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EDITORIAL

Once upon a time, a rich and powerful man dreamed up a fairy tale which he named "The Trickle Down Effect". This fairy tale is based on the wrongful assumption that if you pour enough money into a country's economy or into a so called "project of national interest", the money will eventually trickle down even to the lowest level of population so that the whole country will eventually derive a benefit from it.

Unfortunately, this Trickle Down Effect is not only a fairy tale, it is also a fallacy, a swindle and the most abject con trick that wealthy individuals and governments play on defenceless and often gullible tax payers, particularly on those with low incomes. If you do not believe us, here is how the game is being played.

Let us assume that you are a wealthy and very influential promoter or developer or a member of government itself and that you want to build, for argument sake, a cultural centre, an opera house, a museum, thermal pools, a sports complex or a new harbour for luxury yachts. First of all you want to invest as little money of your own as possible, but ensure a maximum profit for yourself. This is after all the way you made your fortune in the first place, so why change the procedure? You could of course borrow the money from the banks, but banks have a nasty habit of wanting to have an insight into what you are doing with their money. At one stage or the other, they also want their money back and in the meantime they charge you a lot of interest on their loan. Accordingly

you feel that there must be a better way to go about it.

So you sit down and work out a few figures. Based on the assumption that your project is going to attract lots of overseas tourists in due course, and assuming that each tourist is going to spend hundreds of dollars while staying here in New Zealand, you calculate that your project will eventually contribute several millions of dollars to the nation's economy.

Armed with these facts, you go and see the government or the local authorities and with proof in hand that the (infamous) Trickle Down Effect of your scheme will eventually benefit every single person in the country, you feel that it is only fair that everyone in return should also contribute to your project. Attracted by your figures, the authorities may well decide to join your scheme with a cash injection of a few million dollars.

Now you can relax. You have the financial backing from the government and you may well never have to repay that money and probably pay no interest on it either. If your project succeeds, you will make a lot of money and if by chance it should make a loss, you can be assured that the government, in order to save face, will make up the difference with some more taxpayers' money.

With all this done, you can now concentrate on making sure that the so much heralded Trickle Down Effect, which was your main argument to get public money from the government in the first place, will be reduced to a strict

minimum. First of all you will ensure that only firms in which you and some of your closest business partners have interests in get involved in the construction and the eventual running of your project.

To get your fair share out of the millions of dollars these thousands of new overseas tourists attracted to your project will spend in New Zealand, you will arrange exclusive deals with overseas tour promoters, local hotel chains, coach and sightseeing tour companies, restaurants, bars, cafés, duty free and souvenir shops. If some of these enterprises are owned by overseas companies, even better. The profits made in New Zealand will be exported and you will not even have to pay taxes in New Zealand on your share of those profits. If you lease out premises as part of your project, then you tie in your leases with the turnover so that the more the shop owners sell, the higher the rental they have to pay you.

Your clever tricks will have ensured that the money pours down right where you stand but the Trickle Down Effect which should have sprinkled the rest of the country will have been cut down to a mere occasional drip.

By getting say 50 million dollars from the government for your project, you have in fact extracted some 15 dollars from every person in New Zealand. At best 5% of these people may ever benefit slightly from your project, the rest will never even see one cent of interest on their forced investment. You may not even feel inclined to give them each at least one free admission to your project once it is up and running.

Now please, do not get us wrong. We are absolutely not against opera houses, sports complexes, cultural centres or pleasure craft harbours at all. These are certainly part of the amenities belonging to a civilised society. What we are against is the way they are

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