The 2008 New Zealand "Rich List": the super-wealthy profit from recession

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The *National Business Review*'s (NBR)2008 Rich List, released July 25, reveals that New Zealand's super-rich have been thoroughly insulated from the effects of the current recession.

While the vast majority of people suffer from cripplingly high petrol and food prices and thousands lose their life savings in finance company collapses, a handful continue to amass vast wealth. The 178 individuals and families on the Rich List control an estimated $NZ44.4 billion ($US32.6 billion)—a New Zealand $5.8 billion or 15 percent increase compared with last year, and $9.3 billion or 26.6 percent more than in 2006. This staggering increase comes despite the fact that, since 2006, the Rich List has shrunk by 44 entrants.

As the super-rich have expanded their fortunes the NBR has continually raised the bar for inclusion on its list. The first Rich List, published in 1986, had an entry level of $5 million. This was revised to $16 million the following year, $20 million in 1988 and $25 million in 2004. Last year the prerequisite doubled to $50 million, where it continues to stand.

This year's list includes a record eight billionaires, headed by New Zealand's wealthiest man Graeme Hart, whose fortune has more than doubled to $6 billion from $2.75 billion last year. The NBR boasts that Hart now "lies just one spot below the world's top 200 *Forbes* list of the world's billionaires. This is higher than such household names as Donald Trump, Sir Richard Branson and Steven Spielberg."

Hart's "big break" dates back to 1990, when the free market reforms and privatisation of state assets implemented by Prime Minister David Lange's Labour government enabled him to buy the Government Printing Office at the bargain price of $23 million (it had been valued at $70 million). Since then Hart's Rank Group has proceeded to buy up numerous companies—including, recently, timber producer Carter Holt Harvey and food manufacturer Burns Philp—cutting costs and staff, and then selling them off at a profit. Following its acquisition of Swiss packaging group SIG last year, the NBR reports that Rank is now the world's second largest drink carton packaging operation, behind Sweden's Tetra Laval.

Another high ranking entrant on the NBR's list is the $2.6 billion Todd family, owners of Todd Energy, which has increased its wealth by hundreds of millions of dollars thanks to escalating demand and record high prices for oil.

Also on the list are Sir Michael Fay and David Richwhite, each worth about $700 million, owners of the Geneva-based investment bank Fay Richwhite. Under Lange's Labour government of 1984 to 1990, Fay and Richwhite acted as advisers for the privatisation of New Zealand Rail. Like Hart, Fay and Richwhite benefited immensely from the market reforms of Lange and Treasurer Roger Douglas, buying a third of the privatised company, which had been renamed Tranz Rail. When Tranz Rail ran into financial difficulty in 2002, the pair sold off $63 million worth of shares, prompting allegations of insider trading. Last year Fay and Richwhite's Midavia Rail Investments paid $20 million to the Securities Commission in an out-of-court settlement over the scandal.

Another pair on the list whose names are fast becoming synonymous with murky dealings are Eric Watson and Mark Hotchin, owners of New Zealand's third-largest finance company, Hanover Group. Together, they control an estimated $650 million. On July 23, just two days before the NBR released its Rich List, Hanover froze over half a billion dollars of its 16,500 investors' funds and called for a moratorium on trading. It is now the 26th New Zealand finance company to face collapse since the onset of the recession. Hotchin told Radio New Zealand that "at the very least half [of Hanover's borrowers]" were affected by the collapse of the property market and were therefore likely to have difficulty repaying their loans. On July 28, economist Brian Gaynor told Newstalk ZB that Hotchin and Watson had lent themselves "about $81 million" from Hanover for their own property developments, in addition to having collected tens of millions of dollars in dividends from their shares. Gaynor said that there was no way to know whether Hotchin and Watson had met the June 30 due date for repaying their loan.

On July 24 the Commerce Commission announced that it would investigate whether Hanover had given investors misleading information. Last year the Advertising Standards Authority upheld a complaint about Hanover's television advertisements, which claimed that the company had "the size and strength to withstand any conditions." Investors, many of whom are saving for their retirement, are angry about Hanover's multi-millionaire owners' apparent indifference to their situation. One elderly investor told Newstalk ZB that on Monday July 21, just two days before it announced that it would freeze investors' funds, Hanover had convinced her to reinvest all her savings. Another investor told the *New Zealand Herald*: "I am shocked at the news of repayments being frozen, especially given that senior managers of Hanover have recently been advising me that the company was coping well with the difficult trading conditions."

Perhaps the most prominent new addition to the NBR Rich List, however, is the main opposition National Party leader John Key, valued at $50 million. Key began his career as a currency trader for Elders Finance in 1985, shortly after the Lange-Douglas government floated the New Zealand dollar. In 1995, Key became managing director of Global Foreign Exchange Trading in London for the multinational merchant bank Merrill Lynch. The *Herald* writes: "During his time at Merrill Lynch, his base salary would have been more than $US250,000 ($NZ336,138), topped up by a bonus of cash, shares and options on shares."

Key is part of a layer that has enriched itself by thoroughly parasitic, non-productive means. The *Herald* notes that Merrill Lynch share prices sky-rocketed from $52 at the end of 2001 to $93 in 2006, "when Key would still have owned a considerable portion." This was due, in large part, to the US sub-prime mortgage boom, in which Merrill heavily invested. In October 2007, when the bubble burst, the bank reported a third-quarter loss of $US2.4 billion and wrote off $8.4 billion in bad debts linked to the sub-prime mortgage market.

With recent polls putting the National Party at least 20 percentage points ahead of the ruling Labour party, Key looks likely to become New Zealand's next prime minister. However, this does not indicate any confidence among ordinary people in the National party's program, widely recognized as being substantially the same as that of the current Labour government. The polls simply show a widespread disgust and disillusionment with Prime Minister Helen Clark and her government.

Regardless of the outcome of the election, due later this year, the current recession has revealed that the Labour government has done absolutely nothing during its nine years in power to stem, let alone reverse, the decline in ordinary people's living standards. Instead, it has established the foundations for a relentless deepening of social inequality.

Over the past decade, the average net worth of New Zealand households nearly doubled from $189,765 to $369,249. This increase was due to a boom in the housing market. Housing comprises eighty percent of the combined assets of households and the median house sale price rose from $165,000 to $340,000 over the same period. Sixty percent of the new jobs created in the last five years, especially in real estate, construction and retail, rested on these rising house prices. The period of the Labour government also coincided with significant increases in household debt. Between 1999 and 2007, average household indebtedness rose from 100 percent of disposable income to 160 percent.

The housing bubble has now burst. In April, analysts predicted that the weakening of the property market could lead to a loss of 38,000 jobs. The internet business TradeMe recently reported a 50 percent increase in applications for each job advertised in the last year and a decline in pay rates for unskilled workers. Auckland-based Charman Consulting agency claimed a quadrupling in the number of job-seekers contacting it during the first three weeks of July.

A renewed round of job cuts has been announced in the last two weeks. Meat co-operative Silver Fern Farms (SFF) announced the closure of its meat processing plant at Belfast in the South Island—the third major closure in the industry this year. SFF has now cut 500 jobs in the South Island and another 500 in the North Island. Last week, the country's dominant telecommunications provider, Telecom, revealed that following a recent period of trials, it was now preparing to shift all its call centre work to Manila in the Philippines, with a loss of up to 1,500 jobs.

These developments come on the top of a long-term deterioration in the social and economic position of ordinary people. The average net worth of a New Zealand household declined by $2500 in the December 2007 quarter and $5900 in the March 2008 quarter. In the same six months, average debt increased by 2.2 percent. More than one in five New Zealanders with a home loan, spend over 30-45percent of their income on mortgage payments, while over one in eight spend this amount just on mortgage interest. The value of the houses these mortgages rest upon is falling—the median sale price dropped by $5000 from May to June this year. Despite the fact that the Rich Listers increased their fortunes by $2.9 billion in the six months to March, New Zealand households' combined loss in the half-year was over $13 billion.

The same day the NBR released its Rich List, a report by the Families Commission and the Labour Department gave another glimpse into the deteriorating conditions of working people. According to an analysis of 2006 census data, 150 years after immigrant carpenter Samuel Parnell insisted on working an 8-hour day, nearly one in three full-time workers are putting in more than 50 hours a week. Two years since these figures were compiled, it is clear that the vast majority are workers on low incomes struggling to fight off mounting economic insecurity.

Whichever party or combination of parties assumes office later this year, a narrow, parasitic elite will continue to amass unprecedented private wealth, while working people will continue to face unemployment, home foreclosures, economic insecurity, declining wages and escalating prices for food, petrol and other basic necessities.

This raises the need for working people, students and youth throughout New Zealand to break with the established parties and begin to participate in the building of a mass political movement of the working class that is completely independent of the old, thoroughly rotten organizations—the unions and Labour—and that is based on a genuine socialist and internationalist alternative to the profit system. This is the task to which the WSWS is committed—in New Zealand and around the world.