

Amid hostility to market reforms

Nationals defeated in New Zealand elections

John Braddock
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The minority National Party-led government of Prime Minister Jenny Shipley was convincingly defeated in New Zealand elections held last Saturday as voters took the opportunity to express their hostility to the impact of a decade and a half of “market reform” policies. While some seats remain in doubt, a coalition of the main opposition parties, the Labour Party and the Alliance, has won enough seats to form the next government.

Under the country's proportional representation electoral system, Labour, with 38.9 percent of the votes, has won 52 seats in the 120-member parliament, and the Alliance's 7.8 percent gives it 11 seats. The new government should have a clear majority of three seats. National is relegated to the opposition benches with 30.7 percent of votes and 41 seats, along with the minor parties ACT (Association of Consumers and Taxpayers) with nine seats, NZ First six and the United Party one.

The Greens, potential coalition partners of the new government, currently sit just 0.1 points below the 5 percent threshold needed to secure a presence in parliament. If Green Party leader Jeannette Fitzsimons manages to overcome a 114 vote deficit after the counting of special and absentee votes for the Coromandel electorate, she will take up to five Green MPs into parliament with her. Conversely, NZ First leader Winston Peters is sitting on a slender election night majority of 300 votes in his seat of Tauranga. If the special votes go against him, NZ First will lose all its MPs as its total nationwide vote is only 4.3 percent.

The decisive shift in the electorate occurred among the urban working class and voters on the Maori rolls. Labour won 10 of the 15 seats in the most populous city of Auckland. Having lost all five electorates set aside for Maori voters to NZ First in the 1996 election, Labour regained them all with huge majorities. It also won the new Maori seat of Hauraki, which takes in the Auckland region. Across the six Maori seats, Labour took the lion's share of the list votes—53 percent.

Throughout the campaign the Chief Electoral Officer expressed concern over the high number of voters who had not enrolled. During the last week before polling day, some 270,000 from a voter pool of 2.7 million had not enrolled. However, as the polls increasingly pointed towards the possibility of a change of government, a last-minute rush of enrolments brought the number of potential eligible voters to over 90 percent.

The defeat of the Nationals has an international significance as it is a clear rejection of pro-market policies. In the 1980s and 1990s, New Zealand was hailed around the world as a model for the dismantling the welfare state and the policies of national economic regulation. From 1984 Labour Party governments floated the dollar, deregulated the financial system, lowered tariffs, introduced a sales tax, cut spending on social services and began the process of privatisation. Both Labour leader Helen Clarke and Alliance leader Jim Anderton held key positions in the Labour party during the 1980s.

After regaining office in 1990, the Nationals deepened the offensive against working people begun in the 1980s by Labour. In 1991, the government implemented savage cuts to social welfare plunging tens of

thousands into poverty. In 1992, the Employment Contracts Act was used to undermine the trade unions and force workers onto individual contracts on lower wages and worse conditions.

The National Party government accelerated the privatisation program, selling off airports, electricity, state housing, accident compensation and a range of other essential services. It recently started floating proposals for the privatisation of the road network. The poorest sections of the working class were hit again when the Nationals put state housing rentals onto a market footing. A generation of students has built up a debt of over \$NZ3 billion as a result of steeply increasing fees for tertiary education. Under pressure from the pro-big business, flat-tax party ACT, National went into these elections promising to reduce taxes for the wealthy even further and so further undermine the meagre social programs which remain.

The hostility generated by these policies was clearly evidenced in some of the election outcomes. Social Welfare Minister Roger Sowry and Minister for Labour Max Bradford, both strongly identified as leading proponents of National's big business agenda, lost their electorate seats—although they will be returned to parliament on the National Party list. The conservative rural seat of Wairarapa, formerly held by Deputy Prime Minister Wyatt Creech, was convincingly won by the Labour's Georgina Beyer, the transsexual mayor of the town of Carterton.

Bradford had been in the forefront of recent attacks on social services and workers' rights. The privatisation and rationalisation of the electricity network was his responsibility. Waiting in the wings for a new National government was his legislation to give employers the right to force workers to trade in their public holidays for cash payments. As Minister for Tertiary Education he had most recently born the brunt of student anger at rising fees. After assaulting a student demonstrator on one of his campus visits, he had been forced to cancel scheduled campaign visits to universities. In an overwhelming election night reversal, Bradford lost the formerly safe National Party seat of Rotorua to his Labour opponent by nearly 5,000 votes.

The ACT party failed to significantly increase its level of support, despite strong financial backing from business interests and the editorial support of media such as the weekly *National Business Review* newspaper. After proclaiming that it would get at least 15 percent of the vote, ACT only marginally increased its level of support from 6 percent in 1996 to 7 percent, giving it one more MP. High-profile ACT leader Richard Prebble was tipped out of his Wellington Central seat by Labour's Marian Hobbs, even though the National Party stood aside in the electorate in order to boost his re-election chances. Prebble, a former Labour cabinet minister, will remain in parliament as a list MP, but ACT now controls no electorate seats at all.

The biggest defeats of the election hit the right-wing nationalist New Zealand First Party, and its ethnically based offshoot Mauri Pacific. In 1996, NZ First had gained 13 percent of the vote, campaigning on a platform opposed to the Nationals' pro-business agenda. It had attracted significant support among Maori voters who had been the most severely

affected by long-term unemployment and the attacks on welfare. For the first time, New Zealand First won all the Maori seats, traditionally held by Labour, in what was considered an historic landslide.

After the election, NZ First defied expectations and went into a coalition with National. NZ First leader, Winston Peters, took the post of treasurer, thereby assuming responsibility for imposing the deepening attacks of the government on the working class, in particular the Maori and Pacific Islanders who make up its most oppressed sections. As NZ First became increasingly unpopular during 1998, most of the Maori MPs defected, either to become “independents” or to follow Maori Affairs Minister Tau Henare into his new party Mauri Pacific. This grouping of MPs became derisively known as the “waka (canoe) jumpers”.

The recent election saw Maori voters extract their revenge on NZ First. The party's parliamentary future hangs immediately on the fate of Peters himself who is presently clinging onto his seat by 300 votes. In his own electorate more people voted against Peters than for him, with the Labour and National candidates each polling marginally less than his 9,400 votes. In 1996 he had won by a clear margin of 8,000 votes over his nearest rival.

Elsewhere the party has been decimated. In all the Maori seats, NZ First candidates polled well down in third and fourth place or even lower. The “waka jumpers,” including Maori Affairs Minister Henare and Tuariki Delamere, sacked from his portfolio as Immigration Minister just two days before the election, have been pitchforked into political oblivion. Joining them is Alamein Kopu who had defected from the Alliance in the early days of the parliament and transformed herself into one of the key props of the National government throughout its last term.

As for Labour and the Alliance, their respective policies have been carefully prepared to exploit the disenchantment of ordinary working and middle class people with the policies of National and ACT, while not threatening the interests of the market. Their campaign—the culmination of three years' careful groundwork—saw both parties put forward policies of very limited social reform, while reassuring big business that they remain essentially on its side.

The Labour Party's publicity was centered around an idea taken from Blair's New Labour in the last British elections—a credit card of “commitments” signed by leader Helen Clark. At the top of the list was the promise to “create jobs” through “promoting New Zealand industries and better support for exporters and small business.” In real terms, this means a handout for business through venture capital and grants. Throughout every political debate in the campaign, the fundamental proposition that the interests of business were the beginning and end of the discussion remained unchallenged. Nowhere did Labour or the Alliance differ with Prime Minister Shipley's assertion that “businesses create the wealth that the country depends on”.

Labour's list of proposed social reforms remains vague and limited. The credit card's health policy is to “focus on patients not profit and cut waiting times for surgery”. Labour's plans to cut the costs of tertiary education do not include cuts to fees, which have now placed university and polytechnic education beyond the grasp of most working class families. It plans merely to defer interest payments on student loans until the completion of study. Labour is promising to cut rents on state housing to 25 percent of income, however it has deliberately made no commitment to restore welfare payments to the levels which prevailed prior to National's infamous 1991 “Mother of all Budgets”.

The Alliance has consistently promoted itself as being to the left of Labour and proclaims itself as the “heart” of the new government. Many of its proposed social programs go further than those of Labour. For instance, it is calling for an increase to the minimum wage, an immediate \$20 per week increase to welfare benefits, paid parental leave provisions for all workers and increases to holiday provisions. Its policy is to abolish all study fees.

Yet leader Jim Anderton has consistently supported Labour's pro-business stance and has sought for himself a cabinet post in charge of business development. Within hours of the election result becoming known, Anderton began to talk down the expectations of those who had voted for the Alliance, proclaiming that his party would be “sensible” and “responsible” during this week's talks to draw up the coalition program. Anderton claims that with only 7 percent of the vote, his party can only do what the electorate has given it permission to do, and that it is in no position to dictate to Labour.

In fact, none of the policies of Labour or the Alliance have anything to do with reversing the social devastation of the past 15 years. Behind the window-dressing of minor social reform lies the fundamentally anti-working class politics of Blair and Schroeder's “Third Way” in Europe. It can already be seen in Labour's industrial legislation, which will keep the key provisions of the Employment Contracts Act in place, while giving the discredited union bureaucracy a larger role in implementing it, and in its law and order policy, which promises to “crack down on burglary and youth crime”.

The Labour government is counting on the assistance of the trade unions in containing the opposition of the working class to its policies. Over the last 15 years, the Council of Trade Unions (CTU) has collaborated closely with both Labour and National Party governments and ensured that no concerted campaign was waged against any of the policies which have had such devastating consequences for workers. CTU president Ross Wilson has already handed Clarke a blank cheque, saying that the unions would place “no demands” on the new government.

It is little wonder that, notwithstanding the protestations of the Employers Federation over Labour's proposals on the Employment Contracts Act, the prospect of this “centre-left” government has not ruffled the financial markets at all. This is in stark contrast to Labour's victory in 1984, which ushered in an overnight financial crisis and a run on the dollar, giving incoming Finance Minister Roger Douglas the signal to undertake a major currency devaluation even before the new government took office.

This time, the markets and key sections of big business, concerned at the economic failures of the Shipley government, gave Labour and the Alliance their full support well before election day. The beginning of the campaign was dominated by a series of grim economic statistics, which showed that the economy had been in recession for three of the last six quarters, and that overseas debt had ballooned to “Third World” proportions.

A week out from election day, a major Sunday newspaper, the Auckland-based *Sunday Star Times*, editorialised that it was “time for a new government”. It argued that nine years of National rule had “left the country in a kind of limbo with a government bereft of vision”. Pointing out that Labour was not presenting “an exciting alternative” and that its policy proposals were “modest to the point of timidity,” it went on to give support to Labour's promise to be an “active government making a more intelligent intervention in our economic, education and social affairs”.

The financial markets concurred. On the Wednesday before election day, the business press indicated that they expected “a centre-left government led by Helen Clark”. The news was all positive for them. “Money market movement in recent days show no signs of investors becoming unduly twitchy. Nor is there much expectation the Reserve Bank will tighten monetary conditions...,” reported financial writer Bob Edlin.

This week, the post-election mood in financial circles was reported to be one of “muted calm” with the markets having already factored in the result. Business correspondent Roger Kerr reported that the markets were “comfortable and happy at the certainty of the Alliance-Labour control, with no third party able to pull the strings”. Kerr did not anticipate “any dramatic changes in economic policy”, nor any adverse reaction to the

new government—“no-one's expecting any panic selling of the New Zealand dollar or interest rates going up”.



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