

Deepening political crisis in New Zealand as living costs surge

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After a government cabinet meeting on March 14, New Zealand Prime Minister Jacinda Ardern announced that in an effort to offset skyrocketing costs, public transport fares will be halved and fuel taxes and road user charges reduced by 25 cents per litre for 3 months.

Price shocks are impacting households around the globe. With crude oil prices running to nearly \$US140 a barrel, petrol in New Zealand last week reached \$NZ3 a litre, up 13 percent in a month. The Automobile Association (AA) warned the price could balloon to \$4.

Ardern said the invasion of Ukraine has unleashed a “global energy crisis.” “We are in a wicked perfect storm and it’s a storm that’s impacting many people’s lives,” she declared. Russia’s war on Ukraine would mean “continued volatility” for fuel prices. In fact, the surge in the cost of everyday items is fuelled by the sweeping sanctions regime imposed by the imperialist powers, designed to crash Russia’s economy, which New Zealand has hastily joined.

Ardern had earlier refused to acknowledge the impact of escalating inflation, prompting widespread accusations that she is “out of touch.” Asked on TV1 if the country was experiencing a “crisis” with the cost of living rising by 5.2 percent within a year, Ardern flatly replied, “I wouldn’t describe it that way.”

Christopher Luxon, leader of the opposition National Party, asked in parliament why Ardern would not admit there was a crisis when rent was up by \$140 a week and food prices had increased by more than 13 percent in four years. Luxon used the issue to advocate tax cuts, which would inevitably benefit big business and the rich.

The fact that National, with a long history of brutal attacks on working people, could falsely pose as a defender of living standards is testament to the right-

wing record of the Labour-Green Party government. Labour was elected in 2017 on promises to tackle child poverty and other social ills. These have proven to be completely fraudulent.

Ardern’s belated acknowledgment of the problem this week remained circumscribed. “Undoubtedly, for many families, there is [a cost of living crisis],” she declared. “But I think the most important thing is regardless of what anyone’s calling it, it’s whether or not we accept that there’s something that needs to be done,” Ardern told Radio NZ.

A poll on March 10 saw National overtake the government for the first time during the pandemic, with Labour dropping to its lowest result since 2017. The TVNZ/Kantar Public Poll had National on 39 percent, up 7 points and Labour down 3 on 37 percent, with the Green Party steady on 9 percent.

The erupting social crisis, on top of the ongoing Omicron outbreak, is shifting popular sentiment. Unemployed mother of five, Krystine Nation, told TVNZ her family’s expenses have exploded over the past year. “To say there isn’t a crisis... she [Ardern] needs to get on the ground floor,” Nation said. “In just over a year my groceries have increased \$7,000 annually. That’s a lot, my husband hasn’t received a \$7,000 increase in his pay,” she declared.

The latest Statistics NZ figures show annual food inflation has increased to 6.8 percent, the highest since July 2011. Prices surged 2.7 percent in January alone. Compared to the same month last year, fruit and vegetable prices jumped 17 percent, driven by staples such as tomatoes, broccoli and lettuce. The rise in global dairy prices saw an 8.9 percent increase for cheese and milk.

The ASB Bank predicted that annual inflation, running at 5.9 percent, will hit 7.5 percent by the

middle of the year, its highest level since 1990. “We expect higher food and fuel prices alone to add \$40 of costs to the average weekly household budget over 2022, adding to the squeeze facing the household sector,” ASB economist Mark Smith said. “Many households will cop a larger hit.”

Arden claimed that while inflation has risen, people have seen wage growth and the rise to minimum wage and family tax cuts. “Since we came into government, we know that, for instance, incomes have been lifting more than the cost of living” she declared in one interview. “What we see at the moment is an exception at this period of time.”

In fact, wage growth last year was only 2.4 percent, well under half the inflation rate. Some 42 percent of workers did not receive a pay rise at all, while of those that did, more than 80 percent were below inflation. The government last year announced a public sector pay freeze while the trade unions have dedicated themselves to cancelling strikes and enforcing low settlements.

Meagre rises in welfare benefits have failed to make up for decades of cuts. Economist Bernard Hickey noted that before Christmas 2020 the government rejected a recommendation for an urgent \$50 a week benefit increase. Current plans to marginally increase benefits from April 1 fall far short of what the government’s Welfare Experts Advisory Group warned in 2018 was desperately needed.

Millions of dollars are still being handed out to businesses to offset profit losses during the pandemic, on top of the \$20 billion paid over the last two years, ostensibly in wage subsidies. Hickey noted that the government will soon pay over \$100m in cash for two weeks’ payments to small businesses along with an \$815m payment to subsidise air freight.

Meanwhile, reports of increasing food poverty and homelessness are mounting. In one case cited by Hickey, the public housing agency, Kainga Ora, is struggling getting tenants to pay rent arrears which have grown to \$9m from \$0.75m four years ago. The waiting list for public housing has tripled in five years. Over 10,000 people on the emergency housing register are living in motels, boarding houses and campgrounds.

Levels of food stress are similarly escalating. One Christchurch pre-school said it has been forced to make food parcels for about a third of the families of the 50

children it looks after. Single mother Sarah Williams told *Stuff*: “It’s not going to be liveable. I either need more money, or the prices of everything to drop by 30 to 40 per cent.” One week she had to pay \$28 for two RATs, which left no money for food. “I don’t know what I’m going to do for dinner. It’s just a snowball effect,” Williams said.

Signalling deepening attacks on the working class, the Reserve Bank has forecast it will deliver a double-hike of 50 basis points on the Official Cash Rate (OCR) in both April and May. The OCR is currently sitting at 1 percent after increases in October, November and February. The OCR is expected to reach 3.5 percent by April 2023—up from a previous forecast of 3 percent. The result will be a disaster for indebted homeowners.

A working-class rebellion, directed against the Labour government and its trade union allies, is brewing. Recently, 10,000 allied health workers voted overwhelmingly to strike for two days after rejecting a pay offer that did not match inflation. The Employment Court banned the strikes in favour of an injunction brought by the District Health Boards. The resort to such anti-democratic measures will only intensify workers’ opposition to the assault on living standards as rising anger intersects with a radicalisation from the pandemic, intensifying austerity and the drive to war.



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