

Newman Weekly

By Dr. Muriel Newman
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The New Zealand Centre for Political Debate

Lucky for Some, Unlucky for Others

It has often been said that you make your own luck, and when you read Australia's 2006 budget it is easy to understand why they have been called the "lucky" country

In announcing their budget on Tuesday, Finance Minister Peter Costello stated:

"Australia's sustained economic growth is the result of the Government's strong economic management and ongoing economic reform. Maintaining this course will secure the achievements of the past decade and provide the foundation for future growth and prosperity."

Costello's budget (featured on www.nzcpd.com this week) was in many ways a celebration of success. Australia is driven by an economic imperative: prudent fiscal and economic management. That has allowed Australians to better enjoy the fruits of their own labour and share in the benefits of national prosperity. It is this economic imperative that drives higher living standards and an improving quality of life. According to the Finance Minister:

"Our tax system exists to fund the decent services in health and aged care and other services that Australians legitimately expect and are entitled to receive. If we can fund these services, balance our Budget, defend and secure the country, and reduce the tax burden we should aim to do so. This year we will do so. And we will reduce personal income tax very significantly."

Tax cuts amounting to A\$36.7 billion are at the heart of the Australian budget, significantly increasing the tax wedge that exists between our two countries.

Under their new regime, the first A\$6,000 of earnings are tax free, earnings up to A\$25,000 are taxed at 15 cents in the dollar, up to A\$75,000 at a 30 cent tax rate, up to A\$150,000 at a 40 percent rate, and over

A\$150,000 at 45 cents.

Once these new tax rates – along with some newly announced rebates - come into force on July 1st, low income earners will pay no tax until their income exceeds A\$10,000, with 80 percent of all taxpayers having a top marginal tax rate of 30 cents in the dollar. Only 2 percent of the population will pay the top rate of income tax.

This is in sharp contrast to the situation we face in New Zealand where we pay 15 cents tax up to \$9,500, 21 cents up to \$38,000, 33 cents up to \$60, and the 39-cent top rate above \$60,000. According to a Deloitte analysis, "New Zealanders would need to earn over \$182,000 to pay less tax than their Australian counterparts".

In other words, with our top tax rate hitting more and more middle income families, Australia is becoming increasingly attractive from a wage and tax perspective. For example, a truck driver earning \$45,000 in New Zealand would take home \$35,280, whereas in Australia he would be likely to earn A\$60,000

and take home A\$48,400.

There are already 450,000 New Zealanders living in Australia with an estimated 660 a week moving across the Tasman. However, it isn't just high taxes and low wages that are driving them away, but a growing dependency and gloom about our future.

With the economic forecasts looking increasingly bleak, excessive laws and regulations restricting innovation and curbing freedoms, and a rising resentment against government imposed political correctness and racism, the flood of Kiwis seeking refuge from this creeping malaise looks set to escalate.

The symptoms are everywhere: from the banning of the TV ad for Toyota's RAV car (where husband and wife attempt to annihilate each other in a race for the car keys) because 17 people complained to the Advertising

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Standards Authority that it was offensive, when 1,000 had just voted it the most popular ad in March, to the introduction of “dumb” laws like the micro-chipping of dogs, to the crisis in our health system which sees patients with life threatening cancers unable to get specialist treatment, to zoning laws which force parents to send their children to failing state schools, to the unreasonable burden of compliance costs and red tape that are crippling small business, the list goes on and on.

Just this morning, the NZ Herald’s lead story outlined the Prime Minister’s latest move in the bidding war for the Maori vote by pushing for the Waikato River to be given to Tainui because, according to their Wai 30 Treaty of Waitangi claim, “The river is our ancestor, and we want our tupuna awa [river ancestor] returned.” Their claim includes the river - a major economic resource in the region and the source of some of Auckland’s drinking water - the banks of the river, its tributaries and associated flood plains and west coast harbours!

As Labour’s agenda progresses, the gulf between New Zealand and Australia widens. While the Australian government sees strong economic growth as the key to raising living standards and improving the quality of life, our government has become obsessed with quality of life issues to the point of largely ignoring the importance of economic benefits: in Australia their mineral wealth contributes substantially to economic growth; in New Zealand, our mineral wealth is locked away in the DOC estate (along with almost half of our total land area!)

.In Australia, the benefits of personal superannuation schemes are flowing through whereas in New Zealand we are still dancing around the issue of compulsion.

For a decade, Australians have enjoyed a government that respects private property rights and encourages the creation of wealth; in New Zealand, we have seen the gradual erosion of private property rights through the central planning provisions of the Resource Management Act and the 2002 amendments to the Local Government Act.

Australians celebrate achievement and strive to be the worlds best in whatever they do, particularly in the sports arena. In New Zealand, sport is being equalised and achievement is celebrated with a haka – for third

place!

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The real question, though, is whether this week’s budget will bring about improvement, stemming the flow of talented New Zealanders planning to immigrate to Australia, or whether it will accelerate it!

The poll this week asks, do you think the tax changes contained in the Australian Budget will cause more New Zealanders to migrate to Australia? And why do you think Australia is doing much better than New Zealand?

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