

The Jobs Letter

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Essential Information on an Essential Issue

KEY

THE JOBS MACHINE

"We're setting up a jobs machine. The test of our success will be our achievements in creating new jobs, developing new industries and reversing the cycle of decline in regional areas of New Zealand.

"Both the Alliance and Labour place a heavy emphasis on a partnership-based approach to economic development. Our aim is to reduce unemployment, boost skills to ensure New Zealand generates high-quality jobs, reduce the current account deficit and close the gaps between Maori and pakeha, between rich and poor and between regional areas ..."

— Jim Anderton, Minister of Economic Development

- It's been Jim Anderton's month as he unveiled the structure and vision behind his new **Ministry of Economic Development**. Anderton's plans are the most pro-active government intervention on job creation since the work schemes of the 1980s. He says he is willing to be judged on the scheme's progress in **making inroads into the 200,000 people who are out-of-work**. His target: New Zealand needs about a 100 successful new industries established "...in all regions, and particularly those areas that have been in decline under the previous government."

- Details of the new programme remain sketchy, although Finance Minister Michael Cullen says the government has pledged an annual \$100m to the new programme by 2002. This year, the expenditure will probably be about \$35m-\$40m.

A new Crown agency, **Industry New Zealand**, will be set up to deliver a range of industry and regional development programmes, including funding new and expanding ventures. An establishment unit is presently setting criteria for funding the initiatives, and will report to Cabinet this week. Advisers expect the funding options to include loans and direct grants, as well as start-up capital and encouragement for businesses to do research and development.

- The Ministry of Commerce is already using the name Ministry of Economic Development. In addition to the responsibilities currently performed by Commerce, the new ministry will provide policy advice and direction in industry and regional development and on other matters relevant to economic development.

- Industry New Zealand's brief is "to work in partnership with the private sector, local authorities, Maori economic entities and community groups to meet economic, environmental and social needs at national, regional and local levels".

Anderton: "We want to provide better access to expert advice and professional expertise. Many potentially successful ventures fail only for a lack of marketing, managerial or technical expertise. Assistance could take the form of bringing together young apprentices or trainees with businesses offering the opportunity to harness their skills.

"The new approach will be flexible and dynamic. If it works well, we will do more of it. If it doesn't work, we'll stop doing it..."

- **Who will run** the new organisations?

- Industry New Zealand will be set up as a Crown agency and will be functioning by the middle of the year. Legislation will be changed to enable Industry New Zealand to operate **under its own board** — drawn primarily, though not exclusively, from the private sector. It is this board, and not Ministers, who will be deciding which projects will receive help.

- The existing Secretary of Commerce, **Paul Carpinter**, will retain that title for the time being as well as becoming the Chief Executive of the

The Jobs Letter : ESSENTIAL INFORMATION and MEDIA WATCH on JOBS

EMPLOYMENT, UNEMPLOYMENT, the FUTURE of WORK, and related EDUCATION and ECONOMIC issues

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Ministry of Economic Development. Paul Carpinter is a former Treasury official and economic adviser to politicians as diverse as Jim Bolger and Bill Rowling. (*The Dominion* notes that Labour leader Helen Clark had put Carpinter's future in the Public Service in doubt when she questioned the ideological leanings of the bureaucrats running several departments, including the Commerce ministry).

— At the moment, Commerce reports to **six different Ministers**. As the new Ministry of Economic Development it will continue to report to those Ministers on their policy issues. For example, the Ministry will continue to report to Commerce Minister Paul Swain on commerce issues.

— Other Ministers involved: Pete Hodgson, Phillida Bunkle and Parekura Horomia are all Associate Ministers of Economic Development and Alliance list MP John Wright is the Parliamentary Undersecretary for Economic Development.

- **Will there be job losses** in the restructuring of the Commerce Ministry? Anderton says there'll be changes as the ministry expands to fulfil its new functions, but not necessarily job losses: "The policy role of some people will change. Some staff may transfer across to Industry New Zealand."
- Anderton says that the transformation of the Ministry of Commerce into the new organisation was **the lowest-cost option**: "We are not going to waste time or money re-inventing a whole new department..." Detailed budgets on how much the restructuring will cost have not yet been completed ... but in line with the new-look frugal approach to government services, Anderton affirms that the government will not fund a substantial re-branding exercise for the new ministry.
The cost of the change has been budgeted at \$96,000. Tenders have been called to design a logo for the new ministry at an estimated cost of up to \$20,000. As well, the ministry website will be re-designed (\$15,000), new signs created (\$27,000) and templates for letterhead, business cards and other stationery ordered (\$24,000). This compares very favorably to the costs to government for the two name changes to the Child, Youth and Family agency (estimated cost \$116,650) ... and the more than \$1m spent on "re-branding" Work and Income NZ.
- Ruth Laugesen of the *Sunday Star Times* reports that Anderton has apparently lined up a top Australian bureaucrat to lead efforts to **encourage Australian-based companies** to relocate across the Tasman. Anderton: "Australia has a permanent plan to capture companies from this country, and I'm about to capture some back from them. There's no level playing field, there's no free market. There are countries burrowing away at every other country, trying to filch things..."
Rick Hart, who until recently was poaching NZ companies for the Victorian state government, is understood to have been advising the coalition government on details of Victoria's industry development policy. The Victorian agency has been the focus of NZ anger for its successful luring of Hawke's Bay tomato paste manufacturer Cedenco in 1996, and more recent attempts to get Heinz-Wattie to relocate.

"Anderton's Ministry of Economic Development and its investment arm, Industry New Zealand, are directed not to markets but to "needs". Industry NZ's job, for example, is to "work in partnership with the private sector, local authorities, Maori economic entities and community groups to meet economic, environmental and social needs at national, regional and local levels."

"That is four sets of partners, three sets of needs and three levels. It is going to be hard for the agency to focus on the country's overriding need — a wider range of products that can compete with the best in world markets. Only with those products can we begin to pay for our living standard, improve the external accounts, attract more investment and earn rising incomes for all..."

— editorial, *New Zealand Herald* 1 March 2000

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Hart is himself on the job market after a change of state government in Victoria. He was secretary of the Department of State Development under premier Jeff Kennett, and he quit his job in October when Kennett lost the election.

- **Australian Regional Development Summit.** Meanwhile, the Australians have also recently been embarking on their own regional development programme, also led by their deputy Prime Minister, John Anderson. A Regional Australia Summit was convened last October at Parliament House in response "... to the profound adjustment and challenges facing regional Australia". At the conference, over 280 delegates discussed and put forward 247 recommendations on the summit themes. The Australian deputy PM has since established a Regional Australia Steering Committee to develop a plan for implementing outcomes from the summit.

"The trouble will be, as always, capture. Bureaucrats' specialty is to make policy, not business decisions. Politicians' specialty is votes, although decisions on where assistance is to go is to be kept out of the hands of elected officials. And the business people who serve on Industry New Zealand will have their own agendas and priorities. How those problems are to be avoided is yet to be made clear..."

— editorial, *National Business Review* 3 March 2000

- One of the keynote speakers at the Regional Australia Summit was **Bernard Hugonnier**, Director of the Territorial Development Service for the Paris-based OECD, who spoke on "Regional Development Tendencies in OECD Countries". Hugonnier reports that past experience in OECD countries shows that a number of regional development practices have been inefficient or that they have produced negative side effects.

Examples: massive transfer policies to regions that have led to market distortions; mismanagement of infrastructure projects which have often reinforced highly urbanised areas while accelerating the decline of other areas which have no access to the resources; investments that have been overlooked in intangible and training services that can improve the employability of the workforce; top/down governance systems that have stifled local and regional initiatives.

Hugonnier: "In a nutshell, intensive redistribution between wealthy regions and lagging region has often not helped the latter and subsidies to firms, whether high tech or not, have not done better..."

- Hugonnier also reports that one of the most usual criticisms made of regional policies is that they have a **limited impact on employment** or that no empirical evidence is available on the matter.

Hugonnier: "This questionable success, for example in the case of the EU structural funds policy, has almost everywhere led to redefinition of regional programmes and regional aid. In particular, it is increasingly recognised that, in addition to macroeconomic procedures and structural reform, further action is needed if unemployment is to be cut in less developed or outlying regions."

Hugonnier argues that critical components of a regional development strategy involve consolidating and improving local infrastructure, and creating a more favourable environment for small businesses, which are major job creators. He also reinforces the 'partnership' theme of regional development, saying that an emerging role for the central government "... is to provide the frameworks for partnerships and decentralised programme management and design."

- Bernard Hugonnier's paper, and papers from other keynote speakers to the conference are available from the Regional Australia Summit website at <http://www.dotrs.gov.au/regional/summit/index.htm>

FEATURE

JIM ANDERTON — *towards an era of* PARTNERSHIP

In this special feature, we present an *essential summary* of Jim Anderton's recent speeches on his programme for economic development and jobs.



ON THE URGENCY

- The objective of the Government's economic development programme is to provide increased opportunities for employment and rising incomes for all New Zealanders, no matter where they live.

I cannot emphasise enough the urgency of the need to do better. Unemployment has remained far too high for far too long. There are more than two hundred thousand jobless in New Zealand. During the 1997 Superannuation referendum, the Treasury prepared economic forecasts which predicted that unemployment in New Zealand would remain at 6% of the workforce or more for the next fifty years.

That is a social, economic and human catastrophe which we cannot allow to happen.

If we can reduce the level of unemployment, then we will not only make a vast difference to the lives of tens of thousands of people. It will also mean that the government doesn't have to pay out two billion dollars a year in unemployment benefits...and we can spend that money on priorities such as health care and education.

- New Zealanders' incomes have been dropping compared to the incomes of other developed countries. When the "hands-off" era began in 1984, New Zealand's per capita income stood at 95% of the

OECD average. By 1992 it was down to 81%. The figure rose to 87% in 1995 - still 8% behind the position at the beginning of the 'hands-off' era. It has slumped back ever since. In other words, after fifteen years of hands off, we are much further behind other countries than we were when we started.

- We haven't paid our way in the world for twenty-seven consecutive years. Our current account deficit is now running at 8% of GDP. That is a very serious deficit on any measure. At the same time, our economy has built up a huge overseas debt. It now tops a hundred billion dollars.

In other words, we owe more overseas than the entire economy produces in a year. We owe overseas the equivalent of about three and a half years worth of exports. Back when the free market policies began, in 1984, our overseas debt amounted to about a year and a half's worth of exports - and that was when the debt was so bad that it was one of the major reasons the Muldoon Government lost office.

- Today there are about two hundred thousand jobless New Zealanders, just as there were two years ago. Yet it will come as a surprise to most people to learn that there are just about enough jobs today for everyone who was jobless then. And two years ago there were just about enough jobs then for everyone who was unemployed two years before that.

In other words, our economy is clearly capable of generating the jobs that are needed. But the creation of those jobs has been maintained at a level that has produced on-going joblessness. The result has been wide-spread, avoidable misery and social dislocation.

"The era of "hands-off" for central government is over. I make no apology for saying that a new era is beginning. It's an era of genuine partnership ..."

— Jim Anderton, Minister of Economic Development

ON ECONOMIC DEVELOPMENT

- Over recent years a void was created as central government withdrew from the provision of many essential services. One of those was its role in assisting and providing for the economic development of New Zealand.

In many parts of the country that role has been picked up by local authorities as well as through private sector and community initiatives. Economic development agencies have emerged and facilitated a wide range of programmes aimed at attracting new productive investment and fostering local initiatives. The resulting expertise at the local level in many cases far out-strips the abilities of central government, because it is an area that central government has not been actively involved in.

- There are exciting programmes underway around the country. For example, in Dunedin, an economic development arm of the City Council is involved in attracting new investment, in the development of an industrial park, and in a partnership with the local

university designed to promote industry clusters around innovative new businesses.

In Southland, local authorities have undertaken a topoclimate study that has produced highly detailed maps revealing the best use for soil and land in the region. The resulting information makes a difference not only to local enterprise, the expertise developed could be applied in other areas of the country.

- Economic development agencies play an active role in partnership with central and local government as well as business and community organisations. Many EDAs are capable of playing a much wider role, and are making a positive contribution in fields as diverse as migration, commercialisation of technology and R&D, skills training and venture capital.

ON PARTNERSHIP

- The missing ingredient in initiatives that have unfolded around New Zealand has been central government. There are some unique contributions that only central government can make. When I announced the establishment of the Ministry of Economic Development and Industry New Zealand, I said the era of “hands-off” for central government is over. I make no apology for saying that a new era is beginning. It’s an era of genuine partnership.

What New Zealand has lacked is a supportive Government and an economic development dimension to New Zealand’s economic policy planning. We intend to provide that dimension in partnership with local authorities and the private sector. We intend to utilise existing structures, as well as opening new mechanisms to harness the creative potential and innovation of New Zealanders

- There have been many requests to spell out exactly which industries will be supported, and what level of support there will be. That is to mistake the partnership approach we are taking.

The answers to those questions will not be determined by me in my office in Wellington. The answers will come from partnership between communities, businesses, the scientific innovative sector and Industry New Zealand. The range of partnership contributions the government can make is limited only by the imagination of those involved and the needs of the economy.

- There is no silver bullet. There is no blunt ‘one-size-fits-all’ theory which relies on a straightjacket of purity. The form of co-operation will be tailored to the type of project and its circumstances. Local initiatives aimed at boosting the performance of industries on the local, regional, national and international scene are not only welcome, they are vital.

No one has a monopoly on the good ideas required to enhance New Zealand’s economic development. In principle, anyone should have access to the economic development process. Individuals, trade unions, community groups, private companies, Maori economic entities and local authorities can all play their part.

ON BUILDING REGIONAL STRENGTH

- The free market policies of the last century failed. They didn’t produce growth fast enough or increase the incomes of New Zealanders as fast as incomes in other countries increased. The countries that have been powering ahead have been the majority of EU countries and East Asia members of the OECD.

Successful economies like Ireland, Finland, Scotland and Taiwan have adopted pro-active economic development policies. They have discovered that advantages are created, not endowed. The governments of those countries worked in partnership with the private sector. They identified opportunities that relied on the innovation and skills of their populations and invested in those. They broadened and deepened the industrial base of their economies. And they invested in weak regions.

- These countries have recognised that a country needs strong regional economies if we are to have a strong national economy.

If we think of the New Zealand experience, local infrastructure in many parts of the country is under-utilised: schools, hospitals, banks, petrol stations and other services are closing. A cycle of decline sets in where people drift away from regional centres, which undermines the viability of remaining services - and the loss of those services drives even more people away. Meanwhile, in places such as Auckland, infrastructure is under stress. It’s a continuing struggle to keep pace with the rapid demands of the population migrating to the urban centre.

ON KNOWLEDGE AND INNOVATION

- Knowledge and innovation have always been critical — at least since the Industrial Revolution. Probably since the first cave dwellers harnessed fire and employed rudimentary tools. Now, though, innovation, intellectual capacity and technological advance are becoming relatively more valuable. Minerals, crops and commodities are relatively less valuable.

Brains are in. Brawn is out.

That represents a challenge for an economy like ours, which has been based very heavily on exploitation of our vast natural resources. We need to meet that challenge by transforming the economic base of New Zealand. We’re going to invest in job-rich, high-tech, high-skill, high-value new industries.

There is no shortage of good ideas in New Zealand. Mail is stacked up in my office from people who have suggestions for ideas that could contribute to this country’s economic development.

Now, of course some of these ideas will not be runners. But what if some of them are? Some of them are sure to include ideas that could contribute very significantly to New Zealand’s industrial and economic development. We only need a few successes. Companies like Tait Electronics, CWF Hamilton, and Snowy Peak.

- Higher incomes are crucially dependent on innovation. Innovation is not just entrepreneurs thinking of new ways to make widgets. It is a systematic

approach to technical progress, involving professionally conducted research and development in all sectors - services and infrastructure as well as manufacturing and agriculture.

- The Government is working on its contribution to this area. The tax treatment of R&D will be studied as part of the Government's review of the entire tax system. More immediately, Industry New Zealand will be able to enter R&D joint ventures, with an emphasis on new technology industries providing sustainable, skilled, well-paid jobs and high added-value exports.

I am supportive of much greater public sector funding for science and R&D through Crown Research Institutes and Universities. The Foundation for Research, Science and Technology has cautioned the Government that a large number of worthwhile projects are being refused funding each year.

- Universities receive only 18% of public sector funding for R&D, compared with an OECD average of 27%, even though they are internationally recognised as hotbeds of innovation and new business formation. By under-valuing university-based research, New Zealand is likely to be missing out on a valuable source of commercial applications and new business formation on the knowledge frontier.

" We're going to invest in job-rich, high-tech, high-skill, high-value new industries. There is no shortage of good ideas in New Zealand. ..."

— Jim Anderton, Minister of Economic Development

- We need to combine well-judged public investment in education, infrastructure and science and technology with creative private sector investment focused not just on adopting technologies already available but on continuously creating new products, processes and designs.

There needs to be a high and relatively steady rate of new investment. Investment raises incomes by directly increasing production and employment. It also embodies new technology. This introduces new products, raises outputs per person and improves the competitive position of firms and the country.

- Better jobs and higher incomes are crucially linked to the development of skills. Innovation and investment cannot occur without a well-educated population, equipped with a high level of industry-specific training.

The overall number of science graduates New Zealand produces each year compares well with other OECD countries. But we have a very low number of scientists working in research and development compared to other developed countries: Two thirds as many as Australia, the US or Canada and only one third of the number in Japan.

We produce only half the number of engineers as the UK or Canada and a quarter of the number in Germany, France, Finland and Japan. And although the number of engineering graduates has been increasing, much of the increase is made up of over-

seas students who leave New Zealand after qualifying. More alarmingly, the number of New Zealand students who leave New Zealand after graduating is increasing steadily.

ON YOUTH

- If we are serious about a vision for our collective well-being, then the well-being and quality of life of our children and young people is a good place to begin. There is no higher responsibility than to ensure that every young person has the opportunity to realise their potential. That they are secure, well-fed, free from avoidable illness, and that they have hope.

- Look at the way young people are paid. They pay market rents for their homes, but they are paid youth rates at work. There are no lower bank charges or hire purchase charges for young people. Cars and petrol to run them are not discounted for young people. But the value of their work is.

While their work is devalued, so is their opportunity to fulfil their potential through education. Young people entering higher education are punished with a lifetime burden of debt. Unless we can reduce the cost of education, the student debt will — in about fifteen years - exceed the entire national debt. What message does that send to young people about the place they have in the community we have created?

The environment we have created permits a sustained, high level of youth unemployment to continue for year after year. Yet we know how destructive of confidence and self-worth unemployment is.

- For example, when we are warned that young people are leaving New Zealand by the thousands in search of the bright lights and cultural stimulation of other countries: we have to be prepared to foster and support the growth of our own cultural identity. Uniquely New Zealand culture, physical environment and values are only to be found here. It's no wonder New Zealanders cut their ties to home when our culture is swamped by overseas voices and styles.

- In 1969, Norman Kirk wrote a book called *Towards Nationhood*, where he said: "Let us have a sense of pride in being New Zealanders. Let us recognise the value of the unique way of life we have built here - a humane, non-violent society, free from the social and economic injustices that plague so many societies."

It's in co-operating in partnership to achieve that vision, that central and local government can make the greatest contribution to the quality of life of our young people.

Sources — Hon Jim Anderton, Deputy Prime Minister, speech to Economic Development Agency of New Zealand "New partners, new directions" 10 March 2000 Centra Hotel Auckland Airport, Manukau City; keynote address, International Cities of Tomorrow Forum "The new partnership between central and local government" 9 March 2000, Heritage Hotel, Christchurch

VOICES

on THE JOBS MACHINE

"We welcome this opportunity to meet this new challenge as an organisation and look forward to growing our capability to meet the needs of the Government..."

— **Paul Carpinter, Secretary of Commerce and new Chief Executive of the Ministry of Economic Development.**

"All the Government is doing is tinkering with the bureaucracy. The policy of how the \$100 million fund will be distributed is still months away. The main point is simply this: The Government might be planning to put \$100 million into local communities, but that is more than cancelled out by the estimated \$250 million it is taking away with the ACC renationalisation and the \$400 million in tax increases.

"Behind the re-jigged bureaucracy, there's a huge question to be asked about the credibility of the package. Alliance Leader Jim Anderton reckons 1000 new jobs from 100 new projects could be created by investing \$100 million. What credibility does this have? What projects? Where is the new private investment coming from? What sort of jobs?..."

— **Max Bradford, National Party Economic Development spokesperson**

"It's absurd for Jim Anderton to declare the "Free Market" policies of the last century a failure. The comparison is with socialism which is in complete collapse around the world. State interventions like Jim Anderton is always proposing have never worked. What's disturbing is just how far Jim Anderton is prepared to go. We now have New Zealand being run by political and economic dinosaurs ..."

— **Rodney Hide, ACT Finance Spokesman**

"The Green Party is pleased with the Government's hands-on approach to create jobs ... However it is vital that any initiatives taken by the ministry put the New Zealand economy on an ecologically sustainable footing. We want jobs with a long-term future which enhance rather than deplete the environment..."

— **Rod Donald, Green Party Co-Leader**

"It is something of an anomaly that the government is talking about attracting new enterprises to NZ while pursuing policies that have businesses already here throwing their hands up in the air ..."

— **Michael Barnett, Auckland Regional Chamber of Commerce chief executive**

"This is a crucial turning point in the policies of government. During the barren years of the 1990s the economy was expected to produce growth as a natural process and the needs of thousands of workers in communities throughout the country were ignored. It's very welcome to see some positive initiative that will probably encourage not only regional development but economic development generally, particularly for groups such as Maori who are over represented in unemployment statistics..."

— **Ross Wilson, president Council of Trade Unions**

"Government funding of regional development is an insult to every New Zealander who has set up a business without assistance. ACT totally opposes the concept of hard working, successful businesses subsidising new businesses that have failed to get capital from traditional sources. We are totally opposed to Jim Anderton picking winners with the hard-earned money of taxpayers. This is a "regional cronyism" policy. Money inevitably goes to mates, to where votes can be bought and where genuine, established businesses will feel aggrieved when they don't get to be one of the chosen few ..."

— **Owen Jennings, ACT Industry and Regional Development Spokesman**

"It seems the relevant luminaries have now returned from their study tour of North Korea to parade a glossy new 'jobs machine' to be presided over by none other than Industries Commissar Jim Neanderton. We are clearly on the verge of another orgy of pork-barrelling, palm-greasing, "winner"-picking, cronyism and corporate welfarism.

"Not what-you-know but whom-you-know in or from Wellington will determine your success. The sickening thing is that there'll be no shortage of candidates lining up for the confiscated, forcibly redirected money that Comrade Neanderton's new politburo will be doling out to his new 'partners' ..."

— **Lindsay Perigo, former Libertarianz Party leader**

VOICES

"While it is tempting to think of a government-sponsored economic development programme as a 'job machine', the reality is that jobs are created by the ordinary Kiwi investing his or her own money and working hard ..."

— **Anne Knowles, Employers Federation chief executive**

"I support anything that means central government is going to support economic development in the regions. It's a positive step on a long journey of growth. It's a good partnership model and we wait and see how swiftly the Ministry of Economic Development can be developed ..."

— **Stuart Trundle, Venture Taranaki chief executive**

"Local economic development is best promoted at a local level — a centralised body like Industry New Zealand is likely to be monolithic and hidebound to respond effectively to local initiatives ..."

— **Peter Dunne, United New Zealand Party leader and former Regional Development Minister**

"Mr Anderton may be underestimating how long it will take for the Ministry to suddenly become expert in economic development after 15 years of taking a strictly neutral stance on it. The name change for the Ministry and the setting up of Industry New Zealand could mislead the regions on how fast the Ministry can build policy expertise for economic development.

"The extra \$100 million ear-tagged for this will not make much of an impression once the bureaucracy has taken out its transaction costs. We have misgivings too over the representation nominated for the new Industry New Zealand organisation. This is to include local authorities, community groups, Maori representatives and the private sector. The very real risk is that hard nosed business attitudes and disciplines will be lost in such a mix though they are absolutely vital for long term business success..."

— **Alasdair Thompson, Employers and Manufacturers Association (Northern) chief executive**

"Mr Anderton's development plan is no more than a stopgap to plug the holes in the social fabric that will widen as New Zealand's economic performance suffers further from world market forces.

"The past 15 years have shown that the benefits that flow to big business have not trickled down to the bottom two-thirds of society. We have a dual economy where the rich have developed expensive tastes for luxury town houses, cars and overseas villas, while the poor have sunk backwards into hardship and poverty.

"Yet the Labour-Alliance Government is committed to broad policies that cannot reverse these trends. Indeed, these will get worse as New Zealand becomes increasingly hostage to foreign investment and dependent upon the dollars of rich tourists and gamblers. So the \$100 million devoted to economic development is really the price of the Alliance's loyalty to the Government's broad economic policy.

"This is why Mr Anderton's plan will have little effect. Even if it were spent in one year, \$100 million would represent a tiny 0.34 per cent of Government spending; 0.40 per cent of the social welfare budget; 7 per cent of the unemployment benefit; and 70 per cent of the interest on student loans.

"Therefore, it does no more than target and devolve a minuscule fraction of welfare spending towards job creation in the regions. It would be equivalent to taking \$33.3 million off the top-heavy Work and Income bureaucracy in each of the next three years and giving it to the bottom-dwelling rural poor.

"To that extent, it is to be supported and encouraged. But to work as a real stopgap (that is, to eliminate the gap between rich and poor, Maori and Pakeha and so on), it would have to be much more and under the control of the local people. And that, it is clear, cannot happen under this Government."

— **David Bedggood, senior lecturer of sociology at University of Auckland**

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