

# Newman Weekly

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The New Zealand Centre for Political Debate

## Perpetuating Poverty

It was Ronald Reagan who said, "Government is not a solution to our problem, government is the problem." He could have been talking about New Zealand.

Unsurprisingly to those of us who believe in the power of individuals - that people prosper and flourish when they have control over their own lives, and that individuals not governments know best how to lead their lives - a new government report has identified that the areas of greatest disadvantage in the country involve those areas where the government has the greatest control.

The New Zealand Living Standards Report 2004 (see [www.nzcpd.com](http://www.nzcpd.com)) was released this week by the Ministry of Social Development. While the subjective methodology of the report is a cause of concern with questions like have you "bought cheaper cuts of meat or less meat than you would like to buy to help keep down costs" or has your child gone "without music, dance, art or other cultural lessons because of the cost" to quantify poverty - the conclusions nevertheless are a useful reminder of those areas where major government policy reform is needed.

According to the report, while income is unquestionably important in improving living standards, other factors such as sustained employment, higher levels of education, and home ownership are also significant. The long-term gains that accompany stable marriages are also recognised as well. In other words, the report confirms that the advice our parents and grandparents gave us, when they were trying to guide us onto a successful path in life, is still as relevant today as it was back then: look after your health, finish your education, get a job and work hard to get a better one, save for a house and a rainy day, and if you get married, stay married!

The report identifies that people who have had

multiple marriage break-ups, financial or employment shocks, or have serious health issues tend to have lower living standards. Further, it found that some groups, particularly beneficiary families with children, large families, and people with low incomes or few assets, have experienced a significant drop in living standards since 2000. The report therefore provides a clear direction for a government committed to reducing disadvantage through the reform of policies that are contributing to the problem.

But rather than introducing policies to ensure that every child attends a school that will help them to develop a love of learning, Labour brought in zoning to prevent children leaving failing state schools, it ended bulk funding which had given schools the power to improve their performance, and it undermined educational standards when it abolished external examinations.

Rather than ensuring that every beneficiary who is capable of working is required to get a job, Labour replaced work for the dole with a voluntary programme, it eliminated the stand down period for sole parents who want to quit their job for an easier life on welfare, it extended the benefit so welfare mothers don't have to get a job until their youngest child is 18 years old, and it has allowed tens of thousands of beneficiaries to migrate onto the sickness and invalid benefits where they are not work tested.

Rather than lowering the tax burden on working families to encourage home ownership and a savings ethic, Labour has relentlessly pressed on with its philosophy of wealth redistribution, taking money off hard working families so it can waste half churning it through the bureaucracy in order to give it back to the families that earned it but in such a way that their incentives to work hard to gain bonuses and promotion is destroyed for fear that these rewards will cause them to

lose some of their benefits.

But a responsible government would go further. A responsible government would admit that most of the crippling regulations that have been foisted on the business sector do more harm than good: taxpayers see their taxes eaten up in paying the salaries of regulators, running their cars and building their offices, and businesses watch as funds disappear into the big black hole of compliance - filling out forms, hiring lawyers, wading through red tape instead of being invested into jobs and growth.

A responsible government would therefore prioritise the reduction of excessive regulation and the lowering of company taxes to encourage a buoyant job market, knowing that doing so would help beneficiaries and low-income workers to find better jobs. Further, it would re-introduce a probation period for new employees to prevent the taking of legal action if a job doesn't work out in order to further boost the demand for workers and the opportunities available to them.

The Living Standards Report identifies persistent ill health as being a significant factor in causing disadvantage, yet the health policy changes recently introduced by the government, rather than helping those families who are facing such difficulties, look likely to make the problems even worse.

To shed light on the complex health policy labyrinth, the NZCPD has asked Bronwyn Howell, a Research Associate at Victoria University, to provide a guest opinion piece exploring these issues. Her article "Why We'll All Pay For the Doctors' Strike and the Waiting List Cull at the GP's Surgery" (see [www.nzcpd.com](http://www.nzcpd.com)) outlines the bizarre situation

whereby Labour's recent policy changes forcing capitation funding onto doctors instead of subsidising sick patient consultations and requiring that very sick patients be dumped from hospital waiting lists are likely to result in chronically sick people having to pay more for their visits to the doctor (a comprehensive research paper addressing these issues is posted on our Articles and Research of Interest page, [www.nzcpd.com](http://www.nzcpd.com)).

*The greatest gift a government can give to the poor is the freedom to improve their station in life.*

As the self-serving calls from the 'poverty industry' for benefit increases echo in our ears in response to the Living Standards report, I would like to reflect on the wisdom of Milton and Rose

Friedman who remind us in their book "Free to Choose" that the greatest gift a government can give to the poor is the freedom to improve their station in life: "A truly free society is one that releases the energies and creativity and abilities of everyone. It prevents some people from arbitrarily suppressing others. Freedom means diversity but also mobility. It enables today's disadvantaged to become tomorrow's privileged, and, in the process, enables everyone from top to bottom, to enjoy a fuller and richer life."

*The poll this week asks: Do you agree with social service agencies when they say that benefit increases will help to reduce poverty and disadvantage in New Zealand?*

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