



## Do Justice

*"Do justice, love kindness and walk humbly with your God." Micah 6:8*

### A Newsletter on Social Justice Issues

Welcome to the March edition of Do Justice as we continue to discuss issues of social justice from a Christian perspective.

#### **The great recession 12 years on**

We seem to have forgotten all about the great recession of 2008, but the impact of that financial meltdown is still with us. In New Zealand, we got off relatively lightly mainly because we maintained a reasonable level of regulation over our banking system, as did the Australians. But in both the USA and the UK very large banks had to be bailed out by taxpayers and two large financial institutions went to the wall.

Many of our second-tier finance companies also did not survive and several directors of these companies were prosecuted. Some years later, the Australians set up a Royal Commission to investigate the finance sector and its report was very critical of the practices of many banks and insurance companies. Some senior executives lost their jobs and some of the banks were heavily fined for unlawful activities.

There was a time when the local bank manager was in a position of prestige and trust in the local community. Now the local bank manager is either unknown or non-existent, and the banking industry is treated with some suspicion.

It was interesting last year that our Reserve Bank, after some years of consultation and discussion, decided that the amount of equity our major banks held was insufficient and the Reserve Bank insisted that the major banks almost double their equity. This is important because it is only the equity that each of the banks holds that protects bank creditors – you and I – if the bank gets into trouble. And if there is one lesson from the great recessions it is that banks can get into trouble, and the cause of their problems can be of their own making. This is particularly important in New Zealand as, unlike most other developed countries, we do not have deposit insurance; instead, deposits that you and I make can be used to repay bank creditors if they get into trouble.

#### **Are the major powers serious about the Paris Agreement?**

*"A new International Monetary Fund (IMF) study shows that USD\$5.2 trillion was spent globally on fossil fuel subsidies in 2017. The equivalent of over 6.5% of global GDP of that year, it also represented a half-trillion dollar increase since 2015 when China*

*(\$1.4 trillion), the United States (\$649 billion) and Russia (\$551 billion) were the largest subsidizers."<sup>1</sup>*

The article then went on to say:

*"Despite nations worldwide committing to a reduction in carbon emissions and implementing renewable energy through the Paris Agreement, the IMF's findings expose how fossil fuels continue to receive huge amounts of taxpayer funding. The report explains that fossil fuels account for 85% of all global subsidies and that they remain largely attached to domestic policy. Had nations reduced subsidies in a way to create efficient fossil fuel pricing in 2015, the International Monetary Fund believes that it 'would have lowered global carbon emissions by 28 percent and fossil fuel air pollution deaths by 46 percent, and increased government revenue by 3.8 percent of GDP.'*

*"The study includes the negative externalities caused by fossil fuels that society has to pay for, not reflected in their actual costs. In addition to direct transfers of government money to fossil fuel companies, this includes the indirect costs of pollution, such as healthcare costs and climate change adaptation. By including these numbers, the true cost of fossil fuel use to society is reflected."*

This is the sort of hypocrisy that saw millions of young people marching last year about the lack of progress on addressing climate change. At least President Trump openly expresses his belief that climate change is not real, but the presidents of China and Russia appear to be paying lip service to their country's commitment to the Paris Agreement but still emit excessive carbon dioxide.

In New Zealand, we cannot just hide behind the lack of action by the major powers. We still need to put our own house in order and give at least some hope to those millions of young people around the world who fear for their future. Remember someone born this year will be 80 in 2100 when the global temperature could increase as much as 5°C and we have seen in recent months what a 1.1°C increase will cause.

#### **Rates and taxes**

Every three years when we elect our local body councillors, we hear pledges from candidates to hold or reduce rates. Every three

<sup>1</sup><https://www.forbes.com/sites/jamesellsmoor/2019/06/15/united-states-spend-ten-times-more-on-fossil-fuel-subsidies-than-education/#b9ae0b844735>

years when we elect our MPs, at least one party will pledge to reduce taxes. It seems to be part of our political tradition.

Instead of looking for the greatest tax reduction it would be much better to ask the question of the tax and rates cutters – What do you plan not to do so you can make the cuts? Consider that we have heard almost continuous cries from the present government about under-investment in infrastructure, not just roads and transport but schools, universities and hospitals as an example of the impact of tax cuts.

Over the last 150 or so years we have made enormous investments in infrastructure both nationally and locally, but infrastructure wears out even with careful maintenance and needs to be replaced. For example, Wellington is now finding out that its water and waste disposal system has finally worn out and is breaking down regularly. A planned replacement programme should have been started 20 or 30 years ago but that would cost money. Money was not available because of the continuous call to reduce rates.

Accountants invented the concept of depreciation so that capital equipment and buildings could be replaced when their useful life was over. Governments need to charge depreciation on all capital assets and put the proceeds into special funds that can only be used for asset replacement and cannot be raided when promises of rate reduction result in only ongoing operations being funded. We need to be very sceptical when we hear politicians promising tax and rate cuts.

### **Urban Development Bill**

The Urban Development Bill is being considered by the Environment Select Committee over the next few months. This Bill is the second stage of a complete overhaul of the government housing sector. The passing of the Kāinga Ora Homes and Communities (KOHC) last year replaced the old Housing NZ.

Perhaps the most controversial aspect of the Urban Development Bill (UDB) is that it gives central government power to override local and regional bodies' planning decisions. However, there are many other aspects to the Bill and in our submission, we covered several areas including:

#### Central government intervention

We believe that central government intervention at regional or local authority level is justified if a public issue is serious, and the intention includes justice for the most vulnerable. The continuing rise in the number of people on the MSD social housing waiting list convinces us that one or more central government interventions through KOHC will be needed to turn the crisis around. However, we believe that the exercise of "sweeping" power by central government through specific development projects (SPDs) must prioritise the needs of the homeless, beneficiaries and low-income earners.

We invited the Environment Select Committee to ensure that the UDB legislation requires all possible forms of negotiation to be undertaken before sweeping powers are used.

We invited the committee to ensure that the Bill strengthens:

- participatory democracy
- the status of mana whenua

- neighbourhood cohesion

We suggested that all housing proposals need to contribute to sustainable, democratic communities, including honouring the 1835 Declaration of Independence, the 1840 Te Tiriti o Waitangi and the UN Declaration on the Rights of Indigenous Peoples. The right of Māori to collective self-determination in housing must be an integral part of the Bill.

#### Public housing

We need to change our attitudes to houses and the land they stand on from a mindset of monetary gain to being caretakers of our homes and earth.

The UDB and the later Government Housing Policy Statement need to support a huge expansion of high quality, sustainable, attractive state rental homes.

We supported the lease-holding of public land for Rent to Buy schemes, a modified KiwiBuild and community based cooperative homes. We noted the variation in the percentages of state/affordable/market homes in current Government-initiated developments. We strongly supported major increases in the percentage of state homes for rental, some increase in affordable homes, and a significant decrease in "market" homes.

New sources of infrastructure funding, an increase in attractive tiny homes and mass production techniques, in addition to the leasing of public land, should all be considered.

#### Involvement of original residents in developments

We encouraged state house providers to offer original residents the opportunity to stay in their neighbourhood and participate in the planning of the regeneration of their locality.

#### Upgrading of state homes

We encouraged the upgrading of all possible state homes so that they make an attractive contribution to the whole neighbourhood. They could be modified to be accessible for people needing to live at ground level. The other two-thirds of a quarter-acre section could be used for state/public homes or leased to Community Housing Providers (CHP).

#### The voluntary sector and the role of CHPs

The voluntary sector has a considerable depth of knowledge and expertise in housing provision and management. However, the sector and its CHPs should not be expected to take responsibility for shortfalls in central or local government planning for state/public or social housing.