

**SMITH ECONOMIC REPORT
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Introduction

Your Royal Majesty has made it quite clear that You wish for the economy to become the government's main priority at the moment. You have expressed disappointment in my work as Vice-Minister of Commerce and Industry and have requested that I deliver to You a report on my opinions of Gotz economic policy. It is my opinion that the Gotz economy is failing for two main reasons: a general stinginess of many of Your government officials and a completely ineffective economic policy. What follows is a report You have requested, including my opinions on why the current economic policy will not work for Gotzborg as well as the alternative policy I am proposing.

Real Goods v. Simulated Economy

I believe that a major part of the debate about our economy is the question of whether we wish to have an economy that is based on real goods and services or simulated products. At present, our economy is a hybrid of the two. I see no reason why this situation should not continue, but I do think that the economy needs to favour companies and individuals that provide real goods. Personally, I would prefer that there be more real goods companies operating out of Gotzborg than companies selling simulated wares. In order to establish that, we ought to limit the number of simulated companies that can be incorporated each month but allow an unlimited number of real goods providers to register. Furthermore, there needs to be some regulation that provides for better compensation of real goods providers than simulated providers. Those people who provide real goods are putting in much more time and effort than those who provide simulated goods, and some people, such as Mr. George Guelph, depend on their real goods business to make a living in Gotzborg. At present, however, the system favours the cash-strapped Minister who whips up a few graphics and pretends they're actually worth something over the lawyer who spends 8 hours a week working on his business.

Government Salaries

It goes without saying that now that we have an economic system (namely MX2), government employees ought to receive payment for their work. Because they are the only ones that money goes to from the Treasury, they are the ones who build the economy. All the money in circulation starts with them, and it is up to them to financially back businesses and utilize the goods and services of existing businesses. Unfortunately, our government employees are not doing that and many, judging by the fact that in some cases officials have not logged into the bank in months, are generally apathetic about our economy. Part of the reason government officials are paid so well, in my opinion, is that they are expected to stimulate the economy. If a Minister sees a business that cannot afford the incorporation fee that they support, then

they ought to approach the business owner and offer to pay. The government employees ought to be given an ultimatum. If evidence is not seen that they are supporting the economy within the next few months, then their salaries will be cut substantially. Based on the things government employees currently are doing with their salaries, I think they are getting ten times more than what they need.

One salary idea that I think might be worth pursuing in order to more fairly assign compensation to those employed by the government would be that of an hourly wage. Employees would keep a time log and send it to the government at the end of the month and they would receive the appropriate amount of money based on their wage and how many hours they worked. However, if we were to adopt that system, I would suggest that there be an upward limit on how much money a person could be paid in a month - the current salary amount would be a fine limit - so as to combat abuse of the time log system and prevent overpayment.

Taxation

The fact of the matter is that our Treasury is gradually depleting. We spend a total of GTh15,750 each month, or GTh189,00 a year, on salary payments and there is virtually no money coming back to the Treasury. What this means is that unfortunately we may need to institute some sort of tax. However, I would like to see if the government can get the money it needs without having to levy taxes. I believe this can be established by our government offices, just as macronational governments do, charging fees for applications and services. These fees would be small but add up to be "big".

Incorporation and Trading of Stock

I believe that the system You developed and I have continued for incorporation works very well. However, I think that persons doing business as an independent contractor in their own name ought to be exempt from the registration requirement.

One of my more pressing concerns, though, is that of our lack of a stock exchange. Several types of companies are to be publicly traded, and I believe that a stock exchange should be established not only to allow for the public trading of stock in such companies, but also to generally stimulate the economy and provide means by which citizens may invest.

Conclusion

This report has summarized my views on the key areas of our economy. It is my hope that we may all work together to establish an economic framework that is acceptable to everyone in Gotzborg. I believe that once we do that, Lonenberg will become the New York City of Micras, an important centre of business where anyone who's anyone comes to do business. I remain Your loyal servant throughout all of this and look forward to working with You to develop our economy. I anxiously await further directions.