

# New Zealand opposition leader quits

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New Zealand opposition leader Don Brash quit politics late last month in the wake of damaging speculation over his future, and days before the release of a book that alleged links between him and the Exclusive Brethren religious sect. Brash had led the conservative National Party for three years, having been recruited from governorship of the Reserve Bank, but failed to oust the Labour government in last year's election.

Before resigning, Brash took court action to block publication of the book, *The Hollow Men*, by researcher Nicky Hager, claiming that it contained copies of emails stolen from his computer. Hager said all the published emails had been leaked to him by senior National Party figures.

The incriminating emails proved Brash knew about and approved a campaign mounted by the Exclusive Brethren during the 2005 elections. Leaders of the extreme right-wing cult—which forbids its own members to vote or participate in political activities—funded the nationwide distribution of unattributed pamphlets criticising Labour and the Greens and urging a vote for National. Their expenditure, amounting to \$1.2 million, had initially been kept secret. The issue blew up during the elections, but Brash denied any involvement with the group, a stance he maintained even after the release of Hager's book.

While the book provided the immediate impetus for Brash's departure, it was not the root cause. The affair was part of a series of scandals involving both the National Party and the Labour government in recent months. Labour has been embroiled in controversies over election spending and the activities of MP Philip Field. He is currently under police investigation for attempting to influence an immigration application on behalf of a Thai worker who was tiling Field's private house in Samoa.

The extent and scope of the scandals, which have been accompanied by acrimonious accusations and counter-accusations, suggest that sections of the ruling elite are preparing for a major political shift. Big business and media commentators have expressed frustration with Labour and pushed for a speeding up of market reforms. The ousting of Brash, increasingly regarded as an ineffectual opponent of Prime Minister Helen Clark, was the first step. The likely next target is the Labour government itself.

Brash has been sidelined in favour of 45-year-old John Key, who has been in parliament for only one term. He came to media prominence as opposition finance spokesman when he vigorously pressed for tax cuts during the election campaign. Key not only represents, but is part of, the most grasping layers of the country's new financial elite. He made a fortune in currency trading during the 1980s and, with a personal fortune estimated at \$50 million, is the wealthiest man in parliament.

Key's elevation to party leader had been mooted in editorials since the election. Even Brash acknowledged that it was only a matter of time before Key took over. Key assumed the leadership uncontested. The *New Zealand Herald's* deputy editor Fran O'Sullivan, a former business commentator and persistent critic of Labour, triumphantly declared that he had proved himself "young and ruthless enough to be a challenge to Clark."

Brash himself was installed as National's leader in an inner party coup following its dismal showing in the 2002 election. The party polled an historic low of just over 20 percent of the vote, securing only 27 seats in the 120-seat parliament. According to Hager's book, the push for Brash was organised and financed by a section of the business and financial elite centred on the Business Roundtable and ACT, a minor right-wing party.

At the time, Brash had little political experience. As Reserve Bank governor, however, he was known for implementing rigid anti-inflationary policies and links to international finance through the WTO. As a result, he had the confidence of the free market lobbies, which saw him as the man to continue the “unfinished business” of implementing their anti-working class economic and social agenda.

In his keynote “Orewa Speech” attacking welfare beneficiaries in January 2004, Brash claimed that oppressed sections of the Maori population were receiving undue advantage through the welfare system. He used the speech to launch a populist campaign demanding for “one law for all” and deliberating stirring up racial tensions. With the cynical exploitation of the race card and widespread media promotion, he rescued National from near political oblivion.

Big business has prospered under the Labour government, with the New Zealand sharemarket outperforming all the world’s major markets. A recent report by the Boston Consulting Group showed locally listed companies created a 17 percent return for shareholders between 2001 and 2005. By comparison, US companies had a shareholder return of 0.5 percent, Britain 1.2 percent and Japan 6.3 percent, while Australia returned 13 percent.

But there has been growing dissatisfaction with Labour’s failure to press ahead faster with market reforms—in particular, reduced corporate and high-income taxes, and further privatisation. Brash put the demand for tax cuts at the centre of the National campaign for last year’s elections. But Clark was able to narrowly win the election by posturing as a defender of the public sector, despite her government’s inroads into essential services such as education and health.

Back in office, the Labour-led coalition immediately accommodated to business demands. Revenue Minister Peter Dunne, leader of the minor NZ Future Party, initiated a review of corporate taxes, with a view of bringing them down from 33 cents to 30 cents in the dollar, in line with Australia. But the frustration with Labour has continued to build in ruling circles, surfacing during the debate over the May 2006 budget with the demand for the projected surplus to be used to finance tax cuts.

Key has been brought forward for a definite political purpose—to put pressure on Labour to implement the

corporate agenda, or to replace it at the next election. He is attempting to position himself as more of a “centrist” than Brash. A myth is being built up that because Key was raised by a single mother in public housing he is well placed to cut ground from under Labour. He has moved to dump some of Brash’s overtly unpopular policies, such as opposition to the country’s long-established anti-nuclear legislation. By distancing himself from the “Orewa Speech”, he has already re-established links with the Maori Party as a possible future coalition partner.

However, tax cuts to one side, Key is yet to spell out his program in the critical areas of the economy and foreign policy. The *National Business Review* warned that the business elite would be watching him closely, commenting that “just because he’s from the so-called blue brigade” he can’t just assume he’ll “win over the business community”. In other words, he will have to prove that he can push through the next stage of the assault on the social position of the working class.



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