



## Economic Policy

### Vision

Economic transformation is at the core of Green economic policy: transformation in pricing, markets, planning, regulation, investment, consumption, trade, education, research and taxation. We need to make the shift away from exploitation of our environment to sustainability, from dependence on commodities to adding value through knowledge and innovation, and from producing more to producing and living better. In the 21st century, the global economy must respect planetary boundaries. Our economy is a set of social relationships within our physical world; it must achieve the same balance with its sustaining environment as the rest of Nature's living communities.

The Green Party envisions a thriving economy which supports quality of life for all, and where each generation passes on our soil, air and water to the next in a healthier state than we inherited them.

A Green economy is a smart, compassionate, resilient and flexible economy. It is a partnership between citizens, government, business, and communities.

We will tackle unacceptable levels of inequality and environmental damage through reorienting taxation, regulating markets, bolstering environmental protection, investing in people and innovation, and strengthening education. We will ensure that a Green economy supports all New Zealanders, promotes gender and pay equity, recognises and values unpaid work, and provides a just distribution of our nation's wealth. Through Green transformation we will create a richer future for ourselves and for future generations.

### Key Principles

The following principles guide the Green Party's approach to economic policy:

1. Ecological Sustainability: Economic activity occurs at a rate and at a scale that provides quality of life over generations, maintains the capacity of global and local ecosystems to sustain themselves, and protects valued natural

environments. Climate stabilisation is an overarching policy goal that all policy needs to support.

2. Te Tiriti: Economic policy meets the Crown's obligations under Te Tiriti o Waitangi, and involves positive engagement and collaboration with the whānau and whenua-centred assumptions and practices of the Māori economy and the role of hapū as kaitiaki.
3. Efficiency: Economic policy seeks to get the most long term benefit from each resource and from resource use across society, enhancing productivity and minimising waste.
4. Sufficiency: Economic policy empowers all people to choose a level of material consumption that is sufficient and within ecosystem capacity at local, national and global levels.
5. Fiscal responsibility: Economic policy will ensure that the total (public and private) debt and international position of Aotearoa New Zealand are at sustainable levels so current and future generations are able to pay for infrastructure, goods and services.
6. Creativity: Economic policy needs to foster creativity, innovation and sustainable technology that reduces resource use and supports human well being.
7. Resilience: Economic policy should build the capacity of Aotearoa New Zealand's economy and our social networks to withstand and adapt to economic and ecological shocks.
8. Equity and Compassion: Basic material security and sufficient income for all, and a fair distribution of the economy's benefits and burdens, will lead to better outcomes for all members of our society.

These principles are given effect through this policy and a wide range of other policies including [Agriculture and Rural Affairs](#), [Climate Change](#), [Energy](#), [Environmental Protection](#), [Forestry](#), [Housing and Sustainable Communities](#), [Income Support](#), [Research, Science and Technology](#), [Sustainable Business](#), [Tourism](#), [Trade and Foreign Investment](#), [Transport](#), [Women's](#) and [Workforce](#).

## Specific Policy Points

### 1. A Smart, Flexible and Responsive Aotearoa New Zealand Economy

Aotearoa New Zealand needs a flexible and responsive economy to deal with the many environmental, social and economic challenges of the 21<sup>st</sup> Century. To achieve

this we need to maintain a level of economic diversity and capacity in the face of changing environmental, social and economic circumstances.

## **A. National-level Policies**

### *Policy Positions*

- 1.1. Ensure the government develops a strategic economic vision for Aotearoa New Zealand, involving as many stakeholders as possible from all walks of Aotearoa New Zealand life.
- 1.2. Strengthen the regulatory framework for the Aotearoa New Zealand economy and international actors that engage with it through clear laws, regulations and accountable institutions that promote fair competition, transparency, environmental sustainability, social equity, and uphold the rights of workers, consumers and local communities.
- 1.3. Work with producer organisations, processors and marketing companies to strengthen the market positioning of Aotearoa New Zealand primary exports, including certification and labelling to raise the value of Aotearoa New Zealand exports, and invest in strengthening Aotearoa New Zealand's clean and green reputation internationally.
- 1.4. Support the development of sectoral plans, with producers, business, scientists and other stakeholders, to reduce the proportion of unprocessed commodities exported from Aotearoa New Zealand, generate new investment opportunities and create processing jobs.
- 1.5. Utilise government-owned companies and strengthen collaboration with the private sector in order to capitalise on the growing international market for clean and sustainable technology and knowledge-intensive innovation, and build local capacity to participate and lead internationally.
- 1.6. Support and develop the New Zealand Green Investment Fund to help accelerate investment in the clean-technology sector in Aotearoa New Zealand.
- 1.7. Support Aotearoa New Zealand business through strategic government procurement policies that explicitly recognise the benefits of local sourcing (i.e. through support for jobs and other benefits to the local economy), and which will drive local clean technology development and sustainable manufacturing and services (see our [Sustainable Business](#) policy).
- 1.8. Maintain and expand country of origin labelling requirements for products sold within Aotearoa New Zealand.

- 1.9. Ensure economic policies meet the needs of small and medium sized enterprises, and costs of compliance are proportionate to the scale and size of businesses.
- 1.10. Require international businesses with significant operations within Aotearoa New Zealand to:
  - a) Establish local subsidiaries that are incorporated within Aotearoa New Zealand, and encourage the development of joint ventures and other mechanisms to create a local ownership stake in activities.
  - b) Meet the same conditions for sustainable development that we expect of Aotearoa New Zealand companies.
- 1.11. Reform trade policies to ensure they support environmentally-sound production, human rights and the local economy, and help maintain a level of economic diversity and capacity in the face of changing economic circumstances (see our [Trade and Foreign Investment](#) Policy).
- 1.12. Ensure overseas investment in Aotearoa New Zealand meets much more stringent conditions in order to be approved (see our [Trade and Foreign Investment](#) policy).

## **B. Regional Policies**

The Green Party's regional policies aim to build vibrant local economies across Aotearoa New Zealand, with support provided to facilitate clusters of expertise, economic activity and social enterprise in different regions. Regional bodies will be more empowered and better supported to identify key clusters of expertise and experience, working with schools and tertiary institutions, business, civil society and local government to build stronger local economies for the future.

### *Policy Positions*

- 1.13. Ensuring regions facing growth pressures are supported to manage this in ways that promote sustainability and cohesion.
- 1.14. Working with local government to pursue a co-ordinated approach to infrastructure development and procurement to enhance the sustainable economic potential of Aotearoa New Zealand, including building capacity in the regions and promoting hubs of specialist economic activity.
- 1.15. Ensuring all regions have core transport, information, energy infrastructure, and health and education services available.
- 1.16. Enabling communities to organise sustainable infrastructure on a local basis for a vibrant local economy, such as farmers' and craft markets.

- 1.17. Ensuring, to the extent practical, that critical services are not exposed to undue risk from concentration in one centre (e.g. data storage).
- 1.18. Attracting investment through building on regional assets and improving the attractiveness of the region as a place where investors want to live.

### **C. Community Economic Development**

The Green Party supports the development of cooperative, worker-owned and community-owned models of business (including social enterprises) alongside the more traditional business models prevalent in Aotearoa New Zealand.

#### *Policy Positions*

- 1.19. Improve access to both grant funding and capital for community enterprise, especially where these demonstrate commitment to broader principles of environmental and social sustainability.
- 1.20. Create a legally enabling environment for, and actively support, ethical investment institutions, community and customer owned financial institutions, social enterprises, group employment ventures, and cooperatives.
- 1.21. Allow the development of local currency, exchange and time banking schemes.
- 1.22. Support a community economic development function within Government whose purposes will include:
  - a) Proactive support for community economic development initiatives at local, regional and national level.
  - b) Providing an enabling and nurturing environment for the social economy, including support for research, development and training.
  - c) Operating in a way congruent with the values of community based enterprises.

### **2. Stronger and More Ethical Businesses**

The Green Party believes there is a tremendous opportunity for smart business to lead economic transformation. Achieving this requires clear signals and support from Government about direction and vision.

#### *Policy Positions*

- 2.1. Introduce ethical investment guidelines for all Government investment funds and promote their adoption more widely.

- 2.2. Foster sustainable businesses, including the social enterprise sector, and in particular support Māori, Pasifika, women and disabled people in business (see our [Sustainable Business](#) policy).
- 2.3. Encourage the establishment of a more diverse range of business structures within the Aotearoa New Zealand economy through the provision of advice, access to finance, and clear, supportive legislative frameworks.
- 2.4. Develop a code of corporate responsibility (including social and environmental duties and sound corporate governance) applying to all corporations in Aotearoa New Zealand that must be met to secure government contracts; examine further ways to strengthen incentives for ethical and sustainable business practice.
- 2.5. Progressively develop and set quality and sustainability standards for goods and services (e.g. energy and recycling standards), which are produced and/or sold in Aotearoa New Zealand, and require that all goods and services meet those standards.
- 2.6. Strengthen consumer protection legislation and measures to support consumers exercising their rights at low cost.
- 2.7. Support effective accountability and management structures for Aotearoa New Zealand businesses, including encouraging greater diversity and gender equity in directorships, limiting excessive remuneration, and establishing clearer ethical duties for directors to add value to their workers, communities and the environment.
- 2.8. Support measures to develop management capacity and capability within Aotearoa New Zealand businesses, strengthen business mentoring at local level, including development of sustainable and ethical business practice.

### **3. Building the Māori Economy**

The Green Party is committed to working with tangata whenua in order to remove barriers to the development of the Māori economy. Important issues include improving local economic development, gaining access to capital, having appropriate options for land ownership and administration, and upholding Te Tiriti o Waitangi obligations guaranteeing the exercise of tino rangatiratanga over Māori land and resources. See our [Kaupapa Māori](#) Policy for further details.

#### *Policy Positions*

- 3.1. Support and facilitate the development of the Māori economy, and ensure economic policies recognise the importance of whānau, whenua and kaitiakitanga to Māori economic development.

- 3.2. Remove barriers for tangata whenua to improve the administration of Māori land for their own benefit.
- 3.3. Ensure owners can access the capital and planning needed to facilitate the development of Māori land.
- 3.4. Review the Treaty settlement process to ensure it is delivering just and equitable outcomes (see our [Te Tiriti o Waitangi](#) policy).

#### 4. Creating an Equitable Economy

Inequality in Aotearoa New Zealand has a detrimental effect on the performance of the economy as well as the wellbeing of our people. Government has a role in redistribution and also has an opportunity to transform our economic institutions so that greater equality is intrinsic to the way we develop.

Valuing all forms of work, while aiming to provide meaningful well paid work in sustainable enterprises for all who seek it, is a core task for economic policy.

##### *Policy Positions*

- 4.1. Encourage organisations to develop policies to pay a 'living wage' and limit the ratio of highest to lowest pay rates within the organisation, and to procure from those businesses doing likewise.
- 4.2. Increase the minimum wage to a reasonable level and ensure this increases automatically in line with the average wage (see our [Workforce](#) policy).
- 4.3. Encourage firms to share profitability with employees including through ownership stakes in companies, such as a cooperative ownership structure.
- 4.4. Facilitate employee participation in ways appropriate to the organisation (e.g. through representation on boards in larger corporations).
- 4.5. Ensure that the social wage is maintained and enhanced, and economic policy supports diversity and social cohesion.
- 4.6. Introduce work and employment policies that support dignity and equity and facilitate sustainable, well-paid work (see our [Workforce](#) Policy).
- 4.7. Strengthen implementation of core labour rights, including union organising and collective bargaining (see our [Workforce](#) policy).
- 4.8. Use government procurement policies to encourage the above measures.
- 4.9. Explore the introduction of a guaranteed minimum income for all people.

## A. Ensuring a Just Transition

A transition to a thriving, resilient and sustainable economy will inevitably affect the industries and regions of Aotearoa New Zealand in different ways. The Green Party is committed to ensuring a Just Transition<sup>1</sup>.

### *Policy Positions*

- 4.10. Develop a comprehensive Just Transition strategy for detrimentally affected industries and regions, in partnership with tangata whenua, communities, unions and local economic development organisations.
- 4.11. Support regional development and encourage new industries that contribute to a resilient and sustainable regional economy, such as renewable energy generation, energy efficiency design, environmentally sustainable agriculture, and waste management.
- 4.12. Invest in sustainable industries, by:
  - a) Developing a Green Investment Fund to facilitate public and private investment in environmentally sustainable and low-carbon businesses.
  - b) Considering tax breaks for people starting new, sustainable businesses in affected regions.
- 4.13. Ensure the wellbeing of workers formerly employed in declining, unsustainable industries, including by:
  - a) Providing high quality retraining programmes for them, including individually tailored assistance to finding new work (see our [Income Support Policy](#)).
  - b) Ensuring that the income support system meets their needs (see our [Income Support Policy](#)).
  - c) Advocating for fair redundancy payments and considering early entry into Aotearoa New Zealand Superannuation (see our [Income Support Policy](#)).
  - d) Investigating the creation of a meaningful work guarantee in resilient and sustainable industries.

## **5. Strengthening Material and Energy Efficiency**

Efficiency is a key component of economic transformation. Ingenuity, research and technological innovation can often create equivalent goods and services using less

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<sup>1</sup> A Just Transition is a change which upholds the rights and dignity of all involved, with a focus on equity and justice. It requires a managed approach to employment and community wellbeing in areas that have traditionally relied on unsustainable industries. It involves communities being involved in planning for their own transition, and acknowledges that different people, families, communities, and regions will benefit from different approaches.

energy and fewer materials, so that the resulting goods and services have a lower material and energy intensity per unit. The value of efficiency in promoting general productivity is well understood. Its potential to assist the transition to an ecologically sustainable economy is equally important.

Because efficiency is measured on a per unit basis its benefits in reducing environmental pressures can be undercut by an increased scale of production (individually cars become more fuel efficient but greater production of cars in a given period still causes rising fuel use and CO2 emissions). Reductions in energy and material intensities therefore need to be combined with a range of measures designed to secure the necessary reductions in our ecological impact - not just per unit of economic activity - but overall, in absolute terms. Within this wider policy context, efficiency plays a crucial role, and policy initiatives to exploit its indisputably large, untapped potential should be given high priority.

### *Policy Positions*

- 5.1. Pursue comprehensive measures to encourage more efficient use of energy and natural resources throughout the economy, including a supportive institutional and legal environment, funding for research, appropriate regulatory control and financial incentives, ecological tax reform, public education, and government leadership by example. Concrete applications of these strategies are found in other Green policies, in particular [Energy](#), [Environmental Protection](#), [Transport](#) and [Research, Science and Technology](#).
- 5.2. Promote sustainable ("cradle to cradle") design in relation to manufactured products, the built environment, and services; encourage the redesign of industrial systems so that the by-products of one process are used as the inputs of another, for example converting wood waste from timber mills into biofuel (see our [Environmental Protection](#) and [Sustainable Business](#) policies).
- 5.3. Encourage efficient use of goods by encouraging direct person to person sharing of resources and wider development of "goods as services" models (such as shared public spaces, and hiring goods instead of owning them) for meeting people's needs.
- 5.4. Ensure that efficiency strategies are integrated into a comprehensive economic policy framework for achieving wellbeing within acknowledged ecological limits; continue to draw on rigorous scientific and technical advice to ensure a confident and robust evaluation of the role which efficiency can play in implementing these larger goals.

## 6. Smart Public Investment

### **A. General approach**

Public investment has the ability to create new business opportunities and provide the certainty and scale needed for the development of new businesses and new business models. Smart public investment will include investment in clean sustainable energy systems and related technology, sustainable transport, housing and urban development, sustainable production and information systems, ecosystem restoration and carbon removal.

#### *Policy Positions*

- 6.1. Supports the use of public investment which will effectively further the transition to a fair and sustainable economy. Relevant considerations include:
  - a) Long term vision: Government's ability to prioritise the future national interest over short term profitability.
  - b) Scale of the Aotearoa New Zealand economy: Government assumes a relatively greater role in Aotearoa New Zealand given the small size of our economy and limited availability of private investment funds within this country.
  - c) Government's nation-wide perspective and responsibility towards communities throughout Aotearoa New Zealand: its ability to build capacity in the regions and promote hubs of specialist economic activity in collaboration with local government.
  - d) Research and development: Government's ability to provide appropriate institutional structures and levels of funding (see our [Research, Science and Technology](#) policy).
  - e) Ethical investment: government's potential to influence the private sector by demonstrating ethical investment principles.

### **B. Direct Ownership**

#### *Policy Positions*

- 6.2. Support direct Government ownership (wholly or in part) of assets and enterprises as an important part of an integrated economic transformation strategy. For the Green Party, relevant considerations in respect of direct ownership include whether:
  - a) Green policy objectives, including economic transformation objectives, can be achieved most effectively through public ownership.

- b) Environmental or other externalities, risks to government, or insufficient competition in the sector, mean that ownership is desirable; this includes:
    - 1. The need to ensure universal access to essential services
    - 2. Protection of consumer interests by: taking control of commercial activities which would otherwise be natural monopolies; and ensuring adequate competition by controlling one major player in an otherwise private sector.
    - 3. The benefit of exercising control in respect of industries for which government is the political or legal guarantor of last resort.
  - c) Economic conditions make this a practical option and mean that other priorities would not be adversely affected.
- 6.3. "Review the purpose, leadership and functioning of all State-Owned Enterprises to ensure that they are dedicated to upholding the long-term wellbeing of the natural environment and people of Aotearoa New Zealand, and then rename them "Public Interest Enterprises".
- 6.4. Investors in companies should bear the costs of business failure as a guiding principle. However, in keeping with the general approach above, the Green Party may consider a financial intervention (such as a bail-out in return for an equity stake) in private companies when it is in the national interest (e.g. strategic assets are at risk, such as essential services or key infrastructure), and provided there is a clear and transparent benefit to New Zealanders (e.g. a significant number of NZ jobs would be put at risk if there was no intervention), and provided that there are adequate controls in place to protect the investment and avoid the company making excess profits as a result.

## 7. Resource Allocation

The Green Party's overall approach to resource allocation centres on the need to sustain living systems, including human communities.

Economic policy should deal with 'common' resources held in public ownership by restricting the taking of non-renewable resources to rates that balance present and future needs, and allow for the development of more sustainable alternatives.

Allocation within these limits needs to encourage the best option in terms of environmental impacts and productive outcomes.

### *Policy Positions*

- 7.1. Ensure that resource management and allocation contributes to a fair and sustainable economy (see our [Environmental Protection](#), [Energy](#), [Conservation](#) and [Marine Environment](#) policies).
- 7.2. Cap the amounts and rates of resource use and disposal in line with ecological and social limits to use and disposal, assessed on a precautionary basis.
- 7.3. Support citizens' entitlements to a sufficient flow of basic resources (such as water and energy) to meet human needs.
- 7.4. Support the public's right to a return that reflects true costs from the commercial use of public resources.
- 7.5. Ensure that environmental levies are supported by complementary policies that promote improved efficiency of use, waste reduction and the provision of renewable alternatives.
- 7.6. Ensure allocation of resources for commercial use embodies incentives to use resources to contribute to overall economic policy goals.

### **8. Measuring Success**

GDP is a measure of economic activity but an inadequate measure of the success or health of our economy. The Green Party's approach to measuring success within Government will be guided by the following general propositions:

- Economic progress indicators must be grounded in a sustainability framework and measure overall wellbeing rather than just annual turnover.
- Measures of wellbeing need to encompass the full range of human activities, including unpaid, voluntary and women's work.
- Public reporting on economic progress should be conducted regularly and presented in a form that is accessible and easy to understand.

### *Policy Positions*

- 8.1. Enhance our national accounting system by:
  - a) Developing measures of sustainable national income, and measures of overall achievement and wellbeing.
  - b) Developing and regularly reviewing natural resource accounts to keep track of the state of resources such as soil, forests, fresh air, clean water and energy reserves.
  - c) Providing regular reports on the state of critical ecosystems.
- 8.2. Strengthen economy-environment modelling capacity within Statistics New Zealand and the data collection necessary to support this.

- 8.3. Establish a secure funding system for regular and independent State of the Environment reporting and Social Reports, supported by the development of indicators of ecosystem and social health.
- 8.4. Strengthen and resource environmental and social indicator reporting at local body level within a nationally consistent framework.
- 8.5. Require government reporting on its broader social and environmental performance, as well as financial performance, within the Public Finance Act framework.
- 8.6. Assist and encourage business to report on environmental performance and social responsibility as well as financial performance.

## **9. Financial Services**

The Green Party envisions a transparent, well regulated and accountable financial services sector that is fiscally prudent (to the extent that it does not impose costs on the taxpayer), and able to provide the capital needed to fund a stable, sustainable economy.

The Green Party's approach to financial services within Government will aim to help create a financial services sector that:

- Provides the finance and services that citizens, business and government need, including the finance required to undertake a Green economic transformation.
- Contributes to a stable economy and lends only what is sustainable for citizens, business and government to service.
- Is financially sustainable, robust and takes into account the expected costs of financial risk.
- Is answerable for the consequences of negative externalities that it imposes on the Aotearoa New Zealand community.

### **A. Private Saving**

Aotearoa New Zealand has low levels of private savings outside housing, borrows significant funds from overseas, and is prone to boom and bust cycles in property values. The Green Party will seek to strengthen domestic savings and divert investment from speculation into productive uses.

Closing the capital gains tax loophole (see section 11C) will help promote a broader range of savings and investment, and strengthened Aotearoa New Zealand-owned banks (see sections 9C & D) will help to reduce our reliance on overseas borrowing.

### *Policy Positions*

- 9.1. Amend the Kiwisaver scheme (in line with the recommendations of the Government Savings Working Group) to establish a single default 'public fund', which could be administered by the New Zealand Superannuation Fund in order to reduce administration costs and provide transparent returns.
- 9.2. Make retail investing in government bonds easy and inexpensive by retailing them in small lots (e.g. through Kiwibank).
- 9.3. Strengthen the oversight and reporting for Kiwisaver schemes and superannuation schemes through the Financial Markets Authority.
- 9.4. Support a stronger culture of savings and long term productive investment, including through education programmes.

### **B. Regulation**

Good regulation will help ensure that people and businesses can access the finance they need without excessive risk of default. Aotearoa New Zealand's small and weakly regulated financial companies have periodically enticed savers and investors into high-risk investments. Misleading advertising, including celebrity endorsement, has reinforced this tendency. Over time, this has led to investor mistrust, under-investment in genuine productive investment, and over-investment in the property market.

### *Policy Positions*

- 9.5. Regulate the financial sector through the combination of the Reserve Bank and an adequately funded Financial Markets Authority to:
  - a) Ensure that derivatives and securitisation are fully regulated.
  - b) Require auditors to draw attention to instruments that they do not fully understand and to list them as unquantifiable risks.
  - c) Require that trustees and auditors ensure investments fit with the investment strategy and prospectus, and ensure that trustees monitor, report on and, if necessary, require cancelling of related party transactions beyond legal limits (see point 9B.5).
  - d) Ensure rating of financial institutions is robust and all methodologies are subject to review and approval by the Reserve Bank or the Financial Markets Authority as appropriate.
- 9.6. Regulate the broader financial sector to ensure depositors are adequately informed of the risks they are taking and vulnerable depositors are not

exploited, including regular publication of "Plain English" information on risks.

- 9.7. Introduce mandatory guidelines for the advertising of financial products and services to protect vulnerable depositors and ensure full compliance with consumer legislation.
- 9.8. Review controls on lending to ensure that people and businesses can get the financing they need without excessive risk of default.
- 9.9. Set restrictions on the size and scope of related party transactions, lending in particular, and require comprehensive reporting on them in the annual accounts and all prospectuses.
- 9.10. Establish regulatory measures which prioritise economic, and therefore social, stability.
- 9.11. Ensure compliance costs for small and medium scale financial institutions such as credit unions are appropriate to their size and risk profile.
- 9.12. Ensure that regulation is, to the extent that is practical and consistent with our other principles, consistent with the international regulatory environment, particularly Australia's, but not necessarily the same.

## **C. General Banking**

### *Policy Positions*

- 9.13. Reintroduce Depositors' Guarantee Schemes for registered banks, funded by the licensed institutions, rather than the taxpayer.
- 9.14. Set capital adequacy ratios for all lending institutions.
- 9.15. Support the use of macro-prudential tools by the Reserve Bank, with appropriate safeguards.
- 9.16. Retain the capitalisation requirements in the Reserve Bank Act, i.e. that they are NZ-registered companies and that they have secured local capitalisation.
- 9.17. Ring fence retail operations from proprietary trading and ensuring that bank debts created by any trading behaviour cannot be drawn against ordinary depositor's funds.
- 9.18. Develop a more diverse financial sector including measures to encourage Aotearoa New Zealand owned banks, credit unions and similar local initiatives.

## D. Kiwibank

### *Policy Positions*

- 9.19. Retain Government ownership of Kiwibank.
- 9.20. Support measures to strengthen Kiwibank to balance the foreign ownership of Aotearoa New Zealand's other major banks, (e.g. allow Kiwibank to retain profits to strengthen its banking division and reduce reliance on wholesale financial markets).
- 9.21. Ensure Kiwibank adheres to the Equator Principles and other relevant social and environmental standards when making loans or investment decisions.
- 9.22. Retain Kiwibank's goal of provision of reliable savings and other financial services to the people of Aotearoa New Zealand. It will not be allowed to engage in proprietary trading.
- 9.23. Support the development of Kiwibank's capacity so they will be in a position to successfully tender for the Government's banking contract.

## 10. Fiscal Policy

Government investment, expenditure and revenue raising are all means that need to serve broader environmental, social and economic goals. The current approach to fiscal management embeds neoliberalism in both legislation and in the way the national accounts are prepared and so, for example, leans towards austerity measures in response to economic crisis. The Green Party will promote a broader and more balanced approach to fiscal policy in line with both the overall principles of this Policy, and the recognition that unlimited material growth is impossible.

The purpose of fiscal policy should be to ensure ongoing wellbeing for all and the health of our environment.

### A. Reform of the Public Finance Act 1989

#### *Policy Positions*

- 10.1. Seek significant reform or replacement of the Public Finance Act 1989. The Fiscal Responsibility section (Part 2) of this Act should be reformed by:
  - a) Replacing the emphasis on controlling specific measurements with a broader view based on the purpose of fiscal policy set out above.
  - b) Adding a new aspect of revenue strategy, which ensures adequate revenue in the long term to pay for necessary investments to support the purpose above (also C5 below).

- c) Framing 'fairness' with an emphasis on broader equality of wealth and economic power, rather than merely the predictability and stability of taxes.
- d) Reframing the approach to debt to focus on both private and public debt, and ensuring any debt strategy addresses both of these and supports the purpose in 1.

## **B. Adequate and Timely Information for Fiscal Policy**

The national accounting system provides information on which economic management decisions are based.

### *Policy Positions*

- 10.2. Update the national accounting system to provide information in a form necessary to support effective and timely management of the economy as a whole. This includes:
- a) Broadening the definition of investment to include investment in social, cultural, human, natural and physical (including infrastructural) capitals.
  - b) Classifying expenditure and revenue on the basis of their impact on the economy as a whole rather than on the basis of analogies with private sector accounting
  - c) Providing sufficient timely and accurate information at a level of details needed to support good economic management in line with the purpose of fiscal policy

## **C. Government's Fiscal Strategy**

Government expenditure is a critical part of its central role in guiding and developing the economy and must be sufficient to ensure ongoing wellbeing for all and the health of our environment. The current level of expenditure is insufficient.

### *Policy Positions*

- 10.3. Implement a fiscal strategy which:
- a) Incorporates the need to transition to a circular economy which does not rely on unlimited growth
  - b) Ensures government expenditure is sufficient to maintain and enhance the wellbeing of our people, our planet and our economy
  - c) Considers the capacity of the economy, such as the availability of raw materials and skills, when making decisions on expenditure, revenue and investment

- d) Maintains macroeconomic stability, including full employment and controlled inflation
  - e) Uses the full range of tools available to finance government expenditure, and chooses the mix between them on the basis of their effects on broader goals. (See also Monetary Policy section of this policy)
  - f) Recognises the multiple roles of the tax system as set out in the Taxation section of this Policy
  - g) Recognises fiscal, social and environmental costs of both government action and inaction
  - h) Strengthens the resilience of our nation to sudden shocks and systemic ecological and social crises, including natural disasters.
- 10.4. Oppose fiscal strategy which includes arbitrary point targets for government debt and government expenditure. Any debt and expenditure targets must be based on evidence and clearly derived from the purpose of fiscal policy set out above.

## 11. Monetary Policy

A succession of financial crises provides a reminder that the financial system is not always stable and is prone to breaking down unpredictably. The 21st Century started with highly volatile resource and food prices and we are likely to see an increase in frequency of shortages, price volatility and instability in global production.

The Green Party supports a broader and more balanced approach to monetary policy which reflects these complex influences on the Aotearoa New Zealand economy.

The Green Party's approach to monetary policy within Government will be guided by the following general propositions:

- Monetary policy assists people and businesses to plan their lives with a degree of certainty.
- Monetary policy contributes to the overall quality of life of New Zealanders and the sustainable development of Aotearoa New Zealand.
- Monetary policy has significant effects on the real economy and needs to be implemented in ways that support ecological sustainability and the just distribution of social and natural resources.
- The Green Party recognises the importance of stability of the monetary system, and that any changes must be made as carefully as possible to ensure stability for society. Where possible, significant changes to the monetary system should be preceded by appropriate research and trial programmes.
- Oversight of the financial system is also critical to a healthy monetary system. This should be done at the level of individual banks and other financial

institutions, but also at the macroprudential level. That is, regulation will not only consider the behaviour of individual institutions, but how the behaviour of those banks may interact with each other and the system as a whole.

### *Policy Positions*

- 11.1. Strengthen coordination of monetary and fiscal policy.
- 11.2. Increase the focus on the exchange rate and balance of payments, including using a range of tools to dampen volatility in the New Zealand dollar exchange rate or to influence it if it remains significantly over-valued or under-valued.
- 11.3. Undertake a comprehensive review of the conduct of monetary policy including consideration of:
  - a) Changes to the Reserve Bank Act to address:
    - i. The way that the Bank considers inflation, employment and external balance of trade issues when setting monetary policy.
    - ii. The adoption of alternative targets for monetary policy (for example nominal national income rather than inflation).
    - iii. Use of a suite of monetary policy tools in conjunction with the Official Cash Rate.
  - b) Reviewing the role of complex financial instruments within the Aotearoa New Zealand economy and their impact on sustainable development, with a view to encouraging the financial sector to take responsible, long-term financial decisions and avoid excessive risk to economic stability.
- 11.4. Implement measures to limit future asset (especially house) price inflation such as:
  - a) Introducing a comprehensive capital gains tax exempting the family home (see section 11C below).
  - b) Reserving land ownership for Aotearoa New Zealand citizens and permanent residents.
  - c) Significantly expanding the supply of ecologically sustainable affordable housing, including expanded public housing initiatives (see our [Housing and Sustainable Development](#) policy).
- 11.5. Support the appropriate use of overt monetary financing (direct financing of public expenditure by the central bank) where it helps achieve in line with the other objectives vision and principles of the Economic Policy.
  - a) Overt monetary financing is a useful tool provided its use respects the real limits of the economy. These limits include, but are not limited to, the availability of labour, material resources, and available technology.

- b) Overt monetary financing must be paired with appropriate policies to ensure inflation and other macroeconomic indicators remain within desired limits, and to guide the behaviour of the economy (via a mix of taxation, targeted spending, incomes policies and supply side measures).

## 12. Taxation

The Green Party envisages a tax system that supports communities and the environment, encouraging sustainable behaviour while providing sufficient revenue for the effective operation of Government.

The Green Party's approach to taxation policy within Government will be guided by the following general propositions:

- Taxes come from a broad base to avoid excessive reliance on income tax and in particular the tax base should include:
  - Personal and business income taxes that reward sustainable human activity and enterprise.
  - Consumption and expenditure taxes that discourage wasteful use of energy and resources.
  - Targeted environmental taxes designed to reduce and eliminate behaviours that are not sustainable in a finite world.
  - Taxes that acknowledge the value of common property through resource rentals, and which encourage long-term sustainable business practices.
  - Taxes that reduce wealth inequality in Aotearoa New Zealand.
- Investment income from different sources is treated equally for tax purposes.
- Tax policy contributes to the overall quality of life of New Zealanders and the sustainable development of Aotearoa New Zealand, and to this end:
  - Productive and sustainable work and enterprise should be encouraged and speculative investment in non-productive assets should be discouraged.
  - Taxes should be reallocated away from income and towards resource use, waste, and pollution.
  - Resource rentals and related eco-taxes should be extended to promote more responsible management of the planet's finite resources.
  - Those in society who have the least ability to pay tax should pay the least as a proportion of their income, while those who can pay more should do so and contribute to the welfare of society in this way.
  - Concentration of income and wealth should be discouraged and the gap between rich and poor narrowed.

- New Zealand's local economy should be strengthened and foreign purchases of local assets should be limited.
- The tax system should be consistent, fair, transparent and simple, and avoid unintended consequences.

## **A. Ecological Taxes**

Ecological tax reform is a simple idea: shift taxes off work and enterprise, and onto waste, pollution and scarce resources. This Green tax shift will create a more sustainable economy, and is an integral part of the tax system in many European countries.

Ecological tax reform is a gradual process, and needs to be worked through with all concerned.

### *Policy Positions*

- 12.1. Begin a process of ecological tax reform by setting up an Ecological Tax Commission to build on the work on eco-taxes undertaken by the 2018 Tax Review. The commission will:
  - a) Look at all existing taxes and possible new eco-taxes
  - b) Work to develop a broad consensus about the best way to use ecological tax reform to set the economy on a more sustainable course.
  - c) Identify ways in which the tax system, including any new eco-taxes, can support the just distribution of resources and income and thereby be part of a just transition to a sustainable economy.
  - d) Identify ways to strengthen the relationship between tax and related systems, such as income support, as part of developing a whole-of-Government approach to a just transition to a sustainable economy
  - e) Develop recommendations for Government.

## **B. Income Tax**

The Green Party supports income tax reductions to offset resource taxes, but will apply these to the bottom of the tax scale, not the top rate, so that everyone benefits.

### *Policy Positions*

- 12.2. Introduce and progressively increase a tax-free threshold up to \$10,000 at the bottom of the income tax scale, simplify rates in the middle bands of the tax scale, and increase the top rates of income tax.
- 12.3. Ensure beneficiaries receive the full advantages of any changes to income tax rates and adjust benefit abatement rates to address the problem of

benefit abatement for those moving into employment (see our [Income Support](#) policy).

## **C. Capital Gains Tax**

### *Policy Positions*

- 12.4. Support the introduction of a comprehensive capital gains tax on inflation-adjusted capital gains at the time of realisation. Any capital gains tax must apply to assets in Aotearoa New Zealand that are purchased and sold by corporations or people living overseas as well as assets sold or purchased by residents.
- 12.5. Support an exemption for the family home from any capital gains tax.
- 12.6. Support treating taxable real capital gains as income for tax rate purposes, and investigate mechanisms to allow the income from capital gains to be spread over several years for Aotearoa New Zealand residents.

## **D. Wealth Tax**

### *Policy Positions*

- 12.7. Introduce a low-rate annual tax on net assets that exceed a certain threshold (assets below that threshold level would not be taxed).
- 12.8. Ensure a wealth tax is designed to be as comprehensive as possible, while balancing the need for administrative efficiency. This means some low value assets could be excluded.
- 12.9. Consider progressive rates of wealth tax for higher rates of wealth.
- 12.10. Investigate and implement the best ways of preventing avoidance/evasion of a wealth tax.

## **E. Goods and Services Tax**

### *Policy Positions*

- 12.11. Support a broad-based Goods and Services Tax within the context of a progressive tax system.

## **F. Financial Transactions Tax**

### *Policy Positions*

- 12.12. Work with the group of countries working to agree Financial Transaction Taxes, including on international currency movements. A very small tax on

transactions would discourage currency speculation without having a significant impact on genuine trade or investment. In line with other countries, a portion of the proceeds could be earmarked to support developing countries with poverty reduction and climate change.

## **G. Company Tax**

### *Policy Positions*

- 12.13. Support company tax as an integral component of Aotearoa New Zealand's tax system. Company tax provides a stable source of revenue and discourages tax avoidance by reducing the incentive upon taxpayers to use corporate structures to shelter income.

## **H. Global and Domestic Tax Evasion and Avoidance**

The Green Party believes that all those who are liable for taxation should be required to pay their fair share and, in general, that income earned within Aotearoa New Zealand ought to be taxed within Aotearoa New Zealand. Equally, Aotearoa New Zealand has a responsibility to minimise the opportunities for people to use its legal structures to avoid taxation in other countries.

### *Policy Positions*

- 12.14. Ensure that tax is levied consistently on economic activity in Aotearoa New Zealand, loopholes and shelters are removed, and enforcement strengthened.
- 12.15. Introduce specific measures to ensure that multinational digital and other companies pay their fair share of tax on economic activity, including through taxes levied on Aotearoa New Zealand revenues in cases where accounting is insufficiently transparent to give a realistic indication of their actual taxable income in Aotearoa New Zealand.
- 12.16. Give priority to greater international tax coordination, including greater transparency in international funds transfers, closing tax havens, controlling money laundering, and ending tax avoidance through transfer pricing.

## **13. Financing Natural Disaster Recovery**

The cost of the Canterbury earthquakes has been estimated at \$40 billion. The country's fiscal position was weakened in the aftermath, contributing to a credit downgrade and higher interest rates for homeowners.

The Green Party believes it is important to establish a financial policy framework for disasters of this scale so that the issues do not need to be debated afresh each time.

The appropriate response will depend on the type of disaster, the state of the New Zealand and global economy, and the nature of other pressures on the Government.

*Policy Positions*

- 13.1. Initiate a cross-party dialogue on the appropriate means of financing recovery from major natural disasters.
- 13.2. Support the use of the full range of fiscal and monetary tools available to Government, including a progressive temporary surcharge on income tax.
- 13.3. Ensure that recovery financing supports and enhances the transition to a smart, fair and sustainable economy.