

ACT Government Expenditure Policy

Goal

Achieve a 2.4% slowdown in the growth of government expenditure each year from 6.0% growth to 3.6% growth thus increasing income by, on average, \$65,100 per household over the next 10 years. By 2018, average household income will increase by \$13500 per year or \$260 per week.

Background

Over the last ten years, core government expenditure has increased by \$18.2 million over and above inflation which has cost every household an average of \$230 a week in extra taxes. They have spent this on dubious programmes and failed social experiments that have not benefited New Zealand households by the equivalent of \$230 a week. Therefore New Zealanders should have been able to keep that money for themselves.

For families, that sum represents books for children, meals in restaurants, carpets, clothes or extra savings. For the economy, it represents lost jobs in shops, factories, and service industries right across the country.

For every dollar the government takes from income earners in taxes and redistributes via social programmes, too much is spent on the bureaucracy that runs the programmes. Every dollar of waste that can be eliminated from those programmes is a dollar more for disadvantaged people, rather than a cost imposed on them.

New Zealand's living standards having dropped from 3rd 50 years ago to 30th today which demonstrates that the extra money the government have taken from New Zealanders has not been spent wisely.

What happened over the last 10 years (1998/9 – 2008/9)

Inflation over 10-year period	28.7%
Average annual rate of inflation	2.6%
Increase in core government expenditure Per Annum From \$33,939 to \$61,883 million	88.2% or \$27,994 million
Increase in core government expenditure over and above inflation (Every year)	\$18,208 million

What will happen over the next 10 years (2008/9 – 2018/19)? (With the same policy as last 10 years but with slower population growth)

Increase in inflation over the next 10 years	28.7%
Increase in core government expenditure	79.6% or \$49,274 million
Increase in core government expenditure per household (Every Year)	\$28,800

Principles

- It is the level of government expenditure that determines the level of government revenue/taxes that need to be imposed. If you spend \$200 billion you have to tax to \$200 billion. If you spend \$100 billion, you only have to tax to \$100 billion.
- New Zealanders know best how to spend their own money, not the government.

Policy Detail 2009 – 2019

- Hold future increases in government expenditure to the rate of inflation and population growth, projected at 3.6% per year.
- Use savings from existing expenditure to offset any need to increase expenditure in particular areas beyond above principle.
- Maintain a positive operating balance over the economic cycle.

Inflation assumption the same 28.7%

Increase in core government expenditure 42.2% or \$26,084 million

Savings would have had in expenditure under ACT policy last year - \$23,190 million
or \$260 per week per household

Savings in expenditure under ACT policy over 10 years \$111,427 million
or per household \$65,100

To see how these savings will be returned to New Zealanders see ACT's Tax Policy.

If you believe that the government should control their out of control spending, so that you can keep more of the money you earn, it is yours, after all, then **give ACT your Party vote**, and say NO to Key and Cullen big spending mania.