Soaring social inequality under New Zealand Labour government

Tom Peters
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Recent reports show that the response of the Labour Party-led government in New Zealand to the economic crisis triggered by the pandemic has further widened the already vast gulf between rich and poor.

Like governments throughout the world, the Ardern government's policies are dictated, not by public health and welfare concerns, but by the interests of the super-rich, the banks and major corporations.

In October, it bowed to the big business demands to ditch its elimination strategy for COVID-19. With the assistance of the union bureaucracy, all businesses and schools in Auckland, the country's largest city and centre of the country's Delta outbreak, have now reopened, setting the stage for a further surge in cases.

While workers are suffering considerable hardship, including wage cuts and job losses, and the risk of exposure to the coronavirus, the rich have increased their fortunes significantly.

In an article for *The Spinoff* on December 6, economist Bernard Hickey said the owners of capital and assets had received a total of $20 billion in public money, in the form of subsidies and other handouts, since the onset of the pandemic. "The cash balances of transaction and term deposit bank accounts of non-financial businesses and households owning property have risen by a net $45b since Feb 2020 to $319b at the end of September," he noted.

Hickey also pointed to "a $257b increase in the value of shares, bonds and other non-bank financial assets to $954b" and a $608 billion increase in housing equity. Altogether, he estimated that "asset owners' wealth is on track to rise by $872 billion or 50 percent to $2.63 trillion within two years of the outbreak."

Property investors and the banks are profiting from an out-of-control housing bubble. According to the latest valuations data, the average national house price is $1.03 million, up more than 50 percent since the 2017 election at which Labour and its coalition partners, the Greens and NZ First, falsely promised to address the housing affordability crisis.

The four major banks—ANZ, ASB, BNZ and Westpac—reported $5.575 billion in profits in New Zealand during the 2021 financial year, an increase of 50 percent year-on-year, largely driven by strong mortgage growth. As *Stuff* pointed out, this is about $1,115 for every person in the country.

The housing bubble has been exacerbated over the past two years by the Reserve Bank's monetary policies. The central bank printed $55 billion to purchase government bonds from the private sector, propping up the banks' fortunes and suppressing interest rates.

The vast accumulation of wealth at one pole of society is inseparably connected with deepening attacks on working people, whose incomes are falling amid a surge in the cost of living, especially for housing.

According to the ANZ Bank, real wages have fallen in the past year by the largest amount since the former National Party government raised the goods and services tax in 2010. Inflation stood at 4.9 percent in the year to September. Wage rates increased by less than half that amount, just 2.4 percent. The Reserve Bank predicts annual inflation will reach 5.7 percent in the December quarter.

Interest.co.nz reports that the average residential rent reached $497 a week in the September quarter, up $43 or 9.6 percent in the space of just 12 months, placing extraordinary pressure on the 35 percent of households who do not own their own home. Rents are even higher in parts of Auckland, at $613 a week in the working class area of Manukau.

The number of applicants on the public housing

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waiting list has increased by two thirds since the pandemic to 24,536. Overall, more than 2 percent of people are homeless or in substandard housing.

The Child Poverty Monitor (CPM), produced by Otago University and the Children's Commissioner, was released this month, showing that 18.4 percent of children are in households that earn less than half the median income after housing costs. Measuring household poverty in terms of the median income inevitably understates the crisis, given that real median wages are stagnant or declining.

The CPM is only based on statistics for the year ending June 2020, and the situation has dramatically worsened since then. According to *Stuff*, "Auckland foodbanks are coping with demand 12 times higher than last year." Auckland City Mission told Radio NZ in November that it was distributing 1,600 food parcels per week and demand was the highest in its 100-year history.

According to inequality researcher Max Rashbrooke, before the pandemic the wealthiest 1 percent of New Zealanders owned a quarter of all assets, up from 16-18 percent in the early 1980s, before the pro-market deregulation by David Lange's Labour Party government. The poorest 50 percent of the population owned less than 2 percent of assets.

Some members of the ruling class are nervous about the consequences of the extreme inequality that has built up under successive governments. Former National Party Prime Minister Jim Bolger—whose government in the 1990s attacked workers' rights and slashed welfare benefits—warned on TVNZ last month that "some are getting obscenely rich and others are going to the food kitchens. That's a dangerous position for a society… that's the root cause of revolution."

None of the parliamentary parties, however, is offering any progressive solution. Far from it. The billions of dollars handed to the rich will be paid for by the working class, through deepening austerity measures, including attacks on public services, jobs and wages.

The trade unions are playing a key role in stifling opposition to the government and corporate attacks. These pro-capitalist organisations have collaborated in imposing redundancies and wage cuts, and in enforcing the reopening of schools and businesses while COVID-19 is spreading.

Speaking to RNZ on December 6, the Council of Trade Unions' economist Craig Renney hailed the Reserve Bank's response to the crisis, including quantitative easing. He said it had "done a really good job… financial stability is really strong in New Zealand. The bank has helped, along with fiscal policy, to manage the economy really well through Covid."

The unions' enthusiastic support for giving billions to the rich lays bare the role of these bureaucratic organisations: to maintain the "stability" of the profit system at the expense of the working class.

For workers to carry out a real fight against austerity, poverty and inequality, and for a scientific policy to eliminate COVID-19, they must build new organisations, independent of the unions. The WSWS calls on workers to break from the unions and form rank-and-file committees, controlled by workers themselves, in schools and workplaces.

We also urge workers to take up the fight, in opposition to Labour and the entire political establishment, for a socialist response to the pandemic and the economic crisis. The banks and major industries must be nationalized and their multi-billion dollar profits confiscated and used to repair the decaying health and education systems, and to provide decent, well-paid jobs for all. This is the program of the Socialist Equality Group and the International Committee of the Fourth International.

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