



# ON TARGET

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*The price of Freedom is eternal vigilance —*

Registered By Australia Post — Publication No. VBH 0999

Vol.27, No.27

July 19th, 1991

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**THOUGHT FOR THE WEEK:** "Most important of all, we have to find a way of doing something about the burden of international debt."

- Prince Charles in Rainforest Lecture, February 6th, 1990

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**THE NEW ZEALAND CRISIS:** The following article was written by Mr. Eric D. Butler at the conclusion of a 15 day programme of daily lectures, media interviews and discussions with many New Zealanders.

Reeling under the impact of the General Services Tax and associated restrictive financial policies, New Zealanders shake their heads in disbelief when told that a Canadian Conservative Government has claimed that the GST has been an outstanding success in New Zealand, and that if Dr. John Hewson and the Australian Liberals win the next Australian Federal elections, they will also introduce a similar type of tax.

A senior journalist, interviewing me for a major New Zealand Provincial daily, reminded me that when he had interviewed me last year, not long before the New Zealand elections, I had predicted that if the Nationals won and did not start to reverse the policies imposed by the Labor Party, there would be a major electoral backlash. "Events have dramatically confirmed your prediction," he said; then asked, "Can the Bolger Government last until Christmas?" Such is the state of New Zealand that this question must be taken seriously. What has happened in New Zealand could be the forerunner of things to come in Australia. It is almost unbelievable that a National Party elected by a landslide majority only nine months ago would almost certainly be defeated if an election were held at present.

New Zealanders are outraged by what they see as the most blatant betrayal in New Zealand history. Like Australians, they never had great confidence in the Nationals, but what Labor had done, with warm applause from the International Monetary Fund, was so devastating, that the Nationals had to be at least some relief. It was the old political truism, electors generally vote governments OUT; they rarely vote governments IN. It was obvious during my tour last year that the concept of the Electors' Veto, based on the Swiss constitution, was being widely accepted. Support was strong at the grassroots of the National Party. Next to the state of the economy, the Citizens'

Initiative and Recall (CIR) is one of the most discussed issues in New Zealand politics. New Zealand is now placed to stage a major breakthrough on this issue. Some of the work being done at branch level in the National Party is of a high standard with one special group operating in accordance with the old principle that realistic politics is the art of the possible. Prime Minister Bolger and his advisers are desperately attempting to hold back the rising flood of support for the CIR, by offering a diluted and distorted version. But this has opened up opportunities for open debate inside the National Party, and there is mounting support for CIR outside Party ranks.

Those promoting the CIR campaign in New Zealand have been given a tremendous "lift" by the dramatic manifestation of the feeling of electoral outrage with the open protests by a growing number of backbench National Members who are bluntly saying the National Government has broken all major pre-election promises. The Bolger Government has carried on where the Labor Government left off. It is an amazing spectacle to have the man who did most of the damage, former Minister for Finance Douglas, now openly praising the policies of the Bolger Government, urging it not to heed the mounting cries of protest across the country.

As I pointed out to New Zealand audiences, most of them much larger than during my 1990 tour, they should not be surprised by what was happening; Prime Minister Bolger was being "advised" by the same internationalists who had advised the Labor Government. The key man in the New Zealand Reserve Bank, Dr. Brash, is a product of the World Bank. As a good internationalist, he sees no harm in taking the Queen's photo off the bank notes. But this type of shallow thinking is matched by that of the Deputy Prime Minister, who suggests that the picture of a pushbike would be more appropriate on the notes than the Queen's photo!

Because of its size and smaller population, New Zealand is better equipped than any other part of the old British world to strike a major blow against the internationalists. As I reminded New Zealanders, they were one of the last two nations of the Free World to sign the Bretton Woods agreement. They held out until 1961, leaving Switzerland as the only nation never to have joined the World Bank or the International Monetary Fund. New Zealand is better equipped economically than Switzerland to make another major stand. The coming months are going to be interesting. As always the outcome of what could be an historic battle with international implications, will be decided by quality, not quantity. Led by Mr. Bill Daly, the N.Z. League of Rights has been magnificent.

**SELLING THE CONSUMPTION TAX:** With increasing public concern about the possible introduction of a consumption tax, a leaked Liberal Party paper warns the Party leadership that it could cost them the next election.

Mr. John Moore, a former Fraser Government Minister and Queensland Liberal Party President, has obviously been sniffing the electoral

wind, and has picked up a strong undercurrent of discontent at the grassroots of both the Party and the public. Mr. Moore warns Dr. Hewson and his colleagues:

"We must put on a human face, warm down-to-earth and concerned about the plight of those who have taken just about enough battering from the recession. We must promise immediate benefits, and not just a long-term plan which lacks clarity in the minds of voters. The Harvard Business School style will not work. Hoping to portray one's self as the macro-economic manager, the chairman of the board who will put proper policies in place to get the country back in working order, is too long-term. People want results now ....."

This is an obvious reference to the Premier of NSW, Mr. Greiner, as well as Dr. Hewson. A few weeks ago, Mr. John Howard was warning that successful politics was about more than just "management" and getting the economic statistics right; there is the question of ideals and philosophy which must come first. In Mr. Greiner's case, it seems that the NSW voters were not satisfied with "pragmatic" politics - without a clearly identifiable ideological base, a "pragmatic" political leadership is capable of all kinds of madness - like a consumption tax!

It is notable that the economic pragmatists have not yet convinced Mr. Jeff Kennett that the consumption tax is appropriate, and last week the Queensland National Party Conference in Cairns refused even to endorse the principle of a broad-based goods and services tax. And the proponents of the tax offer the ALP a rod with which to beat them senseless when they glibly say that "details of the tax will be released after the next election"!

**UNSEEN GST TRAPS:** It may be possible to make a superficial case for a goods and services tax (GST) to Australians who have never been to New Zealand and Canada. In both countries the tax was introduced amid glowing assurances that it would cost taxpayers less in the end. This it has simply failed to do. The eulogistic arguments that were once used now sound distinctly hollow in both those countries. In a newspaper column, the National Director of the Australian Taxpayers' Association, Mr. Eric Risstrom, notes that many academics and business people who once supported a GST now recognise serious difficulties with it. "Many admit the arguments for a GST are not always based on fact, and some now see it as downright dangerous," he wrote.

Mr. Risstrom also analyses the Shadow Treasurer's (Mr. Peter Reith) argument that he can "sell" the tax by an assurance that income taxes would be slashed, and Australians would pay less overall tax:

"But he (Mr. Reith) also conceded recently that one hidden feature of a consumption tax would be that savings, life policies, and super-annuation would probably have 15% of their purchasing power ripped away. He intends to do a smokescreen exercise at the same time by

cutting government spending and leaving more for you to pay privately. That trick was played on New Zealanders, who faced, two years later, not only a 25% hike in their newfangled indirect tax, but income tax increases as well. I believe that for most people, a consumption tax would be an incredible personal cost, some of it partly hidden. There would be no economic windfall to help people weather the financial drought .....

**GST AND AUSTRALIAN INDUSTRY:** Selling points for the GST include the proposition that it will help our hopeless balance of trade. However, Mr. Risstrom comments: "One of Australia's most deepseated problems is that we don't make enough of the things we need. Sales tax on many imports is 30% of the landed price, or the later wholesale price. But if that were trimmed to a standard 15% and customs duty diminished, imports would be cheaper, we would import more, and have greater difficulty in meeting our overseas debt...."

With Australian industries already moving offshore to third world countries, the coalition must find ways to protect industry, rather than hastening its demise. Mr. Risstrom concludes: "Demand a separate vote on this (GST) subject when the next election is held."

**NATIONAL FARMERS FEDERATION OFF TRACK:** Apparently oblivious of the damage that is being done to primary and secondary industry by the elimination of all trading barriers to protect Australian industry, the Executive Director of the NFF, Mr. Rick Farley, dismisses the impact of the Lima Declaration. He writes:

"There have been suggestions that the 1975 United Nations Lima Declaration commits Australia to transferring our wealth to developing nations. This is absolute bunkum, perhaps generated by the perfidious League of Rights. The Lima Declaration was an advisory document which did not require signature or ratification. It was not binding on Australia, and has no legal status ...." We have never claimed that the Lima Declaration was a binding foreign treaty. However, the 'perfidious' League has repeatedly drawn attention to what is happening to Australian industry, which closely follows the suggestions made in the Declaration, for which Australia did vote in 1975, albeit with some reservations. We suggest that Mr. Farley has trouble seeing through the double glazing of his Canberra office, to the carnage of both rural and secondary industry. And the question may well be asked of the NFF - what has been achieved with the famous Fighting Fund on behalf of primary producers? Or is it still being hoarded, or spent on Canberra office space for the comfort of agro-bureaucrats while the small farmers of Australia are quickly being wiped out?