

# THE KEY TO NEW ZEALAND'S SUCCESS

The Kiwi PM made some tough economic choices, but voters went along with him

ROWAN CALLICK



In a time of global uncertainty and political tumult, John Key became not just Australasia's but the world's gold standard centre-right leader.

Calm, good-humoured, always ready to argue his case for change, Key was authentic and credible when speaking to investment bankers and dairy farmers alike.

During eight years as prime minister and National Party leader for a decade, he reversed emphatically New Zealand's position in the shadow of Australia.

Economic growth in New Zealand has soared past Australia's, its gross domestic product per person remained roughly constant in US dollar terms in the past five years despite the collapse of commodity prices, while Australia's has fallen by 25 per cent. New Zealand's unemployment rate has fallen below Australia's, and the Key government has transformed a larger budget deficit, as a proportion of GDP, into a surplus while Australia remains in deficit.

It is not surprising in these circumstances that New Zealand under Key is shifting the balance of movement across the Tasman Strait, attracting net migrants from Australia — although many of them are probably Kiwis returning to enjoy the better times.

He is that rarity in world politics, a leader who has had another life.

He was a successful businessman, global head of foreign exchange at Merrill Lynch and member of the foreign exchange committee of the New York Federal Reserve, working in Singapore and London. He had accumulated \$50 million before entering politics, so is not motivated by money.

And, doubly rare, he applied the management style he learned in the business world to long-term planning for his country, with some projects looking well beyond the next election.

Key inherited a country that was in recession even before the global financial crisis. He responded to New Zealand's perfect storm of economic troubles by cutting taxes and seeking to make government work smarter, and thereby to reduce its size — and introducing a public discussion program to explain his program and seek feedback, adapting tactics while maintaining overall strategy.

Five years ago, he contrived to raise GST from 12.5 per cent to 15 per cent without suffering significant political damage — while he has kept reducing income tax, with the top personal rate now 33 per cent, about a third below

Australia's, and with the company rate also below ours. For two-thirds of the 25 years before he became Prime Minister in 2008, New Zealand had elected Labour governments. But Key won three elections in a row, each time increasing the Nationals' support.

Despite importing a convoluted electoral system imported from Germany that many feared would make the country ungovernable, New Zealand has elected just two prime ministers in the past 17 years. Labour leader Helen Clark presided for even longer than Key, providing stability but not the growth or reforms that he drove.

Since Key became Prime Minister, Labour has churned through five leaders in frustration. He is Teflon John: opponents fling criticisms, but they just don't stick. New Zealanders across generations and classes view him as "a regular Kiwi, one of us".

Key restored knights and dames to New Zealand's honours system but, unlike Tony Abbott, awarded them to people generally deemed worthy. He voted for gay marriage, backing a private member's bill through parliament.

He refreshed his parliamentary party, ensuring a high proportion of capable female candidates. He held brainstorming sessions with cabinet members before formal meetings, talking every morning with three or four senior colleagues before any appointments. He held weekly press conferences and spoke widely at public meetings, on talkback radio and via social media.

Key reduced long-term welfare dependency through a range of programs branded as social investment, which he describes as "using data and frontline knowledge to allow us to target spending to the areas it can have the greatest impact in improving the lives of vulnerable New Zealanders". He stresses: "The best way out of poverty is through work."

He introduced a program of privatisations. He made every jail a "working prison" where inmates work, train or study full time. He opened the door to more charter schools. He sold public housing to non-government bodies at a discount. He increased paid parental leave from 14 to 18 weeks.

And yesterday, he named Bill English, his constant deputy and Treasurer, a former failed party leader, as his successor — whom he credits with creating "the developed world's best balance sheet", and whom Key now deems ready to resume his role at the front after almost a decade as the Nationals' backroom genius.

Before the team took office, English said they would take their cue from John Howard, moving New Zealand forward step by step, taking the country with them. "Now," political analyst Colin James says, "it's Australia that needs to learn from Key and English."

Key was brought up in public housing in Christchurch by a widowed Austrian Jewish migrant mother who worked as a cleaner. His father died when he was eight. He married childhood sweetheart Bronagh when just 22 and they have a son and daughter.

It was in Christchurch, in February 2011, that Key faced and excelled at the monumental test that propelled him beyond a political figure to a leader who was nationally embraced.

The country's third largest city lost 185 lives to the devastating earthquake on what Key described as "New Zealand's darkest day". He arrived there from Wellington less than four hours after the quake hit and returned day after day.

In a heartfelt but dignified national address — no tears — he spoke to the people of the stricken city: "We feel your pain, as only a small nation can, for none of us feels removed from this event. I am a proud son of Christchurch... But my connection is no rare thing. All New Zealanders have a piece of our heart there."

"Though your city will never look the same again, you will rebuild your city, you will rebuild your lives, you will overcome."

Earlier, he had taken a prominent role during the grim Pike River coalmine disaster that killed 29. Through him, New Zealand found a voice when it would have been forgiven for having lost it.

Key wasn't a winner every time. He favoured a new flag — with a silver fern design — but lost, earlier this year, the referendum that could have changed it.

He prepared the Kiwis to party for parity — but again, while the New Zealand dollar has come perilously close to the Australian dollar several times in the past couple of years it has just failed at the final decimal point.

Australia has sought — as it did in the early 20th century when New Zealand pioneered women's equality and social welfare, and again in the 1980s, with economic liberalisation and giving the central bank independence — to import reforms from across the Tasman, though not so successfully recently except in bringing foreign aid back within the Department of Foreign Affairs and Trade.

Key's core cabinet members have routinely held meetings with their Australian counterparts, and Key has established genial relations with his four Australian counterparts, Labor and Liberal, but especially with Malcolm Turnbull. Their bromance incorporates some healthy rivalry. Arriving in Beijing a week after the Australian Prime Minister in April, Key — accompanied by a business delegation of 40 — said: "I understand Malcolm Turnbull, of whom I am very fond, was here with 1000. Here is living proof 40 Kiwis can do what it takes a thousand Aussies to do."

Key has also done what more than a thousand other political leaders have failed to do: stepped down at a time of his choosing and at an age, 55, when he can still pursue a challenging fresh career.



Relaxed and assured, John Key had a genuine connection with his countrymen's ambitions

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## Quiet Kiwi achiever closes the door on politics

OLIVER HARTWICH

By any measure, this year was not short of political surprises, from Brexit to Donald Trump. Yet neither was as shocking as John Key's resignation as New Zealand Prime Minister yesterday. It came totally out of the blue. No one had a clue.

When a prime minister's party sits at 50 per cent in the polls and he enjoys stunning personal ratings, even after eight years in power, the most natural thing would be to run for office again.

Not so with Key. His resignation yesterday was a political earthquake, and just like big tectonic movements it occurred, unlike Brexit and Trump, without any warning.

Because no one expected Key's resignation, no political obituaries were prepared. But it should not be

too difficult to assess Key's premiership. In fact, he already had first go at it in his media conference.

Asked about his legacy, Key pointed to steering New Zealand's economy through the global financial crisis and dealing with the Canterbury and Christchurch earthquakes. Under his leadership, New Zealand became "a more confident, outward-looking and multicultural" country.

Key's self-assessment tells us something about his style. Rather than trying to define his time in office by some eye-catching policy reforms or projects, his measure of success was that New Zealand was doing well under his management. Yes, management. Because that is how Key ran the business of government. Not as a Barack Obama-like orator. Not as a Margaret Thatcher-like conviction

politician. But as a competent executive. In Key's words: "I think government is a practical business. You don't start with a blank sheet of paper; you start with the country as it is."

Two years ago, I analysed Key's governing style in an essay for the Menzies Research Centre called *Quiet Achievers*. It argued that Key's approach was defined by preparation, patience, pragmatism and principles. Taken together, they amounted to a well-crafted, well-thought through and realistic program of gradual economic reform.

Key presided over an agenda of "incremental radicalism" — a phrase coined in *Quiet Achievers*. After the release of the essay, Key said he had found himself well characterised.

Yet with his sudden and unexpected resignation, Key has bro-

ken with his own ways. Then again, there is no such thing as an incremental resignation. But at least in resigning, Key already paved the way for continuity by declaring Finance Minister Bill English his preferred successor.

Key's success as Prime Minister was unthinkable without the loyal and competent support of Bill English. Where Key was the salesman of the government's agenda, English was the policy thinker behind it. Should English be selected by caucus, New Zealand will lose probably the best finance minister in the world but gain one of the best policy thinkers as its next prime minister.

In fact, English might actually be the perfect candidate to address the biggest failure of Key's time in office: the state of the housing market. Under Key, property was allowed to spiral out of control,

with prices in Auckland rising 77 per cent in the past four years.

Key showed himself unable, or even unwilling, to take drastic actions to correct this. English, on the other hand, has long been a proponent of planning deregulation and supply-side housing reforms. "It costs too much and takes too long to build a house in New Zealand. Land has been made artificially scarce by regulation that locks up land for development," he wrote in 2013.

As prime minister, English would have the authority to push forward much needed reforms in this area. In all other areas, he could do worse than to take his predecessor's example as a guide.

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### Highway rubbery

Gifted with a voice that touched heaven and feet that never left the ground, Roy Orbison summed up his situation thus: "I may be a living legend, but that sure don't help when I've got to change a flat tyre." And so it came to pass for Anthony Albanese yesterday, when his car experienced the excitement of a blown tyre on the freeway north of Sydney. "It went from, 'This car's shaking a bit' to 'Hey, this car's shaking a lot' really quickly," was how Albo described it to Strewth. So, over to the side of the road where the federal opposition infrastructure, transport and tourism spokesman promptly loosened the nuts and got to work while the B-doubles



rumbled past (pictured). Wheel replaced, the travelling party was only 10 minutes late to the press conference, the only other hint of anything gone awry being a small

wardrobe complication. "My white shirt is no longer white," Albo confessed. "It's more white with an interesting grey pattern." Surely the new look of summer.

### Hair-puller pushes off

Amid all the plaudits for New Zealand's departing Prime Minister John Key ("Say it ain't so, bro" — copyright: Malcolm Turnbull), let us not forget that Key resulted in what John Oliver would hail as the single greatest news tease he had ever heard, specifically Rebecca Wright's effort for Sky News: "A very unusual story breaking here today about the Prime Minister, a ponytail and some pinot noir".

### Man of many talents

The fine folks at Junkee.com had a jolly time chipping Coalition MP Andrew Laming the other day for exercising his right to argue with people on the internet.

All well and good except for this surprising lapse: "Until yesterday you'd probably never heard of Andrew Laming... whose biggest claim to fame was probably the time he was called a nong on live television..." At Strewth we're keen on the whole credit-where-it's-due thrust of things, so let us note this is the same Laming who pulled a stunt in Parliament House's Federation Chamber that prompted then Speaker Bronwyn Bishop to swing her bluntest club: "As I understand it towards the end of his speech on his motion on the cruise liner industry, the member for Bowman picked up one of two bottles he had brought into the chamber purporting to contain bunker fuel. He then proceeded to pour some of the contents of

thick black fuel on to his hand, spilling on to the desk and floor of the federation chamber. I ask the member to apologise to the house for his reckless and highly disorderly actions." Then behold this from *The Courier-Mail* just after Australia Day in 2014, surely some of the most solid opening sentences ever devoted to a backbencher: "It seems Queensland MP Andrew Laming is no one-trick wonder. The federal MP for the Brisbane bayside seat of Bowman, whose upside-down beer chugging surprised partygoers at a Wellington Point barbecue on Australia Day, has admitted it wasn't the only time he performed the trick that day. Dr Laming this morning told ABC radio this morning that of 'the

other two beers' he had consumed that day, 'one of them was also drunk the same way.' So let's not have any more of this best-known-for-being-called-a-nong nonsense.

### One for the ages

Ladies and gentlemen, senator and metaphor master Rod Culleton to [farmonline.com.au](http://farmonline.com.au)'s Colin Bettles, keeping the church that is One Nation as broad as possible: "Pauline (Hanson) has got to have a pooey or get off the potty and either start supporting rural and regional Australia through this (banking) royal commission or things will start to fester." Unquote.

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