

New Zealand heads from radical free enterprise to fascism

by Allen Douglas

New Zealand's Labour government has just completed four years of what Sir Evelyn Rothschild's London *Economist* magazine has lauded as "the most extreme form of economic liberalization in the world." To all but New Zealand's International Monetary Fund-trained Treasury economists, cocaine-sniffing share (stock) market analysts, and the reforms' chief author, the now-sacked finance minister, Roger Douglas, the result of these policies is obvious: utter disaster.

Unemployment in parts of the country has now reached the depths of the 1930s Great Depression: The highly productive farm sector, which not long ago accounted for 70% of New Zealand's export earnings, is collapsing at a rate also unprecedented in the country's history, amid growing wheat shortages and foreign purchase of prime New Zealand farm land. Racial tensions, fueled by economic collapse, are becoming ever more inflamed. And the foreign debt, which was NZ \$12.6 billion when Labour took power in 1984, is now well over NZ \$50 billion, according to sources in the financial world.

Bad as things are, the Labour government and its controllers in New Zealand's Business Roundtable have plans to make them a great deal worse. In a major speech he gave in Christchurch in December 1988, Prime Minister David Lange announced that "the first phase of reforms" had been completed, and now "the second phase will begin."

Lange tapped as deputy finance minister, to oversee this "second phase," Minister of External Relations and Trade Mike Moore. Moore has been a lifelong advocate of such "New Age" policies as "sustainable economy," "small is beautiful," and "one-world government." Number-three in the Labour government hierarchy, and a rumored successor to David Lange as Labour Party leader and head of the next Labour government, Moore was at one time an executive officer of the youth arm of the Socialist International. Although he is variously styled as a "socialist" or "social democrat," his plans for the "second phase" of reforms exactly mimic the precedents set by Italian dictator Benito Mussolini. They are, in the most rigorous historical and analytical sense, *fascist*. And, since New Zealand has been a "laboratory ex-

periment" for the Western financial oligarchy, the "second phase" of its reforms foreshadows that oligarchy's plans for other nations as well.

A post-industrial rubble heap

It is hard to overstate the magnitude of destruction going on in New Zealand's rural sector, a process amplified by government policies in the face of the country's worst drought in decades. Headlines in the New Zealand press during the mid-summer month of January blared out the story: "Wheat output in New Zealand at risk," "Farming outlook gloomy," "Farmers 'not able to survive,'" "Sheepmeat industry 'could collapse,'" and "Foreign interest in buying farms high."

According to figures compiled by New Zealand's Meat and Wool Board Economic Service, the average New Zealand farmer will lose NZ \$35,000 this season. The sheepmeat industry, which has been the cornerstone of New Zealand's farm sector and with 70 million sheep in the country, a power on a world scale, is being crippled. In recent auctions in the South Island, farmers received less than \$14 for a lamb, while the production cost is \$20. Full-grown sheep went for as little as \$2, about what it cost to transport them to auction. (These and subsequently mentioned prices are in New Zealand dollars, which currently exchange for U.S. \$.61.) In the past four years, lamb production has dropped by more than 25%, from a high of 39 million lambs per year, to 27 million.

With no hope on the horizon for a change in prices, farmers are leaving sheepmeat farming in droves, which portends a collapse of the industry altogether. Rusty Firth, a farm management consultant from Manawatu, recently stated in a published interview, "It gives me no great joy to say that my 30 years of advising farmers to boost lamb production has been entirely misspent. . . . Unless the average lamb price reaches a minimum of \$27 by the end of March, half the 15,000 to 20,000 farmers still producing lambs will be bankrupt and New Zealand's \$2 billion meat industry will be history."

While the international food cartel controls markets and prices, the single most important cause of the destruction of

New Zealand farming has been the Labour government's jacking up interest rates, which stood at 8% or so before 1984, to 20%, 25%, or even 30% for overdraft.

That the destruction of the farm sector has been purposeful, is indicated by the government's response to the drought that ravaged the South Island for months. To avoid the destruction of entire flocks, breeding ewes needed to be shifted from the brown, bone-dry Canterbury Plain in the center of South Island, to greener pastures in either the west or the south of the island. Instead of paying for this, which would cost \$5-10,000 per farmer, the government instead offered the farmer \$45,000 to quit farming and leave the land. Thus, the production is lost, while the relative pittance of \$45,000 (from which is subtracted the proceeds of anything the farmer might sell), is nowhere near adequate to enable a farm family to make a fresh start in town.

It is, in fact, stated government policy to eliminate the independent family farm in New Zealand. Justice Minister Geoffrey Palmer has said more than once, "There is no room in New Zealand for the private ownership of land." He means private land owned by families, as opposed to the international grain cartel. While the drought has helped to accelerate the government's plan to move the farmers off the land, it has also opened the door to the foreign purchase of New Zealand farmland.

According to some reports, already as much as 10% of New Zealand's farmland has been bought by Elders Pastoral, an Australian junior member of the world grain cartel. Meanwhile, ads are appearing in New Zealand newspapers, such as the following from *The Press* of Christchurch, Jan. 14 issue: "Interested in selling your land and staying on as Manager? Overseas investors require economic units anywhere in Canterbury." In parts of the South Island, there has been an extraordinary influx of "Australian farmers" looking for New Zealand farmland on which to "retire." But what "Australian farmer" would want to buy a large farm (too large for a retiree), and come all the way to New Zealand to find it? The "Australian farmers" are front men for Elders Pastoral. This activity violates the 1952 Land Settlement Promotion and Acquisition Act, which laid down criteria about who may own rural land exceeding two hectares, precisely to prevent overseas speculation in New Zealand farmland. Although the Department of Lands is formally charged with enforcing this act, the government has done nothing about it.

Agriculture has been the sector worst ravaged by the Labour government's policies, but it is not the only one. In late 1988, the Manufacturers Federation released an in-depth study, which predicted that some 40,800 jobs in manufacturing, out of a total of 272,000, would be wiped out in the next five years. In January, the government revealed that unemployment had reached the level of 162,000. (The population of New Zealand is approximately 3.25 million.) Counting an additional 20,000 people in work training schemes, this marks the highest unemployment in New Zealand's history. Actual

unemployment, as opposed to the government figures, is almost certainly worse, and even the official figures will soon top 200,000, according to sources in Parliament.

'Second stage' of reform

This destruction of agriculture and manufacturing has resulted from deliberate measures implemented by New Zealand's Labour government over the past four years.

Lange's government officials trebled or quadrupled interest rates. They dismantled farm price supports. They pulled down tariffs for manufacturers. They floated the New Zealand dollar. And they initiated a program to sell off major government departments and state-owned enterprises, such as the Bank of New Zealand, Air New Zealand, the Electricity Corp. of New Zealand, the New Zealand Forestry Corp., the New Zealand Post (the postal system), the New Zealand Railways Corp., and others. All this was done in the name of "free market" economics, and the associated claim that New Zealand "can no longer afford" to run the kind of economy it used to have, which formerly provided one of the highest standards of living in the world.

"Free trade" fanaticism aside, the justification most frequently given for these changes is that New Zealand has to pay its foreign debt. This is the sole reason cited for the asset sales, in particular. But since the debt was \$12.6 billion in 1984, when Labour came in, and it is now over \$50 billion, *it is the Labour government itself that has created the debt*, which it is now ruining the country ostensibly to repay.

Now, another "solution" is advanced for another problem of Labour's making—the 183,000 unemployed. This new solution is what Prime Minister Lange refers to as the "second stage of reform." What is he talking about?

While the entire "first stage" was based on radical free enterprise, the second stage is to be based on a "negotiated compact" between the government, labor, and industry, not only to solve the unemployment problem, but to determine wages, prices, and many other things. This would seem to be antithetical to the first stage of the reform, overseen by that free market fanatic, ousted Finance Minister Roger Douglas. Not so, insists Mike Moore, sponsor of the "compact." In *The Press* of Jan. 21, 1989, Moore said, "Roger rewired this whole thing," that is, transformed the economy into its present state of rubble, which makes possible such a "compact," unthinkable in New Zealand just a few years ago.

That there is not the slightest contradiction between the two phases of reform is further evidenced in two ways: 1) Moore had been one of the most fervent supporters of Douglas, exclaiming in one of his books, "Roger Douglas, Labour's Finance spokesperson, is without peer in terms of his innovative economic thinking." 2) There has not been a peep out of Douglas against the compact, even though it would seem to be the antithesis of his "free market" program.

A Jan. 12 editorial in *The Press* (Christchurch) noted how sweeping the new program will be: "The effects of a compact

might be as revolutionary as anything that has occurred so far." And, even more critical, *The Press* remarked, "It is improbable that some of the main sections of the community will have a chance to grasp the pact's full implications," given that Moore has set a September 1989 deadline by which to ram the pact through.

For a major government policy, perhaps "as revolutionary" as the past four years' changes, the new compact has been shrouded in secrecy. Moore has excellent reason to be so chary of specifics, even though the little he has said, taken

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in conjunction with his writings over the years, shows that he has very specific ideas in mind. The "full implications" of the compact, alluded to by *The Press*, emerge when we turn to the history books, and map Mike Moore's program against the experience of fascist Italy in the 1920s and 1930s.

The fascist corporativist state

Moore provided some foreshadowing of his intentions, in his 1984 book, *The Added Value Economy*: "There are three types of economies. The command economy of the Soviet style, the jungle economy of the [Milton] Friedmans, and the negotiated economy of the Social Democratic mold." The latter is the basis for the compact Moore now proposes. Yet, he was not the first to come up with the idea of a "negotiated economy."

In 1925, Fascist dictator Benito Mussolini seized power in Rome. The first thing on his agenda was to reorganize the Italian economy. For each sector of the economy, Mussolini created what he called "corporations," that is, entities comprised of a tripartite board of labor, capital, and the government, which determined all wages, prices, job creation, etc., within that sector. At the top of the 22 sectors was a grand tripartite group: the Government, the Fascist labor union,

and the Fascist employers' group.

With the government in the lead, the three determined absolutely everything that happened in the economy, for the "greater harmony" of the state. Mussolini explained what he was doing: "Today we are burying economic liberalism. . . . Corporatism means a disciplined, and therefore a controlled economy, since there can be no discipline which is not controlled. Corporatism overcomes Socialism as well as it does liberalism: It creates a new synthesis."

This is just what Mike Moore echoes, with his thesis about the "negotiated economy" as a third way, a synthesis to resolve the alleged dilemma of "command" or "jungle."

The "negotiated economy" is supposed to function for the greater harmony of all concerned. Mussolini advertised the benefits of his creation in the same terms: "We have constituted a Corporative and Fascist State . . . a State which concentrates, controls, harmonizes, and tempers the interests of all social classes, which are thereby protected in equal measure. There is not one working Italian who does not . . . wish to be a living atom of that great, immense living organization which is the national Corporate State of Fascism."

Mussolini's ruling tripartite board, called the Central Corporate Committee, made decisions about every last thing in the economy. As described by Moore in *The Added-Value Economy*, the "negotiated economy" will likewise be run by unions, employers, and government. (Diagram, p. 16)

Wrote Moore, "If a New Zealand Labour Government sought such a consensus policy, many things would need to be included in negotiations: maintenance of living standards, low pay targets, investment policies and use of resources, industrial planning, wealth redistribution, consumer protection, use of subsidies, control of interest rates, industrial relations legislation, industrial democracy, annual holiday improvements, improved social services, house building programmes, and pre-Budget consultations."

Where Fascist Italy had its Central Corporate Committee, Moore gives the corresponding institution a different name: "A central feature of the negotiated economy would be a New Zealand Economic and Industrial Council, comprising Government, employer, and employee representation."

Moore describes subordinate institutions, virtually identical to Mussolini's corporations for each sector of the economy: "Industry Consultative Bodies would be set up under the Council to engage in industrial planning, and to consider all matters as they affect industries. . . . These sector bodies would determine what happened within each industry. Then, finally, Works Councils could provide a tripartite forum at the workplace. . . . Tripartite bargaining at industry and workplace level would be encouraged on all other matters—technological change, health and safety, redundancy and retraining, investment, superannuation, and other forms of worker participation."

It is appropriate to recall, that under the fascist system of Mussolini, especially as the worldwide depression took hold

in the 1930s, the constituencies of the third partner in corporatism, the labor unions, were the least privileged, and saw their living standards slashed.

An American bad example

In January of this year, Moore held his first working meeting with labor, industry, and government representatives to begin hammering out the compact. The featured guest speaker, Sheldon Friedman, came all the way from the United States to argue for the sort of all-encompassing powers in such a compact that Moore had outlined in his book. Friedman is research director of the United Auto Workers (UAW), the premier U.S. union in the promotion of corporatist fascist restructuring schemes.

In early 1975, *Washington Post* columnist Nicholas von Hoffman blew the whistle on "a hidden agenda for American politics . . . a planned economy . . . state capitalism . . . fascism without lampshade factories," harbored by certain leading financial big-wigs in the U.S. Democratic Party. Hoffman identified the key figure in this project as Leonard Woodcock, then-president of the UAW.

In March 1975, *Challenge* magazine followed with an article entitled "The Coming Corporatism." It said, "Corporatism is a distinct form of economic structure. It was recognized as such in the 1930s by people of diverse political backgrounds, before Hitler extinguished the enthusiasm which greeted Mussolini's variant. The fact that our blinkered political vocabulary now sees the alternative pure forms of economy as simply 'capitalism' or 'socialism' is a consequence of the fact that the Axis powers lost the Second World War. This 'corporatism' is a comprehensive economic system under which the state intensively channels predominantly privately owned business toward [specified] goals. . . . Let us not mince words. Corporatism is fascism with a human face. What the parties are putting forward now is an acceptable face of fascism; indeed, a masked version of it, because so far the more repugnant political and social aspects of the German and Italian regimes are absent or only present in diluted forms."

That same year, UAW leader Woodcock formed the Initiative Committee for National Economic Planning (ICNEP), one of whose members stated at the time that it was to organize for "fascism with a human face."

Now, the UAW's Sheldon Friedman is advising Mike Moore.

Compact for austerity

The purpose of corporatism is to impose, either with the mailed fist, as under Hitler and Mussolini, or with the "social democratic" forms of today, policies of brutal austerity. The corporatists or, in modern parlance, the "social democrats," are the tools used by financiers to achieve this end. The key to creating the corporatist economy is to line up the leadership of labor and of business, behind the plan. From all indica-

tions, important elements of both are on board with Mike Moore in New Zealand.

The leading force on the business side is the Business Roundtable, the country's dominant business grouping. Its chairman is Sir Ron Trotter, head of the largest New Zealand company, Fletcher Challenge. Trotter was a main mover of the "first phase" of Labour's reforms, and his company derived massive benefits from the sell-off at fire sale prices, of New Zealand's state assets.

On the union side, Moore is equally well situated. The president of the Council of Trade Unions (CTU) is Ken Douglas, leader of the Moscow-funded Socialist Unity Party (SUP) and a long-time communist, about whom Moore held forth in a newspaper interview: "Deep rich bastard that. Something special about that fellow. Really got something. Very honourable fellow. Hillary, Gandhi. . . . I don't want this reported because it will embarrass him. But there's something special about him. He glows. Line of integrity there that's very Christian."

Trotter is also reported to be a good friend of Ken Douglas. According to rumors in New Zealand, Trotter had land in the Wellington area, on which he let the SUP cut timber, to earn money to replenish the party coffers. The SUP experienced funding problems when the Soviet ambassador to New Zealand was kicked out of the country in 1980, after he was caught red-handed funding the SUP.

Some might insist, even forcefully, that there could be no real comparison between the authoritarian Mussolini and a modern New Zealander, Mike Moore. But the fascist dictator Mussolini, too, began life as a socialist and edited the Socialist Party newspaper. Like Mussolini, Moore is sponsored by powerful financial forces behind the scene. And like Mussolini, Moore is not averse to brutality, as when his goons badly beat up political opponents during a 1987 election campaign in Christchurch.

Lastly, and most essentially, Moore concurs with the austerity-enforcement purpose of a Mussolini-model corporatist co-management compact. In a press conference on Jan. 26, Moore tipped his hand: "The question is, how do we share the bad times. That 90% who aren't unemployed may be prepared to sign a petition, even change a government, but we want more than that from them."

Moore certainly does. In a collapsing economy, the only business people to benefit from such a pact will be the Business Roundtable giants such as Fletcher Challenge. For the average, honest trade unionist, to sign such a compact is to give permission to have his throat cut.

The basis for harmony between business and labor in the real interests of both would be an expanding productive economy, where the true "harmony of interests" defined by the American economist and collaborator of Abraham Lincoln, Henry Carey, can thrive. In the post-industrial rubble-heap created under Labour, that is far from what Mike Moore has in mind.