



10 October 2008

Gould – there is a better way

Bryan Gould gave a presentation to the New Zealand Manufacturers and Exporters Association (NZMEA) in Christchurch today following the release of his book 'Rescuing the New Zealand Economy' (the presentation will be repeated in Auckland on the 21st of October). Bryan outlined the problems facing New Zealand's economy and presented solutions that focused on the macroeconomic drivers of jobs, wealth and higher productivity. This was particularly relevant given the global financial crisis and the excessive volatility of the New Zealand dollar.

He criticised the implementation of monetary policy, and questioned the merits of the focus on inflation and independence of the Reserve Bank, while recommending alternative methods of inflation targeting. It was extremely well received by NZMEA members who expressed their frustration at the continuation of policies, which as highlighted by Gould, have clearly failed the real economy. There was particular reference made to National's new tax policy, which scraps the Research and Development (R&D) tax credit, removing an incentive to invest in our economy. We continue to receive angry responses on this particular issue.

NZMEA Chief Executive John Walley says, "It is refreshing to have some serious consideration of our macroeconomic approach and how this has contributed to both our recent economic troubles and our long-term slide down the OECD wealth tables. There has been a lot of talk about how bad the global finance problems that have 'suddenly' surfaced are, but little mention of how we have been authors of our own disaster over three decades."

"The R&D tax credit issue has really brought these issues back to the fore for manufacturers and exporters (the real economy). People are really angry as evidenced by the number of people willing to speak out against the proposal by National to change the policy."

"Hopefully the R&D tax credit issue will help to spark a deeper debate over the macroeconomic issues that affect all of our living standards. What matters most is wealth creation in the real economy, not control of domestic spending. Put another way, the financial crisis is a reminder that the coffee matters more than the froth."