

Do Justice

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

A Newsletter on Social Justice Issues

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

The neoliberal era is ending. What comes next?

This is the title of a recent article in *The Correspondent* in May 2020 by Rutger Bregman, a Dutch historian and author. Bregman begins by quoting an article that appeared in the Saturday edition of the *Financial Times* of London in April 2020:

"Radical reforms – reversing the prevailing policy direction of the last four decades – will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities and look for ways to make labour markets less insecure. Redistribution will again be on the agenda; the privileges of the elderly and wealthy in question. Policies until recently considered eccentric, such as basic income and wealth taxes, will have to be in the mix."

Since the 1980s the *Financial Times* of London and the *Wall Street Journal* of New York have been amongst the major supporters and cheerleaders of neoliberal economics and policies which according to Bregman: *"If there was one dogma that defined neoliberalism, it's that most people are selfish. And it's from that cynical view of human nature that all the rest followed – the privatisation, the growing inequality, and the erosion of the public sphere."*

Bregman gives a brief history of the development of neoliberalism and its rise from obscurity in the late 1970s in response to the crises of economic contraction, stagflation, and the OPEC oil embargo, plus the Vietnam War. He also explains how these policies originally implemented by centre right leaders, especially Reagan in the USA and Thatcher in the UK, were then adopted by more liberal leaders such as Blair in the UK and Clinton in the USA. Interestingly the order was reversed in New Zealand with Douglas and Richardson.

The Global Financial Crisis of 2008/9 could have been an opportunity to reverse the damage done by neoliberalism, but other options were considered at that time too radical and the depth of the issues not fully understood by the general public.

Bregman then describes the emergence over the last 10 years of increasing opposition to neoliberalism, particularly in the work of Thomas Piketty and two other French economists in highlighting the fact that the wealthiest 1% own or control 50% or more of the world's resources. He then goes on to say:

"That brings us to the speciality of number three of the French trio, the young economist Gabriel Zucman. On the very day Lehman Brothers fell in 2008, this 21-year-old economics student started a traineeship at a French brokerage firm. In the months that followed, Zucman had a front row seat to the collapse of the global financial system. Even then, he was struck by the astronomical sums flowing through small countries like Luxembourg and Bermuda, the tax havens where the world's super-rich hide their wealth."

"Within a couple of years, Zucman became one of the world's leading tax experts. In his book 'The Hidden Wealth of Nations' (2015), he worked out that \$7.6tn of the world's wealth is hidden in tax havens. And in a book co-authored with Emmanuel Saez, Zucman calculated that the 400 richest US Americans pay a lower tax rate than every single other income group, from plumbers to cleaners to nurses to retirees."

Now we have another crisis that has impacted the whole of the world in a way that neither the chaos of the 1970s nor the GFC have done. The heroes of this crisis are not the entrepreneurs, bankers' financiers, hedge fund managers or even economists but the doctors and nurses, the supermarket workers, the garbage truck and bus drivers. And government intervention around the world has been of an order that we have never seen before in times of peace. Suddenly, financial resources are available to fight the virus.

Bregman concludes his article with the following: *"Now a space has opened up for a different, more realistic view of human nature: that humankind has evolved to cooperate. It's from that conviction that all the rest can follow – a government based on trust, a tax system rooted in solidarity, and the sustainable investments needed to secure our future. And all this just in time to be prepared for the biggest test of this century, our pandemic in slow motion – climate change."*

His whole article is worth a read and can be found here: <https://bit.ly/Bregmanarticle>

The Budget: real change or just new words for old policies?

The last eight weeks have probably been the most dramatic for most of us, except perhaps for those old enough to remember the Second World War. The "lockdown" or Level 4 was something we have never experienced before, even in war time, although the impact of being confined to home has been mitigated for many, but not all, by the Internet and programmes such as Skype

and Zoom. As usual, the people most adversely affected have been the poor, although the Government did move to try to limit the impact on them, and on the homeless.

One possible ray of hope was that the New Zealand public suddenly found that “essential” workers were not the bosses but the workers in the supermarkets, low paid health workers, garbage truck drivers, etc. Let us hope that the public do not let the Government and bosses forget how essential these workers are when wages are being discussed. A Living Wage is essential for essential workers. And the Government can insist that any person working on a government contract must be paid at least a Living Wage by making it a contractual requirement.

Perhaps the biggest losers in the whole Covid-19 crisis have been the worshippers of the “market”. The neoliberal approach to economics and politics was shown to be useless when dealing with a global pandemic. Governments around the world turned back to Keynesian policies of intervention during times of crisis. It was interesting hearing politicians from both Labour and New Zealand First condemning neoliberalism during the Budget debate in the House of Representatives; the Greens have never bought into neoliberalism!

Certainly, the Budget that Finance Minister Grant Robertson announced on 14 May 2020 has many Keynesian elements in it. But is it only designed to get us back to what we had before Covid-19 or can we see real, dramatic change coming? Change where we build a more equal society, a sustainable society, a society based on justice for all including honouring Te Tiriti o Waitangi, not just paying lip service.

There were some signs that we might see real change in this year’s budget, but it did not go far enough. The renewed emphasis on apprentice training, state housing and increased funding for health are all steps in the right direction but hardly reforming. The extra funding for NZ Rail is positive but much will go into replacing the Cook Strait ferries rather than completing the electrifications of the North Island Main Trunk and the rest of the rail network to make rail transport one hundred percent sustainable. Where are the tax advantages to make electric vehicles more attractive? What about policies to encourage solar panels on as many buildings as possible? There appears to be little in the way of climate change mitigation.

Why are we spending more than one billion dollars on new freight planes for the Air Force when Air New Zealand has got a number of large planes sitting around doing nothing that could easily be converted to freight planes at much less cost? That raises another question: Why do we need a defence force at all? Why not follow Costa Rica’s example and do away with the armed forces? They did it 50 years ago and they do not have the largest moat in the world, the Pacific Ocean and Tasman Sea, to protect them. In fact, they have land borders with Panama and Nicaragua, not the most stable countries in the world.

Where are the plans to introduce a fundamentally progressive income tax system so that the essential workers can live in dignity

and the non-essential rich can make a much larger contribution to the welfare of all New Zealanders?

But maybe there will be actual reform instead of just trying to return to “normal”. Grant Robertson has kept \$20 billion up his sleeve and we have an election in September. If recent polls are to be believed Labour could well get in with a sizeable majority and not have NZ First acting as brake on significant reform.

Stock markets and Covid-19

The experts in the media, mainly economists or would-be economists, tell us that as we are successful in defeating Covid-19 we will then have to deal with a worldwide recession potentially as bad or even worse than the Great Depression of the 1930s. At least one central bank, the Bank of England, is talking about a recession worse than the recession of 1709. The economic definition of a recession is two successive quarters of negative GDP growth, which for many countries could well be achieved at the end of June.

One of the marks of the great 1929 Wall Street Crash that heralded the Great Depression of the 1930s, was pictures of investors jumping out of office windows in desperation as the Dow Jones Index lost 23% over two days and just over 89% over a three year period.¹ Thankfully this does not seem to have happened this time, at least not yet.

So how have Stock Exchange prices moved since Covid-19 became a problem? The Dow Jones reached a peak on 19 February 2020 of 28,538 and dropped by 24 March 2020 to 18,602, a loss of 32.2% but has since risen to around 24,400 by 21 May, a loss of 14.5% despite more than 23 million people being unemployed in the USA, up from 5.9 million in January 2020. The New Zealand index has shown a remarkably similar pattern, dropping 31% from the peak in February to the low in late March and recovering to a drop of just 10.9% in late May. New Zealand has yet to see unemployment rates as bad as the USA although experts are predicting much higher unemployment over the next six to nine months.

During the Great Depression, all types of shares fared very badly, however, over the last three months some shares have fared badly, and some have done well. Aviation shares have collapsed as international air travel has virtually stopped, and domestic travel is very severely curtailed. In contrast, the Amazon share price has increased around 34% since January 2020. This means Jeff Bezos is now worth US\$24 billion more than in January 2020. That is close to double the amount the New Zealand Government has spent to counter the Covid-19 crisis. Bezos is not alone in profiting from Covid-19. Reuters reports that some 34 American billionaires all had exceptionally large increases in net worth.² All this at a time when US unemployment has increased by close to 400%.

In New Zealand we do not have very many, if any, obscenely rich people but undoubtedly there will be some “non-essential” people who will have handsomely profited from the crisis. What about a capital gains tax? Has the time now come?

¹ https://en.wikipedia.org/wiki/Wall_Street_Crash_of_1929

² <https://www.dailysabah.com/business/bezos-musk-among-billionaires-gaining-net-worth-in-coronavirus-pandemic/news>