

Economic downturn shifts New Zealand election campaign further right

John Braddock
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A sharp deterioration in New Zealand's economic outlook has intensified media criticism of the incumbent National Party government and provoked a further rightward shift by all the parties contesting the September 20 election.

The poll takes place against a backdrop of increasing global economic instability, and a deep social crisis—the result of years of austerity measures under both Labour and National governments. The ruling elite, like its counterparts internationally, is demanding deeper cuts to spending on healthcare, welfare, education and other services.

The election campaign has underlined the yawning gulf between the entire political establishment and the mass of ordinary people. It has been dominated by a swirling corruption scandal over links between leading government figures and an extreme right-wing blogger. Last week, Justice Minister Judith Collins was forced to resign and two inquiries were launched, one involving the leaking of Security Intelligence Service material.

National has carried out six years of attacks on living standards and is widely despised. As its hold on office becomes less certain, Labour and its allies, the Greens and Internet-Mana, are promoting themselves as a more reliable means for imposing the next round of austerity and of aligning New Zealand more closely into the US military build-up in Asia against China. Labour has consistently attacked National from the right, mounting a xenophobic campaign over land sales to “foreigners,” principally Chinese, and blaming immigrants for the housing and employment crises.

The Pre-election Economic and Fiscal Update (Prefu), delivered by Finance Minister Bill English on August 19, provided the impetus for criticism of the government and demands for tougher measures. It revealed weaker than forecast budget surpluses for

2014 and the immediate future, a blow-out in the current account deficit by an extra \$NZ2 billion and 20 basis points shaved from the economic growth prediction, down to a still highly optimistic 3.8 percent.

English previously declared that tax cuts would now be “modest if at all,” while additional budget allowances are capped at \$1.5 billion a year, meaning deepening assaults on public services.

Earlier this year, economic commentators and government spokesman boasted that New Zealand's “rock star” economy had weathered the global financial crisis far better than most other OECD countries. In fact, growth was narrowly-based and built on highly unstable foundations. It was driven by a surge in exports to China, primarily milk powder and timber, and a temporary increase in construction in the earthquake-devastated city of Christchurch.

Prices for dairy products have now slumped by 40 percent since February. Combined with a drop in prices of logs, this has caused a sharper decline in the terms of trade than the Treasury expected.

Criticism over the economic projections was sharp and swift. A *Dominion Post* editorial on August 20 slammed the budget surplus as having slipped “from hardly anything to almost nothing” and declared the prospects for sustainable growth as “slim.” The *Dominion* derided English's warning to voters not to put National's supposed economic “gains” at risk by voting for the opposition. It said the books revealed “plenty to worry about.”

In the *Sunday Star Times* on August 17, business analyst Rod Oram condemned National's growth record, which has averaged a meagre 2.5 percent, and warned of an imminent slowdown. He commended Labour and the Greens as offering “progressive policies” that would trigger a “shift” in performance.

The measures that Oram singled out—targeting inflation, lifting “external competitiveness” and introducing compulsory superannuation savings to “deepen our capital base”—would all extend the assault on living standards.

The opposition parties seized on the Prefu announcement to assure the ruling elite they were ready to step up the austerity offensive. Labour leader David Cunliffe criticised National for failing to sufficiently rein in expenditure. He contrasted National’s record with the 1999–2008 Labour government which, he boasted, returned budget surpluses for nine consecutive years.

Cunliffe and finance spokesman David Parker announced they had shaved \$300 million from Labour’s election proposals, dropping six of seven commitments they were due to release. They would not say what these were. Labour had already promised to delay the introduction of free doctors’ visits for over 65-year-olds, a centrepiece of its campaign launch only 10 days earlier.

The *New Zealand Herald* on August 27 praised Labour’s move to trim the costs of such a “signature program” as “fiscally responsible.” The more Labour rated its chances of becoming a government, the editorial declared, the more likely it was to abandon “wasteful” proposals, such as “socially generous” universal benefits. “It is good for the country that both major parties are now claiming to be the more fiscally responsible,” it concluded.

The Green Party said it would produce bigger surpluses and repay debt sooner than either National or Labour. Co-leader Russel Norman promised to run annual surpluses \$2.2 billion larger than National by 2017–18. The Greens were earlier praised by *Herald* commentator John Armstrong for their “centrist” pro-business economic policies, including a \$1 billion hand-out for research and development, as well as business tax cuts to compensate for a proposed carbon tax regime.

Norman told the Fairfax Media’s *Stuff* website on August 27 that he was more of a disciple of “market forces” than National. “Lower company tax rates, price signals for carbon—let the market resolve the issue,” he declared. A proposal for a Green investment bank, which would use state capital to invest in renewable companies “is identical to what [British Conservative

Prime Minister] David Cameron set up for the UK,” Norman noted. He also favoured retaining the current Goods and Services Tax regime, which impacts most severely on working class households.

Polling suggests that for Labour to form a government, it would need the support of both the Greens and the right-wing anti-immigrant NZ First, and perhaps Internet-Mana (IMP). The IMP postures as representing the “poor and dispossessed.” The pseudo-left groups, Socialist Aotearoa, Fightback and the International Socialist Organisation, are all part of the IMP.

The IMP is a thoroughly pro-business formation. It has promised to create 100,000 jobs a year by redirecting money from Accident Compensation (ACC) public insurance levies, not by taxing the rich. Labour is also promising to lower ACC levies, which are a target of business interests seeking to gut the scheme. The IMP calls for “an explosion of creativity and entrepreneurship” through handouts, including \$5 million a year for 500 “ideas grants” to encourage entrepreneurship, a Venture Investment Fund and more money for Maori tribal businesses.

The ruling elite clearly sees the value in integrating the IMP more closely into the political establishment to divert discontent and opposition. On Monday the *Herald* drew attention to its latest poll showing the IMP with 3.4 percent support, sufficient to bring four MPs into the house. The editorial observed: “[I]t would be good to see them there. The broader the spectrum of opinion in Parliament, the better. When inveterate demonstrators can put aside their bullhorns and take a place in the national legislature, the electoral system is working.”

With National increasingly discredited, the IMP and its pseudo-left affiliates could well be brought forward to prop up a Labour-led government and assist in suppressing opposition to the next round of attacks on living standards.



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