

# EIR Political Economy

## The 'New Zealand Model': How free markets destroy a nation

by Marcia Merry Baker

In its first issue of 1997, the *New Citizen*, a quarterly put out by the Citizens Electoral Council, the Australian associates of Lyndon LaRouche, published a groundbreaking report on how New Zealand has been ripped apart by free trade and privatization "reforms," beginning in 1984. The study, "Nazi 'Reforms' Rip New Zealand—Australia Next,"<sup>1</sup> uses 65 graphs, interviews, and historical analysis to document the ruination of the New Zealand physical economy, to the point that New Zealand suicide rates now rank among the highest in the world.

**Figure 1**, which was run on the front page of the *New Citizen's* report, is an irrefutable indicator of the misery and political-economic crisis in New Zealand. Since the release of that report, new data show that the rate of suicide doubled over the past five years among young women, and for youth overall, climbed 14% in just one year from 1994 to 1995.

The Citizens Electoral Council is circulating its study as a warning to Australia, and to the world. Internationally, New Zealand is proclaimed by the financial networks that intervened to ruin the nation, as a model case of creating an "open," deregulated, privatized economy—a supposed "success story." That this is a lie is apparent from the 34 graphs we excerpt here from the *New Citizen* study, on the destruction of the New Zealand physical economy.

In fact, the small, beautiful nation of New Zealand, with its 3.6 million people (see map), was invaded in the 1980s

by international financial interests which set up self-serving systems to suck out "income streams" through the privatization of all basic economic sectors, including health care, airlines, railways, energy, ports, and so on, and deregulating any rules which limited takeovers and mergers, or protected farmers, labor, the sick, elderly, or other sections of the population.

This looting process began in 1984, when the new Labour Party government began what was euphemistically called "reforms." On page 22 is a timeline of the key "reforms" each year to date, that account for the catastrophic effects on the economy and population documented in the figures.

### Who is responsible?

At the center of the web of individuals, banks, and companies knowingly perpetrating the evil, is the Mont Pelerin Society, an international network of "free market" swindlers, principally serving the interests of City of London- and British Crown-connected financial circles. The *New Citizen's* report gives in-depth profiles of these individuals in the first section of its three-part report, titled "Her Majesty's Mont Pelerin Society Assaults New Zealand." In our package, we give a snapshot view of the Mont Pelerin Society.

The principals in the "reforms" cabal number no more than 20 or so, and almost all were educated by one or another front group of the Mont Pelerin Society (MPS), or sister institutions, such as the International Monetary Fund (IMF) and World Bank. Prominent among them are:

- Roger Douglas. As a rising young Labour politician, he initiated the "reforms" when he became the all-powerful finance minister in 1984, after the ouster of the former National Party government of Robert Muldoon (1975-84), who had been committed to "Think Big" national development

1. The report was researched and written by Robert Barwick, Allen Douglas, Craig Isherwood, Noelene Isherwood, and Michael Sharp, with input from the *EIR* economics staff. To obtain the report (the *New Citizen*, Vol. 4, No. 7, January/February/March 1997), contact the Citizens Electoral Council, P.O. Box 376 Coburg, Victoria 3058 Australia. Tel: 03 93540544; Fax: 03 93540166; or E-mail: cecaust@o.com.au



*Roger Douglas, when he became New Zealand's finance minister in 1984, initiated the "reforms," known by the epithet "Rogernomics," which have destroyed the nation's economy. For this he was knighted by a representative of the queen.*

projects such as steelmaking, electrified rail, and so on. Douglas's measures did such rapid, deep damage, that they earned his "reforms" the epithet "Rogernomics."

- Roderick Deane. The deputy governor of New Zealand's Reserve Bank (the nation's central bank, which under the "reforms" was made independent of the government). Deane had been an Alternate Executive Director of the IMF in 1974-77.

- Roger Kerr. A member of the MPS and a friend of Roger Douglas, Kerr was the chief brains behind the cabal in Treasury known as "Economics II," which clamored to "open" New Zealand's economy. Others in Economics II were Graham Scott (later to become Treasury secretary), Bryce Wilkinson, and Rob Cameron.

- Doug Andrew. Also a member of Kerr's Treasury cabal, Andrew had been at the World Bank.

- Alan Gibbs. A member of the MPS and a close friend and economics co-conspirator with Roger Douglas.

- Bob Jones. Property speculator and political activist.

- Sir Ron Trotter. Chief executive of Fletcher Challenge, the country's second-largest corporation.

- Ruth Richardson. A member of MPS, Richardson became finance minister in 1990 when the electorate drove Douglas's Labour Party from power and installed Richardson's National Party. The names changed, but the reforms continued, and even accelerated.

### **The 'Economic Management' document**

Under Mont Pelerin member Kerr's direction, the "Economics II" team of Scott, Wilkinson, and Cameron drafted a document known as *Economic Management*—the blueprint for the radical reforms which savaged New Zealand. *Eco-*

*nomic Management* called for, among other things, the devaluation and floating of the New Zealand dollar; the abolition of controls over interest rates and currency exchange; massive tax "reforms," to benefit the rich; the abolition of tariffs, floor prices, and other protective measures for agriculture and industry; and the looting, through privatization, of huge sectors of the state. All this was carried out, and with stunning speed.

Douglas described his method of ramming through unpopular "reforms" in his book, *Unfinished Business*: "Do not try to advance a step at a time. Define your objectives clearly and move towards them in quantum leaps. Otherwise, the interest groups will have time to mobilize and drag you down."

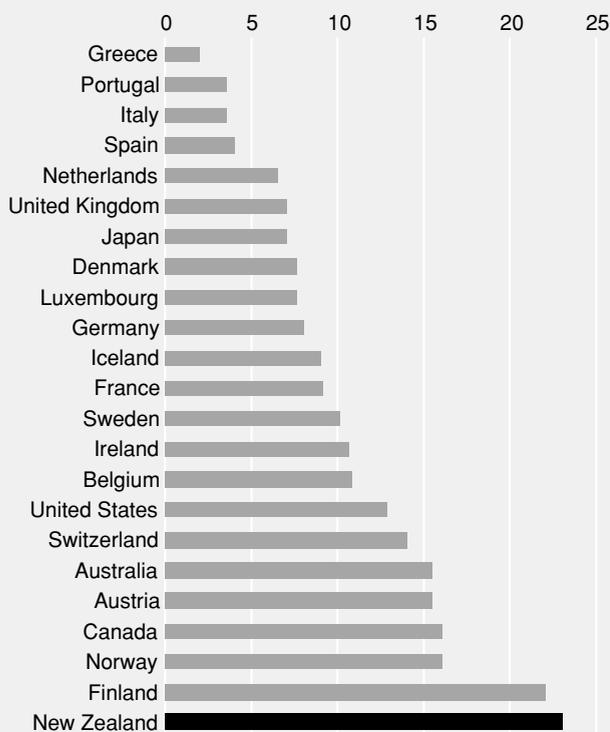
To help implement Douglas's blueprint, the Labour government called an "economic summit" in 1985, following which, the summit chairman, Sir Ron Trotter, revamped a pre-existing Business Roundtable group, to serve as the high-power lobby to push through the "free market" reforms, on behalf of Mont Pelerin Society financial connections. Old-line manufacturing and other business interests left the new Roundtable in disgust.

Trotter, the Business Roundtable chairman, picked Roger Kerr, one of New Zealand's four members of the Mont Pelerin Society, to become executive director. The *New Citizen* report sums up what transpired: "Through the unceasing torrent of 'studies' it [Business Roundtable] commissioned from one Mont Pelerin think-tank to another, each of which called for an utter dismantling of the New Zealand economy, including all its health care and educational systems, Kerr's Business Roundtable quickly became the Mont Pelerin Society's most powerful front group in new Zealand.

"And though it proclaimed its altruism, the Roundtable's

FIGURE 1  
**Youth suicides, 1992**

per 100,000 population, ages 15-24



individual and corporate members were the overwhelming beneficiaries of the destruction of the economy which they so ferociously advocated. *Firms associated with the Business Roundtable ended up with \$12.542 billion of the \$15.233 billion in privatized former state assets!*"

### Mont Pelerin's 'fascist international'

The *New Citizen* study provides two full-page flow charts, with the names of individuals, corporations, front groups, and so on, for what the study calls the "Mont Pelerin Society's Fascist International and Its New Zealand Branches." Note-worthy in this connection are such financial interests as CS First Boston, the merchant bank/brokerage house, known locally as First NZ Capital, that undertook more studies, got more consulting fees, and brokered more sell-off deals than any other agency. The current managing director of First NZ Capital is W.R. (Bill) Trotter, the son of Business Roundtable chair Sir Ron Trotter. Another company making a killing off government "reforms," in this case, cuts in public health care funding, is the private company Aetna Health, one of the two largest insurers in New Zealand and a subsidiary of the U.S. managed care cum insurance giant Aetna. Aetna Health just raised premiums by 20% in New Zealand. Sir Roger Douglas is a major shareholder in Aetna.

This is the kind of looting process receiving world praise

as the "New Zealand model." New Zealand's former minister Ruth Richardson presided at the 1992 conference of economic ministers of the European Community. In March 1997, Richardson spoke in Brazil, to a Mont Pelerin-related conference of the Institute of Business Studies, in Pôrto Alegre. Since leaving office, former finance ministers Douglas and Richardson have been deployed all over the world as consultants by the IMF and World Bank to spread the "New Zealand model," including to Russia, Brazil, Argentina, Mexico, Pakistan, Canada, Peru, Vietnam, China, South Africa, Singapore, and Australia.

In September, Sir "Rogernomics" Douglas is scheduled to receive an award, including 10,000 deutschemarks, from the German Ludwig Erhard Foundation, for "special merit" in the domain of free market ideology, for his role in creating the "New Zealand model."

The *New Citizen* study, from which we provide the following review, shows why the New Zealand model must be stopped everywhere.

## A profile of New Zealand

**Location:** Southwest Pacific Ocean, 1,000 miles southeast of Australia.

**Area:** 103,883 square miles (size of Colorado.) There are two main islands, called North and South, and some smaller islands.

**Population:** 1997 estimate, 3.65 million (35 people per square mile). Roughly 80% of the population is urban, with the majority of the people living on North Island. New Zealanders had traditionally been among the world's best-fed people, with the highest rates of home ownership, educational levels, and health care benefits—all of which are now being looted.

**Capital:** Wellington (population 325,682).

**Largest city:** Auckland (population 855,571).

**Topography and climate:** The natural scenery is spectacular. South Island is very rugged. On the western side, are the "Southern Alps," with the highest peak being Mt. Cook, at 12,349 feet. The mountains have many glaciers, and the southwest coast, fjords. On the eastern coast is the populated area of Canterbury Plain. North Island is less rugged, with mostly rolling hills.

There are some volcanoes, mostly inactive, though technically alive, showing some episodic activity over the last 10,000 years. Though on the Pacific Rim, New Zealand is different from island chains such as Japan, Hawaii, and the Philippines. The latter are located where the tectonic plate is moving across "hot spots," producing volcanic activity and more islands. New Zealand is relatively much older. North and South Islands are located where the tectonic plate is

moving northward against another plate, and in this process zone, the New Zealand mountains were formed.

**Land use:** The great majority of the land is in pasture, national parks, and in recent years of “reform,” turned back into forested cover.

**Climate:** Mild and moist, wetter to the west and colder to the south.

**Government:** Constitutional Monarchy, with Queen Elizabeth II as head of state. The original 1852 constitution is almost entirely void. There is a legislature, prime minister, and ombudsman. The Privy Council in Britain is the highest court. The two main political parties (Labour and National), both favor a “free-trade” economy.

People of European extraction (mostly British) comprise close to 90% of the population, and those of Polynesian extraction (mostly Maori), the rest.

**Settlement:** Polynesian migrations began early in the Christian Era; the English began colonization in the late 1700s.

—Tom Allred

FIGURE 1  
New Zealand

