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FUTURE-PROOFING AOTEAROA NEW ZEALAND FOR LIFE AFTER COVID-19

Crises can catalyse broad-based social change. Yet the shape of such changes is not determined in advance. In this contribution, four ESRA researchers propose some key principles that should guide the economic and social recovery from Covid-19 and future proof Aotearoa New Zealand.

In the wake of the last crisis of global capitalism in 2008, despite numerous premature pronouncements of the death of neoliberal capitalism, the Left was unable to achieve any meaningful change. Over the past few months, governments around the world have discussed and implemented policies that in many places were previously unthinkable: the synchronous lockdown of a third of the global population, heavy-handed state intervention in the economy, including nationalisations, mass wage subsidies, direct cash transfers to households, and the consideration of Universal Basic Income. In this country, the unprecedented actions of the Labour-led government in recent months have widened the scope of the credible and the realistic, at least temporarily. But there is no reason to believe that these measures will automatically generate progressive outcomes, or that the many social and economic problems that we will face in the coming years will not be

met with neoliberal responses. Things could get better, but they could also get worse.

It is important, then, to advocate credible and realistic proposals for reform. As highlighted by Shannon Walsh in a recent ESRA report, this is exactly what the Right do in times of crisis, to great effect.¹ In this text, we outline some general principles we believe should orient the economic recovery from the Covid-19 crisis. We argue that climate change mitigation and regenerative ecological practices, the development of Universal Basic Services and the mass building of public housing should be some of the key pillars of the post-virus recovery.

PRINCIPLES FOR ECONOMIC RECOVERY

Covid-19 emerged in the midst of two other escalating global crises that have been a long time in the making: the climate crisis and the

inequality crisis. Despite decades of attempts to curb climate change, according to the UN Secretary-General António Guterres, the world is still 'way off track' from meeting even the modest targets of the Paris Agreement.² Without comprehensive reform, we can expect natural disasters to intensify in both frequency and effect. This may result in the forceful displacement of hundreds-of-millions of people across the world in the next few decades, sparking significant social and political crises in the process.

Climate change does not and will not affect everyone equally.³ Existing inequalities will be intensified. Across the world, those at the bottom of the social hierarchy lack a sufficient social safety net and access to basic amenities. In rich and poor countries alike, increasing numbers of people are forced to make a living under precarious conditions of trenchant underemployment, while others cannot meet their basic needs despite being fully employed. This will be further exacerbated by the fast pace of technological change in coming years. Job losses due to automation will require significant mitigating responses from governments. In countries like Aotearoa New Zealand, these dynamics are compounded by an ingrained culture of individual responsibility that blames the poor for their position. The solidarity and resilience that are so desperately needed in communities across the world right now have been undermined as a result.

The climate and inequality crises were recipes for disaster long before Covid-19 emerged on the scene. In this country, an adequate response to the pandemic means tackling these systemic crises head on, making sure that the policies implemented in response to the pandemic are

done with the purpose of future proofing Aotearoa New Zealand, constructing a more resilient and sustainable economy, where the well-being of the many is not sacrificed for the luxuries of a few. Shovel-ready projects must align with strong climate change mitigation strategies and must be oriented towards ensuring access to quality basic amenities for all, including healthcare, housing, and nutrition. A healthy environment is an essential starting point for a resilient economy and society.

It is also important to recognise that both the pandemic and the public health measures implemented as a result have significantly uneven repercussions, disproportionately affecting Māori. An adequate response to the crisis therefore means being attentive to Aotearoa New Zealand's colonial roots. Covid-19 is far from exceptional for Māori; it can be joined by a single thread to the last global pandemic in 1918 and the many virulent diseases that were brought to these shores by Europeans in the nineteenth century. Contrary to a deeply embedded public assumption, there is no point at which colonisation in Aotearoa New Zealand ended.

Settler democracy, wherein settlers retain direct control through numerical majority, conceals the continuation of colonisation, repackaging it as democratic consent. Through this structure of domination, Māori are held in a position of economic subordination and are politically marginalised. The symptoms of this are well known: unemployment, low-paid and low-quality work, high incarceration rates downstream from racist policing and judiciary, health inequalities, inadequate housing, low rates of voter turnout.

The public health response in Aotearoa New Zealand has undoubtedly been strong, although still lacking in sensitivity to the specificities of Māori in both cultural and socio-economic terms. Te Rōpū Whakakaupapa Urutā, the Māori National Pandemic response group, have criticised the government's Māori Covid-19 Plan for its use of feel-good aspirational statements without substantial detail as to how inequality within the health system will be addressed.⁴

History suggests that the economic impacts of the pandemic on Māori will be significant. Because Māori are systematically driven to the bottom of our economic hierarchy, they will disproportionately shoulder the impact of the recession. This was the case during both the recession of the 1970s and that following the 2008 financial crisis.⁵

The response to the pandemic by Māori has been impressive, once again demonstrating profound collective strength and the ability to self-organise and to care for others. The financial strength of iwi who have received Waitangi Tribunal settlements going into the crisis has put some Māori in a better position than they might otherwise have been. But Waitangi Tribunal settlements are not welfare payments; they do not absolve the state from its obligation to resolve inequalities and care for the most vulnerable in society.

What is at stake, then, is twofold. First, Pākehā have a financial obligation to Māori to redress colonial injustices. This will never be achieved until Māori are no longer drowning at the bottom of all social indicators. But 'full and final settlement' is the catch cry of the coloniser who wishes for the transactional non-relationship of monetary exchange. Second, then, financial

redistribution must be accompanied by political devolution. Anything less is paternalistic charity. The relational co-constitution outlined by Matike Mai would bring to a close the usurpation of te tino rangatiratanga, returning us to the partnership outlined in Te Tiriti.⁶ The Iwi Chairs Forum has suggested Covid-19 provides a special opportunity to think about the constitutional basis of Aotearoa New Zealand and build a nation based on shared values. Inviting communities to share their vision for our collective future, Professor Margaret Mutu, who leads the forum, reminds us that 'Iwi leaders have always worked with communities in creating future pathways as demonstrated in the 1835 Declaration of Independence and Te Tiriti o Waitangi 1840'.⁷

In building a more resilient, fair and sustainable society in the post-virus world, political autonomy coupled with a Covid-19-sized fiscal package for Māori are essential. This would not end colonisation immediately, but it would move us into a much healthier place than we are now, to the benefit of all. So far, the spending announced by government suggests that this crisis will not be used to address inequalities between Māori and Pākehā, despite the unequal impact that the economic repercussions of the virus will have on the Indigenous people of this country. It is crucial that future support packages and annual budgets announced by government address this shortfall head on.

It is also important to note that women are in many cases the hardest hit by the crisis. The economic effects of the crisis are concentrated on the service sector in which women are over-represented. Women also tend to carry a higher burden of unpaid household work, which may not change under lockdown conditions.

Domestic violence has also risen markedly under lockdowns across the world. And women are over-represented on the frontlines of the crisis—as health professionals, caregivers, and supermarket workers—and therefore face a higher risk of infection. The important social contributions of these essential workers have finally been recognised and essential workers have been publicly celebrated. To address the effects of this crisis in an equitable manner, this cultural appreciation needs to be translated into a permanent and marked increase in monetary appreciation.

HOW TO PAY FOR IT

Pushing for systemic transformation in the way we organise our economic activity inevitably raises the question of how to pay for it.

Reforming the extremely regressive tax system we have in this country is an essential step. Higher tax rates for corporations and high-income earners should be coupled with wealth, inheritance, financial transaction and capital gains taxes. This would enable the government to redistribute wealth over the long term. It would also act to disincentivise the passive investment of capital in housing and financial assets, redirecting it into the more productive, job creating parts of the economy.

Beyond this, Crown debt will continue to rise dramatically as a result of the fiscal support measures pursued by the government.⁸ Perhaps one of the most important battles in the coming months and years will be over what to do with this debt. The last time public debt exploded like this was in 2008 and 2009, when governments around the world bailed out stricken financial institutions and borrowed to fund fiscal stimulus programs. After this brief ‘Keynesian moment’, the dominant political response to rising public

debt was austerity: the reduction of public spending with the aim of reducing public debts and deficits.

Aotearoa New Zealand’s financial system was left largely intact after the 2008 financial crisis and so the recession was less brutal here than elsewhere. Still, public debt expanded significantly. Net core Crown debt, the government’s preferred measure, increased from 5.7 percent of GDP in June 2008 to over 26 percent by June 2013.⁹ In response, nine years of National-led government gave us a restrained program of austerity as the government focused on getting the books ‘back in the black’ and making the New Zealand economy ‘competitive’. We are experiencing another Keynesian moment in the current crisis, with the government spending unprecedented amounts to keep the economy on life support.¹⁰ But concerns about the affordability of the debt accruing in this country and across the world are already being voiced.

There are two core problems with austerity. First, reductions in public spending have enormous, unequally distributed social consequences. In some places, such as the UK and much of the Eurozone, brutal austerity policies have been pursued for the last decade. The result: desperately underfunded public services, decaying civic infrastructure, slow and fragile economic recovery and rising inequality. This also has political consequences; it is no accident that the resurgence of the far right across the UK and Europe has occurred during a period of austerity. While austerity in the post-2008 years was comparatively light in Aotearoa New Zealand, a severely underfunded healthcare system and a chronic housing crisis are nevertheless both notable legacies.

The second problem with austerity is that it is not actually an effective means of reducing public debt. For instance, despite a decade of austerity, UK public debt sat at 85 percent of GDP by the end of 2019; in Italy, despite over two decades of austerity, public debt was 135 percent of GDP at the end of the same year. In Aotearoa New Zealand, despite years of fiscal restraint, net core Crown debt as a percentage of GDP has only marginally declined, falling from a high of 26 percent to just below 20 percent in 2018.¹¹

In a severe recession, such as the one we are currently facing, firms and households focus on paying off debt and putting money aside for the next rainy day. With almost everyone doing this at the same time, capitalist economic activity tightens markedly, driving profits down and unemployment up. Because someone has to spend for someone else to save, this dynamic actually makes it harder for firms and households to reduce their debt burdens. The same is true for the state. With less economic activity, the state will collect less tax. The economy as a whole will also face deflationary pressures, which increases the public debt burden.

In this context, the state is the only actor capable of preventing the recession from worsening. Public spending—and therefore rising public debt—is essential during a recession and makes for a faster and more robust recovery. After the recession has passed, the responsible thing for the state to do is to keep investing in public services and infrastructure, and focus on building a robust, inclusive and resilient economy. By encouraging economic growth, the state's tax base will expand, giving it more money to pay off debt in the long run. In place of austerity, we should therefore push for the widespread expansion of state funding in public

services and infrastructure. We detail two areas where this could be pursued below.

UNIVERSAL SERVICES

As a result of Covid-19 and the public health response, the Treasury predicts that the rate of unemployment could reach between 13 and 26 percent.¹² This would mean a significant proportion of people become reliant on a welfare system where benefit levels, despite the recent \$25 per week increase, are not enough to live on.¹³ Median rents currently exceed \$500, while the Jobseekers benefit for a single person is \$250.74 per week before any add-ons.¹⁴

In a system where multiple incomes are often necessary to afford rent and food, many workers will find themselves moving from a dual to a single income household. Because of Work and Income's relationship rules, if your perceived partner is in full-time work, even at minimum wage, you are unlikely to be entitled to any support. This policy forces people to rely on their partners financially, which can cause negative power imbalances; it can also force people to avoid emotional connections altogether out of fear of losing their income.

We need to build a welfare system which provides true social security. The social security system should not just be a safety net to help people survive; it should provide all people with enough income and resource security to flourish. We need a welfare system which provides people with enough income security to value all the unpaid care work people do for their whānau, communities, neighbourhoods and the environment, and also a system which provides broader social security in the form of free and unconditional essential services.

Here, we should echo the calls being made by Auckland Action Against Poverty (AAAP), who work on the frontlines of poverty.¹⁵ They have been campaigning and organising to lift benefit levels to a liveable income, to individualise benefits in order to end Work and Income's relationship rules, to end all sanctions which push people into entrenched poverty, and to support a mass build in public housing so that those on low incomes are not spending the majority of their income on rent. Lifting benefit levels to a liveable amount and removing all barriers, sanctions and obligations to access it will effectively be a Universal Basic Income (UBI).

The UBI, which involves an unconditional payment to everyone, has started to be discussed globally and in Aotearoa New Zealand in response to Covid-19 by both the Left and the neoliberal Right.¹⁶ Criticisms of the UBI from the Left include concerns that it might be provided at such a low level that it is not enough for people to survive on, it could enable employers to drive down wages and it could be used as a way to get rid of all other social welfare, making it inequitable.¹⁷ A progressive UBI would be at a living-wage level, and would be delivered through the taxation of wealth. Alongside the discussion of UBI, we should also pursue the development of a Universal Basic Services (UBS) program in Aotearoa New Zealand, which AAAP are at the beginning stages of organising towards.¹⁸

UBS is an expansion of the UBI concept in which services such as housing, food, health, power, transport and communications are made free and universally accessible to everyone. Just like hospital care and secondary education, these kinds of essential services should and could be free and provided to everyone. The majority of low-income earners' money goes to landlords

in the form of rent, or on essential services and utilities like electricity, food and water. These services are essential for the well-being of everyone and should not be left to the whims of the private market. The UBS was adopted by the UK Labour Party prior to the 2019 General Election as a way to imagine a different welfare system.¹⁹ The adoption of some form of UBS would be a step towards future proofing Aotearoa New Zealand.

PUBLIC HOUSING

We were experiencing a housing crisis in this country long before the Covid-19 pandemic hit our shores. The economic destruction caused by the pandemic and the public health response to it will increase the numbers of people who cannot afford to pay their rent or mortgage. One in four households currently spend more than 40 percent of their income on housing costs.²⁰ For beneficiaries, this percentage is much higher, meaning that many people have needed to access emergency grants just to put food on their tables. In a situation where people spend a significant part of their income on rent, wage-subsidies of \$585 and the slight benefit increase of \$25 per week are largely indirect subsidies for landlords.

While the rent freeze announced in March is welcome, the reality is that many renters were already paying exorbitantly high rents. The government has provided comprehensive relief for mortgage holders in the form of a mortgage repayment holiday, but there has been no equivalent relief for renters. A rental payment holiday should be implemented immediately to ensure that renters facing income losses are protected. This would likely also stimulate economic activity and therefore economic recovery, as earnings that would otherwise be spent paying rent may be used to purchase goods

and services. The Emergency Housing Plan created by Action Station's housing campaign team is demanding a rent amnesty during and beyond Covid-19, as well as rent caps and the state purchasing of unoccupied homes to house the homeless as an immediate response to the crisis.²¹

Beyond support for renters in the immediate term, a permanent solution needs to be found to resolve the issue of unsustainable rental prices and homelessness in this country.²² Before this crisis hit, we had over 41,000 homeless people in Aotearoa New Zealand; we now have 16,309 households on the public housing waitlist.²³ If investors decide to disinvest from property over the coming months, the state could step in and purchase these homes and rent them at 25 percent of the income of the tenants. For houses that are currently unoccupied and being land banked, the newly formed Kāinga Ora could purchase these homes and make them permanent and secure state rental housing for those on the waitlist and beyond.

More importantly, it will be necessary to ramp up public housing construction.²⁴ The government should intervene in construction to ensure we build enough state rental housing to house everyone on the waitlist, and to progressively make it more universally accessible for those who will be impacted by the economic crisis. We should build our public housing to be 100 percent carbon free, as the Green New Deal for Public Housing Act created by progressives in the United States suggests.²⁵ Building sustainably is important for both combatting climate crises and ensuring families live in warm and dry homes. This must involve the government upholding their role as Te Tiriti partners and devolving resources and power back to hapū, iwi and marae to support papakāinga and for-Māori-by-Māori

housing initiatives.

We need housing solutions that are future proof so that people do not lose their homes when crises hit. One of the most effective ways of ensuring this is to remove housing from the private market, which has clearly failed homeless, renters and precarious homeowners. We cannot allow for this crisis to result in further entrenched housing stress, homelessness, displacement and poverty. Now, and beyond recovery, we need to challenge the very idea of treating housing as an investment.²⁶ Ultimately, housing should be gradually removed from the private market so that there is more collective ownership of this essential service and resource.

CONCLUSION

As William Davies recently remarked, 'To experience a crisis is to inhabit a world that is temporarily up for grabs'.²⁷ Many of us today have a sense that the pack has truly been reshuffled. It is, however, foolish to simply wait and see what hand we will be dealt. We must be clear-sighted about the lengths to which the wealthy and powerful will go to secure and extend their privilege; and we must be aware of who is doing the grabbing and grasping, and who is dealing the pack.²⁸

The future is ours to determine. We have never before had such productive powers and collective wealth at our disposal. Policies like the development of Universal Basic Services and the mass building of affordable, sustainable and healthy housing are urgently needed and within our means. To future proof our country, we need to pursue the development of such policies, encourage reason, create space for public deliberation, and have the courage to imagine a world in which there is room for us all to live and to prosper.

NOTES

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