



Do Justice!!

“Do Justice, Love Kindness and Walk Humbly With Your God” Micah 6:8

A Newsletter on Social Justice Issues

Welcome to the September 2016 edition of Do Justice. This newsletter, prepared by Auckland Diocesan Social Justice Group, looks at various Social Justice Issues.

What is so bad about low inflation?

Many of us will remember the days when annual inflation reached double figures and the continual worry “would our income keep up with inflation?”. After some years of trying all kinds of ways to control inflation, wage freezes, high interest rates etc the then Government decided to give the job of controlling inflation to the Reserve Bank (RBNZ) with the target of getting inflation down to 0-2% per annum. After some years this target was changed to 1-3% as nobody in Government thought that the RBNZ could possibly get below 1% and a 1 to 3% range was fairer on the Governor of the Reserve Bank.

After some years of inflation between 1 and 3% we now have had an extended period of inflation below 1%, in fact the present inflation rate is about 0.4%. Those of us who can remember the 14-15% annual inflation rates are just relieved that we have a situation where prices are reasonable stable. But the economists are not satisfied, now low inflation is not good for us and the Reserve Bank must increase it to the 1-3% band. Why?

Why is inflation of less than 1% so bad? Well, if all the economists who are interviewed in the days before the Governor of the Reserve Bank makes his 6 weekly statement, are to be believed it is that low inflation will encourage us to defer spending money on the premise that next year that car or frig or boat will be cheaper. It would be interesting to know the evidence for such statements. Who holds of buying a new car or boat or frig because next year it may be cheaper? Is it you? Surely if the “market” is really operating then if sufficient people actually put of purchase then the market will cause the price of that product to fall. Something most of same economists say that is right because the market is always right. Eh!

Another, sometimes, stated objection to low inflation is that it stifles growth. As New Zealand’s growth rate has been between 2-4% during the time of low inflation that is difficult to believe.

Could it be that there are people and institutions that actually benefit from high inflations? Could this be the real

reason why low inflation is so bad? Two possible beneficiaries of high inflations are the Government and the Banks.

The Government benefits because individual incomes have to keep up with inflation and hence the tax take will increase faster than in low inflation, there will be more funds available to government without actually having to increase tax rates because of the mildly progressive tax system we have. In other words more people will be taxed at the highest marginal rate of tax so the Government can say that it has not increased taxes!! The large trading banks benefit when the inflation rate is greater than the interest they pay on deposits and borrowing so that they do not have to payback, in real dollars, as much as they borrowed. At the same time the banks use the excuse of inflation to justify high rates of interest for loans.

Much has been said in recent years about the need for sustainability, to have a sustainable economy then we need no inflation and zero growth, in fact we should cut back on our use of the world’s finite resources rather than continue to expand their use.

Is low inflation really bad?

From around the World

Now it is down to Clinton and Trump and even though there are a number of other candidates for the US President’s job it will only be the Democratic or Republican nominees who have a realistic chance. That says something about how democracy works in the USA. In most of the democracies there is an ebb and flow of support for political parties with old ones quietly bowing out and new ones arriving but in the USA the Democratic and Republican parties have ruled the roost for over 150 years.

Yes, occasionally “independents” get elected, Bernie Saunders is a good recent example, he was elected as an independent Senator from Vermont, but for over 150 years it has been only Republicans or Democrats that have been elected as President.

If the American and other media is to be believed this should be the year when an alternative to the Republican or Democratic nominee gets elected. Both Trump and Clinton appear to have serious questions about their suitability to

be what is often called the most powerful position in the world. Effectively the American people will be asked to elect on 8th November 2016 the “lesser of two evils”. In many ways a sad day for democracy.

The fallout from Brexit in the UK continues. The Tories change their leader after all but one of the candidates drop out. But the new leader and Prime Minister is at least a woman and an Anglican. Time will tell how good a Prime Minister she will be. And the Labour Party who elected a Bernie Sanders look a like last year as party leader – Jeremy Corbyn - much to the disgust of many of the Labour MPs who saw a chance to get rid of him after Brexit. As has become increasingly clear through the term of the previous Blair and Brown led Labour Governments the parliamentary Labour Party appeared to have been dominated by neoliberal thinking. Corbyn, on the other hand, was appealing to those who were concerned and adversely affected by the inequality resulting from the neoliberal policies and wanted to do something about it. Now it is the grass roots members of the Labour Party who elect the leader and they appear to be supporting Corbyn so the Civil War in the Labour Party will probably continue if the Labour MPs continue to reject the decision of the party membership.

Consequences, or unintended consequences of the Free Market.

One of the features of free market thinking is that regulations by government should be minimal and where they are agreed then it is up to the regulated to ensure the regulations are followed. In other words the Government is not responsible for most of the regulations that cover health and safety. The consequences of this approach includes leaky, homes, Pike River, the CTV Building collapse and many others down the years.

Currently we have two examples on the go – the Havelock North campylobacter outbreak and the importing of some steel products from China that had not been properly tested and inspected. Both are potentially life threatening, the campylobacter apparently has already taken one life but there is the potential for a major disaster, possibly greater than the CTV building, from the steel example.

Steel has to be manufactured to specific standards depending upon the intended use. In the construction industry there are many established standards that can be specified when the steel is purchased and it is usually a requirement that the manufacturer tests the steel to the standards and produces valid inspection certificates to confirm that the standards have been met. This process includes validation by independent inspection authorities usually operated by the government in either the manufacturing country or the user country. So it is very concerning that a number of cases have recently come to light where steel has come in without legitimate inspection certificates. The new large silo at the Mangere Waste plant is of real concern because if the silo fails because the steel is below specification then we could have an environmental disaster in Auckland.

Another example is the use of non-compliant steel reinforcing in the construction of a number of road flyovers in Auckland and Hamilton. If the reinforcing rods should fail at a time of high traffic flow then we could have a major disaster.

Before the “free market” came into vogue checking inspection documentation and standard compliance irrespective of the source of the products was the responsibility of Building Inspectors employed by Local Authorities. The Inspectors had the authority to stop work on a project if specified standards were not adhered to. But today it appears to be up to the construction company to do this and the temptation to cut corners can be very great.

No need for Affordable Homes in Auckland!

That is the message that a majority of the Auckland councillors have just given to Aucklanders by deleting the requirement for at least some “affordable” housings in new housing developments. Even the Government’s Special Housing Areas required at least 10% of houses in any of the areas to be “affordable”. But what is affordable? According to the Special House Areas Act it is 75% of the median house price. Currently houses just under \$600,000 are affordable, who knows what affordability will be this time next year!

Surely affordability should be linked to what people earn, the income they have to feed, keep well and shelter their families. Before the advent of the “free market” it was generally accepted that a family should not spend more than 30-35% of their after tax income on shelter either through rent or the costs of owning their own home. Today the situation is distorted by Working for Families and Accommodation Supplements. For a family of two on the Living wage shelter costs should be about \$20,000 a year allowing for Working for Families. This is sufficient for a weekly rent of about \$400.

But what about a family on the minimum wage, they could only afford about \$300 per week for shelter assuming the parents are working 60 hours a week between them. No wonder there are families living in cars and garages. Then there is a family who manages to save enough for a down payment and buys an “affordable” house for \$600,000. Their principle and interest cost would be around \$40,000 per year, which means that the family would need to be earning around \$120,000 after tax to pay the mortgage.

It would seem that as far as the Government and a majority of Auckland’s present Council are concerned that only the rich will be customers for new houses in the coming years.

Upcoming events:

The Justice Conference. 28-29 October 2016 Salvation Army, 18 Allright Place, Mount Wellington, Auckland. The conference theme is:

Live Justice Together. Our vision is to serve the discovery of ideas, celebrate the beauty of justice, and foster a community of people who live justice together. **Now, more than ever, people of faith need to come together to wrestle with the injustice in our world. This is the time. This is the place.**

For more information go to:

<http://www.thejusticeconference.org.nz/about/venues>