

COVID-19 lockdowns are ruining economies

By John Rofe, 20 May 2020

Editor's note: The email copied below was sent to the New Zealand Prime Minister, several ministers and shadow ministers, and major NZ media. It demonstrates how excessive knee-jerk actions attempting to curtail COVID-19 virus are causing dire unintended consequences. These include ruining economies, bringing in totalitarian rules and causing sharply-rising numbers of deaths in other health categories.

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Sent: Tuesday, 19 May 2020 10:52 a.m.

To: 'jacinda.ardern@parliament.govt.nz'; 'Rt. Hon. Winston Peters'; 'james.shaw@parliament.govt.nz'; 'simeon.brown@national.org.nz'; 'Hon Judith Collins'; 'Hon Simon Bridges'; 'todd.muller@parliament.govt.nz'; 'scott.simpson@parliament.govt.nz'; 'alfred.ngaro@national.org.nz'; 'grant.robertson@parliament.govt.nz'

Cc: 'leighton smith'; 'Rod Oram'; 'Liam Dann'; 'Andrew Laxon'

Subject: Delusions of Grandeur on display thanks to Q&A

I am an expert in consulting to distressed organisations (my vocation for 40-years) but never thought I would see the day when deluded children were put in charge of the nation's treasury. Thankfully, I am now retired.

It isn't unusual for socialists to exhibit ignorance of the real world because for them their polemic justifies all. Just as it did for a place once called the USSR.

Last night on Q&A it became clear that the Finance Minister is still seemingly unaware that at his leader's behest his Government has opened "Pandora's Box". It is full of invoices, only a few of which the taxpayers can afford to pay.

He seems to be unaware that by closing the NZ borders to tourists and locking down 95% of business, they made whole swathes of New Zealand companies instantly insolvent. This is because there are two tests for insolvency. One is that the directors of the company cannot continue to trade after they are unable to pay the debts they incur as and when those debts fall due.

Ergo.....No sales revenue with which to pay overheads = Inevitable insolvency, unless someone else with the wherewithal to pay guarantees payment of all expenses as and when they fall due.

Prudently cashed up businesses can survive, but if in the tourist industry they may consider hibernation as a more sensible way to eke those out. Placing large hotels/motels on "care and maintenance" may be something that affected councils like those in Central Otago and Rotorua would favour supporting with reduced rates and insurers would also support. That makes survival for the rest possible.

The failure to comply with the Insolvency provisions of the Companies Act before incurring further costs of any sort (not just wages) makes a company liable for the claim they traded while insolvent and so directors and officers of the company will all become personally liable for their company's debts – if they risk trading on.

The idea that the Finance Minister can tamper with insolvency regulations to somehow protect the companies that have lost 30-100% of their sales revenue is delusional. The damage is too widespread. The idea that by paying a proportion of employee wages for 8 weeks he is somehow going to be giving an ongoing lifeline to businesses is also ignorant of the breakdown of the cost structure of 99% of companies trading today.

Interviewer Jack Tame perceptively asked whether the Government would support the tourism sector for the duration of the closure of the country's borders. He pointed out that the Government was considered by many to have a moral responsibility to do so. The response from the Finance Minister was deliberately and necessarily evasive.

It seems to me that what PM Ardern has always hoped to do is to show how ineffectual capitalism is. Well she has succeeded. The people of New Zealand have woken now to find themselves living in a totalitarian Socialist state. The process of Labour politicians blaming business owners for shutting their businesses down despite offers of money to pay staff for a while, has begun. That is self-serving, and a hint of how the PM intends to put capitalism on trial for the consequences of her own hubris. Paying 1.7 million people's wages is a good way to win votes. The failed businesses, business owners and managers are just collateral damage.

As Baroness Thatcher once said, "Socialism is all very well, but sooner or later you run out of other people's money."

At this point the public is also unaware of the economic realities set in train by the harsh lockdown gambit. The global economy is also crashing, because today there are 100 million Chinese now under Covid-19 lockdown and 37 million Americans unemployed. Even Japan has just signalled it is in recession. Europe is struggling. It will be a steep, hard road back.

It may take several years for the global economy to return to prosperity and for people to travel to distant shores with confidence. Travellers confidence is gone, and business confidence is gone.

I think someone who has the nickname "Socialist Cindy" (and with a background in charge of the engine room of global socialism) cannot have been totally blind to what would happen as a result of achieving a level of total business reliance on Government money-printing. One of her objectives in a previous role was to get rid of capitalism and replace it with Socialism. She may be surprised though that it came about so easily in New Zealand from taking advantage of a pandemic. When elected to PM status at the last election, many thought her aspiration was to achieve this same position through the implementation of a faux "Climate Emergency".

She should thank her lucky stars the pandemic came along when it did as we are now going into a 200 year event called a Grand Solar Minimum...a very different sort of climate emergency could now emerge to the one she favours.

From a lifetime's experience, I figure that the people in business who will be most likely to make a successful transition to new commercial realities are those who accept their loss, so they can minimise them and quickly move on. Reliance on politicians doesn't look like a good option to me.

BTW, where is the Government assistance for training of people to work on the land or for increasing the processing of the raw materials we ship out instead of adding value to? I don't mean wasteful tree planting and weed control wanted by the Greens, that will achieve no revenue for at least 27 years. I mean the constructive stuff for the horticultural and farming sector!

Productive, meaningful jobs with career prospects instead of sending young people into the bush without any prospect of a future.

As Cameron Bagrie said on TV on budget day, the budget for 2020 was just "borrow and hope". It seems that Grant Robertson needs some more expert advice. Sadly for many, hope may be all that some now have left.

That is reality. So, I hope everyone can stay safe, and prosper...

Kind regards

John Rofe