

Another austerity budget in New Zealand

Tom Peters
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With an extraordinary degree of cynicism, the National Party government presented its budget last Thursday as focused on alleviating poverty. Prime Minister John Key declared that it was based on “compassionate conservatism,” saying he was “proud” to increase welfare payments above the rate of inflation for the first time in four decades.

In reality, the budget continues and deepens the austerity measures that have been imposed on the working class since the 2008 financial crisis. These include cutbacks to health, education and welfare services, the destruction of thousands of public service jobs and another increase in the regressive Goods and Services Tax.

New spending is capped at \$1 billion—Finance Minister Bill English described this as the “new normal”—well below the \$2 billion to \$3.5 billion increases in the five budgets before 2009. *New Zealand Herald* economics editor Brian Fallow described the budget as “tight-fisted.” The 2.5 percent spending increase was “less than is needed to compensate for the government’s own projections of population growth ... and the Reserve Bank’s forecasts for inflation.”

While the economy expanded 3.3 percent last year, this is largely due to rebuilding activity following the 2011 Christchurch earthquake and a highly unstable housing bubble in the largest city, Auckland. Treasury forecasts, which are almost always too optimistic, show growth slowing to 3.1 percent in the current financial year and to 2.4 percent by 2019.

New Zealand faces the growing risk of a downturn triggered by a collapse of the property bubble combined with plunging prices for dairy products, the country’s main export. It is highly exposed to the slowdown in China and Australia, New Zealand’s two largest trading partners. The government previously promised to return a surplus but instead unveiled a \$684 million deficit, the result of near-zero inflation and shrinking

tax revenue.

The media largely focused on the budget’s welfare measures, with one *Herald* columnist absurdly declaring that it “takes from the rich and gives to the poor.” In fact, the increase amounts to a maximum of just \$25 a week and applies only to beneficiaries with children. This will mostly be funded by axing a \$1,000 “kickstart” for workers joining the retirement savings scheme KiwiSaver—a predicted saving of \$500 million over the next four years.

The miniscule benefit increase will do nothing to reduce the estimated one in four, or 270,000, children living in poverty, including many whose parents work. *Herald* reporter Simon Collins noted that \$25 would not even restore the cuts made in 1991, when benefits for sole parents were slashed by \$43 in today’s money.

The government aims to push approximately 18,000 more parents off welfare by forcing them to look for work when their youngest child turns three, instead of five. It is also implementing work testing for thousands of invalid and sickness beneficiaries.

The health sector is appallingly under-resourced. Operational spending is “around \$260 million short of what is needed,” according to the Association of Salaried Medical Specialists. Every year, funding falls further behind the expanding needs created by population growth and ageing.

Philip Bagshaw, chair of the Canterbury Charity Hospital, told Radio NZ that the \$98 million increase over four years for elective surgeries would not even fund the existing backlog. A survey of some District Health Boards, published in the *New Zealand Medical Journal* last November, found that one in three people in need of surgery were not even placed on hospital waiting lists. Many of them suffered from severe pain or disability.

Core operational funding for schools will increase by just 1 percent, effectively freezing teachers’ salaries.

The budget set aside money to open two privately run, for-profit charter schools. This is in addition to nine which already operate, mostly in oppressed parts of Auckland and Northland.

Spending on universities and polytechnics will rise just 1.4 percent, while institutions will be allowed to increase their fees by 3 percent per annum. Students and graduates collectively owe more than \$14 billion in debt.

In Auckland, where the average house price is almost \$810,000 and rents are soaring, the government will sell 430 hectares of land to private developers, which it claims will produce 4,500 to 10,000 new houses. Legislation has also been passed to privatise 8,000 existing state houses nationwide. Far from improving housing affordability, these measures are designed to provide more sources of profit for wealthy investors and landlords.

In the south, the government is working with the Christchurch city council to sell assets to pay for the reconstruction needed after the 2010-2011 earthquakes, estimated to cost \$40 billion. Basic infrastructure in the city remains in disrepair. The government recently committed to building a lavish \$300 million convention centre but has refused to pay a \$400 million cost overrun to fix pipes and roads. Mayor Lianne Dalziel, a former Labour Party minister, wants to raise rates by 33 percent over the next four years to help cover the bill.

While effectively cutting funding to basic services, the budget provided an extra \$264 million to the Defence Force over the next four years. It will go toward funding NZ troops in Iraq as part of the US-led war and purchasing new equipment. The spy agencies, the Government Communications Security Bureau and the Security Intelligence Service, will each receive a \$20 million boost. The money will support New Zealand's further integration into Washington's military and intelligence operations, particularly the build-up to war against China.

The opposition Labour Party's response to the budget revealed once again its lack of any significant differences with the government's austerity agenda. Leader Andrew Little told parliament he gave National "some credit" for its pitiful welfare increase. Echoing sections of business, Labour's main criticism was government's failure to quickly return the budget to surplus, which would be achieved by cutting spending

more vigorously.

Along with the far-right ACT Party, Labour wants to cut pensions. On Friday, Little told a business audience that it was "unfair" for people over 65 to receive the pension if they were still working. While he later said Labour was not considering means testing, Little told the *Herald* that it was "totally reckless" for the government to ignore "this big fiscal issue."

Labour and the Green Party, along with much of the media, have joined the anti-Asian xenophobic NZ First Party in scapegoating foreigners for the lack of affordable housing. In the lead-up to last year's election, Labour and NZ First both called for immigration—which is mainly from China and India—to be slashed.



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