New Zealand budget drives deepening austerity

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New Zealand's National Party-led government handed down its 2013 budget on May 16. While presented by media commentators as a moderate, "steady-as-she-goes" budget, it received a positive reception from the financial markets. It entrenches the ruling elite's austerity agenda and initiates the next phase of asset sales.

After two years of "zero" budgets, total spending this year will increase by just $NZ900 million. Finance Minister Bill English insists he will return a surplus in 2014-15, despite a looming $40 billion cost for rebuilding the earthquake-ruined city of Christchurch. The surplus will be achieved by a deepening assault on social spending and living standards. The austerity drive has no end. Once the books are in the black, the next target is getting debt down to 20 percent of gross domestic product (GDP) by 2020.

The reduction of the budget deficit, in line with the austerity measures dictated by global financial institutions, has already produced massive cuts to government expenditure and public services, along with thousands of job losses over the past four years. Government debt levels are not high by international comparisons, with gross debt at 40 percent of GDP and net debt 28 percent. Nevertheless, a recent International Monetary Fund report praised the government's fiscal policy as striking "the right balance between backing economic growth and limiting growth in public debt."

As in Europe and the US, the corporate elite is seeking to create a low-wage workforce attractive to sections of global capital, particularly in tourism, agriculture, fisheries, film production, finance and IT. After decades in which living standards have been driven down by successive governments and most manufacturing wiped out, a social counter-revolution is being waged to shatter what remains of the post-World War II social gains of the working class, particularly public education, health services and welfare "safety nets."

Prime Minister John Key's government has increased the Goods and Services Tax (GST), reduced the minimum wage for under-20-year-olds and sacked over 5,000 public servants. It is partially privatising state-owned power companies. Plans are in place to "save" $NZ1.6 billion ($US1.4 billion) by 2016–17 by cutting welfare beneficiary numbers by 44,000—about 13 percent of the 339,000 people who currently rely on welfare payments. Unemployment dropped in the last quarter from 6.8 to 6.2 percent, but only because of the Christchurch rebuild. No jobs are being created in any other region. Youth unemployment is over 20 percent.

According to a survey reported in the *Dominion Post* in April, half the population is surviving from one payday to the next. Family Budgeting Services says the number of people seeking financial advice has jumped by 60 percent in the past two years and is still rising, with wage earners becoming "the new poor." Thousands of Christchurch residents are entering their third winter in dire conditions, made worse by official indifference from the state-owned Earthquake Commission and private insurers.

National will introduce extraordinary measures to reduce public spending. These include cutting by $200 million the amount of new spending in 2014, and withholding contributions to the Government Superannuation Fund until at least 2020, threatening its future viability. Cuts to the Accident Compensation Corporation (ACC), including a 40 percent reduction in ACC levies for employers, represent a large tax cut for business. While the government asserts that the health sector will receive a third of all new spending in the budget, District Health Boards still face an almost $200 million shortfall.

An extra $188.6 million has been devoted to implementing welfare "reforms," which include funding private contractors and extra staff to police a draconian "work obligations" regime. This will increase work testing from 50,000 people currently on the dole to 129,000. English said the government was putting a significant amount of money into resourcing the reforms, because they would save money in the long term by getting people off benefits.

A fundamental overhaul of state housing is proposed, shifting funding to non-government social housing providers, such as the Salvation Army. State house tenants will have their tenancies reviewed. Many will be forced to move once their "circumstances" are deemed to change—a step expected to see 3,000 tenants evicted by 2017. Private landlords are likely to profit from housing those declared in need, while developers are in line for some of the $15 billion state housing stock.

Student allowances and loans will be cut by $29.6 million through further restrictions on eligibility. Last year, protests erupted over increases in the student loan repayment rate, and removal of student allowances for postgraduate study, which immediately led to a sharp reduction in the number of post-graduate students. This year, repayment thresholds are being increased for overseas-based student loan holders, and fixed repayment obligations introduced.

In the schools sector, $19 million has been earmarked to fund the first charter schools in 2014. Charter schools, a product of a coalition deal with the far-right ACT Party, are being established in working-class areas, and will be used to attack teachers' conditions and employment rights.

On the pretext of dealing with soaring house prices, councils may be stripped of responsibility for issuing resource consents if they cannot agree on special areas where house development will be sped up.

Defence spending rises from $318 million to $583 million as the government moves to cement its expanding military ties with the US. The 2013 allocation provides for increases across land combat forces, naval patrol and support forces and fixed-wing transport forces. In the pipeline are upgrades to ANZAC-class frigates, replacement parts for Seasprite helicopters and new medium and heavy trucks.

Meridian Energy is next in line in the government's asset sales program. Up to 49 percent of shares in the energy company will be offered for sale this year, and the government expects to reap more than $3 billion. It follows the partial sale of Mighty River Power (MRP), which raised $1.7 billion in its initial public offer this month. Despite government claims that the sales would see "mum and dad investors" flock to the share market, the MRP shares went to a narrow layer of private and institutional investors.

The "opposition" parties, Labour and the Greens, have no fundamental disagreement with the program of social reversal. Both are committed to keeping National's GST increase and called for the retirement age to be raised to at least 67 years. Their recently announced scheme for a single government electricity purchaser to regulate power prices is an admission that they accept the privatisation program.

On TV1's "Q&A" program, Labour's finance spokesman David Parker and Greens co-leader Russell Norman emphatically agreed with returning surpluses in 2014—differing only about how this should be achieved. Parker denied that the budget was about austerity. Norman attacked the government from the right, arguing that National's funding cuts are totally inadequate. Pointing to high levels of private sector debt and a ballooning current account deficit—forecast to reach 80.9 percent of GDP in 2017—he declared that if it were a private business, "New Zealand Inc." would be bankrupt.