

# New Zealand budget deepens austerity

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New Zealand's Labour Party-Greens government announced its annual budget yesterday, with Finance Minister Grant Robertson describing it as a “wellbeing budget” that strikes “a balance between supporting our people now with the pressure of cost of living and investing in future jobs and economic security.”

This message was echoed by the media. *Stuff's* political editor Luke Malpass declared that the budget contained “some cost of living relief” that would “give money or benefit directly to people and make their lives cheaper and easier.” According to *New Zealand Herald* columnist Liam Dann, “It's not austere, it's not that fiscally conservative... They've decided to be a Labour government and spend some money and not slash and burn.” The *Guardian's* headline said the budget “focuses on young families suffering in cost of living crisis.”

These claims are basically a fraud. In reality, Labour has presented another austerity budget that will continue to starve public services such as health and education, while diverting ever greater sums to the military and intelligence agencies to prepare the country to join US imperialist wars against Russia and China.

The media spin reflects acute nervousness in the political and media establishment about the collapse in support for Labour and fears of political instability. Both Labour and the main opposition National Party are polling around 35 percent and it remains unclear which will be able to form a government after the October 14 election.

In the past year, the combined effects of inflation and higher interest rates have driven household living costs up 7.7 percent, while wages increased just 4.3 percent in the year to March. Food prices have soared by 12.5 percent, the biggest increase in more than three decades.

The budget will only exacerbate the social crisis facing working people. Core government expenditure has fallen from 34.6 percent of gross domestic product to 32.5 percent in the past year, and is projected to drop to 31.5 percent over the next four years.

Like other governments around the world, the Labour government responded to the pandemic by engineering

the biggest transfer of wealth to the rich in New Zealand's history. Tens of billions of dollars in subsidies, tax breaks and bailouts have been handed to big business, while the banks have benefited from ultra-low official interest rates and quantitative easing measures that have fuelled speculation in the housing market.

One in five children live in households earning below the poverty line of 50 percent of the median income. Meanwhile, a recent report from the Inland Revenue Department showed that the super-rich have amassed unprecedented levels of wealth: in 2021 the wealthiest 311 New Zealanders owned \$85 billion in assets, and paid an effective tax rate half that of the average worker.

In the lead-up to the budget, Prime Minister Chris Hipkins ruled out any significant tax increase on this layer. The budget will increase the tax on income from trusts from 33 to 39 percent, but this will only raise approximately \$350 million a year.

The government and its supporters have touted the budget's removal of a \$5 fee charged on all medical prescriptions. These charges were initially introduced by David Lange's Labour government in 1985 as part of its right-wing assault on public services. Their removal is a drop in the bucket that will be cancelled out by rising costs in every other area of life.

The same can be said of the handful of other “cost of living” measures. Finance Minister Robertson boasted that 354,000 people on welfare payments have received a 7.2 percent income boost, which is below the increase in food and other living costs.

An extension of early childhood education subsidies for two-year-olds (in addition to those aged three to five) is primarily aimed at addressing the tight labour market by encouraging new parents to return to work faster.

Free public transport has been announced for children under 13, and half-price public transport for people under 25. But this will be funded by ending half-price public transport for the entire population—a temporary measure put in place during the past two years.

One of the few significant increases is in military

spending, which will go up by more than 15 percent over the next four years, on top of record capital investment in recent years. The government is desperate to stop people leaving the armed forces, and is upgrading equipment and strengthening its alliances with US and Australian imperialism.

In vital public services, by contrast, there are significant cuts. Total health spending will increase in 2023?24 by \$1.3 billion, about 5.4 percent, well below inflation and not enough to meet the demands of the growing and ageing population. Labour has completely dismantled the COVID-19 public health response and adopted a policy of mass infection, allowing dozens of people to die every week and contributing to a major crisis in already-understaffed hospitals.

Robertson announced funding for an additional 500 new nurses in the next year—about a tenth of the estimated shortage of 4,000-5,000. Meanwhile, as many as 1,600 administrative workers could lose their jobs in a restructure of the healthcare system.

In the education sector, the government is maintaining an effective pay freeze. Tens of thousands of teachers have recently held nationwide strikes after rejecting below-inflation pay offers. They face a struggle against both the government and the union bureaucracies, which insist that teachers must sacrifice given the “current economic climate.”

Subsidies for tertiary education have been increased by just 5.3 percent—a substantial cut in real terms. Universities across the country are already sacking hundreds of staff and slashing wages.

Large parts of the country remain in a state of devastation after flooding in January and February. While the government has estimated that the total cost of rebuilding will be as much as \$14.5 billion, the budget has allocated just \$1 billion for the next year, mainly for road and other infrastructure repairs. Meanwhile, thousands of homes, businesses and farms have been destroyed or damaged by silt and face years of battles with insurance companies and the state.

Just days before the budget was announced, the country’s housing crisis was underscored by an horrific fire at the Loafers Lodge boarding house in Wellington, which killed at least six people. The building, which had no sprinkler system and malfunctioning lifts and doors, collected tens of thousands of dollars a week from renting 92 rooms.

Before giving his formal budget speech to parliament, Robertson, who is also the MP for Wellington Central

where the fire occurred, stated: “I’m sure I can speak on behalf of the House in saying our aroha (love) and thoughts are with all of those who have been affected.”

The government, however, bears responsibility for the soaring rents and house prices, which have forced thousands of families into rundown and overcrowded accommodation. More than 100,000 people are homeless or severely housing deprived. The waiting list for public housing has increased nearly fivefold since 2017, from about 5,000 to more than 24,000 applicants. The budget provides funding for just 3,000 more public houses by 2025.

Labour’s de facto coalition partner the Greens and the Maori Party, which represents indigenous capitalists, both voted in favour of Budget 2023—notwithstanding their mild criticisms of the government for failing to tax wealth and address poverty.

Meanwhile, the opposition National Party attacked the budget from the right, with finance spokesperson Nicola Willis calling it a “blowout” and demanding deeper spending cuts and tax cuts. She told Radio NZ, however, that she was “really pleased to see increased spending for defence; we are living in a more dangerous world.”

The budget makes clear that all parties in parliament are united in their determination to ramp up military spending in preparation for war, while intensifying the assault on the working class. This is setting the stage for a resurgence of class struggles, whatever the outcome of the next election.



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