

NZCPR Weekly

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NEW ZEALAND CENTRE FOR POLITICAL RESEARCH

EVERYONE PAYS

By Muriel Newman

Last week renowned economist and author Thomas Sowell published a column in which he shed light on the origins of Fascism. He explained that 'real' Fascism was introduced into Italy after the First World War by Benito Mussolini and was popular with the political 'left'. He said, "Fascists were completely against individualism in general and especially against individualism in a free market economy. Their agenda included minimum wage laws, government restrictions on profit-making, progressive taxation of capital, and 'rigidly secular' schools. Unlike the Communists, the Fascists did not seek government ownership of the means of production. They just wanted the government to call the shots as to how businesses would be run."

He describes how Fascism's industrial policies attracted the political 'left' but public opinion eventually forced them to back off. "In short, during the 1920s and the early 1930s, Fascism was not only looked on favorably by the left but recognized as having kindred ideas, agendas and assumptions. Only after Hitler and Mussolini disgraced themselves, mainly by their brutal military aggressions in the 1930s, did the left distance themselves from these international pariahs".

Sowell's comments have a familiar ring. Since Labour became the government in 1999, more than 3,000 new regulations and almost 1,000 new laws have been introduced. At any moment in time it is highly likely that any one of us is breaking some obscure law and those in business almost certainly are.

The enlisting of recruits charged with the responsibility of administering and monitoring these new laws has undoubtedly been a factor in the dramatic rise in the number of public servants over that period from 29,000 to 46,000 today.

These new laws and regulations put enormous strain on small businesses, many of whom are struggling just to keep their heads above water. The cost of jumping through the hoops set by government, filling in their forms and acting as their tax collector has been estimated to be \$3,000 per employee per year. Complying with the tax code alone costs businesses \$1.5 billion.

Not only is this cost a burden, but our best and brightest business leaders - those very people we depend upon to create economic wealth - are hog-tied in red tape and "compliance" meetings. With small business being the engine room of economic growth, this loss of productivity has a far-

reaching effect on us all. Everyone pays, through higher prices, less innovation and fewer choices.

Richard Epstein, the James Parker Hall Distinguished Service Professor of Law at Chicago University and the Peter and Kirsten Bedford Senior Fellow at the Hoover Institution, is this week's NZCPR Guest Commentator. He explains, "It is now eighteen years since I first visited New Zealand. That period of time is long enough to document the early rise in growth during the period between 1992-2000, followed by the much more anemic growth in the period between 2000 and 2006. The rate of economic growth was about 2.7% in the first period and 1.3% in the second. The point of the divide is no accident, for the year 2000 marks the rise of the current Labour government to power".

In his article 'Declining Productivity a Way of Life', Richard explains that the deregulation of the labour markets, which occurred in the early nineties through the introduction of the Employment Contracts Act, was largely responsible for the increase in productivity.

He concludes his article with a caution. "Productivity can suffer the death of a thousand cuts. The policies that lead to prosperity in periods of downturn are the only policies that will keep productivity going forward once the downturn is ended. There are no once-and-for-all fixes in dealing with economic systems.

The good work of the Employment Contract Act cannot survive indefinitely after its demise. Legal reforms do not depreciate instantly if they are not maintained, but depreciate they do. There is never a period of time when any nation can coast on its laurels and assume that the problem of production has taken care of itself so that the larger task of income distribution can begin".

Clearly government has a role in passing laws to enable the efficient provision of core public services, the maintenance of essential infrastructure, and the proper functioning of society's basic institutions: the rule of law, the protection of private property and the freedom to contract. Problems arise when governments introduce unnecessary laws and regulations for political purposes rather than the public good.

Too many laws, like the micro-chipping of dogs and the "crack-down" on graffiti, are made so the government can be seen to be 'doing something'. These sorts of regulations restrict freedom, impose direct costs on the public, are largely ineffective, and often delay any real solutions being implemented.

But worse still, once a bureaucracy has been set up to administer the new law, other new laws are likely to follow - like the new Dog Control Bill that is presently in front of a Select Committee (submissions close Feb 29). This follow-on from the dog microchipping law blames dog breeds for bad behavior rather than owners. This is akin to blaming cars for accidents instead of drivers!

Sometimes laws are passed that appear very heavy-handed. This was certainly the case a few years ago when Labour decided to introduce legislation to punish all landlords for the problems caused by a few. Fortunately, landlords responded by putting in massive numbers of submissions and Select Committee members were forced to admit that draconian law changes were unnecessary.

Labour is now using this 'sledgehammer to crack a nut' approach to real estate agents. Having ignored repeated calls by the industry to authorise tougher penalties for disciplinary measures - something only the Minister had the power to do - the government has decided to impose draconian state control through the Real Estate Agents Bill (submissions close Feb 29).

Regrettably, the driving force behind Labour's plethora of law changes is ideology.

Take the case of the Housing Affordability Bill (submissions close Feb 29). While the government claims that the compulsory acquisition of property will solve the house affordability crisis, research shows that such schemes which confiscate property rights and cause government-related costs to be passed on to other home buyers, are a massive failure. In the US they reduced housing supply by an average of 10 percent, and increased house prices by 20 percent. If government really wants to help make homes more affordable, lower taxes and lower interest rates would go a long way to achieving that goal!

The Electricity Industry Reform Bill (submissions close Feb 29) is another triumph of ideology over common sense. Labour's obsession with global warming has led them to set an impossible target of 90 percent renewable

energy by 2030, to impose a ten-year moratorium on new thermal generation - in spite of low lake levels - and to dramatically over-estimate energy efficiency reductions.

Most of us want to know that when we click the switch the lights will come on, and when we open the power bill the charges will be reasonable. But with the Government's energy strategy in a dangerously chaotic state - amid claims of political interference in the Electricity Commission - blackouts and price hikes are definitely on the cards.

The Climate Change Bill (submissions close Feb 29) is a radical piece of legislation which will impose critical economic risks on New Zealand. According to economic consultants Castalia, Labour's experimental emissions trading scheme will create substantial economic uncertainty. By exposing New Zealand businesses to volatile world market carbon prices, our government is planning to impose costs on business and the country that no other government is prepared to do. In the words of Castalia, "The overall thrust of the Bill is clear: the Crown wishes to transfer all risks associated with the implementation of climate change policy to business and households".

The Bills described, along with a number of others, were passed under urgency before Christmas. Submissions close on February 29th. Full details on the Bills can be found on the NZCPR website (www.nzcpr.com) as can information on preparing a submission.

If you are concerned about these new laws, I cannot urge you strongly enough to have your say. Submissions do not have to be complex. In fact the simpler and more straight forward they are the more likely they are to be read! Further, with the current regime having restricted our freedom of speech for the whole of election year, we should make good use of this opportunity to say what we think about these proposed new laws - while we still have the chance!

The poll this week asks: Do you believe Labour's regulation agenda has been good for New Zealand?

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