

Allow the Facts to Get in the Way of the Neolib Stories

Keith Rankin, 19 November 2014

One of the weaknesses of the political left in New Zealand over the last 30 years has been to allow the neoliberal storytellers to get away with lots of fibs and half-fibs.

On TVNZ's Q+A on 16 November, in a panel [discussion](#) on housing policy, Richard Shaw, a Massey University political scientist started his commentary with this gratuitous comment: "When Muldoon was Prime Minister and Minister of Finance, we had a Margarine Act which regulated the price of margarine". The context was Bernard Hickey having made [comments](#) about speculation on housing in Auckland that Matthew Hooton was over-reacting to.

Margarine and Muldoon

The claim about Robert Muldoon regulating the purchase of margarine has been bandied around in a loose fashion by neoliberals for many years, for example by Richard Prebble claiming that "in 1984, we couldn't eat margarine without a prescription". (This 29 July 2013 letter to the editor of *The Dominion-Post* [When margarine became available](#) sums it up.) We might note that, in politics, the reason given for a measure (in this case, "health") is not necessarily the only reason, and indeed may not be the main reason. The restriction on margarine had been a protectionist measure, and Muldoon was a trade liberaliser, albeit 'softly, softly' given the might of the farmer lobby.

The fact is that the restriction on margarine began in 1908 (not 1980!), and was effectively lifted in 1972 when Muldoon was Minister of Finance. (See [Dairy Products](#) from Te Ara.) Statistics New Zealand has this to say: [Margarine use spreads at butter's expense](#). "Margarine was added to the CPI basket in 1975 ... In February 1975, butter was less than half the price of margarine ... In 1984, margarine was still more expensive than butter, but the gap had narrowed. Butter was about \$1.05 per 500g in February 1984 and margarine averaged \$1.20 per 500g". No sign that Muldoon, still PM, had passed a law virtually banning margarine. Indeed I did my OE from 1974-78. I recall margarine being easily available in NZ on my return. It certainly wasn't in the shops in the 1960s.

While the Margarine Act stayed on the books, untouched by Roger Douglas, until repealed by David Caygill in 1989, the important date of liberalisation was 1972.

The truth of the Muldoon era was that of a slow but steady economic liberalisation (but not neoliberalisation!) with a backdrop of rapid global economic change that was highly disruptive to New Zealand. An important part of this liberalisation was the phasing out of import controls in favour of tariffs, a mechanism of protection that uses rather than opposes the price mechanism. The whole neoliberal project depended on the neolib painting of the New Zealand economy under Muldoon as akin to a Stalinist gulag (see this [discussion](#)); hence other farcical references likening New Zealand pre-1984 to Albania and to a Polish shipyard. The truth was very different.

Housing Supply

The neoliberal land-supply lobby in New Zealand is relentless. The hapless Auckland Council is allegedly to blame for not releasing enough land on the city outskirts to land-bankers and property developers.

It is most likely residential real estate prices in Auckland have been going up for the same reasons as in other world cities. It is quite misleading to suppose that land-supply factors specific to Auckland are to blame. As in other world cities, real estate in the Auckland isthmus is first and foremost a financial asset – like Google shares or Goldie paintings – where prices are driven up mostly by the expectation of capital gain (and undented by capital gains tax). The rental yield appears to be, at best, incidental.

What is happening to the supply of bedrooms in Auckland? This is the question raised by Laila Harre on Q+A? Unfortunately she didn't follow up. Rather she allowed herself to be painted as an advocate of forced sales of large underoccupied houses in the central suburbs. She needed to direct the discussion to incentives, not controls. Maybe the margarine comment was aimed at her?

(The supply of bedrooms, not the supply of land, is the critical housing issue that policymakers should be grappling with. While getting people onto the speculative property ladder is not nearly as important as addressing the issue of secure rental housing, the more general idea of widespread property ownership does have merit. The unpropertied could be encouraged to buy properties they can afford and become good landlords in other towns and suburbs, while renting their own homes near to their places of employment.)

It's a tricky question because different things are happening in different types of households and different types of suburb. Houses in the poor parts of Mt Roskill are becoming over-crowded. Other houses in Auckland are fully occupied because so many 20-somethings still "live at home" with their parent or parents. It's so hard for young Aucklanders to become economically autonomous without leaving Auckland.

The most important part of the bedroom question is what is happening to the supply of bedrooms in houses recently purchased (in the last three years, say) by 'investors'; 'investors' defined as any purchasers who are not owner-occupiers. The presumption in what passes for debate on housing is that the bedrooms in these houses are additions to the rental stock. We presume that most of these houses are let to tenants. But how many are not? We do not gather facts about what too many of us would rather not know.

Do we face a contraction of housing supply in the city isthmus, as formerly occupied dwellings become unoccupied or underoccupied landbanks? Is the increase in new-builds on the distant city outskirts merely a compensation for lost housing supply closer in? We do not know. So we have endless debates quite devoid of the necessary factual information. There would appear to be a lot of non-factual (or semi-factual) information bandied about by parties with interests to protect.

In the absence of facts that suggest Auckland's property bubble is different from those in London, Sydney or Melbourne, we should be looking for solutions that address inappropriate speculative house buying. It can do no harm to create incentives for owners of homes that are not required for their own residential needs to become landlords, and good landlords at that. Auckland needs quality and affordable rental housing.
