

Talking Cents

December 2015

Talking Cents is a group charged by the Anglican Diocesan Council to promote an alternative to current economic and political thought, and to encourage debate within the church. Ministry units are encouraged to distribute these articles. This issue is contributed by Kevin McBride, Pax Christi Aotearoa-New Zealand.

It's Time to Make Affluence History

I had an unexpected phone call the other evening. It was a real estate agent, cold-calling with an offer to make a free evaluation of my property on Waiheke Island. He was quite surprised when I asked why I should do that, his tone implying “Doesn't everyone want to capitalise on property and lurch up the affluence ladder?” More recently, I came across a pop-up advertisement on my iPad offering a free trading course to “discover the secrets of leverage”, with the aim, no doubt, of maximising my profit on anything I could flog off in order to move up the slippery slope to join the Billionaires Club.

We live in an affluent age, things are getting better and better and capitalism is delivering a new era of prosperity to the world, the spin merchants tell us. If the frequency of helicopter flights over my home on Waiheke ferrying guests to a growing number of high-grade restaurants and lodges is an indication, it might seem to be so. Further, TV news reports of both the recent Melbourne Cup and NZ Trotting Cup meetings, focussing on fashionably-dressed young people, drinking up large and behaving badly in a manner reminiscent of past ages of decadence, might seem another indication of affluence.

But a visitor to Auckland last week couldn't get over the number of beggars on the street and on my 10-minute walk to the Pax Christi office, I pass some very-well set-up “lodges” in doorways where rough-sleepers make their abode. Stories of hardship abound and charitable agencies have never been so busy coping with the fallout from rocketing house prices, a fluctuating job market and deficiencies in social services caused by austerity budgets. Perhaps it's time we revised our methodologies, initiating another phase in the war against poverty with new approaches to the relief and liberation of the poor.

However, Jess McAllen, (“The haves and have mores”, *The New Zealand Herald* 8/11/15), mentions a recently-released book by researcher Max Rashbrooke, (“*Wealth and New Zealand*”

(Bridget Williams Books, 2015) which turns the focus from poverty to wealth. Rashbrooke suggests that, in order to avoid levels of inequality even greater than those developing at an unprecedented rate, we should make more effort to understand and confront the rise of affluence. In this, he follows French economist, Thomas Piketty whose “*Capital in the Twenty-first Century*” (Editions de Seuil, Harvard University Press 2013) claimed that “an unprecedented accumulation of wealth is the single greatest reason for widespread inequalities”.

McAllen quotes Rashbrooke widely, showing that data from a Statistics New Zealand project “which looked at people's wealth between 2004 and 2010” (a period that includes the global financial crisis when many international banks had to be bailed out) reveals that:

- “the wealthiest 1 percent of the country – about 34,000 adults – have nearly a fifth of all the wealth (18%). The wealthiest 10 percent – about 340,000 adults – have more than half (53.4%).
- the poorest half of the country – about 1.7 million adults – have only 3.8%.
- wealth of the top 1 percent increased from \$94 billion to \$147 billion [in only six years!]
- middle-class wealth rose from \$194b to \$348b
- New Zealand's wealthiest 10 percent increased their asset holdings from \$259b to \$437b, a rise of nearly \$180b [again, in only six years!];
- the poorest 10 percent saw their net debt increase from \$5.7b to \$7.4b.”

Quoting figures from the 2015 National Business Review's Rich List, Rashbrooke goes on to say that the amount earned by those on the list “is 40% up on its 2010 level, increasing by 12% in the past year”. Associated with these figures, there has been an increase in the decadent lifestyles of young elites, ‘showing their wares’ at the NZ Trotting Cup and like events. As Jess McAllen's

article reveals, the social media accounts of elite social clubs “are littered with pictures of helicopters, diamond rings, BMWs and spirulina smoothies.”

Rashbrooke associates the “manifestation of wealth inequality” with the decline in house-building rates and accompanying “soaring property prices”, together with the decrease in unionisation (“from 70% of the workforce in the 1980s to 20% today”). 20-30% cuts in benefits in the 1991 “Mother of all Budgets”, tying benefit increases to inflation rather than the wage rate, and “successive governments not generating enough tax revenue to fund higher payments” have all contributed to the channelling of wealth into fewer and fewer hands. “And one of the main reasons our tax take is so low is that we gather so little revenue from our most affluent citizens.”

He also goes on to explore MPs involvement in the housing market (“About half of the wealth in New Zealand is locked in housing”), finding that “40 of National’s 59 MPs have investment properties, 15 Labour MPs own one or more second properties, as do seven New Zealand First and five Green MPs.” Access to well-resourced schools and higher education is also limited, with “almost a quarter of Otago Medical students in 2010 from the wealthiest 10 percent of homes and only 1 percent ... from homes in the most deprived decile one”. Children from wealthy homes, as they advance into positions of influence, “not seeing inequality as a major problem ... may use their greater influence on politics to support policies that further widen wealth and income gaps.”

Rashbrooke says his book is “a starting point for talking about wealth”, which is a refreshing departure from the continual focus on the poor and poverty. The latter focus can often find ways to blame the poor for their situation or to “rescue” disadvantaged individuals into a share of the advantages which are unexceptional for the affluent, while doing little to address the fundamental causes of poverty.

There is much that is familiar among his solutions to the problem of affluence: “reducing income imbalances, narrowing the initial distribution of wealth, using taxes and endowments to further close the gap, taking the heat out of housing and building a more democratic society”. Other remedies, such as “increasing benefits, introducing a living wage, a capital gains tax (exempting the family home), estate taxes and better rights for renters”, have been advanced by

social advocates for some time. He echoes Thomas Piketty in his concern that we are heading for unprecedented levels of inequality, but his hopes for “prompt government action” would seem to be a pipe dream given the influence of the affluent and their corporate power over government policies.

Naomi Klein, in “*This Changes Everything – Capitalism vs the Climate*” (Simon and Schuster 2014) puts more faith in a revival of civil society institutions, including trade unions and community action movements. Living Wage, Occupy and current appeals to get people onto the streets to promote action on climate change would seem to show some positive moves in that direction. But there is also here a huge challenge to people of faith to address the moral implications of this growth of affluence. This very “Talking Cents” project was set up, with the support of the Auckland Anglican bishops of the day, as a response to US Acton Institute’s Father Robert Sirico’s promotion of affluence as a source of charitable action for the poor. Significantly, Sirico’s visits here were sponsored by the Business Round Table, specifically, it would seem, to justify free-market economics, and affluence, within the context of Judeo Christian faith.

As one of many examples of moral leadership, Pope Francis’ recent encyclical “*Laudato si*”, gives many indications of support for the contention of both Rashbrooke and Klein that we have to develop an understanding of the effects of affluence upon not only society but on the environment we need to sustain for our very survival. He quotes his predecessor, Benedict XV to emphasise a need to eliminate “the structural causes of the dysfunctions of the world economy” (LS 6) and challenges our “obsession with a consumerist lifestyle ... when only a few are capable of maintaining it” (LS 204). He also sees the crisis of the world as such that we must “devise stronger and more efficiently-organised international institutions ... with power to impose sanctions” as a means of curtailing the prevalence of economic and financial sectors over the political.” (LS 175).

Such statements give moral strength to Max Rashbrooke’s contention that it is time to question the control and dominance the affluent have over not only our current lives but also our very future. Time, perhaps, to make affluence history.