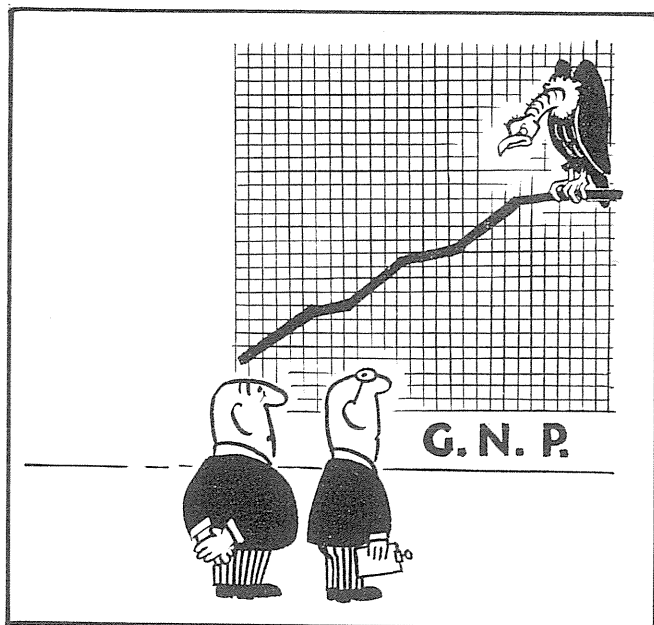


# Economics



## Introduction

Economics is that part of our culture through which we seek to satisfy our material needs - our needs for goods and services. Realising that our material needs are only a part of all the needs human beings have, we must be sure that they are met in a way which does not restrict our chances of meeting our non-material needs.

At present the economic machine is geared completely to meeting our material needs, but while it provides many of us with some fantastic gadgets it has failed to meet the most basic material needs of some New Zealanders and most of the world's people. Furthermore, it has begun to threaten the well-being of our natural environment.

The destruction of the human spirit caused by both excess material poverty and by excess material wealth, and the destruction of the natural environment caused by the latter, is a direct result of an obsolete economic system - a system based on greed, envy and selfishness.

The Values Party is proposing an economic system based on co-operation, sharing and conservation. We do so in the belief that it is possible to meet the material needs of everyone, in harmony with nature, and in a way which not only does not restrict, but actually promotes, the satisfaction of our non-material needs, such as friendship, play, self-expression, a sense of individual identity, social approval, self-esteem and peace of mind.

It is a basic belief of the Values Party that for too long economics has been the dominant preoccupation of our culture. Overtime, a colour TV and a second car have very little to do with true happiness. We must develop an economic system which enables us to place more emphasis on the non-economic aspects of living.

The economic policies of the Values Party are designed to bring about a stable-state economy in New Zealand. A stable-state economy is one in which expansion is curbed.

Individual areas may have increases in their population through movement of people away from more congested areas but the total number of people does not increase. Individual industries may increase their output through movement of resources away from other areas (for example, movement of building materials from luxury yachts to hospitals) but the total stock of physical wealth remains constant.

So while a stable-state economy allows for growth in any particular sector and for short term fluctuations in the total population and the total stock of physical wealth, in the long run it means that these two factors are stabilised at optimum levels.

The following principles form the starting point of Values economic policies:

- The introduction of a stable-state world economy is necessary to the survival and well-being of mankind.
- The establishment and maintenance of a stable-state economy is dependent upon an equitable distribution of wealth both between nations and within nations.
- The Values Party's economic policies are based upon long-term proposals to secure this type of stable-state economy. In pursuing our long-term aims our intermediate policies must, of necessity, be concerned with the equitable distribution of the products of our economy and the preservation of its basic resources.
- We hold that there is a minimum level of income below which, as of right, no-one should fall. (Provision of this minimum would replace social security benefits and superannuation.) We further believe that excessively high incomes are a travesty of human justice and therefore oppose the tradition of inherited wealth and support a steeply progressive tax scheme.
- Values Party economic policies will lead towards community control and management of production, finance and distribution. Initial steps will be based on the concept of co-operative enterprise, which provides for equal control of an enterprise by its workers, its consumers, the suppliers of its finance and its local community.
- An important aspect of New Zealand's future is its role as an important supplier of agricultural products and expertise in a hungry world. Values policies would support the farming community in the fullest possible agricultural production compatible with sound environmental principles and the food needs of the world.

- The Values Party sees a major role of the government in economic matters as one of promoting and maintaining regional balance. Planning and co-ordination will also seek to ensure that economic enterprises serve social purposes compatible with the values of the community. Government will be guided in this by the ongoing public forum on the one hand, and on the other by social, environmental, and technological research units, independent of the government.
- The Values Party seeks to promote decentralisation of political and economic activities, with delegation of administrative decisions to the lowest possible levels of operation.

### **The Market Mechanism**

Given

- Investment funds directed by community representatives; (see "Community Control")
  - A system of ownership that equitably distributes income and wealth;
  - A decentralised, descaled, community-based economy;
  - Adequate control of the use of resources;
- then the Values Party believes that the free market is the best mechanism for allocating goods and services through consumer choices as expressed by demand.

In the meantime, controls on the market mechanism are necessary for the development of a just society and to prevent abuses. Values' taxation and investment policies are therefore designed in accordance with social priorities. (See "The Transition".)

### **The Economics of Enough**

Expansion is the idea that having more (regardless of what it is or what you will do in the process of getting more), is a good thing.

The idea that having more is good is not only foolish - it is dangerous. Yet our "leaders" and their "advisers" are still fine-tuning the engine, stoking the boilers, and generally yelling "giddyup" with little or no comprehension of the consequences of their actions or the direction in which we are heading.

The world cannot continue to have more because the resources required to make things (such as planes, factories, supermarkets, cars, guns) are in short supply.

The world cannot continue to have more because continued attempts to do so are damaging the environment. (For example increased industrial outputs go hand in hand with increased outputs of polluted air, wastes, litter and destruction of nature.) It is our present approach to production and consumption which is causing pollution.

The world cannot continue to have more because continued attempts to do so are creating jobs; cities and whole ways of life that make us less than human. No one should have so much that they are upset by

their excess, especially when there are so many around them who do not have enough to lead human lives.

The world cannot continue to have more because attempts to do so are widening the gap between the rich and the poor. Expansion economies are controlled by the already rich on their own behalf while the poor do not yet have enough.

Expansion is also closely associated with the continuance of nationalism (when individual countries place their own interests more highly than the global interest), and the rise of giant companies (these "multi-national corporations" also place their interest more highly than the global interest).

### **The Stable Economy**

The attempts to continually expand our economy have resulted in human, environmental and, more recently, economic problems which now concern all of us. Faced with these problems and a growing realisation that our planet is indeed really a spaceship with many travellers to support, common sense is telling us that we (especially in the rich countries) must stabilise our production (see "Investment") and consumption (see "consumerism"). Values' economic policies are designed to establish and maintain a stable economy, as a base for the stable society. (See "Stable Society".)

### **Population**

The number of people to be served by an economy and changes occurring in that number will obviously be an important factor determining the nature of that economy. Consequently, Values' policies concerning population stabilisation are closely related to the economic changes necessary for the achievement of a stable society. (See "Population").

### **Incomes and Wealth**

Without a prior redistribution towards quality of income and wealth, other Values' economic policies would be insufficient as judged by the party's standards of social justice and democracy.

As is happening on a global scale, within New Zealand the gap between the very rich and the not so rich is widening. The high inflation rates of recent years have allowed the wealthy to make fortunes by investing in inflation (especially land speculation) while those who earn just enough to live on lose out every day (at current rates of inflation savings bank depositors are losing eight per cent a year on their savings).

While the Values Party sees it being necessary for the government to initiate the redistribution through its taxation policies, over time the role of government in the distribution of wealth will decline as the rights and responsibilities of individual communities increase. (See "Community Enterprise", "The Stable Society", "Fostering Community", "Decentralising Government".)

## The Values Party would

- Establish both minimum and maximum income levels. The maintenance of the minimum would be the responsibility of both employers and government. Income above the maximum would be taxed completely away. While the minimum would initially be a low one and the maximum a high one, a Values Government would, over a period of time, seek to have the maximum and minimum brought closer together.
- Change the graduated tax scale so as to relieve the present burden on lower and middle incomes and increase taxation revenues from high incomes. Heavier taxes would also be applied to unearned incomes.
- Apply negative taxation to all income levels below an agreed national minimum to bring them up to that minimum, with the proviso that any person able but unwilling to work full time would not be entitled to the minimum income. [Negative taxation means that instead of the individual paying money to the Government, the Government would pay money to the individual. By 'work' we mean any services which are beneficial to the community.]
- Use the national minimum income to replace unemployment and social security benefits and government superannuation and to provide an income for anyone who works in the home caring for any person or persons who are partially or totally dependent for reasons of age or health. Another result of the national minimum income would be the automatic right of all retired citizens to have a normal basic living from current production, without premiums or means tests. The Values Party believes that in time society will come to recognise that some level of minimum income will be everyone's equal right.
- Immediately bring all pensions, and other government funded allowances, to a level which ensures adequate living standards for those receiving them.
- Tax excess wealth, using as a basis a compulsory declaration of assets.
- Tax inherited wealth exceeding an allowable minimum [for such things as personal possessions, the family home or farm] on a steeply progressive scale rising to 100 per cent.
- Favour the phasing out of regressive indirect taxation on consumer goods, subject to the selective use of indirect taxes to control consumption in the short and medium term.

## Investment and Company Taxation

Investment which does not promote the objectives of a decentralised, co-operative, stable economy will be discouraged. On the other hand, a Values Government would encourage investment in desirable sectors of the economy or declining regions.

The Values Party would discourage growth-oriented investment in undesirable sectors of the economy or overcrowded regions by the progressive removal of depreciation and investment allowances.

The Values Party would encourage investment in desirable sectors of the economy or declining regions by the use of depreciation and investment allowances and the subsidising of investment rates. (See also "Regional Balance".)

The following new taxation measures would be introduced progressively and in a manner which would ensure minimum disruption and hardship.

- All enterprises would face a graduated taxation structure designed to encourage small firms and help break up monopolies.
- Co-operative enterprises would face a lower tax on their profits than would non co-operative enterprises. [See "Co-operative Community Enterprises".]
- Company taxation would be used to control the promotion of

consumption by disallowing promotional advertising as a deductible expense. [See "Consumerism".]

- To ensure that taxes owing in New Zealand are paid in New Zealand, a Values Government would do away with double taxation agreements with foreign countries as they apply to companies.

These investment and taxation measures would be aimed at discouraging undesirable economic activity, ensuring that social priorities are achieved, and promoting the development of smaller scale, more labour intensive technologies which are more in harmony with the needs of people and our store of natural resources. (See "Technology".) In particular there is a need for the development of a technology for the re-use and recycling of resources.

## Classification of Industry

As a guide to investment and company taxation policies the Values Party advocates a classification of industries as follows:

- Industries essential to subsistence and foreign aid, such as essential building, basic foods, and those capable of contributing knowledge, finance and resources to underdeveloped countries.
- Industries which earn New Zealand's living in the world, such as agriculture and some manufacturing industries.
- Industries which provide accepted products for modern living. (For example, manufacturers of household appliances.)
- Frivolous industries and industries which have a heavy impact on the environment, such as some cosmetics industries and aluminium smelters.

A Values Government would encourage industries in the first classification.

Those in the second classification would also receive encouragement but any assistance would be dependent on the industry's social, technological and environmental effects.

Government attitudes to industries in classification three would be neutral. A close watch would be kept on prices and profits, product durability, and market strategies.

Classification four industries would face a tax structure which would act as a disincentive. Polluting industries would be required to clean up their own pollution.

## Foreign Control

The Values Party strongly condemns all foreign control of New Zealand enterprises and as government would move to discourage foreign control.

It should be noted that the principles of co-operative community control ensure the long run domestic control of New Zealand.

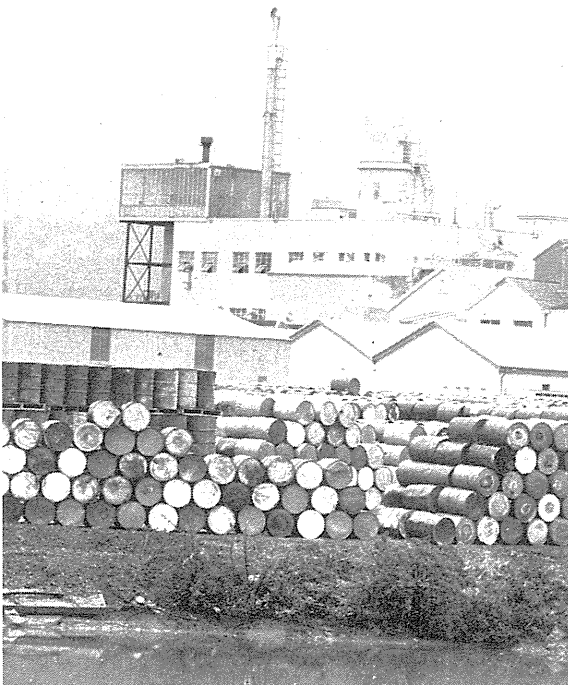
### Community Control

With the development of large corporations wielding enormous power within both New Zealand and the world economy, it has become increasingly obvious that the profit motive is not necessarily consistent with community benefit. In fact the activities of some corporations show that private self interest is often directly contrary to the interests of the community as a whole.

The Values Party believes that the principal motivation for economic activity must be community benefit rather than private profit. To ensure that community benefit is the principal motivation of economic activity we propose the application of the principle of community control to the means of production, finance and distribution within the economy.

The system of community control does not suffer from the problems of private profit associated with the traditional capitalist system, nor does it suffer from the problems of State power associated with the traditional socialist system.

The achievement of community control is dependent upon redistribution of wealth between individuals and regions in the economy, the decentralisation of political and economic activities and the regaining of the spirit of community; (all topics which are covered elsewhere in this manifesto). However within this section we will be considering the principal operation unit of a community controlled economy: The Co-operative Community Enterprise.



### The Co-operative Community Enterprise

An economic enterprise is established to satisfy human needs. In particular a modern enterprise, if it is to be successful, must satisfy the needs of its staff (workers and management), its customers, the suppliers of its finance and its community. All these groups have made important investments in the enterprise. While all four groups, and the co-operation of all four, are obviously important to a successful enterprise (for any one group can cause disruption), at present only the suppliers of finance are officially recognised as being important and groups such as trade unions, consumers and environmental groups (as examples of representatives of, respectively, labour, the market and the community) are given inferior positions relative to the financiers. The Values Party recognises the equal importance of these four groups to a successful economy and their equal rights in the enterprise by virtue of their investments in it. The principle of Co-operative Community Enterprise is based upon giving all four equal power in the decision processes of the enterprise. This would:

- ensure that staff receive fair payment, job security, safety, and some enjoyment from their work;
- ensure that customers, both present and potential, receive goods and services which are what they want and which satisfy their needs;
- ensure that the suppliers of finance receive security for their savings and a fair return;
- ensure that the needs and interests of the wider community are served by the enterprise;
- ensure that conflicts between different interests are resolved through an increasing awareness of the advantages of constructive compromise.

At present the four groups are more often at odds than working together for a synthesis of interest and the attainment of their respective goals.

Therefore the Values Party proposes the progressive application of the principle of co-operative enterprise to medium - and large-scale enterprises. (Small enterprises are usually already co-operative in nature, because of the personal relationship between staff, customers, finance suppliers, and other members of the community.)

The Co-operative Community Enterprise, be it a mine, a bank, an insurance office, a wholesaler, or a big department store, can best be described by reference to the following two types of boards.

#### A Policy Board

A Policy Board can be seen as replacing the old board of directors. It would be composed of representatives elected from the staff of the enterprise, its customers, its suppliers of finance, and the community at large. This board would set the goals of the enterprise and have the authority to ensure that they were met.

#### A Management Board

This can be seen as replacing the old managerial group.

It would be composed of the elected representatives of the staff within the firm, and/or personnel appointed by the policy board. Blue and white-collar workers in the plant would be represented on a proportional basis. This management board would make the operational day-to-day decisions of the enterprise.

The myth that "only enterprises making a high return on capital are efficient" must be challenged. The true criterion of performance must be the extent to which an enterprise meets the needs of its component groups.

The Values Party believes that the change to community control can be made without disruption to the economy.

The most important effect on the rate of change-over to the co-operative community enterprises will be the desire of the people in their communities to take over their new roles. As more people come to realise the value of running their own lives the pace of change will quicken.

However, a Values Government would retain the right to require particular enterprises to become co-operative. For example, enterprises involved in the production, distribution and sale of alcohol, as well as banks, insurance companies, and stock and station agencies, would be required to change over in the early stages of a Values administration. A Values Government would also provide incentives, such as differential tax rates, to motivate other enterprises to change over.

### **Economic Planning and Co-ordination**

The Values Party believes that there is an urgent need for government involvement in long-term economic planning and co-ordination to ensure that the objectives of a stable, community - controlled economy are attained.

In the foreseeable future the government will need to be an action initiator, and a watchdog to ensure that enterprises serve purposes compatible with social goals. However in the long run the communities themselves would preferably take the major responsibility, with the government acting mainly as a forum and overseeing such special functions as the use of resources, energy, trade, transport and communications.

The government would be continually guided in its activities by technological, environmental and social consequence research units which would be independent of government, and by a continuing, community-based public debate on the setting of social and economic goals.

As we have already seen, an important role for the government is the broad control of investment activity

to ensure the proper development of the economy (see "Investment").

### **Regional Balance**

The Values Party sees a major role for the government in promoting and maintaining regional balance in the economy. As we move towards a stable economy it will be important to ensure that no community has too little economic development and that no community has too much.

The development of large urban areas should be arrested because of the progressive breakdown of community bonds which tends to come with increasing size. We must also regenerate country centres which are being sapped of their young people, their industry and their vitality by the drift to major cities.

The Values Party would seek to encourage people and industry away from the congested areas and towards areas which have been suffering decline.

Positive inducements to industry would include a differential freight rates scheme and taxation savings for enterprises setting up or relocating in less developed regions. Negative inducements would range from the designation of areas where no new industries may be established, to the establishment of a sliding scale "social consequences tax". Industries considering setting up in over-developed areas would be faced by a tax which would be proportional to the added burden their presence would represent to the community. The prospect of such a tax would discourage anti-social location decisions by industries.

The distribution of people is at least as important to regional balance as the location of industry. The Values Party believes that there is much which can and should be done to prevent the decline of communities, and to regenerate communities. The location of industry is certainly an important factor influencing the distribution of people, but we must not overlook the importance of the provision of services and a sense of community. (See "Health", "Education", "Welfare", "Housing", "Fostering Community".)

The decentralisation of government and the development of community government can also play an important part in the attainment and maintenance of regional balance. (See "Government Reform", "Decentralising Government".)

While all these government actions, and others covered in other sections of the manifesto, are vitally important to the achievement of a decentralised, co-operative, stable-state economy, perhaps the most important task of the government is the provision of information and stimulation of public debate on the new economy and the implications of community control of the means of production, finance and distribution.

## **Inflation**

The problem of inflation is fundamental to the type of economic system we have at present. Without a major restructuring of our economic system, based on the redistribution and stable economy policies already outlined, it is impossible to foresee a real solution to the problem of inflation.

It is difficult to isolate the New Zealand economy from the disturbances in the world economy. Therefore until such time that other nations restructure their economies we must expect some inflation to result from our dealings with those nations. Only the adoption of a stable economy on a global scale would enable world inflation to be brought under control.

Before we attain the goal of a stable economy the effects of inflation (for example, on pensioners) would be minimised by our policies on income distribution, health, education, housing and welfare. Opportunities for speculators to gain by contributing to inflation would also be minimised by our policies on taxation and land.

Inflation is a problem of the expansion approach to the economy.

With increasing demands from a growing population for a dwindling supply of natural resources and a fixed supply of land, the laws of supply and demand mean that the inevitable result is one of rising prices.

Inflation is also a problem of an unfair economy, an economy which does not share what it has equitably among its members. When there are unfair shares it becomes a case of "everyone get as much as he can". Those on lower incomes strive to catch up by demanding higher wages, and those on higher incomes try to stay ahead. As a consequence the desire for higher profits and the need for higher wages drives prices up.

In the short and medium term a Values Government would continue to use monetary and fiscal policies to combat inflation, while ensuring that hardship caused by inflation was minimised through support for people on fixed incomes and maintaining the availability of necessities such as food and housing even if that policy required price controls which had to be financed by the government.

## **Land**

Under the laws of supply and demand, the inevitable result of an increasing demand for a non-increasing supply of land is increasing prices. And as prices increase, land becomes a commodity open to speculative capital gain. In the last three years the price of land has doubled, and New Zealanders trying to purchase their first home or farm now find prices prohibitive.

Obviously the government must intervene to remove land from the mechanisms of the laws of supply and demand.

The Values Party, recognising that land is a resource of the whole community and noting the dangers inherent in speculation for capital gain, is investigating a comprehensive policy on land.

This investigation will assess the costs and benefits of varying the conditions of land ownership and use with a view to eliminating abuses and misuses. It will recommend the most suitable form of community acquisition and administration of land having regard to the rights of Maori land owners to the occupation and use of ancestral lands; the need to avoid a centralised bureaucracy to administer any system of land ownership and use; the need for preservation of some areas of land in their natural state for the ecological health of the country and for the present and future enjoyment of the people.

## **The Values Party believes**

- Land cannot remain within the present marketing system, although our policy would not affect private improvements on land [for example, housing construction].
- Nationalisation of land is neither necessary nor desirable.

The importance of the bond between the land and the people who regard it as home, a bond well-summed up in the Maori word "turangawaewae" (the place where I put my roots), is recognised by the Values Party not simply for its psychological and cultural benefits but also for its guaranteeing of the ecological health of the country. Enlightened self-interest alone dictates that caretakers do not abuse their assets. The Values Party feels that nationalisation would destroy this bond.

## **Trade**

Given the importance of trade to New Zealand's economy, changes in trading policies will have to be carefully managed. Of necessity, a Values Government would retain many existing trade policies in the short and medium term.

## **Import substitution**

A Values government would encourage the development of complete industries where this does not conflict with the interests of underdeveloped countries.

## **This would be Done By**

- Discouraging imports of products that are made up of materials which we have previously exported in a less processed form. We would carry out more processing of our own resources.
- The development of import-substitution industries based on New Zealand resources.
- Encouraging the prudent use of our domestic resources.