

New Zealand election debates underscore bipartisan austerity agenda

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Prime Minister John Key and opposition Labour leader David Cunliffe took part in public debates on August 28 and September 2 ahead of the September 20 election. To describe the events as debates was something of a misnomer. The disagreements and point scoring could not cover up the fact that the two leaders had broad agreement on the need to impose the burden of the worsening economic crisis on the working class.

Cunliffe repeatedly praised the government. In the first debate, he declared: “Nobody is criticising the National government for getting us through the rough patch of the GFC [global financial crisis] and I respect John’s team for that.” Labour accepts the government’s austerity measures over the past six years, which include thousands of public sector job cuts, an increase in the Goods and Services Tax (GST), pushing single parents off welfare, and reduced spending on health and education.

Labour has adopted the government’s annual \$1.5 billion limit on new spending and has promised to cut debt faster than the National Party to return budget surpluses—policies that will inevitably result in deeper cuts to social spending. Cunliffe also said he would not reverse National’s partial privatisation of energy companies because there was “not the fiscal headroom.”

Cunliffe boasted that in response to the economic downturn Labour was “reining back” its own election promises. The party has cancelled six policy announcements that would have cost \$300 million.

Despite mounting economic evidence to the contrary, Prime Minister Key stated that the country’s economy was “very strong” and “on the cusp of something very special,” citing the decrease in official unemployment from 7.3 percent in 2012 to 5.6 percent. This temporary drop is overwhelmingly due to construction in the earthquake-devastated city of Christchurch. Job cuts and factory closures have continued in other parts of the economy. Treasury has slashed its forecasts for economic

growth following a 40 percent drop in the price for dairy products, the country’s main export, since February.

Cunliffe declared that many New Zealanders were “worried about the widening gap” between rich and poor, noting that median incomes had fallen in 13 out of 16 regions since National came to power in 2008. In the biggest city, Auckland, the median income is \$29,600, down 6 percent in real terms since 2006. Nationwide at least 260,000 children, one in five, are living in poverty.

But Labour will not reverse this social crisis. Its meagre “reforms” including increasing the hourly minimum wage by two dollars to \$NZ16.25 and paying \$60 a week to new parents on low incomes for up to three years, are nothing more than electoral window-dressing.

At the same time, Labour plans to hit older workers by lifting the pension age from 65 to 67. Labour also proposes to force all workers to enter the superannuation program KiwiSaver, and would raise the level of compulsory contributions from 3 to 4.5 percent of salaries. This would force workers to pay for their own retirement and facilitate the gutting of pensions, while providing more cash for the banks and finance companies that run KiwiSaver schemes.

At the September 2 debate in Christchurch, Cunliffe praised “the work that the prime minister and the government have done” to rebuild the city following the 2010 and 2011 earthquakes, which destroyed entire suburbs and killed 185 people.

In fact, rebuilding has been extremely slow. Key declared that insurance companies had settled 90 percent of residential claims for damages worth over \$100,000. But the *Press* noted that “Key’s definition of ‘settled’ included 40 percent that had reached agreement with insurers but the work has not been completed.”

According to the Insurance Council, of 22,739 claims for more than \$100,000 of damage, less than 10 percent of the houses have been rebuilt or repaired. About 50 percent

have received no settlement or repairs. Peter Townsend from the Canterbury Employers' Chamber of Commerce said about \$4.5 billion had been spent on rebuilding the city so far. The estimate for the total bill is \$45-50 billion.

Cunliffe pointed to some indices of the city's social crisis, including the housing shortage and the 46 percent increase in rents over the past four years. Many people are living in damaged properties and overcrowded conditions, garages, and other makeshift accommodation.

But Labour will not provide any meaningful assistance. It accepted the government buyout offers for more than 7,000 houses in the worst-damaged "red zone" suburbs, based on 2007 valuations that are typically well below the price of a new house.

Christchurch Mayor Lianne Dalziel, a minister in the previous Labour government, is working hand-in-glove with National to make working people pay for the rebuild. The council is considering privatisations and cuts to services and jobs in order to fill a \$900 million budget "black hole" caused by the earthquakes.

Labour claims it will address soaring house prices in Christchurch and nationwide by building 10,000 "affordable" houses each year. However, private companies would be hired to build the homes and they would not be sold at a loss.

Labour also claims that its proposed flat 15 percent capital gains tax (CGT) on most business and investment assets, excluding the family home, will deter property speculation and lead to lower house prices. Houses in Auckland are among the least affordable in the world, averaging more than \$700,000.

Labour's proposals to lower house prices are not driven by concern for working people, but rather by fears in business circles. Several economists have warned that the housing market is severely over-inflated and could cause major damage in the event of a collapse. Moreover, while some business commentators see a CGT as an unacceptable impost on profit-making, there has not been a concerted campaign against it by the corporate elite.

Labour's proposed CGT rate would be low by international standards. In Australia, which has had a CGT since the mid-1980s, house prices are even higher than in NZ. Labour would not reverse National's 2010 company tax cut (from 30 to 28 percent). It would increase the top income tax rate from 33 to 36 percent—but this would still be below the 39 percent rate under the 1999–2008 Labour government.

The working class, especially young people, is increasingly alienated from the major political parties, and

see Labour as a party of big business just like National. The 2011 election produced the lowest turnout in more than a century. This election nearly 200,000 under-30 year olds have not even enrolled to vote.

Support for Labour is hovering at around 25 percent in the polls and has not increased significantly, despite an ongoing media- and opposition-fuelled "corruption" scandal, which has forced Justice Minister Judith Collins to resign over her links to a right-wing blogger and to Chinese business figures.

The working class has been through a long and bitter experience with Labour. Inequality soared after the 1980s, the Labour government halved the top income tax rate and introduced the GST, as part of a raft of pro-business restructuring. From the mid-1980s to the mid-2000s, under successive Labour and National-led governments, income inequality increased faster than in any other OECD country.

In both debates Cunliffe denounced foreigners buying houses and land which he called "our birth right." Labour and its allies, the Greens, the right-wing NZ First Party and the Internet-Mana Party, have all sought to scapegoat foreigners—especially those from China—for soaring housing costs and for taking jobs away from New Zealanders.

This xenophobic campaign is aimed at deflecting social tensions while aligning New Zealand more closely with Washington's military encirclement of China, aimed at securing US hegemony in the Asia-Pacific region. A striking feature of the two leaders' debates was the absence of any discussion of foreign policy, particularly the de facto military alliance with the US, which all the parties support.



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