Our Plan to fix

The Environment

$4.6 billion for

An environment fit for you and those who follow you to be proud of, treasure and enjoy

Poverty

$12 billion for

A society free from poverty, where everyone has enough money to meet their basic needs and be active in their community

Poor Housing

$3.4 billion for

A country free from homelessness, where every person lives in a warm, dry home

A plan that's Great for the Environment - Great for People - Great for Business

$20 billion every year - at no cost to taxpayers

Chris Leitch
Party Leader

SOCIAL CREDIT

www.socialcredit.nz

Authorised by Anne Leitch, Secretary, 42 Reyburn House Lane, Whangarei

Gloria Bruni
Party President

Head Office: 42 Reyburn House Lane, Whangarei
Email: leader@socialcredit.nz   Website: www.socialcredit.nz

RECLAIM OUR FUTURE:

Prepared by Lowell Manning May 2020

Ongoing exploitation of the planet's resources, animals, and plants has led to destruction of vast areas of forests and a crisis for many of the animals that inhabit them, pollution of the oceans with plastics and waste that threatens the existence of the creatures that live in them, and dramatic reductions in the space that land animals need to survive.

Unrestrained "free market" neoliberal capitalism has led to a massive increase in inequality and poverty, and immeasurable damage to the social fabric of local communities.

It has caused a profound shift away from public ownership of our collective commons (the things we all own collectively as a nation) and encouraged self-interest, rampant competition and overt consumerism.

People's connections to their environment, community, society and culture have been steadily eroded.

In New Zealand over the past 40 years we have lost at least $300 billion we could have used to stop many of those things happening. And that $300 billion does not include the impacts on our society and environment resulting from the sale of our land and productive capacity to foreigners.[1]

The same economic system that has produced this crisis cannot be trusted to fix it.

Our children's futures and the survival of the ecosystem they will need around them are at stake.

Reclaim Our Future is our vision for a world secure for the future generations who will live in it.

SUPPORT US NOW to Reclaim Our Future

[1] Appendix 5

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Head Office: 42 Reyburn House Lane, Whangarei
Email: *leader@socialcredit.nz* ***Website:*** *www.socialcredit.nz*

THE FIRST STEP:

The first step doesn't need more money. It needs new thinking.

Privatisation of money is a root cause of our crisis.

Few of us know that our money has been privatised - commercial banks, owned by private shareholders, originate, own and control almost all our money supply.

Even fewer know how much better off we and the world around us would be if we used public money instead of private money.

Privately owned commercial banks presently create new money every time they issue loans to their customers (they don't lend money people deposit with them). The only constraint on them doing that is the availability of credit-worthy borrowers. They add about $20 billion of new money each year [2].

That new money is vital because it allows us to buy and sell, create new assets like buildings and infrastructure, and operate society's vital systems like health and education.

But the private banks choose how much money they issue and how it is used, based on the profit they can make rather than on what is good for us and the environment.

The government, through the country's central bank (Reserve Bank), can issue the same $20 billion as public money at no cost to taxpayers to replace the private bank money and use it to secure the future of our country, our children and future generations.

New Zealand could be a beacon of hope and export the concept to the rest of the world.

This one simple change in the way new money is issued and used will make a world of difference: a different world.

So, the first step is for the Reserve Bank to issue some of the country's new money and ensure the government has first use of it. [3,4]

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[2] On the present trend (Appendix 2 graph) it will be $28 billion/year by 2029. In the 12 months to October 2019 it was already more than $28 billion.

[3] The crown (government/parliament) has controlled the issue of new money for most of recorded history. Private bank issue of new money began in 1694 when the Bank of England was set up, expanded during the industrial revolution and exploded after August 15 1971 when the gold peg (linking the US$ to gold at US$35/oz) was abandoned.

[4] $20 billion is a conservative estimate of the new money the economy needs each year over and above existing bank debt. How existing bank debt is dealt with is discussed briefly in Appendix 3.

Head Office: 42 Reyburn House Lane, Whangarei
Email: leader@socialcredit.nz   Website: www.socialcredit.nz

THE SECOND STEP:

Spend $20 billion/year to Reclaim Our Future

The Government will spend new money into the economy to ensure the future wellbeing of New Zealand, its people and its environment.

Reclaim Our Future ***replaces*** the new money the banks supply now. The new spending will be in addition to existing government spending. There is no cost to taxpayers or the country and everyone will be much better off.[5]

After the government has spent the new money it becomes deposits in the financial system. Much of it then becomes available for on-lending to borrowers. [6]

$20 billion/year is very conservative as net monetary expansion is presently much higher, (Appendix 2). By way of illustration only, $20 billion of new money could be spent like this in three important areas:

For housing:

$3.4 billion/year (1.1% GDP)

$2.8 billion for housing especially rent to own homes

$0.5 billion for assistance to voluntarily relocate households who do not own their own homes from high cost housing areas to low cost housing areas where there are permanent jobs available

$0.1 billion to reduce annual net immigration to 25000

For Environmental improvements:

$ 4.6 billion/year (1.5% of GDP)

$1.2 billion/year to reduce dependency on fossil fuels

$0.5 billion/year to reduce farm pollution and promote regenerative farming.

$0.5 billion/year on energy efficiency including insulation and solar energy

$0.7 billion/year for pest-free NZ, and 1080 alternatives.

$0.5 billion/year in tree planting on hill country and offsetting non-farm, non-fuel greenhouse gas emissions such as those from industry and construction.

$0.7 billion/year for Council climate change remediation

$0.5 billion/year on waterways clean up

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[5] Except, perhaps, private bank shareholders, depending on how the proposal is structured.

[6] Appendix 4. Borrowers will borrow money from savers and also from public money provided to banks from RBNZ under license, instead of money created by banks.

AND for Poverty Free New Zealand

$12 Billion/year (4% of GDP):

$1.1 billion/year to make urban public transport fare-free.

$4.0 billion/year in tax cuts for low- and middle- income earners by making the first $20,000 of income tax free (1.3% of GDP). The tax rates in other tax brackets will be adjusted so that everyone earning under $70000/year, about 75% of all income earners, will pay less tax. [7]

$1.8 billion/year to fund a dividend of $30/week for all children 0-18 (0.6% GDP)

$2.6 billion/year to increase income support as in Table 1

$2.3 billion/year for free GP and dental care subject to a $20 per visit co-payment to avoid wasting resources[8]

$0.2 billion for an unconditional income trial (one-off expense only)

Table 1

Increase	weekly 2019 figures + $25 Covid-19 response			increase
single adult "jobseeker" support from	$243.94	to	$400 weekly	$156
single adult supported living from	$298.70	to	$400 weekly	$101
sole parent support from	$410.60	to	$470 weekly	$ 59
two adult "jobseeker" support from	$389.94	to	$540 weekly	$150
two adult supported living from	$481.14	to	$540 weekly	$ 59
two adult + children "jobseeker" from	$416.00	to	$580 weekly	$164
two adult + children supported living from	$507.20	to	$580 weekly	$ 73

Table 1 is part of a separate proposal "Reclaim Our Wellbeing" to eliminate poverty and make much of Work and Income New Zealand (WINZ) redundant. Much of the new money for Poverty-Free New Zealand will be available for consumption. Inflationary effects are unlikely though it may slightly affect New Zealand's balance of payments[9]. For certainty, the plan may be progressively implemented and monitored to demonstrate it does not lead to inflation.

[7] Appendix 1

[8] Everyone should be able to afford $20 co-payment because every household will be above the 50% equivalised median household income poverty line after housing costs before including the benefits gained from free dental and doctors' care.

[9] There will be some import substitution as New Zealand businesses expand once a Foreign Transactions Surcharge (FTS) is introduced to correct New Zealand's balance of payments deficits. The Foreign Transactions Surcharge is discussed in a separate proposal "Reclaim Our Land" www.socialcredit.nz/rol

Head Office: 42 Reyburn House Lane, Whangarei
Email: _leader@socialcredit.nz_ **_Website:_** _www.socialcredit.nz_

Tax Cuts

There are many ways to distribute tax cuts. The 2019 budget personal income tax take was $36.85 billion. The target tax with a $4 billion tax cut would be $32.85 billion.

One solution is to abolish personal income tax on incomes under $20,000, apply 20% tax on incomes $20,001 to $40,000 and 33% tax on incomes $40,001 and above. This simplifies the existing tax brackets. It yields progressive tax reductions totalling $4 billion on incomes under $70,000 while keeping tax on higher incomes constant. Appendix 1 shows the resulting tax distribution.[10] Table 2 of the Appendix shows what the tax reduction is for each tax bracket and average individual tax cuts for those within each tax bracket.

Nobody will pay more tax than they do now.

[10] The exact tax cut for individual taxpayers depends on where their income falls within the tax bands shown in Appendix 1.

A Few Outcomes Among Many

- Transformational improvements in wellbeing of people and planet.

- Elimination of poverty as detailed in the separate proposal Reclaim Our Wellbeing.

- Substantial financial savings due to clean air, less pollution, lower greenhouse gas emissions, pest free environment, lower health care costs and much more.

- Reduction in core government departmental expenditure such as social development and inland revenue.

- Tens if not hundreds of thousands of new jobs created. (People will work because they want to work and benefit from doing so).

- Maximum Inflation of 1% managed by adjusting the rate at which the Reserve Bank issues new money.

- Private Banks still providing working funds (transaction accounts) for business and personal use as well as initially replacing their existing loans as they are repaid.

- Enough funds available from savers' investment accounts for housing and other loans with sufficient funding for business guaranteed under Reserve Bank policy.[11]

- Private bank profits will depend on the services they provide, including as agents for the on-lending of money people put into savings investment accounts and ***potentially for*** the distribution of public money for business investment.

[11] Appendix 3

Head Office: 42 Reyburn House Lane, Whangarei
Email: leader@socialcredit.nz Website: www.socialcredit.nz

Notes

1. To maintain standard accounting practice the new Reserve Bank money might be represented in its balance sheet by perpetual zero coupon bonds though that is not necessarily required. In that case the Reserve Bank balance sheet expands.

2. The current financial system is unable to provide enough money to accomplish the things outlined in Reclaim Our Future because, ideologically, the government does not want to increase borrowing and does not want to raise taxes. Increasing the debt to GDP ratio from 20% to 25% as the Labour-led government (2019) is proposing will enable it to undertake a one-off spend of about $16 billion with the accompanying higher debt and interest whereas Reclaim Our Future provides $20 billion ***every year*** without debt or interest[12].

3. A New Zealand Credit Authority will decide how much public money can be issued. It and the Reserve Bank will become an independent Office of Parliament reporting to Parliament, not the government.

4. Resource constraints may limit the proposal implementation from time to time. Should that happen, the affected parts of the proposal will be implemented progressively.

5. The total 2019/20 conservation budget is $0.59 billion and environment budget $0.98 billion of which $0.74 billion relates to grants for NZ GHG (Greenhouse gas) Units. There is almost no capital investment for dealing with the issues around climate change.

6. For simplicity and to be conservative this proposal assumes the $20 billion programme will continue each year. In practice the programme may be able to be expanded. Additional public money could be used to increase minimum household incomes from 50% of the equivalised median income after housing costs to 60%, or to provide more housing or to provide further environmental improvements.

7. Should there be insufficient savings deposited in investment savings accounts to meet the new borrowing needs of the economy (for mortgages, business and personal lending) the Reserve Bank may make up any shortfall either directly or by making new money available to the private banks under licence.[13]

[12] "Conventional" monetary and fiscal tools have failed with the advent of Covid-19 leading governments and central banks around the world to consider and in many cases adopt "unconventional tools" like those proposed in Reclaim Our Future.

[13] See Appendix 3

Head Office: 42 Reyburn House Lane, Whangarei
Email: *leader@socialcredit.nz* ***Website:*** *www.socialcredit.nz*

APPENDIX 1

Who pays income tax… and how much?

Budget at a Glance - tax year 2019/20

The table below is projected for the tax year 2019/20 (1 April 2019 to 31 March 2020) from the Treasury's microsimulation model TAWA. It includes tax on New Zealand Superannuation and major social welfare benefits, but excludes ACC levies, Working for Families and Independent Earner tax credits. Only individuals of working age are included, that is, 16 years and above.

	(000)	%	($m)	Tax %
	People		Tax	
Zero	218	6	0	0
1 – 10,000	374	10	160	0
10,001 – 20,000	644	17	1,170	3
20,001 – 30,000	588	15	1,930	5
30,001 – 40,000	342	9	1,760	5
40,001 – 50,000	337	9	2,340	6
50,001 – 60,000	311	8	2,950	8
60,001 – 70,000	246	6	3,050	8
70,001 – 80,000	190	5	2,970	8
80,001 – 90,000	154	4	2,900	8
90,001 – 100,000	105	3	2,330	6
100,001 – 125,000	145	4	3,980	11
125,001 – 150,000	74	2	2,640	7
150,001+	122	3	8,670	24
All	3,850	100	36,850	100

The table below shows the situation following the $4 billion tax cuts and how the tax cuts are distributed.

Income	People (000)	Tax now $m	Tax new $m	Tax cut $m	Average Tax cut/ taxpayer
Zero	218	0	0	0	0
1 – 10,000	374	160	0	160	428
10,001 – 20,000	644	1,170	0	1170	1817
20,001 – 30,000	588	1,930	588	1342	2282
30,001 – 40,000	342	1,760	1,026	734	2160
40,001 – 50,000	337	2,340	1,904	436	1294
50,001 – 60,000	311	2,950	2,783	167	537
60,001 – 70,000	246	3,050	3,013	37	150
70,001 – 80,000	190	2,970	2,955	15	0
80,001 – 90,000	154	2,900	2,903	--3	0
90,001 – 100,000	105	2,330	2,326	-4	0
100,001 – 125,000	145	3,980	4,049	-69	0
125,001 – 150,000	74	2,640	2,677	-37	0
-37-37150,001+	122	8,670	*8,670*	*-0*	*0*
All	3,850	36,850	32,894		

Note: the negative figures in the upper income brackets are rounding errors due to the assumption of equal income distribution within the tax brackets

Head Office: 42 Reyburn House Lane, Whangarei
Email: *leader@socialcredit.nz* ***Website:*** *www.socialcredit.nz*

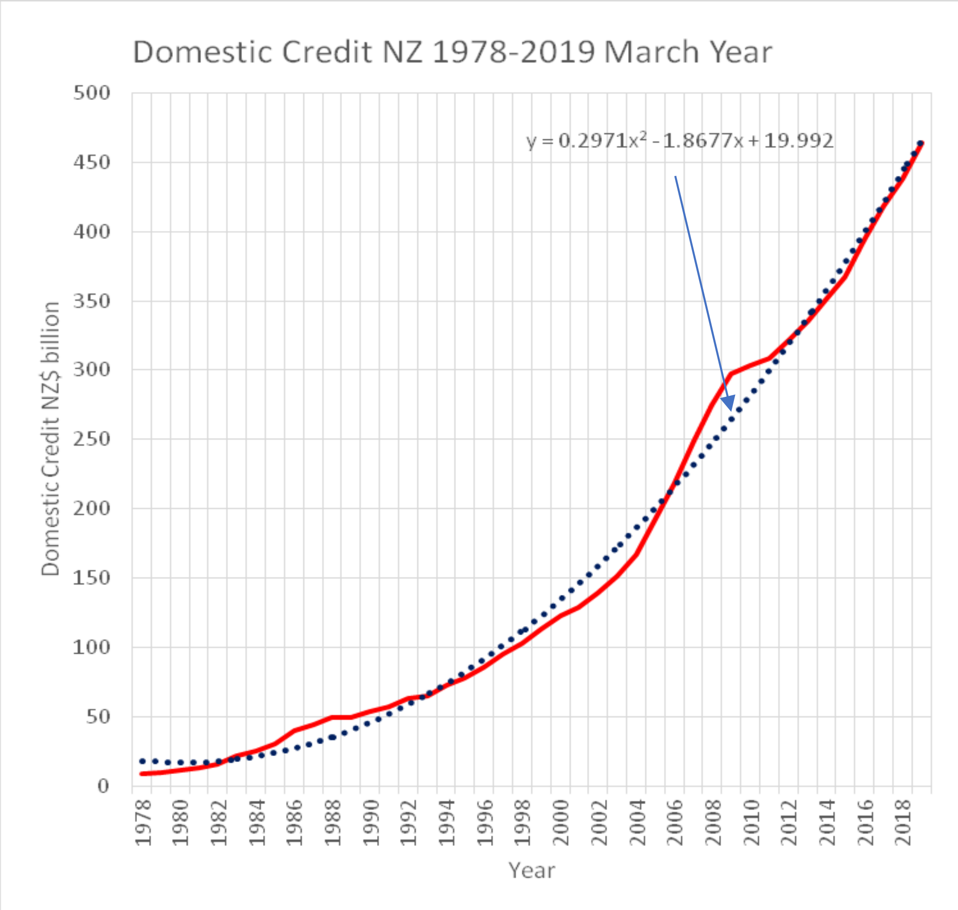
APPENDIX 2 MONETARY AND CREDIT AGGREGATES HISTORICAL EXTRACTED FROM RBNZ TABLE C50

Shows the increase in the money supply through commercial bank creation of credit, and specifically the $20 billion increase in June 2018 year.

	Broad money	**Broad money**	**Domestic credit**	**Domestic credit**
	Broad money	Annual percentage change	Domestic credit	Annual percentage change
Notes				
Unit	NZDm	%	NZDm	%
Series Id	MCA.MDB.BM	MCA.MDB.BM.ay	MCA.MDC.DC	MCA.MDC.DC.ay
Jun 2000	75,620	2.9	124,925	9.4
Jun 2001	81,397	7.6	130,030	4.1
Jun 2002	88,768	9.1	140,555	8.1
Jun 2004	106,773	11.8	174,614	13.3
Jun 2005	113,980	6.7	201,113	15.2
Jun 2006	124,982	9.7	223,408	11.1
Jun 2007	140,101	12.1	255,838	14.5
Jun 2008	154,052	10.0	282,315	10.3
Jun 2009	157,910	2.5	296,489	5.0
Jun 2010	161,316	2.2	303,999	2.5
Jun 2011	176,466	9.4	306,780	0.9
Jun 2012	188,815	7.0	324,857	5.9
Jun 2013	205,153	8.7	337,103	3.8
Jun 2014	220,294	7.4	353,781	4.9
Jun 2015	240,683	9.3	370,857	4.8
Jun 2016	261,594	8.7	398,253	7.4
Jun 2017	278,031	6.3	***422,112***	6.0
Jun 2018	297,798	7.1	***441,866***	4.7
Apr 2019	313,888	5.5	467,709	6.6

Head Office: 42 Reyburn House Lane, Whangarei
Email: leader@socialcredit.nz Website: www.socialcredit.nz

DOMESTIC CREDIT NEW ZEALAND 1978-2019 March Years



Source: RBNZ historical series domestic credit depository institutions.

The graph shows the *growth* of new money expanding rapidly. The trendline shown is polynomial (quadratic). Steep upward slopes on the domestic credit graph (1984-88, 2005-2009) show too much new money relative to trend. Flatter slopes (1989-94, 1999-2004, 2009-2012) show too little new money relative to trend. The expansion in 2016-2017 (house prices) can also just be seen.

Historically, some of the monetary expansion has resulted in inflation. However, monetary expansion in the 12 months to October 2019 as measured by domestic credit (depository institutions) was $32 billion over a period where CPI inflation was just 1.5%. 1.5% of a GDP of $300 billion is $4.5 billion.

Domestic Credit has increased ***50-fold*** over the past 40 years and on the present trend will be approaching $700 billion by March 2029. The annual change will have increased from $20 billion/year to $28 billion/year based on the trendline for domestic credit shown above. The figure of $28 billion can be obtained by calculating the difference between years X=49 and X=50 in the trendline formula shown in the Domestic Credit graph: $y = 0.2971x^2 - 1.8677x + 19.992$ For the October year 2019 (the graph is for March years) it is already ***more*** than that.

APPENDIX 3

BUSINESS LENDING

The actual injection of new money might be more or less than $20 billion depending on the availability of physical and human resources. Social Credit financial policy is to progressively replace money issued by private banks for profit, with public money issued debt-free and interest-free for the public good. The transition from private bank money to public money will take time. That's why this proposal starts with about $20 billion of public money each year.

The net increase in the money supply as measured by Domestic Credit (depository corporations, Reserve Bank of New Zealand Tables C50 and C5) has been far more than $20 billion for the 12 months ending October 2019 but even that is only part of current private bank lending activity.

Borrowers repay their loans on an on-going basis. Each time a repayment is made (almost always in digital money these days) both the money and that corresponding part of the loan are cancelled. When the loan is fully paid off, neither it, nor the repaid money, exist. The banks' deposits and their loan assets decrease by the same amount. On an annual basis the repayments are large. They can be roughly estimated from the New Zealand National Accounts published by Statistics New Zealand which record "Consumption of Fixed Capital" (CFC) in Table 1.2. CFC is not the same as repayments. It reflects the depreciation of productive assets as they are "used up" over time. Repayments are typically more than depreciation to ensure banks have some security left for their loans towards the end of the loan period. The level of repayments will vary from country to country and over time, but it is thought to average roughly 120% of depreciation in New Zealand. Since CFC for New Zealand in 2017 was $38.1 billion the repayments could be about 20% more – around $45.7 billion. The figures for 2019 will be considerable higher, quite likely more than $50 billion.

The banks typically issue new money by making new loans as existing loans are repaid. Otherwise there would be a catastrophic fall in the money supply, the productive economy would rapidly grind to a halt and the banks' balance sheets would correspondingly collapse. This bank lending to maintain existing production is in addition to the net new lending (around $20 billion) referred to in this proposal.

For the sake of clarity, total bank lending in any year is what is needed to maintain existing economic activity (say, around $50 billion/year in 2019) plus the net new lending which includes new money for new activity and to allow for inflation (up to $32 billion in the 12 months to October 2019) or, say, about $80 billion per year total.

The proposed $20 billion of public money in this Reclaim Our Future proposal represents about a quarter of the new money the private banks presently issue each year. The things that can be achieved for New Zealanders under this proposal are a conservative estimate. What can actually be achieved will depend on the physical, human and natural resources available in the economy while maintaining inflation below 1%.

Once it has been spent into circulation, much of the public money will go into depositors' savings investment accounts where it will be available for on-lending to business and other customers. This is similar to the Savings and Loan system that operated in New Zealand prior to 1984.

New Zealand's money supply will be public money owned by and issued on behalf of the people of New Zealand by the Reserve Bank - the country's central bank. It will be neither government (Treasury) money nor private bank money.

A New Zealand Credit Authority (an independent office of Parliament with status similar to the judiciary and reporting direct to Parliament as a whole) will determine how much public money can be issued without generating inflation. The Reserve Bank of New Zealand will become part of that Office of Parliament. The banks will tender for a share of that new public money and the Reserve Bank will pay successful tenderers using new public money, secured by bonds supplied by the banks. The new money will not necessarily be either debt-free or interest-free but any profit made by the Reserve Bank will revert to the Treasury in the form of a dividend. The Reserve Bank will also supply debt-free and interest-free money allocated by the New Zealand Credit Authority to Treasury as well as interest-free money to a new Local Authorities Loans Board established to supply public funding for voter approved Local Authority capital works.

The Reserve Bank will ensure there is enough money available to meet the investment needs of business and the community within the limits authorised by the New Zealand Credit Authority.

To be clear, all new money will then be public money authorised by the New Zealand Credit Authority and issued using the Reserve Bank as paymaster. The tender process for the banks will be broadly similar to that used by the Reserve Bank for Large Scale Asset Purchases (LSAP) as a macroeconomic response to the Covid-19 crisis. The Reserve Bank Act and the Public Finance Act will be appropriately amended and the purposes of the Reserve Bank Act widened to include the Living Standards Framework as well as inflation and employment.

The Reserve bank will retain its regulatory functions in relation to the banks and other players in the financial services industry (such as insurance companies and non-bank financial institutions) as well as its foreign exchange responsibilities.

Subject to an appropriate regulatory framework, (including risk categories and, potentially, risk sharing) the banks would act as agents on-lending the public money to businesses and other borrowers at low but competitive interest rates which would include the bond coupon rate and their bank service charges. Through this process private bank money would be progressively swapped for public money. Businesses and other borrowers would still repay their loans. The money provided to them would still be recycled through the financial system much as it is now. Since that new money is public money, not the banks' money, the public will get some say as to how it will be used. As inflation is reduced, the interest paid on deposits will also be reduced in a manner designed to ensure the real value of savings does not fall.

Over time, all the existing private bank money will be replaced by public money and the banks' balance sheets will be reduced by the aggregate amount of their existing lending. The aggregate money supply (before including the net new money spent into circulation, for example, under Reclaim Our Future) would remain broadly similar to (or somewhat less than) what it is in the present system now. The banks' profits may be similar to what they are now depending on the level of service they provide to their customers and the regulatory environment the Reserve Bank applies. Bank capital adequacy and liquidity may be adjusted as private banks lending is reduced as a proportion of the total money supply.

Head Office: 42 Reyburn House Lane, Whangarei
Email: *leader@socialcredit.nz* ***Website:*** *www.socialcredit.nz*

APPENDIX 4

Under this proposal:

The Reserve Bank will issue about $20 billion new money each year depending on how much the economy can use without inflation.

Government will spend the new money doing more things for Kiwis.

It becomes deposits in our bank accounts.

We ***own*** those deposits as it was not borrowed, so there is no debt associated with it.

We spend them, keep them "in the bank" or put them into investment accounts.

When we spend them, they become deposits in other bank accounts just like now.

We can choose to lend the money in our investment accounts to others at interest and the banks will manage that for us. It comes back to us as they repay it.

People spend the money we have lent them.

It becomes deposits in other bank accounts just like now.

There is consistent financial management without recessions, bank failures and financial crises.

Whereas at present:

Private banks create and issue about $20 billion new money each year in addition to replacing their existing lending that is being continuously repaid.

We borrow ***their*** newly created money to use and pay interest on it.

We spend it.

It becomes deposits in other bank accounts.

The government taxes us to get the money it needs or borrows it from private financial institutions or banks at interest. That means some of the money government taxes us goes to pay profits to wealthy, mostly overseas shareholders, instead of being spent on things like health care and education.

Usually, the more money banks create and issue the more profit they make, leading to booms and busts in the economy.

There are frequent financial crises that cause immeasurable loss and harm.

Result: Public money will progressively ***replace*** private bank money. Government will get first use of the new money at no cost to taxpayers.

APPENDIX 5

THE DIRECT COST OF NOT USING PUBLIC MONEY

Historical Nominal GDP growth for New Zealand is shown below.

From Appendix 2, Domestic Credit has increased from about $120 billion to more than $440 billion over the past eighteen years alone. The net new money over that period that would have been available to Reclaim Our Future, ***is about $320 billion, which is more than the entire current GDP shown below.*** Collectively we have lost the benefit of the first use of more than $300 billion in just 20 years.

NEW ZEALAND NOMINAL GDP GROWTH 1977-2019 (March years)