

New Zealand government offers false promises to reduce poverty

Tom Peters

30 December 2017

On December 14, New Zealand's Labour Party-led government announced spending details for its first 100-day plan, promising to start reducing poverty. Finance Minister Grant Robertson called the Half-Year Economic and Fiscal Update (HYEFU) measures, described as a mini-budget, "the most significant package to lift children out of poverty in recent memory."

The Labour-Greens-New Zealand First coalition took office in October after nine years of rule by the conservative National Party, which implemented drastic austerity measures following the 2008 financial crisis. The Nationals underfunded health and education, froze public sector wages, increased the Goods and Services Tax, partly privatised electricity companies and began selling off state housing.

Labour supported the austerity agenda, aimed at making the working class pay for the biggest economic crisis since the 1930s. Now in government, it is desperately seeking to contain widespread anger and anti-capitalist sentiment produced by soaring social inequality and poverty.

In October, Prime Minister Jacinda Ardern said the fact that over 41,000 people (1 percent of the population) were homeless was a "blatant failure" of capitalism. Deputy Prime Minister Winston Peters, leader of the right-wing populist NZ First, promised to restore "capitalism with a human face."

The government's promises to eliminate poverty and homelessness are hollow. They are aimed at buying time while the financial and corporate elite prepares the next round of attacks on the working class.

The HYEFU included an extra \$8.4 billion of spending over the next five years, funded by cancelling the National Party's planned income tax cuts. This mainly consists of a \$5.5 billion Families Package, including increased tax credits for low-income families, a newborn baby bonus, a boost to the accommodation supplement, a

winter energy payment for beneficiaries and pensioners and more paid parental leave. The government claims that 384,000 poor families will be better off by an average of \$75 per week. There is also \$2.5 billion to fund the election promise of one year's free tertiary education for new students.

TVNZ applauded the changes as "a feel good budget" that was "fiscally responsible." *New Zealand Herald* columnist Audrey Young said Ardern's "stunning" mini-budget "has instantly delivered on the government's top priority, the area in which she has given herself oversight, child poverty reduction."

In fact, the spending promises will not address the social crisis, even if fully implemented. The government claims it will halve child poverty by 2021 by lifting 88,000 children above the poverty line of 50 percent of the median household income.

However, the 2017 Child Poverty Monitor, based on Ministry of Social Development data and using a threshold of 60 percent of the median income, calculated that 290,000, or 27 percent of children live in poverty. The latter measurement is accepted by the United Nations Children's Fund (UNICEF).

According to Westpac bank, Labour's welfare changes, which will take effect next July, equate to only a 2-3 percent increase in the main Jobseeker Benefit and a 2 percent rise in superannuation payments. Poor families also will receive up to \$1,400 a year more per child under the Working for Families tax credit scheme.

In most cases, however, the increases will not keep pace with the rising cost of living. Median rents in Wellington rose 8.7 percent during the past 12 months alone. Auckland Council recently reported that a rental house in the lower quarter of the market costs an average of \$552 a week, 18 percent more than four years ago.

Labour will keep the National government's requirement for sole parents to look for work, combined

with punitive sanctions designed to push people off welfare.

As the danger of world war increases, driven by US threats against China, North Korea and Russia, more funds will be diverted from welfare and social programs to boost the military. The new government fully supports the military alliance with the US and is whipping up an anti-Chinese witch-hunt to prepare the population for war. Immigrants from China have been repeatedly scapegoated for low wages and the housing crisis, and opposition MPs with links to China have been denounced as security threats.

In 2016 Labour, NZ First and the Greens agreed with National's \$20 billion military spending program to upgrade the armed forces and make them "interoperable" with the US and other allied troops. Just before the mini-budget was announced, Defence Minister Ron Mark revealed that the cost of upgrading two navy frigates had blown out to \$639 million from an initial estimate of \$374 billion. The army, navy and air force are running a highly visible recruitment campaign and the Defence Force has requested funding to upgrade old barracks buildings.

Labour has ruled out increasing corporate tax rates to raise revenue. Before the election, Labour and the Greens agreed to "budget responsibility rules" to placate big business. These include a commitment to keep spending below 30 percent of gross domestic product (GDP), about the same level as the previous National Party administration, maintain operating surpluses and reduce net core government debt to 20 percent of GDP within five years.

Spending promises are reliant on Treasury's forecast of GDP growth reaching 3.6 percent by June 2019, based on dubious predictions of a growing and stable world economy. A blunt statement by Westpac economists accused Treasury of "wishful thinking," based on "economic forecasts that we think are far too optimistic." If the tax take fell short, the government would have to make "difficult choices."

Annual growth has slowed from 4.4 percent in mid-2016 to 2.7 percent this year. The Reserve Bank has warned previously that a downturn in the speculative housing bubble could trigger a broader crisis. The government's nationalist pledge to slash foreign student and immigrant numbers by as much as 40 percent per year is also likely to affect growth.

New Zealand depends heavily on agricultural exports and is highly vulnerable to any economic downturn, particularly in Australia, its largest trading partner, and

China, its second largest.

Economist Rod Oram wrote on the *Newsroom* web site that Treasury's notion of "propitious and enduring global conditions of strengthening growth, low inflation and low interest rates" could prove to be a "fairy tale" because of the rise of economic nationalism. Pointing to deepening trade conflicts at the WTO, he described the US as "belligerent, irrational and isolated. No one can forecast where this will push the world."

Some Labour Party supporters have warned that the government's "transformational" promises are already being discredited. Writing on the trade union-funded *Daily Blog*, columnist Chris Trotter lamented "Robertson's fetish for paying down Crown debt" and determination not to raise taxes. He added that aside from the Families Package and increased subsidies for tertiary education, Labour "intends to keep new spending at levels well below" the previous National government.

Workers should not be fooled by the Ardern government's "caring" rhetoric and false promises to address poverty and homelessness. Labour, NZ First and the Greens are parties of big business and imperialist war. Their real agenda is shown by moves to recruit thousands more police, further restrict the right to strike, whip up nationalism and anti-Chinese xenophobia, and boost spending on the armed forces. Through these mechanisms the ruling elite is preparing to confront the inevitable growth of working class opposition to austerity and war.

The author also recommends:

Labour-led government to expand police
[6 December 2017]

Labour-led government prepares attacks on working class
[10 November 2017]



To contact the WSWs and the
Socialist Equality Party visit:

wsws.org/contact