

Labour Party presents a "fiscally responsible" budget in New Zealand

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New Zealand's Labour Party-led coalition government, elected last November, introduced its first budget into parliament on June 15, with Finance Minister Michael Cullen proclaiming it as a "new start" for the "new millennium".

Cullen made much of the fact that this was the first budget by a social democratic government for over a decade, following the defeat of the last Labour administration in 1990. It would turn around the policies pursued by the previous National Party government, he claimed, depicting the budget as the "end of governments which ignore the gap between rich and poor".

Deputy Prime Minister Jim Anderton, leader of the Alliance, the minor partner in the coalition, said the budget fulfilled the promises that Labour and the Alliance made at the elections. This was the budget "New Zealanders voted for". The Alliance includes the Greens, Maori nationalists and former Labour "lefts" such as Anderton.

Yet, for all the hype, Cullen and Prime Minister Helen Clark were at pains to reassure big business and employer groups that this was above all a "fiscally responsible" budget. Its commitments to social spending would not jeopardise Labour's intention to maintain a surplus, they emphasised.

Such "fiscal prudence" is demanded by the financial interests and overseas investors who dominate the share and foreign exchange markets, and who require ever-lower costs and taxes. The government has obliged big business by promising rising surpluses through to the next election in 2002. The surplus is forecast to hit \$763 million in the year to June, rising to \$1 billion next year and \$2.1 billion in 2001-2.

The trade union leaders rushed to endorse the budget, confirming their role as key props of the coalition. Council of Trade Unions (CTU) president Ross Wilson managed the contortionist's trick of welcoming the budget as both "people friendly" and "business friendly" at the same time. He said it was both "fiscally responsible" and "also socially responsible and the CTU welcomes this change".

The Labour and union leaders, contriving thus to say contradictory things simultaneously, revealed something of the precarious balancing act that the government and the official Labour "movement" as a whole is seeking to perform between the dictates of business and the expectations of working people.

The claim of social "responsibility" rests on new measures,

costing \$1.2 billion, which the government and its supporters say will "close the gaps" in economic and social inequality. These measures include small increases in spending on education, health and housing.

In all cases, the increases fall far short of what is required to address the acute levels of social and economic inequality now embedded deep within the social structure. The *New Zealand Herald*, hardly an ally of working people, observed that for low-income people, any gains in the budget were "slim", and that there was "little" in it for the poor.

Student debt is a case in point. Under the "user pays" regime in tertiary education, introduced by the previous Labour government, tuition fees have risen steeply and students have accumulated over NZ\$3 billion in debt. As a result, tertiary education has become increasingly the preserve of the wealthy. The budget offers a 2.3 percent funding increase to institutions in return for a freeze on fee increases. The increase, worth just \$30 million, will not make up the lost revenue. Christchurch Polytechnic head John Scott estimated that his institution would be worse off by \$700,000. Victoria University announced that it was \$11.6 million in the red and preparing to slash academic staffing.

Similar issues arise with the increase in health funding, promoted by the government as a "commitment to a healthier New Zealand". Health professionals say health funding has been cut to such a level of crisis that this will still leave "worrying gaps" in health coverage and do nothing to reverse the critical shortage and underpayment of health care workers. Health Minister Annette King has already written to hospital administrators saying that doctors and nurses should not be offered any significant pay rises in the current year.

Medical Association chairwoman Pippa MacKay said the funding provided nothing to help medical students facing massive fees and debts, to end the shortage of junior doctors in hospitals or to stop the exodus overseas of locally-trained doctors. The extra money to reduce waiting lists for operations was a third of what Labour had promised at the elections, and the promised implementation of the Mental Health Blueprint was \$40 million short of what is needed.

Labour and the Alliance have done nothing to restore the vicious cuts to unemployment benefits and welfare that were

implemented by the National Party when it came into office in 1991. Social Services Minister Steve Maharey said there were no plans for a real increase during this government's term. Nor are there any plans to resolve the enormous increase in youth poverty arising from the removal of unemployment benefits from 16-18 year olds, the reduction in the level of payments for 18-25 year olds, or the eligibility of students for emergency benefits. The increase in aged pensions, announced before the budget, amounts to a meagre \$20 per week.

Labour claims that the removal of market rentals from state housing will tackle widespread poverty. State house rents are to be cut from the current market rates to 25 per cent of tenants' incomes, for the two-thirds of tenants who earn less than the rates of national superannuation. This means a family with two children, earning \$400 gross a week and now paying an average rent for a three-bedroom house of \$240 a week, will see their rent drop to \$94 a week. They will, however, lose the accommodation supplement, meaning their net income after paying the rent will rise only \$45 a week from \$297 to \$342.

The majority of families forced to rent from private landlords will be no better off than before. Due to the sale over the past decade of the state housing stock, most low-income earners rent in the private sector. In 1990, there were 70,000 state rental houses, but now there are only 59,000. While the Budget provides \$411 million in the next three years to buy and build new state houses and to upgrade existing ones, this will only fund about 2,000 new houses.

The centrepiece of the budget, according to the government, is the \$243 million allocated to social and economic programs for Maori and Pacific Islanders. These are touted as the biggest "budget gains" ever for Maori people. But this spending is not directed at reversing the deterioration of living conditions among ordinary Maoris and Islanders, who are the most oppressed sections of the working class. Rather its purpose is to maintain an ethnically-based privileged layer who will act as a buttress against Maori and Pacific Island workers.

The spending largely consists of subsidies to Maori and Pacific Island business ventures and to a host of tribally-based trusts and social agencies that have arisen out of the destruction of the state social welfare system. The beneficiaries are entrepreneurs, advisors and consultants. The budget provides for \$114 million for "development initiatives", \$30 million for communities to "devise their own economic and social programs" and \$20 million to "strengthen their development as providers of job services".

This perspective is entirely in line with the government's wider program of handouts to business, under the guise of job-creation schemes. Significantly, Anderton is leading the pro-business scheme as Minister for Regional Development. More than \$330 million will be distributed over the next four years through a new agency, Industry New Zealand, which will build "partnerships" between businesses and local governments. The scheme aims to "boost small and medium-sized businesses", on

the basic assumption that private industry "creates the wealth".

The problem that the government will face in maintaining its balancing act, is that the economic crisis gripping the country is set to deepen, while working people are increasingly showing frustration at the gross social inequalities that have been imposed upon them over the past period.

On the day that the budget was handed down, the financial markets hit the already weakened New Zealand dollar as the latest current account figures were released, driving the dollar down by nearly a cent to a new low of US 46.85 cents. The current account deficit, which shows the difference between total overseas earnings and spending, was \$8.5 billion for the year to March, which represents 8.2 percent of gross domestic product. This is the highest annual deficit, in percentage terms, since 1986, and well above the internationally considered "danger level" of 5 percent of GDP.

Under these circumstances, it is inevitable that before long the international banks and financial agencies will call on the Labour-Alliance government to embark on a new round of measures against the working class. At that point, the balancing act will come to a swift halt.

A pre-budget campaign by employers, launched on the basis of a contrived loss of "business confidence", saw the government announce significant reversals to key pre-election promises, including the introduction of paid parental leave and a commitment to raise youth wages. The day after the budget, Prime Minister Clark ordered all government MPs out onto the road to "sell" it to business lobby groups. By its actions, the Labour-Alliance government has already shown that it is preparing to implement whatever demands the global markets have in store for it.



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