ESRA

BUDGET 2019 REPORT

ESRA researchers have teamed up with community researchers and activists to consider what the 2019 'Wellbeing budget' means for those who are worst served by our current system.

Just over a week after the release of the Government's 'Wellbeing Budget' one narrative has come to dominate: Despite well meaning intentions, the Government has failed to deliver anything close to a transformational budget. In this report, ESRA researchers have teamed up with community researchers and activists to consider what this budget means for those who are worst served by our current system. The report does not intend to be an exhaustive response to the budget, however it does shine a light on the stark realities faced by large portions of the population. While the move toward a wellbeing focus is a welcome development, the Government will need to do much more if it hopes to address the material hardship currently standing in the way of wellbeing in Aotearoa New Zealand.

WELLBEING

The Government has received praise both locally and internationally for the progressive sentiment of its 2019 'Wellbeing Budget'. This is not surprising. Putting social and environmental considerations on an equal footing with economic ones is innovative in a global policy environment that is near uniformly oriented toward creating and maintaining favourable conditions for economic growth at any cost.[1] The Government's recognition that economic growth is 'not an end in itself' certainly seems radical in an age obsessed with austerity and fiscal conservatism.[2] It is, however, worth putting this sentiment aside for a moment to consider what sits behind the focus on wellbeing.

The approach to wellbeing found in the budget is largely informed by the Living Standards Framework (LSF) developed by the Treasury. The LSF is a policy tool designed to help assess the diverse impacts that government policies have on intergenerational wellbeing, beyond 'traditional' indicators such as Gross Domestic Product (GDP).[3] The LSF builds upon the OECD's 'four capitals' analysis, which offers definitions and a set of indicators for measuring intergenerational wellbeing.[4] The four capitals: natural, human, social, and financial/physical provide a framework to help policymakers measure wellbeing over time and to assess the broader social and environmental impact of policy decisions. These capitals form the 'core' of the LSF.[5]

It is important to note that Treasury is explicit in stating that these measures are far from perfect or complete. Indeed, the measures are still very much in the development stage and it could be many years until we see a fully fleshed-out framework. With this in mind, it is useful to think of the wellbeing focus as aspirational rather than a fixed and functional policy tool.

Still, moving beyond a narrow focus on economic indicators is a welcome step in the right direction. This renovated focus shines through in the budget. For example, the recognition that poor housing impacts mental health negatively, or the implicit recognition that 'child poverty' is a symptom of adult poverty, found in initiatives around removing school fees, suggests a shift toward a more structural analysis informing policy decisions. This is echoed in the Government's stated ambition to break down agency 'silos'.[6] Taking wellbeing seriously is a positive step toward recognising the fact that the social problems standing in the way of wellbeing are structural in nature and should not be treated in isolation.

Whether the wellbeing focus will live up to its ambitions, in this budget or the next, will be decided by the way the Government and Treasury conceive of the relations between the four 'capitals'. On this question both the Government and Treasury have had little to say; and while the Treasury discussion papers offer more analytical depth for each category, they are not reflective of the Treasury's own position.

The LSF presents the relation between the four capitals as one of symbiosis, where each category works with the others to promote wellbeing. The LSF communicates this relation with the image of a weave, in which each of the four strands are intertwined, suggesting that they work together, bonding the social and allowing it to thrive. This, however, is not the image presented by the Wellbeing Budget. What many suspected and what this budget has confirmed is that one of the four capitals ultimately takes precedence over the others. The Government's ongoing commitment to the Budget Responsibility Rules, as well as its broad rejection of meaningful tax reform, both discussed in detail below, point to the predominance of financial capital as a policy driver over and above the other 'capitals'.

What we are left with is an image of two budgets. One, aspirational and geared toward wellbeing with the potential to be truly transformative, yet, as the below analysis shows, predominantly rhetorical. The other, sitting in plain sight in the actual figures outlined in the budget, a business-as-usual representation of where the Government's heart truly lies. This is a shame, but it is worth trying to imagine what a truly transformative budget might look like if government was prepared to take wellbeing seriously. This, at least, is what we hope to outline in this report.

THE FRAMEWORK OF RESPONSIBLE FISCAL MANAGEMENT

Budget 2019 has been formulated in accordance with the Budget Responsibility Rules (BRR) that the Labour and Green parties developed in the run-up to the 2017 General Election. The most significant of these rules are commitments to keep core Crown expenditure below 30 percent of GDP, to reduce net core Crown debt to below 20 percent of GDP within five years of taking office, and to run sustainable operating surpluses. These rules, arbitrary in nature, place limitations on the Government's capacity to borrow and spend.

During the election, the BRR were a means of signalling to voters that the left bloc would be responsible stewards of the economy, a political necessity partly created by the unfounded perception that a Labour Party is by definition fiscally irresponsible. They also signalled the left bloc's long-standing complicity in the creation of a wider political culture of 'responsible economic management'. This culture has been shaped in large part by the Fiscal Responsibility Act 1994 (FRA). The FRA was developed by the National Government in the early 1990s, championed by the then-finance minister Ruth Richardson. Folded into the Public Finance Act 1989 (PFA) in 2004, it provides the framework within which government and the Treasury conduct the budget process.

Particularly important are the PFA's first four 'principles of responsible fiscal management': reducing and maintaining prudent levels of Crown debt, maintaining operating surpluses across a financial year, achieving and maintaining a level of net worth that provides a buffer against macroeconomic shocks, and prudently managing the long-term fiscal risks facing the government.[7] The PFA does provide flexibility for the government of the day by allowing for the temporary departure from these principles should the macroeconomic conditions necessitate. The relatively vague wording of the act also leaves the government with room to manoeuvre.[8] Despite these caveats and despite the fact that it is non-binding, any significant divergence from this framework bears a political cost, with a government likely to face heavy criticism for being irresponsible economic stewards should they do so. Consequently, with the exception of the increase in Crown debt and the moderate fiscal stimulus in response to the Global Financial Crisis and Christchurch earthquakes, successive governments have focused on producing operating surpluses and consolidating Crown debt, something that, in the absence of significant tax increases, means austere fiscal investment. This has contributed to the degradation of civic infrastructure and the hollowing out of many public services over the last three decades.

While the austerity demanded by fiscal responsibility is regularly justified in mainstream political and policymaking circles in terms of New Zealand's exposure to natural disasters, financial shocks, climate change, and an ageing population, less commented on is the role of domestic and international investor sentiment. Since 1973, declining terms of trade have seen New Zealand run a consistent current account deficit, averaging around 5 percent of GDP.[9] This deficit has been sustained over time by a net inflow of foreign capital.[10] As a result, New Zealand has also run a considerable International Investment Position (IIP) deficit over this period. As of December 2018, New Zealand had an IIP deficit equal to 57 percent of GDP, the majority of which were debt liabilities concentrated in the financial sector.[11]

The sustainability of this large stock of net international liabilities relies on the continued willingness of investors to lend to New Zealand.[12] Should investor confidence turn sour, for example in the event of an international financial crisis, a major run-up of New Zealand Crown debt, or significant tax reform, this net inflow of capital could dry up, significantly weakening the exchange rate and exposing the financial sector and ultimately households to increased debt-servicing burdens and potential illiquidity. As such, a crucial platform of New Zealand's fiscal sustainability is the maintenance of a good credit rating and a reputation as a reliable debtor.[13] As Simon Upton, former National government minister and the current Parliamentary Commissioner for the Environment, summarises: even in the face of a large and consistent current account and IIP deficit, 'Good management and a bipartisan track record of taking unpalatable political decisions when required has shielded New Zealand from greater investor scepticism'.[14] In this respect, the BRR are also a means of signalling to domestic and international capital that the Labour-led Government will maintain a business-friendly economic environment.

It is true that New Zealand has a number of acute economic vulnerabilities and that high levels of Crown debt would weaken the country's resilience. However, the ratios set out in the BRR are arbitrary. They do not reflect an objective economic reality. Core Crown expenditure could exceed 30 percent of GDP if there was a political will to significantly raise taxes. Further, public debt could be temporarily inflated without any significant increase in New Zealand's economic vulnerabilities in order to pay for the current infrastructure and public service deficits. The Government has partially acknowledged this last point in Budget 2019, indicating that beyond 2021/2022 it will replace the current debt target of 20 percent of GDP or below with a range of 15–25 percent of GDP.

As Bill Rosenberg, Economist and Director of Policy at the CTU, points out, 'it is a twisted view of "responsible" fiscal management that ignores some of the most pressing problems in our society and environment'.[15] In this respect, Upton's view of 'good management' should be turned on its head: widespread government investment in the infrastructure and public services that have withered under decades of austerity is responsible fiscal management. However, so long as keeping business confidence high and making New Zealand an attractive place for international capital plays a significant role in shaping the budget we should not expect to see the level of fiscal investment that is so desperately required. The Government's commitment to a narrow framework of fiscal responsibility is fundamentally in contradiction with its aspirations for lifting and maintaining the wellbeing of the New Zealand population. This can be seen across the board, from welfare, housing and education to policy on immigration and prisons.

WELFARE

The welfare system in Aotearoa New Zealand is in need of transformation. Its current conceptual framework is based on blaming the unemployed for unemployment. This has allowed successive governments to pay benefit levels at a rate that keeps people in poverty and administer a toxic welfare system which punishes people for the poverty they have no part in creating.

Budget 2019 has not significantly increased benefit levels or made enough changes to the sanctioning regime of current welfare policy.[16] The Government has allocated $535.1 million over the next four years to index benefits to wage growth, remove sanctions on sole parents for not naming the other parent on birth certificates and increasing the amount one can earn on the benefit before it is reduced (known as abatement rates). This is a weak response to the Welfare Expert Advisory Group (WEAG) report released on 3 May 2019, which provided 47 recommendations to the Government on how to change the welfare system so that people and whānau can live with dignity.[17]

The indexing of benefits to wages instead of inflation, while a welcome change, comes nowhere near increasing benefit rates to an amount where people can live with dignity. The predictions are that by April 2023 this policy will increase people's income between $27 and $46 per week, between $10 and $17 higher than they would under the previous formula. Among the recommendations of the WEAG was an increase in benefits of up to 47 percent.[18] While this does not reach a liveable income as calculated by the Living Wage Network, if adopted this increase would significantly change the life outcomes of people and whānau on benefits and would meaningfully work towards eradicating poverty in New Zealand.[19] The Labour-led Government's unwillingness to increase benefit levels contradicts their rhetoric on reducing child poverty and the concept of a 'wellbeing' budget altogether.

While Aotearoa New Zealand does not have an official poverty line, the OECD has a relative poverty measure which is earning less than half of the median household income of a country.[20] Benefit levels such as the Jobseeker Support (currently $244.67 per week) and Sole Parent Support (currently $388 per week) are significantly lower than the OECD's relative poverty line for Aotearoa New Zealand.

The Labour-led Government's 'phase 1' of welfare reforms include the removal of Section 192 (formally Section 70A) from the Social Security Act by April 2020, a commitment it made in 2017.[21] This is a sanction of $22–$28 per child, per week from the benefit of sole parents for not naming the other parent on the birth certificate. The removal of this sanction is a partial win for advocacy and action group Auckland Action Against Poverty (AAAP) and the sole parents who have fought for years for its removal.[22] The Labour-led Government have not, however, promised to automatically back-pay those who have had the sanction uplifted. While this sanction is particularly punitive, all benefit sanctions should be removed.[23] Sanctions do not work; they are a punitive measure based on the ideology that unemployed people, those with disabilities, parents, and caregivers choose poverty when this has been routinely disproven.[24] The Government have used financial cost as a reason not to remove sanctions, however when a budget is produced it should account for providing people with their full and legal benefit entitlements instead of pre-emptively costing revenue derived from sanctioning benefits.

Recently, the Privacy Commissioner released a report on the Ministry of Social Development (MSD) fraud investigation practices, finding that MSD have been using illegal practices such as obtaining private text messages to find out whether a person was in a 'relationship in the nature of marriage'.[25] Work and Income have criteria which states that after 6 weeks they can consider a beneficiary to be in a relationship. This means that once someone is determined to be in a relationship, they will either lose part or all of their benefit depending on their partner's income. In a country with high rates of domestic violence, forcing people to be financially dependent on a partner is a particularly dangerous and irresponsible policy.

The money that government allocates for administering punitive policies such as fraud investigations significantly outweighs the prosecutions and the amount spent on investigations for tax evasion of those on high incomes. Research conducted in 2017 showed that 67 percent of people accused of welfare fraud for an average of $76,000 were sent to prison compared with 18 percent of tax evaders for an average of $229,000.[26]

Despite a very clear message from the privacy commissioner, Budget 2019 is increasing spending on investigating benefit fraud (Investigation of Overpayments and Fraudulent Payments and Collection of Overpayments) from $49,005,000 in 2018 to $51,592,000 now.[27] The Government should not be spending millions to prosecute the poor. The Government should not have a policy where individuals lose financial independence because of their relationship status. If we are going to be talking about a wellbeing budget and investing in mental health, then we need to be making policies that will actually end poverty. The first steps in this direction are increasing benefit levels to a liveable income and ending the punishment of those living in poverty.

HOUSING

Aotearoa New Zealand desperately needs a mass build in public housing, not just for those who are homeless, on the housing waitlist, or living in substandard and unaffordable rental accommodation, but for the wellbeing of everyone. While the Government has increased investment in the Housing First Initiative and in transitional housing in Budget 2019, there was no significant increase in funding to build more public housing.

In the 2018 budget, $234.4 million was allocated for the creation of 6,400 more public houses over the next four years. The remaining money for building and leasing public houses comes from Housing New Zealand (HNZC) borrowing $2.9 billion from third parties, and investing $900 million from its own operating costs. Treasury has consistently warned the Government against HNZC borrowing money, recommending that the Government, which has low debt and surplus, should invest more into public housing to avoid the risk burdening on HNZC.[28]

The figure of 6,400 is inadequate in terms of the demand and need for public housing. As of March 2019, the public housing waitlist was 11,067, the highest it has ever been.[29] The need for public housing extends well beyond the waitlist to those who are in unaffordable and substandard private rentals, the working poor who are not eligible, and those who are otherwise eligible but have been deterred by the complicated nature of the application process. If we take the definition of homelessness to include those living on the streets, in cars, on couches, in garages, and in overcrowded houses the homeless population extends well beyond this waitlist.[30] Providing 6,400 more public houses over the next four years is not enough to address increasing homelessness and the housing crisis.

In the March 2019 Quarterly Housing Report, the Government spent $23,079,536 on 17,264 Emergency Housing Special Needs Grants, a major increase from $6,574,733 on 6,138 grants in the March 2018 quarterly.[31] In Budget 2019 there has been an increase in the budget for emergency housing and transitional housing. The Government is spending public money on motels and other emergency accommodation, including the Accommodation Supplement, to private landlords instead of building enough permanent and affordable housing for people. Emergency accommodation is not only expensive, it can be incredibly dangerous, particularly for sole parents.[32] People are forced to renew their emergency accommodation every seven days, and to prove to MSD that they have been searching for alternative accommodation. With increasing rents and low wages and benefit levels, people are being placed in a homelessness trap.

While the Government is minimally increasing public housing, they are also privatising significant proportions of Crown land to developers for private housing.[33] In many of these new developments such as those in Māngere, Northcote, and Mt Roskill, only around one third of the planned housing will be public housing; the remainder will be Kiwibuild and private market housing.[34] This forecloses any future where Crown land could be returned to Māori hapū and iwi or used for the much needed increase of public housing. Building expensive private housing in low-income areas that were previously comprised of high concentrations of public housing is state-led gentrification and risks deepening the housing crisis. Treasury has warned the Minister of Housing and Urban Development, Phil Twyford, that the creation of Urban Development Authorities which consolidated HNZC, Kiwibuild and HLC (Housing Land Community, the developer subsidiary of HNZC) risks the disinvestment of public housing for the benefit of private developers.[35]

The Government has committed in this year's budget to assisting 1,044 more long-term homeless people into accommodation through $94 million in new spending. This is positive, but it does not go far enough. The Housing First model is an important model which acknowledges that addressing addiction, mental health, and other social issues is deeply connected to having a secure and safe housing situation. This, however, is not enough to address homelessness, as we know the problem is much bigger. At the last homeless count in Tāmaki Makaurau Auckland alone there were 3,674 people living without shelter or in temporary accommodation.[36]

The Kiwibuild programme has not received any additional funding in Budget 2019. Only 1,500 homes are expected to be completed by 1 July 2020.[37] Kiwibuild has rightfully been labelled middle class welfare as it transfers public money into the private housing market. The prices for Kiwibuild in Auckland are between $500,000 and $700,000 which is below current market rates but unaffordable to many people. The income cap is $120,000 for a single applicant and $180,000 for more than one applicant. The houses are available to those earning much more than the median household income and they are able to be sold at market price after three years. Many of these houses, as mentioned previously, are being built on Housing New Zealand land, and are too expensive for many people who currently live in these communities.

Public housing, where people pay 25 percent of their income in rent, a system called Income Related Rent (IRR), is the meaning of truly affordable housing. Public housing plays a role in lowering house prices in areas where it is plentiful. This is why current homeowners and property developers do not want to risk devaluing their housing assets. It is more effective to flood the market with public housing than building so-called 'affordable' housing such as Kiwibuild. Public housing was once seen as the solution to the housing crisis for everyone. Before the policy shift to means-testing eligibility, it was seen as a desirable alternative to the private rental market on par with home ownership. Public housing regulates the wider housing market, deters speculation, and could drive down house prices more effectively than 'affordable' private housing. But the interests of wealthy landowners, developers, investors coupled with years of attacking and demonising state housing and its tenants has led to an erasure of one of the only truly affordable housing models from our popular imagination.

A wellbeing budget for housing would invest money into the mass-building of housing, on an industrial scale as outlined in the WEAG report, and expanding the criteria so that more people have access to it. Alongside public housing, the Government must return land to mana whenua and finance papakāinga projects.

EDUCATION

The education sector in 2019 is in a period of transition. All levels of education (early childhood, compulsory, and tertiary) are under review, with massive projects including changes to Tomorrow's Schools (the current governance and operations model of public and integrated schools), a new Early Learning Strategic Plan, the potential amalgamation of polytechnics, and the tertiary fees-free initiative at various stages of implementation. These projects are now dovetailing with serious industrial unrest as teachers in primary and secondary schools call for transformative changes to their terms of employment.

Despite this complexity, there is a very clear vision for the future from those working in education. Most obviously, striking teachers in the compulsory sector have been demanding increased pay packets, smaller class sizes, increased staffing, and increased support for children with special education needs. These claims did not come out of the blue. They are the result of a decade of underfunding, and are of the utmost necessity to ensure the survival of the public education system, as the teacher shortage grows and the band-aids are not healing the cuts. Support staff employed in schools, many of whom are on or just above the minimum wage, are waiting on pay equity settlements and a promised change to their funding model, which, taken together, provide the opportunity to supply security of tenure and genuine career pathways for this under-valued, female-dominated segment of the education workforce.

The same issues are present in early childhood education (ECE), where the teacher shortage is exacerbated by low wages and poor conditions in large parts of the sector, especially the largely unregulated private market. A long-promised boost in funding for centres that employ only fully-qualified teachers is key to raising quality and improving educational outcomes, and would reduce the profit motive for private centres to employ under-qualified staff. A really transformative government would fold ECE services into the state sector, as kindergartens currently are, and centrally plan its provision to overcome the negative effects of market anarchy. While these changes may sound radical, they would really just be applying the same model to early childhood education as is currently applied to the compulsory sector.

In tertiary, the key issues for universities remain the same: operations funding and student fees. The demand from students for a return to fully state-funded tertiary education appears unlikely to be met anytime soon, and a debt jubilee for those with student loans hanging over their heads even less plausible. In polytechnics, the potential for amalgamation provides the possibility of more rational planning for provision, but could also lead to less relevant local programmes being offered, and the sector is split on whether or not to support the proposal.

With all of these balls in the air, one might have thought there would be some new commitments and serious investment revealed in this year's budget. Of the $1.56 billion in new funding announced in the budget, $1.2 billion, or over 75 percent, is earmarked for capital expenditure for new and expanding schools. New schools, and new buildings in schools, are certainly required, but without any action on the teacher shortage it is unclear how the Government envisage staffing them.

In non-capital expenditure, operational funding for all sectors (ECE, compulsory, and tertiary) will increase 1.8 percent to match inflation. While this is better than nothing, it is not enough for public ECE services to remain viable in the face of the private market or to offer schools any real means to address the drastically low pay of support staff. The expansion of school nurses into decile 5 schools, from deciles 1–4, and the introduction of a healthy eating and exercise program are tinkering around the edges of childrens' health and wellbeing without addressing the root causes of these issues. The scrapping of school donations was an election promise but appears here in a slightly watered down form, only for decile 1–7 schools, and while welcome for many parents is again not a huge spend nor an issue front-of-mind for many educators. Money saved from the fees-free initiative will go towards the vocational sector transformation project.

As such, Budget 2019 leaves the education sector basically where it was: in a state of flux with no clear plan or spending commitments to resolve the Government's own reviews or the sector's industrial disquiet. With a large surplus, access to cheap credit, and capital remaining virtually untaxed, it would not be hard or unrealistic to meet any of the demands levied on the government from workers, students, and communities with an interest in education. Unfortunately, there seems to be no political will to do so.

IMMIGRATION

Immigration is always an odd area at budget time. Budgets deal with the allocation of tax and don't offer much of an indication as to where that revenue is sourced. Even though immigrants account for 24.7 percent of revenue, and only take up 18 percent of spending, you are more likely to hear about the cost of immigration in the budget. Three areas stand out: the refugee quota increase, the lack of support for refugees and migrants post-mosque attacks, and a maritime mass arrivals prevention fund.

Budget 2019 allocates $140 million to the increase in the refugee quota. This increase was largely driven by a popular campaign to Double the Quota. However, there are more figures about the costs of refugees with no corresponding table as to their benefit. When there is so much pressure on refugees to be grateful, simply acknowledging they are more than a cost would do wonders for wellbeing. Economists point to the young average age of refugees and their educational attainments as proof that they will be a mid- and long-term economic benefit to their new countries.[38] But in the short-term there are costs and these are the worst nightmare of neoliberals—a person coming in from outside who requires support from the state.

There appeared to be no obvious budget allocations to the small, refugee-led groups that did the hard work of community support after the Christchurch mosque attacks. These groups are often led by former refugees and are the go-between of those resettled communities and government. Most operate on shoe-string budgets at a small fraction of the extra $2.4 million per year added to the budget of the Office of Ethnic Affairs.[39] The resettled refugee communities need much more support than one-off grants. This is something you would expect to see taken into consideration in a budget focused on wellbeing.

The danger posed to asylum seekers from long sea voyages in ricketty vessels are high so one can easily present the almost $6 million per year granted to prevent these voyages as a definite public good. But we have also heard the Australian example of this humanitarian language being deployed by governments to prevent asylum seekers from gaining protection. The focus on people smuggling is a red flag—the ultimate aim of these policies is for the security of New Zealand, not the security of people fleeing persecution and war.[40]

If the security of asylum seekers was the actual aim then we would spend much more diplomatic pressure in getting the countries, mostly in South East Asia, where these boats are said to depart from, to sign up to the UN Convention on Refugees so they do not feel the same pressures to leave. This policy risks being used as a dog-whistle that reinforces anti-migrant sentiment.[41] A commitment to migrant and refugee wellbeing would prioritise support and rehabilitation.

PRISONS

Like the military, criminal justice is one of the few sections of the budget that is chronically overfunded. Whereas a wellbeing budget would have invested substantially in housing, education, and healthcare, it would have also implemented a plan for a substantial reduction in criminal justice spending.

This is not because of a simple opposition to the idea of prisons, but because prisons undermine the wellbeing of entire communities caught within the widening net of the criminal justice system.[42] The criminal justice system punishes the poor and entrenches institutional racism—up to 87 percent of people in prison were unemployed prior to imprisonment,[43] and approximately 51 percent of the prison population are Māori. This problem has only been getting worse in recent years, with the remand prison population more than doubling since 2013,[44] in part because homeless people and others living in unstable housing have not had ‘secure’ addresses for bail obligations.[45]

So has the wellbeing budget addressed these trends and implemented a plan for decarceration? A casual reading of Budget 2019 suggests that Corrections spending has decreased from 2018 to 2019 by $83 million and will continue to decrease over the next four years. These figures are misleading. In the 2018 budget, the government was planning to spend $1.7 billion. However, shortly after the 2018 budget, it announced a major prison construction project at Waikeria that was not budgeted for. This meant that total spending last year was around $2.25 billion. When we simply compare Budget 2018’s intended spending to Budget 2019, there was, in fact, a $439 million increase in spending.

The forcast downward trend in Corrections spending is not only naïve (because there have been no policy changes that would actually reduce the prison population to the extent predicted), but is still substantially more than the Government was projecting to spend from 2019–2022 in the 2018 budget. Overall, this amounts to $1.39 billion in additional spending over three years on Corrections alone. When additional Police spending is added to this, the wellbeing budget is increasing Corrections and Police spending over the next three years by $2.04 billion. The government is planning to spend $1.12 billion on Corrections capital expenditure (largely new prison beds) in the next 4 years alone.

While these numbers may seem distant and unimportant, they have dire consequences for the wellbeing of the people swept up in the criminal justice system. In a sober report into healthcare in New Zealand prisons, the National Health Committee found that people entering prisons come from the most unwell communities.[46] Prisons are unhealthy environments that undermine medical care, when it is received, and make people more unwell.[47] Research into deaths in New Zealand prisons has also found that incarcerated people take their own lives at a rate 505.36% greater than the non-imprisoned population.[48] A budget that truly prioritised wellbeing would include a plan for decarceration.

TAX

Given that it was prepared by a coalition led by a Labour Party that claims to be on the left or at least the 'centre left', one of the most significant omissions in the wellbeing budget is any progressive movement on the question of tax. This is in good part a result of the self-imposed Budget Responsibility Rules that we discussed above, although the lack of progress on tax also reflects the failure of the Tax Working Group which was established in 2018 to 'improve the fairness, balance and structure of the tax system'.[49] This budget includes no significant effort to make income tax more fair or balanced. Neither does this budget involve changes in tax on the consumption side, which might have involved the reduction or removal of the Goods and Services Tax (GST), either as a whole or targeted towards removal of this tax on those goods and services that are essential for wellbeing.

In light of the proposals of the Tax Working Group perhaps the most notable absence regarding tax in this budget is the failure to introduce a Capital Gains Tax.[50] This was of course prepared in advance by the Labour-led coalition's inadequate public information campaign regarding such a tax, which failed to clearly identify the broad-based benefits of a Capital Gains Tax or the way that such a tax would bring Aotearoa New Zealand in line with other leading industrialised countries. Likewise, this budget does nothing to remedy the problem of the intergenerational transfer of privilege, a problem that was expanded by the abolition of death and then finally gift duties in 2011.[51] Likewise this budget falls profoundly short of imagination by failing to consider other tax options, which include for example widely discussed and internationally implemented examples such as taxes on financial speculation, taxes on land ownership or on rent, let alone simple and administratively efficient measures for confronting wealth inequality such as the wealth tax proposed by Thomas Piketty.[52] To defend this budget, it would be possible to say again that this failure was secured in advance by a combination of the Budget Responsibility Rules and the prohibitively narrow remit given to the Tax Working Group.

In isolation, tax is principally a redistributive measure. It offers a corrective to the way that specific forms of economic and social arrangement, such as the ones that prevail at present, systematically benefit certain groups at the expense of others. By itself redistribution does not and cannot remedy the underlying logics of economic exploitation through which the current owners of land and capital benefit as recipients of rent, interest and profit at the expense of those who work.[53] Given the present economic arrangements, any effective project to secure wellbeing would require challenging the ways that, since the arrival of colonial capitalism in this country, wealth has been subjected to an ongoing upward redistribution into the hands of a few, at the expense of the wellbeing of others. This took place most notably in the dispossession of the original guardians of this land, and has always been accompanied by an ongoing economic violence.[54] One of the names for the challenge to that dispossession of land is tino rangatiratanga, and on that measure this budget fails us all. One of the names for the challenge to ongoing economic dispossession was social democracy, and on this measure this budget also fails us.

Wellbeing requires challenging and changing the ways in which that wealth is produced before it then flows upwards into the hands of landlords, employers and investors. That would require an intervention that took seriously what is taking place in workplaces, in the relations of production and in paid employment. It would also involve taking seriously the hundreds of millions of hours yearly of unpaid care and reproductive work that makes our economy and society possible, and which is for most of us that actual material ground on which our wellbeing rests. Taking work seriously, and understanding the social consequences and politics of the structuring of work, has historically been the promise of political parties claiming to reflect the interests of workers or of labour. On this measure, this budget is also a failure.

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NOTES

1 The idea of a 'triple bottom line' that balances economic, social and environmental considerations has important precursors in the language of 'corporate social responsibility'. See, for example, John Elkington. *Cannibals with Forks: The Triple Bottom Line of 21st Century Business*, Oxford: Capston, 1997.

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