

Dr Ganesh Nana, Post-Budget Commentary for the CTU

“Responsibility – Budget 2018 oozed fiscal responsibility. But, for many, a shift to a truly Wellbeing Budget cannot come quick enough”, commented BERL Chief Economist Dr Ganesh Nana.

“Yes, the Budget announcements loosened the purse strings in numerous areas.

“However, this Coalition Government will find their ambitions for transformation and a ‘productive, sustainable, inclusive economy’ being well and truly pincerred unless they modify their self-imposed Budget Responsibility Rules (BRR).

“The BRR cast a shadow over the headline spending numbers. While the Budget 2018 documents were headlined as ‘Foundations for the Future’, the constraints imposed on the BRR short-term obligation to bring net core crown debt down to 20% of GDP by 2022 are binding.

“And more malign is the passive acceptance that a budget surplus is a metaphor for responsibility.

“In the 1990s, the nation swapped a fiscal deficit for an infrastructure deficit. And many would argue we continue to pay the price in low productivity numbers that now see a low-wage business model at the heart of our economic mechanism.

“Since the 1990s, the nation has embedded the virtue of budget surpluses, achieved at the expense of numerous deficits across whānau, communities, and social networks and services.

“Next year’s promised Wellbeing Budget cannot come quick enough. And, with it, a re-write of the BRR to be consistent with a responsible definition of ‘fiscal responsibility’. A definition that should encompass wellbeing, including intergenerational wellbeing, and allows the Government to responsibly take on debt to build a true legacy of top-class social, community and national infrastructure for future generations.

“And, as a consequence we can avoid the prospect of again having to unnecessarily limit spending to mollify the gods of surpluses and to placate the debt repayment hawks”, Dr Nana concluded.

Contact:

Dr Ganesh Nana
Chief Economist
Executive Director
Business and Economic Research Limited

Twitter @GaneshAhirao
DDI: 04 931 9206; Mobile: 021 137 6530