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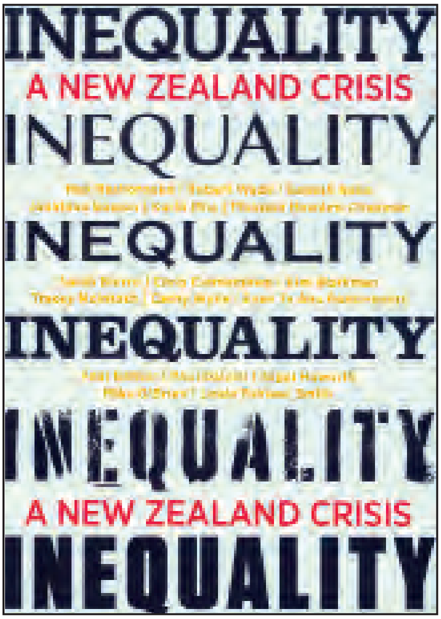
Inequality should be worrying Key

Inequality: A New Zealand Crisis, by Max Rushbrooke (ed), Wellington: Bridget Williams, 2013, 279pp. ISBN 9781927131510.



THIS book follows international publications, such as Richard Wilkinson and Kate Pickets' *Spirit Level* (2009) and Joseph Stiglitz's *The Price of Inequality* (2012). After 30 plus years of neo-liberal ideology mainstream social scientists and non-doctrinaire economists had reached a consensus; increasing inequality had worsened social problems without improving economic growth or development. Some well-off people were even prepared to support progressive taxes and increased social provision for the purposes of social cohesion. It was thus hard to sustain an ethical defence of neo-liberal policy programmes. Max Rashbrooke's introduction to this edited collection notes that New Zealand is a special case. From the mid-1980s to the mid-2000s the rich-poor gap widened faster than in any other developed country (p. 1). Various authors consider the nature, causes and consequences of this development over 15 chapters. Interspersed between them are 14 unique viewpoints on wealth and poverty in New Zealand. A range of graphs, figures and tables give empirical weight to the view that inequality is structurally entrenched and socially damaging.

Of the analytical chapters two stand out. Max Rashbrooke`s statistical overview is bleakly compelling. New Zealand's top income decile starts at a mere $72,000. The top one percent begins at $170,000 and the top 0.4 percent at $250,000. Presiding over this tiny group are the chief executives of large companies who receive an average salary of $1.5 million. Meanwhile, 70 percent of New Zealanders earn less than $43,000 and 50 percent less than $24,000 (pp.20-21). If one considers net wealth (incorporating cash and assets minus money owed) then the top one percent of the adult population owns 16 percent. In contrast, no-one from the poorest 20 percent of New Zealand owns more than $6000 in assets. The entire lower half of adults own just five percent of all national wealth. (p. 22). As Rashbrooke points out, these numbers are the outcome of an extreme neoliberal policy agenda; regressive tax scales, privatisation, tariff removal, benefit cuts, public sector restructuring and de-unionisation. One should also mention a strict monetary policy regime dependent on a `natural` rate of unemployment. Alister Barry's documentary, *In a Land of Plenty* (2002), outlines the construction of this regime.

Wealth and income disparities have also widened more recently. Between 2009 and 2011, after the financial crash, living standards fell for the bottom 50 percent as those of the top decile improved. Robert Wade`s chapter reveals how Anglo-American inequalities are driven by global capitalism in general and finance capitalism in particular. As of 2011 a global super-entity of 147 interlinked firms predominated. All of the top 50 except one were financial institutions. Wade comments that 'such concentration provides financial firms with the leverage to colonise the governments of nation states and shape public policy in line with their preferences' (p. 41). Within New Zealand this process was delineated by Bruce Jesson in *Only Their Purpose is Mad: The money men take over New Zealand* (1999).

Of the viewpoint pieces in Rashbrooke`s collection, the most interesting were those registering the unease of well-off New Zealanders. Thus, Damien Christie contrasts class privilege, property speculation and advertising with the creative contributions of writers and journalists. The latter groups, he suggests, are poorly and unfairly remunerated in New Zealand. Similarly, Asher Emanuel, a former Saint Kentigern College student concedes that skill and effort are not the primary factors in individual success. He regards meritocracy as a myth which obscures the class hierarchies associated with the secondary school system. Each of the contributions to this book touch upon one or more aspects of inequality: poor health, substandard housing, tax loopholes, suburban boundaries, the impossibility of budgeting, and the stigmatisation of beneficiaries. The general picture is, of course, appalling and a much needed corrective to the mindless optimism of this government. Nevertheless, there are deficiencies here which we need to identify before countermeasures can be developed.

Firstly, the destruction of New Zealand`s economic sovereignty is given insufficient attention. As Bruce Jesson observed, `Rogernomics` facilitated major changes in the structure of New Zealand capitalism. Directorial elites, institutional investors and shareholders were caught up in an unprecedented wave of mergers and acquisitions. Corporate creditors used local or global markets to activate passive shareholders against target companies through buyouts and offers of higher dividend returns. From 1984 to 1987, the fourth Labour government accelerated this process by deregulating the finance sector and floating the New Zealand dollar. Consequently banking, finance and finance investment expanded and the `real` economy contracted.

After the October 1987 stockmarket crash New Zealand domestic business activity was routinely incorporated within the flows of global capitalism. Between 1989 and 2008 foreign controlled sharemarket value increased from 19 to 41 percent. From 1989 to 2006 direct foreign investment increased from \$1.9 billion to \$82.7 billion. These funds were focussed on the purchase of existing assets rather than the creation of new productive capacity. Between 1997 and 2006, for example, transnational corporations made NZ \$50.3 billion in profits from their New Zealand operations, yet only 32 percent of this sum was reinvested domestically. The associated increase in social inequality has not been sufficiently examined. These developments are of crucial importance in understanding the New Zealand government`s vantage point. Prime Minister John Key`s personal business success and social advancement as a financial trader was premised upon the erosion of economic sovereignty, in New Zealand and elsewhere. Not surprisingly, therefore, the link between eroding sovereignty and worsening inequality is not officially acknowledged.

Secondly, the book did not fully investigate the business and social worlds of New Zealand`s wealthiest people. The plight of homeless and stressed out families should be set against the luxurious lifestyles associated with wealth concentration. Do the rich inhabit a global or national world? Where do they make most of their money? To what extent are they repatriating profits offshore? Answers to these questions would provide a more complete picture of inequality in New Zealand.

Thirdly, Rashbrooke's collection did not adequately consider the gender dimensions of socio-economic polarisation. Women who are well-remunerated, comfortably off and well-connected live worlds apart from women who are mothers, beneficiaries or workers on limited means. As Katherine Mansfield observed almost a century ago, the uneven distribution of life chances among girls and young women was a social given. It would be instructive to consider whether these polarities of experience have been reproduced under neo-liberalism in the 21st century.

In election year, the prospect of a national conversation about the causes and consequences of inequality will be worrying the Key government. Opposition parties and their researchers will find much that is valuable in Rashbrooke's collection.

References

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