New prime minister installed in New Zealand

Tom Peters
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New Zealand's ruling National Party caucus yesterday elected Finance Minister Bill English as its new leader and therefore prime minister. English replaces John Key, who resigned suddenly on December 5 after eight years as prime minister.

In the corporate media, Key was widely predicted to lead the government to a fourth consecutive election victory in 2017. Media commentators and members of his government expressed shock and perplexity at his announcement. One week on, the political and media establishment has largely given credence to Key's explanation that he is retiring so he can spend more time with his family.

Key's resignation, however, occurred in the context of the US election result. Questions were raised in the media about whether Key would be able to work with President-elect Donald Trump. Key himself expressed disappointment with Trump's pledge to pull out of the Trans-Pacific Partnership trade agreement. Trump's protectionist agenda threatens to start a trade war with China and further destabilise the Asia-Pacific region.

While supportive of New Zealand's military alliance with the US, Key was anxious to maintain good economic relations with China, which is New Zealand's main source of export income.

During his final press conference as prime minister, Key yesterday pointed to the growing shift by sections of the ruling class toward national protectionism. He said he supported an "open, globally connected New Zealand, where we sell to the world, where we invite capital from overseas, where we're not afraid of migration."

Whatever the exact reasons for Key's departure, it has undermined the government's stability and set the stage for a further shift to the right by the political establishment as a whole in response to deepening social and political discontent.

English told the media that the new leadership team was chosen by the caucus in a "constructive and civil manner." Both English, who was endorsed by Key, and Paula Bennett, the new deputy prime minister, were elected unopposed.

Nevertheless, the process revealed tensions within the National Party. Police Minister Judith Collins and Health Minister Jonathan Coleman initially said they would challenge English for the leadership, but withdrew their bids once it became clear that English had the majority of the caucus behind him.

Collins has pushed for more police officers and has links to far-right blogger Cameron Slater. Former National Party leader Don Brash, who is best known for his repeated attempts to whip up anti-Maori sentiment, threw his support behind Collins. Brash has criticised Key from the right, demanding an end to interest-free student loans and advocating other attacks on the working class.

Collins argued that she was better placed than English to "work with" the right-wing populist New Zealand First Party in a future coalition government. Whoever wins the next election, Labour or National, could need support from NZ First, whose leader Winston Peters has aligned himself with Trump and called for similar anti-immigrant, protectionist policies in New Zealand.

Already big business is calling for sharper austerity measures. *New Zealand Herald* business editor Liam Dann wrote that "some business friendly policies that Key had ruled out … may now be back on the table under English. These include further asset sales and the restructuring of NZ Superannuation."

The media has heaped praise on English for his management of the economy, which has been growing at around 3.5 percent annually. The growth is largely based on speculative activity, particularly in the property market, which has driven up the cost of housing for working people and created an unstable bubble. Economists have warned that a significant

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correction in the market could destabilise the broader economy, as has happened in the US, Ireland, Spain and elsewhere.

With an eye to next year's election, and aware of rising social unrest, English yesterday sought to project a moderate image. He said he would focus on "better incomes for our households, safer communities and smarter government support for our most vulnerable."

As finance minister, however, English has been responsible for eight budgets that drastically underfunded health and education, cut welfare entitlements and increased the goods and services tax, while slashing taxes for corporations and the rich. He also oversaw the partial privatisation of power companies and devised the government's plan to sell thousands of state-owned houses. Median incomes have declined following the 2008 global financial crisis and an estimated one in four children are living in poverty.

Further attacks on the working class are being prepared. Key repeatedly promised not to make any changes to the age of entitlement for the pension, currently 65. English yesterday would not rule out raising the age, telling the media: "I'm not making the same pledge as the previous prime minister did."

Bennett, the incoming deputy prime minister, has previously served as social development minister and social housing minister. Over the past six years, she has overseen the government's restructure of the welfare system, which included pushing tens of thousands of single parents off benefits.

Steven Joyce, the new finance minister, played a major role as tertiary education minister in cutting funding to universities and polytechs, reducing access to student allowances and imposing more onerous conditions on student loans. Under a policy implemented this year, graduates who have not made loan repayments can be arrested.

The opposition Labour Party and sections of the media are pushing for the government to call an early election.

Labour leader Andrew Little yesterday told the media the government had failed to address homelessness and was underfunding the health sector. There are an estimated 41,000 homeless people and tens of thousands of people, many of them elderly, have been denied hospital care and surgery.

In reality, the Labour Party agrees that the working class must continue to pay for the ongoing economic and social offensive. Little repeatedly praised Key's response to the 2008 crisis, and Labour has accepted the increased consumption tax, asset sales, state sector job cuts and other austerity measures.

Little said he did not support increasing the age of entitlement for superannuation but added that he would "look at any proposal, any suggestion to help meet the affordability requirements, to help the sustainability of the scheme in the long run." Labour has previously campaigned for an increase in the retirement age and for means-testing of pensions.

To divert the growing popular disaffection into reactionary channels, the Labour Party and its ally the Greens have joined NZ First in campaigning for cuts to immigration. All three parties have scapegoated foreigners, especially Chinese people, for the housing crisis and for placing pressure on hospitals and other public services.

The repeated denunciations of China by the opposition also dovetail with Trump's protectionist demands and US preparations for war against China. Labour is demanding greater spending the military to accelerate New Zealand's integration into the US military alliance.

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