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**“Quarter of NZ’s brightest are gone”**

That was the front-page headline on last Saturday’s Weekend Herald. The article which followed made the point that 24.2% of all New Zealand-born people with a tertiary education now live overseas – and noted that that represents the biggest exodus of skilled people from any developed country. By way of comparison, the article noted that just 2.5% of Australian-born people with a tertiary education live outside Australia.

It was entirely appropriate that the Weekend Herald gave this issue front-page treatment. The exodus of skilled New Zealanders is a hugely important issue, and was the single most important issue which prompted me to resign as Governor of the Reserve Bank and enter politics nearly three years ago.

At that time, I was acutely conscious of the gap in incomes between New Zealand and countries overseas, a gap which used to be negligible but which now finds Australian incomes, even after adjusting for cost of living differences, some 30% higher than New Zealand incomes. That is why more than 28,000 New Zealanders headed for Australia in 2004 – an astounding 550 people per week.

Yes, economic well-being is not everything – not by a long shot, as I have been reminded over the last couple of weeks travelling to many parts of the South Island and several places in the North. This is a most beautiful country.

But you can’t enjoy the scenery when your home leaks, or when you have difficulty meeting the mortgage, or when your kids aren’t getting a decent education, or when you are in pain, stuck on a waiting list for surgery, or when you have the sense that our country is being overwhelmed by petty race-related political correctness.

So economic well-being is vitally important. And what has this Labour Government done about that? Well, house prices have gone up a lot, so many of us feel better off than we did a few years ago. But when we look at average household incomes after tax and inflation, we find an astonishing fact: there has been no improvement at all over the last five years! And when we look at the annual wages of the average worker after tax, we find that the gap between New Zealand and Australia has widened from just over \$5,000 in 1999 to almost \$9,000 today. Most of the growth in real incomes has been siphoned off into the Labour Government’s coffers to produce an enormous Budget surplus.

Economic growth has been pretty good over the last five years, and political parties will argue about what caused that. For my part I think it has a lot to do with a low exchange rate in 1999, 2000 and 2001 giving a great boost to export industries, to low world interest rates producing a boom in property prices, and to a strong inflow of foreign immigrants following September 11 creating a strong demand for new housing – factors which had nothing whatsoever to do with anything this Government has done. Growth since 1999 has averaged 3.7% annually. Not bad – and exactly the same average growth rate as over the previous five years, despite that earlier period being hit by a serious drought and the Asian crisis in the late nineties.

In other words, despite the best external conditions in a generation, the Labour Government has failed to improve on the growth rate achieved over the previous five years. Instead, they have over-taxed us, added to compliance costs, complicated employment law and the Holidays Act, failed to do anything serious about improving the roading infrastructure, failed to fix the serious problems in the Resource Management Act, and generally wasted a wonderful opportunity to improve our growth rate.

Last week in Parliament, I highlighted the disastrous effects which the Government's Working for Families package would have on our growth rate. I noted that for a married man earning \$50,000 annually, with two children and in receipt of the accommodation supplement, the union-proposed 5% pay increase would earn him a gross increase of \$48.08 per week – but a net in-the-hand increase of just \$5.19. The difference would effectively go into the Government's coffers.

Worse still, if the 5% wage increase prompts the Reserve Bank to push up interest rates again, chances are high that this man will end up significantly worse off than he was previously.

In other words, the Labour Government is doing nothing constructive to reduce the gap between our incomes and those in countries like Australia, and it is no wonder that so many skilled people are deciding to leave.

### **Other factors behind departures**

Of course, the higher standard of living in many overseas countries is not the only reason people leave or, having left, fail to return. The Weekend Herald quoted comments from expat Kiwis concerned about the NCEA system, and the quality of the New Zealand education system more generally.

A software entrepreneur in New York commented: "I'm no longer confident that NZ has world-class education standards and the best schools here in New York City are very good. I want my daughter to have the best education."

A computer consultant based in Singapore said he "would not want my kids in the NZ system. NZ seems to be on a steady slide to mediocrity. The result of all the politically-correct nonsense is that school-leavers have third-world literacy and numeracy skills, yet they all pass NCEA."

Many comments related to race relations. One Kiwi based in Sweden observed that he had “a problem with the thought of living in a country where my children will be discriminated against because they are not defined by NZ law as belonging to the Maori race”.

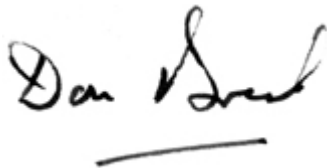
A few weeks ago, Rugby League legend Graham Lowe announced that he was leaving New Zealand for warmer weather and less political correctness. He was reported in the New Zealand Herald of 12 January:

“I am as proud a Kiwi as you can get, and maybe I am showing my age but I want to remember the New Zealand I grew up in. I still love the place but the political correctness is just too much for me. The way I feel about it I thought I have two options. One is to stay here and stand for Parliament, which I considered doing. Then I thought even I am not silly enough to do that. The other was to go.”

Well, for better or worse, I made the other decision – to stay here, stand for Parliament, and try to ensure that my children will want to live and raise their families here.

And that certainly means taking vigorous steps to improve our standard of living – and our schools, and our welfare system, and our health system – and to end the political correctness which has become so stultifying.

I hope that you, and Graham Lowe, share that vision, and will use your Party Vote to give this country a new government and a new direction.



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