

Australia Dossier by Robert Barwick

Setback for free trade in New Zealand

New Zealand's new coalition government includes vigorous opponents of free-market "reforms."

Fifteen years of Mont Pelerin Society-directed free-market "reforms" in New Zealand have suffered their first serious setback, following the defeat of Al Gore's buddy, Prime Minister Jenny Shipley, and her National Party, in the Nov. 28 election. The new Prime Minister-elect, Labour Party leader Helen Clark, whose party won 52 seats in the 120-seat Parliament, will govern in coalition with the anti-free market Alliance party, which won 11 seats.

The fallout from the 15 years of austerity policies dominated the election: The Labour Party campaigned for a freeze on privatizations and tariff cuts, more money for industry, and more money for the needy; the Alliance went even further, calling for the abolition of the regressive consumption tax, the goods and services tax (GST), and a 5% tariff increase. Although the resulting three-seat majority wasn't exactly a landslide, according to one longtime political observer, retired economics professor Wolfgang Rosenberg, "This might be the beginning of the collapse of the all-or-nothing free-trade policy that has characterized the past 15 years."

Ironically, the two major players in the new governing coalition, Labour leader Helen Clark and Alliance leader Jim Anderton, were both members of the 1984-90 Labour government that began the much-despised economic reform process. During that period, Labour in New Zealand pioneered the "Third Way" free-market and anti-welfare agenda now championed by Britain's Tony Blair, driven by the Mont Pelerin Society (MPS) connections of Finance Minister

Roger Douglas. The country's radical experiment with free trade, privatization, deregulation, and cost-rationalization, which became derogatorily termed "Rogernomics," saw its famous welfare state dismantled, real unemployment balloon from being nearly nonexistent in the 1960s, to well over 15% of the workforce, its industrial base smashed, and youth suicide become the highest in the world. The British Crown's MPS touted the New Zealand "model" all over the world, and used it as the basis for "reforms" in Australia, South America, and Russia. This was especially true for privatizations: More than 80% of New Zealand's state asset sales were snapped up for a song by members of the New Zealand Business Roundtable, the MPS front which wrote the reform agenda that Douglas implemented.

However, this new agenda was vigorously opposed by Anderton, and to varying degrees by other members of the Labour Party, including Clark. In 1989, Anderton split from Labour and formed the Alliance, a grouping of anti-free-market minor political parties comprised mainly of the old left wing of Labour. Labour lost power to the National Party in 1990, which saw another split in the party, this time when the right-wing "reformers"—Roger Douglas and his sidekick Richard Prebble—formed the Association of Consumers and Taxpayers (ACT), a precursor to Blair's idea of the "stakeholder" society.

Meanwhile, under the Nationals, the reform agenda begun by Labour was intensified. New Finance Minister Ruth Richardson, an MPS member,

embarked on a "reform" spree so draconian that it was dubbed "Ruthenasia": She slashed health and education; legislated trade unionism almost out of existence with the Employment Contracts Act, which enshrined single employee-employer contracts as the basis for industrial relations and didn't mention unions once; and legislated to guarantee a balanced government budget, irrespective of the social consequences. The biggest casualty was the hospital system: Hospitals were privatized and put on strictly controlled budgets, and waiting lists for treatments or surgeries blew out, resulting in many avoidable deaths.

In 1993, Clark defeated Mike Moore, a staunch free-market exponent, for the Labour Party leadership; Moore has since become director general of the World Trade Organization. According to Rosenberg, Labour under Clark is a much more moderate party without the ACT free-market elements of Douglas, Prebble, and Moore. "I wouldn't like to say Labour has been purged completely of those forces," he said, "but they are certainly more under control."

It was this combination of Clark's more moderate Labour Party, and the Anderton Alliance, that was finally successful against Shipley, who took over as Prime Minister in 1997. Under Shipley, New Zealand's collapse has climaxed: Years of more and more free trade have resulted in a permanently negative balance of payments, and the national debt has risen to over NZ \$100 billion, greater than the national income. Another symptom has been the growing exodus of New Zealanders, which reached 65,000 last year alone; in fact, more than 10% of New Zealand's population of less than 4 million people live in Australia. In her victory speech, Clark called on these expatriates to return to help rebuild the country.