

# The New Order: Last Days of Europe - Economy Proposal



## Statement of Intent:

To make the economy mechanic into a realistic, functional, and meaningful mechanic that has significant relevance within gameplay, and is integrated into as many other systems as possible.

## Current Operational Flaws:

- The calculations for numerous economic factors, such as government revenue, are outright broken and so are useless for the purpose of creating a truly meaningful system.
- The economy is too isolated, with things affecting it, but not having many effects outside of presenting numbers and providing debuffs if the player enacts austerity.
- The economy is utterly non-interactive, with very few ways to affect it outside of the scripted effects within focus trees and decisions.
- The economy is only tied to laws in the matter of making certain policies create more costs, and is completely divorced from Societal Development.
- The current economic model rewards austerity measures and deficitless governments, due to the nonsensical conversion rates between liquid reserves and GDP.
- There are too many “free lunches” throughout the mod - many focuses are completely free, technologies are free, buildings are free, etcetera.

## Sectors to Address:

There is a significant set of mechanics within the game that should be affected by the economy system, yet are not. This includes focuses scattered across the game, the entire societal development system, the research mechanic, construction, and even the effectiveness of certain laws.

## **Proposed Changes:**

### Government Revenue -

Government revenue shall be rebalanced and the calculations altered to make more sense, and account for taxes that have a greater degree of granularity. The “tax laws” system shall be revamped - rather than “low taxes”, “high taxes”, or “exploitative taxes”, things which really make no sense in the end, the average tax rate shall be a separate variable, which is *modified* by the “taxes” policy, in order to model things like flat taxes, progressive taxes, etcetera.

The “taxes” system shall be split into three categories - “business taxes”, “tariffs”, and “income tax”. Both business tax and income tax shall be variable-determinant, but only income taxes shall be modified by the tax policy. Income tax shall generate revenue from population, and be modified by the “poverty rate” societal development, whilst business tax shall generate revenue from factories, both military and civilian. Tariffs, on the other hand, shall be more or less abstracted off of the various trade policies - due to the lack of a detailed import/export system, they shall be calculated off of a percent of GDP and a nation’s “trade” policy.

A generic economy decision to issue bonds shall also be available, which will grant increased government revenue in a crisis - with the expectation that they shall be paid back in a few years.

### Purchasing Power -

Purchasing power is an essential aspect of economics which has yet to be implemented into TNO - because it introduces complexity into the system, which was deemed redundant at the time of the economy system’s creation. However, with the focus on the Cold War and economic integration within Toolbox Theory, one must reconsider its addition.

Essentially, inflation and the actual value of a currency shall be represented by a *purchasing power* variable. Whilst all values ingame will be modelled in dollars, for ease of mathematics, purchasing power shall determine the prices that one will get on the international market, as well as certain debuffs regarding trade and construction. In summary, high purchasing power is good - but maintaining a high purchasing power for your currency would require a good economic policy. A purchasing power collapse would be a death sentence for a nation’s economy, as it would grant economic debuffs that would make a nation more or less unplayable.

If the purchasing power of a currency collapses, there are various options - enacting austerity and forcing deflation, pegging currency to commodities, etc - but the most drastic of which, and most relevant within the cold war, is pegging a nation’s currency to a foreign currency, and thus entering that nation’s *economic sphere*.

Purchasing power in-GUI for un-pegged currencies would be relative to ounces of gold, as this is the most “universal” possible measure - but this can be changed, as stated in the next section.

### Foreign Economic Integration and Economic Spheres -

An “economic sphere” system shall be implemented into the game. This system is two-pronged, relying on *trade* and *currency pegging*.

The “trade” system is something that has been dearly needed since the beginning of the game - a way to purchase material/weapons from superpowers. This shall provide benefits for both sphered nations and unsphered nations - sphered nations get the ability to peg their currencies to their “sphere master” - but unsphered nations can purchase from various great powers, regardless of conditions, and have the benefit of great powers competing over them.

Buying/selling weapons/materiel could be a decision GUI, in order to reduce event spam. Within this GUI, one could send initial requests to purchase weapons from a power, which, when accepted, would allow the purchasing of weapons from that nation in a system similar to the COMECON GUI. Purchasing weapons that the power does not possess would not be possible, and the power could cancel one’s contracts at any time, for an opinion loss.

The currency pegging system is the most important aspect of spheres - as it allows one to mitigate economic crises by establishing a continuous exchange rate, and making policy to adhere to this system.

On the superpower end, bringing nations into your economic sphere is crucial for the Cold War system, as it creates a system of influence that can be interacted with. It opens up opportunities for things such as espionage options to covertly crash the economies of minors and drag them into one’s sphere by having them peg their currency to one’s own.

Likewise, economic spheres can strengthen the economy of the great power at the center by increasing trade revenue, and selling materiel and such - but, if a great power goes down economically, the entire sphere shall be affected, often worse than the power itself. This adds a risk to joining the sphere - if one’s economy is crashing independently, one can save themselves by pegging currency to a great power and being bailed out by its sphere - but if the great power’s economy crashes, one’s own economy will crash alongside the great power’s.

Joining an economic sphere will lead to some sort of indication on the Cold War GUI, and change the purchasing power meter on the economy GUI from gold to the “sphere master”’s currency.

#### Additional Economic Indicators and Jobs

In order to further improve the “lived-in” feeling of economies, and give Societal Development a thing to do, I propose moving poverty rate to an economic variable (replacing it with Administrative Efficiency as an additional SocDev metric), and adding Unemployment, Service Employment, Agricultural Employment, and Industrial Employment as variables.

These variables would affect factory output and industrial SocDev and be affected by agricultural SocDev, primarily. In developing nations, nations will generally start out with relatively high agricultural employment, low unemployment, miniscule service sectors, and low industrial employment. However, as agricultural societal development improves, representing the mechanization of agriculture, unemployment will surge, allowing the player to funnel unemployed people into either industry or the service sector, both of which have

certain benefits. Focusing on the industrial sector will increase factory output, construction, and industrial efficiency, whilst focusing on the service sector will increase raw economic variables.

Industrial Expertise SocDev shall increase as people are funnelled into industrial jobs - proportionally to the amount of factories that one possesses. Factories will initially have their output limited depending on industrial employment - after all, a factory can only have so many workers, and you need workers to make things. However, as industrial equipment SocDev increases, efficiency will increase, but the amount of workers per factory decreases, once again creating unemployment that causes drift towards the service sector. Whilst a nation will not see both of these effects in the span of ten years, the idea is for an economy to organically transition from an agricultural one, to an industrial one, to a service-oriented one over the span of twenty or thirty years.

Unemployment shall increase radicalization, and create drift towards communism and fascism - in democracies, high unemployment could benefit challengers to the status quo, and in non-democracies, high unemployment could result in unrest and constantly decreasing stability.

#### Technological Advancement

Rather than research being free, techs would cost money to research. More advanced technologies, naturally, would take longer. This is where *production licenses* come into play.

License production is a system that's woefully misused in HOI4 - and the combination of the sphering/arms dealing mechanic, and technologies costing money, could be a great boon to international interconnectedness. As in the real world, smaller nations could not make modern armies by themselves - but through purchasing licenses and raw equipment from majors, they could build a decent army using foreign technology.

The implementation of "social" technologies that don't cost much money could also play into this - giving poorer nations the option of things to research without blowing their debts up.

#### Additional Costs

In order to have economics mean something, economies could be tied into the following things.

- Monetary investment would be needed to keep Policy Effectiveness high.
- Investment would be needed to keep soldiers well-trained and supplied.
- Costs for building construction and maintenance may be added.
- Additional prices and economic effects could be implemented into focuses that build or invest into something, requiring a cost to take the focus.