

Major parties pledge austerity agenda in New Zealand election campaign

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Campaigning for the New Zealand elections on November 26 officially began last week, with all major parties promising to implement measures that will intensify the austerity drive against living standards, public services and the social rights of working people.

The truncated campaign follows a six-week period during which almost all political discussion was conveniently smothered by saturation media coverage of the Rugby World Cup, which New Zealand hosted. Major developments, including thousands of people joining the international “Occupy” movement, an environmental crisis following the stranding of the cargo ship *Rena*, and inquiries into the Christchurch earthquake and Pike River mine disaster, were forced into the background.

The deliberate stoking of nationalist sentiment around the rugby tournament provided a convenient diversion for both the ruling National Party and opposition Labour Party, which are responsible for the country’s economic and social crisis and have no fundamental disagreement on the pro-market policies to be pursued. There is widespread alienation and discontent with the major parties.

Opening the campaign, the Labour Party announced it would raise the retirement age from 65 to 67 years, and make compulsory the KiwiSaver retirement scheme, which would force workers to save with private investment companies. Labour leader Phil Goff attacked Prime Minister John Key and his government from the right, saying Labour had more “guts” to make the “difficult decisions on New Zealand’s future.” Goff referred to demands from international ratings agencies, which downgraded the country’s credit rating last month due to concerns over high debt levels and low household savings. Labour’s policies are intended to save \$100 billion over 20 years.

The government’s fiscal update, released two days earlier, highlighted the worsening economic situation. Exacerbated

by the costs of the Christchurch earthquake, the budget deficit for the current year has blown out to \$NZ18.4 billion. At the time of the 2008 election, Treasury had forecast the 2011 deficit would be \$2 billion. Growth has been meagre and unemployment, at over 6 percent, is far higher than predicted. Combined public and private debt is currently running at 70 percent of gross domestic product.

All the parties are promising to return government surpluses by 2014. However, Treasury predictions profoundly underestimate the depth of the global crisis and its impact on New Zealand. It asserts there is only a 20 percent chance of Europe and the US falling into a protracted recession, despite the evidence that another downturn is under way. Although New Zealand’s major trading partners—Australia, China and the US—have cut their growth forecasts, Treasury is predicting an over-optimistic 2.3 percent growth rate from next year.

Labour’s superannuation policy is designed to assure the ruling elite that it can be trusted to carry through the measures being demanded by big business and the international financiers. The *New Zealand Herald* commended the “bold step”, saying that for too long “the sustainability of NZ Superannuation has been sidestepped by politicians, not least the Prime Minister.” Noting that the policy would be unpopular, the newspaper praised Labour for responding to changed economic circumstances by “confronting difficult issues”.

The ruling National Party launched its campaign with plans to embark on another round of asset sales. It will sell minority stakes in four power companies—Meridian Energy, Genesis, Solid Energy and Might River Power—as well as Air New Zealand. In an attempt to quell widespread public opposition, Key promised the government would retain majority control of the assets and “ring-fence” the estimated \$7 billion in proceeds for necessary infrastructure projects.

National will also carry through a wide-ranging assault on welfare. Key outlined a scheme to force 57,000 recipients off welfare, a move designed to save \$1 billion over four years. Only those with terminal illnesses or seriously debilitated will escape a new “work test” regime. Solo parents will be tested when their child turns one and be expected to find work when their youngest is five. Key said it was “not sustainable” that about 12 percent of the working age population was on a benefit.

Punitive measures targeting youth have been foreshadowed. Teenage welfare recipients will be subjected to intrusive “income management”. The paltry sums they receive will be diverted onto “payment cards” that can be used only at a limited number of stores. The government will effectively privatise welfare for teenagers by funding “community and other organisations” to intensively manage their payments. Young workers will be hit with a “starting out” wage set at 80 percent of the minimum wage, or \$10.40 an hour, for the first six months in a new job. This is similar to an existing “new entrants’ wage” but will apply for twice as long and to a wider group of young workers.

Labour has declared it will make “opposition” to asset sales a central election issue. However, its carefully calibrated position represents only minor tinkering with National’s pro-business program. Moreover it is entirely hypocritical. After selling off large sections of the public sector in the 1980s, Labour has no intention of reversing the process. It simply calls for what is left of the public sector to remain in “New Zealand hands,” while maintaining the profit-driven State-Owned Enterprise model that Labour first introduced.

Goff is cynically trying to promote Labour as the “friend” of working people through a series of minor promises, including removing the 15 percent Goods and Services Tax—a tax Labour first introduced—from fruit and vegetables, lifting the minimum wage from \$13 to \$15 an hour, and making the first \$5,000 of income tax free. Labour has proposed to introduce a small 15 percent capital gains tax and revert to a top tax rate of 39 cents on income over \$150,000. Its industrial relations policy would continue to support the role of the trade unions in policing the working class by promoting industry-wide employment agreements, while retaining all the current anti-worker provisions, such as severe restrictions on the right to strike. Neither Labour nor National will do anything to address the ballooning costs of tertiary education or relieve the massive debt burden on students.

During last Monday’s televised leaders’ debate, Key and Goff made clear that military involvement in the neo-colonial occupation of Afghanistan would continue. Having been responsible, when last in government, for sending elite SAS troops to support the US-led invasion, Goff has responded to the recent deaths of New Zealand soldiers by calling for the SAS to be withdrawn. Key said the current SAS deployment would end early next year, but has refused to rule out another tour of duty. Both remain committed to maintaining the army’s “Provincial Reconstruction Team” that plays a crucial role in bolstering the occupation of Bamiyan province.

Among the minor parties, the Greens, currently polling 10 percent, are in the strongest position, having gained ground in recent months at the expense of Labour by posturing as defenders of social justice and the environment. They have promised to address growing poverty rates by bringing 100,000 children out of poverty by 2014. The Greens are a pro-business party and helped prop up the previous Clark Labour government. Responding to Labour’s proposal to raise the retirement age, co-leader Russel Norman fell into line, saying that an “urgent national conversation” on raising the age should be held.

The Greens had previously ruled out joining a coalition with National, but now say it is not out of the question. They would be prepared to sign a “memorandum of understanding” to work with National on some issues. Co-leader Metiria Turei said the party’s “relationships” with National and Labour after the election were just as important as their policies. “It’s not only the policy gains you intend to achieve but how you intend to achieve them—the exercise of your political power,” Turei said. In other words, the Greens are quite willing to sacrifice their own limited election promises as they wheel and deal for a position of power.



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