



A report from Executive

## **There is Always a Reasonable Alternative – The Post Primary Teachers’ Association’s Economic Model for Aotearoa/New Zealand**

### **1. Introduction**

#### **1.1. Background**

In the midst of the global economic crisis and growing socio economic inequality in Aotearoa/New Zealand, delegates at the 2011 PPTA Annual Conference unanimously passed the Association’s first economics paper - *There is Always a Reasonable Alternative not There is no Alternative (TIAARA not TINA)*.

#### **1.2. GFC – Global Financial Collapse**

Members rejected the failed neoliberal economic policies that led to the global economic crisis in 2008 and the subsequent snail-paced recovery. They were particularly concerned that while the instigators of the financial crisis received trillion dollar bailouts, working people everywhere – especially those in the public sector - are being expected to sacrifice their living standards. Throughout the world, the financial crisis is being used to justify the slashing of education budgets, increasing class size, closing schools and reducing teacher salaries.

We are being told that the solution to the failed neoliberal economic experiment is more neoliberal experimentation.

#### **1.3. Is this the best we can do for young New Zealanders?**

PPTA is not affiliated to any political party but cannot ignore the risk that the next generation will face a future of economic deprivation and unsustainable levels of environmental degradation in order to satisfy continued corporate greed. Policies that deliberately fuel rampant inequality by privatising profits and socialising losses lead to widespread poverty and social unrest. This is not the future we want for young New Zealanders.

Additionally, government, treasury and ministry of education debate around policy has for more than a decade been framed within the neoliberal economic theory.

#### **1.4. TIARRA Not TINA – There is Always A Reasonable Alternative**

This paper sets out some alternative propositions to the neoliberal agenda in which we can frame our support for state funded education which serves the needs, aspirations and abilities of each child, regardless of where they are in the country or the wealth of their parents, and which serves, but is not subservient to the economy.



The fact that the principles we adopt will not be welcomed by the small financial elite who are the prime beneficiaries of the current system is to be expected. That, however, will not diminish our determination to strive for a world that is fairer and more equitable for students and a financial system that reinforces the best of human characteristics – co-operation, kindness, generosity, creativity and open-mindedness rather than their narrow and selfish counterparts. In such a system, schools will be respected and nurtured.

## 2. The Alternative

### 2.1. The democratic market

High quality publicly funded education and the economy are intertwined. These two vital elements must combine to produce equitable and sustainable social and economic outcomes for all students and their families<sup>1</sup>.

The model which will best support these goals may be termed a democratic market, as opposed to the free market it would replace.

The democratic market is an economic framework designed to serve the needs of all New Zealanders, not just those in the top 1% of income earners and corporations.

### 2.2. Key principles

There are ten key principles underlying a democratic market model within which PPTA would build its education policy position:

#### 1. A fairer tax system, which:

- raises greater revenue from the wealthiest New Zealanders,
- reduces intergenerational inequities through government appropriation,
- stops tax avoidance , and
- ensures all income streams are taxed equally,
- rejects further regressive tax measures (such as GST and student loans).<sup>2</sup>

The overwhelming majority of New Zealanders will pay no additional tax under this system. It would be a central element in the fight against poverty and inequality.

---

<sup>1</sup> Morris, A. & McKenzie, P. (2009). *Rebuilding education in the global recession*; Morris, A. (2009). *Rebuilding Australian Schools – A Report for the Australian Education Union*.

<sup>2</sup> Regressive taxes place a greater burden on the poor than on the rich. Goods and services, and student loans are regressive taxes because the poor spend a higher proportion of their income on them than the rich.



A fairer tax system would generate greater revenue which could support a free and adequately-resourced education system and reduce the negative impacts of poverty on the learning of vulnerable students.<sup>34</sup>

## 2. Ensuring there are effective public services

Strong public services are a key component in a strong economy and cohesive society.

User pays economics has created a growing underclass of people who cannot access services to meet their health and welfare needs. This has led to many of our children growing up in poverty, with poor health and limited pre-school access to education.<sup>5</sup>

In supporting public services, state funding currently used to prop up private enterprises (including private schools) would be redirected to state schools, which would also be supported by effective Ministry of Education, NZQA, Teachers Council, Child Youth and Family, health and social welfare services<sup>6</sup>.

## 3. Addressing the public debt myth

New Zealand's debt is primarily a private sector problem (see figures one and two).

The current level of debt would be managed without reverting to austerity measures which undermine the delivery of education to current and future students.<sup>7</sup>

## 4. Empower government to play a lead role in New Zealand's economy by investing heavily in education and training

Figure four compares New Zealand's current expenditure in compulsory sector education against that of other OECD countries. It is low by international standards.

Education, science, technology and innovation are key areas Aotearoa/New Zealand should focus on to move our economy forward<sup>8</sup>.

This would ensure that we end the recession in a stronger position than we started and that this strength is built on through future investment.<sup>9</sup>

<sup>3</sup> Hickey, B (2012); English, B. (2012) admission in his own budget lock-up speech that the new taxation structure had not worked to date (lower income tax for the rich, higher rate of GST).

<sup>4</sup> OECD. (2012). *Equity and Education: Supporting Disadvantaged Students in Schools*.

<sup>5</sup> Sir Peter Gluckman; Susan St John of the Poverty Action Group; Yates, M. University of Pittsburgh.

<sup>6</sup> Rorris, A. (2008). *Rebuilding Public Schools by 2020*.

<sup>7</sup> PSA research into public debt as an excuse; Boyle, D. Columbia University.

<sup>8</sup> Callaghan, Sir Paul. (2011). *Sustainable Economic Growth for New Zealand – Mapping our future*.

<sup>9</sup> OECD. (2010). *Improving Health and Social Cohesion through Education*.



5. **Support local and international measures to regulate financial markets and limit corporate excess**

This principle would underpin the reining in of multi national free trade agreements that attempt to remove the power of sovereign states to legislate in the best interests of people, for example, the Trans Pacific Partnership Agreement (TPPA).<sup>10</sup>

This reinforces the continued right of the state to protect and resource schools, and ensure that students are not adversely affected by challenges of anti-competitive behaviour under international law.

6. **Respect for the rights of workers (paid and unpaid) and learners**

This is a component in ensuring that poverty does not prevent students from arriving at school fed and adequately prepared to learn. It ensures that working families receive a living wage and are strong. Homes must be cohesive units which can support their children as learners in our schools.

This would be actioned partly through:

- legislation that promotes union membership and collective bargaining,
- avoiding a unitarist<sup>11</sup> approach to employment relations by engaging employees, employers and those not yet in employment in ways which *add value* to the economy and society,
- engaging in employment relationships that outlive economic cycles and extend beyond the walls of individual organisations,
- rejecting the current government's push for a low wage economy (which will help to stop the outflow of skilled labour from Aotearoa/New Zealand).

7. **Retention of New Zealand's state assets in full public ownership**

The sale of publically owned assets significantly reduces long term income streams for the state. This funding is part of the total income from which our schools will be resourced.<sup>12</sup>

---

<sup>10</sup> Kelsey, J. Gould, B. & Bertram, G. et al (2010). *No Ordinary Deal – Unmasking the Trans-Pacific Free Trade Agreement*.

<sup>11</sup> A unitarist approach to employment relations demands loyalty of all employees, being predominantly managerial in its emphasis and application. Consequently, trade unions are deemed as unnecessary since the loyalty between employees and organisations are considered mutually exclusive, where there can't be two sides of industry. Conflict is perceived as disruptive and the pathological result of agitators, interpersonal friction and communication breakdown.

<sup>12</sup> Selling state assets means the Crown loses important future revenue stream(s).



In addition, school buildings and land are state assets, and the retention of education infrastructure owned by the state is seen as essential to ensuring the goal of universal access to high quality education.

This would mean that in some cases sold assets may need to be renationalised. *For-profit* charter schools could be a future area for reacquisition.

The current policies of public private partnerships in the corrections and education sectors would be reversed as they show no savings for the state over time.

**8. The idea that we are cultural citizens not just economic citizens<sup>13</sup>**

The New Zealand economy must support cultural citizenship through:

- social and economic cohesion, not corrosion,
- recognition of cultural and spiritual values,
- supporting bicultural and multicultural identities,
- a State that supports all of its citizens,
- space for a Maori economy to operate alongside a Western economy.

**9. Closing the gap between the minimum and maximum wages paid across a workforce or industry**

Organisations will be encouraged to self regulate their pay structures through initiatives to reverse the rising wage disparity between workers and senior managers (see figure three)<sup>14</sup>.

This is partly to ensure that income is more equitably distributed and avoids the negative social effects inherent in high levels of economic disparity.<sup>15</sup>

**10. Fiscal policy that acknowledges the importance of the environment**

We must look after the environment today so there can be a fruitful economy and a healthy society for our students now and in the future. Individuals and corporations who damage the environment must contribute towards its rehabilitation. Economic policy would be a component in addressing environmental pressures such as the impacts of climate change on New Zealand.

<sup>13</sup> Professor Graham Smith's presentation to 2012 Maori Teachers' Conference in Rotorua.

<sup>14</sup> Hunter, T (2012). *Growing New Zealand wage gap between CEOs and their employees in NZ.*

<sup>15</sup> Stiglitz, J. (2012).; Cazeneuve, B. (2012). *Advice to the incoming French President on tax and income equality reform.*



### 3. Conclusion

#### 3.1. Proceed with care

It is a mistake to think economists can predict the future. All citizens have a part to play in creating a framework of policies and principles which ensure the mistakes of the past are not repeated, and which underpins a strong and equitable education system.

#### 3.2. What we have isn't working

Furthermore, sound economic policy and a strong education system can play a key role in creating a more equitable and secure society. Unregulated markets and a narrowly focused and privatised education have simply failed.

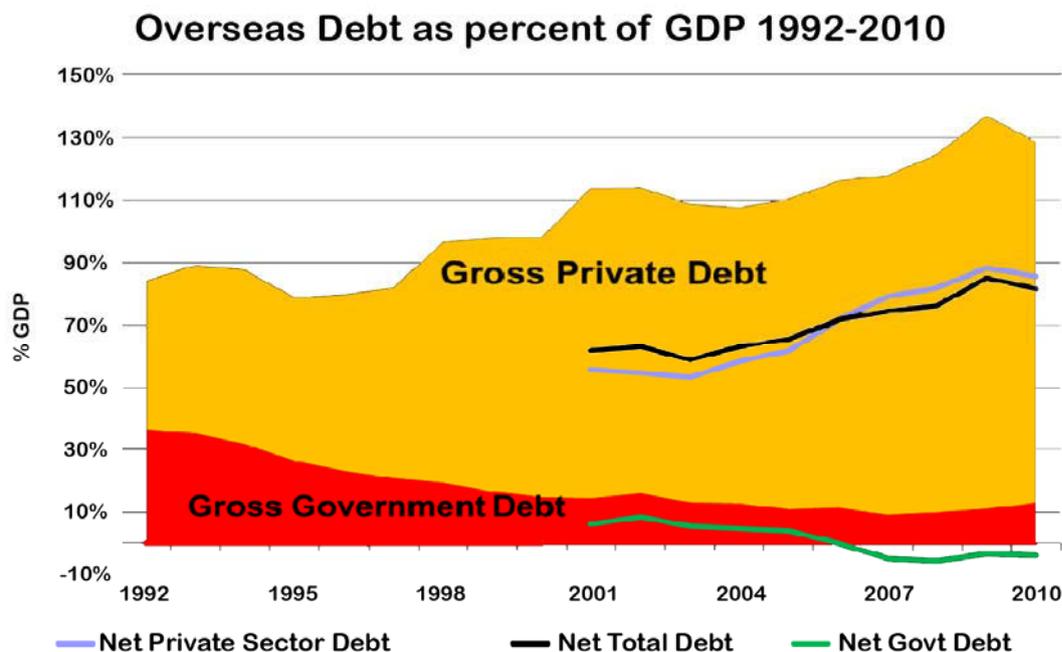
#### 3.3. A brighter future?

It is unacceptable to leave a dysfunctional economy for the next generation of New Zealanders when there is a reasonable alternative to the failed economic policies implemented in Aotearoa/New Zealand since 1984. That alternative is a democratic market that serves all of the people.

### Recommendation

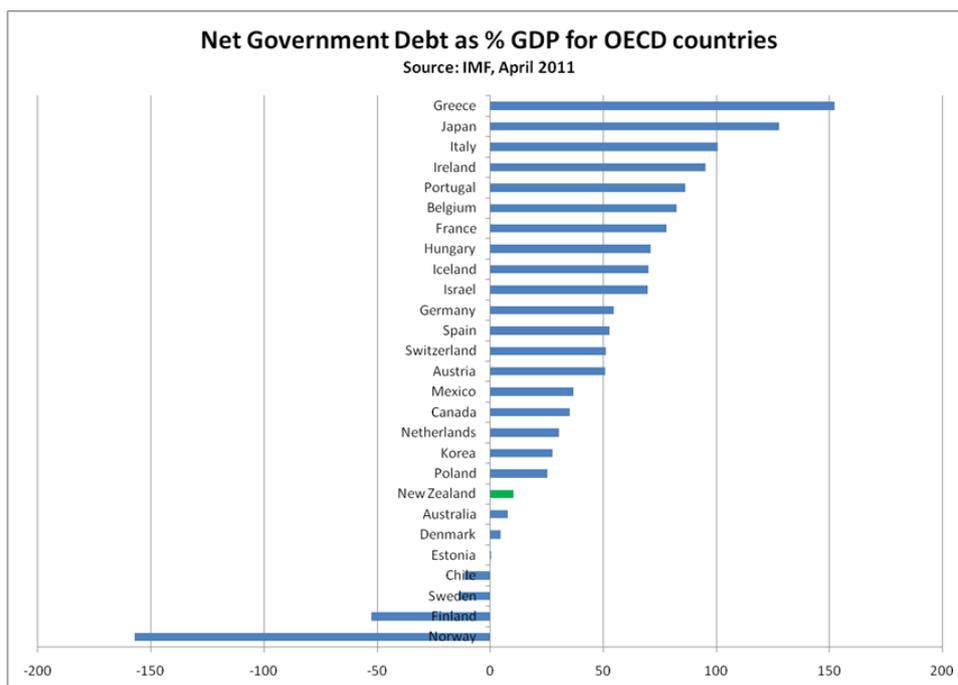
- ~~1. That the report be received.~~

Figure 1 – New Zealand’s Debt – a private or public problem?



Source: Statistics New Zealand

Figure 2 – New Zealand ranked against other OECD countries in Net Government Debt as a percentage of GDP

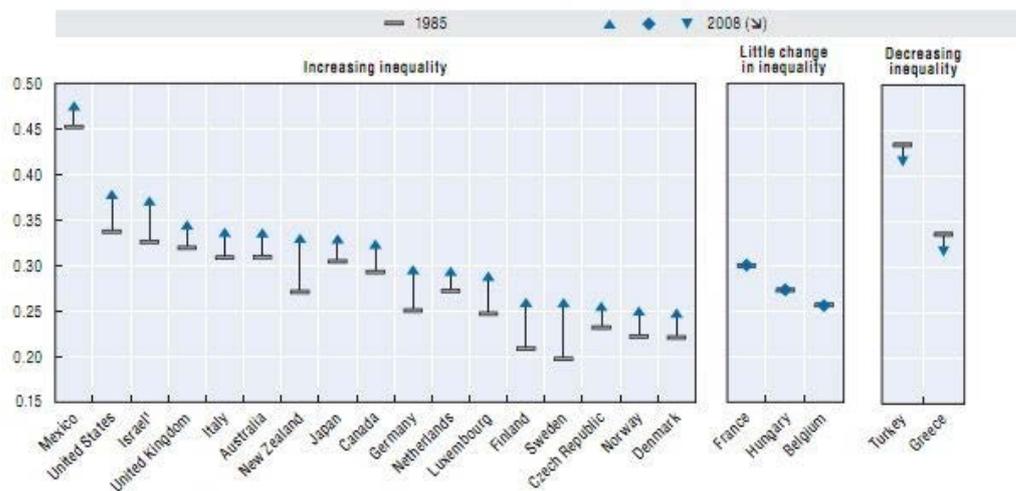


Source: OECD

### Figure 3 – ‘Trickle down’ or ‘trickle up’ in New Zealand?

Figure 1. Income inequality increased in most, but not all OECD countries

Gini coefficients of income inequality, mid-1980s and late 2000s



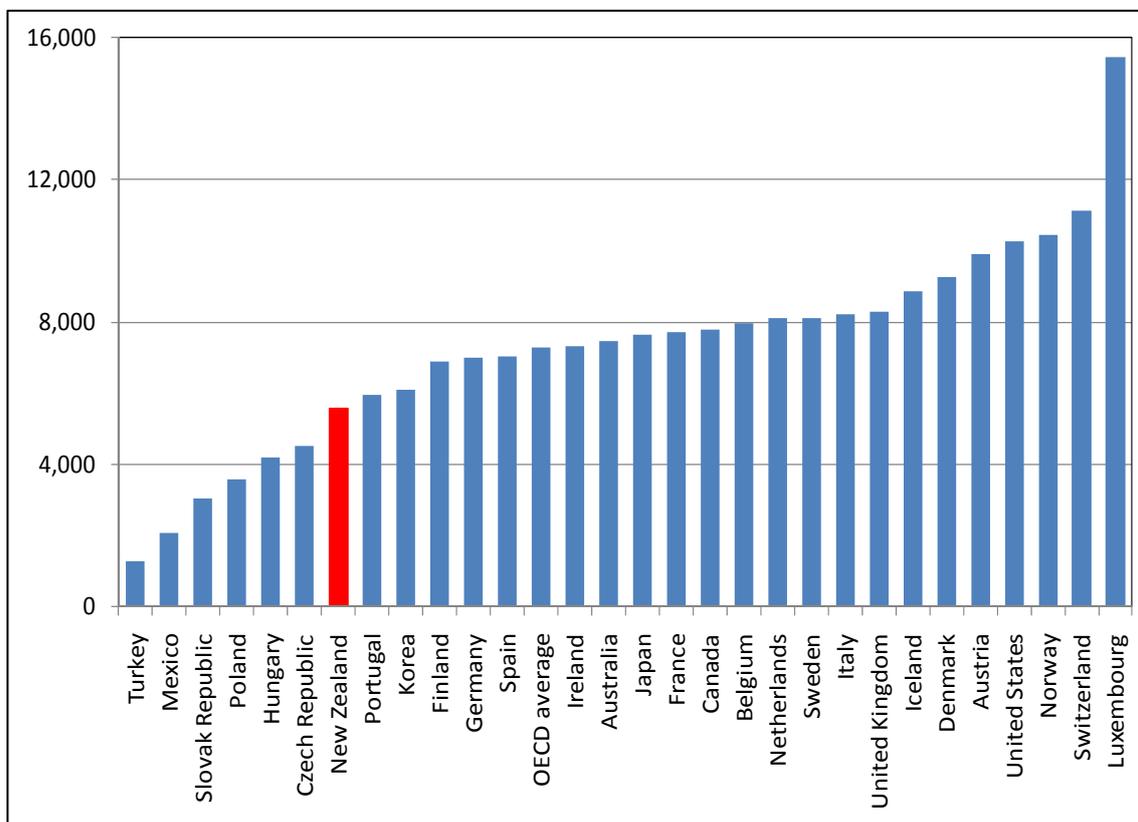
Note: For data years see Table 1. "Little change" in inequality refers to changes of less than 2 percentage points.

1. Information on data for Israel: <http://dx.doi.org/10.1787/888932315602>.

Source: OECD Database on Household Income Distribution and Poverty.

Source: OECD

Figure 4 - OECD Country Expenditure - Compulsory (non-Tertiary/ECE) on Primary and Secondary Education per student, per year (\$US)



Source: 2010 Factbook, page 189

# **2012 Annual Conference**

## **Minutes**

Minutes of the Annual Conference of the New Zealand Post Primary Teachers' Association (Inc) held at the Brentwood Hotel, Kilbirnie, Wellington, commencing at 9.45 a.m. on Tuesday 2 October 2012, continuing at 9.00 a.m. on Wednesday 3 October and 9.00 a.m. on Thursday 4 October 2012.

### **There is Always a Reasonable Alternative: PPTA's Economic Model for Aotearoa/New Zealand**

**C12/95/05**     **Moved**

1.                THAT the report be received.

**Carried**

**C12/95/06**     **Moved**

2.                THAT the principles of the democratic market model be adopted by PPTA as a framework against which to respond to broader social and economic policies which impact on teaching and learning in Aotearoa/New Zealand.

**Carried**