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Population numbers and age groups

John Robinson

Alarms of ageing

If we didn't have immigration, we [the USA] would be moving into a situation like Japan and Europe, where the populations are greying in a way that is very alarming and endangering their productivity and their social security systems.

The alarm over the ageing of populations is widespread and readily accepted - the idea that an older population lacks workers to support dependents is part of current conventional wisdom. The above typical comment comes from a recent article in the Dominion Post; the following from "Population and sustainable development 2003", a New Zealand Government publication by the Ministry of Economic Development, the Ministry of Social Development and the Department of Labour.

At the heart of concerns about an older population is the possibility of significant increases in old age dependency and slower economic growth, as Gross Domestic Product has to be shared among a larger non-working population.

Such economic problems are linked to *a scarcity of workers*.
Prospects of an ageing population raise concerns that living standards will fall because increases in old-age dependency will mean that output per worker has to be shared among a larger population of non-workers.

But the arithmetic on the demographic transition shows clearly that the dependency ratio is little changed between the past growing and youthful population and the forecast stable and older population. The situation is NOT "alarming". Nor does the shift from a young, growing population to an older, stable population risk "endangering productivity". The alarums reflect one of the unfortunate myths of our age, blocking a realistic and more positive analysis.

From growth to stability

New Zealand is now mid-stream in a demographic transition from the high-fertility, high-population-growth of the post-war baby boom towards a possible low-fertility steady-state society. The simple fact of the finite nature of the earth and the evidence of damage to the natural ecosystem have long suggested that the human population is far too large, having exploded during the past century and set to grow by around another 50% in this century. The transition is then to be welcomed, opening the possibility that the human population may then decrease to a level more in balance with earth's resources and the needs of other life.

Those who bemoan this transition must be challenged to describe their preferred world. It would seem to involve the production of more young workers, in a never-ending population explosion. It is surely more positive to welcome the changes under way and to consider how to make best use of a much-needed social evolution.

While the human population has been increasing for a long time, there has until recently been a partial check on the numbers by disease, death in childbirth and plague. Those checks are largely absent in the modern era. Thus, when many societies desired large families (such as New Zealand in the post-war period), the population grew quickly. The very rapid and considerable drop in fertility of the 1960s and 1970s was largely due to a reaction against the social demands on women to raise a family, and on a desire among many women for a different life-style including independence based on participation in the formal workforce. This raised the possibility of job-sharing among an increased number of workers and a lesser pressure on the workforce.

Before the demographic transition most paid work was by men, and women were busy in the home. The considerable growth in the internal population put great strains on the economy, demanding construction of new suburbs and infrastructure, more schools and jobs. In that period economic growth was required by increasing demand and by increasing prosperity as the world recovered from depression and world war. Everyone had to work hard. With a stable population after the transition, and after most needs have been satisfied, many of those requirements will have gone - for example the main demand will be to improve the housing stock and not to expand so rapidly into new suburbs. The work requirements of growth will have gone and greater leisure could be possible.

What of that do we want to change? Do we prefer more stress on the global ecosystem, higher mortality, women to stay in the home, more suburbs blanketing the landscape? Any non-acceptance of those trends demands a counter-factual. The alternative must be made clear, and its implications examined, but this is lacking.

Dependency ratio

Many debaters such as those noted above are fixated on old-age dependency, the ratio between older people and numbers in the working age groups. There is then a jump, unjustified by logic, to a conclusion "that output per worker has to be shared among a larger population of non-workers." But that latter statement involves a different measure - the ratio of dependents (non-workers) to workers. When this very different ratio is considered carefully it is found that the conclusion does not follow.

The full dependency ratio of dependents per worker is:
dependents (young + working-age male + working-age female + old)
divided by
employed (working-age male + working-age female + old).

The demographic transition is fueled by an increase in female working-age employed and a reduction in both young dependents and female working-age dependents. Those changes **reduce** the dependency ratio.

During the late 1980s the proportion of working-age males in employment fell. That was a consequence of the policies and economic conditions of the time, and can be reversed. There is similarly a potential for increased employment among the older age group, with their considerable experience (surely useful in an 'information society') and improved health.

Overall the change in the demographic transition is from young to old dependents, with a considerable shift of working-age women from dependency to employment. As shown in my calculations of 30 years ago (there is no new analysis here), the overall dependency ratio is little changed in the complete transition, being around the same for a mature, stable older population as for a growing young population. There is a considerable increase in the proportion of old people to the whole population but this is balanced in the diminution of the proportion of young and the considerable move of women into the workforce, and thus NO significant change in the ratio of workers to non-workers.

Mid-transition

In the middle of this transition, around now, there are fewer young and the full impact of the baby boom on the older cohort is yet to be felt. The dependency ratio has declined and we are currently at an artificial low in the dependency ratio. That is a feature of the transition and not a potential feature of a sustainable population. An increase in dependency ratio from now to the end of the process simply returns the dependency ratio to a value close to that for a young population, as experienced before.

This transition has been incorrectly described as a turbulent period. Turbulence is a scientific term describing a very unstable, mixed and messy system, but the population based on the baby boom years and the subsequent drop in fertility is stable, with a wave (or population bulge) passing several times through the population over time, steadily decreasing in amplitude over the coming century.

One of the many tragedies of the unfortunate policies of the period of 1984 on, with the destruction of over one-third of manufacturing and the very high unemployment, was that it occurred when a bulge was passing into the working-age population. Thus instead of providing employment for a rapidly growing workforce, jobs were destroyed. With a looming oil crisis and economic downturn, the challenge of the future will again be to provide employment for those seeking work rather than to import workers to fill the gaps.

Opportunity lost the leisure society scenario

Those of us who considered the many studies of global issues and the limits to growth and came to the conclusion that there are very real challenges to be met - have been labelled as pessimists and dismissed while those who are in a state of denial continue to demand never-ending growth. Yet a return to the debate and conclusions of that earlier period in the second half of the 1970s will remind us of the earlier positive desire for a change in direction to a 'leisure' or 'conserver' society with an emphasis on economic growth replaced by calls for sharing, conservation and greater equality.

The focus was on leisure (a) because it was possible, given the level of prosperity and the benefits of new technologies, (b) because it was better for people and (c) because it was demanded by a need for a new, sustainable society. The false branding of global environmentalists as pessimistic and the painting of an unreal picture has led to a lost opportunity which is the real tragedy of our time. Perhaps once the looming oil crunch and subsequent economic disruption have kicked in, and the implications of global warming, limited food supplies for the still increasing population and spread of disease in the interconnected global village are fully recognised, the people of New Zealand might dust off those old ideas and become positive, learning to work together and enjoy life together. The ageing population, which is a feature of a transition to a stable society, can then be recognised as a positive development, to be welcomed and worked with, not against.

Real debate

If the question of dependency ratio can be clarified with some straightforward arithmetic, why is it not done? The answer is suggested in the response to a recent discussion I had on the current anti-family benefit policy, when a new graduate described a rapid learning curve which taught that the successful analyst learns to toe the line and keep away from questioning politically correct opinion. The demand for conformity is found across government, with, for example acceptance of the Government insistence on dismissing the looming oil crisis even now officials in the Ministry of Economic Development forecast that the oil price may be around $30 a barrel in 20 years' time. That lack of robust analysis is a feature of a country with its head resolutely in the sand, which continues to accept inequality, to demand never-ending growth, to drive fuel-hungry vehicles and to fail to meet even the minimal Kyoto requirements.

The situation was clearly very different around 1975 when the debate on "The limits to growth" was lively, when I was encouraged to move into questioning current trends as I commenced on futures research within the DSIR and when the Commission for the Future was established. Then funding was directed to organisations and decisions on research were decentralised. The DSIR had the flexibility to allow, and to encourage, innovative thinking. Now funding and control mechanisms are highly centralised and controlled by a tight formalism which prioritises within the framework of currently acceptable and unchallenging conventional wisdom.

An open debate on the various aspects of the demographic transition, as on family-benefit policy, as on energy policy, as on economic growth (questioning that oxymoron 'sustainable growth') will only be possible when that stranglehold is broken and independent thought and academic freedom return. A complete restructuring of the universities, research establishments and government departments, correcting the centralised control and market emphasis introduced post-1984 and returning to the previous common-sense system is urgently required if New Zealand is to even START to face the challenges of the age.

Interview with Keith Suter, author of "Keith Suter's Global Notebook: 50 Things you Want to Know about World Issues But Were too Afraid to Ask" (Sydney: Random House, 2005).

The Australian Financial Review called your book one of the 101 best of 2005. Why did you write it?

I have a segment on Australian TV Channel 7's "Sunrise" morning news and current affairs show in which I give a capsule commentary on world affairs. There is a lot going on in the world and people often feel overwhelmed by everything. I try to explain the events and put them in context. Similarly in this book I have given the background to major 50 world issues.

What Else the US Could Have Done after September 11?

I was opposed to the 2001 US attack on Afghanistan because anyone smart enough to plan the September 11 attacks would have also factored in a US military retaliation. They knew they would not have got away with it for long. They could expect to be detected. Therefore they would have factored the US reaction into their planning from the outset.

They may well have created an ambush. I think that the Americans have walked into it. A harsh American military reaction may have been part of the calculations. Almost five years on, the US and its allies are still bogged down in Afghanistan. Osama bin Laden (who may be dead or alive) is still a hero to many alienated young Moslems. He has long stopped being the military strategist he is now the spiritual inspiration.

An alternative grand strategy could have been based on denying the other side an opportunity to win martyrdom status in the many developing countries where US economic and foreign policy is not liked. Here are four steps that could have been followed.

First, the US could have said that it would not attack Afghanistan because the Afghanis had already suffered so much from the 1979 Soviet invasion and subsequent civil wars and drought.

Second, the US could have decided, instead, to provide extensive amounts of foreign aid (to win the hearts and minds of Afghanis and others in the Islamic world). This would have neutralized the "Islamic" factor by showing the ("Christian") US's generosity in assisting one of the poorest countries in the world.

Third, the US could have offered a very big reward (such as US$500 million) to entice groups such as the Russian mafia (or even the Taliban) to hand over Osama bin Laden dead or alive. Half a billion dollars sounds a large sum of money but it is less than the cost of a bomber. The US believes in market-based incentives why not use the market to encourage people to find Osama bin Laden?

Fourth, the US could have created an ad hoc international tribunal try Osama bin Laden, if he were captured alive. This would have emphasized the importance of the international rule of law.

Finally, in the meantime, President Bush should have used the national sense of crisis generated by the attacks to launch a campaign for energy independence so as to reduce US reliance on imported oil. This could have included encouraging the manufacture of smaller vehicles, the development of transport habits that involved less use of automobiles, and the creation of alternative energy sources.

September 11 presented us with some opportunities for creative thinking and we have missed them. The White House staff missed an opportunity to be more creative in their response to September 11. The new millennium could have begun with a new way of dealing with international conflict. But that opportunity was missed.

What is the International Nuclear Black Market?

Dr Abdul Qadeer ("AQ") Khan is a Pakistani national hero. He is the father of the "Islamic bomb". AQ Khan secretly sold nuclear material to North Korea. He is not only a smart scientist but he is also a smart businessperson. We also know that he sold nuclear material to Libya. Libya is now coming in from the cold and wants to improve its links with the west. Libya has come clean about its own nuclear ambitions. We now know a lot about AQ Khan's secret dealings with Libya.

Who else has had dealings with AQ Khan? The CIA would like to know but the Pakistani Government dare not allow this national hero be interrogated by the Americans. Here is a nightmare scenario. Some nuclear material may have been sold to terrorists associated with Osama bin Laden. They could use the stuff in a nuclear attack on the US. Enraged Americans will complain that the US Government knew about the AQ Khan export and yet it did nothing to grab him from Pakistan and interrogate him.

What is the McDonald's Golden Arches Theory of World Peace?

This is the argument is that countries that sell McDonald's fast food do not go to war against each other. Countries that accept fast food outlets are embracing free trade, and free trade reduces the risk of war.

For example, for over a thousand years, the Franks and Huns, now French and Germans, have fought one another. Now they have gone for a generation without a war and it seems unlikely that they will ever have another war. "Why kill those people they are our customers?!" Trade and transnational corporations are knitting the world together.

The decline of international conflict has been credited partly to the growth of free trade and democracy. Governments are now committed to free trade and free politics. Capitalism creates a thriving middle class. War is bad for their interests. Middle class people are more globally oriented. They spin webs of affiliation around the world. They create non-governmental organizations such as Rotary International, as well as transnational corporations. Middle class people prefer a world where they can travel freely: both to make money and to satisfy their curiosity.

Besides, little is now to be gained by one country invading another. Invasions used to be about the conquest of new territory and resources or the imposition of a religion among new converts. In the new era of information technology, much of a country's wealth is in the heads of its people or in cyberspace. What would a country get from invading (say) Japan? It has few natural resources.

Of course, old rivalries will remain and there are traditional border disputes. When a country has problems at home it is always tempting to focus attention on an external threat (such as Greece and Turkey, India and Pakistan). But there are few international wars underway at present. Governments are finding that they have more to gain from peace than from war. Even the Indians and Pakistanis, with all their posturing with nuclear weapons, seem reluctant deliberately to have another war.

Can Democracy be Exported?

The world now has more democracies than ever before. But they are home grown they have not been imposed from the outside. This suggests that the American dream of exporting democracy to Iraq is doomed to failure.

As recently as three decades ago, few people would have predicted the current explosion of democracy. There is a tidal wave of democracy sweeping around the world. Eastern Europe, Taiwan, the Philippines, South Korea and Indonesia are part of the global tidal wave of democracy. In the Philippines (1986), South Korea (1989) and most recently Indonesia, people power is making itself felt. Dictatorial leaders have a dilemma: if they wish to have rapid economic development, they run the risk of being deposed by the very beneficiaries of their policies.

In each case, the push for democracy has come from within the country and not from the outside. The key factors are the related factors of domestic economic growth and globalization.

A brutal dictatorship can run a poor peasant society based on agriculture. Poor peasant tradition-based societies, living on isolated farms in desolate valleys or plains, do not make good revolutionaries. They are too worried about the perils of daily survival. A peasant society has a poverty-consciousness: it is poor and it expects to remain that way. It will not like the poverty but it can see little opportunity to escape.

But a dictatorship cannot run a modern industrial state. This requires the free flow of people, money, information and ideas. You cannot design computers with bayonets. The free flow of information enables people to discuss not only technical matters, such as computer design, but also the wider issues of how the society is governed. Economic development creates a middle class, which is urban-based, well-educated and able to learn (via the mass media, internet and overseas travel) about how other societies are governed.

The problem comes (if you are a dictator) from the rising middle class. They get a little money and then they want more. They have rising expectations. They can see that change is possible. The richer they become, the more politically restive they become. They want a say in how they are being governed. A growing middle class feels empowered about its destiny. It is less deferential to the ruling elite. It will be less willing to accept that certain people are born to rule or that they should have special inherited privileges. They prefer people to earn their status by merit and not just by birth.

When the belly is full, the brain starts to think.

Ironically, dictators such as Indonesia's Suharto create their own problems by encouraging economic growth and plugging their country into the global economy. In the 1990s, Indonesians were not satisfied with just economic growth they eventually wanted a say in how the country was being governed. They assumed that if there were more democracy, then there would be more freedom of opinion, more accountability and political transparency, less corruption and police brutality, and more economic growth. They could see how other people lived overseas and they too wanted the good things of life.

Is Political Repression Still Effective?

Not every leader today has the stomach of Pol Pot for the mass murder of their perceived opponents. The international mass media have made controlling an unruly country with student and middle class activists more difficult than in the old days. Suharto and the military came to power in the mid-1960s amid a civil war in which at least 500,000 people (possibly a million) were killed. Suharto could not use the same brutal tactics in the 1990s when he was under threat. The whole world was watching.

I was in Manila in January 1986 for the People Power revolution. I saw how the corrupt and brutal Marcos regime was hindered from using brute force by the risk of adverse international mass media coverage. Governments may be able to control their own media but they cannot control so easily the foreign media or the capacity of their citizens to get access to foreign media coverage.

Finally, a modern industrial state is interconnected to the global economy. Harsh repression is bad for the country's business image and can scare off foreign investment. Business leaders may have some loyalty to their own country and their government, but they also have to think about the bottom line: violence is bad for business. Political leaders can come and go but business goes on. The Manila business community decided that Marcos was bad for foreign investment and so he had to go.

To conclude: where else will there be civil unrest?

China's old men have forgotten their Marxism: Marx claimed that economic changes inevitably bring about political changes. Hence Gorbachev's attempt to encourage both economic change and political reform in the hope of controlling the political reform, while the economic change took place. Instead, of course, the political change got out of hand and Gorbachev was swept away by the political reforms.

But China's old men want to have economic reform while keeping the communist party in power. They are foolish: they are ignoring the advice from Marx and the lessons of history. The really big domino has yet to fall. The problem for the rest of the world is that China's economic growth is now so important for so many people overseas. An upheaval in China threatens the global economy.

A Simple Solution to the Flag Debate

Malcolm Menzies

If you want a symbolic gesture, don't burn the flag; wash it (Norman Thomas)

Last year a campaign to change the New Zealand Flag came to a stop when not enough signatures were collected to force a referendum on the issue. A number of reasons were suggested for this failure. Organisers blamed problems in getting enough volunteers willing to distribute information and collect information. Others suggested that the public was apathetic in other words not enough people wanted a change. Yet 100,000 New Zealanders were motivated to sign the petition calling for a referendum.

Perhaps the real problem was that the question about whether to change became mixed up with the question "which design"? So many potential alternatives were floated that people didn't really know what they were signing up for, and there was resistance to completely throwing out the current design.

There is much wisdom in Norman Thomas's quotation at the top of this page. His advice was to reconcile desires for change and continuity by freshening up the best things from our heritage rather than rejecting them all together. At the same time we can acknowledge the past and "wash away" the bits we no longer want.

There's no doubt that on objective grounds our current flag is a little odd. What makes it so is the presence of another countries' flag in the top left corner, reflecting our colonial past. It's not the flag of a modern, independent nation. This is not to criticise the Union Jack it's a masterpiece of design or to dump on the British. No one can credibly argue that they have not been a critical part of our history and our heritage. But didn't it seem strange that last year during the Lions series, both sets of fans were waving elements of the same flag? Does anyone still believe that the United Kingdom has a special place for New Zealand in its heart? We've recently learned that as long as 20 years ago the British Prime Minister took France's side, not ours, when The Rainbow Warrior was blown up in Auckland Harbour. Increasing proportions of New Zealand's population are not from British or even European stock. There is little in the Union Jack with which they can identify.

Is it important what our flag looks like? The emotions engendered by last year's debate would suggest that it is. A flag says a lot about who we are. It captures something of our vision and gives us identity. Few New Zealanders are unaffected, particularly away from home, when their flag is raised. However, it hasn't always been the current ensign. The flag has changed in the past and it can change again.

It's instructive to look at how Canada changed its (truly awful) flag in 1965 to the wonderfully distinctive red and white maple leaf design. It took a long time. The search for a new Canadian flag started in earnest in 1925 when a committee of the Privy Council began to research possible designs for a national flag. In 1946, a select parliamentary committee was appointed with a similar mandate, called for submissions and received more than 2,600 designs. Still a decision was not reached. But the third and final attempt took only about a year, and was pushed along by the Prime Minister. But it also seems that by then most people in Canada were ready to accept a change.

The Maple leaf already had a long history as a symbol of Canada. It was first proposed as such in 1834, and sporadically since then. The Maple Leaf was also a small feature in the coat of arms on the previous flag, so to this extent there was a degree of continuity in the new design .

There are obvious similarities between the Maple Leaf and the Silver Fern. Both are botanical features that have been accepted symbols of their respective countries for a long time. Should New Zealand then adopt a silver fern flag? A stylised silver fern on black was the symbol used for the "Change the Flag" campaign in 2004-05. Unfortunately, despite the protestations of the organisers, the design seemed to be a bit of a Trojan horse for the one they really wanted. There were also arguments over what constituted a "logo" or a "brand" as opposed to a flag and many New Zealanders associate the silver fern with sporting representation rather than as a more generic symbol. It is unlikely that it will be possible, at least in the short term, to reach consensus on changing to a silver fern flag for New Zealand.

Based on the Canadian experience, and the numbers of New Zealanders who did sign for change, it is likely that the debate about our flag will re-emerge from time to time. If it's not to take 40 years, the debate needs to at least keep simmering. One way of doing this (and a real option for a final design) is to simply amend the current flag by removing the Union Jack and altering the stars to achieve balance. That leaves a uniquely New Zealand flag that reflects both continuity and change. Ironically, just such a flag was designed by Cameron Sanders, creator of the fern logo for the change the flag campaign:

"In response to many people involved in the flag debate wanting to retain the Southern Cross with the existing colours of the flag, I have explored a simplistic representation for the Southern Cross, enlarging the stars but retaining the correct proportions required by the current flagŠ..Also I have retained the original colour palette from our existing flag, thus linking the new design with its historic roots. Enlarging the stars would give us a strong distinction from our neighbours' Southern Cross. The end result is a bold and simple representation of what directs us south in the night.

Technically, Cameron's Southern Cross flag has many elements of good, simple (not simplistic) design. It is scalable and can be adapted to different coloured backgrounds. The new arrangement of the stars denotes movement and energy. As Cam points out, the design is different enough from Australia's flag to address that old plaint that the two are indistinguishable from each other (not that an Australasian identity need be a big problem think of the four Scandinavian flags). In any case if New Zealand makes the first move, Australia will be left scrambling. We'll retain two of the three, bold primary colours and they will be left with the third!

Some will argue that the new flag needs to be designed afresh, incorporating symbols we can all identify with. Why not turn this argument around, and look into what we already have, to find representations that we seek? At least we would be halfway to consensus. Anyone who has seen pohutukawa (or rata) against a blue sky or sea this last summer can identify with the colours of the current flag. The Southern Cross is quintessentially New Zealand (also of the Southern Hemisphere and Pacific) and stars are universal and aspirational. All cultures have navigated by the stars to get here.

It is the four red stars, not the Union Jack, that are unique about the current flag, and it is they that best strike a chord of recognition. If we need a "logo" they suit the purpose and can already be found on many car number plates.

A new flag can represent or bring about a tilt in the nation's vision of itself. The process by which we change the flag could be as symbolic as the final design. Much public decision-making is adversarial and absolutist with the winner taking all. Sometimes in a democracy that can't be avoided but what about modelling a different approach in which everyone gets something of what they want?

The new Southern Cross design exist (unofficially) in parallel with the old until we get used to it enough to make the switch. Even then, the Union Jack won't be entirely gone. Its historical place will still be on the flag, merely vacant. Older generations will continue to visualise it there and historians will continue to remind us of the space it once occupied.

Malcolm Menzies flies the Southern Cross flag at his home in Island Bay.

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Migration, urbanisation and new diaspora: reflections on future migration patterns in the Pacific

Richard Bedford and Graeme Hugo[1]

Recently Auckland was ranked the third most liveable city in the world in the Mercer Quality of Living survey in 2011 (Reuters, 2011). New Zealand is widely recognised internationally as a great place to live if you have a job or income that can support a reasonable standard of

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living. It is not necessarily a great place to make lots of money unless you are from the Pacific Islands. The results from the latest General Social Survey (Statistics New Zealand, 2011a) show uniformly high levels of satisfaction with life in New Zealand across the major ethnic groups, notwithstanding the widening inequalities in incomes and increasing differences in housing quality and availability across groups. Where comparable data are readily available for recent immigrants, here is an even higher level of satisfaction with life in New Zealand, although a somewhat higher share reported they did not have sufficient income to support their lifestyle (Table 1).

Table 1: Measures of wellbeing in New Zealand 2010 (%)

Measure	Maori	Pacific	Asian	European	LisNZ[1]
Satisfied with life	83	88	88	88	92
Income +$70,000	8	4	7	15	n.a.
Not sufficient money	23	34	17	14	29
Problems with house	46	53	35	34	n.a.
Safe in neighbourhood	67	57	61	69	76
Support in crisis	96	93	90	97	n.a.

1. LisNZ -- Longitudinal Survey of Immigration, New Zealand, responses by Wave 3 respondents in 2008. Note: n.a. is 'not available'.

Source: Statistics New Zealand (2011a).

These reasonably positive indicators of overall satisfaction with life in New Zealand are somewhat at odds with the frequent media and political comment about the emigration of New Zealanders, especially the 'trans-Tasman exodus' (Wade, 2011: A1). This preoccupation with the movement of New Zealanders disguises the fact that the 10 years ending March 2011 has seen the greatest overall net gains to New Zealand's population through permanent and long-term (PLT) migration during any decade for more than a century (Table 2). It is true that there has been a larger overall net loss of New Zealand citizens during this decade (-227,600) than any decade since separate New Zealand citizenship was created in 1947. But there have also been much larger net gains of citizens of other countries (394,300) during this decade than any since the 1870s. The overall net gain to the population of 166,700 between April 2001 and March 2011 is bigger than the net gains we received in the years of sponsored migration to New Zealand after the Second World War.

Table 2: Net permanent and long-term migration (000's) (March years)

Period	NZ citizens	Other citizens	Total
1952-61	-7.3	146.7	139.4
1962-71	-51.1	154.3	101.2
1972-81	-205.1	141.8	-63.3
1982-91	-185.6	107.2	-78.4
1992-01	-197.8	267.9	70.1
2002-11	-227.6	394.3	166.7

Data source: Statistics New Zealand, March year data

If we calculate a crude measure of per capita PLT net migration (per 1,000 in the population) using average annual net gains/losses for New Zealand citizens and others and the mid-decade census populations as a measure of the country's total population, we see that the first decade of the 21st century has not had the highest levels of emigration of New Zealand citizens or the highest overall per capita net gains to New Zealand's population through PLT migration (Table 3). The average net loss of 5.65 New Zealand citizens per 1000 in the population between April 2001 and March 2011 is less than the average net losses of 6.55 in the 1970s and 5.69 in the 1980s.

Table 3: Per capita PLT net migration (per 1,000 in the New Zealand population)

Period	NZ citizens	Other citizens	Total
1952-61	-0.34	6.76	6.42
1962-71	-1.91	5.77	3.86
1972-81	-6.55	4.53	-2.02
1982-91	-5.69	3.28	-2.40
1992-01	-5.47	7.41	1.94
2002-11	-5.65	9.79	4.14

In terms of net gains of citizens of other countries, the 9.79 per 1000 in the 2000s stands out well ahead of the 7.41 in the 1990s and the 6.76 in the 1950s. However, when overall average annual per capita net migration per decade is considered, the 1950s remain well ahead at 6.42 compared with the 4.14 for the 2000s (Table 3). Depending on which part of the migration system one focuses on, it is possible to get quite different, and at times, contradictory interpretations of the impact of migration on New Zealand's population.

A demographic context

Drawing on the experience of the 2000s, and looking ahead to the second decade of the 21st century, it is clear to us at least that New Zealand is going to continue to be perceived as a good place to live and raise a family, notwithstanding the surprisingly high incidence of child abuse, youth suicide, drug abuse and drug-related crime. Compared with many other parts of the world, where quality of life is deteriorating significantly, especially in large cities, New Zealand remains a relatively safe and peaceful place in an increasingly crowded urban world. In 2011 we have marked the passing of the 7 billion mark for the global population, heading for a total of over 9 billion by 2050 (Table 4). Over the 40 years 2010-2050 the World's population is expected to increase by more than a third again.

Table 4: Populations 2010 and 2050 (millions)

Area	**2010**	**2050**	**% change**
Australia	22.3	31.4	40.8
New Zealand	4.4	5.7	29.5
Pacific	9.9	18.2	83.8
Melanesia	*8.7*	*16.6*	*90.8*
World	6,895.90	9,306.10	35.0

Data source: UN Population Division (2011)

In our region, New Zealand's population growth is projected to be the slowest of the major areas with the island countries of the western Pacific – Melanesia – experiencing population increases that are three times those projected for New Zealand (a 90 percent increase for Melanesia compared with a 29 percent increase for New Zealand). Australia's population is projected to increase by over 40 percent – ahead of the world average and about half the level expected for the Pacific Islands as a whole (84 percent).

New Zealand will remain something of a haven for people who want a quieter, less competitive way of life, especially for those who can afford to support their desired standard of living in a relatively low wage economy by OECD standards. While many talented New Zealanders will continue to say “Goodbye NZ; hello $100,000” (Wade, 2011: A1), and a chance to work in a much larger cities and corporate environments than can be found in Auckland, there will be tens of thousands of citizens of other countries saying “Goodbye crowded cities; hello quality lifestyle” and seeking residence in Australia and New Zealand. There is no evidence in recent migration statistics to suggest this broad pattern will change with the inward flows exceeding the outward flows of long-term movers in most years of the decade.

What will stimulate this movement south during the next 40 years is the addition of at least 2.6 billion people to the current 3.7 billion people living in towns and cities (Table 5). According to the UN’s Population Division’s (2010) latest urban population forecasts the equivalent of the world’s total population around 1950, or the world’s total urban population in 1995, will be added to the current global urban population during the next four decades. This is urbanisation on an unprecedented scale and the cities that will emerge and evolve in those parts of the world that have low rates of urbanisation currently, such as the islands of the western Pacific, will be very different from the cities that currently rank highest in the league table based on liveability.

Table 5: Urban populations, 2010 and 2050 (millions)

Area	**2010**	**2050**	**% change**
Australia	19.2	26.9	40.1
New Zealand	3.7	4.9	32.4
Pacific	2.3	6.6	186.9
Melanesia	*1.6*	*5.5*	*243.8*
World	3,687.30	6,286.0	70.5

Data source: UN Population Division (2010)

<u>Pacific urbanisation</u>

In Oceania (the Pscific Islands plus Australia and New Zealand) the largest numerical urban growth (a further 9.7 million) is projected to be in Australia, followed by 3.9 million in Melanesia. The UN Population Division’s projections suggest there could be a further 1.2 million living New Zealand’s in towns and cities in 2050 compared with the situation in 2010 (Table 6). In terms of levels of increase in the urban populations, Melanesia’s 244 percent increase is 3.5 times greater than the world average (70 percent) and six times greater than Australia’s 40 percent. And even if this happens, and there remain a lot of planners, politicians and policy makers in the Pacific who believe Melanesians will remain essentially rural dwellers rather than urban dwellers, there will still only be 33 percent of Melanesia's total population living in towns and cities by 2050 – less than half the global average projected for that year (67 percent) (Table 6). The change in the percentage of the population that is urban in Melanesia between 2010 and 2050 (14.7 percent) is only slightly higher than percentage change forecast for the global population that is urban (14.0 percent). It is three times higher than the 4.7 percent change in the proportions urban in Australia and New Zealand where it is anticipated that over 90 percent of all residents could be living in towns and cities by 2050 compared with around 87 percent in 2010 (Table 6).

Table 6: Percentage of population urban, 2010 and 2050

Area	**2010**	**2050**	**change**
Australia	89.1	93.8	4.7
New Zealand	86.2	90.9	4.7
Pacific	23.2	36.2	13.1
Melanesia	*18.4*	*33.1*	*14.7*
World	53.5	67.5	14.0

There are quite marked differences in levels of urbanization amongst Pacific populations living in the islands. In 2010 the total population living in places classified as urban in the islands was around 2.3 million compared with just under 3.7 million in New Zealand (Table 7). The great majority (70 percent) of Pacific urban dwellers were in towns and cities in Melanesia – something that is not always appreciated because over 80 percent of Melanesia's population actually live in rural places. Melanesia's 1.6 million urban residents in 2010 were equivalent to around 43 percent of New Zealand's 3.7 million. In Polynesia and Micronesia their total urban populations in 2010 were, in aggregate, each on either side of Christchurch city's population of 376,000 before the earthquakes (Statistics New Zealand, 2011b).

Table 7: Pacific urban populations (millions)

Area	2010	2050	% change
Melanesia	1.61	5.45	238.5
Micronesia	0.39	0.64	64.1
Polynesia	0.30	0.50	66.6
Pacific	2.30	6.59	186.5
New Zealand	Mar-68	4.87	32.3

Data source: UN Population Division (2011)

By 2050 Melanesia's population living in towns and cities is projected to reach 5.45 million and to be larger than New Zealand's urban population of 4.87 million (Table 7). As already noted, urban population growth in the Pacific will be much faster than New Zealand's urban population growth. The stand-out sub-region of the Pacific as far as urban population growth over the next 40 years is concerned is Melanesia (238 percent) with urban populations in the other two island regions projected to increased by between 64 (Micronesia) and 67 percent (Polynesia). With total urban populations of around 640,000 and 500,000 respectively, Micronesia and Polynesia in 2050 could have the equivalent each of around half of Auckland's current population.

Despite the much greater urban population growth that is forecast for Melanesia, the share of this sub-region's population that is likely to be urban-resident in 2050 (36 percent) is much smaller than the current levels of urbanisation in Micronesia and Polynesia (Table 8). By 2010 it was estimated that over two-thirds of Micronesia's population were living in urban places compared with 18 percent of Melanesia's population. By 2050 Micronesia's level of urbanisation could be approaching 80 percent while 60 percent of Polynesians living in the islands could be town-based (Table 8). On the basis of the UN Population Division's (2010) projections, the change in share of the total population living in urban places is likely to be greatest in Polynesia, followed by Melanesia. This reflects in part the already high level of urbanisation in Micronesia.

Table 8: Percentage of population urban, 2010 and 2050

Area	2010	2050	change
Melanesia	18.4	34.9	16.5
Micronesia	68.1	80	11.9
Polynesia	42.4	59.9	17.5
Pacific	23.2	36.3	13.1
New Zealand	86.2	90.9	4.7

Pacific diaspora

Pacific urban populations in the islands are only part of the story, however. There are substantial Pacific populations living overseas, mostly in towns and cities. In 2006 there were just under 245,000 people who had been born in Pacific Island countries living in New Zealand (138,500) and Australia (106,300) and just over half (51 percent) were Polynesia-born (Table 9). The great majority of Pacific-born in Australia were from Melanesia (75,800 or 71 percent) while Polynesia-born dominated this birthplace population in New Zealand (96,000 or 69 percent). There were very small numbers of people who had been born in Micronesia – mainly Nauru (Australia) and Kiribati (New Zealand).

Table 9: Pacific populations in Australia and New Zealand 2006

Birthplace	New Zealand	Australia	ANZ
Melanesia	41,200	75,800	117,000
Micronesia	1,200	1,100	2,300
Polynesia	96,000	29,500	125,500
Pacific-born	138,400	106,400	244,800
Pacific ethnicity/ancestry[1]	300,000	130,000	430,000

[1] Pacific ethnic populations (New Zealand) and Pacific ancestry populations (Australia)

Data source: Bedford and Hugo (2011)

Pacific populations defined on the basis of ethnicity/ancestry are larger than the birthplace populations, especially in New Zealand with its history of substantial immigration from Polynesia since the 1960s. In the 2006 censuses the Pacific ethnic (New Zealand) and ancestry (Australia) populations, counting Indians born in Fiji, were around 300,000 and 130,000 respectively (Table 9). If we add to the combined total of 430,000 in Australia and New Zealand the 230,000 people enumerated in the 2000 census of the United States that claimed some ancestry connection with indigenous Pacific groups, and make some allowance for growth in the US population between 2000 and 2006, it is not hard to find more than 700,000 people of Pacific ethnicities/ancestries living in these three Pacific rim countries in 2006 (Bedford and Hugo, 2011). This is more than the estimated total population of all of the island groups that comprise either Polynesia (664,000) or Micronesia (547,300) in 2010. Pacific diaspora, especially from parts of Polynesia, are sizeable and comprise an integral part of the contemporary Pacific island societies and economies.

The composition of Pacific diaspora in New Zealand and Australia is changing. In the case of New Zealand the dominant position of Polynesians (especially Samoans, Tongans and Cook Island Maori) is weakening (Table 10). The modern Pacific diaspora in New Zealand traces its origins to the Second World War when troop movements overseas created shortages of labour in food producing industries especially. Maori and Pacific Polynesian labour reserves were tapped to fill the gaps in the labour force and in the census in 1945 there were just over 3,000 Pacific-born in New Zealand. Over half were from Polynesia with the bulk of the remainder coming from Fiji. Labour migration from Polynesia especially accelerated through the 1950s and 1960s, and by the time of the 1971 census there were over 25,000 Pacific-born Polynesians in New Zealand. They comprised 82 percent of the total Pacific-born in that year (Table 10).

Table 10: Pacific-born in New Zealand, 1945, 1971, 2006

Birthplace	1945	1971	2006
Melanesia	1,280	5,730	41,180
Micronesia	20	…	1,200
Polynesia	1,730	25,170	96,040
Pacific-born	3,030	30,900	138,420
% Polynesia	57.3	81.5	69.4

Data source: Unpublished tables, Statistics New Zealand

Over the subsequent 35 years the Polynesia-born component more than trebled to reach 96,000 by 2006 while the Melanesia-born in New Zealand's population increased by almost 7 times from just under 6,000 in 1971 to over 41,000 by 2006 (Table 10). At the time of the 2006 census people born in Polynesia comprised 69 percent of New Zealand's Pacific-born population with those born in Melanesia comprising nearly all of the remaining 31 percent. Migration of Indians born in Fiji, especially following successive coups in that country from 1987, has made a major contribution to growth of the Melanesia-born in New Zealand and Australia since the mid-1980s.

The Pacific-born in Australia were slightly more numerous immediately after the Second World War than in New Zealand. Over two-thirds of Australia's 4,730 Pacific-born at their census in 1947 had been born in Melanesia and Fiji and Papua New Guinea were the two main sources (Table 11). Between the late 1940s and 1971 Australia's Pacific-born population increased at about half the rate of New Zealand's, and it was mainly a movement from Melanesia – again, predominantly from Fiji and Papua New Guinea. By 1971 88 percent of Australia's Pacific-born were from Melanesia compared with 18 percent in the case of New Zealand (Table 11). As was the case in New Zealand, the situation changed significantly over the 35 years between 1971 and 2006 when Australia's Pacific-born population increased more than 6 times from 16,700 to 106,400. During this period the Polynesia-born became much more prominent and by 2006 they comprised 28 percent of Australia's Pacific-born (Table 11).

Table 11: Pacific-born in Australia, 1947, 1971, 2006

Birthplace	1947	1971	2006
Melanesia	3,200	14,700	75,800
Micronesia	30	500	1,100
Polynesia	1,400	1,500	29,500
Pacific-born	4,730	16,700	106,400
% Melanesia	67.6	88.0	70.9

Data source: Unpublished tables, Australian Bureau of Statistics

Over a third of the Pacific-born migrants from Polynesia had entered Australia as New Zealand citizens (Table 12). Using data from Australia's 2006 census, and the quarterly updates of the New Zealand citizen population in Australia maintained by the Department of Immigration and Citizenship it is possible to establish approximately what share of Australia's Pacific born were New Zealand citizens around the time of the census. The Australian censuses are held during the month of August, and quarterly updates of the New Zealand citizen population, by birthplace, are available for March, June, September and December. In Table 12, data on the numbers of New Zealand citizens living in Australia in September 2006, who had been born in countries in Melanesia, Micronesia and Polynesia, are compared with the total number of Pacific born in Australia at the time of the 2006 census. Very small shares of Melanesia-born (2 percent) and Micronesia-born (0.9 percent) in Australia in 2006 were citizens of New Zealand. By far the majority of Pacific-born in Australia who were New Zealand citizens had been born in Polynesia (38 percent of Australia's 29,500 Polynesia-born, and 88 percent of the 12,610 Pacific-born New Zealand citizens). Overall, New Zealand citizens accounted for just under 12 percent (12,610) of Australia's Pacific-born population of 106,400 in 2006 (Table 12). To date trans-Tasman migration has played a relatively minor role in the changing composition of Pacific diaspora in both of these Pacific rim countries.

Table 12: Pacific-born NZ citizens in Australia, 2006

Birthplace	**Pacific-born in Australia**		
	All Pac-born	**NZ citizens**	**% NZ citiz**
Melanesia	75,800	1,500	2.0
Micronesia	1,100	10	0.9
Polynesia	29,500	11,100	37.6
Pacific-born	106,400	12,610	11.9
% Polynesia	27.7	88.0	…

Data sources: Unpublished tables, Australian Bureau of Statistics and Department of Citizenship and Immigration

Futures for Pacific migration

In our recent report to the Department of Labour and the Department of Immigration and Citizenship we argued that "the key driver of contemporary international migration in the Pacific is the growing imbalance on the one hand between the rising demand for and limited supply of work which generates a monetary return in the islands with their small manufacturing and service sectors and, on the other hand, between the rising demand for and limited supply of labour that will undertake a wide range of manual jobs in the countries on the Pacific rim with their heavily urbanized and industrialized rapidly ageing workforces" (Bedford and Hugo, 2011: 11). The wages paid for quite menial work in the main Pacific rim destinations tend to be much higher than those paid for high-status skilled work in the island countries.

A combination of demographic and economic factors, and a trend towards widening disparities in opportunities to derive livelihoods that are perceived to be satisfactory both for the present as well as future needs and aspirations of children, have contributed to political pressure from the leaders in several Pacific countries on Australia, New Zealand and the United States to open up their labour markets to Pacific workers across the skill spectrum. While there are shortages of skilled labour in many Pacific countries, especially in the specialised health, education and trades occupations, the demand tends to be small and patchy. Only a small proportion of the rapidly growing working age populations in most countries in the region can be absorbed into the formal labour force in any kind of regular, paid employment because of the slow pace of economic growth and development in most of these countries.

In the annual meetings of the Pacific Islands Forum since the early 2000s Pacific leaders have been stressing that member countries must "listen to the needs and aspirations of the burgeoning population of young people in the region, and recognise the impact of bigger and more youthful populations on the resources required for education and vocational training, healthcare and job opportunities" (Chan et al., 2004: 8). Migration issues have been discussed at successive meetings of the Forum with particular reference to access to labour markets in Australia and New Zealand, as well as with reference to the challenging issue of migration as a response to environmental degradation associated with changes in sea levels and in the frequency, intensity and distribution of tropical cyclones and drought.

The three 'big questions' surrounding Pacific migration futures, excluding the possible impacts of climate-induced environmental change, relate to:

1) A 'youth bulge' and a 'demographic dividend' – futures for islands experiencing significant social and structural change in their populations;
2) Urbanisation without industrialisation – futures for families in towns without much formal sector employment growth;
3) Education for what sorts of work – futures for educated islanders in local and overseas towns.

These are not new questions in the Pacific –they all surfaced in the 1960s in the context of rapid population growth in Polynesia. In the 21st century the focus is much more on Melanesia's population aged under 24 years which accounted for more than 56 percent of the total for that sub-region in 2010 (Table 13). This compares with shares of the population in the youthful category of 41 percent in New Zealand and 44 percent in Australia.

Table 13: Pacific youthful populations, 2010 (%)

Area	**0-14**	**15-24**	**0-24**
Melanesia	36.7	19.6	56.3
Micronesia	31.1	19.1	50.2
Polynesia	31.4	19.5	50.9
Pacific	24.5	16.3	40.8
New Zealand	26.6	17.8	44.4

Data source: UN Population Division (2011)

By 2050 it is estimated that Melanesia could have around 42 percent of its population in the 0-24 age group – not too dissimilar to the proportions found in New Zealand and Australia in 2010 (Table 14). The shares of younger people in the populations of Micronesia and Polynesia could fall to around a third, while Australia's share could be as low as 25 percent according to the UN Population Division's medium variant projections – 20 percent lower than in 2010.

This is a much more dramatic change in population structure than is forecast for New Zealand (a 10 percent decline from 40 to 30 percent of the population aged 0-14 years). The smaller decline in New Zealand's share of the population that is aged under 25 years reflects the much greater impact on overall population change in that country of the sizeable Maori and Pacific Island components with their higher fertility and younger age structures.

Table 14: Pacific youthful populations, 2050 (%)

Area	0-14	15-24	0-24
Melanesia	26.0	16.6	42.4
Micronesia	19.8	13.8	33.6
Polynesia	21.9	14.9	36.8
Pacific	18.2	11.9	30.1
New Zealand	15.1	9.7	24.8

Data source: UN Population Division (2011)

Perhaps more significant than the current share of people aged under 24 years is projected the growth between 2010 and 2050 in numbers in the youthful population of working ages between 15-24 (Table 15). The UN Population Division's projections for Oceania suggest that the population aged 15-24 could be 1.67 million larger in 2050 than it was in 2010. This is equivalent to the total youth population in Melanesia in 2010. Of this change, 66 percent (1.1 million) will be in Melanesia, dwarfing the 31 percent share for Australia (524,000) despite the much larger population base in the latter (Table 15). The change in numbers of youth aged 15-24 in Micronesia and Polynesia between 2010 and 2050 are very small – 4,000 and 3,000 respectively, while New Zealand's 41,000 is less than the current annual immigration approvals of between 45,000 and 50,000. Without doubt, the 'youth challenge' in the Pacific over the next 40 years is a Melanesia challenge – something which has been recognised in recent reports on youth in the region (Noble et al., 2011; UNICEF, 2011).

Table 15: Youthful population aged 15-24 years (000's)

Area	2010	2050	Difference
Melanesia	1,658	2,757	1,099
Micronesia	96	100	4
Polynesia	126	129	3
New Zealand	628	679	41
Australia	3,147	3,671	524

Data source: UN Population Division (2011)

At the Pacific Forum meeting in Auckland in September 2011, John Key (2011a) argued that: "We need to work harder to get kids into school in the Pacific region, and teach them skills they need to succeed and contribute to the economy. We also need to help adults learn new skills". He went on to add that: "It is vital that we have a skilled workforce to help us grow our economies". The unspoken question here is: skills to succeed where? Skills and aspirations for work in villages? In Pacific towns? Overseas?

There is a very long history of aspirations for education off-shore in Polynesia, especially in Samoa in the 1960s and 1970s. Contemporary seasonal workers from the Pacific taking up employment opportunities in New Zealand's Recognised Seasonal Employer scheme, or Australia's Pacific Seasonal Work Pilot often state that they are earning money to contribute to the cost of their children's education, both back in the islands as well as off-shore. Where will they find work once they have this education – in village agriculture or in the region's towns and cities? It is widely known that employment opportunities in the towns are regularly well below the annual numbers of new entrants to the labour market. In the Pacific, as in all other parts of the world, increasing education and the growth in urban populations have tended to proceed in tandem. In turn, urbanisation has been accompanied by very significant international migration.

Melanesia's arrival cities

Doug Saunders (2010: 1), in a provocative book on migration and development in the 21st century, has argued that: "What will be remembered about the 21st century, more than anything else except perhaps the effects of a changing climate, is the great and final shift of populations our of rural, agricultural life and into cities. This movement engages an unprecedented number of people – two to three billion persons [almost the equivalent of the current global urban population] – and will affect almost everyone in tangible ways." He goes on to suggest that the places where migrants first end up when they move from the countryside to the city – the 'arrival cities' – are the places where the next great economic and cultural boom will occur.

These will be the places of employment, innovation and enterprise for millions of people – places which currently are often condemned as being slums and places of despair.

It is interesting to speculate what 21st century Pacific cities with populations of over one million residents might look like. There could be at least two millionaire cities in Melanesia, both probably in Papua New Guinea, if the western Pacific sub-region is to have over five million people living in towns and cities by 2050 as the UN Population Division's (2010) urban projections suggest. These will not be cities like those in Australia and New Zealand. Already the majority of residents in most of the Pacific's urban places live in 'informal' settlements of one kind or another. What will be the urban economies in these countries? Except for Papua New Guinea it is unlikely to be in secondary and tertiary industries of the kind we know Australia and New Zealand's contemporary urban places.

It has long been argued that urbanisation is frequently accompanied by increasing levels of international migration (Zelinsky, 1971). The urbanisation of Europe was accompanied by the overseas migration of millions of Europeans including those who contributed to the colonisation of Australia and New Zealand and the numerous island groups in the Pacific. The urbanisation of Polynesia and Micronesia has been accompanied by significant international migration to cities on the Pacific rim. Will the urbanisation of Melanesia follow the same pathway? It seems inevitable that increasing levels of education and the broadening of the skills base for Pacific populations generally, and Melanesian populations in particular, will generate increasing international mobility.

Since the 1960s major arrival cities on the Pacific rim for Polynesians as well as Fijians and Fiji Indians have been Auckland, Honolulu, Los Angeles and Sydney. Over the next four decades it is likely that Brisbane, Townsville, Cairns, Sydney and Auckland will become important destinations for Melanesians from Papua New Guinea, Solomon Islands and Vanuatu as the populations of these countries continue to grow and urbanise. Initially it is likely to be increasing numbers of short-term visitors, students and seasonal workers who arrive and, for the most part, return to the islands. Longer-term it will be migrants with skills in demand in Australia and New Zealand, accompanied by their families, coming to live.

Recent Pacific migration to New Zealand

There is evidence of this already in the permanent and long-term migration and residence approval data for New Zealand. Between April 2002 and March 2011 there were just over 54,000 PLT arrivals of citizens of Pacific Island countries in New Zealand (Table 16). Half of these were from Melanesia – slightly more than the number from Polynesia. The net gain to New Zealand's population through the movement of the citizens of countries in Melanesia (mainly Fiji) (18,990) was double that of citizens of countries in Polynesia (9,020). Citizens of countries in Melanesia accounted for just over two thirds of the net gain from PLT migration of Pacific citizens between 2002 and 2011 (Table 16).

Table 16: PLT migration of Pacific citizens to and from New Zealand, 2002-2011 (March years)

Area	Arrivals	Departures	Net migration
Melanesia	27,160	8,120	18,990
Micronesia	630	410	1,200
Polynesia	26,230	17,210	9,020
New Zealand	54,020	25,790	28,230
% Melanesia	50.3	31.7	67.3

Data source: Statistics New Zealand

In the case of the 61,460 residence approvals for citizens of Pacific Island countries between July 2001 and June 2011, the share from Melanesia increased in the second half of the decade following the latest Fiji military coup in December 2006 (Table 17). Numbers approved from Polynesia declined in this period, by contrast. Between July 2006 and June 2011 just under 50 percent of the residence approvals were for people from Melanesia.

Table 17: Residence approvals of Pacific citizens in New Zealand, 2002-2011 (June years)

Area	2002-06	2007-11	% change
Melanesia	13,136	15,054	14.3
Micronesia	482	682	41.5
Polynesia	17,714	14,394	-18.7
New Zealand	31,332	30,130	-3.8
% Melanesia	41.9	49.9	8.0

Data source: Department of Labour

Looking ahead, it seems inevitable that the share of New Zealand's Pacific population that was born in Melanesia must continue to increase. In 1986 just over 11 percent of the 72,700 Pacific-born were from countries in Melanesia (Table 18). By 2006, just under 30 percent of the 138,400 Pacific-born were from Melanesia. If the trends observed between 1986 and 2006 for growth in numbers born in the three sub-regions persist for a further 20 years then by 2026 almost 50 percent of the estimated 255,700 Pacific-born in New Zealand are likely to have birthplaces in Melanesia. Just as the on-going urbanisation of Melanesia's population is inevitable, so to is the growth in Melanesia-born populations in Australia and New Zealand. It is not a question of 'will it happen'; rather it is a question of 'how soon and how fast will it happen'.

Table 18: Pacific-born in New Zealand, 1986, 2006, 2026

Area	1986	2006	2026
Melanesia	8,400	41,200	121,200
Micronesia	200	1,200	4,100
Polynesia	64,100	96,000	130,400
New Zealand	72,700	138,400	255,700
% Melanesia	11.5	29.6	47.4

A proposal

In our research to date we have focussed deliberately on some the contemporary and potential future drivers of international migration in the region, with particular reference to demographic trends and issues. While we have not attempted to forecast future levels of international migration, much of our discussion is couched in terms of trends that might be associated with forecasts of the growth and redistribution of island populations. These are some of the 'more certain' mega-trends or long-term driving forces that influence everything at all levels of society (de Haas et al., 2010).

There are also a lot of uncertainties surrounding technological, economic, social, political and environmental change in the region, and the links between these and the demographic developments that are the focus of this report. A methodology is needed to explore these uncertainties, and the International Migration Institute (IMI) in the University of Oxford's Department of International Development is currently carrying out some innovative research, using a scenario-building approach, on the futures of migration in North Africa and Europe that has particular relevance for the analysis of futures for the Pacific migration system (International Migration Institute, 2010a and b, and 2011a-d).

In developing further our understandings of prospects for migration in the Pacific it is recommended that the Department of Labour and the Department of Immigration and Citizenship, in association with the Auckland City Council, the New Zealand National Commission for UNESCO, the New Zealand Futures Trust, the Integration of Immigrants Programme, the National Centre for Lifecourse Research, and the National Institute of Demographic and Economic Analysis, consider sponsoring a workshop on the future of migration in the Pacific during the second half of 2012. The International Migration Institute's key research staff would be invited to present their scenario methodology for studying the regional migration system that encompasses North Africa and Europe at this workshop, and assist with scoping and developing a similar sort of analysis of migration in our region. As the IMI researchers note in their Policy Briefings (IMI, 2011c: 1) "Existing research on the future of international migration tends to focus on relative 'certainties', such as demographic change, [as our analysis does], and ignores key migration drivers which are more difficult to predict. The very purpose of the scenario methodology is to expand current thinking about future developments by creating scenarios around key uncertainties. Scenario-building exercises identify which factors deserve the most attention when examining future migration patterns and trends and appropriate policy responses".

The scenario-building method, in fact, is one that has similarities to the approach adopted by the Department of Labour when it was exploring the impediments to improving productivity in New Zealand's horticulture and viticulture industries in the early 2000s – the research on complex systems that led ultimately to the development of the Recognised Seasonal Employer (RSE) work policy (Whatman et al., 2005; Whatman, 2007; Hill et al. 2007). As the IMI (2010a: 1) points out: "One of the components of scenario methodology is the active involvement of stakeholders in migration such as entrepreneurs, policy-makers, community leaders, labour organisations, scholars, and migrants and their associations. IMI has engaged with these stakeholders by making them active contributors to the production of knowledge through interviews and participation in key events." This is the approach that would greatly enrich analysis of the wider contextual environment within which migration flows between countries in Oceania is likely to play out.

The proposed workshop would make a significant contribution to the activities that Prime Minister Key has in mind for New Zealand's year as Chair of the Pacific Forum. It would certainly deliver "new ideas and new ways of doing things" and demonstrate that there is a willingness to "be creative, innovative and open to new ways of approaching old problems" with a view to helping to "make our home – the Pacific region – an even better place to live, work and raise a family" (Key, 2011b).

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A land backed currency issued by a local authority

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> "Money is deeply and irretrievably implicated in the conversion of the land commons into private property, the final and defining stage of which is its reduction to the status of just another commodity that can be bought and sold."
> Charles Eisenstein *Sacred Economics*

Summary

This paper develops the case for a currency issued by a local authority and proposes a contract where a land levy is paid to council in exchange for local dollars to assist would-be purchasers to buy land. It addresses both land and money together. It argues for a currency that has a built-in incentive to circulate fast. It will supplement the existing interest-bearing monoculture of a national currency. It introduces a local Citizen's Dividend. Local currencies need to shift up a gear. It describes the probable effects of such a marked change in the scale of complementary currencies, where they are issued in millions rather than hundreds of dollars. It argues that such a currency will stabilise the price of property, cause new prosperity, move business towards sustainability, stimulate new industry, create new jobs and move to a low carbon economy. The knock-on effects on the central government are discussed. It argues for a smooth gradual introduction of this dual currency system linked to land. Involvement of Maori is essential from the beginning.

Assumptions

1. That, because land is not an ordinary commodity and everyone has a right to land, no one should profit from owning land.

2. That local government should have more power relative to central government.

3. That the health of the local economy and the health of the national economy are equally important. A win for one is a win for the other; a loss for one is a loss for the other.

4. That local government and central government should therefore be in constant negotiation with each other. They are friends not enemies.

5. That inflation and deflation are undesirable and must be strenuously avoided.

6. That homes should be more affordable and there should be a higher rate of home ownership.

7. That wealth should be more evenly distributed among the citizens.

8. That taxing earnings, enterprise and spending is counterproductive.

9. Farmers should be farming for food growing and not for capital gains.

10. In the face of financial and environmental crises and resource limits we need to have a

scaled-up local currency so this is a golden opportunity to design a currency with a circulation incentive.

11. Dual currencies supplemented by many smaller local currencies like timebanks and LETS bring stability, resilience and prosperity.

12. Those who hold the land in trust and make it more productive or improve the buildings on it should be rewarded by the system, never penalised.

13. With the global financial situation unwinding fast we are facing a future of a diminishing money supply yet a declining purchasing power, in other words a long depression.

14. We are living in a cauldron of threat yet in an exciting time of creativity.

15. A Sharia compliant currency would alleviate some serious political issues.

The current money is land-backed but banks and property owners have benefited from it

Currently 98% of the money supply of a country has been issued by private banks at interest. Most of this money is issued as mortgages; so overseas-owned banks currently have a claim on a large proportion of New Zealand's homes and farms. And it also means money is deeply implicated in the conversion of the commons to private property. Banks benefit from the rise in land prices because they are always lending more and more and property is the security for their mortgages. The monopoly money system brings instability, partly because of growing debt. Banks are owed $173 billion worth of mortgages in NZ. We need to stabilise the price of land.

Property Speculation is over but has been very profitable

When the price of land increases over time those who own property gain when they sell it. So excess money in the economy currently tends to go into speculation in real estate. Lured by bank promises of big loans and helped by a tax system that encourages property ownership, investors are buying second and third homes. This is no good for productivity. According to the Productivity Commission Dec 2011, average section prices tripled from $50,000 in 1992 to $150,000 in 2007, a fifteen-year period. But the rises in property values are not because of the effort of a landowner. It is the efforts of the surrounding community that causes the value of the land to rise. When a new railway is built the land near it rises in value. When a new business comes to town the land rises in value. The windfall should not therefore be the property of the landowner but should be publicly captured. Property speculation has been particularly profitable in the land surrounding growing towns and cities.

However when property declines in value, the opposite happens. Banks refuse to lend, the prices are forced down and the economy shrinks. It would be much better if the price of land was stabilised.

Land and money are two inseparable issues and must be dealt with together

The combination of these sick systems has resulted in increasing wealth disparity, as wealth has concentrated with banks and property owners. If we fix the money system and keep it as a monoculture, but deal to the banks with a monoculture monetary reform, landowners will further aggregate wealth and there will be inflation. House prices rise dramatically. Fix just the land system and money will concentrate with banks. Banks will “row the economy” between tight money and easy money causing booms and busts. They put up interest rates for “riskier” business loans. They buy patents, radio spectrums, copyrights, and trademarks. They bribe governments. So both issues need to be tackled together. The land and money issues intersect at one point – mortgages. So it is on this we should focus.

The booms and busts are now escalating and we have had huge property bubbles and bank ponzi schemes, which must now unravel over the next decade. Every few years there will be a property bubble followed by a banking, monetary and sovereign debt crisis. Both monetary reformists and Georgists have claimed that the Global Financial Crisis, whose effects will be felt for decades, was due to their issue. It is not either/or; it is both/and. We need monetary reform and public capture of the rent on land.

After decades of exponential growth interrupted by occasional corrections acting as a brake, now we are in a situation where the brakes are going to be on much of the time.

Land prices, inflation and deflation are inextricably linked

1. *Since 1999 land prices have been left out of the basket of goods used to measure the CPI.* Yet house prices grew an average of 4.9% a year to 2011 from 1992, while in a period of steep rises like 2002 to 2007 they rose 12.6% a year! Section prices tripled in the fifteen years to 2007. If we had a more valid measure of inflation, interest rates would have been much higher and people would have suffered much more. So since 1999 we have been sheltered by a statistical anomaly.

2. *Rising land prices are a consequence of the inflation of the money supply and diminishing land prices are a consequence of the deflation of the money supply*. On a rising property market banks create more money in the form of debt money, the money supply increases, while on a falling property market, banks create less debt-money in loans and the money supply decreases.

3. *With inflation it gets easier and easier to buy property over time for those already on the property ladder and with deflation the opposite is true.* Much of the motivation/imperative to buy a house for the past thirty years has been to exploit the inflation of the money supply. As the money supply expands, the real size of the mortgage shrinks so it gets easier to pay off. As the money supply declines, the real size of the mortgage increases, making it harder to pay off. So don’t have a mortgage in a deflationary period. Shrewd property owners seeing a crash coming will sell up, keep cash and are in a position to buy up cheap land at the end of the crash. That is what happened in the Great Depression.

With deflation, even though prices are falling there is not enough money in the system for buyers to afford houses. Wages are lower and purchasing power is less.

No graph created by a statistician should ever have to correct for inflation or deflation, because there shouldn’t be any. We are already at the beginning of a long depression unless something drastic is done. Otherwise we just career along in the same faulty vehicle along the same downward path. The Global Financial Crisis is going to take a long time to unwind. We need to stabilise land values, inject liquidity and protect ourselves from being dependent on a monoculture currency when the money supply is constantly shrinking.

Proposal for issuing Rates Vouchers using a Contract to pay an ongoing Land Levy: To balance the 'patriarchal' monoculture of bank issued interest-bearing debt currency we need to have a series of 'matrifocal' smaller currencies issued with a circulation incentive. The proposal is to let Councils issue Rates Vouchers. This new money is designed to decay not increase in value. In order to link the new money to the value of the land we propose the Council contract with would-be property owners to give them newly created Rates Vouchers, (valid for payment of rates) to buy their land. In exchange the landowner creates a land covenant requiring the landowner to pay a regular sum to Council, this sum to be a little less than what they would have paid in mortgage on the land value and rates together. It would be paid partly in Rates Vouchers and partly in NZ dollars, (the rate to be determined, being aware that to pay the NZ dollar component becomes progressively harder over time).

In effect the Council gradually buys up the land but the guardianship and responsibility remains with the owner and the title is burdened.

The Land Levy is ongoing. It is not a mortgage that eventually gets paid off.

Land Rental Index Would the payment be linked to inflation? No. Inflation is linked to interest rates, which assume a one-size-fits-all situation for the whole country. Land isn't like that. Some sites are more desirable than others. The payment would be linked to a Land Rental Index. This is an index of averaged land rental values for a geographical zone over time. Land rental values are much more stable over time than are interest rates.

Be clear this isn't a land **price** index. Speculation in land drives prices up but doesn't drive rentals up. It is the rental value that is important. And as land prices come down, the rentals remain much the same. Land keeps its intrinsic value over time.

So what is a land rental value? It is the value of the weekly rent on the property less the cost of the improvements expressed as a weekly figure. See what landlords are charging, subtract out the costs of improvements. Then you have got a land rental value for that property. I rent it for $600 a week and it has a building worth $200 a week then the land is worth $400 a week. Do this calculation of land rentals or a convenient sample and then take the average change year on year. The value of the improvements goes up when it there is investment in improvements.

Because it is an index of the land rental value over time, it doesn't vary much. Only sudden catastrophic events like land subsidence or an earthquake will change the land rental value dramatically. It could drop away to zero. When a major new service like a rail link arrives, the land rental rises. So you pay what it is worth.

So what if my property is constantly overvalued? Personal gripes won't matter too much because consistent overvaluation or undervaluation doesn't affect the movement of the index. People need only to watch how the index moves. With Land Levies you pay what the land is worth until it is gone and then stop paying it if the land is useless, as when a house falls into the sea. It might make sense to have an index for residential rentals and one for commercial, so you can take into account different permitted land uses – residential, retail, agricultural and industrial uses and distance from services.

There might be 10 different regions and within that 100 different zones, making 1000 zones for the country. The land rental index would be much the same over any small town but there might be many zones in a city like Auckland. The regular payments or levies paid will vary according to the local land value index. An index might go down as in the case of eastern Christchurch suburbs after earthquakes, or up, as in the 1986 case of when Waiheke Island got its fast ferry.

Overall a land rental index is more stable than interest rates. Whereas an interest rise from 5% to 6% is actually a 20% rise in mortgages, a land index is more likely to change by less than half a percent per year. In the case of Christchurch some suburbs after the earthquakes were deemed Red Zone, or uninhabitable. The land value effectively dropped to zero so the payments would drop to zero too.

But when there was a drop in property prices as happened from 2007 to 2011, then the land value index would drop and the payments would drop. Rather than having their home repossessed by banks if they got into financial trouble, property owners would just have lower payment to make to councils.

Wouldn't the Council then own the land?

No. The fact that the contract gave money up to the value of the land does not change the ownership of the land, but the required Land Levy is included in the title as an encumbrance – a big one. It would be enough to drop the price of the property dramatically and make it more affordable. Because the encumbrance is on the title, the 'owner' then effectively becomes the guardian of the land or 'kaitiaki o whenua', as it should be. The owners are fully responsible for what happens there.

This is an opt-in scheme where would-be homebuyers can contract with local government to covenant their land with a financial obligation, an agreement to pay a regular sum to council in exchange for the Council giving them a lump sum to pay for their land. At this stage the Council is exempting them from all land related like rates and other charges. The sum paid will be negotiated case by case according to legislative guidelines and be, say, the amount they would have paid in mortgage interest on the land together with the rates, minus say 10-15% or it may be up to 20%, depending on the land use.

Legislation may be required. This scheme would require legislation to amend the Land Transfer Act to clarify or reintroduce a provision for a 'rentcharge' in a 'Memorandum of Encumbrance against the Title'. This has been used in the past, with perpetual rentcharges. There will also be legislation needed to specify what purchasers could expect from councils and what land levy must be paid. A land index must be created in law. The penalties for noncompliance must be spelt out in law. The Reserve Bank Act will also have to be amended to allow for local currencies and for the establishment of a bank dealing in local authority currencies. There are possibly other Acts that may require amending like the Securities Act and the Local Government Act.

So what is a covenant? There is a provision in property law that allows land to be covenanted, or subject to a solemn promise. It is an agreement often between adjoining landowners to do something (affirmative covenant) or to refrain from doing something (restrictive covenant) with relation to the land. An example of an affirmative covenant is a promise to build a fence, while an example of a restrictive covenant is a promise not to develop land for commercial use. Each covenant has two sides: the burden and the benefit. The burden is the promissor's duty to perform the promise and the benefit is the promissee's right to enforce the promise. These covenants ‘run with the land’, which means that subsequent owners of that land must honour the covenant. The title becomes burdened.

How will a Rates Voucher work?

The Rates Voucher is a promise by the local government to accept the note for the payment of rates. If it were a note the Mayor and Treasurer would sign it. This is done interest-free at almost zero cost to local government. On the note would be printed the words “This note is valid for the payment of rates to Wellington City Council” or something similar. And ultimately they must be acceptable for the payment of rates.

The incentive for circulation is dealt with not by a negative interest rate, but by making the note redeemable on a certain fixed date. This will be further explained later.

But how would you guard against inflation or deflation of the currency?

If there is too much local currency in circulation it will become gradually less trusted. People will go back to the national dollar. The rationale for having a local currency backed by a promise to accept it for rates is to create the conditions for people to trust it and accept it. Therefore there has to be careful management of the amount of currency in circulation. Since councils have to buy petrol, machinery and other things that can only be bought using national currency, each council would have to decide what proportion of the rates bill would be billed in the local currency. It may be 33% for instance. If there are too many local dollars out there, the council will not be able to accept them all.

So how would it work out? A council that collects $120 million in rates a year might issue just $40 million in local currency annually and these would be issued with an expiry date. The object is to design it to be a ‘use it or lose it’ currency, just like Flybuys or the tickets you buy for a concert or a game of rugby or a plane trip. If you don’t present your ticket on that date, it is no good trying to present it once the concert, rugby game or plane trip has been and gone. Because they know the size of their rates take, each council knows how much to issue.

Although most Councils allow for rates to be paid quarterly, an annual system would be better. The currency could start by being issued on 1 Feb 2013 and redeemed on 1 Feb 2015, two years later. They may decide to issue $40 million in local currency. The next year they do the same, issuing them on 1 Feb 2014, making them due on 1 Feb 2016. So there is an overlap and two sets are in circulation simultaneously.

Paying for the land for a couple of dairy farms in Southland might take up all their allotted issuance for three months. But if sections are worth $200,000 each the Council could pay for 50 sections every three months. That is a fair bit. If the sections are worth $400,000 each then they could only cover 25 sections every three months.

So if we know how much local money is out there we know that the Council can and must accept it all for rates and everyone will be happy. Some people won’t cash up their local dollars on time, just as some people will miss the plane. There has to be a mechanism to deal with those who inadvertently forgot to present their tickets in time. And of course the Council itself trades in local currency for its licences, resource consents and pays some of its wages in Rates Vouchers.

Now let's examine why there would be an incentive to use them or lose them. When they are issued people have two years to cash in the notes. As time goes on and the deadline looms, there will be less of a demand for the notes. Users would prefer the most recently issued notes, so those notes are worth more. In time, holders will take their old notes to the bank and change them at a loss for new notes and the bank manages the exchange rate.

There will obviously be tweaks to the system as it starts to operate. The fraction of 33% might be adjusted up or down. The Council might find they need to issue the rates vouchers with a closer expiry date, which would cause them to circulate more quickly. The notes would be more of a hot potato and everyone would feel the urge to pass it on quickly. Like Cinderella the notes will turn into a pumpkin at midnight and will no longer be a princess. Or the notes might need to be issued with their redemption date further away, so they don't circulate so fast. There will be a trial and error period until a pattern is set.

There is no interest on each period's currency. Like gold, it is inert. It has no "ownership value", pays no interest. The currency sits in someone's account until it is redeemed. But the value of the earlier notes declines over time.

A system with rather a similar circulation incentive operated in Europe between the years 1040 and 1280. The local lord issued the local currency in coins, and the practice was that this currency would have to be handed in when the lord died and there would be recoinage. But it was common to hand in four coins and receive only three, an equivalent of a 25% tax. Nobody knew when the lord would die so people spent them as fast as they could and the result was those magnificent European cathedrals. These were to provide the town with pilgrim and tourist income for many centuries. People spent a lot of time on maintenance of their ovens, winepresses, mills and heavy equipment. There were variations between districts, just as there will be between different councils.

So there is the paradox. Money that decays in value can actually result in long-term thinking and long term investment.

The period was one in which rents were paid on land, which of course was all owned by the lord of the land, or landlord. There are several other prosperous and happy periods in history where there is both a rent on land and a dual money system operating. Both are needed.

There would have to be a Local Government owned bank.

Since we are in a digital age, everyone needs a bank account and that means a special bank is needed to deal with local money. Everyone who uses Rates Vouchers would open an account, and the Council would pay the administration fees. As the new currency is designed to decay not attract interest there is no bank income. The bank would be able to lend out to locally owned businesses and of course would be there for loans on houses. These are not mortgages, but loans. If the bank lent out $250,000 for house building it would eventually be repaid $250,000.

Rating systems

In discussing rates below we need to bear in mind that the New Zealand situation is that most councils these days have a mixture of fixed annual charges, together with charges based on either unimproved land value or on capital value. The general trend appears to be towards capital values with a higher and higher proportion being fixed annual charges. However all this is irrelevant because we are only concerned with the unimproved value of the land now. The proposal has the effect of increasing the council revenue to so much that all those complexities become unnecessary. But Councils still have to retain a right to charge for anything they want to minimise like water use and rubbish.

How to calculate Land Levies

First we have to ask in what currency or currencies the levies are to be paid. This important topic requires considerable discussion. Without claiming to reach an answer I offer the following seven examples.

I have taken a discount of 20% for all except rural properties distant from services, where I have arbitrarily put the discount is 50%. It may even be wrong to value rural properties as a single group. Maybe there should be an index based on distance from services so that land just outside a city or town is valued much the same as those within the boundary. It is properties like these which cause problems, such as when we lump all rural properties together for rating purposes just because they don't have sewerage or water services.

Example 1

A couple in Otaki wanted to buy a section for $127,000. The rates on the land are $800 a year. If they were to get a mortgage of $127,000 at 6.9% they would have to pay $8723 a year in interest. The total land associated outgoings would be $9723 a year. The couple then enters into a contract with the council to receive the $127,000 they needed in Rates Vouchers, and in exchange there are no further rates obligations. But in the covenant they agree to pay Council, say, $8094 a year from then on. The council could charge them for water and sewerage.

Suppose they then spent $450,000 building a house. The price of their house when they came to sell it would represent anything they put into it less depreciation.

Example 2

A 419 sq m section in North Epsom, Auckland, in the zone of many elite schools and within walking distance from Mt Eden village is on the market for $740,000 and its rates are a mere $1200 a year. New purchasers could go to Auckland Council for a contract where they agreed to receive Auckland dollars to buy the section in return for a hefty regular payment to Council. At 6.9% mortgage the land-associated mortgage component would have been $51,060 and their total land associated costs would be $52,260. At 20% discount they would pay $41,808. At 10% discount it would be $47,034.

Example 3

A family wanted to buy a rural property worth $900,000 of which the land value was $700,000 and the rates were $1500 a year. They would have paid 6.9% interest on their mortgage of $48,300 to the bank. Outgoings would total $49,800. The Council created $700,000 of Rates Vouchers in exchange for a Land Levy of $39,840 a year. This is 20% less than they would have paid in rates and to the bank.

Example 4

A couple in Auckland is buying a house in Mt Albert for $700,000. The land value was $420,000. The bank would have given them a mortgage at 6.9% so the land component of this would have cost them $28,980 and their rates were $4200 a year, a total of $33,180 a year. Their land levy was negotiated to be $26,544 or 20% lower than [banks plus rates].

Example 5. A Turangi section was on the market for $60,000 and the bank payments would be $4140 a year, rates $800 a total of $4940. A discount of 20% would bring it down to $3312 a year.

Example 6

1.86ha coastal residential land with further subdivisions available is for sale at Kerikeri for $1,200,000. Rates are $2430. Current outgoings would have been $85,230 at 6.9%. Discount at 30% would be $57,000 a year, at 20% $68,184 for the land levy.

Example 7

A do-up home in Greerton, Tauranga is on the market for $249,000. Its land value is $146,000 and its rates are $1700. Total outgoings would have been $11,774. A 20% discounted Land levy is $9419.

Effect on house prices

The covenanted properties, being financially 'burdened', would then have a very much lower market value. With dropping house prices this arrangement would benefit would-be first homebuyers. According to the Productivity Commission (Dec 2011) land values are typically 60% for most Auckland, North Shore and Queenstown homes and even more for older homes in big cities, so the covenanting process would actually drop the price of the property by a whopping 60%.

But the landowner would in exchange be relieved from all land related taxes – rates. And very soon, when the local government issues a Citizen's Dividend, landowners would get other financial benefits (more about Citizens Dividend later). While the property value would drop dramatically, the landowner would still have the same or slightly more equity and so would not be disadvantaged. In fact they could be considerably advantaged, because there is a larger market in the group of buyers for cheaper properties.

This paper is advocating a switch to Land Levies on a plot-by-plot basis, exchanging the new levy for removal of the old burdens. The country can then move gradually and smoothly to a fairer system. It does this by the accumulated benefits of a growing number of individual actions.

Effect on the local economy

Vendors when offered part payment in local dollars may be puzzled. What would they do with it? They might want to buy a house in the same area, so could offer part payment in local dollars. This chain would continue until it encounters a vendor that doesn't want to buy a house at all. The first challenge has arisen. Who will accept this new currency? It is a fair chunk of money to spend and what is more there is an imperative to get rid of it fairly quickly.

Of course the Rates Vouchers will be useful in paying rates but it is unlikely they would all be used for this or even for buying goods and labour within the district. It is most likely they would be used as an investment. But how? They may have another house in the district and want to build on a flat to rent out. Or they might have mortgaged their home to pay for their business development. They find that instead of paying national dollars to pay their employee, they could pay them partly in local dollars. Or they could lease land and plant trees for timber or firewood or pay for anything that required local labour. Because of the circulation incentive they have to spend it before a certain time elapses or it would decay in value.

And how would their employees spend their Rates Vouchers? At the start Council and community leaders would have a responsibility to encourage local businesses to accept the currency. For example supermarkets may accept, say, 10-15% of their takings in local currency, and big local businesses might accept a larger proportion. Builders and tradespeople could accept part of their payments in rates vouchers, local markets could encourage use of the local currency, and Main Street businesses could pay part of their labour costs. With no disincentive for doing up houses, the local builders will have heaps of work. Homeowners know it not going to increase their rates. So home repairs start happening.

With more liquidity in the system farm labour would now be affordable, bringing considerable benefit to the rural sector, especially in labour intensive organic farms. Farmers could pay out Rates Vouchers as part of their wages to fencers, shearers, labourers etc. The arts would also thrive. People might want to commission substantial works of art from local artists.

Farms, where the land value is the major portion of the total value, will also become more affordable. In effect the land has been removed from the market economy and the farmer is buying the improvements only. One generation can easily pass the farm to the next because they are only bequeathing their improvements. However the family knowledge of the land is passed on and the land benefits from this knowledge.

With Land Levies there will be an incentive to build upwards and thus earn more off their location, especially if a blanket zoning of 2 stories is added (this will have to happen soon in a climate ravaged future) to locations within, say, 7 kms of a CBD in the major cities of the world. Thus there will be more rental accommodation and downward pressure on prices.

As holders of local currency have to pay insurance and power in national dollars, it would put pressure on the local economy to start a local insurance company and have a locally owned power company.

With a penalty for hoarding everyone would have an interest in persuading others to accept it. The faster it circulates the more good it will do for the local economy. Struggling locally owned stores would no longer have to sell up and be replaced by stores selling cheap Asian goods and Australasian chain stores. Kapiti Lights shopping centre would benefit, as would Paekakariki and Otaki village. More local dairies will spring up again.

Best of all, manufacturing would re-emerge to add value to local produce and local materials. But this time it is manufacturing with a dramatically lower carbon footprint. At last we move to a low carbon economy with an incentive for import substitution.

Effects on revenue of local and national governments and a local Citizen's Dividend. As more and more people opted into the Land Levy scheme councils will notice their revenue rising. Some landowners are paying four to twenty times what they were paying before and this soon mounts up. It is revenue the Council never dreamt of. It is public revenue. So a proportion of it should immediately be distributed as a Citizen's Dividend to residents, giving each local citizen a cash handout to spend in the local economy.

The actual process would most easily be accomplished through channelling the local currency through the Inland Revenue Department, which has a record of all the citizens in the local authority area.

Are there precedents for this? Yes, in 1951 when the wool price was high the NZ Government distributed a small dividend to all families and pensioners.

Government will notice a thriving local economy with a drop in unemployment and new business development. They will look on with envy. The local MP will notice.

However the central government's revenue is still unaffected. In fact Treasury may notice that some residents in that local authority area are avoiding some of their income tax or not paying GST.

At this stage the Local Authority should say to Government: 'Then you can set up a similar scheme if you want to. There are historical precedents for governments writing Treasury Notes receivable for taxes. You can give out those notes in exchange for a land levy too. Then you too, can pay a Citizen's Dividend in New Zealand dollars. Then you can reduce GST or income tax or company tax. You shouldn't be taxing on work or initiative. You would create jobs if you dropped GST.'

It gives local authorities a bargaining tool. Suddenly they have some bargaining power with Central Government. Healthy local economies are not the be all and end all, for in a healthy New Zealand economy every part must thrive. An organ can't be healthy unless the whole body is healthy.

Effect on Banks

The banks meanwhile are at their wits end. It is a PR nightmare they had dreaded. Here are all these citizens delighted with their local authorities and having sufficient income to pay their essential bills. They notice that the Citizen's Dividend is proving highly popular and no one wants to go back to the old system. The banks will start to pressure government to stop this madness. But if several local authorities are finding that their local economies are regenerating fast and their citizens are happier, then there are now several MPs who will oppose any move to change a law. That is why it is better to do it at local authority level first before at national level. Grassroots movements well planned can all always overcome the power of centrally owned corporates. There would be just too many fires for the banks to put out all at once and they give up because they can no longer influence public opinion.

Effect on the stability of the economy

Because homeowners are not having to take a mortgage for land and dwellings but just for dwellings, the nation's private debt declines at last. Simply shrinking the nation's mortgage debt would be a massive economic stabiliser, because the household sector wouldn't be vulnerable to ‘pumping and dumping’ from interest rate variations. Stabilising land and property values will be of benefit to everyone.

Not everyone will opt in

Many will argue that it wouldn’t work or maybe they oppose it on other grounds – these people can just stay out and watch. However they certainly won’t mind receiving their Citizens Dividend.

Because the local Rates Voucher creation occurs only when buyers want to buy land, property owners who have paid off their mortgage won’t opt in. For those who are sick, frail or just tired and feeling old, they can just stay out. No problem.

However if homeowners have good earning power and energy they could benefit greatly from this scheme. But when the elderly moved out or died and the house was sold the land might finally become covenanted. Those who have land used partly for the public purposes like historic buildings, conservation land can either refrain or negotiate a lower Land Levy. Farmers, who traditionally object to land value taxes, can see their payments drop and those who want to farm will be able to buy without a huge mortgage.

The lump sum would be paid in Rates Vouchers, possibly in electronic form at settlement date to the vendor, who would either use it to buy a new home or to spend in the local economy. This is proposed for those who wish to get the balance of their house payment, not from the banks, but from local government in local money. It will only work for willing vendors. You can’t be in breach of the contract.

Every contract would be different, according to the size of the lump sum required and the rates. The contract needs to be written at a fair market value. ‘Fair market value’ is such that the equity of property owners is unaffected. The incentive will be that the sum paid to council will be less than is paid now in mortgage and rates. [This would exclude costs for water, if applied, and charges for any other service where there has to be an incentive for using less.]

Is it appropriate for Māori?

“The huge opportunity here is how to maximise the inclusivity and mass appeal of this proposal. In this respect, in principle such a proposal (or an appropriate variation of it) represents the potential to benefit a significant Māori population, and we would do well to consider a specific strategy to engage whānau (Māori families), hapū (Māori sub-tribes) and iwi (Māori tribes) in the design, delivery/ implementation, monitoring and evaluation of it.

More socially-responsible land 'management' and 'guardianship' schemes are not new to Māori or other indigenous peoples for that matter (I say 'management' and 'guardianship' because Māori traditionally have no concept of land 'ownership'. Rather, it would be more appropriate to conceptualise the land 'owning' the people). However, a question to be answered is, in rural areas especially, much land is already Māori-'owned' (in a Western sense): so how might land-'owning' Māori 'opt into' such a scheme? While many Māori may be 'land rich', they are often 'poor' in their ability to utilise it. This is in part a reflection of the relationship tension that exists between Councils, and Māori (who perceive they gain no infrastructure value for rates imposed on them). This underlying relationship dysfunction will need to be addressed before sufficient Māori trust can be restored to opt into a scheme administered by Councils. If not, the proposal is likely to be perceived by Māori as inherently risky, thereby alienating a significant sector of the community for whom such a mechanism is actually meant to be working for."

Small businesses

Small business would benefit once the Government has sufficient revenue to discontinue GST & company tax. Small business is crying out for someone to support them and for a stable monetary system. They don't want the country's investment finance going into property. Political parties with Land Levies as a policy would find this to be a wedge issue no other party has the ability to deal with. Small businesses that deal in locally sourced materials would have a major advantage.

Trial the scheme first

Perhaps it would be wise to trial the scheme on a small scale before rapid expansion. The trial could occur in many different ways. The goal is to give enough of a financial "nudge" to encourage people to join the scheme at a prudent rate. There would be no shortage of potential interest, given the extent of mortgage indebtedness.

You could trial it by placing a limit to the monthly payment under the Land Levy would be a good place to start – perhaps just do rates plus $100,000 of debt. You could trial a scheme in many different ways. It would test for all the potential hazards, maybe just by contracting with those with bare land.

So would people with mortgage free homes go out and buy a cheap one with a mortgage so they can benefit? No. They end up with a second house and this new one has covenant requiring a high land levy and their equity won't go up in that house as a result. Moreover they would have to pay real estate fees to liquidise their gain. There is no incentive to dive into a scheme at fair value.

Effect on Landlords

The general trends prevailing in the years following the introduction of land contracts as a new opportunity for landowners:

- Firstly, their tenants' businesses would be less likely to fail or worker tenants to lose their jobs because of the state of the economy – land levies are a stabilising influence.
- Second, it is not proposed to bring in Capital Gains Tax. This ties up land, people don't sell, and they just wait for a change in government and lobby against the tax.
- Thirdly, upgrading homes would become more affordable because when central government gets in on the act too, company tax income tax and GST would be reduced significantly.
- Fourthly, the asset values of the properties would be more stable because people wouldn't be borrowing at fluctuating interest rates with fluctuating money availability.

Landlords wouldn't be prey to banks changing their interest rates at the worst possible moment, nor a sudden drop in prices. So their businesses would be at significantly lower risk - eliminating the speculative aspect. As a local area fluctuated in desirability, they would be insulated from price fluctuations because land values would tend to move with rents charged. However they would have to work as a landlord, which is fair. They would have a strong incentive to do up their houses, bringing in better returns.

Effect on low-income homeowners

As rates and insurance on properties rise, there is pressure on low-income earners to sell their homes and rent or move further out. But if a proportion of their rates can be paid in local currency it will take pressure off. And besides, with the local money circulating in the district, they have more hope for their future employment security. And when the community starts its own insurance company at least the price of the insurance won't be so exorbitant.

Legal objections for the currency

The Reserve Bank Act does not prohibit the issuing of electronic money, only of Notes. So Rates Vouchers would have to be done electronically. Like Kiwibank's Loaded Cards the Council owned bank could issue its own card with chips on which to load national currency and local currency.

The Method of Introduction is Gradual

Because it doesn't have a "big bang" introduction where everybody is forced into a new system, the potential for chaos is greatly diminished.

By using contract law, it helps protect it from political meddling. Because the negotiating principles are enshrined in law, the details can be written as regulations, which can be regularly reviewed. So the teething problems are ironed out.

What happens if our council goes out of existence and ends up as part of a super council?

Sovereignty and nationhood is generally closely associated with the right to issue your own currency. Is a local authority like the Kapiti Coast District Council a sovereign entity? What if it was to become part of the Wellington Supercity? Provisions for this would have to be enshrined in law and this deserves further discussion.

Summary

We can stabilise land values, reduce our indebtedness, make banks safer, help small and medium sized businesses, even out rises and falls in property prices, help prevent inflation or deflation, move to a low carbon economy, make it much easier for people to buy their first home, and reduce poverty – all by the same simple action repeated thousands of times. Moreover we have now maximised the chance for resilience in the face of threat by moving away from a monopoly currency which, together with poor tax policies, has caused so many monetary, sovereign debt and bank crises. The local authority solution is easiest because local authorities already have their revenue tied to property value. This moves it to revenue tied to land rental value. Several birds are killed with one stone. The monetary and land issues are all dealt with together and the bonus is more wealth equality and a genuine start to environmental healing. If appropriate engagement of Māori is managed so that they trust councils more, local authorities that adopt this policy will be oases of prosperity and happiness in a time of high unemployment and misery.

It might sound too good to be true but this proposal does exactly that. The more it is implemented the more it will do all these things.

Since all of our strategies have to be against the background of a very unstable and volatile financial and political landscape – not to mention climatic, there will be an urgency to implement policies like this.

There will be many bumps on the way.

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