

# New Zealand Perspectives

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These perspectives constitute an analysis of the deepening social, political and economic crises of New Zealand capitalism. Such perspectives applies the method of Marxism to these developments, seeking to uncover the trends and processes within and serve as a guide to action for all workers and youth who want to struggle for the socialist transformation of society.

## Historical background

New Zealand is a relatively young country which came into existence in 1840 with the signing of the Treaty of Waitangi. Prior to 1840 New Zealand was nominally administered from New South Wales. In effect the treaty ceded sovereignty from the M ori tribes to the British Crown hence becoming a fully fledged British crown colony which gained self government in 1852 under the New Zealand Constitution Act.

In 1907 New Zealand became a Dominion within the former British Empire, which was granted after New Zealand rejected a proposal in 1901 to become a member of the Commonwealth of Australia. This gave the country greater independence within the British sphere of influence.

New Zealand became fully independent from Britain in 1947 with the passing of the Statute of Westminster Adoption Act. This permitted the New Zealand Parliament full legislative powers, extra-territorial control of the New Zealand military and legally separated the New Zealand Crown from the British Crown.

New Zealand built its economy along capitalist lines exploiting its rich natural resources and developing agriculture with the introduction of private property rights through buying or confiscation of communally owned M ori land by the Crown.

New Zealand was promoted by British Imperialism to potential immigrants as "Britain's South Pacific farm". Indeed the differences between the two economies were to be found in the fact that the New Zealand economy was subservient to the needs of the British imperialists. The economy was based and built initially on primary produce (meat, wool, dairy) and later the development of manufacturing utilising a capitalistic protectionist and highly regulated economic model.

In effect by the twentieth century the state in New Zealand was playing a major

role in developing the economy. The home-grown bourgeoisie was too weak to play an independent role. Therefore it had to base itself on the capitalist state, which controlled the economy, effectively a form of state capitalism.

### Building the Labour movement

#### Bourgeois

historians portray New

Zealand as a place where class conflict has

never really existed and that harmony between the classes was the norm in the

past and that this remains so to this day. However, such statements bear no

relation to reality, as the history of New Zealand is a history of class struggle with the building of the trade union movement in the late 19th

century, the fight against the arbitration system and for militant trade

unionism in the early 20th century culminating in the great strike

of 1913.

#### This

was accompanied by the building of the New Zealand Labour Party and the election in 1935 - during the Great Depression - of the first Labour government led by Michael Joseph Savage. Savage's Labour government introduced major working class reforms in the provision of state housing and the founding of the Welfare State, albeit within the confines of capitalism.

#### In

the post-war period we had the 1951 waterfront strike as well as heightened trade union militancy in an attempt to stop the economic counter-reforms of the 1980s and 1990s and recently we had the supermarket lockout. All this clearly illustrates the class nature of New Zealand society and the conflicts within it.

#### By

the 1950s and 1960s New Zealand

had one of the best performing economies in the OECD, thanks largely to the close economic links with Britain

in that period and its economy remaining relatively unscathed by the Second World War and thus able to provide food to post-war Britain. This close economic

relationship came to an effective end in 1973 when Britain joined the common market (EU); therefore losing its major guaranteed primary product export market.

Added to this were the effects of the first major post-war downturn in world capitalism in 1973, which the capitalists tried to cover up as the "oil crisis".

### Crisis of the 1970s

#### From

the viewpoint of capitalism the reforms of the previous period were no longer affordable. This was reflected in the Muldoon National government of 1975-1984, which attempted to maintain the economic model of the previous period, with the introduction of wage freezes to allegedly curb inflation and keep prices under control as import prices soared. "Think Big" government sponsored infrastructure projects were implemented mainly around exploiting New Zealand's natural gas and the commissioning of the oil refinery at Marsden Point. The

signing of Closer Economic Relations with Australia allowed a common market and free trade to be established between the two countries. These were a desperate attempt to find easy access to new markets and to insulate the country from the rising oil prices. Australia is now New Zealand's biggest export market because of this. In other words this was an attempt to pass the economic crisis onto the shoulders of the workers and pump prime the economy using Keynesian methods.

To illustrate the crisis of capitalism in New Zealand:

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Between 1960 and 1980 New Zealand went from being the 6th wealthiest country per head of population to 19th. Today New Zealand ranks 22nd in the OECD!

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Between 1972 and 1975 the terms of trade fell by 40%, e.g. 3 lambs had to be exported for every 2 previously to buy the same quantity of foreign goods.

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By 1984 exports to Britain had declined to 10% of their post-war peak.

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Unemployment in 1966 stood at 10,000; by 1986 it had reached 100,000.

Without doubt the Muldoon National government was a government of absolute crisis as on the basis of capitalism it was unable to maintain the prosperity of the past and it successfully undermined the living standards of New Zealand workers. Muldoon drunkenly called a snap election in 1984 after the National MP Marilyn Waring crossed the floor giving the opposition Labour Party a parliamentary victory on nuclear free New Zealand legislation, which led to the landslide victory of the Lange Labour government.

The Lange Labour government 1984-1990 scandalously carried out major counter-reforms against the workers. This showed the complete bankruptcy of the reformist and pro-capitalist leadership who ended up carrying out the dirty work for the bourgeois under what was to become known as Rogernomics after the Finance Minister Roger Douglas.

The policies included cutting trade barriers, privatising public assets, cutting agricultural subsidies and controlling inflation through "sound monetarist policies". In fact New Zealand went from being a highly regulated capitalist economy to a highly unregulated "free market" economy virtually "overnight". All this was done with the excuse that the country was "broke" when the incoming Labour government looked at the nations finances.

#### Bankruptcy of Labour leadership

Unfortunately, the political bankruptcy of the reformists in the Labour Party around Lange, who had no clear worked out socialist programme, policy or strategy to meet the aspirations of New Zealand workers, capitulated to bourgeois ideology at its first hurdle and allowed the pro-capitalist elements within the government around Douglas, who dominated the cabinet, to carry out the most vicious attacks on workers, in effect initially stunning the workers.

This gave the green light to the bourgeois to further attack the living standards of New Zealand workers. Bitter struggles broke out and unemployment rose to 100,000 in 1986, which was used to drive down wages in an attempt to maintain profitability. Rogernomics represented a complete break with the post-war "consensus". There was a shift from industrial capital to finance capital with the deregulation of the exchange rate and the withdrawal of the government from playing a role in building the productive forces of the economy. This was reflected in mass redundancies in manufacturing industry; with approximately 76,000 jobs being lost between 1987 and 1992.

The divisions within the Labour Party came to a head following the stock market crash in 1987 and the ensuing recession. Roger Douglas proposed a flat tax which was rejected by Lange as it would mean serious cuts in government social spending and put a halt to the counter-reforms. This resulted in the initial resignation of Douglas, and eventually cost Lange the premiership.

Interestingly enough the New Zealand stock market has not recovered from its 1987 high and is still 10-15% below that figure (based on the old NZSE index). The stock market crash wiped out 60% of the value of the stocks and New Zealand's was one of the worst affected stock markets.

#### Split in the Labour Party

In 1989 there was a left split away from the Labour Party, which came to be known as New Labour founded on "core Labour values", albeit reformist in nature,

around Jim Anderton MP (after he was defeated in his bid for the position of party president), a vocal critic of the counter-reforms. This party later merged with several minor parties to form the Alliance.

At the time there was a huge groundswell of opposition within the Labour Party which coalesced around New Labour, effectively pulling out of the party the bulk of the left activists. The fact that Anderton was able to take such a huge chunk out of the official Labour Party was a clear indication of the radical mood that had developed within the New Zealand working class. Had the party adopted a fully-fledged socialist programme it could have played a key role in New Zealand's working class politics.

Unfortunately, the New Labour Party, whilst to the left of Labour, had no clear socialist programme, policy or strategy either. It gained initial support due to Jim Anderton's vocal criticism of the Labour government's right-wing policies. But at best it had a vague reformist agenda.

Initially it raised the hopes of many within the New Zealand labour movement that here at last was a genuine party of the workers. Unfortunately, New Labour, and later the Alliance, were transformed primarily into a vehicle for the political career of Jim Anderton and not for the advancement of the socialist cause. By simply trying to be a slightly more left-wing version of the Labour Party, with no fundamental difference it eventually dwindled in force. With the Greens leaving in 1997, it was only a matter of time before the Alliance split due to its watered down programme.

This confirms what we have seen many times in history (see the experience of the ILP in Britain in the 1930s). When two parties of the working class exist and there is no major fundamental difference between the two, then with time the workers tend to gravitate to the stronger one. The smaller force can maintain an independent existence only if it adopts a revolutionary standpoint, thus justifying its existence in the eyes of the workers.

As the New Labour Party did not move in this direction, the end result of its split from the Labour Party was merely to have removed the left from the party, freeing the hand of the right-wing, and eventually burning out a whole generation of militant workers and youth. Thus they handed the party - that had been built up over many decades by workers' struggles - to the right wing careerists and the pro-capitalists elements within the party around Douglas. Had there been a Marxist current within the Labour Party at the time of the split, things may have turned out differently.

## Labour defeat

The

Labour government was eventually soundly defeated in 1990 due to workers being completely disillusioned and demoralised by the Labour government's monetarist experiment. The National Party attacked Labour demagogically from the left during the election campaign with their "decent society" (One Nation Tory/Muldoonism) manifesto.

Jim

Bolger's National Party emerged victorious at the polls. The manifesto was promptly abandoned when National won power on the pretext that the government's finances were in bad shape! The National Party continued with the counter-reforms started by Douglas under the auspices of the new Finance Minister, Ruth Richardson. These reforms became known as Ruthanasia.

Naturally,

the party of the bourgeoisie carried out the monetarist programme to its next logical step. The National government introduced what the Finance Minister, Ruth Richardson, called "the mother of all budgets" which introduced major cuts in social welfare spending, resulting in the setting up of food banks, soup kitchens and so on, for people to charitably donate goods to beneficiaries as they literally went hungry in a "first world" country. This was something not seen since the Great Depression of the 1930s. There were also further privatisations of state assets.

According

to the Council of Trade Unions (CTU), since 1987 (under both Labour and National) 40 state owned assets have been sold for a total of NZ\$19.1 billion. These included the Bank of New Zealand, Petrocorp, New Zealand Steel, Postbank, Shipping Corporation, Air New Zealand (later renationalised due to it going bust!), State Insurance, Tourist Hotel Corporation, NZ Telecom, State Railways (the railway infrastructure has since been renationalised due to the shocking lack of maintenance under private ownership!), and State Forests.

By

1999 these assets had an estimated value of NZ\$35.7 billion. The state was plundered and has provided a huge windfall for foreign capital at the expense of the country as a whole and the working class in particular, who were made to pay heavily for the crisis that was not of their making. On top of this, the 1990 National government "corporatised" the remaining state assets for further privatisations in the future, as well as selling its majority stake in Auckland Airport.

In

1993 the National government introduced the Employment Contract Act (ECA), abolishing collective bargaining and compulsory unionism. The then president of the CTU Ken Douglas said, "Ruth Richardson was very clear, very blunt, very

honest about [the ECA's] purpose. It was to achieve the dramatic lowering of wages, very quickly, by allowing the high levels of unemployment to pull the cost of labour down; that the market would determine and an oversupplied market would reduce the price. The other reason, of course, was to de-unionise and that's why the government is in trouble with the International Labour Organisation because the ECA doesn't enhance or promote collective bargaining."

#### Splits

in the National Party emerged in 1992 when Winston Peters left and formed New Zealand First which reflected a section of the bourgeois who wished to go back to a form of Muldoonism and in the 1993 election it won 8% of the vote and two seats. New Zealand First is a right-wing populist and opportunist party and also a vehicle for the political career of Winston Peters. Additionally, in 1994 the ACT party was formed around Roger Douglas and his supporters who wished to carry out the monetarist agenda to its logical conclusions.

#### By

the 1993 election National was reduced to a one seat majority and Ruth Richardson was sacked as Finance Minister with a massive swing back to Labour which gained 16 extra seats. Workers had become radicalised by their bitter experience and this was reflected in the trade union struggles, which because of the poor leadership generally lead to defeats.

#### This

radicalisation could clearly be seen in the political struggles, resulting in a close run election and increased electoral support for the Alliance which won 18% of the vote and two seats. Throughout the 1990s trade union membership had fallen significantly by nearly 50% as a result of the attacks and the ineffectiveness of the leadership and splits in the movement.

#### Left-Right polarisation and return of Labour

#### Clearly

society was polarising left and right and decisive leadership of the workers' movement could have moved New Zealand significantly in the direction of socialism. However, the labour and trade union leadership was incapable of understanding the nature of the crisis of capitalism. They did not understand that what was lacking was a perspective for socialism in New Zealand.

#### In

their shortsightedness the problem was to be found in the first-past-the-post electoral system inherited from Westminster. They said that it was fundamentally flawed and that it gave rise to strong government. According to this logic, the solution that would solve the problems faced by workers would be the introduction of a proportional representation system called "Mixed Member Proportional" (MMP).

This

insane form of parliamentary cretinism was adopted by the National government as a way of granting reforms from above to stop workers' discontent from below, thus sending the movement down a blind alley. The first MMP government in 1996 was a National-led one with New Zealand First as a junior partner. Fundamentally, nothing had changed politically as far as the workers were concerned.

Now

we have a Labour led government that has been in office since 1999, led by Helen Clarke. The Labour government prides itself at being one of the most "business friendly" governments in the world and, according to the OECD, also one of the most deregulated.

This

Labour government has benefited from the past period of economic boom, which has meant that the government has managed to record modest surpluses. This money has been used to improve the infrastructure and generally increase public spending, and repair some of the damage done in the past period. This has given it a certain stability, but the analogy that best comes to mind is that of putting a sticking plaster over a gaping wound!

The New Zealand economy today

New Zealand is one of the most isolated countries in the world. Its nearest neighbour, Australia, is three hours away by aeroplane. It has a population of 4.2 million spread over two long thin islands roughly the geographical size of the United Kingdom, and reminiscent in shape to Italy.

New Zealand has a highly deregulated economy, extremely reliant on export for its economic survival. It is a long way from the big markets of America, Europe and Asia, making it expensive and difficult to reach. Hence one of the reasons why capitalists are constantly demanding lower wages. Without doubt, the small domestic market is predominantly made up of micro-enterprises, and expanding businesses can soon outgrow this market forcing companies to either to develop their exports quickly and/or get taken over by larger multinationals. New Zealand is thus tied lock, stock and barrel to the interests of world imperialism.

The

economy has been growing consistently in line with the world boom (GDP figures below) that we have witnessed in the recent period. But the present boom is based on the sweated labour of workers and low pay maximising profits, rather than high levels of investment. In fact New Zealand suffers from low productivity, as the capitalist do not re-invest in new machinery and technique. It appears it has learned all the bad habits from its parent, Britain, with regard to investment in plant and machinery, etc.

Ironically, the Labour Day public holiday in New Zealand celebrates the winning of the 8-hour day. Today most workers work more than 8 hours a day! New Zealand has a tight labour market and a low official unemployment rate. However, a lot of work is casual and even someone working one hour a week is classed as employed. Therefore the official employment figures mask gross underemployment. The average annual wage in New Zealand is just over NZ\$24,400. However, in the rural areas it can be much lower. For example, in the Far North district the average wage is NZ\$19,200 which reveals the disparity between the urban centres and the rural areas.

**Wage**  
levels are generally well below those in Australia and this has resulted in a steady trickle of workers migrating across the Tasman Sea to work. A Treasury analysis in 2005 showed that wages between the two countries were more or less comparable until the late 1980s, but New Zealand wages had fallen to 60% of Australian wages by 2002.

The economy is now beginning to falter with the sub-prime mortgage crisis and the credit crunch beginning to have an effect here, and there is also the added effect of high oil and food prices. A serious recession is not ruled out in the short to medium term which will be devastating for the economy as it is controlled mainly by foreign multinationals that will have little economic interest in saving New Zealand from the worst excesses of an economic downturn. The first winds of recession have been felt in New Zealand with the collapse of 13 finance companies over the past 18 months with millions of dollars lost to investors.

**Foreign**  
ownership has grown enormously since deregulation and according to the "Campaign against foreign control of Aotearoa" direct foreign investment increased from NZ\$9.7 billion in 1989 to NZ\$82.7 billion in 2006. The biggest foreign owners in decreasing order are Australia, USA, UK, Singapore, Japan, Holland, Hong Kong, Germany, Switzerland and Italy. Between 1997 and 2006 multinationals repatriated NZ\$50.3 billion in profits of which 32% was re-invested mainly in take-overs and acquisitions rather than in actually developing the productive forces.

**GDP**  
2007-2008 3.1%

Forecast 2008-2009 2.9%

OECD ranking 22nd

The Reserve Bank of New Zealand (which is independent of government) has a monetary policy based on "price stability", which is defined by the Labour government in the Policy Targets Agreements with the Reserve Bank as keeping inflation at 1-3% on average for the medium term through the setting of the Official Cash Rate (OCR). In January 2008 inflation stood at 3.1%. In 2007 the OCR was raised four times by the Reserve Bank of New Zealand (by 0.25% each time) in an attempt to keep inflation under control. If they are to maintain this policy then further hikes in the OCR will be necessary!

To date the OCR has been raised to 8.25% (the highest in the OECD) in a crude attempt to curb inflation and dampen down the overheated housing market. It is quite common for mortgage rates to be set at 9.25% and above. The effect of the credit crunch will be to drive these rates even higher as credit becomes more expensive. This will no doubt increase mortgagee sales as people default on their mortgages. There are already signs that the housing market has reached a plateau.

House prices are now beyond the means of most workers in most areas of the country. It is estimated now that workers need at least 5 to 6 times the average salary to even start thinking about buying a home. In fact on average 49% of disposable income goes on mortgage payments.

To illustrate this point further the New Zealand Herald (21/01/08) reported that according to Demographia, an international business survey, New Zealand has the least affordable housing in the world. The report went on further to say "...wages are so low and house prices so high that it takes 18 years and 6 months of a household's entire annual income to pay for a home... The measure is based on median house prices compared to median wages."

This is unsustainable and indeed it is a bubble waiting to be burst. Workers who do not own their own home have to rent privately at high market rates from landlords as state housing is grossly underfunded and the remaining stock which has not been sold off will generally only house the most needy. The kiwi ideal of owning a quarter acre section is now a dream for many workers and home ownership figures have consistently gone down.

As a consequence of deregulation, the level of private debt is at an all time high. Private debt is over 106% of GDP and household debt as a proportion of household disposal income rose dramatically from 48% in 1990 to 114% in 2003. There is no reason to suggest that this figure has improved since then. In fact

the Reserve Bank in 2007 put this figure at 155%. Most workers are struggling to make ends meet in a country which is supposed to be booming!

#### Investment

in property in New Zealand

is at an all time high as people invest for capital gain and for retirement incomes rather than in stocks and shares. There is an aversion to share-holding even 20 years after the crash, and poor government superannuation add to this tendency. The National government in the 1990s gave generous tax concessions to the housing investors and there is no capital gains tax, something that has not been reversed by Labour. These factors have fuelled the housing bubble to the dizzy heights it has reached.

#### Due

to a high OCR the NZ\$ is riding high on the foreign exchanges and is sucking in speculative "gambling" on the currency. This year the currency passed the US\$0.80 mark, not seen since the country had fixed exchange rates. The currency remains in the NZ\$1-US\$0.75+ range and is high against all other major currencies. This is having a negative effect on exporters, who realistically would like to see the NZ\$ at about the US\$0.70mark, which the market consistently fails to deliver to them!

#### The

tertiary sector (service sector) is dominant within the economy representing approximately 69% of GDP, showing how parasitic the economy has become. In fact most banks and insurance companies are foreign owned and generally Australian owned with most of the profits going overseas.

#### Manufacturing

represents approximately 27% of GDP. However the manufacturing base is starting to diminish further as manufacturers relocate work to the low wage economies of China or Thailand as in the case of Fisher and Paykel and other such companies who argue that wage costs are too high in New Zealand to effectively compete on the world market! Foreign owned companies have resorted to closing down the factories they own in New Zealand and import goods in their place as in the case of the Palmolive factory in the Wellington region or they just blatantly asset strip.

#### The

chief executive of the Manufacturers and Exporters Association (MEA), John Walley, highlighted the decline of manufacturing in New Zealand in an article in the Herald on Sunday (20/01/08). He states: "...In 1989, manufacturing employed 21 per cent of the workforce. By last year that number had fallen to 14 per cent and manufacturing was no longer the largest employer in New Zealand. Of our total number of exporters, only 56 have export earnings more than NZ\$75 million, 157 export more than NZ\$25million, 592 export more than NZ\$5 million while 1965 export more than NZ\$ 500,000..."

This is the logical conclusion of unbridled capitalism that was unleashed here in the 1980s with the manufacturing base shrinking yearly. The cheerleaders for imperialism say that New Zealand can only compete doing the quality high-end manufacturing. However, one only has to look at China to understand that that is precisely what they will be doing in the next period, putting this form of manufacturing at risk too.

The primary sector accounts for approximately 6% of GDP and contributes over 50% of total export earnings. The primary sector plays a fundamental role in the economy. Apart from the dairy industry most of the sector is struggling under the high NZ\$ as commodity prices have fallen. The dairy industry has had record payments for milk solids due to high world milk commodity prices as land overseas is turned over to growing biofuels, in particular in the USA, as well as increased demand for dairy products in Asia. The dairy industry is being portrayed as "white gold".

To illustrate the above point with regard to the state of New Zealand's primary sector the chief executive of the MEA in the same article quoted above, went on further to say "...If commodities are our future, we will be much poorer, comparatively, than now. In the 1950s, the price for a tonne of exported wool was roughly equal to the price of a car, our meat export receipts equated to 18 times the volume of pharmaceuticals, while 1kg of milk fat equalled 4 per cent of the average wage. Today we need to export five tonnes of wool for each car, our meat exports provide five times the value of our pharmaceuticals and that kilo of milk fat equates to only 1per cent of the average wage..."

The bleat from the primary industries (and other sectors too) is that New Zealand farmers etc., don't receive any government subsidies and that the EU and American farmers do and therefore have an unfair advantage. Like the emperor with no clothes they parade the world stage advocating that other trading blocks should remove their subsidies and deregulate their primary sectors in the interests of New Zealand capitalism.

The primary sector is going to be affected by the major trading blocks with further moves towards protectionism, as can be seen by the food miles and carbon footprint debates in Europe singling out New Zealand produce as a bad examples to consumers. Fundamentally we have seen a "corporatisation" of the farming industry as economies of scale have been introduced to maintain global competitiveness. This will be heightened further if the Fonterra dairy co-operative members vote to partially float on the New Zealand stock exchange. This proposal from the Fonterra board is a Trojan horse claiming as it does that it will give "Kiwi mum and dad investors" a chance to own a slice of the co-op! This will demutualise the co-operative and remove the dairy farmers from ownership who will become subservient to the needs of giving a return in

profits to the shareholders.

Additionally, they argue that they need the dollars to invest to build dairy plants in Latin America and the Far East. All this will achieve over time is close down the industry here as it will not be able to compete. The capitalists do not like the fact that the co-op is New Zealand's most successful business.

As we have seen, in the past New Zealand was Britain's so-called "South Pacific farm". All that has changed since then is that it has become world imperialism's "South Pacific farm". New Zealand exports raw materials and imports finished manufactured goods which have doubled in price since 1990 which causes problems with the country's balance of payments.

A serious recession in the economy will mean that foreign owned companies will either not invest further in New Zealand or pull out and move to larger economies such as Australia or the Far East or their own country of origin. This is because of the relatively small market within New Zealand. Such a market as this can easily be catered for from overseas. It is not as if there are any barriers to stop them doing so! This will potentially mean high unemployment like in the late eighties and early nineties. The right-wing so-called "neo-liberal" economic experiment in New Zealand has failed. Certainly workers, in particular the youth, will be looking for concrete answers to the problems they will face, and therefore the genuine ideas of Marxism will find a strong echo here.

#### Current Situation

The state apparatus is building up its weaponry to use against the working class. The use of the Terrorism Suppression Act against various activists arrested in 2007 in dawn raids by paramilitary style police, and the recent amendments to the Act are a warning to the labour movement of what is to come as the capitalist crisis unfolds. Already Helen Clarke has mooted the need for a domestic Terror Act, as the individuals arrested could not be charged with terrorism! A future National government would introduce this with glee if asked to do so.

2008 is the year of the triennial parliamentary elections which are expected to be held in September or October. Prime Ministers can theoretically call elections whenever they like. But, because the maximum term is so short compared with most other countries, in practice early elections are rare.

It is highly likely that the National Party will win the election either with an absolute majority in parliament or as the largest party, forming a coalition with minor parties if it is able to do so. The opinion polls at present suggest that they could govern on their own, but this far out from the election it is also highly likely that some of the minority parties will make a comeback and win 5% of the vote needed to win seats in Parliament putting the need for a coalition on the agenda. The election of a National government will no doubt raise the level of class struggle as they attempt to cut back the public services and bring in further pro-market policies with even more attacks on workers' rights, together with more privatisation of state assets, whilst there is still relatively high employment and major skill shortages.

There is a general mood for change after nine years of Labour government, which at best has given minor reforms to workers such as significantly increasing the minimum wage from the 1999 level to NZ\$12/hr, Working Families Tax Credits and some improvements to education and health and the infrastructure - all possible so long as capitalism can afford it.

A major issue for the election will be taxation. Tax is levied on the first dollar earned and the tax bands have not been increased since Labour came to power even when it has been sitting on record surpluses thanks largely to the boom in the world economy. With most workers on individual contracts with no annual rises; tax cuts in a low paid economy look appealing, as it is a de-facto pay rise. In fact the government cut business tax in last year's budget! The Labour government has now promised tax cuts but this is too little too late. In fact abolition of the ECA instead of amending it and moving back to effective collective bargaining would have answered the Tories' call for tax cuts.

The Labour Party

The Labour Party was formed in 1916 and it advocated nationalisation of production and exchange, the right of recall of MPs and proportional representation. Today the Labour leadership wishes to forget its own past.

After nearly nine years in power Helen Clarke's Labour government is facing defeat in the polls. The Labour government and its caucus pride themselves for the fact that their government is one of the most business friendly in the OECD and that deregulation was "a good thing that just went too far". The Labour Party is a former shell of itself, as can be seen by the composition of the parliamentary party which comprises of "professional" people.

The timidity of the Labour leadership is shown time and time again when confronted

with the interests of big business, which it tries its best not to upset. The Labour leadership is far removed from the reality which workers face day to day, and the Labour government has served the interests of big business well. The lack of clear socialist policies is leading the Labour Party to defeat as it encourages workers to stay at home and not vote.

#### Despite

the rottenness of the leadership and its past crimes against the working class there is still tremendous loyalty to the Labour Party, which received 41.1% of the vote at the 2005 election. Labour would have a chance of winning a fourth term if it had the socialist policies to win the confidence of workers and carry out meaningful reforms in the interests of the working class. It still has three trade unions affiliated which are the EPMU, SFWU, and Dairy Workers Union and has close association with the CTU. This shows that the working class does not abandon lightly the party it has spent years building up and supported despite the leadership.

#### Radicalisation

of the working class and a further upswing in the class struggle in the coming period will at some stage be reflected in opposition currents within the ranks of the trade unions. This will lead to a vomiting out of the old right-wing leadership, who will be replaced by leaders who are more in tune with the needs of the rank and file. At a later stage this will inevitably have an impact on the Labour Party itself. The party will be pushed back to the left as workers attempt to use it as a vehicle to express their needs. This will lead to a rediscovering of the roots of the party and the struggle for genuine socialist ideas.

#### This

process will be reinforced by an electoral defeat of the party. The present right-wing leadership has justified its domination of the party with the ideas that they keep National out. But once they lose the election this idea will no longer hold. The ranks will look for an answer and an alternative.

#### This

process will take some time to work its way through, and to many may seem almost impossible. But the question has to be asked: where else can the workers go? The whole history of the working class movement in New Zealand and internationally demonstrates that the workers return again and again to their traditional mass organisations, once they move in a decisive manner.

#### National Party

#### The

National Party was formed in 1936 out of the United Party and the Reform Party to create one Tory Party to combat the victorious Labour Party after the 1935 general election. In 1949 it won the elections on a manifesto based on the principle of the private ownership of production, distribution and exchange.

After

being defeated in the 1999 general election by Labour the National Party suffered its worst ever general election defeat in 2002 winning only 27 seats, as it argued for further "neo-liberal" policies and further anti-working class legislation. The National Party made a comeback in the polls - after its leader Don Brash made an extremely inflammatory racist speech against M ori at Orewa - but in spite of this, in the 2005 general election National lost again, but only narrowly. It had promised to cut public spending and borrow money for tax cuts.

That

led to the removal of Don Brash as leader of the party. Since then the fortunes of the party have improved under John Key. Inspired by the British Conservative leader David Cameron, John Key's maiden speech regarding the development of an underclass in New Zealand and referring to his "humble beginnings" in a state house brought up by his mother and being an affable person represented a political change in style and did gain a certain echo as the polls show.

All

this is possible, however, because of the bankruptcy of the Labour leadership, and not because of any special appeal that Key may have. John Key's background as an investment banker and his links to big business reveal the true nature of the man as the policies leaked below show.

National

has let slip that it will introduce the "six-week rule" (whereby employers can sack workers for no reason in the first six weeks of employment), further privatisation of state owned enterprises and market rates for GP fees. The true colours of the National Party as the party of big business are beginning to come through.

Once

the manifesto is released and becomes clear it will no doubt have a negative effect on their polling rates as workers still remember the 1990s and do not wish to go back there. If National fail once more to win an outright majority and Labour's vote is significantly reduce, this could open up the possibility of a coalition to govern. But this would prove extremely unstable under the economic climate that is presently developing.

A

National government would also be a government of crisis as the downturn in the world economy sharpens. The party is already riddled with internal division, before even getting into power. These divisions are reflected in the number of leaders of the opposition that there have been since Labour came to power. As the party of the bourgeois, they reflect the impasse of capitalism and have no unified view of the way forward in New Zealand. The divisions within the party reflect the divisions within the ruling class itself. In fact the party cannot play any independent role and is subservient to the needs of the

major world imperialist powers.

The Alliance

The Alliance was formed in 1991 out of the New Labour Party, Democratic Party (formerly Social Credit Party), Mana Motuhake and the Green Party, and later by a small splinter group from the National Party called the Liberal Party who were opposed to the privatisation and deregulation of the state.

The Alliance had a vague left reformist programme which gained initial support due to the radicalisation within the labour movement and the rightward shift of Labour. This allowed it to gain 10% of the vote in the 1996 election securing 13 MPs under MMP, and in 1999 it became a coalition partner with the Labour government.

The Alliance (as with New Labour before it) was a rainbow coalition of left political views and was used as a political vehicle for the parliamentary career of Jim Anderton. Once in government it became indistinguishable politically from Labour after managing to secure minor election pledges as part of the coalition deal. That explains why traditional Labour voters who had voted Alliance eventually swung back to the Labour Party.

This explains why the Alliance has subsequently split. The first to go being the Green Party in 1997, and then New Labour became Jim Anderton's Progressive Party in 2002. The Progressive Party now has managed to get an electoral pact with Labour not to contest Jim Anderton's constituency! This confirms what we said above: all Anderton was concerned about was his own personal seat and career. He cared little to the many activists who looked to him, hoping to find a genuine alternative.

To all intents and purposes, the Alliance is now finished, having gained only 0.07% of the party vote in the 2005 general election and losing the recent 2007 Mayoralty in Auckland under the auspices of City Vision to ex-National MP John Banks. The Alliance has ceased to be a political party, in the official sense, as it has less than 500 members.

The Green Party

The Green Party traces its origins back to the Values Party set up in 1972, which merged with other environmentalist groups in 1990 to form the Greens. After flirting with the Alliance

in the 1990s it has consistently been elected to Parliament under MMP securing over 5% of the vote.

The party portrays a left image of itself and does have influence among some of the youth who are concerned about the environment. The right-wing nature of the Labour government also adds to the perceived radicalism of the Greens. The Green Party will be present in the next parliament due to the strong environmentalist activism in the country. It puts forward a utopian left-wing economic policy, progressive social policy, and participatory democracy, but fails to explain how under capitalism any of this will be achieved!

With a change in the political climate the Greens are flirting with the National Party and it is not ruled out that they could allow a National government in. If this happens it will certainly be the beginning of the demise of the Greens.

#### The M ori Party

The M ori Party was formed in 2004 as a direct result of the Foreshore and Seabed Act which brought into Crown ownership New Zealand's territorial waters, which M ori claim they own. The Party was founded by ex-Labour MP Tariana Turia and Pita Sharples. In the last general election they won 4 out of the 7 M ori seats and 2.12% of the party vote. In effect this was a protest vote over the poor consultation with regard to the Seabed and Foreshore Act

The party is at times naive and as can be seen when National introduced the private members Bill giving the bosses the right to fire anyone in the first 6 weeks of employment. Pita Sharples supported the 6-week proposal on the grounds that it would be easier for M ori to get jobs! Sharples abandoned this political line when he was curtly reminded by M ori workers that they knew "the colour of his bum". The M ori Party MPs do not have universal appeal for all M ori. They represent a "wealthy" educated elite within the M ori.

It is likely, however, that they will win M ori seats in the forthcoming general election. But like the Greens they are flirting with the National Party and may allow a National government in. There is no way that the interests of the M ori can be defended in an alliance with National. National will continue the attacks on the working class, and this includes the M ori workers. If such a scenario materialises this party will enter into crisis and eventually implode.

#### Other Minority Parties

Generally speaking the minority parties have emerged from splits from the major parties. New Zealand voters get two votes, one for an electorate MP and one for a party. Parties

must win at least one first past the post constituency seat, called an "electorate" in New Zealand, or at least 5% of the party vote to gain representation in Parliament. Party list seats are added to any electorate seats to give each qualifying party a share of the parliamentary seats approximately in proportion to the party's nation-wide share of the party vote.

#### Opinion

polls seem to indicate that the votes of the minor parties appear to be going to the National Party (51% of the vote ) with Labour holding on to about 35% of the vote (figures as of December 2007). It is expected that some of the minor parties may gain in the polls as we approach the elections and National's policies become clearer to the electorate. It is likely that the Progressives, United Future and ACT will win electorate seats and there is a possibility that the New Zealand First may not secure 5% of the vote. Fundamentally, they will have little significant role to play except that of "King Maker" along with the other minority parties of either Labour or National. In spite of everything, it is still a two horse race between the party of capital and the party of labour!

#### M ori

#### The

M ori are the indigenous people of New Zealand and arrived here from around 1200 AD onwards via the great Polynesian migrations. Today the M ori have been proletarianised and make up a significant section of the workforce and the trade unions.

#### With

the Treaty settlements due and M ori assets handed back to them from the Crown, big business is looking to exploit the M ori further and there is an attempt to create a professional M ori middle class, a privileged layer upon which the bourgeois can lean and thus allow this capitalist exploitation of the majority of the M ori to take place.

#### The

bulk of the M ori workers have always traditionally looked to the labour and trade union movement, which is more closely aligned to their historical cultural beliefs and is also perfectly logical as most of them are workers and often the most downtrodden. Thus they have traditionally supported the Labour Party. It is quite clear that with the correct approach the best of M ori workers can be won over to the ideas of Marxism.

#### Trade Unions

#### The

trade unions are recovering from their low point of the 1990s and are rebuilding both in the private and public sectors. Membership stands at 340,281 in 2006 which is about 100,000 more members than at the low point of 1999.

#### The

trade unions have led offensive strikes in the past period over pay and conditions and collective bargaining rights. We have had the EPMU's 5% for 2005 and Unite's "supersize-my-pay" which saw the effective unionisation of fast food outlets like McDonald's. This brought a whole section of youth into trade union activity and forced the bosses to abandon youth rates. Further examples are the NDU, Maritime Union and SWFU disputes.

The CTU's 39 affiliated unions cover 89% of the total union membership and it has recovered from the disastrous split in the 1990s. These splits were due to the frustration of the left with the right-wing leadership. This move, unfortunately, played right into the hands of the bosses as can be seen in the decline in membership in that period. The splits instead of providing an alternative, merely contributed to weakening the unions, while removing some of the most militant layers, thus strengthening the hand of the right-wing bureaucracy for a period.

A National government would enter into collision with the CTU as it would repeal the 2004 ECA amendments which gave the unions limited collective bargaining rights. Unfortunately, the present leadership is moving in the wrong direction. The President of the CTU is looking towards "social partnership" rather than militant trade unionism to defend its membership.

The trade unions are a key area of work in the building of the ideas of Marxism. Under the conditions that will unfold in the coming period, a slowing economy, rising inflation and a right-wing government directly attacking the working class, we can expect growing militancy on the part of the workers. This will lead to a further strengthening of the unions. As a new layer comes into the unions there will inevitably be conflict between the rank and file and the bureaucracy that sits at the top. In these conditions a Marxist tendency working patiently in the mass organisations of the working class can make important gains recruiting the best militant trade unionists. This will prepare the ground at a later stage for the building of a serious left opposition within the unions.

Youth

The winning of youth to Marxism is crucial as they are the key to the future. Today young people in New Zealand have grown up in the conditions of a "deregulated" economy and, like the youth of many other countries, face huge student debts, low paid jobs, and fundamentally a future with no hope. This generation can expect to be worse off than their parents' generation. Many will never have the possibility of owning their own home, especially true after the huge increases in house prices seen over recent years.

Despite having never known anything other than the current system and having not been

presented with alternatives, most young people instinctively realise that capitalism presents a dead end for them and for the society they live in. There is a general questioning of this society by a significant section of youth, who are looking for answers.

Many already have a strong understanding of how capitalism is failing their generation, but they have not yet been presented with a socialist alternative. They have had either the openly right-wing leadership of the Labour Party, indistinguishable from a conservative party, the antics of Anderton, or a few tiny groups on the fringes of the movement imbued with a sectarian outlook.

This is where a genuine Marxist tendency can play a crucial role. We must win the most radical youth to the ideas of Marxism. We must educate them in the perspectives, methods and ideas of Marxism. The youth is the starting point of our work. They are the most radical and open layer of society. By systematic work on the university campuses and within the new young layer entering the trade unions, we can win the best over to the ideas of Marxism and build the tendency.

#### Conclusion

This New Zealand perspectives document is to be read in conjunction with the World Perspectives documents of the International Marxist Tendency. This will help build the forces of Marxism in New Zealand. The ideas of Marxism will inevitably gain ground in this country in the coming period as the crisis of capitalism unfolds internationally and impacts on the situation in New Zealand. The building of the revolutionary tendency is key to the socialist transformation of society in New Zealand and the world. Forward to international socialism!

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