New Zealand housing crisis worsens under Labour

John Braddock
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In response to growing outrage over New Zealand's spiralling housing crisis, the finance minister in the Labour-Green Party government, Grant Robertson, last month wrote to Reserve Bank Governor Adrian Orr, asking him to cool the market.

According to Real Estate Institute and Statistics NZ figures, median house prices increased across the country by more in the past year than most workers earned. In Auckland, the median wage for a worker was $66,404, but the median house price increased by $140,000, with a similar increase in Wellington.

The Reserve Bank, which is nominally "independent" of the government, is tasked with maintaining fiscal stability and keeping inflation under control. However, its low interest rate regime, imposed during the COVID-19 pandemic, is a major contributor to skyrocketing property prices and rising social inequality.

The central bank's Funding for Lending Programme (FLP), offering banks up to $NZ28 billion at the 0.25 percent Official Cash Rate, launched this week. The FLP is designed to provide additional stimulus, further reducing banks' funding costs and interest rates. The program comes on top of the Reserve Bank's purchase of up to $100 billion worth of government bonds with newly created money. The beneficiaries are big business, property investors and landlords.

Robertson's letter was an empty charade. The minister sought Orr's views on working together "to address the issue of rising house prices, as part of a wider suite of work that the government is carrying out on housing market settings in the economy." Robertson politely suggested that the central bank take house prices into "consideration" when formulating monetary policy.

Orr's response was swift and dismissive, insisting that the ball remains in the government's court. He declared that lower interest rates "promote spending and investment," and stated that there are "many long-term, structural issues at play" in determining housing affordability. He noted that the bank had reinstated loan-to-value ratio restrictions for "higher risk lenders," essentially making it more difficult for those outside the financial elite to borrow.

Prime Minister Jacinda Ardern turned on the public who, she said, bore "some responsibility" for the crisis, telling TVNZ she lacked popular backing for tax increases. In fact, Ardern ruled out a Capital Gains Tax (CGT) in 2019 after caving in to her then coalition partner, the right-wing New Zealand First party, and insisting there would be no such property tax as long as she is PM.

There was substantial public support for Labour's modest proposed CGT on property speculation. A 2017 ONCB poll found 58 percent backed a CGT and only 34 percent opposed. During the 2020 election campaign, Labour also ruled out any wealth tax, in a direct appeal to its upper middle-class supporters.

New Zealand is one of the most unaffordable countries in the world to buy a house. According to a 2019 Demographia International report, the median price is more than six times the median household income. Auckland was the seventh most unaffordable city, behind Hong Kong, Vancouver, Sydney, Melbourne, San Jose and Los Angeles.

House prices have soared by 27 percent in the last three years and median rents have gone up 17.5 percent. Prices inflated faster in 2020 than in the previous 16 years. According to property researchers CoreLogic, it now takes 9 years to save a 20 percent house deposit, up from 8.2 years in 2019. The share of income going to rent has increased from 19.8 percent last year to 21.2 percent.

A social disaster is unfolding. Children's Commissioner Andrew Becroft told Radio NZ that with one in five children living in poverty, and 150,000 experiencing "severe material hardship," housing is "the big driver in child poverty." He mentioned a family of 14 living in a two-bedroom home in the predominantly low-income Wellington suburb of Porirua, where house prices are approaching a million dollars, having spiked by 49 percent since 2017. Porirua Mayor Anita Baker told *Stuff*, "the word 'affordable' no longer has any meaning when it comes to buying a house."

Rents are also escalating as landlords cash in. *Stuff* recently reported on a four bedroom flat in Wellington's student quarter advertised at $815 per week. The illegal "dungeon-like" earthquake-prone building had no heating, there were missing and broken windows and curtains instead of bedroom doors.

The waiting list for public housing has more than trebled in three years to over 21,000 families. A UN investigator, Leilani Farha, described the situation as a "human rights crisis." She said everyone has the right to secure, habitable affordable housing with access to services. People in "transitional housing," however, have no legal rights. Many families have been living in unregulated accommodation, including crowded motel rooms, for years.

The crisis is a stunning exposure, not only of the Ardern government, but of its Labour predecessors. Ardern's mentor, former Prime Minister Helen Clark, presided over the previous highest housing price boom from 1999-2008 of 102 percent, or 11 percent per annum.

Ardern campaigned in 2017 on eliminating child poverty and the housing shortage. However, Labour's flagship "KiwiBuild" policy, which promised to create 100,000 "affordable" houses by underwriting private investors was a disaster. It was eventually dumped with fewer than 500 houses constructed. All were sold at market rates, placing them out of reach for those who needed them most.

The Greens, for their part, last week abstained on a parliamentary vote to marginally lift the top tax bracket to 39 cents. Co-leader James Shaw said that taxing income without taxing wealth and property "just makes the [housing] problem worse." Their posturing is all theatrics. The Greens are part of the government and have pledged to keep supporting it.

Like governments around the world, Labour has used the COVID-19 pandemic to transfer tens of billions of dollars to the super-rich, rejecting appeals to urgently lift welfare benefits while pouring cash into the pockets of the wealthy.

With a social explosion looming, there is growing alarm among trade union bureaucrats, pseudo-left groups and liberal commentators that Labour is discrediting itself and jeopardising its ability to head off a growing movement of the working class.

Writing in the *Guardian* last month, academic Bryce Edwards glorified the "pioneering" first Labour government of the 1930s under which, he declared, "state house building was turbo-charged" and a "home for life" guaranteed.

With the country currently short of 500,000 dwellings, Edwards called for "a programme of mass state house production." A "genuinely progressive government would simply return this country to the large-scale state housing that New Zealand used to be known for," he declared.

There can, in fact, be no return to the Keynesian policies of limited social reforms which once served to subordinate the working class to the capitalist state. In response to the globalisation of production, Labour, like its social democratic counterparts elsewhere, ditched its reformist program in the 1980s to impose the dictates of the free market and begin dismantling earlier social reforms.

Labour and the Greens are the open representatives of finance capital and big business. The right-wing government will inevitably come into conflict with the working class, which will seek to fight back against the historic assault on its jobs and living standards. Workers can only carry this struggle forward by breaking with Labour and taking up the program of socialist internationalism.