

NZ unions demand National Investment Bank

The New Zealand Council of Trade Unions (NZCTU), which represents over 30 unions, on 27 September 2022 launched a consultation on a new economic development strategy for New Zealand with a document, "Building a Better Future: Creating an Economic Development Strategy Together for Aotearoa New Zealand". Among other initiatives, the document calls for a National Investment Bank for New Zealand, to address the lack of investment in the national economy.

The Foreword by NZCTU President Richard Wagstaff called for feedback, stating that "the CTU will be travelling the country listening to communities, talking with experts, and discovering what a positive economic development strategy for New Zealand should look like." The NZCTU will develop its proposal on that basis, publishing a full report ahead of the 2023 budget.

Wagstaff challenged the basis of the NZ economy: "The last three decades have been characterised by a rising housing market, the domination of a few sectors, and wages falling short of output. For too long, the rewards of economic growth have been increasingly privatised, while the negative consequences are increasingly socialised. Aotearoa can't afford an economy characterised by insecurity, division and a lack of infrastructure and accountability."

Discussing the "explosive growth in poverty", the housing crisis, insecure work and low incomes, authors of the report Craig Renney and Diana Russell declared: "We're arriving at a turning point in New Zealand's economic history. We have reached the end of an experiment in a low-regulation, light-touch economy. The results from this model speak for themselves."

This report continues a theme regarding state banking. The NZ National Party had announced an election policy for a National Infrastructure Bank in 2020. The NZCTU report followed a report issued by the Australian Council of Trade Unions (ACTU) in August 2022, which demanded the governing Labor Party abandon prevailing neoliberal dogma which is crushing the economy. Noting that the economy is "so overbalanced towards profits and away from wages that it risks capsizing", the ACTU report called for a fairer approach to fighting inflation, with government use of "fiscal policy, public investment, regulation, and labour market policy", in particular expanding investment in infrastructure and directing credit flows into productive rather than speculative channels. Otherwise the Reserve Bank of Australia has shown it is "both willing and able to cause a recession and cost jobs if that's what it takes to reduce inflation", said the report. ([AAS, 31 Aug. 2022.](#))

To address New Zealand's crisis, the NZCTU report proposes "creation of a New Zealand National Investment Bank (NZNIB) modelled on the Scottish National Investment Bank.

"The NZNIB will invest where the private sector is not providing sufficient investment and can support projects seeking to improve our economy. It would provide patient capital (First in Last Out) to de-risk projects that have long-term benefits to the New Zealand economy." Patient capital can focus on long term and sustainable growth.

Legislation to establish the Scottish National Investment Bank, on which the NZNIB is modelled, passed the Scottish Parliament unanimously on 25 February 2020 and the bank opened for business the following November. The bank is a public body owned by the Scottish Ministers on behalf of the people of Scotland. It was initially capitalised with £2 billion, but operates commercially and has functional independence from the Scottish government. It was designed to fill a funding gap which makes it difficult for businesses to borrow money or for projects to get a start, and aims to transform Scotland's economy with "patient and growth capital". In the case of the NZNIB, a levy on big bank profits is suggested as one way of partially funding the new bank; it would also include a state-owned superannuation fund (Kiwisaver) which could invest in NIB projects.

The NZCTU report reviews the crucial issue of housing at some length, along with other infrastructure which is sorely lacking, including for water, health and education. There are more than 26,000 New Zealanders on a waiting list for social housing and in early 2022 median rent in Wellington hit 97 per cent of the minimum take home wage.

This situation has an additional effect on the health of the population. "According to the Ministry of Health", the report notes, "in 2021, more than 9,500 children aged under six were hospitalised with illnesses such as respiratory tract infections and meningitis likely caused by inadequate housing." UN Special Rapporteur Leilani Farhah declared New Zealand's housing situation a human rights crisis in 2020, particularly due to cold, damp and mouldy housing, especially for renters. Farhah stated: "At the root of the crisis is a speculative housing market that has been supported by successive governments who have promoted homeownership as an investment, while until recently discontinuing the provision of social housing and providing inadequate tenant protection".

There are other severe deficits: "There is a NZ\$104 billion infrastructure gap across the public sector and a further NZ\$106 billion gap in funding for infrastructure across the next 30 years. Basic essentials, like clean drinking water, now require decades of reinvestment to be functional." The NZCTU is also canvassing a Ministry of Green Works, proposed by FIRST Union (national trade union) which is calling for "a new architecture of public institutions". Along with a section on climate mitigation, the proposal focuses on the ministry's role providing housing, water management

centralisation, plus training for construction apprentices and skilled tradespeople. There is also discussion about improving economic equality and worker productivity.

For the country that legislated a public postal bank, KiwiBank, at the height of the privatisation era, the NIB should be a no-brainer. Indeed, as the Citizens Party has proposed in its vision for a public post office bank run through Australia Post, a savings bank can provide the seed capital for such an investment vehicle, forming, as the Japanese dubbed Japan Post, a “second budget” to fund national development. ([Learn from New Zealand and Japan on postal banking](#)”, AAS, 11 Nov. 2020)

By Elisa Barwick, Australian Alert Service, 1 February 2023

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