

Big business agenda dominates New Zealand election campaign

John Braddock
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The campaign for the September 17 elections in New Zealand has been dominated by demands for tax cuts and deeper inroads into public services. Since the Labour government's budget was brought down in July, an intense media campaign, reflecting the agenda of big business, has been calling for an estimated \$NZ7 billion surplus to be used to cut personal and company taxes.

The opposition National Party promptly made tax cuts the central issue of the election. National is boasting that, under its tax plan, some 2 million people, or half the population, will be immediately "better off". The greatest benefits, however, will go to the wealthy. Two-thirds of taxpayers will get less than \$10 a week under the plan, while full-time workers will average only \$25. Someone earning \$100,000 or more will get \$92 extra.

Business will also gain significantly. The company tax rate will be cut from 33 to 30 per cent in 2008 and the so-called carbon tax to meet New Zealand's commitments under the Kyoto protocols—about \$360 million a year—will be cut from 2007. Reviewing business opinion, the *New Zealand Herald* observed that the country's top CEOs almost unanimously decreed that with declining economic prospects, tax cuts would be a "timely stimulus" for economic growth, and that business spokesmen now "overwhelmingly" preferred National's policies.

The *Herald* acknowledged Labour's pro-business achievements over the past six years, but said that these were now overshadowed by the tax question. "The prospect of a significant financial transfer from the public sector to personal incomes is clearly seen as stimulant for business as well as a personal benefit," the newspaper enthused.

Under its new leader Don Brash, National has gained the support of significant sections of the ruling elite. Brash was recruited as a National MP from his position as Reserve Bank governor and then installed as leader in 2003 in an inner party coup, in which the big business lobby group, the Business Round Table (BRT), had a major hand. The BRT has been closely advising Brash on policy and strategy at the centre of which is a drastic acceleration of economic restructuring.

Labour has argued that the National Party's tax promises—estimated to cost \$3.9 billion a year by 2008—would require a mixture of increased borrowing and the slashing of essential spending on health and education. Far from backing away, Brash has indicated that the public sector will be savaged, with \$1 billion in cutbacks and the axing of thousands of jobs. State house rentals will be increased to market rates—a policy enforced by National in the 1990s that directly contributed to widespread poverty in working class neighbourhoods. Brash also proposes a work-for-the-dole scheme for the unemployed.

Low-paid workers and welfare beneficiaries will be hit particularly hard. The final installment of Labour's Working for Families package—a meagre \$10-a-week increase in family support—would be cut. As a result, an estimated 77,500 children will be in families earning less than half the median income, an international measure of poverty. The incomes of 125,000 beneficiary families are to be reduced by an average of \$20 a week, pushing thousands more children below the poverty line.

The National Party has been able to gain support among voters because of Labour's record in government of undermining living standards. Brash's populist campaign has tapped directly into widespread insecurity and frustration produced by the decline in wages and the financial difficulties facing many households.

Brash has seized on emigration figures to claim that up to 600 people leave the country each week to go to better paid jobs in Australia. National has gained its strongest support in the country's largest city, Auckland, which has experienced the steepest rise in housing prices. Steeply rising fuel prices—now over \$NZ1.50 a litre—have also become an election issue. Brash has promised to cut the excise tax on petrol.

Prime Minister Helen Clark and Labour have attempted to ignore the sharp decline in living standards and deepening social inequality. Labour's strategy has been to proclaim that the country is "on a roll"—an unalloyed economic and social success—and that the party has provided "solid, stable government" since winning office in 1999.

For business, the last six years under Labour have been a period of unprecedented economic prosperity—strong international commodity prices, record company profits and a booming share market. But this has been at the expense of the working class and significant sections of the middle class whose living standards have stagnated and declined.

Wage settlements have been consistently below the inflation rate. Profits rose by 11 percent each year between 2000 and 2004, yet wages over the entire five-year period rose by only 8.3 percent. By contrast, directors' fees for this year alone rose by 20.5 per cent. Household incomes have only been sustained by increasing levels of indebtedness and longer working hours. New Zealand records among the highest average number of hours worked among industrialised OECD countries.

Thousands of workers have been engaged in a series of wage struggles throughout the election campaign. Prime Minister Clark has responded by calling for wage demands to be tempered in favour of tax relief for low paid workers. The Council of Trade Unions boasts that it has helped keep work stoppages to the lowest levels in a decade—31 so far in 2005 as compared to 67 in 1995.

Social inequality has worsened. According to the *National Business Review* "Rich List", the net worth of the country's wealthiest 205 individuals leapt from \$NZ9.8 billion in 1999 to \$31.4 billion last year. Over the past five years, the rich have increased their net worth at a greater annual rate than at any time under the previous National government. At the same time, 29 percent of dependent children less than 15 years of age—around 250,000—live in poverty. According to a recent UNICEF report, New Zealand has the fourth-highest child poverty rate of 26 developed countries.

Labour's attempts to posture as the defender of public health and education ring hollow. Total government spending has risen by 35 percent over the past six years, but from a low base and subject to constraints on social services. As a proportion of GDP, government spending has actually fallen from 33 percent to 30 percent. Public health and education

have been under funded and increasingly been subject to the market principle of “user pays”. The total debt of tertiary students is expected to reach \$8 billion this year.

Somewhat in desperation, Clark sought to divert attention from the social crisis by making an appeal to widespread opposition to the US-led occupation of Iraq. Labour’s publicity has highlighted a comment by Brash that had he been prime minister at the time he would most likely have supported Bush’s invasion of Iraq. Clark has repeatedly attacked Brash, declaring that under Labour no New Zealanders would be sent to fight in “unjust wars”.

Clark’s comments are a brazen lie. In fact, while distancing itself somewhat from Bush, the Labour government deployed army engineers to Iraq and dispatched two warships to the Persian Gulf to support the US invasion. Clark declares that the troops were engineers not combat soldiers, but this is pure sophistry. The New Zealand troops were armed and deployed alongside British forces involved in suppressing Iraqi resistance in Basra. None of the parties have commented at all on the involvement of New Zealand troops—including the elite SAS—in the neo-colonial occupations of Afghanistan and the Solomon Islands.

Also entirely absent from any discussion are Labour’s attacks on basic democratic rights at home. All the major parties have campaigned for tougher “law and order” measures to build more prisons, increase police numbers and crack down on immigrants. Labour’s record on the Ahmed Zaoui case has been unchallenged. Under the guise of the “war on terror”, Labour kept Zaoui—a former Algerian opposition MP and asylum seeker—imprisoned without trial for two years. When the courts ordered him released, Labour appealed in order to establish a precedent for the Security Intelligence Service to recommend deportation unhampered by any consideration of democratic rights.

Throughout her term of office, Clark has attempted to give a progressive gloss to her socially regressive program by enacting policies to decriminalise prostitution, to recognise gay relationships and to grant limited concessions to women and Maori. As a result, Labour has opened the door for extreme right-wing parties that appeal to those disadvantaged by the government’s program by blaming the decline in living standards on immigrants or “declining moral values”. The Destiny Church, for instance, a fundamentalist Pentecostal organisation that mounted sizeable demonstrations against legislation to give civil rights to homosexuals, is standing candidates in every electorate.

It emerged last week that Brash has held secret meetings with a group of businessmen connected with the Exclusive Brethren church—a reactionary sect that opposes sex education, contraception and even the right to vote. The outfit has funded the distribution of anti-government pamphlets to the tune of \$500,000. The first attacked the “socialist” Greens for influencing Labour to cut defence spending, to oppose harsher law-and-order measures and to decriminalise drugs.

Brash is also promising to do away with a raft of “affirmative action” policies and funding for Maori and Pacific Island communities, in the name of “equal treatment” for all. Labour’s affirmative action policies primarily benefited a tiny layer of Maori entrepreneurs and bureaucrats, whose main function was to deflect discontent among what are the most oppressed layers of the working class. Brash is now seizing on these policies to claim that Maori and Pacific Islanders receive “special treatment” and to foment racial divisions among working people in preparation for savage attacks on the provision of essential public services and welfare for all.

There is, however, widespread discontent with both of the major parties, which over the last two decades have been responsible for the policies of market reform that have made deep inroads into living standards. The broken promises and hype of previous election campaigns have made voters less inclined to trust in the lies and rhetoric of the present campaign—a fact that finds its reflection in the volatility of opinion polling

and significant support for other parties.

It is likely that the minor parties will have a significant impact on the election outcome. Under New Zealand’s electoral system, a party needs to either win an electoral seat or gain 5 percent of the party votes to get a place in parliament.

The Green Party is positioning itself as a Labour coalition partner. During Labour’s first term of office, the Greens supported the government from outside in return for a say in the budget. At the last elections, the Greens campaigned against Labour’s decision to allow limited field tests for genetically engineered (GE) crops and intended to insist on a moratorium as part of any coalition deal—a situation that did not eventuate. Having spent another three years supporting Labour from outside, the Greens have now declared that GE testing is no longer an obstacle to formally joining a Labour-led government.

The Maori Party is likely to win at least three of the designated Maori seats. It was established last year in a split from Labour over legislation annulling Maori claims over the seabed and foreshore. Labour’s decision, an accommodation to Brash’s campaign against special Maori privileges, provoked widespread opposition including a protest of 10,000 outside parliament. The Maori party, however, represents the small layer that has benefited most from “ethnic empowerment”, or, as party finance spokesman Monte Ohia described them, “capitalists with a social conscience”. The party now appears ready to support Labour after National promised to abolish the seven Maori seats.

Of the remaining parties, the Progressives, are likely to continue to support Labour. The Christian-based United Future Party, currently part of the government, is swinging towards National, saying it will not work with the Greens. Winston Peters, leader of the right-wing populist and anti-immigrant New Zealand First, has declared he will stay on the cross benches, while giving support on confidence and supply to whichever party wins the most votes.

After weeks of swinging poll results, the main parties entered the final week with neither holding a clear advantage. By comparison, in the 2002 election, Labour won twice as many votes as National in what was a historically low voter turnout. The outcome this time is likely to be far closer leading to a round of horse-trading and haggling for the formation of the next government. The latest polls show mixed results—two put Labour ahead, one has National in the lead—with around 20 percent of voters yet to make up their mind.

The election campaign has been a fractious and bitter affair, reflecting the heightened social tensions not far below the surface. None of the parties can openly espouse their actual policies which reflect the interests of the corporate elite. In conditions of growing economic uncertainty, whichever party forms the next government will immediately come under pressure to implement a new round of economic restructuring that will further erode the living standards of working people.



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