



Alternative Budget Case 2012



Management
Consulting Club



Independent
Policy Institute

www.uoamcc.co.nz

Case Scenario

You are the youngest Minister of Finance to ever take the position, and you have to deliver your first Budget. Your party, the TARA Party (There Are Real Alternatives), has been swept to power with a mandate for change.

Post-election analysis indicated that your supporters are now heavily concentrated in the under 40 age group and they have high expectations from this budget. After looking at the books you see the realities of Office, and at first, the options appear very limited.

There are many problems to be solved and you have pondered for months on how you can meet all your supporters' expectations, with so little fiscal freedom. The problems that need solving include:

- The Christchurch rebuild is stalled
- Unemployment figures, especially amongst youths, remain at historically high levels, as does the net migration of New Zealanders to Australia
- Private debt is starting to increase again and housing affordability is becoming an increasing issue
- Multi-decade attempts at diversifying the economy have not succeeded. The economy is continuing to narrow around primary production resulting in a fall-off in manufacturing and non-primary exports
- Evidence suggests that the desired "natural" tax switch has left a structural hole in the fiscal budget that has increased the government's need for foreign borrowing
- The New Zealand dollar has remained a speculative haven for foreign currency traders and the quantitative easing (currency wars) that have taken place internationally only increased this. The exchange rate to the detriment of the exporting economy
- Evidence is starting to suggest that our current account problem is structural in nature
- It is unclear if the Government expenditure cuts are the right solutions to the current economic symptoms
- Any other issues that you consider important

Overarching these issues, your budget should represent your vision and goals for New Zealand and how this can be achieved through the budget.

The judges are waiting to hear your budget and translate it into what it will mean in practice for Joe Average. They are looking for leadership and creativity along with awareness of unintended consequences and the perpetual temptation to kick the can down the road for another government or generation to solve.

Competition Requirements

Each team will be required to prepare a budget policy statement and financial model of the budget. The top five teams will advance to the finals and make a presentation to a panel of judges on May 22nd.

The budget policy statement must be a maximum of **2000 words including references**. This will be strictly enforced. You may include diagrams and graphs in your budget policy statement. Please submit your budget policy statement in **Word format** and your financial model in **Excel format**.

The official rules of the competition can be accessed [here](#). To enter the competition, please make sure you complete the following steps **before midnight on May 14th**:

1. Register your team through the [online form](#)
2. Email your submission to alternative.budget@uoamcc.co.nz and include your team name in the subject

Finalists will be notified by **May 18th**. Non-Auckland teams will be flown to Auckland on **May 22nd**. Any queries can be emailed through to Shannon Tong at alternative.budget@uoamcc.co.nz.

Resources

Here is a list of The Treasury resources that you may find helpful. A full list of resources can be [found online](#) and you may use any other resources you wish.

- The Treasury: www.treasury.govt.nz
- Budget Policy Statement 2012: www.treasury.govt.nz/budget/2012/bps
- Budget 2011: www.treasury.govt.nz/budget/2011

You will also be provided with a Financial Model template and the assumptions used by The Treasury to assist the preparation of your budgets. These can be [accessed online](#). You do not have to use the template if you do not wish to do so, and you may alter it if you see necessary.