

NEW ZEALAND ECONOMY

By Ian Templeton

Our polities are never prone to nagging self-doubts. Look at the latest inflation result: Mike Moore was quick in claiming his government had "whipped" inflation. Jim Bolger was equally as swift out of the blocks. He told a Dunedin audience just hours after the low CPI quarterly result was announced that it was "another dividend from (his) Government's determination to beat inflation".

Those who doubt either man's capacity to manage the economy should go away and hang their heads in shame. A lot of New Zealanders are doing just that, while standing in the lengthening dole queues but note neither of our political leaders claim the credit for record unemployment.

In the period between 1967 and 1991 prices here have increased tenfold. It's been the worst inflation performance among the countries in the "rich men's club" of the OECD.

But you don't see any of our polities stepping up to the rostrum to claim the credit for that.

Inflation

Runaway inflation is the goal of revolutionists. *The maxim of that apostle of revolution Lenin was "Debauch the currency"*.

There has been zero growth in real wages – that is wages adjusted for inflation – since 1960.

In Australia and the United Kingdom real wages rose by 70% in that period. In Japan they rose 170%.

It is even more painful to note Japan is facing a labour shortage of unusual severity. The job seekers leaving school have a wealth of employment opportunities. They are promised higher starting pay, shorter hours, more days off, and a variety of other benefits.

New Zealand could count the number of unemployed in the hundreds right up until the mid-70s.

In letting inflation get out of hand, it has paid the penalty in seeing the dole queues lengthen year by year since.

The countries that have ensured they have low inflation – like Japan, Germany, Singapore and Switzerland – are the ones with the lowest unemployment.

As for those who say a little bit of inflation would be good for us, don't believe them. You might as well ask how long is a piece of string.

Someone was recalling this week that a valueless currency cost France's Louis XVI his head in 1793.

Perhaps we should have that penalty for the easy come-easy go polities. Then they might heed the fundamental economic lesson: "*Don't print money.*"

"Auckland Star", 19/4/91.

HUGE N.Z. PROPERTY LOSS

Renouf Corp expects to lose all the \$42 million investment it has in collapsed subsidiary Renouf Properties, say directors.

Renouf Corp said its inability to sell Renouf Properties lay behind the impending debt default.

In its statement to the exchange, Renouf Corp said the final effect of liquidation on the subsidiaries' shareholders' funds was yet to be known.

But directors expected "a total loss" of the parent's \$42 million share of proprietorship in the subsidiary.

"Auckland Star", 17/4/91.

COMMENT

Here is the disruptive factor in society causing wealth disparity and a rough ride for all. Bad enough in itself at any time it gets worse with inflation. When that cause of disparity is tackled you don't need inflation from Budget deficits financing Social Welfare to compensate wages eroded by land price and taxation.

Clearly all growth – real or inflationary – has been capitalised in land price which ipso facto denies wages the means of growth to support the price – thence the crash. When land is held only on an annually adjusted rental to use, the speculative element is removed, wages are relieved of taxation and four more jobs are generated downstream. Taxing land into use instead of pricing it out of reach also does that.