson, Joschka Fischer, Andrew Little, Don McKinnon, Jim Sutton, John Key, Don Brash, Murray McCully, Peter Keenan, Paul Holmes, Brian Tamaki, Jonah Lomu, Susan Wood, Duncan Bridgeman, Karyn Scherer, Peter Scherer, Glenys Christian, Winston Peters and Michael Cullen.

Plus there is much more on the stories in the Lobby Edition, there's media tattle, more background on National's welfare policy troubles, reaction to Labour's 'back-to-work for women' message and details from this week's Cabinet agenda.

National still in poll hole

A swag of new poll data for our exclusive poll of polls this week, and only a marginal narrowing of the gap from the Orewa II effect. So the numbers are (assuming as ever that leaders hold their seats and that Jim Anderton is a one-man overhang, taking the Parliament to 121 seats):

Percent	Seats
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Labour	44.80	56
National	35.19	44
NZ First	5.95	8
Greens	5.32	7
United Future	2.68	3
Maori	1.92	2
Act	2.24	0
Destiny	0.68	0
Progressive	0.05	1

Yet again (suppresses yawn) it is Labour plus the Progressives forming a Government from a variety of support parties, although interestingly the United Future option does not quite cut the mustard on these numbers. We think a minority Government would be the most likely outcome, although the certainty a Labour-Green deal could provide makes it an option too. Labour would be much more comfortable if the Greens or United Future could be used as counterweights though.

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The Week ahead

The Government is gearing up for a number of senior ministerial visits:

- Australian PM John Howard visits in two weeks (where he will take in the one day cricket game in Wellington).
- The Swedish PM Göran Persson visits early next week and meets Cabinet. (His agenda, as the Swedes put it:

Välkomstceremoni vid parlamentet, överläggningar med premiärminister Helen Clark, officiell lunch, anförande vid Victoria University under rubriken Economic and social policy the Swedish way samt middag med premiärminister Helen Clark.

Tisdag 15 februari, Wellington

Möte med oppositionsledaren Don Brash, kort möte med generalguvernör Silvia Cartwright, lunch med nyzeeländska och svenska näringslivsföreträdare samt besök vid parlamentets frågestund)

- German Foreign Minister Joschka Fischer is in Wellington on Wednesday where he will sign a film co-production agreement with Helen Clark.

Norwegian wood

The full Norske Skog board from Norway is to meet in our very own Kawerau in April. Norske Skog is a giant with mills in fifteen countries and a thirteen percent share of the global market for newsprint and magazine papers – the second-largest Newsprint maker in the world.

The wages of toil

On the union grapevine we hear that the workers representatives are gearing up to put profitability alongside productivity as they argue for a share of the spoils in this year's wage round. They believe a narrow focus on productivity is allowing businesses to short-change them when profits soar for other reasons. It is a hard one to run but there may be instances where it can be argued – for instance making two widgets rather than one may

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be seen as extra productivity. Benefiting from a big profit lift from the worldwide shortage of widgets might also be a reason to share some with the workers.

As usual the EPMU, the biggie of the union movement led by secretary Andrew Little (don't you hate jokes about people's names?), is in the vanguard. It will hold "mass member meetings" in Christchurch on February 15, Auckland on Feb 16 and Wellington on February 17 plus others in smaller centres to rally manufacturing workers behind the campaign.

Bargaining in the so-called "trends-setting metals" agreement, between the EPMU and the Employers and Manufacturers, starts the following week.

From bad to worse

Also in Treasury's latest advice to Ministers, a prediction the already-hideous current account deficit will get worse this year.

Then main cause of the deficit at the moment is the level of payments to foreign investors. This is largely predictable. When our economy is performing better than average, our investments overseas will return less than overseas investment here, so an investment income deficit is more likely.

- Treasury also tastefully observed the tsunami has 'so far had little if any impact on GDP projections of New Zealand's largest trading partners'. Well that's the main thing, then.

Third way and a savings plan

Labour has signaled work is underway on a groundbreaking 'ownership society' scheme to set up savings account helping to pay for tertiary education or home ownership. A savings scheme allows Labour to talk in a centrist way about an 'ownership' society, while seeming to pursue the classic priorities of education and housing, and gaining a few brownie points along the way for the economic advantages of encouraging savings.

Details are nowhere near ready yet, although a UK-style scheme has no chance of being produced. It would be radical, and radicalism is not in the Helen Clark playbook while she is still interested in being a popular PM.

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As Winston Peters found when his plan was rejected by a 93 percent vote in 1997, individual savings accounts are a tough sell.

The idea has a few problems. (If it were such a good idea, everyone would do it). One can ask of savings accounts, 'why don't you give me the money now, so I can buy my own house, instead of taxing the money off me?' And from the other perspective, 'Why can't the government provide a greater subsidy for tertiary education? Because all our spare cash is going to the fund ... to, err, pay for tertiary education.'

Then there's the issue of what the super fund is invested in. Government bonds? International stocks, as with the Super Fund? Wouldn't it be better to invest in, say, houses?

It's worth thinking about what a savings fund really is. Ultimately, it's a piece of paper, entitling the bearer to a priority claim over the resources our economy produces in the future (we are not baking lots of bread to store in a vault until we're hungry). The crucial issue is whether the economy will have sufficient production to meet all the demands on it when holders want to draw down their claim— say about the same time as the Super Fund matures and baby-boomers are cashing in their retirement stocks. At that time, if we don't have enough houses, the price of houses will rise as all these demands are presented at once. So holders of savings accounts will have foregone present consumption – that is, they will have gone without a house – only so that housing can be even less affordable in the future. The key to a savings fund, then, is whether the fund is used to create a greater ability to meet demands in the future (i.e. to bake enough loaves of bread at the time we want to eat them).

As Winston Peters found in his super referendum, individual accounts are vulnerable to a thousand criticisms. If individuals all get the same, some people will get back less than they put in (or get lower state subsidies than others, creating perverse new distortions). If account-holders get back sums in proportion to their contributions, then the government will be accused of perpetuating exactly the inequalities a state-run fund would be expected to address – and what is the point of state involvement in that?

The main function of a government housing-and-education or 'lifetime' savings fund is to use sleight of hand to disguise who is paying for what. The timeless questions will always be, why don't you give me back my money to pay for it myself, or spend the cash you are taking from me on the demands of today?

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