

New Zealand Labour government promises billions for big business

John Braddock
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New Zealand's Labour Party-led government unveiled a budget on May 14 which promises \$NZ50 billion over the next four years, primarily to prop up big business.

The COVID-19 "Response and Recovery Fund" portends decades of economic agony for the working class. According to the Treasury, the economy will contract by 4.6 percent in the year to June, driven by a quarterly decline in GDP exceeding 20 percent, with a devastating hike in unemployment reaching nearly 10 percent by September.

Deficits will average 9.3 percent of GDP between 2020 and 2022. Net core Crown debt is forecast to rise from its current 20 percent of GDP to 30.2 percent this financial year, and to reach 53.6 percent of GDP by the 2023 fiscal year.

Some \$13.9 billion of the recovery package has already been spent dealing with the economic effects of the pandemic. Another \$15.9 billion is earmarked for initiatives to "kickstart" the economy. A further \$20 billion is being kept aside for future spending, possibly in the event of a "second wave" of COVID-19.

With an eye to the election coming up in September, Finance Minister Grant Robertson told parliament the budget was following the "great traditions of the First Labour Government who rebuilt New Zealand after the Great Depression." He decried the "economic carnage of the 1980s and 1990s"—the pro-business restructuring begun by the 1984–1990 Labour government—which had been based, he said, on the false conception that "the market would save us, that if [the] government sat on the sidelines all would be well."

In fact, Labour's budget contains nothing remotely resembling the Keynesian social reforms implemented by capitalist governments around the world during the 1930s to stave off the threat of socialist revolution.

Rather, it is in line with the sharpening push internationally to starve public services, including health, and force people back to work in order to produce profits for the ruling elite. The looming mountain of debt requires a brutal assault on the living standards and social position of the working class. Robertson previously admitted that "generations" of workers will have to pay for the government's business subsidies and tax cuts.

Announcing the easing of the government's month-long COVID-19 lockdown on May 11, Prime Minister Jacinda Ardern declared that the entire population—which she referred to as a "team of five million"—must now turn its attention to the economy. The budget, she announced, would be about "jobs, jobs, jobs."

Behind the false talk of national unity, however, the ruling class is intensifying its policy of "quantitative easing," i.e. pumping cheap money into the pockets of big business, on a far greater scale than anything which followed the 2008 global crash.

Reserve Bank governor Adrian Orr revealed last month that the central bank is lifting its purchase of government bonds from a previous target of \$33 billion, to \$60 billion. This will, Orr said, reduce the cost of borrowing "quickly and sharply" and be a "necessary ally to government action" to rescue the capitalist economy. The official cash rate is at a record low of 0.25 percent.

Labour's bogus claims about its "jobs budget" centre on the Wage Subsidy scheme, which is not paid directly to workers, but to employers. The government has so far paid out \$10.7 billion under the scheme, which will be extended until September 1 at a cost of \$3.2 billion. It will be more tightly "targeted," with businesses that experienced a drop in revenue of 50

percent able to apply, as opposed to the current 30 percent.

Ardern claims that the subsidy has preserved the jobs of over a million employees and sole traders, who constitute 41 percent of the country's workforce. However, many businesses receiving the subsidy have cut wages by 20 percent or more. The payment equates to \$585.80 per week for a full time worker—less than the legal minimum wage of \$756 before tax.

The scheme has not stopped mass redundancies. On May 11, Auckland casino operator SkyCity laid off 700 staff, adding to 200 jobs axed in April. The new cuts came after the company forced workers onto 80 percent of their normal pay, falsely claiming this would help avoid sackings. SkyCity has meanwhile claimed nearly \$22 million under the Wage Subsidy for 3,272 employees.

Other pro-business measures already in place include tax concessions, low and interest free loans, and changes to laws and regulations, including gutting the Resource Management Act governing new developments—a longstanding demand of big business.

COVID-19 has meanwhile exposed the dire conditions in the country's health system after decades of austerity. A cash injection of \$3.9 billion over four years for health, roughly a third of new spending, is only sufficient to catch up the backlog of delayed elective surgeries and other treatment. With all 20 District Health Boards in the red, the Association of Salaried Medical Specialists estimates another \$1 billion would be needed immediately in operational funding, plus \$2.5 billion to restore the value of funding just to the level of the 2009–10 financial year.

The government's hollow promises, made following the 2017 election, to restore "capitalism's human face" by tackling the housing crisis, inequality and poverty, have been jettisoned. New Zealand has hundreds of thousands of children living in poverty and one of the world's most unaffordable housing and rental markets.

The Ministry of Social Development is preparing for an extra 300,000 benefit applications in response to the expected tidal wave of unemployment. Yet the budget provides zero increase to benefit levels and no change to the punitive welfare system. The Children's Commissioner has appealed to the government to urgently spend the budget's unallocated \$20 billion to ward off a steep rise in child poverty.

An extra 8,000 state houses will be built over four years, but this is not enough to eliminate the current waiting lists of 16,309. The demand for public housing is increasing at double the rate of the government's building plans. Previous promises to provide affordable housing through the so-called "KiwiBuild" program proved to be a sham.

The government is doing everything to appease the financial markets and the rich. There are no proposals for a wealth tax, capital gains tax, or even a moderate tax increase on high-income earners, to fund social programs.

Meanwhile, the police, armed forces and intelligence agencies continue to be strengthened in anticipation of a renewed upsurge of working class struggles against austerity. Significantly, the Government Communications Security Bureau, the national spy agency, will receive \$221.3 million for the 2020–21 financial year, an increase of 23.8 percent on last year's allocation.

To fund New Zealand's growing integration into US preparations for imperialist war, aimed at China, the budget provides a massive boost to the Defence Force. An extra \$676.5 million has been allocated for "readiness and frontline capability," alongside \$898 million towards replacing the Hercules fleet with new aircraft. This follows a record \$4.3 billion in operating and capital funding allocated to the military across the past three budgets.



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