THE 2013 BUDGET

Address to the CPAG Breakfast
Loaves and Fishes Café, Wellington, 17 May 2013

Paul Dalziel
Professor of Economics, AERU Lincoln University

E ngā tāne, e ngā wāhine, e tau nei, tēnā koutou katoa.

Ka tino nui taku mihi o aroha ki a koutou i tēnei rā.

Kei te mihi ahau ki ngā taonga o Te Atiawa,

tāngata whenua o Te Ūpoko o Te Ika a Māui.

Ka iti taku mōhio o te reo Māori,

ēngari kei te mihi ahau ki tēnei taonga o ēnei motu.

Tēnā koutou, tēnā koutou, kia ora tātou katoa.

Thank you for your invitation to speak on yesterday's budget. By way of introduction to my comments, I want to draw your attention to an important anniversary. This year is the 25th anniversary of the publication of Marilyn Waring's book *Counting for Nothing: What Men Value and What Women are Worth*.

Some of you may not remember Marilyn Waring. Marilyn entered Parliament in 1975 at the age of 23 as its youngest member and as one of only two women on the National government's side. Nine years later, her principled stand against the government's practice of allowing nuclear powered ships to visit New Zealand ports put her at odds with the Prime Minister, Robert Muldoon. Marilyn announced in June 1984 that she would retire at the general election scheduled for November that year and withdrew from the National caucus. The Prime Minister used her announcement to call an early election, where he suffered a landslide defeat to Labour, which in turn heralded the beginning of Rogernomics.

While in Parliament, Marilyn was chairperson of the Public Expenditure Select Committee, just as the country's National Income and Expenditure Accounts were being replaced with new accounts based on United Nations international rules. She describes her encounter with these rules as a "rude awakening"; so when she retired from Parliament she spent the next three years writing her book on the way those rules make the environment and "women's work" invisible in the national accounts.

The rules have not changed. If anything, they have got more specific, so that paragraph 6.28 of the United Nations System of National Accounts says baldly that no entries are recorded in the accounts for the following services (among others) when they are produced by household members and consumed within the same household:

- The preparation and serving of meals;
- The care, training and instruction of children;
- The care of sick, infirm or old people; and
- The transportation of members of the household.

Why do I mention this anniversary at this post-Budget breakfast? Yesterday's budget was the fifth budget delivered by the National-led government. When National won the 2008 election, it came to power expressing an overwhelming desire to stimulate greater growth in the economy. This quote comes from the Speech from the Throne that opened Parliament after that election (9 December 2008, emphasis added).

> The *driving goal* of the new Government will be to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. It will be *going for growth* because it believes in the power of economic growth to deliver higher incomes, better living conditions and, ultimately, a stronger society for New Zealanders.

This remains central to the government's programme, captured in its Business Growth Agenda. And when the government measures growth, it uses the national income accounting system critiqued by Marilyn Waring in her 1988 book. Hence, the Confidence and Supply Agreement signed between National and ACT on 16 November 2008:

> National and ACT have joint aspirations for greater prosperity for New Zealanders, and see Australia as a benchmark. They have agreed on the concrete goal of closing the income gap with Australia by 2025.

In fact, the income gap between Australia and New Zealand has widened over the last four years, but that is not my point this morning. Rather, what happens if the government adopts as its target greater growth and if the government adopts as its measure of growth an indicator that explicitly excludes the care, training and instruction of children within households? The answer is that you get budgets like we have had for the last four years, in which there is a sharp divide between economic and social policy – I believe to the detriment of both.

The thinking appears to be this. First, we need to build a strong economy. To do this, we must introduce "business-friendly" policies such as reduced business tax and ACC rates, changes to the Local Government Act and the Resource Management Act, social welfare reforms and new youth wage rates, and changes to the industrial relations framework. In time the stronger economy will generate higher national income (GDP), which we can then spend on social policy to address the consequences of community poverty.

By these lights, the 2013 budget will, I think, be judged on the whole as successful. There are some aspects of the budget that I think are potentially nasty:

- The government is introducing tenancy reviews for all state house tenants, with up to 3,000 tenants to be moved on within four years;
- Changes in the rules for social security income support to be introduced in July this year will see 79,000 people on the current sole parents, sickness and invalids benefits move to the new jobseeker support benefit; and
- The government intends to save $48 million over four years as a result of what it calls "more efficient disability support contracting".

Elements such as these should not be overlooked; they will put extra pressure on people already struggling. Why I say the budget will be judged on the whole as successful is that: the government has maintained its commitment to balancing the books in 2015; it has offered a range of increased support for businesses; and it has provided small amounts of extra social policy spending such as the following:

- Increased spending on home insulation targeted at low-income households with children or elderly occupants or high health needs;
- Increased spending on rheumatic fever prevention; and
- Increased spending on early childhood education and schooling initiatives (although offset by other cutbacks in the sector).

This fits the model described above: look after the economy and then spend the proceeds carefully on social policy. It's a version of the trickle-down theory. But here is the rub. The impact of the extra social spending, welcome as initiatives such as these are, is swamped by the way economic policies of the last three decades (globally as well as in New Zealand) continue to drive income inequality, environmental degradation and child poverty.

I started these comments with reference to the 25th anniversary of Marilyn Waring's *Counting for Nothing*. Let me finish with a reference to another anniversary – next year is the 30th anniversary of the launch of Rogernomics in July 1984. Over the last 30 years New Zealand has made huge social sacrifices – sacrifices in terms of child poverty and youth alienation, for example – in the name of "going for growth". We continue to make social sacrifices – the current social welfare reforms and changes to labour legislation intensify similarly motivated changes made by Jim Bolger's government in the 1990s.

I am old enough to remember the debates in the 1980s and the hopes expressed by people promoting the reforms. We need to face up to the fact that those hopes have not materialised even by their own lights – there is no way that the designers of the original reforms would have been satisfied with the promise of 2 to 3 per cent growth over the next three years.

I think we need a sea change in economic policy as radical as the introduction of Rogernomics in 1984. Income inequality, environmental degradation and child poverty will not be solved by tinkering with the annual budget. Marilyn Waring was right 25 years ago; we need a new framework that measures and promotes the well-being of communities now and into the future.

Kua mutu tāku korero mo tēnei rā.

That finishes my talk for today.

Ka tino nui te mahi i mua.

There is a lot of work in front of us.

No reira, me āwhina tātou ki a tātou.

Therefore, let us help each other.

Tēnā koutou. Tēnā koutou. Kia ora tātou katoa.

That is you. That is you. May you and I, all of us, enjoy well-being.