

Dialogue page

NZ Herald

Wednesday 31st March, 2009

With almost no critical analysis, the acceptance of the Americanisation of the New Zealand way of life continues with the Prime Minister John Key's recent endorsement of the US charitable model.

Thanks to the last government at the instigation of Peter Dunne, there is now no cap on the level of tax-subsidised donations that can be made. Could this be a costly, risky and uncontrolled experiment?

Donations attract an astonishing 33 1/3% tax refund with the only limit being that they cannot exceed taxable income. Unlike some government initiatives where there are matched payments, the tax credits are refunded directly to the donor. That is nice, and may make the donor feel better, but there is no free lunch: tax refunds for some – those who can afford to give - means higher taxes and lower government spending on social services for others.

Once this policy is entrenched and we are living in an "American giving" culture, it will be very difficult to reverse. Whether you sit on the right or the left of the argument, you may feel a chill go up your spine when you go to the IRD website and scroll through the names of acceptable recipients of the charitable dollar. With a few notable exceptions such as the Auckland City Mission and the Salvation Army, donations will not be for the direct relief of poverty but rather to encourage the expansion of the charitable, educational and religious preferences of donors.

There are already over 20,000 registered charities to choose from and a range of other institutions that also qualify including medical and educational bodies. And the list is growing all the time. We can expect the balance of social control to shift as it has in America to these unelected and often unscrutinised users of tax-subsidised funds. New Zealand gambling trusts already illustrate the point.

This week the charitable model is given a further boost with the Prime Minister encouraging the better-off to donate their tax cuts. The reasoning seems to be that the tax cuts are inappropriate for those that don't need them and therefore should be given to those who do need them. Yet tax cuts given directly to those in need, such as the sole parent down the road, are not subsidised.

Surely at this stage in the economic cycle a more certain and equitable way of assisting those so clearly in need could be found. Social welfare beneficiaries have been denied any gains from tax cuts given to others as their benefits are set in net terms. As well, a large portion of family assistance for those on benefits with children is unavailable, simply because they are unable to work.

As the recession bites, many more are affected by the inadequacies of the complex and out-dated safety net. For example, foodbanks report that newly unemployed people are often denied any assistance because of their spouse's income. A couple on the unemployment benefit get a pittance of just over \$300 a week between them, and finds they can only earn \$80 a week extra before their benefit is cut almost dollar for dollar.

An obvious anomaly is emerging for families with children who lose their job or whose hours are reduced. Even if the family stays off a benefit they can lose \$60 or more a week for their children. It is no wonder the food banks are increasingly overstretched, and the hospitals continue to be inundated with preventable admissions of poverty-related third world childhood diseases.

The so-called 'ReStart' package is nowhere near good enough. It allows the In Work Tax Credit to be paid to some families but for only 16 weeks and only to newly redundant workers. This creates a new anomaly by paying to only some newly unemployed families based on whether they have been made redundant, and not to others when parents for whatever reason cannot be in paid work, or whose work hours fall below the required minimum.

Tying part of family assistance to paid work to force parents to take non-existing jobs is punitive. And why the time limit for the Restart package? The food needs and school and health costs of the children won't magically disappear after 16 weeks when a protracted downturn fails to produce jobs.

John Key could be using the recession as the opportunity to improve the welfare system and to remove the discrimination against the nation's poorest children in a way that is both anti-recessionary and anti-poverty. If the government wishes to match donations to activities that it would like to encourage, such as university research or development, then it should do that on a transparent case by case basis. Philanthropy will not solve systemic poverty problems as is all too clear from the American experience.

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