E. P. MIDDLETON WRITES

New Zealand News - Letter

Based on Press reports and discussions during a month's visit to New Zealand at the latter end of 1962.

NEW ZEALAND is rapidly developing the "new look" fashionable among practitioners of the Keynesian school of economists. That is to say, the trend is all towards industrial self-sufficiency, involving protection, pressure for exports and the control of imports, "full employment" and the perpetuation of the neo-socialism of the Welfare State.

Mr. Marshall, Minister for Industry and Commerce, made an unequivocal statement confirming this trend when he addressed the annual conference of the N.Z. Manufacturer's Federation. He gave an assurance that "Government policy would be to encourage manufacturing development in New Zealand." In the course of his remarks he enunciated this remarkable piece of economic wisdom: "The argument that to sell our primary products it is necessary to buy, is fallacious."

Unlike the Tariff Board of Australia, the chairman of which recently resigned as a protest at the pressures he saw developing to undermine its impartiality, the New Zealand counterpart is a body frankly established to implement political policy, as its name clearly proclaims — The Tariff and Development Board. Mr. Marshall left no doubt in the minds of his listeners as to the sort of harness in which this instrumentality is being driven. "One of the first tasks of the Board," the Minister said, "would be to investigate sound industrial development *to establish a positive policy of manufacturing in New Zealand*."

One of the first shiny artificial fruits of this policy is apparently to be a £14 million iron and steel plant to utilise the iron sands of the Waikato. Only a few days before Mr. Marshall made his speech, the Wellington *Evening Post* ran a report on steel imports from Japan, which had sharply increased since a reduction in the duty from twenty per cent. to five per cent. was made.

But the Minister has an ardent supporter in the Secretary of his own Department, Dr. W. B. Sutch, well known for his economic philistinism. Speaking at a conference of the N.Z. Footwear Manufacturers' Federation on October 2, he said: "Every new industry should be examined in the light of whether it would add to export values and the possibility of replacing imports."

How determined the government is to carry out this policy is exemplified by the interesting story of the Whangarei Glass Works, headlined during the weeks immediately before and after the Minister's speech. In pursuance of the policy of "saving overseas exchange" by all means short of devaluation, in the manner best approved by economists of Dr. Sutch's old school, the government lent its countenance to the establishment of a factory at Whangarei, North Auckland, for the manufacture of sheet window glass. The Whangarei Harbour Board provided land under lease, and even contributed £125,000 towards the cost of the building. Plant and equipment totalled about £500,000 in value.

Less than three months after commencing operations, the company found itself in such financial trouble that it appealed to its foster mother — the fairy godmother of us all, the government — to save its life, neither the banks nor other investment sources having enough faith in the enterprise to do so. The government obliged — to the tune of an £80,000 guarantee of the company's overdraft. And the air was thick with rumours that this protective gesture might even have to be increased to £250,000. The company's second annual report, published in the *New Zealand Herald* on December 5, discloses that the "start-up" losses to August 31 amounted to £169,780 and was still rising. Total cost of the venture to date — £817,546.

In the battle for the extension of site-value rating to the whole country — at present about eighty per cent. of local authorities rate on this basis — an interesting development has occurred in Auckland, the only remaining large city still collecting its revenue on the basis of the composite value of land and buildings. Two gentlemen living in the city's outer suburbs became interested in the question of alternative rating systems, got together, and decided to start a campaign in favour of the rating of site values (the unimproved capital value system as it is known in New Zealand). They launched it through a body known as the Glen Innes Ratepayers' Association. So effective were they in their efforts that within a few months there was an organisation known as the Auckland Unimproved Rating Association in being, organising a petition for presentation to the Auckland City Council, demanding a poll on the question. Naturally, the Association has received help from New Zealand Georgeists, notably from Dr. O'Regan, of Wellington, who has given them considerable assistance by way of advice and information and by speaking at their meetings.

The campaign for the poll failed because of insufficient time in which to collect the required number of signatures. The margin of failure, however, was small, and the Association is satisfied that success is certain next year. Significantly, the *New Zealand Herald* of December 4 carries a report that an Auckland City Council sub-committee is to "investigate and report on the effects of various rating systems in the Council area, the report, if approved, to be printed and circulated to ratepayers."

All this represents a magnificent achievement, greater because I was assured by the two gentlemen concerned — Mr. H. T. Stanton, chairman, and Mr. G. N. Caldwell, secretary, of the Auckland Unimproved Rating Association — that they knew absolutely nothing about the Georgeist movement, and were unaware that a similar struggle was going on in Britain.