Nazi 'reforms' rip New Zealand —Australia next

Special Report

I. Her Majesty's Mont Pelerin Society assaults New Zealand

1. The Mont Pelerin Society, The "Conservative Revolution", and the Nazis

The looting and destruction of the nation-state of New Zealand (and the similar process ongoing in Australia) was planned and implemented by the London-based Mont Pelerin Society (see flow chart, p. 8), the premier economic warfare unit of the British Crown. Founded in 1947 on the slopes of Mont Pelerin in Switzerland by "Austrian school" economist Friedrich von Hayek, the MPS soon moved to London.

Throughout the 1950s, the City of London magnate who single-handedly financed the campaigns for "free market economics" and what later became known as "Thatcherism", when almost no one else in the world was even considering the subject, was Harley Drayton. Though little known to history books, Drayton *managed the private fortune of the Queen* (1), and all of the early personnel and the first headquarters of the Institute for Economic Affairs (IEA), the main think-tank and organising body for the Mont Pelerin Society, *were financed by Drayton!* (2)

But back in 1947, Mont Pelerin founder von Hayek lamented that the war had drastically strengthened nation-states, which must be replaced, he said, with the classic, anti-state free trade "liberalism" of Eighteenth and Nineteenth Century Britain. And so, he called the meeting in Switzerland.

Many of those continental Europeans present, like von Hayek, carried the prefix "von" before their surnames, signifying that they came from the noble families which had governed Europe for centuries, until the collapse of the great empires during World War I. Among these were: Otto von Hapsburg, of the ruling dynasty of the recently-expired Austro-Hungarian Empire; Max von Thurn und Taxis, whose family, originally Venetian ("Torre e Tasso"), had relocated to southern Germany in the Fifteenth Century, from where it ran the postal and intelligence services for the Hapsburg Emperors for centuries; and Ludwig von Mises, the leader of the bitterly anti-Renaissance, anti-American Revolution "Austrian School" of economics founded by Karl Menger, a pre-war retainer for the Hapsburg and Wittelsbach (southern Germany) royal houses. From Britain came Sir John Clapham, a senior official of the Bank of England and the president from 1940-46 of Britain's pre-eminent intellectual body, the Royal Society. Academics came from Britain, and from the Fabian-founded University of Chicago, among them Professor Milton Friedman, who in 1975 was to visit Australia and help set up the first wave of "economic rationalist" think tanks. Like Hapsburg pretender Otto von Hapsburg, many of those at Mont Pelerin were also members of the Pan-European Union, which was founded in the 1920s by Count Richard Coudenhove-Kalergi. Coudenhove-Kalergi, whose family had ruled Venetian possessions in the Aegean since the Thirteenth Century, propagandised for a feudal "Europe of the regions" (small ethnic enclaves) to replace a "Europe of nation-states." Von Hayek's 1944 book, *The Road to Serfdom* (the title was an inside joke), set the tone: "We shall not rebuild civilisation on the large scale. It is no accident that on the whole there was more beauty and decency to be found in the life of the small peoples, and that among the large ones there was more happiness and content in proportion as they had avoided the deadly blight of centralisation." Von Hayek cynically denounced the nation-state as "tyrannical," even while he called for the establishment of a one-world empire: "An international authority which effectively limits the powers of the state over the individual will be one of the best safeguards of peace." The ruling philosophy of this new world order, he argued, must be that of the British liberal economists of the late Eighteenth and Nineteenth Centuries: Adam Smith, David Ricardo, Jeremy Bentham and John Stuart Mill. Though von Hayek did not say so, each of those had been a senior official in the British East India Company, which the ran the British empire, as well as the world's narcotics trade. The economic "theories" of these men, such as Adam Smith's *Wealth of Nations*, were concocted to facilitate untrammelled looting and dope-pushing by their employer; Smith emphasises in that book, what a valuable commodity opium is. Shortly after von Hayek's *Road to Serfdom* appeared, a former Nazi SS officer named Armin Mohler wrote a book which is the recognised classic study of fascism, *The Conservative Revolution in Germany*. In it, Mohler proved, that all of the numerous "greenie", nature-worshipping cults which had flourished in Germany in the 1920s and 1930s, and which longed for the "simpler world" of the Middle Ages, were, in fact, fascist; that the Nazis were merely the most notorious, and most effective, of those organising for the common goal of all of them, what Mohler himself espoused, which he called "the conservative revolution." Mont Pelerin shared the same "conservative revolution" philosophy as the Nazis. It also shared some of the same personnel. For instance, Max von Thurn and Taxis was a sponsor of von Hayek and his new society. Thurn and Taxis' family had founded another society in southern Germany before World War I, which was composed entirely of aristocrats, known as the Thule Society. Thule in turn formed a special "workers division" known as the "National Socialist German Workers Party" (NSDAP). The NSDAP, into which an Austrian corporal named Adolf Hitler was recruited, later became better known by the abbreviated version of its name, the "Nazis." In 1989, Max von Thurn and Taxis attended a meeting of his Mont Pelerin Society in Christchurch, New Zealand, to judge, first hand, the results of the "world's most radical free market revolution."

(1) On Drayton's role in single-handedly financing the "free trade" lobby in London in the 1950s, which gave birth to the Mont Pelerin Society's main think-tank, the Institute of Economic Affairs (IEA), see *Thinking the Unthinkable: think-tanks and the economic counter-revolution*, by Richard Cockett, Harper Collins Publishers, 1994.

(2) In the late 1950s and early 1960s, Drayton also used some of Her Majesty's fortune to build up a small company in Africa called the London and Rhodesia Company. In 1961 he installed the then-little-known businessman, Roland "Tiny" Rowland, at the head of this company, which later became notorious as the multinational, Lonrho. See *The Ugly Face of Neo-Colonialism in Africa*, by an EIR Investigative Team, Executive Intelligence Review, 1993.

CONTENTS

This Special Report was researched and written by: Robert Barwick, Allen Douglas, Craig Isherwood, Noelene Isherwood, and Michael Sharp.

The authors would like to thank Marcia Merry Baker, Richard Freeman, John Hoefle, and Anthony Wikrent of the Economics Staff of Executive Intelligence Review for their assistance.

Von Hayek worships the satanist, Mandeville

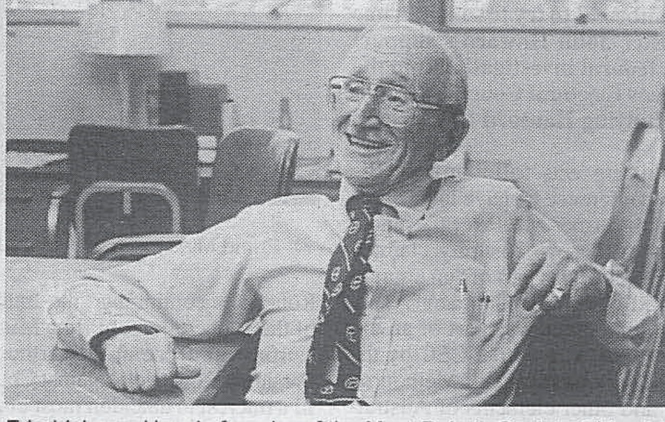
The Mont Pelerin Society was founded by Friedrich von Hayek, whom Mont Pelerinites worship as if he were a god. Von Hayek, in turn, worshipped Bernard de Mandeville (1670-1733), whom he constantly praised in speeches and writings. So who is Mandeville, this "founding father" of Mont Pelerin?

The short answer is, he was a satanist. He founded the notorious devil-worshipping Hell Fire Clubs of the Eighteenth Century, which exerted an extraordinary influence over British governments of that period. Mandeville's best known work is *The Fable of the Bees: Private Vices, Public Benefits*. He argues there that man is inherently evil, dominated by the uncontrollable passions of greed, lust, and rage. But, says Mandeville, those evil impulses, "which we all pretend to be asham'd of, are the great support of a flourishing Society."

This is where Adam Smith got his idea of the "Invisible Hand"—just go about doing evil, and it will all work out for the best, since God designed things that way.

Here are a few lines from Mandeville's *Fable of the Bees*:

Thus every Part was full of Vice,
Yet the whole Mass a Paradise
Flatter'd in Peace, and fear'd in Wars
They were th'Esteem of Foreigners,
And lavish of the Wealth and Lives
The Ballance of all other Hives.
Such were the Blessings of that State;
Their Crimes conspired to make 'em Great;
And Vertue, who from Politicks
Had learn'd a thousand Cunning Tricks,
Was, by their happy Influence,
Made friends with Vice: And ever since
The Worst of all the Multitude
Did Something for the common Good.



Friedrich von Hayek, founder of the Mont Pelerin Society. This picture is from a postcard handed out by George Soros' pro-drug Drug Policy Foundation, which regards von Hayek as their spiritual father.

2. The Mont Pelerin Society destroys a Nation State

Not so long ago, a prominent politician solemnly pledged: To balance the national budget, to curb inflation, to clean out a bloated state bureaucracy, and to privatise many functions then being carried out by government. "I am convinced," the politician said, "that a government which wants to uplift its own people ... must give free play to private enterprise and forego any measure of state control or paternalism, which ... will turn out to be fatal to the economic development of a country."

Margaret Thatcher? Roger Douglas? Or Victorian Premier Jeff Kennett, perhaps? No—Benito Mussolini, the Italian fascist dictator, made that statement in the 1920s.

Until the Labour Party took power in 1984 and implemented its Mussolini-style "reforms", New Zealand had been one of the world's leading success stories of a dirigistic economy—one in which the state played the dominant role in promoting the "common weal".

In the 1930s, the first Labour Government responded to the Great Depression by nationalising its Reserve Bank, by creating a comprehensive welfare system, and by instituting the pattern of dirigistic economic development, with an emphasis on full employment, which made the nation's concern for its average citizen famous worldwide, and which would last until it was dismantled, beginning 1984, by the fourth Labour Government.

Despite its strengths, New Zealand could not be immune to the radical changes introduced to the world economy in the 1960s, at the same time as the rock-drug-sex counterculture took hold. The characteristic orientation by Western economies to scientific and technological progress, as best exemplified by the U.S. space program, was replaced by the "post-industrial" service society. By August 1971, the resulting collapse in the real economy forced the U.S. to take the dollar off gold; the introduction of floating exchange rates ushered in the growth of a gigantic speculative Eurodollar and related bubble, one fed by the notorious oil hoaxes of the 1970s.

Though National Party leader and Prime Minister, Robert Muldoon (1975-1984), had made some tentative moves to liberalise New Zealand's economy, he quickly realised his mistake, backtracked, and attempted to isolate his country from the ongoing world economic disintegration by slapping on extensive wage and price controls, and setting up a series of "Think Big" projects designed to boost the economy, such as the creation of New Zealand Steel and the construction of an aluminum smelter, a gas reticulation system, major plants for the production of methanol, ammonia, and urea, and the electrification of the train trunk line.

Muldoon's efforts enraged a small cabal of free market ideologues, which included public servants (mainly in the Reserve Bank and the Treasury), and a handful of businessmen and politicians, who schemed to overthrow his dirigistic (if flawed) notion of economy, and to bring the country into the brave new world of free trade and speculation.

The chief actors in this cabal, numbering no more than 20 or so, had almost all been educated by one or another front group of the London-based Mont Pelerin Society, or sister institutions such as the IMF and World Bank. They included:

Roger Douglas. A rising young Labour politician and the chief political frontman for the cabal plotting Muldoon's overthrow, Douglas became the all-powerful Finance Minister after Labour came to power in 1984.

Benito Mussolini, the Italian fascist dictator of the 1920s.

Roderick Deane. The Deputy Governor of the Reserve Bank, Deane had been an Alternate Executive Director of the IMF from 1974-1977.

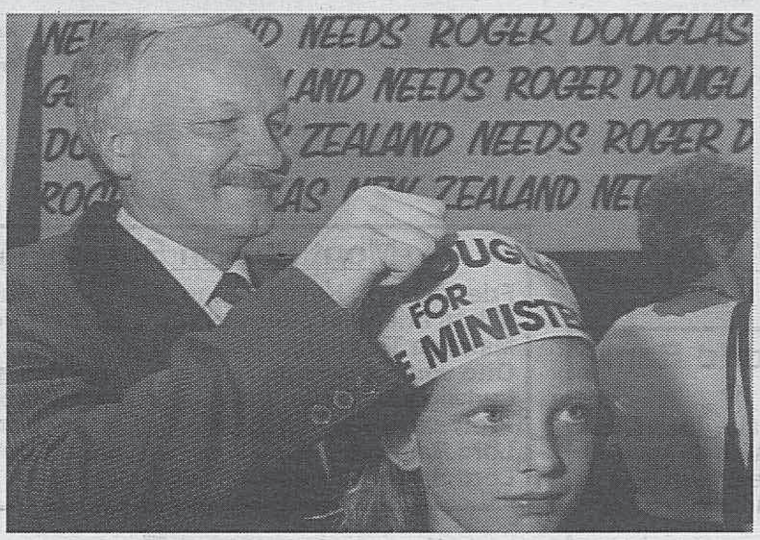
Roger Kerr. A member of the Mont Pelerin Society and a friend of Roger Douglas, Kerr was the chief brains behind the cabal in Treasury, known as "Economics II," which clamoured to "open" New Zealand's economy. Other members of Economics II were Graham Scott (later Treasury Secretary himself), Bryce Wilkinson, and Rob Cameron.

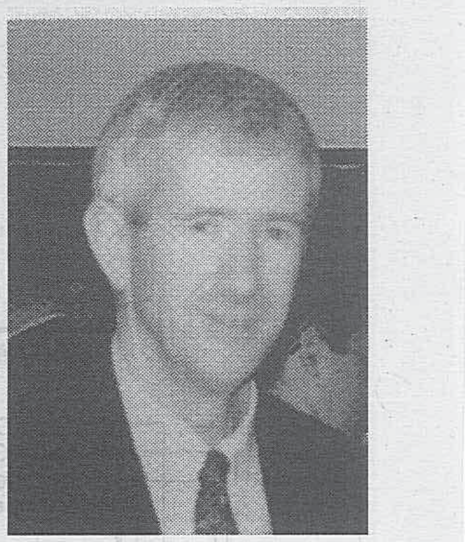
Doug Andrew. Another member of Kerr's Treasury cabal, Andrew had been at the World Bank. In the early 1980s, he became Treasury's

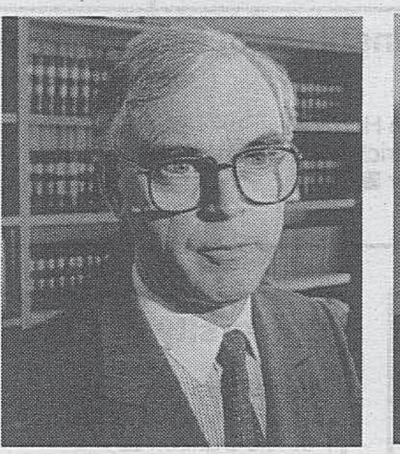
Continued next page

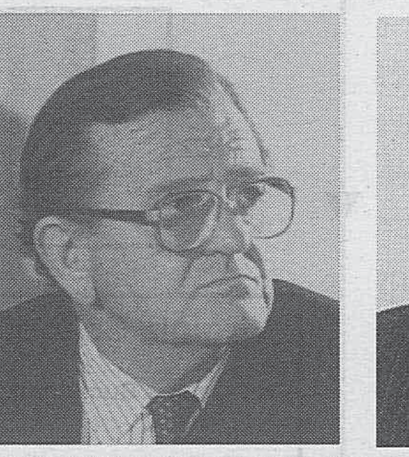
Nazi 'reforms' rip New Zealand - Australia next

New Citizen Special Feature - 2









Top: Left to Right, Sir Roger Douglas, Roger Kerr. Middle: Left to Right, Dr. Rod Deane, Sir Ron Trotter, Alan Gibbs. Bottom: Ruth Richardson

from Page 6
official liaison and economics tutor to Roger Douglas.

Alan Gibbs. Member of the Mont Pelerin Society, a close friend of, and probably the key economic adviser to, Roger Douglas.

Bob Jones. Property speculator and political activist.

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

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 have savaged New Zealand. *Economic Management* called for, among other things: the devaluation and floating of the New Zealand dollar; the abolition of interest rate and exchange controls; a massive tax reform to the benefit of the rich; the abolition of tariffs and other protective measures for agriculture and industry; and the privatisation (looting) of huge sectors of the state.

The New Zealand Party

By 1983-1984, the free-market gang had their "reform" blueprints drawn up, as well as their designated "shadow Finance Minister", Douglas, all ready to go. All they needed, was to get rid of Muldoon.

Enter Bob Jones.

Jones was a big-time property speculator and a patron of the New Zealand-USSR Friendship Society; he once explained away his early morning presence at KGB headquarters in Moscow, by saying that he had gotten lost while out for a jog, "bowled in the back door and made my way to the front foyer" to ask for directions. His property speculation hampered by Muldoon's controls on the economy, Jones formed the New Zealand Party to dump Muldoon. The Party called for: the legalisation of dope; the elimination of much of New Zealand's defence budget (at a time the Soviets were expanding dramatically in the South Pacific); and radical free market reforms.

Key figures in the New Zealand Party included Gordon Dryden, a well-known former member of the Communist Party of New Zealand, and the coordinator of an influential circle in New Zealand's media; Josephine Grierson, a Briton and an Oxford graduate in free-market economics, who wrote the history of the New Zealand Party, *The Hell of It*; and Prof. Ewen McCann of Canterbury University, one of the country's leading free-market ideologues.

Jones' party drew much of its 12.3% of the vote from the National Party, allowing Labour to come to power. As Jones later commented, "I mean, we won them [Labour] the election last time. We split the bloody votes and we handed them a whole heap of seats."

The stage was set for the reforms.

The Baby Boomers Take Charge

The Mont Pelerin Society, through MPS member Alan Gibbs (see interview with Lord Harris of High Cross, p. 10) and through its assets in Treasury led by MPS member Roger Kerr, had cultivated during the early 1980s a group of up-and-coming young Labour politicians, particularly those around Roger Douglas in the Prince Street, Auckland branch of the Labour Party.

Douglas and his associates were Baby Boomers, who represented a radical break with the working class Labour stalwarts who had built the New Zealand economy from the 1890s on, both through their own physical toil, and through their political leadership. Douglas, a vitamin pill salesman, was typical of the new, "service sector"-oriented Labour Party. Like the rest of their generation then emerging to political influence around the world, this crowd was hostile to reality—to the agricultural and industrial production upon which New Zealand's living standards and egalitarian outlook had depended.

Once in power, they set out to rip it apart.

A Coup D'etat

A key point of the free-market cabal's program was to devalue the New Zealand dollar, an extremely sensitive issue. Several weeks before the July, 1984 election, Douglas, Labour's shadow finance minister, "accidentally" released a statement which signalled his intent to devalue. Since it was a near-certainty that Labour, aided by the New Zealand Party's drawing votes from the Nationals, would win, speculators began to dump the New Zealand dollar, planning, post-devaluation, to cash in each dollar of foreign currency for more New Zealand dollars than previously.

With Labour's victory, the simmering foreign exchange crisis exploded. The Reserve Bank's foreign exchange holdings quickly ran dry, and Labour demanded, even before the end of the several-week transition period, that Muldoon devalue. After a brief struggle, Muldoon capitulated, and devalued by 20%. Speculators made tens, if not hundreds of millions of dollars overnight.

But now, in a pattern which was to repeat itself in later elections, the hard-core free-marketeers led by Douglas demanded, in order to deal with the "crisis" which they themselves had created, that Treasury's entire *Economic Management* plan be implemented. This, it should be noted, was *not* the program of the Labour Party, and therefore not the program which New Zealanders had voted for, but that of the Mont Pelerin cabal, which Douglas et. al. had purposely kept from the electorate. Asked why the deceit, Labour Prime Minister David Lange told SBS TV's Dateline program in 1987, "I guess Roger felt it was worth implementing," —acknowledging that Labour's base would never have endorsed such a monstrosity.

Under cover of "crisis," the cabal moved with such stunning speed, that no one could stop them. As Douglas himself specified his method of ramming through extremely 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 mobilise and drag you down."

The Business Roundtable

In the fourth Labour government, real power lay in the hands of Douglas and his two closest associates in the Cabinet, Richard Prebble and David Caygill. Prime Minister Lange was just a figurehead, as *New Zealand News* financial columnist Warren Berryman told a journalist from *Executive Intelligence Review* at the time, "As far as the business community goes, Lange is basically irrelevant. Roger Douglas is running the place. Make no mistake about that. He is doing anything in this country that has any real meaning ... Lange's more of a sideshow. He keeps the rabble amused, while Douglas, Prebble, and Caygill get on with actually running the place."

To help implement Douglas' program, the Labour government called an "economic summit" in 1985, chaired by Sir Ron Trotter, chairman of the Fletcher Challenge corporation. By early the following year, Trotter revamped an existing business group which he chaired, known as the Business Roundtable, to become a high-power lobby for "free market" reforms. And high-power it was: firms associated with the Roundtable had a total capitalisation of \$15.4 billion, representing 64 per cent of the value of the New Zealand share market! Directors of Roundtable companies sat on the boards of over 100 other New Zealand corporations. As the *New Zealand Herald* of 12 Nov. 1986 observed, about the Roundtable's clout:

"Among them, these 32 men help to control 76% of the country's newspaper circulation, the bulk of the private radio stations, the biggest bank, the biggest exporters of meat and horticultural produce, the biggest rural servicing conglomerate, the three biggest forestry companies, the two biggest supermarket chains, both brewery companies, and a sizeable chunk of the rest of the manufacturing, finance and other sectors." Very shortly, Roundtable members involved in manufacturing quit in disgust, and the group became a puppet of the finance sector.

Trotter was its chairman, but the real engine of the Business Roundtable was the former Treasury official who had drafted all the proposed "reforms" in the first place: Roger Kerr. Trotter picked Kerr as the Roundtable's new executive director and installed him in Fletcher Challenge House in Wellington, right across the hall from Trotter's own office.

Regarding the significance of Kerr's appointment, Prime Minister David Lange told the *New Zealand Sunday Times* on 18 January, 1987, that the Roundtable had played down Kerr's appointment because "they're cunning. There is now a well researched, well presented effective business group calling itself the Roundtable and it was an event of some significance that it moved beyond an informal coalition of interests to a structured organisation with the appointment of that director, which was a really significant move."

It certainly was: *Roger Kerr was one of only three New Zealand members of the Mont Pelerin Society!* Through the unceasing torrent of "studies" it commissioned from one Mont Pelerin think tank or another, each of which called for an utter dismantling of the New Zealand economy, including its healthcare 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 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 privatised former state assets!* (see flow chart page 9)

But the Roundtablers weren't the only ones to cash in. Many of the cabal of Treasury and Reserve Bank "public servants" who had pushed the changes—like Kerr himself—took up lucrative posts in merchant banks, the new State Owned Enterprises (SOEs), or in the Roundtable itself (see chart, p. 10). Besides Kerr, a notorious case was his old tutor in economics at Victoria University, Dr. Roderick Deane, who had in fact recommended his former pupil for the Roundtable post in the first place. As number two at the Reserve Bank, former IMF official Deane had ceaselessly pushed the IMF/Mont Pelerin agenda. After leaving the Reserve Bank, Deane in 1986-1987 chaired the State Services Commission, which oversaw the corporatisation/privatisation process of former state assets; he is now pulling down approximately \$1 million a year in salary as the chief executive of one of those privatised assets, the phone system, Telecom.

Meanwhile, in other shameless displays of cronyism, the Treasury and Reserve Bank poured tens of millions of dollars in "consulting fees" into businesses dominated by their former colleagues, for reports on how to *further* dismantle the economy.

In 1987, when Labour once again faced election, the Roundtablers poured in the money to keep them in power. According to the account of Equiticorp's Allan Hawkins, later sent to jail for fraudulently funding his company's purchase of NZ Steel in 1987, he, and at least several other top businessmen, each gave \$250,000 to Roger Douglas, *personally*, to help secure Labour's victory. The money bought a massive, slick advertising campaign with which Labour overrode the growing discontent with the "reforms," and returned to power.

Mont Pelerin on the Left... Mont Pelerin on the Right

By 1990, when a population disgusted with being the guinea pigs for the most radical free market experiment in the Western world, clearly intended to kick the Labour Party out of office, the Mont Pelerinites moved to secure their "revolution." According to economist David Steele, writing in the March/April 1990 edition of the *PSA Journal*, shortly before the election, a three man delegation from the Business Roundtable, two of whom were Mont Pelerin members Gibbs and Kerr, met with National Party leader, and soon to be Prime Minister, Jim Bolger, to "request" that Ruth Richardson, a Mont Pelerin asset (see interview with Lord Ralph Harris, p. 10) be made Finance Minister in his new government. She was, and Mont Pelerin's revolution escalated, as Richardson and the Nationals—again, under cover of a "crisis" suddenly discovered by the Treasury—rammed through the MPS program of "labour market reforms," which even Roger Douglas had not been able to do. Such "reforms" effectively ended trade unionism as it had been known in New Zealand for decades. Indeed, the infamous *Employment Contracts Act of 1991*, did not even mention the word "trade union" once.

MPS member Gibbs, the close friend and early tutor of Roger Douglas in economics, cashed in handsomely on "Rogernomics"; over the 12 years of "reform" he and the Mont Pelerin Society have imposed on New Zealand, Gibbs' personal wealth has soared from \$46 million in 1986 to \$200 million today, making him the 4th richest person in New Zealand.

Mont Pelerin Society's Fascist International and Its New Zealand Branches

Legend

- ● Mont Pelerin Society
- ❑ Centre for Independent Studies
- ▲ Business Roundtable
- ✚ Tasman Institute
- ◆ On the board of, or employed by, Business Roundtable company
- ■ Attended 1989 Christchurch MPS conference
- ✣ IMF/World Bank
- ❖ Treasury official
- ★ Reserve Bank official
- ✪ Attended Harvard

Mont Pelerin Society (MPS)

Friedrich von Hayek, founder
Milton Friedman, founder
Max von Thurn und Taxis ■
Otto von Hapsburg
Ludwig von Mises
Professor Alan Peacock
Lord Bauer ■
Lord Harris of High Cross ■
James Buchanan ■
Michael Porter ■ ✚ ✣

New Zealand members:
Alan Gibbs ❑■▲
Roger Kerr ▲❑■◆
Simon Upton ■

IMF/World Bank ✣

Dr. Rod Deane ❑▲★✪✚■
Bernard Galvin ❖
Doug Andrew ❖
Grant Spencer ★

Institute of Economic Affairs
(London)

Lord Ralph Harris ■
Prof. Friedrich von Hayek
Lord Bauer ■
Sir Antony Fisher
Lord Renwick
Lord Grantchester
Lord Joseph
Sir Allen Walters
David Green

Virginia School

Prof. James Buchanan ■

University of Chicago

Prof. Milton Friedman
John Fernyhough ✚■▲
Patricia Danzon ▲

Austrian School

Ludwig von Mises

Fascist Policies

Union busting
Wage cuts
Mass unemployment
Deregulation
Privatisation
- State assets
- Health
- Education

Free trade
Drug legalisation
Accelerated death rates

MPS front groups in New Zealand

Treasury ❖

Roger Kerr ●❑▲
Graham Scott
Rob Cameron ❑■✪
Bryce Wilkinson ❑■✪
Bernard Galvin ✣
Doug Andrew ✣

Reserve Bank ★

Dr. Rod Deane ❑▲✚✪✣■
Grant Spencer ✣
Sir Ron Trotter ❑▲✚
Sir Peter Elworthy ❑■
Spencer Russell
Don Brasch ■

Business Roundtable ▲

Roger Kerr: Executive Director ●❑■◆
Alan Gibbs ●❑■
Sir Ron Trotter ❑✚★
Douglas Myers ■
David Richwhite ■❑
Bob Matthew

Centre for Independent Studies ❑

Friedrich von Hayek
Alan Gibbs: Founder/Chairman ●▲■
Roger Kerr ●▲■◆
Sir Ron Trotter ▲✚★
Dr. Rod Deane ▲■✚★✪✣
Sir Peter Elworthy ■★
David Richwhite ▲■
Rob Cameron ■✪◆

Tasman Institute ✚

Sir Roger Douglas ■
John Fernyhough ■
Sir Ron Trotter ▲❑★
Dr. Rod Deane ❑▲✣■✪★
Michael Porter ● ■
(Executive Director)

Mont Pelerin Political Stooges

Sir Roger Douglas ■✚
Simon Upton ●■
Ruth Richardson ■
Max Bradford ■
Barrie Leahy ■
Sue Wood ■
Jim McLeay ■

Looting and destruction of New Zealand

How the Mont Pelerin Society's agents ripped off New Zealand

Legend on page 8

Mont Pelerin Society (MPS) ●

Alan Gibbs □▲■ Roger Kerr ▲□◆■ Simon Upton ■

Tasman Institute ✚

Sir Roger Douglas ■
Dr. Rod Deane □▲★✱■✪
Sir Ronald Trotter ▲□★
John Fernyhough ■
Michael Porter ●■ ◆
(Treasury consultant)

New Zealand Centre for Independent Studies □

Alan Gibbs: Fndr./Chrmn. ●▲■
Roger Kerr ●▲◆■
Dr. Rod Deane ▲✚★❖✪■
Sir Ron Trotter ▲✚★
Sir Peter Elworthy ★■
Douglas Myers ▲
David Richwhite ▲■
Simon Walker
Alan Woodfield ■
Prof. David Emmanuel
Hanne Hulmes ■
Hugh High ■
Peter Troughton ▲■
John Fountain
Ian Douglas ■
Doug Manning
Max Bradford ◆
Barrie Leahy ■
Jim McLeahy ■
Sue Wood ■

NZ Business Roundtable ▲
(1996 members, and former members)

Roger Kerr (Executive Director) ● □ ◆■
Sir Ron Trotter (former Chairman) □★✚
Anne Henare ◆■
Michael Irwin ❖
John Fernyhough, Electricorp, ✚■
ANZ: WS Jones
Aoraki Corp: G Simpson
Apple Fields: GTC Kain
Arthur Anderson: RA McLeod
ASB Bank: RJ Norris
AMP: AR Harwood
BNZ: G Wheaton
Bankers Trust: GR Walker
Beca Carter Hollings & Ferner: R Carter
BOC Gases NZ: GP Reidy
Brierley Investments: Bob Matthew (Vice Chairman)
Caltex: EH Hold
Carter Holt Harvey: JF Faraci
Cavalier Corp: AM James
Ceramco Corp.: JS Baird
Clear Communications: AJ Makin
Colenso Communications: R MacDonnell
Comalco (CRA/RTZ): TK McDonald
Corporate Investments: PH Masfen
DB Group Ltd: E Korthals Altes
Electricity Corporation: David J Frow
Farmers Deka: JW Walden
Fay, Richwhite Ltd.: David Richwhite (Vice Chrmn) □■
First NZ Capital (CS First Boston): William R Trotter
Fletcher Challenge, Pulp & Paper: JA Hood
Forestry Corporation of NZ: Timothy J Cullinane
Freightways: W Lewis
Gibbs Securities: Alan Gibbs ●□▲■
Giltrap Motor Group: CJ Giltrap
Glaxo Wellcome NZ: AR Eldridge
Goodman Fielder (NZ): R Vela
Heinz-Wattie: DA Irving
Lion Nathan: A Douglas Myers (Chairman)■□
Lockwood Buildings: J La Grouw Jnr
Lowe Walker NZ: GES Lowe
Macraes Mining Company Ltd: P O'Connor
Mercury Energy: WL Gilbert
Methanex NZ: J Linton
Mobil Oil NZ: JR Law
National Bank of NZ: Sir John Anderson
National Business Review: BN Colman
National Mutual Life Assoc.: WA Ratcliffe
Natural Gas Corp.: RJ Bentley
Nestle Corp.: JHW Potter
NZ Post: Elmar Toime
NZ Rail: Dr. AF Small
Ports of Auckland: R Cooper
Russell McVeagh McKenzie Bartleet & Co.: GT Rickets
Saatchi & Saatchi Advertising: PD Cullinane
Samson Corporation: Michael Friedlander■
St Lukes Group: P Preston
Southern Cross Healthcare: R Bowie
Steel and Tube Holdings: N Calavrias
Sun Alliance Insurance: WB Crowley
Telecom: Dr. Rod Deane □✚❖★✪■
Tower Corporation: James Boonzaier
Toyota: RL Fields
Trust Bank NZ: GS Pentecost
Westpac: HM Price
Whitcoulls Group: GR Hart
Woolworths NZ: GF Evans

Associate members
Trevor Farmer, **Freightways**
Charles R Bidwill, **Ceramco**
Peter Shirtcliffe, **Telecom**
Rosanne Meo, **Forestry Corp.**

Fletcher Challenge (FCL)*

Board of directors:
Sir Ron Trotter: Chairman, 1981-1995, chrmn **Telecom, State Owned Enterprise Steering Committee**, **NIPB**, Postbank, Business Roundtable; dir **Reserve Bank**, ANZ; Ciba-Geigy NZ
Hugh Fletcher, **Air NZ**
Dr. Rod Deane: appointed 1994, CEO Telecom, dir ANZ, former: CEO **Electricorp**, chrmn **SSC**, Dpty. gov. **Reserve Bank** and alternate Exec. Dir. IMF
Paul Baines, former CEO CS First Boston, dir BIL and **NZ Post**
William Wilson: Chrmn Fernz Corp., Freightways and **Reserve Bank**
Michael Andrews, Business Roundtable
David Sadler: dir **Tranzpower** and frmr dir **Electricorp.**

State assets bought:
Petrocorp, $801.06 million
Rural Bank, $687.5 million
NZLFI, $203 million
Maui Gas, $254 million (portion)
Synfuels, $121 million
Forestry Cutting Rights, $262 million worth
Taranaki Petroleum Mining Licenses, $118.84 million (portion)
Forestcorp: $2,000 million

*State Owned Enterprises, and Government entities, are indicated in bold.

Fay, Richwhite Ltd

Directors:
Sir Michael Fay
David Richwhite, Vice Chairman of Business Roundtable, member of Centre for Independent Studies.
Jointly second richest men in NZ, worth $240 million each.
Fay, Richwhite employed former Treasury officials Rob Cameron and Ian Dickson, experts in SOEs and tax respectively.

State assets bought:
Telecom, $4,250 million
BNZ (27%), $400 million
NZ Rail, $328.191 million

State Services Commission

(Oversaw the corporatisation process, including job cuts, and the appointment of management)

Dr. Rod Deane, Chairman 1986-1987: ▲□★✱✚✪■
Donald Hunn, Chairman 1987-: (brother of John Hunn ▲)

State Owned Enterprise Steering Committee

(Oversaw the privatisation of the SOEs)

Sir Ron Trotter, Chairman 1987-1988: ▲□✚★

State Owned Enterprises

ECNZ (ELECTRICORP)

Dr. Rod Deane, CEO '87-'94 ▲□✚★❖✪■
David Frow, current CEO ▲
John Fernyhough, Chrmn. '86-'93 ▲ □✚
Selwyn Cushing, Chairman '93- ▲◆
Roger Kerr, director '87-'94 ●▲□◆■
Alan Gibbs ●▲□■
Athol Hutton ▲
Peter Menzies ▲
Ron Carter ▲
Doug Ritchie, dir '87-'94 ◆
David Sadler, dir '87-'94 ◆
Jim Scott, dir ◆
Sacked 2,270 workers, 38% of its workforce, 1987 - 1991

Maori Dev. Corp.

AB Downey ◆
JW Holdsworth ◆

Airways Corp.

LC Ryan ◆
RE Sayers ◆
Bob Henare ◆

Tranzpower

Peter Troughton, Chrmn. ▲□■
Penny Brook ◆
Sir Colin Maiden ◆
Doug Ritchie, Chairman ◆
David Sadler ◆

Coal Corp.

Bob Henare ◆
DJ Stock ◆
Sacked 1,186 workers (64%), 1987-1991

Housing Corp.

RA Bonifant ◆
Fran Wilde ◆

NZ Post

Elmar Toime ▲
Mr Paul Baines ▲
Patricia Reddy ◆
DRK Gascoigne ◆
IF Farrant ◆
RJ Campbell ◆
Sacked 3,800 workers (32%), 1987-1991

Telecom

Peter Troughton, CEO 1988-1992: ▲□■
Sir Ronald Trotter, Chrmn 1987-1990: ▲□✚★
Peter Shirtcliffe: ▲
Thomas Burns: ▲
Trevor Farmer: ▲

Current directors (post privatisation)

Dr. Rod Deane, CEO ▲□✚★❖✪■
Peter Shirtcliffe, Chairman 1990- ▲
David Richwhite ▲□■
Alan Gibbs ●■▲□
John King ◆
Sacked 15,900 workers (65%), 1987-1996

Works and Development Services Corp.

Ron Arbuckle ▲
Basil Logan, Chairman ▲
Bob Henare ◆
Richard Prebble

LandCorp

David Chalmers ▲
Sir Peter Elworthy □★■
PJ Egan ◆
SM Lojkine ◆

Synthetic Fuels Corp.

Sir Colin Maiden ◆
JT Mann ◆
RWL Makelg ◆

Petrocorp

John Hunn ▲
Paul Collins ◆
MNT Geary ◆
Sir L Stevens ◆

BNZ

AB McKay ▲
SM Lojkine ◆
Sir Ron Brierley ◆
Rob Campbell ◆

Air New Zealand

Hugh Fletcher, Chairman 1987-1989 ◆
CJ Keppel CMG, dpty Chairman 1985-1989 ◆
NMT Geary ◆

Current directors (post privatisation)
Sir Ron Trotter, 1989- ▲□✚★
Bob Matthew ▲
Bill Dix ✚

Forestcorp

Alan Gibbs, chairman '87-'90 ●□▲■
John Fernyhough, '87-'94 ▲□✚
Warren Hunt ▲
Tim Cullinane ▲
Rosanne Meo, chairman ▲
Murray Gough, deputy chairman ◆
Sacked 4,473 workers (63%), 1987-1990

Rural Bank

Sir A Wright ◆
JW Holdsworth ◆
Peter Shirtcliffe ▲■

Development Finance Corp. (DFC)

John Fernyhough ▲□✚
AM McConnell ▲

NZ Railways

Kevin Hyde, CEO 1987-1990 ✪
AM McConnell ▲
RE Sayers ◆
Dr. A Francis Small ▲
Sacked 9,000 workers (60%), 1987-1991

Post Office Bank

RL Congrave ◆
Bill Birnie ◆
Dai Hayward ◆
Current directors (post Privatisation):
Sir Ron Trotter, chairman 1989- ▲□✚★

New Zealand Government asset sales, 1988 - 1996*

1988

New Zealand Steel
79% share worth $1.78 billion
Sold to: **Equiticorp/Allan Hawkins** ▲
Price: $327.22 million

Petrocorp
Sold to: **Fletcher Challenge (Sir Ron Trotter ▲□✚★)**
Price: $801.06 million

Health Computing Service
A division of the department of health.
Sold to: **Paxus Information Services Ltd.** an associate company of **NZI Corporation/David Chalmers** ▲
Price: $4.25 million

DFC New Zealand Ltd
NZ's largest investment banking organisation
Sold to: **National Provident Fund (80%) and Saloman Brothers (20%)** for $111.28 million.

1989

Post Office Bank (Postbank)
Sold to: **ANZ (Sir Ron Trotter ▲□✚★)**
Price: 678.46 million

Shipping Corp.
Sold to: ACT NZ
Price: $33 million

Air New Zealand
Sold to: **Brierley Investments (Sir Ron Brierley ◆)**
Price: $660 million

Landcorp Mortgages
Not strictly a government asset sale; the SOE Landcorp sold the mortgages and then released much of the revenue to the Crown through redemption of preference shares.
Price: $77 million.

Rural Banking and Finance Corporation
Sold to: **Fletcher Challange/Sir Ron Trotter ▲□✚★**
Price: $687.5 million.

1990

Government Printing Office:
Sold to: **Rank Group/CR Hart** ▲
Price: $23 million
(A further $20 million was received from the sale of GPO assets)

National Film Unit
Sold to: TVNZ
Price: $2.5 million

Communicate New Zealand
Sold to: **DAC Group**
Price: $60,000.

State Insurance Office (SIO)
Sold to: **Norwhich Insurance**, a British company. (**Elmar Toime** ▲ is a director).
Price: $735 million.

Tourist Hotel Corp
Sold to: Southern Pacific Hotel Corp
Price: $73 million

New Zealand Liquid Fuel Investment Ltd (NZLFI)
Sold to: **Fletcher Challenge Canadian Investments Ltd/Sir Ron Trotter ▲□✚★**
Price: $203 million to take over the assets and liabilities of NZFLI.

Maui Gas
Sold to: **Shell/BMJ Dineen ▲, Todd Corp./ John Hunn ▲, and Petrocorp (owned by Fletcher Challenge/Sir Ron Trotter ▲□✚★)**
Price: $254 million

Synfuels
Sold to: **FCL/Sir Ron Trotter ▲□✚★**
Price: $121 million (A further $85 million was made from the sale of Synfuels assets)

Telecom
Sold to: **Ameritech - US, Bell Atlantic - US, Freightways - Alan Gibbs ●▲□■, Trevor Farmer ▲, Midavia - David Richwhite ▲□■**
Price: $4.25 billion

Forestry Cutting Rights, 247,000 hectares of crown forests sold in 1990
Sold to: $262 million (one quarter) to **Fletcher Challange (Sir Ron Trotter ▲□✚★)**, $382.9 million (one third) to **Carter Holt Harvey (John Faraci ▲)**, $26.8 million to **Baigents/Shell NZ (BMJ Dineen ▲)**, and the remaining one third to eight other companies.

Since 1991

New Zealand Timberlands, a wholly owned subsidiary of Forestcorp Ltd.
Sold to: **ITT Rayonier**
Price: $366 million

Export Guarantee Office Ltd.
Sold to: State Insurance Office **(owned by Norwhich Union/Elmar Toime▲)**
Price: $19.78 million

Government Supply Brokerage Corp.
Sold to: Professional Services Brokers
Price: 3.2 million

Housing Corporation - Mortgages
Of the $1,316.23 million in Housing Corp mortgages sold between 1991 and 1996, $1,191.32 million was sold to the **ANZ Bank or its subsidiaries, Postbank and Mortgage Corp. Sir Ron Trotter ▲□✚★ is on the board of ANZ, and is the chairman of Postbank.**

Taranaki Petroleum Mining Licenses
Sold to: A consortium of **Southern Petroleum** and **Petrocorp (Fletcher Challenge/Sir Ron Trotter ▲□✚★).**
Price: $118.84 million.

Bank of New Zealand (BNZ)
Sold to: **Fay, Richwhite (D Richwhite ▲□■)** - 27%, and National Australia Bank - 57%
Price: $849.946 million (for NAB's share only)

NZ Rail
Sold to: Wisconsin Central Transport Corp., Berkshire Partners, & **Fay, Richwhite Ltd (David Richwhite▲□■)**
Price: $328.191 million

Wrightsons Rights
Sold to: "Domestic and international institutions"
Price: $3.45 million

Fletcher Challenge Ltd. shares, acquired by the Crown as part of its deal with FCL over the sale of Petrocorp in 1988
Sold to: Domestic and international institutions
Price: $418.06 million

GCS Ltd.
Sold to: EDS Holdings Ltd. (NZ)
Price: $46.99 million

Radio NZ
Sold to: Wilson & Horton
Price: $89 million

Forestry Corp.
Sold to: **Fletcher Challenge - Sir Ron Trotter ▲□✚★, Brierley Investments - Bob Matthew ▲**, & CITIC (Chinese)
Price: $2.03 billion

Source: New Zealand Treasury

* Business Roundtable companies are indicated in bold.

Out of $15.322 billion worth of privatised former New Zealand state assets, companies connected with the Mont Pelerin Society's main New Zealand front, the Business Roundtable, bought an astounding $12.542 billion, or about 82% of the total. Companies associated with long-time Business Roundtable Chairman, Sir Ron Trotter (who also chaired the committee which directed the privatisation process), bought one third of the total, while Fletcher Challenge Corp., also chaired for many years by Sir Ron Trotter, bought one fifth of the lot. Not surprisingly, Trotter and his Business Roundtable mates are fervent believers in Mont Pelerin's "free market", which has so handsomely lined their pockets, while destroying the nation.

The public servants cash in on New Zealand "reforms"

Treasury
Bernard Galvin, Graham Scott, Roger Kerr, Robert Cameron, Bryce Wilkinson, Stephen Jennings, Susan Begg, Ian Dickson, Paul Bevin, Anne Henare, Michael Irwin, Max Bradford, Pat Duignan

Reserve Bank
Gov. Spencer Russell, Dr. Rod Deane, Arthur Grimes

Politicians
Sir Roger Douglas, Ruth Richardson, Richard Prebble, Fran Wilde, Tony Friedlander, Grant Thomas, Margaret Moir, Jeff Grant, John Armstrong, Graeme Reeves, Richard Walls

Merchant Banks
- **CS First Boston**: Bryce Wilkinson, Rob Cameron, Susan Begg, Stephen Jennings
- **Fay, Richwhite**: Ian Dickson, Rob Cameron

Private firms
- **Francis Allison Symes**
- **Tower Corp.**: Paul Bevin
- **National Bank**: Arthur Grimes
- **Telecom Corp.** (privatised): Dr. Rod Deane, Pat Duignan
- **Brierley Investments**: Sir Roger Douglas, Fran Wilde

State Owned Enterprises
- **Telecom**: Spencer Russell
- **Electricorp**: Roger Kerr, Dr. Rod Deane
- **Works and Development Services Corp.**: Richard Prebble
- **Housing Corp.**: Fran Wilde
- **Government Property Services**: Tony Friedlander
- **LandCorp**: Jeff Grant
- **Tranzpower**: John Armstrong
- **TVNZ**: Richard Walls
- **Vehicle Testing Authority**: Grant Thomas
- **Met Service**: Margaret Moir
- **NZ Post**: Graeme Reeves

Private think- tanks
- **Business Roundtable**: Roger Kerr, Ann Henare, Michael Irwin
- **Tasman Institute**: Sir Roger Douglas
- **Bankers Association**: Max Bradford

Consultancies
- **Sir Roger Douglas**: Consulted to World Bank/IMF reforms in Russia, Brazil, Mexico, Pakistan, Canada, Peru, Vietnam, China, South Africa, Singapore, Australia.
- **Ruth Richardson**: Consulted to Argentine Government
- **Graham Scott**: Private consultant, but also chairs Central Regional Health Authority and the Electricity Market Co.
- **Rob Cameron**, **Stephen Jennings**: Now partners in a firm, Cameron & Company. Consult to privatisations

3. Lord Harris: "Mont Pelerin organised the New Zealand reforms"

Lord Harris of High Cross, longtime head of Mont Pelerin's main think tank, the Institute for Economic Affairs in London, was interviewed on March 31, 1996 by an American academic. Harris had personally inaugurated Mont Pelerin Society member Alan Gibbs' New Zealand Centre for Independent Studies in Auckland in 1986.

Q. The models of economic reform which everyone is talking about are New Zealand, Russia, and the Thatcher reforms over there.

A. I was the secretary of the Mont Pelerin Society, and I am still a member. ... The key emphasis, as far as I am concerned, and I have watched it not only under Thatcher, but all around the world, the key is the enormous impact of the philosophy and economics of Hayek, and the micro-market economics of Milton Friedman. There is this outfit called the Mont Pelerin Society. It was started in 1947 ...

That Mont Pelerin Society created the IEA, which comes to be called "Thatcher's Think Tank," but we were running long before Thatcher. We weren't Thatcherites, but she was an "IEA-ite," she picked up her thinking through some of her colleagues and her academic friends, directly through the IEA's publications, which drew heavily on the Mont Pelerin Society's connections!

Q. Let me just make sure I understood you right, on Margaret Thatcher and the IEA—that Margaret Thatcher literally took her ideas, literally took them from you and the Mont Pelerin Society?

A. There is no question. The only reason I am a Lord, I mean, I am just a lad from a working class family in North London, and I mean all my colleagues in the IEA, almost all of them were working class guys who went to grammar school and some of them left school at 16 even, and did evening classes. But we were self-motivated, active, vigorous, ambitious, aspiring, improving ourselves...

What I am saying is, I don't want to claim to be controlling everything, but the only reason I got a peerage the year that Thatcher got into power—I have been "Lord Harris" since 1979—there is no question, that that was her way of acknowledging that that group of thinkers, of which I was the least, if you like, because these Nobel prize winners—we published them, we chose them, we had some credit as the intellectual entrepreneurs in all this, but we were not seminal men like Hayek or Friedman might be so that was her acknowledgement that "This is the group that I favour." And of course a lot of my pals are now "Sir Peter this" and "Sir John the other." Hayek himself became a Companion of Honour! Which is amazing, in this country it is like your presidential medal. The Queen makes one a Companion of Honour. There are only 60 at any one time in the entire kingdom!

Hayek, born in Vienna, a naturalised British subject in 1936 or 1937, suddenly made a Companion of Honour! That was Thatcher saying, "These are my people, they are one of us." Or "We are one of them!"...

It is all this very exciting, jostling idea, of how far can free institutions, competing, spontaneous institutions, supplant the planned, imposed, orderly method of bureaucratic government? This now is bubbling away. It is totally extraordinary!

Q. So we are moving back to the era before the nation-state?

A. That's right! That is absolutely right.

Q. Another place which is very famous for the rapidity and far-reaching nature of its changes, is New Zealand. You had some fairly direct impact on New Zealand, didn't you?

A. I think we could claim, we really could claim, that the IEA, and then our offshoots, not least the Centre for Independent Studies in Sydney, my friend there Greg Lindsay, I mean, and constant ... I have been to New Zealand two or three times, and every time I went, I went the rounds of Wellington, to see political people, to see the business community. We had a Mont Pelerin conference in New Zealand, and many of the most active people in New Zealand were around that. I have a book just on my shelf. I had someone called Ruth Richardson, a minister in this New Zealand lot, at some stage and Ruth Richardson sent me a copy of this book, because she first came to the IEA to learn about educational vouchers, and about de-nationalisation, about privatising the health service. They then went back...

There is a man called Roger Douglas, with his Rogernomics, he was a Labour member of parliament in New Zealand. But when I went to New Zealand, one of the first men I met was Roger Douglas. He said, "I know you lot." There was a familiarity.

This is the critical thing. These ideas are spread through originally narrow channels. It wasn't a mass conversion. The IEA here, if you walk out in the streets in Westminster and talk about this fellow Harris from the IEA, they wouldn't know what you are talking about ... .

Q. You were starting to say, "We could really claim ...", could you finish that thought, about your impact on the New Zealand reforms?

A. We could certainly claim that we had direct personal contact with a number of the key people in New Zealand. Their budget deficits were so bad, their trade deficits were so bad. Something had to be done. They had all this protection of industry. I don't have all the latest stuff, but Roger Douglas sends me his book. Now there is *phenomenal freedom*, including exchange control, financial freedom, banking freedom, things that were totally impossible to visualise before.

Q. Aren't both Douglas and Richardson both Mont Pelerin members?

A. Douglas we had at the Mont Pelerin meeting, and Ruth Richardson. Whether she is a member or not, I can't tell you. I mean you only have about half a dozen. Let me look up New Zealand in my book here. Alan Gibbs, he is a great entrepreneur, whom I know very well. Roger Kerr, he is the New Zealand Business Roundtable, and a man called Simon Upton, he is a member of parliament, got his degree at Oxford, daily visitor to the IEA. Hands on there, we had him, really, in our pockets, in a way. But Ruth Richardson isn't a member, but she used to come over here to extract ideas and so forth. You see, it is relatively small numbers of people. I say this rather nervously, because it sounds a bit conspiratorial. But it wasn't at all, in that kind of way! But, essentially, these ideas, forgive me, but they are a bit like Christianity, you send missionaries out for the mass conversions. I often describe myself as a missionary.

Q. Was Douglas over there working with you guys?

A. No. I met Douglas several times, but only him coming to us since he became famous. He had a friend of mine, called Alan Gibbs, one of the members I read out to you, who is a great free market man, who was a member of the IEA, a subscriber, who used to send us cheques and things. And he was a great pal of Roger Douglas' and he used to convey a lot of this stuff to Roger Douglas, and Roger Douglas himself became an absolutely key fulcrum, a key figure in the whole of this transformation. Quite blunt-spoken and down to the earth. He is not intellectual, no kind of fancy pants about Roger Douglas, but he has these ideas in his head, and he articulates them in everyday, commonplace language.

Q. In terms of the philosophy, one of the figures who influenced Adam Smith very heavily, was Bernard de-Mandeville.

A. I know very well. deMandeville, *The Fable of the Bees*. Public Vices and Private Virtues, or Public Virtues and Private Vices, I can't remember. Well, Hayek has written a lot about Mandeville and incurred some, um, um, criticism, because it appears that you are, it is rather like that woman who does *Atlas Shrugged*, Ayn Rand. You get the libertarianism. In a way the Bernard Mandeville stuff seems to be saying, that there is public benefit from private vices. What Hayek did, he used the argument all the time for what he called, "The Law of Unintended Consequences."

Simon Upton. As Health Minister in 1991, MPS member Upton helped usher in Mont Pelerin's murderous "health care reforms." Lord Harris bragged, "We had him, really, in our pockets."

Lord Harris

4. A tale of Knights and Bankers

4.1 Her Majesty's Knights

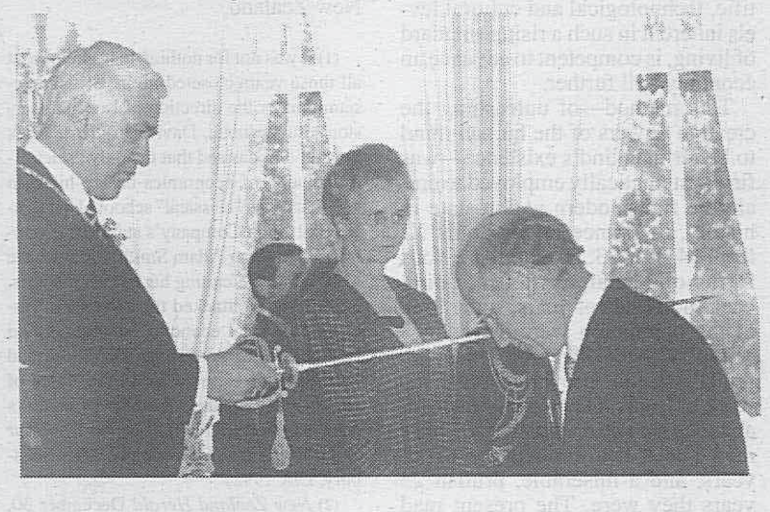
The Mont Pelerin Society is the chief economic warfare unit of the British Crown, deployed to destroy nation-states worldwide to the financial and political advantage of the world's financial oligarchy. Therefore, Her Majesty has showered knighthoods and even higher honours on key Mont Pelerin operatives, such as the "working class lad", Lord Harris. Many of those who have done the most to destroy the New Zealand economy have been similarly honoured. In viewing the activities of those listed below, it is clear why the American Constitution forbade any American citizen to accept any foreign order of chivalry, and why the Australian Labor Party always prided itself on not accepting knighthoods.

Sir Ron Trotter: Knighted in 1985, Trotter had already overseen Labour's Economic Summit in 1984, and was the Chairman of the Business Roundtable, as well as Chairman of Fletcher Challenge, NZ's second biggest company. Since 1984, Trotter has served on the Reserve Bank (1986-1988), the State Owned Enterprises Steering Committee, which oversaw the privatisation process (1987-1988), Telecom (1987-1990), and the National Interim Provider Board which oversaw the health reforms (1991). Of the approximately $15 billion worth of privatisations in New Zealand since 1987, Trotter's Fletcher Challenge has picked up over $3 billion, and companies which Trotter sits on the board of, including the ANZ Bank, picked up over $5 billion worth, or about one-third. Trotter also sits on the board of Ciba Geigy, the manufacturers of Ritalin, the amphetamine used to drug children.

Sir Roger Douglas: Douglas was knighted in 1991, after successfully presiding over the destruction of New Zealand as a nation, the process which became known as Roger-

Nazi 'reforms' rip New Zealand - Australia next

Sir Roger Douglas (above) and Sir Robert Jones (below) being knighted. Their actions helped wreck New Zealand for Her Majesty's Mont Pelerin Society.



nomics. Douglas was a special speaker at the 1989 MPS conference in Christchurch, and is the Deputy Chairman of the Tasman Institute, a Mont Pelerin think-tank in Australia. He maintains his influence by doing consultancy work for "reforming" governments, and recently did a stint in Russia, to help put more nails in their economic coffin. He is now on the board of Brierley Investments and Aetna Health. It was Rogernomics, and Douglas' appointment of MPS member Alan Gibbs to head up a taskforce in 1987, that laid the groundwork for the destruction of the NZ public health system, and allowed private corporations like Aetna Health to flourish.

Sir Robert Jones: Bob Jones was knighted in 1989, and later sued TVNZ's *Frontline* program for allegedly insinuating that he had bought his knighthood; however, judging by Jones' activities, it is very obvious that he earnt every bit of it. Jones, a member of New Zealand's Rich List, in the early 1980s formed a political party called the New Zealand Party, which put Labour and Roger Douglas into power in the 1984 election, by splitting the National's vote. He threw his weight behind Labour in the 1987 election by giving money and writing pamphlets.

Sir Peter Elworthy: Elworthy comes from what is widely described among New Zealand commentators as the oligarchy, the South Island landed gentry. Under his leadership, Federated Farmers staunchly backed Roger Douglas and his reforms, the very policies of free trade and deregulation that were destroying New Zealand agriculture. Like Trotter, Elworthy became a trustee of the Centre for Independent Studies, and served on the Reserve Bank. He also served on the board of Landcorp, is on the board of Brierley Investments' (BIL) casino subsidiary Sky City Ltd., BP New Zealand, and was the chairman of the Queen Elizabeth II National Trust.

Also knighted under the Labour government were:

Sir Ron Brierley, for services to cricket;

Sir Michael Fay, for his involvement in NZ's America's Cup yachting challenges;

Sir Frank Renouf, for services to tennis.

However, these men were also big speculative businessmen, and made fortunes out of the deregulation policies of Roger Douglas. Brierley, of Brierley Investments and later Guinnes Peat Group, bought Air New Zealand when it was privatised. Fay, of Fay, Richwhite Ltd., is jointly the second-richest man in NZ with his partner, David Richwhite, both men being worth $240 million each. Their company bought up big chunks of the Bank of New Zealand, NZ Rail, and Telecom when they were privatised. Renouf, of Frank Renouf and Co. was a large stockbroker who got started with Lazard Brothers in London, and who was a very big player in the speculative boom which accompanied Roger Douglas' coming to power in 1984.

4.2 CS First Boston

Perhaps the most influential merchant bank/stockbroking operation in New Zealand's period of Nazi-like reforms has been CS First Boston. The firm, now known locally as First NZ Capital, has produced more free-market reports, performed more consultancies, and advised more privatisations in New Zealand over the last 12 years, than any other. The current managing director of First NZ Capital is Mr WR (Bill) Trotter, *the son of Business Roundtable stalwart Sir Ron Trotter*, the latter a man with fingers in more "reform" pies, and the recipient of more of the cream, than probably any other [see "Her Majesty's Knights" page 10]. CS First Boston, previously known as Jarden Corp., was founded by the 1950s rugby All Black legend, Roy Jarden. Roy Jarden died in the 1970s; a decade later his company would become notorious.

One of the first notable acts of the then Jarden Corp., in the Rogernomics years, was its luring onto its own staff of four Treasury officials, Bryce Wilkinson, Rob Cameron, Susan Begg, and Stephen Jennings. Two of these, Cameron and Wilkinson, had been co-authors, along with MPS-member Roger Kerr, and Graham Scott, of the bible of Roger Douglas' first three years as finance minister, a fascist document called *Economic Management, A Brief to the Incoming Government* . In the light of Jarden's subsequent activities, it is lawful that a large portion of Treasury people who moved over into the private sector--mostly finance--went to Jardens. Jennings and Cameron had done all the early Treasury work on State Owned Enterprise theory, a method of facilitating the sell-off of state assets; Cameron and Wilkinson would later become active in the Centre for Independent Studies, a "libertarian" think-tank founded by the Mont Pelerin Society; and Begg went on to co-author a report with MPS member Patricia Danzon on the health system, which became the most influential input into the destruction of New Zealand's health system under the Nationals. Cameron left Jardens after one year, only to join another notorious merchant banking operation, Fay, Richwhite Ltd, which has been very much in the news in the last year or so due to its involvement in what has become known as the *Winebox Affair*, an intrigue of alleged tax-dodging and money laundering.

The pedigree of CS First Boston's mother company of the same name, is even more intriguing. The merchant bank Credit Suisse/First Boston was a merger of the investment banking arms of the Bank of Boston and the Geneva-based Swiss banking giant, Credit Suisse. During the 1960s, Credit Suisse became notorious as the safe haven for Meyer Lansky's murder-and-narcotics ring, and then, in the 1980s, was the main bank for the infamous Iran-Contra affair. Credit Suisse was also caught redhanded laundering drug money for the infamous "Pizza Connection" heroin-trafficking ring between New York and Sicily. Also in the 1980s, the Bank of Boston and Credit Suisse got together on another little deal: $373,579,000 had secretly, and in violation of U.S. currency laws, been transferred between Credit Suisse and the Bank of Boston, while the Bank was similarly involved to the tune of another $845,103,000 with other, mostly Swiss banks. The Bank of Boston admitted to 1,163 separate criminal transactions. Regarding a good portion of the over $1 billion in secret transactions, U.S. Treasury Assistant Secretary for Enforcement, John Walker, told the *Wall Street Journal* of March 6, 1995: "There's every indicator that the $600 million of small bills that the bank took in was the laundering of drug money."

The crooked U.S. Attorney in Boston at the time was William Weld, whose family bank, White Weld, had earlier merged with Credit Suisse to form Credit Suisse White Weld (later known as CS First Boston), and whose cousin was a top officer in the Bank of Boston, let Credit Suisse and the Bank of Boston off with a slap on the wrist: a mere $500,000 fine, less than half their profit in money laundering. Shortly thereafter, Weld initiated the prosecution and frameup of Lyndon H. LaRouche and his associates (See *New Citizen* July/August 1996).

Back in New Zealand, Jardens/CS First Boston has made millions out of the New Zealand economic reforms. Apart from the family connections of its managing director, it has provided five of the members of the New Zealand Rich List—Paul Baines, John Benton, Bryan Johnson, Keith Taylor, and David Wale—who are known as the "Jarden's boys" (The Rich List 1996). The company has directly benefited from the reform process via the volume of reports it has produced, and the consultancies it has performed, especially in the area of privatisations. The fire-sale of New Zealand's assets spawned a brand-new industry in the finance sector for advisors and marketers, and CS First Boston became the dominant player: of the $120 million paid out by the New Zealand Treasury for sales, accountancy and legal advice for its privatisation program between April 1987 and December 1994, more than one-third went to Jardens/CS First Boston--$42.3 million. The next largest players in the privatisation advisory market were Buttle Wilson, a subsidiary of another Swiss bank, Swiss Bank Corporation (SBC), and Goldman Sachs; they received $27.4 million and $17 million respectively (Treasury figures). An example of CS First Boston's method of operation is the case of Tranzpower, a subsidiary of Electricorp. Peter Troughton, former CEO of Telecom, Roundtable member, and attendee of the 1989 Christchurch Mont Pelerin Society meeting, was appointed by SSC head Rod Deane to be Chairman of the new Tranzpower board, and a lady named Penelope Brook became one of the directors. Brook later joined CS First Boston; it was then awarded the job of separating Tranzpower from Electricorp, with a view to selling it off.

CS First Boston has also directly shaped the reforms by producing a number of reports on various aspects of government which invariably proposed a radical free market solution for any alleged "problems." Many of these reports were commissioned by the Business Roundtable. Notable among them was the Patricia Danzon/Susan Begg report into the health system in 1992. Begg is one of the former Treasury staffers poached by CS First Boston, and Danzon, a graduate of Chicago University, had done previous work under a Mont Pelerin fellowship. Their report heavily influenced a paper produced by Simon Upton, the Minister for Health, who is a member of the Mont Pelerin Society. To oversee the health reforms recommended in Upton's report, the government set up what became known as the National Interim Provider Board (NIPB), and appointed to head it, Roundtable stalwart Sir Ron Trotter, *the father of CS First Boston's managing director, WR Trotter*; CS First Boston's Penny Brook also became a key advisor. The result of all this has been the destruction of the New Zealand health system. One of former Finance Minister Ruth Richardson's lasting destructive legacies to New Zealand, the *Fiscal Responsibility Act*, which mandates a balanced budget come hell or high water, was also influenced by CS First Boston: former Treasury official Bryce Wilkinson, of CS First Boston's Economic Advisory Unit, was an advisor for the legislation.

Thus CS First Boston, a global operation, has been able to shape the future of a small country like New Zealand to its own direct benefit, by tapping into the small, close-knit circle of power that runs the country, facilitated by a cosy father-son relationship with the Business Roundtable.

II. The destruction of New Zealand's physical economy

1. Lyndon LaRouche and the "Science of Physical Economy"

The following series of graphs shatter the Goebbels-style lie that Mont Pelerin's "New Zealand experiment" has been a great success. Both the debunking of that lie, and the future reconstruction of New Zealand's economy, can only proceed from an understanding of the *science of physical economy*, a discipline founded by the great European scientist and philosopher Gottfried Wilhelm Leibniz (1646-1716), whose chief exponent today is the American statesman, Lyndon H. LaRouche, Jr. We outline some essentials of that Leibniz/LaRouche science of physical economy here.

In Leibniz's method, mankind was able to fulfill the Biblical injunction to "be fruitful, multiply and have dominion over the earth," because he was created "imago Dei"—in the image of God—with a divine spark of creativity which mirrored that of the Creator Himself. Man's limitless power of creativity drove the endless scientific and technological revolutions which constantly expanded his power over nature, and secured a rising standard of living for all. Leibniz' science of physical economy gave rise to what became known as the "American System" of political economy, in contradistinction to the "British System" of imperial looting and free trade. The American colonies fought their revolution precisely against the British system of free trade, which would not allow them to develop their own manufacturing industries, but consigned them to be raw materials producers. Leibniz himself helped invent the first steam engine as well as other heat-powered machines, by which, as he put it, "one man could do the work of a hundred."

The British System, derived from the satanic doctrines of Bernard de Mandeville, argued that man was merely a hedonistic beast who seeks pleasure and avoids pain. (see p.6) This "British System", based upon imperialism as opposed to the sovereign nation-state, was codified by such employees of the evil, "free trade" loving British East India Company as Adam Smith, Parson Thomas Malthus, David Ricardo, and James and John Stuart Mill. For them, wealth could not be created, but merely looted from existing stores. Later variants of the British system were called "Keynesianism," "Marxism," and New Zealand's "Rogernomics." (1).

Beginning in the 1960s, in conjunction with the hedonism of the rock-drug-sex counterculture, the British System of free trade, "post-industrial society," and globalisation (a.k.a. *imperialism*), became hegemonic worldwide. The "success" of this global, speculative economy was measured in dollars (or similar currencies) by the increasingly manic, cocaine-sniffing Baby Boomers of Wall Street, the City of London, among the overbuilt high-rises of Wellington, and in similar environs. But LaRouche, following Leibniz's work (to which he has added certain crucial improvements), has demonstrated that an economy can not be evaluated in dollar terms, nor in units of Benthamite "marginal utility," nor even in simple physical terms, such as tons of steel. Rather, the metric must be *increasing rates of increase of potential relative population density*, i.e. of a human population increasing in its quantity and quality.

If man were a beast, as the British, the Mont Pelerin Society, and Roger Douglas implicitly insist, then his population density would never have risen much above the estimated one person per ten square kilometres of a "hunting and gathering" society, which would mean a global population of some ten million; the world today supports 5.4 billion people precisely because man is *not* a beast.

But, LaRouche has proven, raw figures of population density are not a sufficient metric, not only because the relative quality of land varies from one area or nation to another, but because the *population itself changes*, becomes more powerful per capita, as man advances his science and culture; that is, as he develops a greater *potential* to reproduce his society, both in quantity, and in quality.

Central to this method is the notion that an advancing economy *requires* a rising standard of living for all of its members. Only a population acculturated through the scientific, technological and cultural levels inherent in such a rising standard of living, is competent to advance an economy still further.

This method—of unleashing the creative powers of the human mind to better mankind's existence—was first systematically employed to create the first modern nation-state in history, in France under Louis XI from 1461-1483. Under all previous forms of human existence, going back thousands of years, some 95% of the population were slaves to a ruling 5%—the oligarchy. Under the feudalism that prevailed until the work of Louis XI and the great Renaissance thinkers who advised him, man had a life expectancy of 25 years, and a miserable, brutish 25 years they were. The present mad rush for "globalisation" is a straightforward attempt to eliminate the nation-state and return the world to feudalism, as the Mont Pelerin Society's Lord Harris has openly proclaimed. Or, as New Zealand Mont Pelerinite Simon Upton has put it: "New Zealand is well situated to be a supplier of raw materials to richer neighbours, a home to well fed peasants who hopefully would not unsettle things for the outward looking elites." (2)

With those preliminary observations, we turn now to examine that immiserated rubble heap known as New Zealand.

(1) It was not for nothing that Marx spent all those years closeted in the British Museum, under the direction of Lord Palmerston's subordinate, David Urquhart. Marx himself emphasised that the only "scientific method" of economics before his own was that of the "classical" school of the British East India Company's stable of economists, including Adam Smith, Ricardo, the Mills, et al. Defending his British mentors, Marx bitterly attacked the American System of physical economy, as exemplified in the work of Alexander Hamilton, and Mathew and Henry Carey, the latter of whom was President Abraham Lincoln's chief economics adviser. (See *The Civil War and the American System* by W. Allen Salisbury, EIR 1992)

(2) *New Zealand Herald* December 30, 1989.

2. New Zealand's Physical Economy

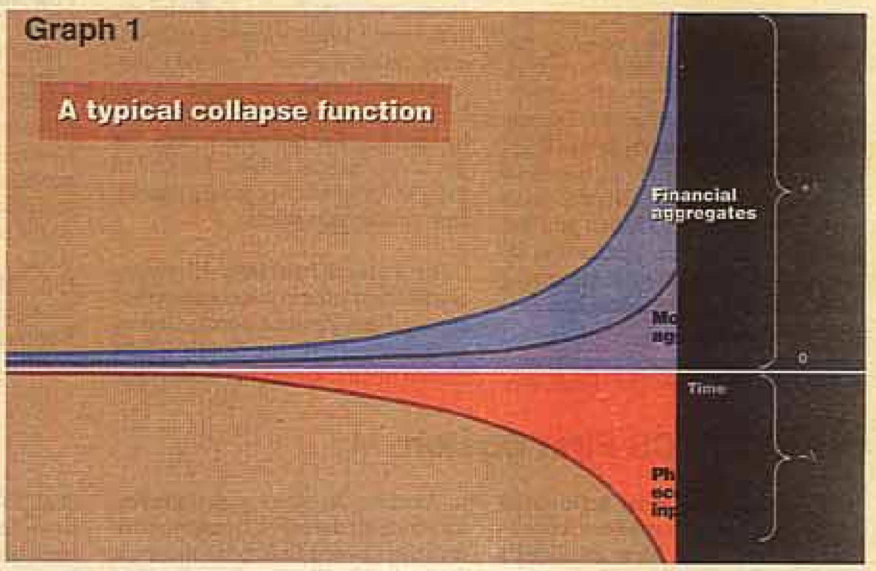
2.1 The Triple Curve Function

Physical Economist Lyndon LaRouche has described the world economy today as being characterised by a "triple curve function" (Graph 1). The top curve represents financial speculation (derivatives, etc), which is escalating hyperbolically. The second curve, representing money supply (M1), which must be printed at increasing rates to fuel the speculative boom, also escalates, though at a lesser rate. The lower curve, representing physical production, is collapsing catastrophically.

What is building up here in the counterposition of the three curves, LaRouche emphasises, is the biggest speculative bubble—the distance between the financial instruments, and the real physical wealth which ultimately must underlie any paper values—in all of human history. Soon, says LaRouche, this bubble must burst. (Fn. 1 p. 13)

As the following sequence of graphs demonstrate, New Zealand's economy precisely follows that world "triple curve" pattern; indeed, because of the Mont Pelerin "reforms" since 1984, it is even more typical of a "bubble" economy than most, as the share market collapse of 1987, which was much more severe for New Zealand than for much of the rest of the world, demonstrated already then.

Lyndon LaRouche's "Triple Curve Function" depicts the interlinked process of physical-economic and financial collapse. The curves are not drawn from specific data, but portray the essence of the accelerating, "hyperbolic" process of collapse in which New Zealand, and most of the world's economy, has now plunged.



2.2 The Labour Force

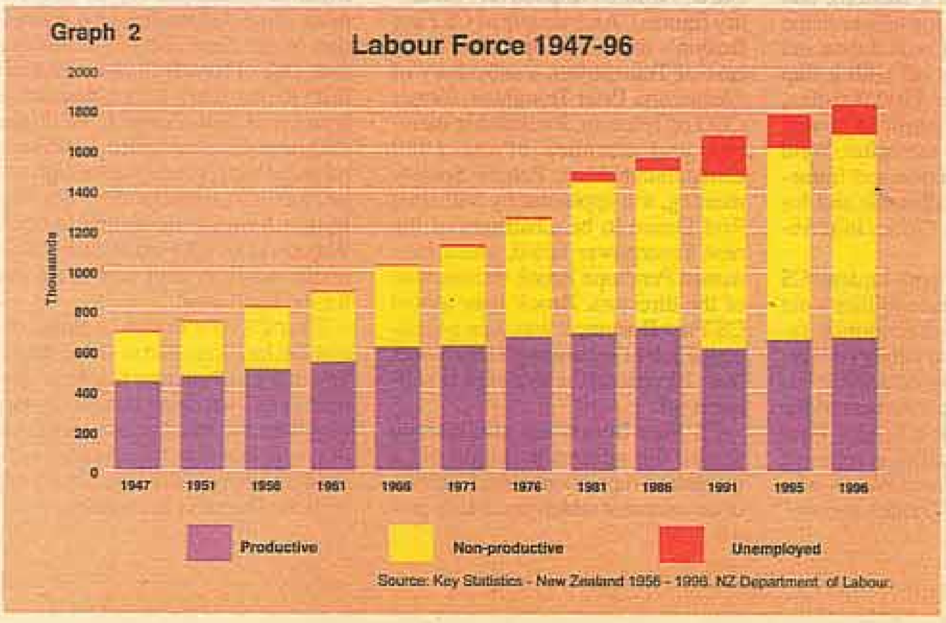
We begin the analysis of New Zealand's physical economy by examining the deployment of its labour force. Contrary to the lurid fantasies of the Business Roundtable, an economy does not subsist on dollars; one can not eat dollars, wear them, drive them, nor live in them. One must examine, instead, the actual physical production taking place, a process which begins by examining the percentile of the labour force deployed to produce real physical goods, as well as essential infrastructure, both hard (railroads, power, water, etc.) and soft (health, education, and science and technology). The activity and division of the labour force is the surest indicator of the kind of activity—productive or non-productive—which is taking place in the economy as a whole. (Fn. 2 p. 13)

Graph 2 shows the labour force deployment from 1947 to 1996. Note that while the number of workers in productive industries in 1995 is almost the same as in 1966, the number of combined non-productive and unemployed workers, which together constitute overhead, has increased 175 per cent! (Fn. 3 p. 13) Think of an individual firm. How long would the firm last, if its overhead workers, typified by management and sales force, continued to soar, while its shop floor workers who produced the actual product, stayed constant or declined?

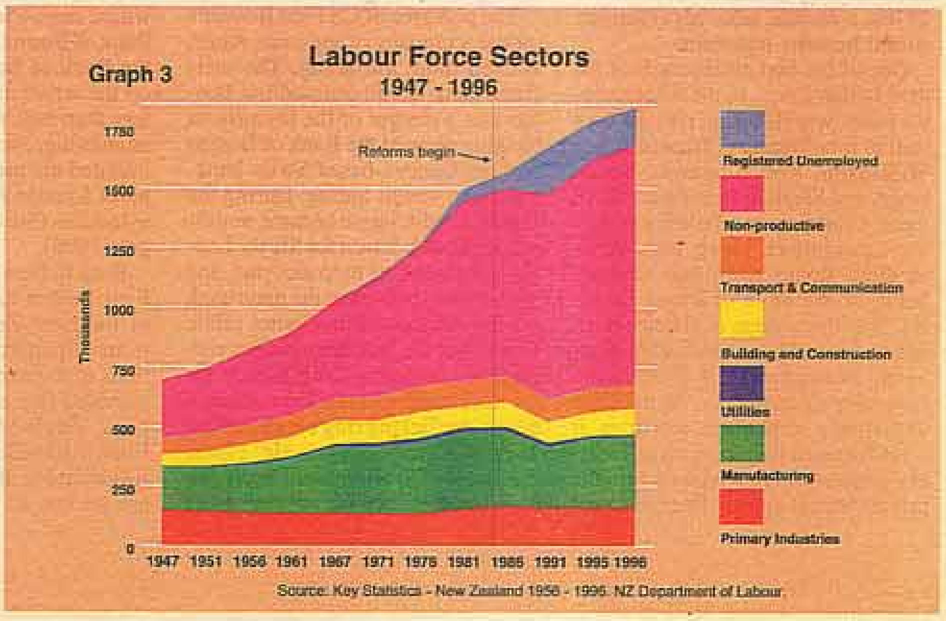
Graph 3 shows how the labour force is deployed, by sector, among productive employment on the one hand, and the non-productive and unemployed on the other. Again, while employment in productive sectors is basically static (with the exception of a sharp, post-reform collapse in manufacturing employment from 1986 to 1991), that in overhead (non-productive and unemployed) is soaring.

Graph 4 shows the same data, again from a different standpoint, that of percentiles of employment, as opposed to gross numbers. Whereas, in 1947, 65 per cent of the workforce was engaged in productive employment, in 1995 only 36 per cent was. In 1947, one productive worker had to carry slightly over one half of one non-productive worker as overhead (unemployment was virtually zero—grand total of 100 people); in 1995, one productive worker carried almost 1 & 3/4 non-productive and unemployed workers, an increase in overhead of approximately 215%! (Graph 5)

Graph 6 shows the hyperbolic growth in unemployment from the time the Douglas-dominated Labour Party took power in 1984, to its peak in 1992, before falling back somewhat. These figures are taken from the government's own figures for "registered unemployed", that is, those workers without a job who went down to the unemployment service and registered as unemployed, in order to secure benefits. In 1985, New Zealand changed its method of computing unemployment, in order to disguise the horrendous effects of the reforms. Instead of counting as the "unem



Source: Key Statistics - New Zealand 1956 - 1996. NZ Department of Labour.



Source: Key Statistics - New Zealand 1956 - 1996. NZ Department of Labour

Nazi 'reforms' rip New Zealand - Australia next

New Citizen Special Feature - 8

ployed", those who officially registered themselves as such with the New Zealand Employment Service, "official unemployment" was calculated based on a statistical survey by the Household Labour Force Survey, of 16,000 households.

As is obvious from Graph 7, "official unemployment" is significantly less than "registered unemployment". In order to keep "official unemployment" down, a new category of "jobless" was created, defined, basically, as those people who did not have a job, but didn't "count", because they were not looking for work. In other words, according to this virtual reality measurement, the "jobless" are not "unemployed", but merely...jobless. This leads to such absurdities as one finds in the government's June 1996 Household Labour Force Survey, where "official unemployed" is listed as 105,900, while the number of "total jobless persons" is given as 177,200, almost 67% higher than offical unemployment figures! (Fn. 4 below)

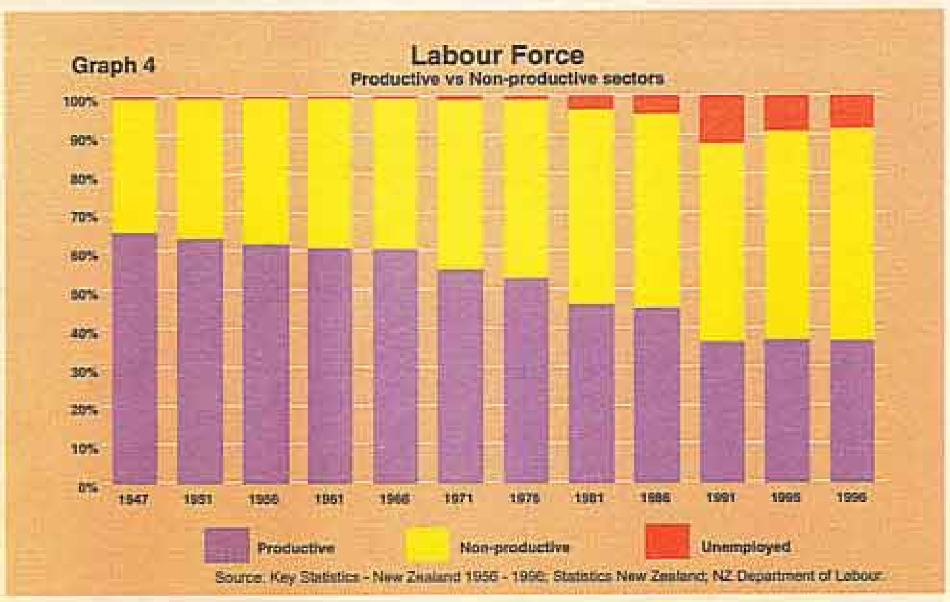
However, by taking the "official unemployment", and adding to that the "jobless", one can compile a much more accurate measure of *actual* unemployment (Graph 8). Then, by adding "part-time" workers—which have soared—to the actual unemployment (Graph 9), one sees that the total of unemployment and under-employment in the economy is 27% for 1996, a huge waste of manpower, and a tremendous drain on the economy.

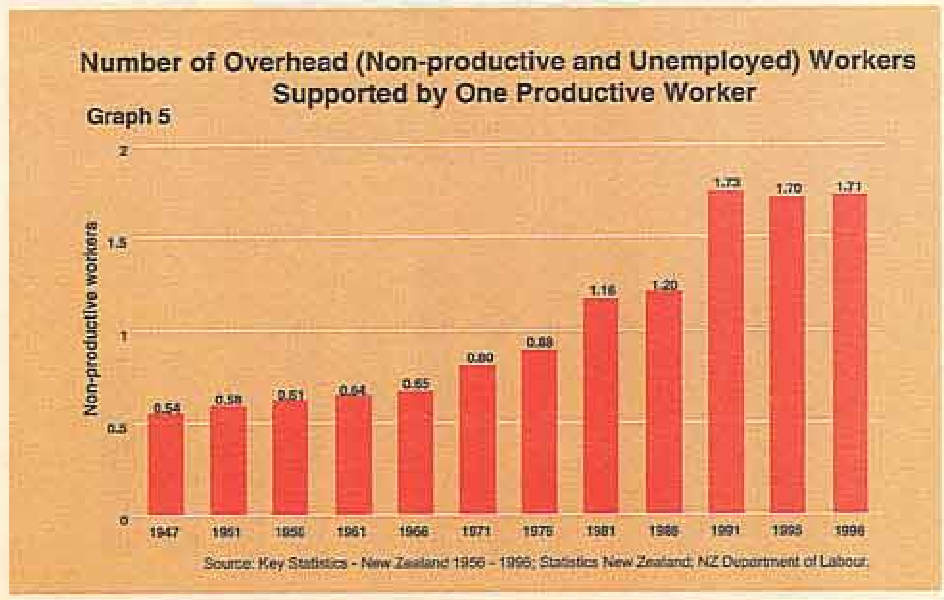
Graph 10 sheds further light on the composition of the work force. Note that the percentile of full-time employment for men has collapsed, while the percentile of both men and women employed part-time, has risen steadily since 1981. This reflects the fact that the number of full-time jobs (and the pay for those jobs) has fallen steadily, forcing both men, and increasingly women, into part-time employment, to make ends meet. (Graph 11)

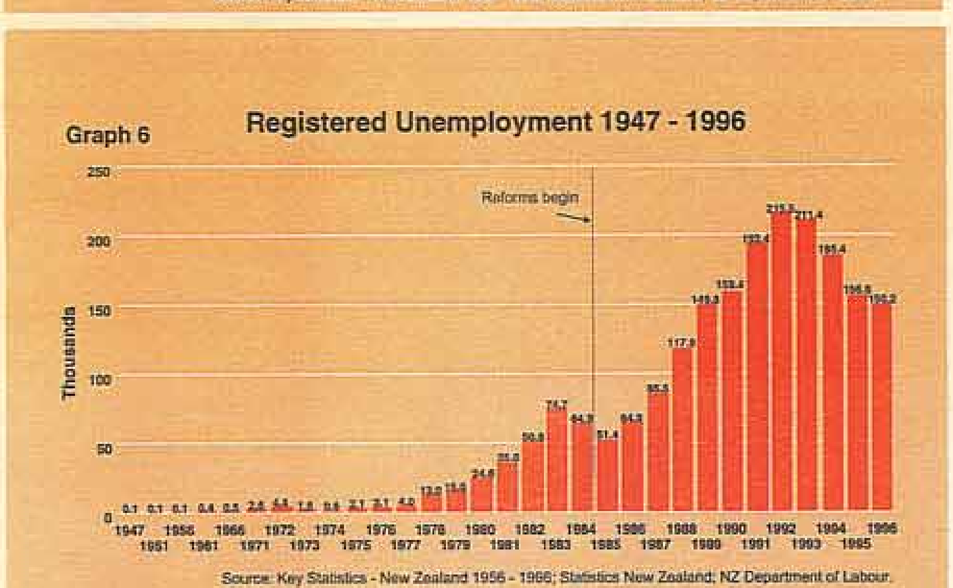
Graph 12 shows the collapse of manufacturing workers as a percentile of the workforce since 1967, when the economy was functioning reasonably well. The slight upturn from 1991 to 1995 reflects some degree of recovery from the depths of the sharp recession of the early 1990s, but by 1996 manufacturing employment again began to fall.

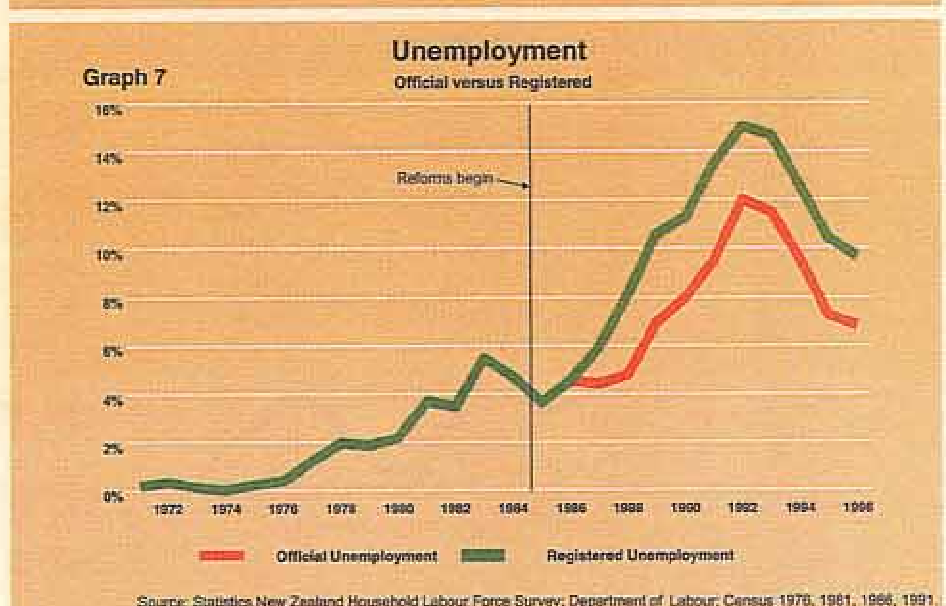
More fundamentally, it reflects the same sort of growth in employment represented by the low-wage *maquiladoras* in Mexico: wages in New Zealand started to fall due to the "labour market reforms" embodied in the 1991 *Employment Contracts Act*, so it was profitable for employers to expand their workforces. During this time, there was a sweeping re-orientation—as is typical of Third World countries being put through IMF structural adjustment—of the New Zealand economy toward export markets. Instead of producing bananas, for example, multinationals in New Zealand could take advantage of the relatively high-skilled workforce in what was formerly an advanced sector nation, in order to produce certain kinds of manufactured goods for export.

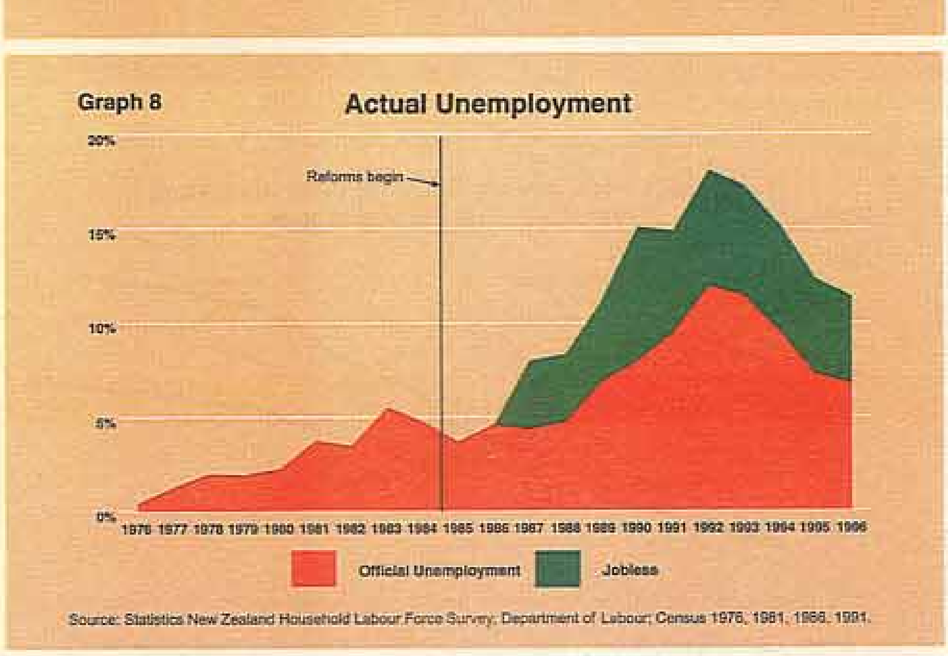
The collapse in manufacturing employment is mirrored, if less drastically, by the fall in the agricultural work force, and the depopulation of the rural sector generally. (Graphs 13 and 14). Were technologies advancing, such a fall in employed agricultural manpower would be a sign of a healthy economy, because advanced technology, reflected in greater capital investment, allows each agricultural worker to produce more. Such an increase in capital investment is not the case in New Zealand (Graph 15), where the individual owner-operator farmer, the typical source of investment in new capital, has been smashed since the reforms began (see interview with Collis Blake, p.23).

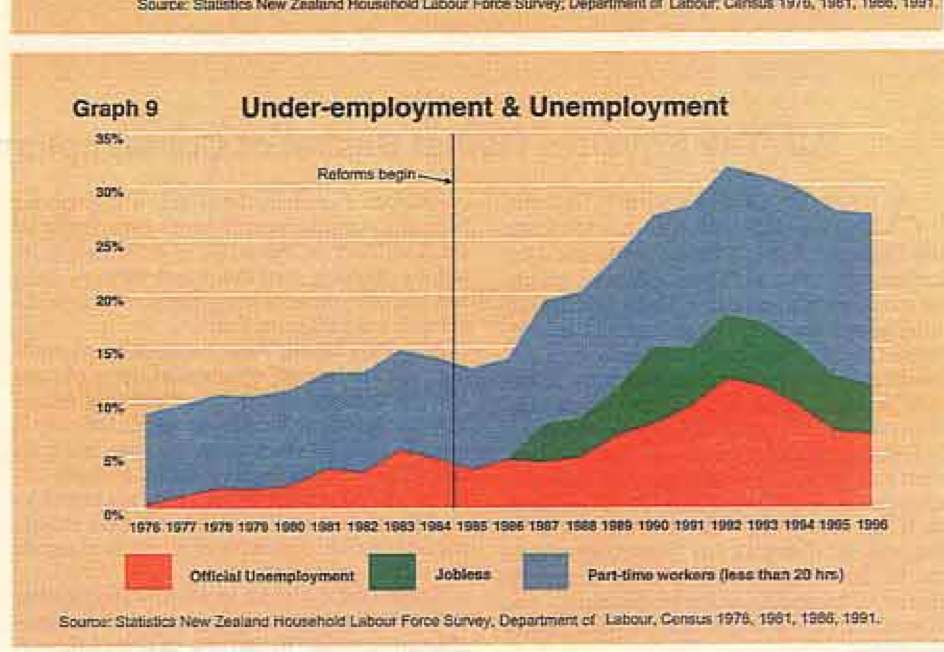












Footnotes

(1) This is the ninth economic forecast LaRouche has made since 1957; all earlier ones, including his prediction of the sharp U.S. economic recession beginning in the spring of 1957, and his prediction of the share market collapse of October 1987, have been right on the mark (see *EIR* Vol 21 No. 26).

(2) All of the graphs in this Special Report, with the exceptions of Graphs 23, 24 and 25 have been constructed by the *New Citizen* using data from the sources indicated.

(3) In these graphs the labour force has been divided into three components: productive, non-productive and unemployed. The productive sector of the labour force is is made up of those people who are directly involved in the production of physical goods, in hard infrastructure, or in the essential "soft" infrastructure of health, education, and science and technology. "Productive" therefore includes manufacturing, agriculture, mining, construction, utilities (water, power, gas, communications), and transport, plus the cited essential services. For lack of data, employment in "soft" infrastructure has not been included in the "productive" portion of our graphs. Although that lowers slightly the absolute *number* of productive workers, the essential thing is how the *ratio* between productive and non-productive employment changes over time.

All else besides productive employment is overhead, which consists of two things: unemployment (measured in Graphs 6 and 7 as "Registered Unemployment"—see footnote 4) and non-productive (if sometimes necessary) employment, including such categories as government bureaucrats, the armed forces, finance and banking, retail trade, community services, etc.. At the bottom of the heap, we find such non-productive, non-necessary refuse as Mont Pelerin think-tankers.

(4) Since the rate of unemployment is computed as the "unemployed" divided by the "total labour force", that calculation depends, naturally, upon how one defines both of those terms. If the numerator ("unemployed") is shrunk, and if the denominator ("total labour force") is expanded, then —presto!—the unemployment rate will fall. This is what the government did, beginning 1985, by shifting how these two (and related) categories were calculated. The 1987-88 New Zealand Official Yearbook attempted to justify these shifts as follows: "Official definitions of the labour force have changed as new sources of statistics have been developed, *as labour market conditions have changed*, and as different sources have attempted to standardise their definitions" (emphasis added). "Labour market conditions" certainly did change—the Mont Pelerin reforms caused both unemployment and part-time work to soar!

The changes in the "official definitions", conveniently adopted just at the beginning of the reforms, have therefore allowed a gross undercounting of true unemployment (not to mention all those misemployed in the service sector, who should be producing tangible, physical goods).

In order to understand how the figures have been fiddled, the following, pre-1985, and post-1985 categories and definitions must be understood.

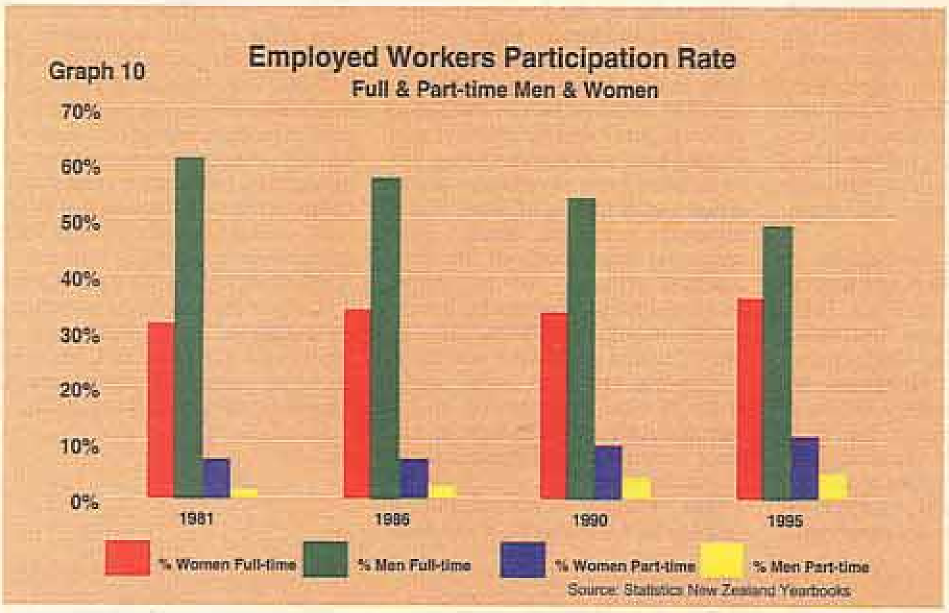
Pre-1985, "official unemployment" was defined as the "registered unemployed"—those people who went down to the Department of Labour to register as unemployed. The "official unemployment rate" was the number of "registered unemployed" divided by the "total labour force". The latter was defined as anyone of working age who worked 20 hours or more per week, plus the registered unemployed. These official unemployment figures were provided by the Department of Labour.

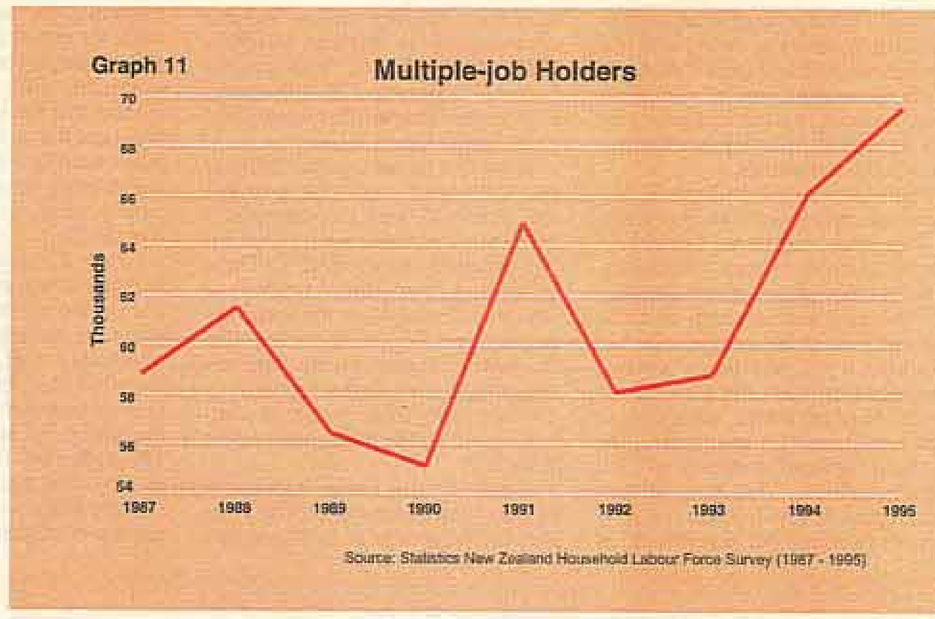
Post-1985, unemployment figures were taken, not from the "registered unemployed", but from the monthly "Household Labour Force Survey" (HLFS) conducted by the Department of Statistics through a telephone survey of 12,000 to 16,000 households across 8 districts in New Zealand. The new criteria for being unemployed, instead of registering as such with the Department of Labour, was defined as "All persons within the working age population who during the reference week, were without a paid job, were available for work, and had actively looked for work in the previous four weeks, or had a new job to start

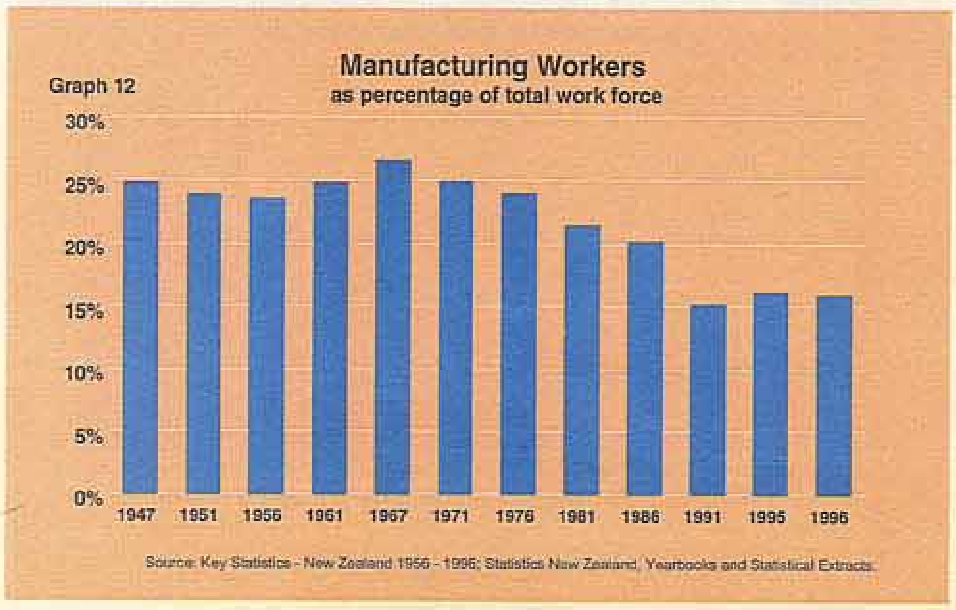
Continued Page 14

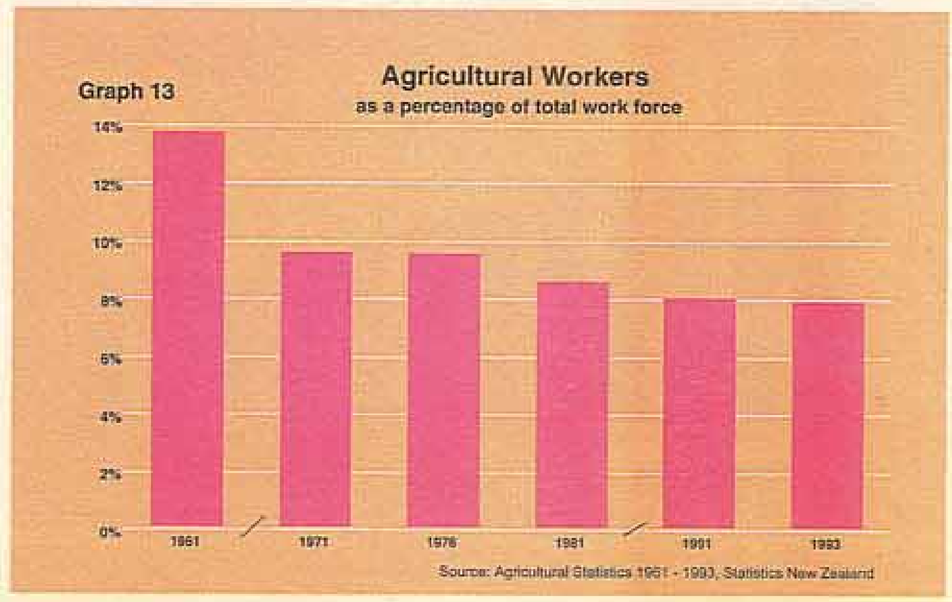
Nazi 'reforms' rip New Zealand - Australia next

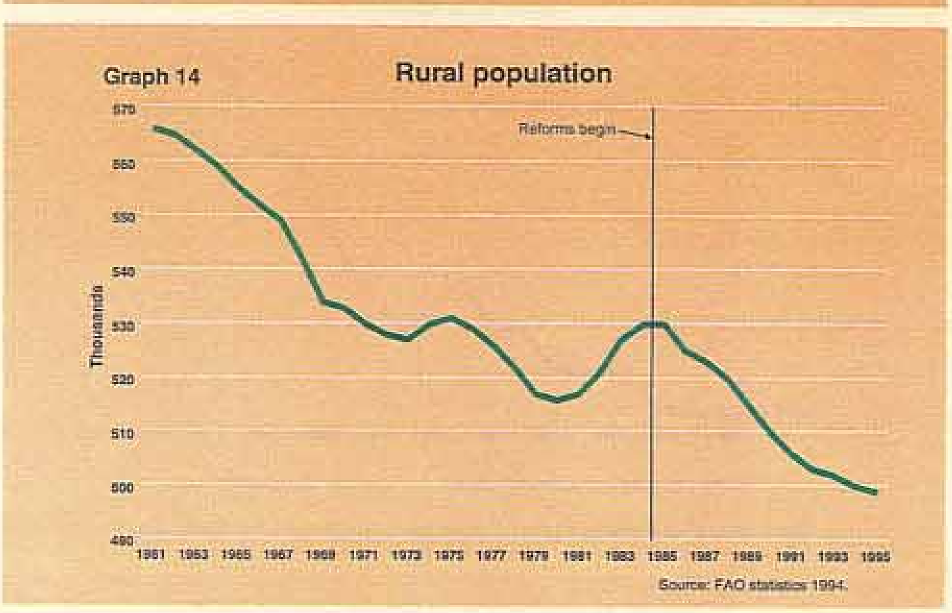
New Citizen Special Feature - 9

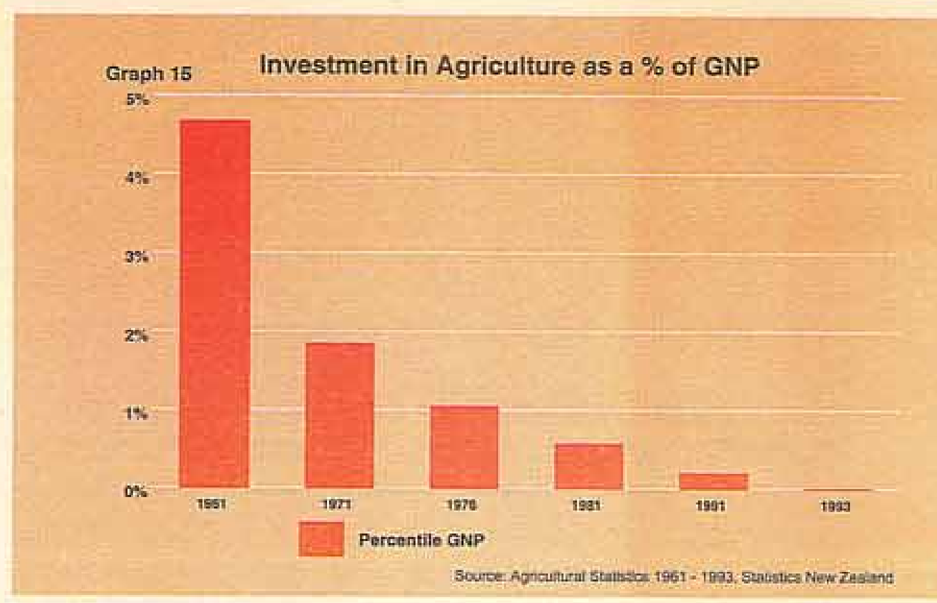












2.3 The Physical Market Basket of Consumption

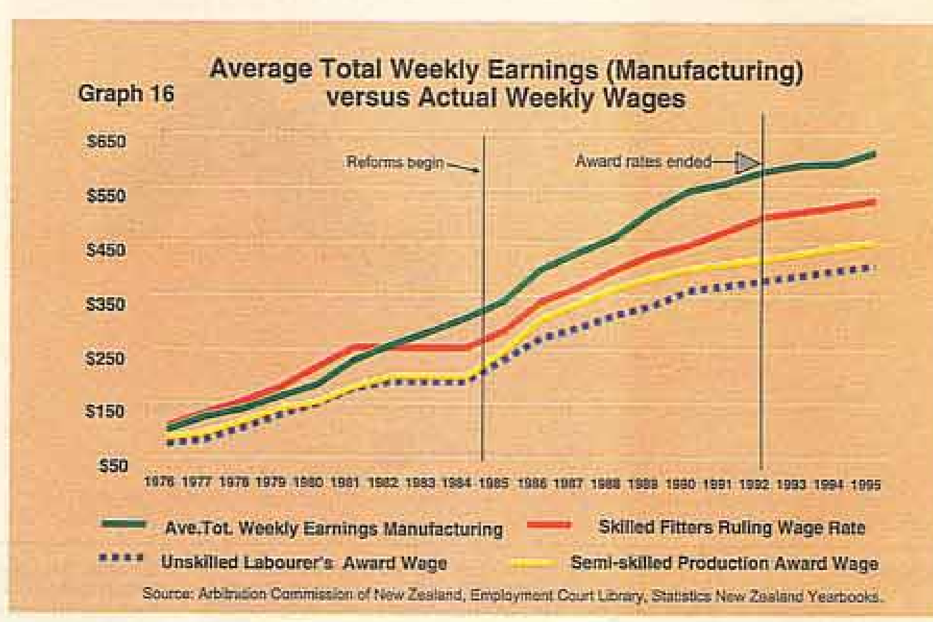
Already in 1671, Gottfried Wilhelm Leibniz emphasised in his "Science and Economy," that a rising living standard for labour was an indispensable prerequisite for an expanding economy. There was no such thing as an "absolute" wage, Leibniz argued. Instead, such a wage must constantly increase, to reflect a living standard (including such "leisure" as classical art and culture) which enables a worker to participate in a more sophisticated process of production. For instance, what was the cost in health care, for the average peasant in the Fourteenth Century? Close to, if not zero. And what was the output of that peasant? Compare that "input/output" matrix to the cost of health care for a modern farmer, as compared to the extraordinary rise in productivity of which that modern farmer is capable.

Mont Pelerin's New Zealand experiment is based upon, as free trade has always been, constantly forcing down living standards to the conditions found in the literal slave labour Mexican *maquiladoras*, where workers earn 50 cents an hour in the midst of extremely hazardous working conditions and running open sewage, or to those of Bangladesh, where workers may earn 50 cents a *day*.

A healthy labour force requires an expanding "market basket" of physical items of consumption, items which are objectively necessary to reproduce the labour force, and which include such services as health care and education. We chronicle the collapse of these latter two items in Sections 2.7 (and accompanying interviews) and 2.8. Here, we look at how per household consumption of physical goods has fallen. (F.n. 5 p. 15)

Graph 16 shows four levels of wages: a) that of "average total weekly earnings" in the manufacturing sector, b) that of a skilled worker, c) that of a semi-skilled production worker, and d) that of an unskilled labourer. (F.n. 6 p. 18) We

Continued on Page 16



within four weeks."

In addition to this new definition (and new means of counting—by statistical survey) of the unemployed, the HLFS created a new category, which did not exist before 1985—the "jobless". This is defined as "those people who were without a paid job and either available for but not actively seeking work, or actively seeking work but not available for work," i.e. basically those not looking for work, many of whom are undoubtedly demoralised about the prospects of finding a job in "post-reform" New Zealand.

While the numerator was thus shrunk by the number of "jobless," the denominator was swelled, post-1985, by adding "part-time" workers to the labour force. Whereas, before 1985, "part-time" was defined as under 20 hours, and was not included in the labour force, it was redefined after 1985 to be under 30 hours (1-29 hours), and was added to the total labour force. The "total labour force" was now defined as all persons in the working age population, who, during the reference week:

"worked for one hour or more for pay or profit;

"worked without pay for 15 hours or more in work which contributed directly to the operation of a farm, business or professional practice owned or operated by a relative;

"had a job but were not at work due to their own illness or injury, personal or family responsibilities, bad weather or mechanical breakdown, direct involvement in an industrial dispute, or were on leave or holiday;

"who, during the reference week, were without a paid job, were available for work, and had actively looked for work in the previous four weeks, or had a new job to start within four weeks."

(The latter is the new definition of "unemployed" under the HLFS).

Thus, the net effect of these changes was that the numerator ("unemployed") was shrunk, while the denominator (the "total labour force") was increased, the latter by adding in the (large, and growing) numbers of the part-time. As opposed to pre-reform, many of these were working part-time, not by choice, but because they could not find full-time jobs.

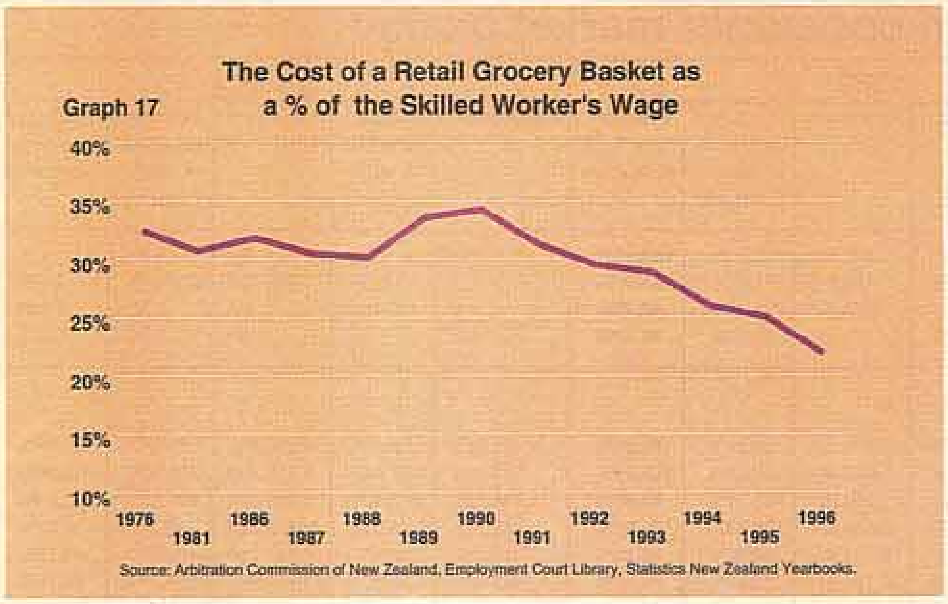
In order to create a continuous, comparable series of the pre-1985 and post-1985 data, two major changes had to be made, in addition to simply adding the post-1985 category of "jobless" to the "official unemployed", to get a more realistic picture of actual unemployment (graph 8):

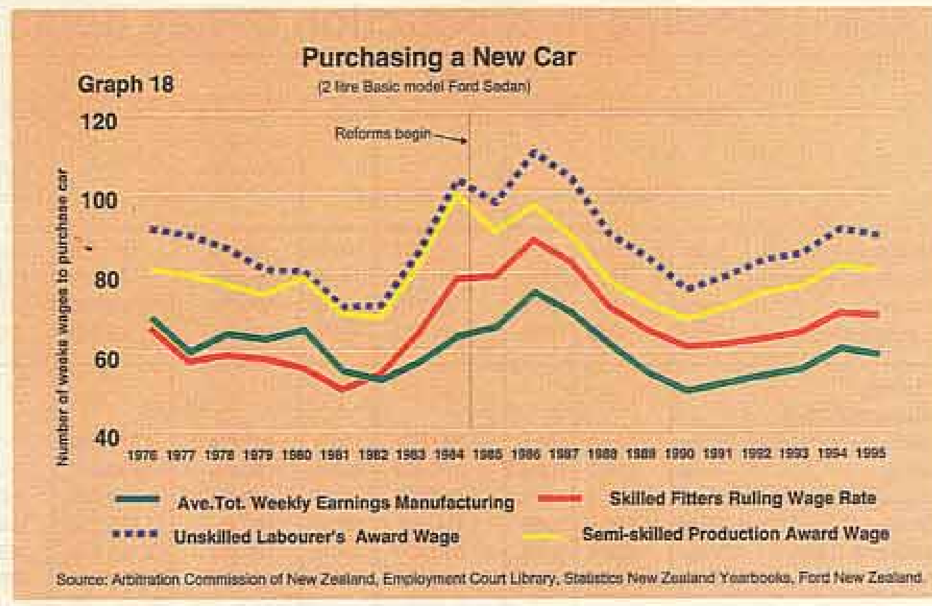
1) Since the pre-1985 figures counted as "full-time" anyone working 20 hours a week or more, and the post-1985 figures counted only those working 30 hours or more as full time, all those working 20-29 hours a week had to be subtracted from the post-1985 part-time figures, and added to the post-1985 full-time figures to make the two series comparable. Though figures for 20-29 hours are not available for each year post-1985, they are available for the census years (1986 and 1991). Since in these two years, the percentage of those working 20-29 hours only varies between the narrow band of 35-39% of the total part time grouping of 1-29 hours, we deducted 37.5%, the average of the two years of part-time workers for each year post-1985, to achieve a reliable estimate, which then makes the pre-1985 and post-1985 series comparable.

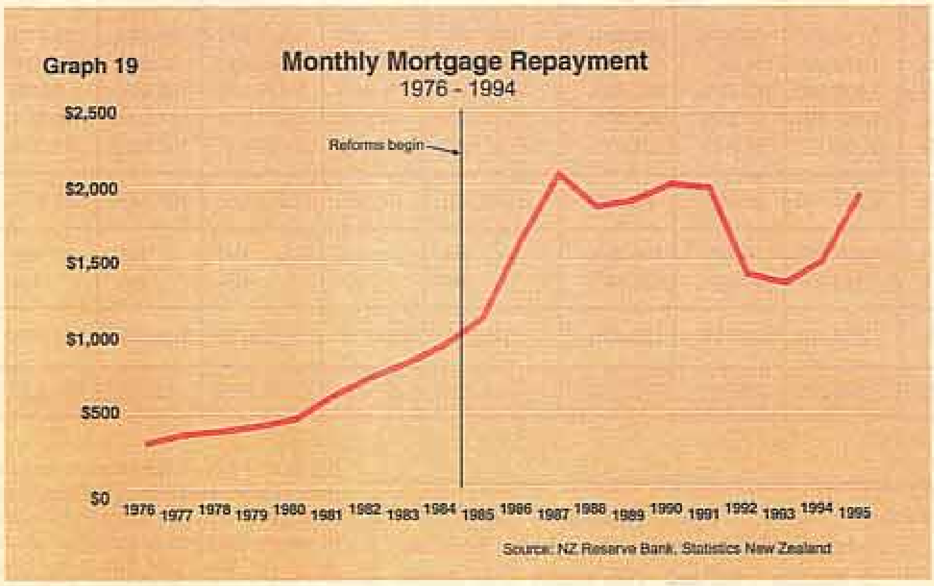
2) Since before 1985, part-time workers

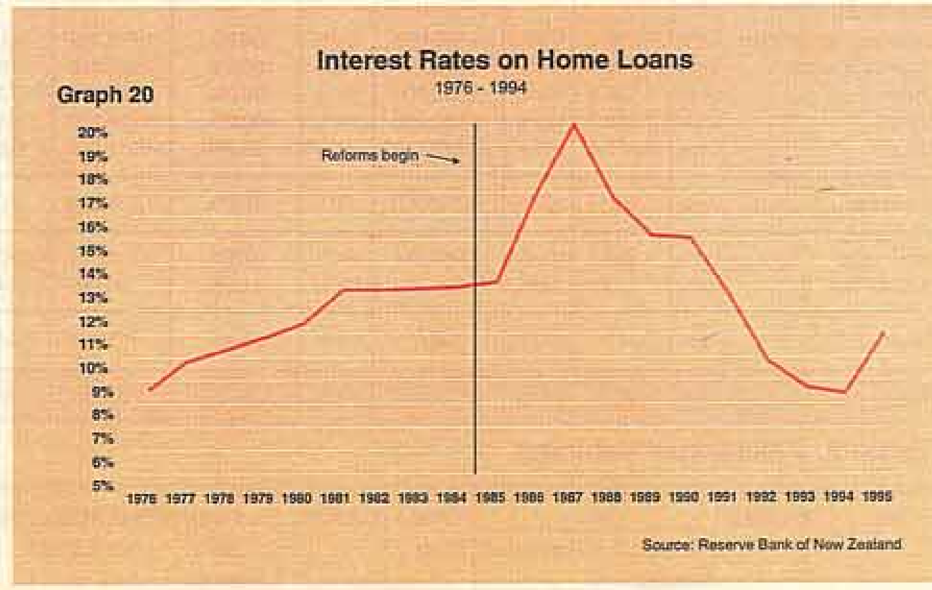
Nazi 'reforms' rip New Zealand - Australia next

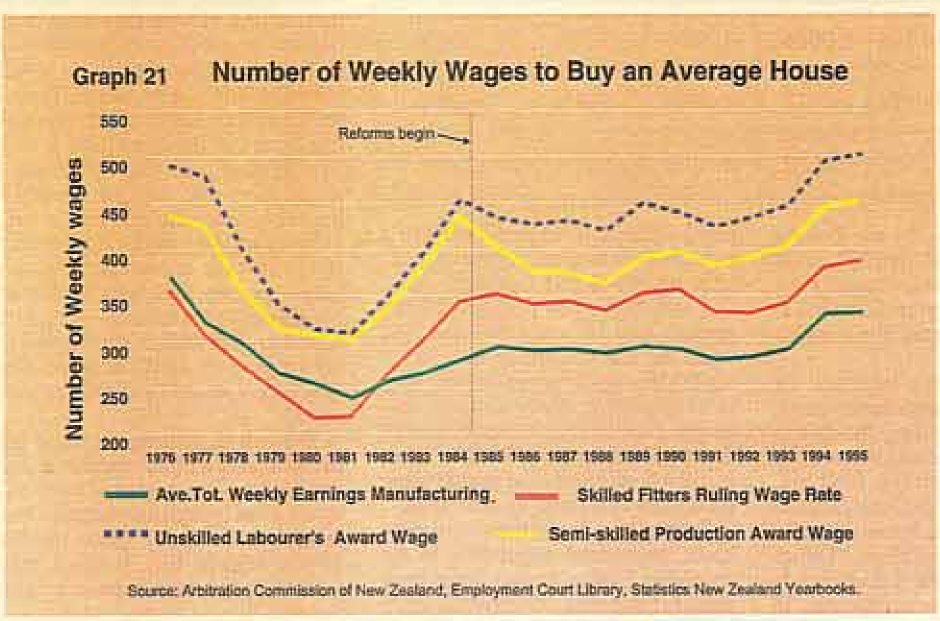
New Citizen Special Feature - 10

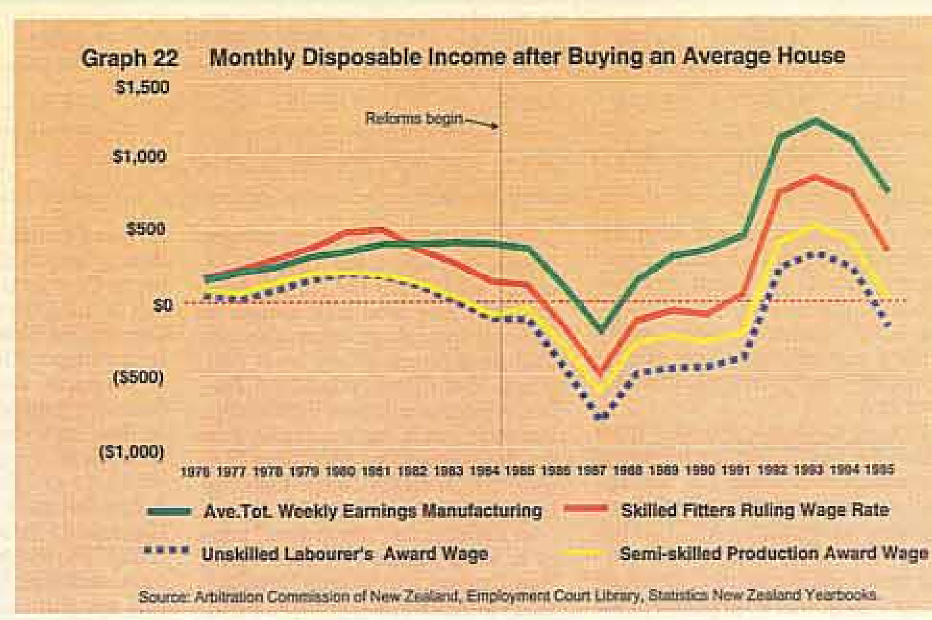


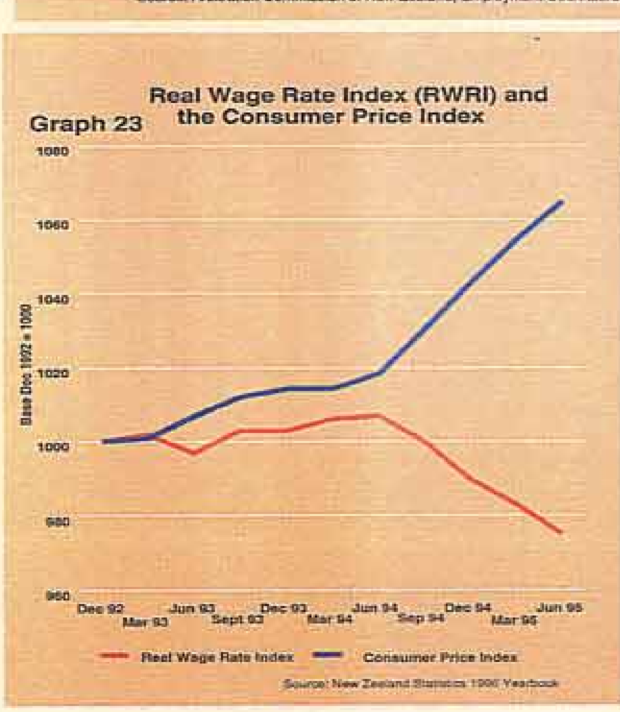


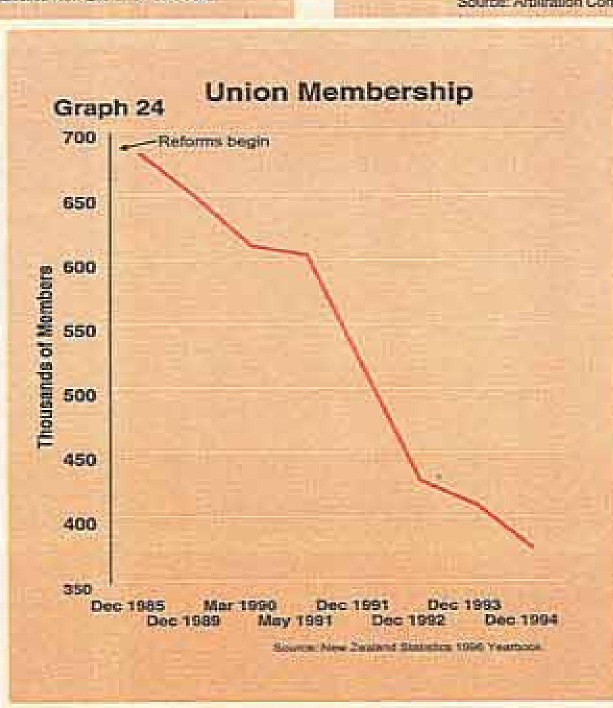


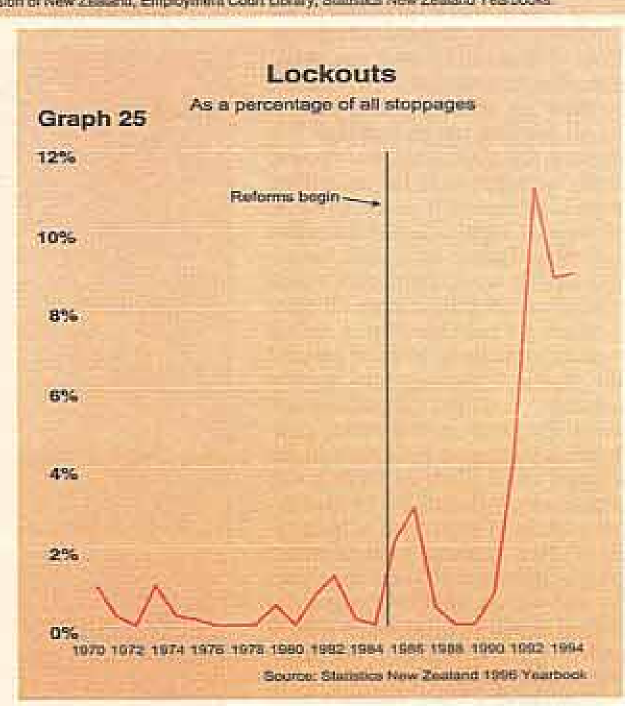












(1-19 hours) were not counted as part of the labour force, it was necessary to subtract this number from the post-1985 labour force, to make the "total labour force" of the two series compatible. We reclassified these workers as "part-time" (see graph 9). By deducting 37.5% (the 20-29 hour category) from the total of those working 1-29 hours, one arrives at a total of those working 1-19 hours. This figure must then be subtracted from the post-1985 "total labour force" to make the pre-1985 and post-1985 series comparable.

(5) In the "science of physical economy" of Leibniz and LaRouche, the physical ability of the economy to reproduce itself, is calculated in terms of *inputs* of "market-baskets" of the typical physical goods (and the indispensable services of health, education, and science and technology) necessary to either the process of production itself, to infrastructure, or to the consumer, as compared with the market-basket *outputs* of those same physical goods, all measured per capita, per household, or per square kilometre.

For New Zealand, excellent series of statistics on the production of physical goods (and imports and exports of those same goods), were kept, in the annual Year Books, from the immediate post-war period (and often going back almost a century), until the reforms (or, in some cases, slightly before), at which point the reportage was drastically cut back, or dropped altogether. In trying to construct Table 1, page 16 *Decline in production of key items in consumer market basket*," for instance, The *New Citizen* spent hundreds of hours poring over pre-reform and post-reform official data, and in discussions with the usually very polite employees of the New Zealand Department of Labour and Department of Statistics, and with other government departments, trying to fill in the data series for key consumer market basket items through until today, in order to compare physical production (and standard of living) in New Zealand before the reforms, and after.

As typical of the problem encountered, New Zealand Statistics no longer publishes production figures for such key consumer items as tubes and tyres for passenger cars, or for durable white goods such as fridges, freezers, or washing machines. In the case of the white goods, this is because New Zealand's sole producer, Fisher and Paykel, will no longer release the figures for reasons of "commercial secrecy." In many other cases, however, which do not involve "commercial secrecy," the data is just dropped, or lumped together in a way to mask crucial changes. e.g. clothing & footwear. Or, merely the dollar figure for an item will be published, which allows no direct comparison, to the "units" figures of earlier years. Or, for instance, dollar figures for exports and imports will be given, which does not allow direct comparison with the units of domestic production, and thus one can not find out, by subtracting exports and adding imports to domestic production, what

Continued Page 18

Nazi 'reforms' rip New Zealand - Australia next

Table 1. Decline in production of key items in consumer market basket

	Unit	1967 Prod'n (000's)	1967 Base	1967 Consumpt.	1967 Base	1967 Production as a % of Consumpt.	1982 Product'n	1982 Product. as a % of 1967 product.	1982 Consumpt.	1982 Consumpt as a % of 1967 Consumpt.	1982 Product'n as a % of Consumpt.	1995 Production	1995 Product. as a % of of 1967 product.	1995 Consumpt.	1995 Consump. as a % of of 1967 Consumpt	1995 Production as a % of Consumpt.
Fridges & Freezers	Units	75.9	100%	76,939	100%	**98.6%**	181,795	170.8%	100,805	93.53%	**180.34%**	NA	NA	NA	NA	NA
Television Sets	Units	86.7	100%	86,715	100%	**100.0%**	133,550	110.0%	135,038	111.17%	**98.90%**	0	0.00%	356,007	234.51%	**0.00%**
Radios	Units	88.0	100%	88,018	100%	**100.0%**	125,000	101.4%	273,097	221.50%	**45.77%**	0	0.00%	NA	NA	**0.00%**
Washing Machines	Units	51.3	100%	51,463	100%	**99.9%**	62,000	86.1%	69,481	96.38%	**89.23%**	NA	NA	NA	NA	**NA**
Clothing																
Women's & Girls																
Cardigans & Pullovers	Units	2,201.0	100%	2,200,800	100%	**100.0%**	2,593,200	84.1%	2,918,209	94.66%	**88.86%**	1,495,000	39.39%	1,495,000	39.39%	**100.00%**
Skirts	Units	316.0	100%	316,400	100%	**100.0%**	1,569,400	354.1%	1,448,401	326.80%	**108.35%**	914,150	167.52%	1,850,892	339.17%	**49.39%**
Slacks & Jeans	Units	464.4	100%	464,400	100%	**100.0%**	2,359,000	362.6%	2,752,821	423.17%	**85.69%**	1,746,000	217.98%	5,661,623	706.84%	**30.84%**
Dresses	Units	1,114.1	100%	1,114,100	100%	**100.0%**	1,975,200	126.6%	2,148,898	137.69%	**91.92%**	442,065	23.01%	1,844,203	95.98%	**23.97%**
Blouses & Shirts	Units	566.4	100%	566,400	100%	**100.0%**	2,105,500	265.4%	2,141,414	269.90%	**98.32%**	2,428,414	248.58%	4,881,256	499.67%	**49.75%**
Total	Units	29,456.5	100%	29,467,910	100%	**99.96%**	33,080,300	238.6%	33,784,547	250.44%	94.63%	27,373,629	139.30%	41,520,387	336.21%	**50.79%**
Mens & Boys																
Cardigans, jerseys etc	Units	1,368.0	100%	1,368,000	100%	**100.0%**	1,715,500	89.5%	1,715,500	89.52%	**100.00%**	665,300	28.20%	3,055,976	129.52%	**21.77%**
Trousers & jeans	Units	1,916.7	100%	1,916,700	100%	**100.0%**	3,388,000	126.2%	3,079,021	114.68%	**110.03%**	564,924	17.09%	564,924	17.09%	**100.00%**
Shorts	Units	1,035.9	100%	1,035,900	100%	**100.0%**	2,500,100	172.3%	2,500,100	172.29%	**100.00%**	283,111	15.85%	3,445,382	192.84%	**8.22%**
Shirts	Units	5,089.2	100%	5,089,200	100%	**100.0%**	6,494,000	91.1%	6,494,000	91.09%	**100.00%**	1,276,543	14.54%	6,234,138	71.02%	**20.48%**
Total	Units	19,266.6	100%	19,323,739	100%	**99.7%**	24,012,000	119.8%	23,743,571	116.90%	102.51%	13,101,139	18.92%	29,087,459	102.62%	**37.62%**
Footwear	Units	6,613	100%	6,695,471	100%	**98.8%**	7,456,000	80.5%	8,253,169	88.00%	**90.34%**	2,840,000	24.90%	12,268,442	106.24%	**23.15%**
Tyres - Car	Units	897.7	100%	986,844	100%	**91.0%**	1,515,800	120.5%	1,504,116	108.81%	**100.78%**	NA	NA	NA	NA	**NA**
Tubes - Car	Units	179.3	100%	221,233	100%	**81.1%**	790,000	314.5%	753,206	243.05%	**104.88%**	NA	NA	NA	NA	**NA**
Paper	Tonnes	351.7	100%	282,676	100%	**124.4%**	713,400	144.8%	514,400	129.91%	**138.69%**	876,000	144.41%	585760	120.14%	**149.55%**
Meat	Tonnes	1,153.9	100%	656,737	100%	**175.7%**	1569400	97.1%	880,300	95.69%	**178.28%**	1,213,000	60.95%	482638	42.61%	**251.33%**

Table 2. Passenger Vehicles

Year	Imported	New: Not Assembled	New: Assembled	Used Cars	Consump.	% of Imports Not Assembled	% of Imports Assembled	Households	Per Household New Only	Per Household Incl. Used	Consumption New & Used (1967 as base)	Consumption New Cars (1967 as base)
1967	64900	57735	7165	0	64900	88.96%	11.04%	716,104	0.0906	0.0906	100%	100%
1982	112996	107945	5051	0	112996	95.53%	4.47%	1,003,113	0.1127	0.1127	124%	124%
1995	152599	31123	34091	87385	152599	20.40%	79.60%	1,235,100	0.0528	0.1236	136%	58%

are concerned here, not with the money wages paid, but with the purchasing power of actual physical goods which the wage represents—that is, the number of weeks' wages it takes to purchase an item of consumption—and how that increases over time.

Note at the outset, the utter fraud which the New Zealand government perpetrates in defining the "average total weekly earnings" in the manufacturing sector (Graph 16). This figure, which is very close to the "average total weekly earnings" across all sectors, is the one emphasised in the Statistics New Zealand Yearbooks from 1992 on, and is what one would therefore assume that New Zealand workers are actually getting paid. It might not look too bad (though it is less than $30,000 a year), but of course many workers would fall under that, precisely because it *is* the average. However, Graph 16 demonstrates that this alleged wage level is in fact almost $100 a week *higher than what a skilled worker makes*; since all other workers get paid less than a skilled worker, virtually *no workers* get paid the mythical "average total weekly earnings", and most get paid *way under* it. The "average total weekly earnings" is computed by adding in the salaries of all kinds of white collar employees, including the bloated super-salaries of executives in "post-reform" New Zealand, some of whom may be making over $1 million a year. In other words, this category is a statistical sleight-of-hand put forward in order to hide how bad off the "average worker" really is.

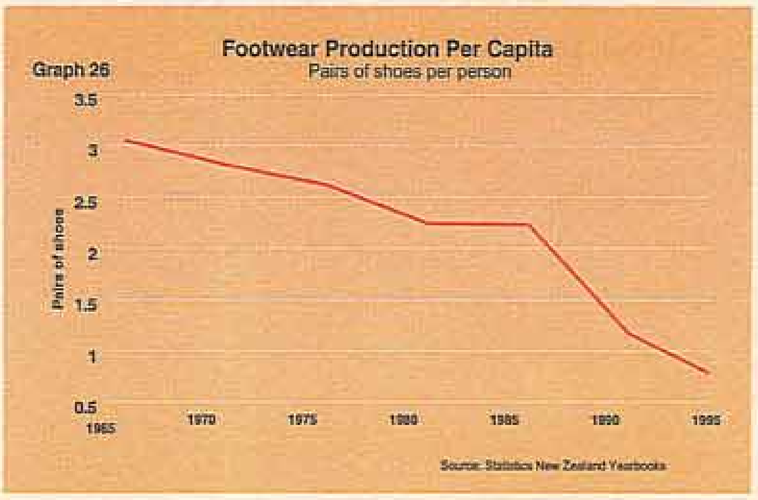
Now, look at three standard components of a worker's consumer market basket: 1) food, 2) transportation, and 3) housing. As pictured in Graph 17, the cost of a retail grocery basket has generally been falling over the past 20 years, except for the years 1988-1990. **(Fn. 7 p. 18)** This fall in food prices, particularly since 1990, would seem to be good news for the consumer, except for one thing: it is only a short term phenomena, to be replaced, before long, by soaring prices. The precipitous fall in food prices has been caused by "free trade" imports of cheap food. Once the cartels have dumped cheap food long enough to bankrupt domestic producers, they can then raise prices to any level they please. Then, not only does New Zealand's food security pass increasingly into their hands, but the cartels gain the ability to set any prices they like, once the "domestic competition" no longer exists.

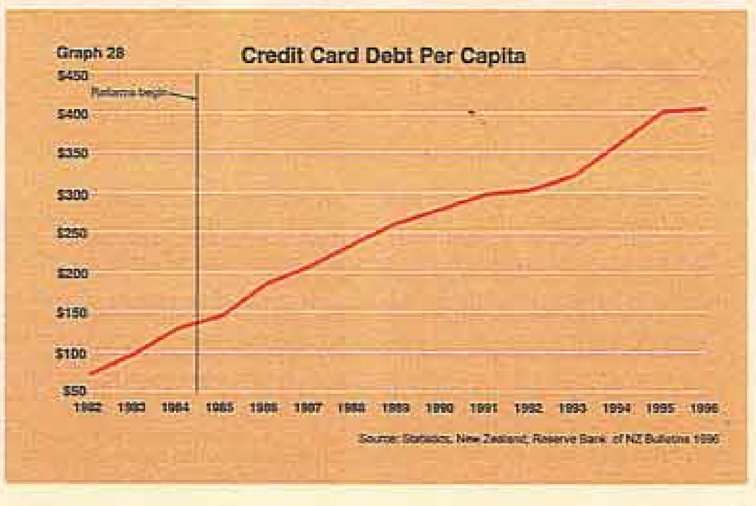
In addition, the "cheap food" policy is being pushed by forces within New Zealand, to help keep New Zealand's inflation rate at between 0-2%, as *mandated by law* by the *Reserve Bank of New Zealand Act 1989*; since prices for other goods are steadily rising, the fall in food prices is critical to keeping the Consumer Price Index from rising rapidly.

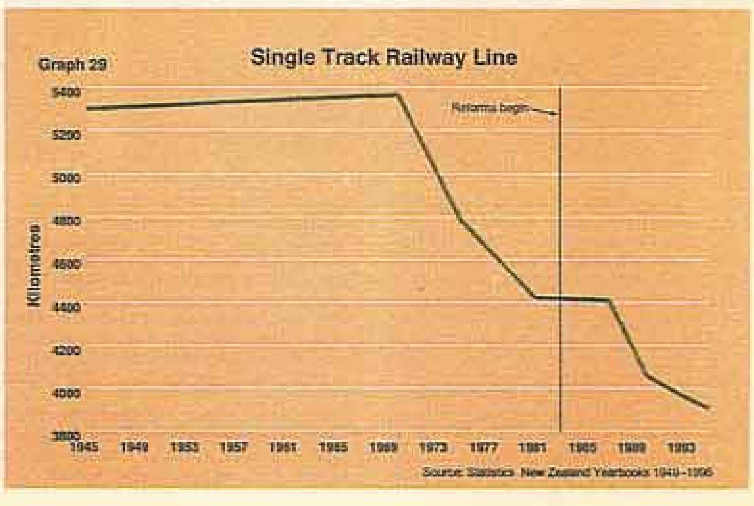
The prices of other elements of the consumer market basket have soared, so that, notwithstanding the fall in food prices, many people still can not afford to eat. Regarding food aid, Bonny Robinson of the New Zealand Council of Christian Social Services (NZCCSS) told *New Citizen*, "Things have stabilised, but at a level that is still not particularly acceptable, in terms of the number of people living in poverty or in some degree of hardship. So, if you take foodbank statistics as a litmus test perhaps, the big growth was between '90 and '93, when we had something like over a 1000% increase in usage of foodbanks in that period. Now demand has dropped back since '93, but it has only dropped back to the '93 level. There is still a huge number of people using foodbanks compared to the 1980s."

Graph 18 shows how transport costs, the second major item in the consumer market basket, have been steadily rising since 1990 (with a slight dip from 1994–1995 because new car prices only went up by $300 that year), as measured by the number of weeks of wages required to purchase an average car. Note that this is the case, *notwithstanding* that interest rates are half, or less, of what they were in the mid-to-late 1980s, after deregulation. In fact, many people can no longer afford to buy a new car, as Table 2 demonstrates. Look at the dramatic rise, from 0 in 1982, to 87,385 in 1995 in imported used cars. Whereas it might seem that cars per household have risen since the base year of 1967 (136% for 1995), the far right column shows that the consumption of *new cars*—the only kind New Zealanders bought before the reforms—has plummeted to only 58% of the per household figure of 1967, because New Zealanders just can't afford them any more.

The cost of housing—a much bigger percentage of the consumer market basket—has soared (Graph 21), again, even though interest rates have fallen dramatically since the late 1980s, (Graph 20). It takes more weeks' wages to purchase a house







Nazi 'reforms' rip New Zealand - Australia next

New Citizen Special Feature - 12

from Page 16

now, than it did even then! The average price of a new house, for instance, rose from $125,000 in 1993 to $141,000 in 1994, $16,000 in *one year*. And, since rentals are a function of the cost of new houses, they have soared as well, particularly since the "deregulation" of formerly state-subsidised housing, a fact borne out in discussion with social workers and charities in New Zealand. As the NZCCSS's Bonnie Robinson told *New Citizen*, "Another thing which compounded the poverty was the change in housing policy, and that probably has also been one of the significant factors in increasing poverty among non-beneficiary and low wage-earning families. We changed our system of delivering housing assistance to low income people; whereas previously housing costs were set at 25% of income, now it is 'market rents', and you get a cash supplement from the state to help pay for the cost of market rent. We think that the housing changes have been one of the most dramatic causes of poverty and increase of hardship in the last ten years." A New Zealand Poverty Measurement Project, researched by Charles Waldegrave , Bob Stephens and Paul Frater, also found that "Housing costs are the largest single cause of poverty."

Graph 22, the monthly disposable income after buying a house, proves the truth of such findings. After paying his mortgage, a skilled worker has only $340 left per month. In Australia, a family of five would pay some $500 a month, just in groceries, which is roughly comparable to what a New Zealand family of five would pay. This would leave a grand total of only $-160 (*negative* $160) a month for everything else, *before* paying other essentials, including clothing, medical and dental care, car maintenance and petrol, electricity and heating, telephone, taxes, credit card debt, etc.—in otherwords, it is impossible for what would have been a normal-size family of the 1960s, to survive on the income of one skilled worker, as such a family did at that time.

The collapse in purchasing power of the weekly wage has been so dramatic, that even the government's own calculations of what they call the "Real Wage Rate Index", can't hide it. (Graph 23) Probably for that reason, as of the end of 1996, the Government stopped publishing this index.

The definite downward trend in real wages (for those fortunate enough to be employed—see Graph 9) is in part due to the "labour market reform" ushered in by the *Employment Contracts Act of 1991*, which scrapped the old nationwide "award wage" system, in favour of "contracts" negotiated by individual employees and employers. The purpose of this reform was to smash the unions, in which it has been notably successful. (Graphs 24 and 25).

Table 1 "Decline in production of key items in consumer market basket" shows how the Mont Pelerin "free trade" reforms ushered in after 1984, have decimated the production of certain key consumer goods in which New Zealand was formerly largely, or entirely self-sufficient. We chose a year when the New Zealand economy was still functioning relatively well—1967–and made that the base year of comparison. For each item, the total number of units produced (or consumed), was divided by the total number of New Zealand households for that year to give the "baseline" against which 1982 (just before the reforms) and 1995 were compared. The issue is not to compare simply how many total items are produced or consumed in different years, but to compare them on a *per household* basis, which gives an indicator of the rise or fall of the physical household market basket of consumption. As an example of these calculations, in 1967 the total consumption of fridges and freezers was 76,939 units; divided by 716,014 households, this gives a consumption per household figure of 0.1074. This is set to equal to one. To compare the consumption of fridges and freezers in 1982 to 1967, the consumption for 1982 is divided by the (larger) number of households existing in that year, and that figure is then divided by the base year of 1967 (0.10744). The chart also displays, in addition to household consumption, the key indicator of "production as a per cent of 1967 production", as a measure of what production is still taking place in New Zealand, or what has been lost to free trade.

For 1995, note that New Zealand no longer produces any radios or televisions. It does still produce some fridges and freezers, but the sole producer, Fisher & Paykel, will not release the production figures because the company regards them as a "commercial secret".

In the "production as a % of consumption" column (on the far right), it is obvious how free trade has decimated the country's clothing and footwear production. Free-traders would in turn point to the "consumption as a % of 1967 consumption" to argue how much better off the consumer is. This ignores several things: 1) the clearly inferior product of the goods produced in sweatshops in China, for instance, 2) the heavy loss of New Zealand jobs (and tax revenue), 3) the fact that more and more people have to hold multiple jobs, in order to maintain the living standards they had in 1967, and 4) the fact that consumer debt is steadily rising, again, in an attempt to maintain living standards.

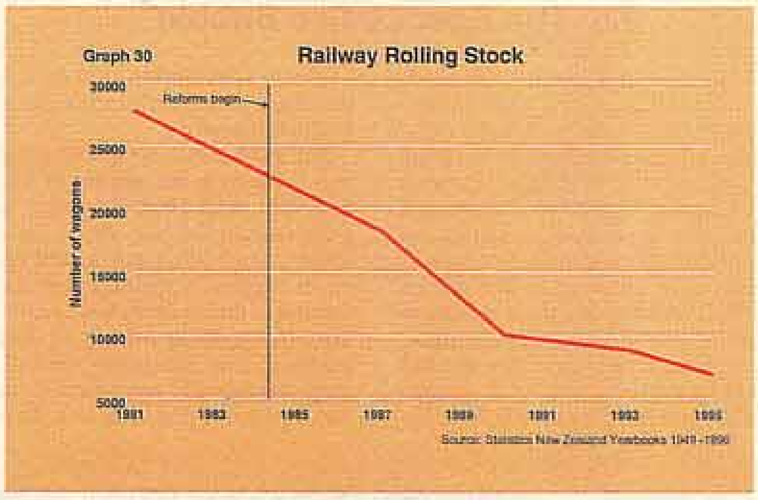
Footwear production, as Graph 26 shows, has collapsed under the competition of cheap imported footwear from Asia.

Paper production has gone up, naturally, since multinationals are buying up New Zealand's forests (and converting vast tracts of formerly productive agricultural land to forests). Most striking are the figures for meat. (Table 1) Production as a per cent of 1967 consumption has collapsed in 1995 to only 60.95%, while consumption as a per cent of 1967 consumption *has collapsed to only 42.61% of 1967*, an astounding figure for one of the largest per capita meat producing nations in the world, and one which reflects the growing poverty in the country.

Table 2 also gives a picture of how New Zealand's economy has been degraded. Though it never manufactured motor vehicles, NZ did have a number of plants which assembled imported parts into a finished car, which provided useful jobs for New Zealanders. Compare the figures for "% of imports not assembled" and "% of imports assembled" in 1995 to earlier years: New Zealand now imports most of its cars assembled, and the last assembly plant will soon shut down in March 1997. Also note the huge surge in imported used cars (87,385, mostly from Japan), a used car being the only kind most New Zealanders can now afford.

The collapse in purchasing power results, naturally, in a ballooning of consumer debt, as seen in soaring credit card balances (Graph 27), and in credit card debt per capita (Graph 28).

More generally, Rogernomics is Robin Hood in reverse: robbing the poor to pay the rich. Douglas slashed the top tax rates paid by corporations and wealthy individuals, the latter from 66 per cent to 33 per cent, at the same time slapping a 12.5 per cent "goods and services tax" (GST) on everything bought and sold in the economy; GST is a notoriously retrograde tax which falls hardest on the poor. Notably *exempt* from the GST is that most speculative of all "services": buying and selling of stocks, bonds, derivatives, foreign exchange, etc., etc. New Zealand's turnover in speculative instruments per year is $7,500 billion. Taxed at a mere .1 of one percent, this would yield $7.5 billion, more than enough to finance health care, education, etc.

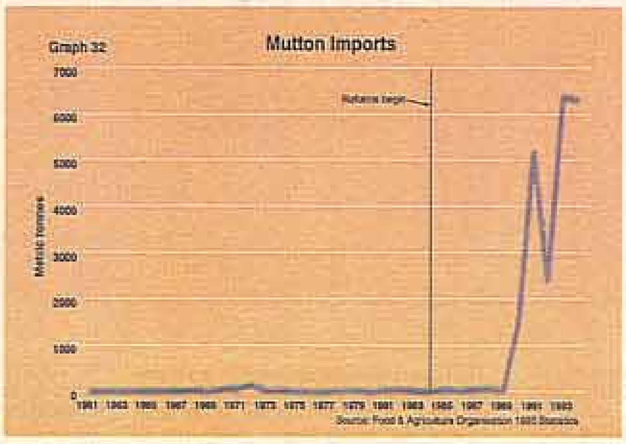


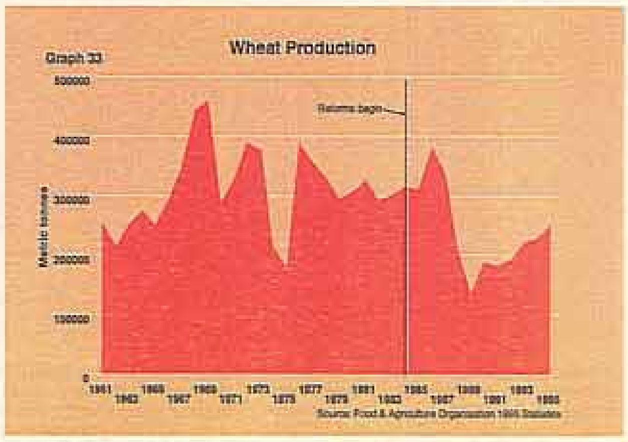
2.4 Infrastructure

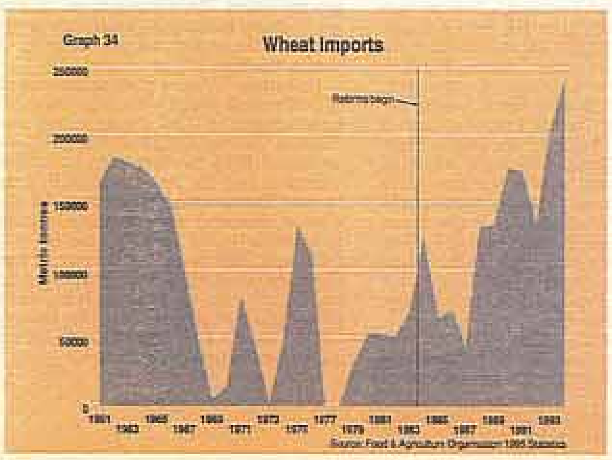
Infrastructure represents the prototypical "public good" which Mont Pelerin fanatics claim does not exist. In fact, a developed national infrastructure, whether hard (water, power, transport) or soft (education, health, science and technology) is the very precondition for a functioning private sector in the first place. When key parts of such infrastructure, such as power companies, the national airline (Air New Zealand), rail companies, etc. are sold off, little or no new investment is forthcoming from the new owners, because there is no "profit" in it. Therefore, existing stores of infrastructure, built up over decades, are looted, as we see in the collapse in kilometres of rail line (Graph 29) and in the amount of rolling stock (Graph 30). The stunning collapse of water and transport in Thatcher's privatised Britain, are notorious examples of the same point. (F.n. 8 p. 18)

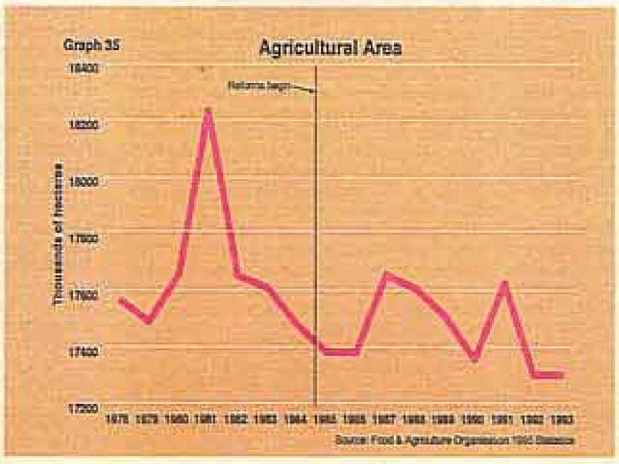
2.5 Agriculture

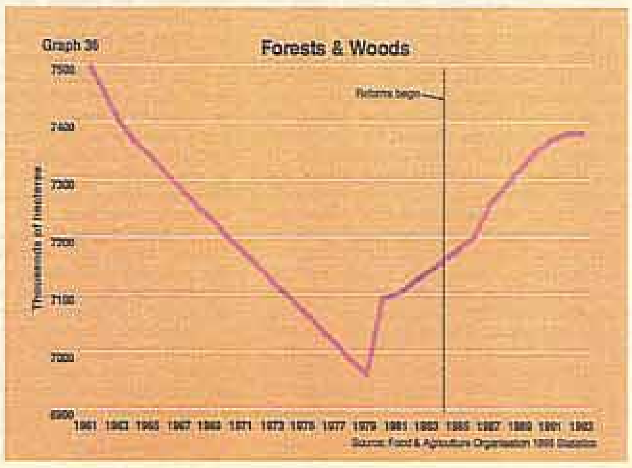
The Mont Pelerinite "reforms" of agriculture, which included the elimination, overnight, of virtually all subsidies, tax concessions, and concessionary finance, together with the "freeing up" of interest rates (which allowed them to go as high as 62% at the worst) savaged the rural sector. Pre-reform, New Zealand was the world's largest sheep exporter, and accounted for over two-thirds of the entire world's export of sheep meats. Now, sheep production has collapsed below the level of 1961 (Graph 31) and New Zealand is now importing mutton! (Graph 32) The nation used to be self-sufficient in wheat production, which collapsed with the beginning of the reforms (Graph 33), causing imports to soar (Graph 34). While dairy production has expanded, because sheep and cattle farmers have converted to dairy, living standards have plummeted, even there. According to Robert Bremer in his paper "Federated Farmers and the State", whereas in the 1950s, some 50 dairy cows were required to sustain a reasonable standard of living for a viable family unit, that number has soared to 200 for the same unit; similarly 500 ewes used to provide a reasonable living for a family in sheep—that has now escalated to 2,000 ewes. According to studies conducted by the Ministry of Agriculture, 73% of all farms depend on outside income to survive. After an apparent stabilisation following the worst days of the mid to late 1980s, farmers are beginning to go under again (see interview with Collis Blake page 23). According to statistics compiled on New Zealand by the Food and Agriculture Organisation (FAO), the land area dedicated to farming has collapsed (Graph 35); while that dedicated to forestry (often foreign-owned) has soared (Graph 36). According to FAO agriculture land has declined by 1 million hectares since 1981, while 1.25 million hectares of permanent pasture land for sheep and beef has disappeared; the area planted to forestry has almost doubled since 1984, to 1.4 million acres. (F.n. 9 p. 18) Replanting farm agricultural land with forests causes the disappearance of entire small towns, and the depopulation of the rural sector.











Nazi 'reforms' rip New Zealand - Australia next

2.6 The Speculative Bubble

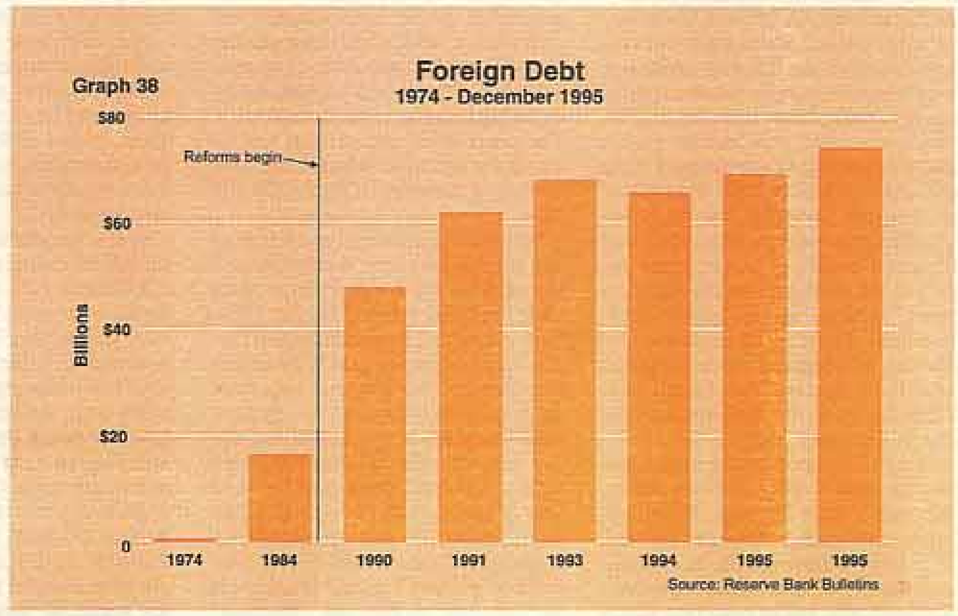
It used to be, before the 1960s introduction of a post-industrial services economy, that the emission of money and credit were tied to the process of tangible physical production. Typical was the fact that most foreign exchange was acquired to facilitate trade in hard commodities. But whereas, in pre-reform 1981, merchandise trade represented 72.13% of foreign exchange dealing, a mere five years later, this had collapsed to only 3.56 % (Graph 37)—still another example of the hyperbolic speculative curves LaRouche pointed to in his triple curve function (Graph 1).

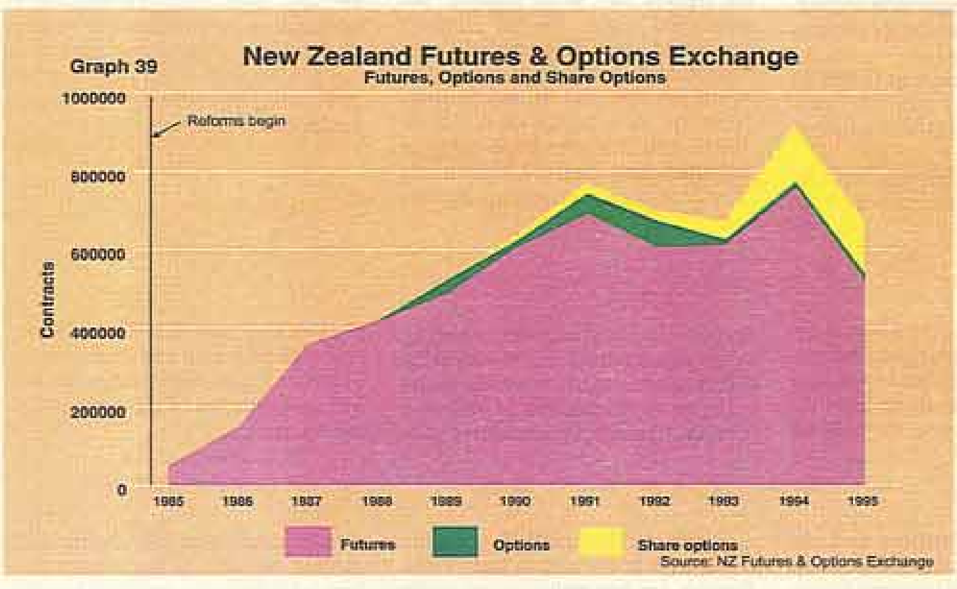
Still another such hyperbolic function is found in the soaring of foreign debt from 1984, immediately pre-reform, to the post-reform early 1990s (Graph 38). Douglas and his mates originally claimed that the purpose of their reforms was to eliminate the growing per capita debt burden of New Zealanders. Instead, they dramatically worsened it. In fact, they were lying in the first place as to their motives, as Douglas later admitted: "I'm not sure we were right to use the argument that we should privatise to quit debt. We knew it was a poor argument but we probably felt it was the easiest to use politically."

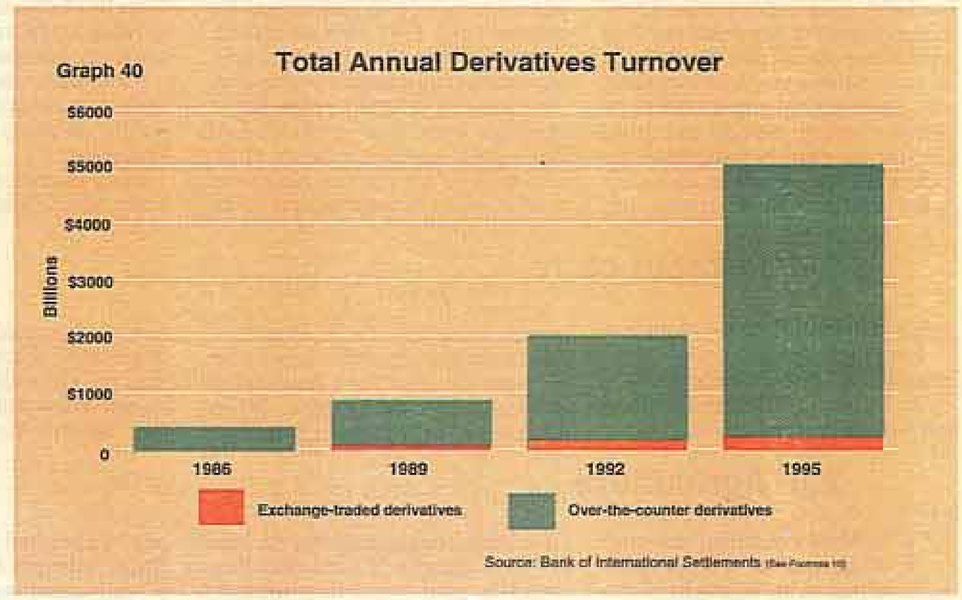
Still another hyperbolic speculative function is seen in the growth of derivatives turnover from 1986 to 1995 (Graph 40). Derivatives, which is a form of betting on the future values of various kinds of paper and indices, such as stock market indices, are nothing but a giant roulette game. And, as in roulette, the gambler invariably loses, as in the multi-billion dollar losses which Orange County, California, and many other states and localities in the U.S. have suffered from betting on them. (Fn. 10 below) The same kind of curve is present in Graph 39, speculation in the New Zealand Futures and Options Exchange, from 1985 until the present.

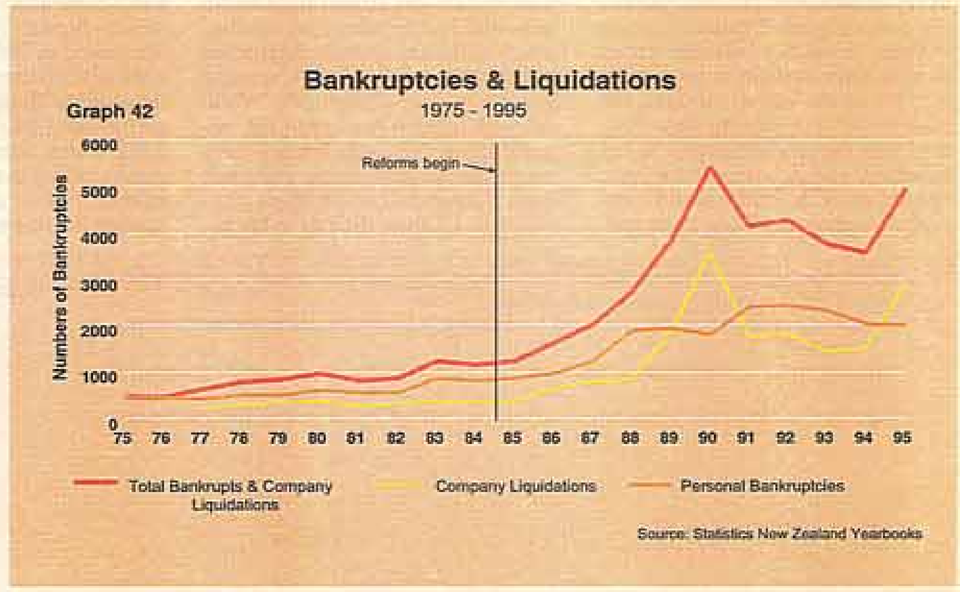
Compare the somewhat slower growth of money supply (M1) in Graph 41, to the rate of growth of derivatives and to that of the futures, options and share options, and both of them to the respective curves on the triple curve function (Graph 1).

A sure indicator of the unparalleled success of Douglas' reforms (remember: "no gain without pain") is the soaring rate of bankruptcies and liquidations, from immediately upon introduction of his reforms, until the present (Graph 42).









the total of domestic consumption is. Some additional, non-published production series through until 1996 may exist in the bowels of the Department of Statistics, but, in "privatised" New Zealand, good luck trying to get them without paying a small fortune.

In addition to the problems of lack of data for physical production, the methodology of calculating other key parameters was sometimes changed drastically—clearly so as to hide the devastating impact of the reforms—as we showed for the case of unemployment. The data for wages (Fn 6) is a similar case. A trade union leader, for instance, attempting to compare his members' living standards over time—even using the extremely unreliable figure of nominal wages money adjusted for inflation—can not do so, because the government no longer publishes such figures, merely the inflated, so-called "average wage" for an industry, which averages in all the pay scales of the executives in that industry, with the much more poorly paid workers.

(6) In order to compute the wages of the "skilled worker," the "semi-skilled worker" and the "unskilled labourer", we took, as representative of those categories: 1) the wages of a skilled boilermaker, 2) the wages of a semi-skilled Grade 1 (the highest grade) food processor, and 3) the wages of local government unskilled workers, which are similar to other wages for unskilled labour respectively. In each case, we chose the high end of the wage scales available for each category, to be conservative in our calculations. For instance, we have taken a very skilled boilermaker with an Advanced Trade Certificate and two years continuous service; there are other categories of boilermakers below this one. In any case, the point is not so much the absolute amount, as the change in purchasing power over time.

We took the wages for the above from the "ruling wage" and "award wage" statistics available from the Employment Court Information Service and the Department of Labour for the years prior to 1992. That is, before the Employment Contracts Act of 1991, workers used to receive a prescribed "award wage" across all branches of an industry; the actual wage paid—the "ruling wage"—was always significantly higher than the basic "award wage". Overtime is not included within these rates. The figures we used in Graph 16 are therefore the "ruling wage" figures. Since, after the ECA of 1991, there are no more "award" or "ruling wages", and since all wages are now "private contracts" between the employer and employee, and thus private information, we calculated the post-1992 wages on the basis of discussions with senior sources within the New Zealand trade union movement. They reported that workers have been able to *just* keep up with the official inflation rate, which was a cumulative 7% for the period 1992-1995. See also the interview with Collis Blake, p. 23, who confirms that wage rates have collapsed over the past several years. The government reports only the fraudulent "total weekly average earnings" described in the text, and apparently keeps no statistics on what workers actually earn. The New Zealand Manufacturing Employers Federation now keeps its own records on wages, which it compiles from surveys of its members, and has broken down the manufacturing sector into 19 categories of wages. It will provide this data for 1990-1995, but only for a substantial fee.

(7) The dollar amounts do not represent the actual percentile of each weekly wage spent on groceries, but rather, a standard, unchanging "market basket" of items. The *New Citizen* took a standard market basket of grocery items as listed within the Statistics New Zealand Yearbooks, and our own supermarket surveys in NZ for 1996, and then compared this basket of household goods to a skilled worker's wage. The market basket was made up of consistent amounts of the following items: Apples; Bananas; Oranges; Carrots; Potatoes; Canned Peaches; Green Frozen Peas; Beef - Blade Steak; Rump Steak, Minced Steak; Beef Sausages; Bacon Middle Rashers; Pork Loin Chops; Canned Salmon; Butter; Mild Cheese; Milk; White Bread; White Flour; Long Grain Rice; Honey; Instant Coffee; White Sugar; Electric Light Bulb; Postal Letter; Petrol; Aspirin Tablets; Razor Blades; Toilet Paper, 2 ply; Toilet Soap; Laundry Soap Powder.

(8) *EIR* June 21, 1996

(9) *The Land* June 27, 1996 "Dairying, forestry: NZ agriculture's growth industries"

(10) Derivatives are classified according to two main types: exchange-based, that is, regulated derivatives, and over-the-counter (OTC) derivatives. The latter include such instruments as Interest Rate Swaps and Foreign Exchange Swaps, and are agreements between two parties independent of any regulation. These transactions, amounting to many trillions of dollars are *not* included in the regular balance sheets of the parties trading.

In the late '80's the Bank of International Settlements began collating data on the huge volume of OTCs being traded. New Zealand was not included in the BIS surveys until 1992. In order to give the reader a sense of how the use of these instruments in New Zealand has skyrocketed, the *New Citizen* estimated rates of Annual Derivatives Turnover for New Zealand for years 1986 and 1989 by taking the rate of trading in the countries that were surveyed during those years, and then applying that to New Zealand retrospectively from data provided from the 1992 and 1995 BIS surveys which did include New Zealand.

Nazi 'reforms' rip New Zealand - Australia next

2.7 New Zealand Health Reforms — A Nuremberg Crime

A young man sits sullenly beside his parents in a New Zealand hospital waiting room, having spent several hours begging staff to admit him to hospital. He is ill. He is suicidal. But there's a problem. Mental Health won't deal with him because he has a drug/alcohol problem, and Alcohol and Drug Services won't deal with him because he has a mental health problem. In fear, anguish and frustration, his parents take their son home again. He goes to his room and paces, up and down, pounding, until at last the pounding and the pacing relent. His parents are relieved. A short while later they find him hanging—dead.

"This is not uncommon!" says Maxine Gay, of the New Zealand Schizophrenia Fellowship. "And these are people who have a history of mental illness and whose families are along side of them begging for treatment and simply being unbelieved." (See interview page 25)

But perhaps such problems only exist in the mental health sector. After all, people couldn't be dying needlessly in the regular old health system, could they?

Well, we asked Dr. John Neutze, Cardiologist at Green Lane Hospital in Auckland. Dr. Neutze says that approximately one person per month is dying whilst awaiting heart surgery. In fact, he says "People are on our waiting list for over two years who would, in most western countries, have the operation within three months. We have had this situation in NZ for a long time. Treatment has been inadequate for about ten years in this area."

The question which arises is, "Could one, reasonably consider the policy makers, planners and designers of New Zealand's Health Reforms, guilty of 'crimes against humanity', as set forth in the precedent of the Nuremberg Trials?" The Nuremberg trials established the doctrine of "knew, or should have known," governing the prosecution of persons in official capacities for war crimes and crimes against humanity: that is, that persons in official positions were found guilty if they knew, or should have known, that their official actions would result in murder or other atrocities, offenses or denial of medical services. (See "The Nuremburg Precedent" below). In particular, these prosecutions established that "the denial of surgical and medical services" is a crime against humanity.

It is irrefutable that people are dying in New Zealand today for wont of appropriate medical care, medical care which did exist for the most part, until Mont Pelerin's reforms. These reforms have been a catastrophic failure; they are, in fact, a Nuremberg crime and it is by the standards established at Nuremberg, in 1946, that their authors and sponsors must be judged. We outline below, the history of those reforms, and those responsible for them.

2.7.1 The Nuremberg Precedent

The Nuremberg Trials were a unique proceeding, by which the United States, the Soviet Union, Great Britain, and France determined to put the leaders of Nazi Germany on trial before an international military tribunal for "crimes against civilisation", actions so heinous as to demand prosecution of this sort. The crimes fell into three categories: crimes against the peace; war crimes; and crimes against humanity.

Over 30 people were convicted, many of whom were hanged.

The theory behind the prosecutions was outlined in the opening address for the United States, given by the U.S. Chief of Counsel, Justice Robert H. Jackson. He stressed that the prosecution was targeting those who were responsible for criminal policies, "men of station," "the planners and designers." It was implicit in this prosecution that the guilty could not have known every individual who would die by their order; but it was made crystal clear, that the individual who orders the policy, holds individual responsibility for its murderous result.

We quote Justice Jackson:

"The common sense of mankind demands that law shall not stop with the punishment of petty crimes by little people. It must also reach men who possess themselves of great power and make deliberate and concerted use of it to set in motion evils which leave no home in the world untouched...

"The case as presented by the United States will be concerned with the brains and authority in back of all the crimes. These defendants were men of a station and rank which does not soil its own hands with blood. They were men who knew how to use lesser folk as tools. We want to reach the planners and designers, the inciters and leaders...

"It is not the purpose in my part of this case to deal with the individual crimes. I am dealing with the common plan or design for crime and will not dwell upon individual offences. My task is only to show that scale on which these crimes occurred, and to show that these are the men who were in the responsible positions and who conceived the plan and design which renders them answerable, regardless of the fact that the plan was actually executed by others...

"The Charter recognises that one who has committed criminal acts may not take refuge in superior orders nor in the doctrine that his crimes were acts of state...

"The real complaining party at your bar is Civilisation."

Jackson ridiculed the claims by Goering, and many others, that they had no idea of the atrocities being committed by the organisations which they headed. "They do protest too much", Jackson said. "They deny knowing what was common knowledge". In other words, they "knew, or should have known," the consequences of their policies.

The Nazi policy was one of dehumanisation, which began with deciding that some lives were not worthy to be lived. We quote Dr. Leo Alexander, a psychiatrist who formulated the core theory for the trials of the Nazi doctors:

"Whatever proportions these crimes finally assumed, it became evident to all who investigated them that they had started from small beginnings. The beginnings at first were merely a subtle shift in emphasis in basic attitude, basic in the euthanasia movement, that there is such a thing as life not worthy to be lived. This attitude in its early stages concerned itself merely with the severely and chronically sick. Gradually, the sphere of those to be included in this category was enlarged to encompass the socially unproductive, the ideologically unwanted, the racially unwanted, then finally all non-Germans."

Hitler himself coined the phrase "life not worthy to be lived," when he ordered the expansion of the euthanasia program in 1939. But the concept was already embedded in the fascist economic system overseen by his Finance Minister Hjalmar Schacht, a "cost-efficient" system identical with the Mont Pelerin Society's healthcare reforms in New Zealand and Australia. Beginning in 1934, children's textbooks contained problems with cost-accounting comparisons, like the following:

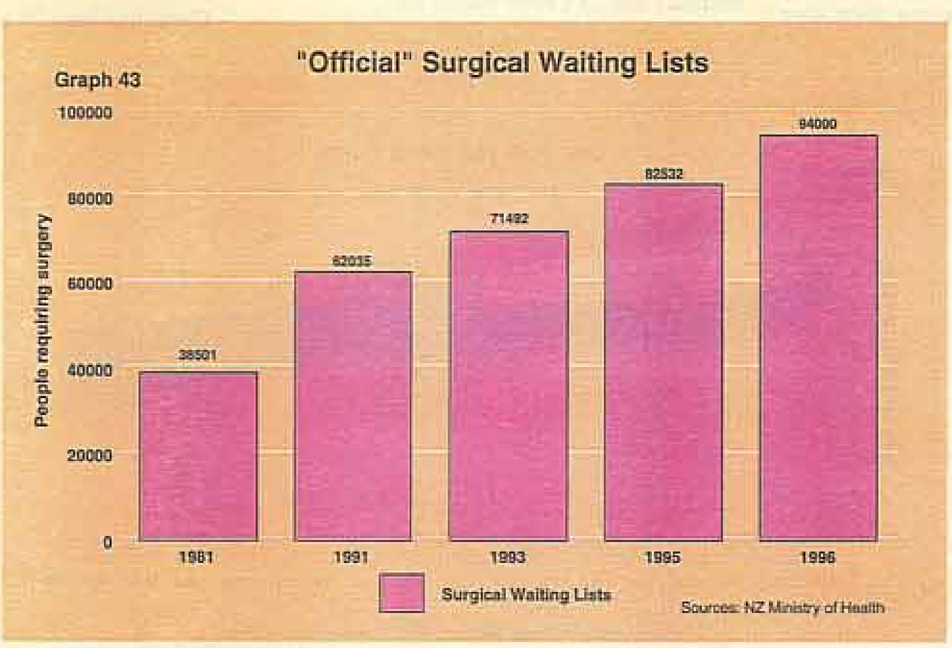
"Problem 97. A mental patient costs 4 RM [Reichmarks] each day. A crippled person costs 3.50 RM per day. In many cases, a civil servant earns only 4 RM a day, an office worker barely 3.50 RM, an illiterate worker less than 2 RM per family head.

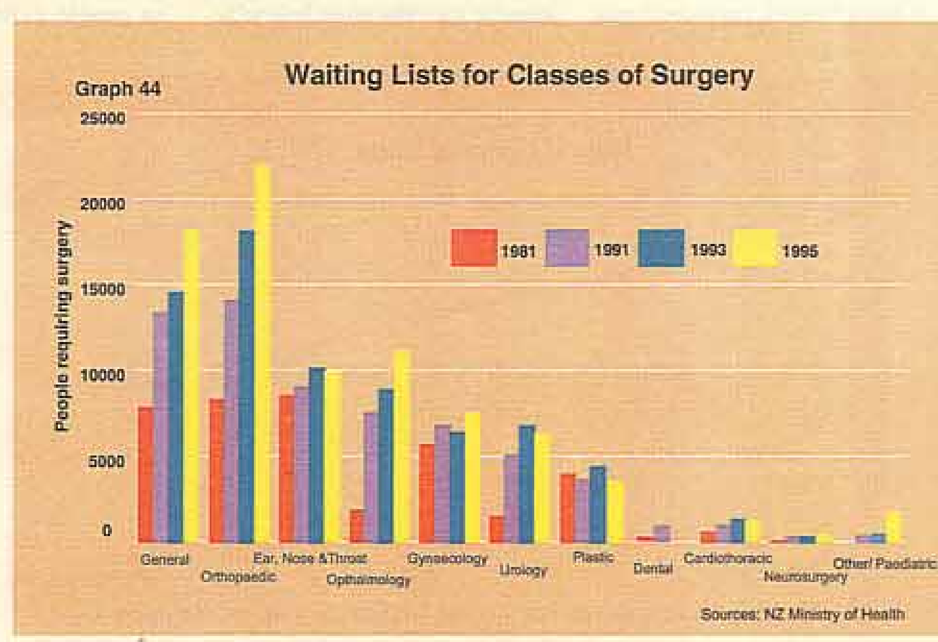
"a) Analyse these figures on the basis of the fact that in Germany there are 300,000 mental patients in the institutions.

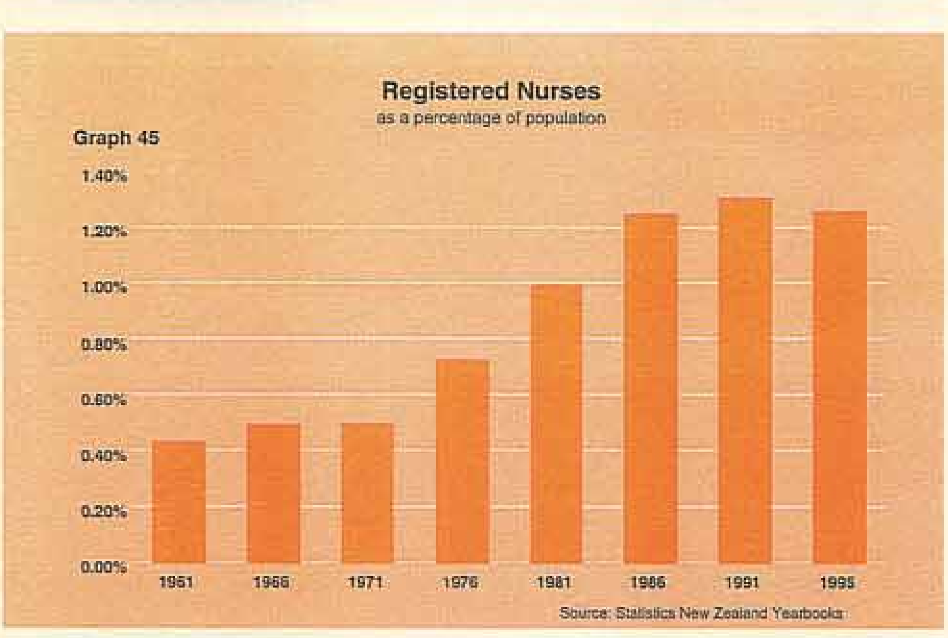
"b) On the basis of 4 RM each per day, what is their total cost each year?

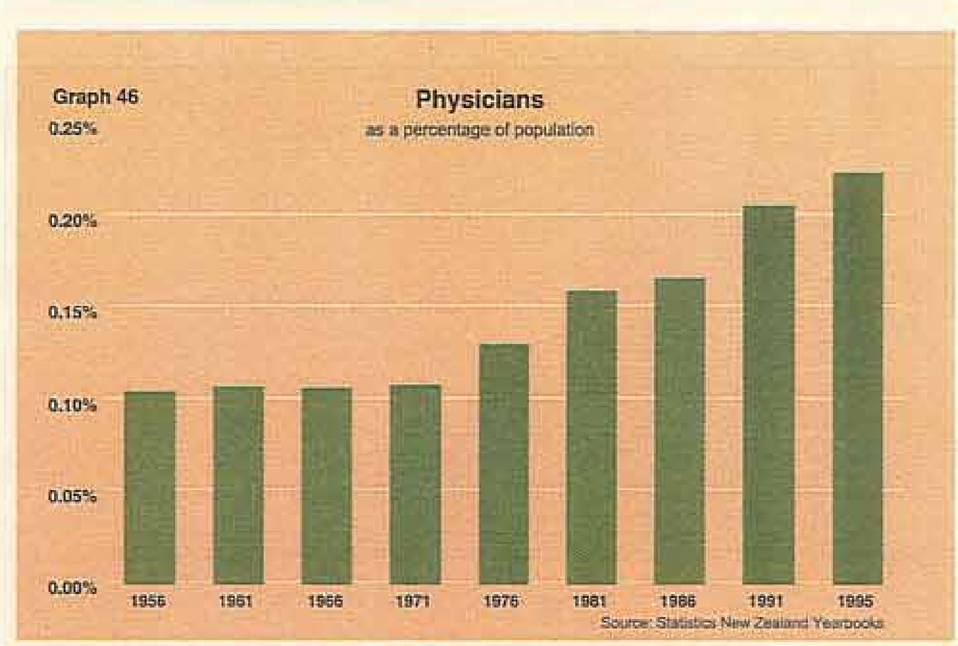
"c) How many marriage loans of 1,000 RM each could be obtained each year with this money?".

When the war began, Hitler gave a handwritten order, backdated to the first day of the war, in which he stated that he "considered it to be proper that the 'life unworthy of life' of severely mentally ill persons be eliminated by actions that bring about death." In this way, "a certain saving in hospitals, doctors, and nursing personnel could be brought about," he said.









2.7.2 The destruction of New Zealand's health care system

By 1938, New Zealand was internationally acknowledged as having the most comprehensive social security system in the world. Benefits helped ease old age, sickness, widowhood, orphanhood, unemployment and other exceptional circumstances. Family doctor, hospital and maternity services were free.

This system remained largely in place until the late 1980s, when Mont Pelerin's free marketeers began, with encouragement from the then Minister of Finance, Roger Douglas, to attack that system, in particular its health care. The assault begun then on the physical well-being of New Zealand's citizens was a crucial facet of the British oligarchy's plans to destroy the nation-state of New Zealand. (See interview with Lord Harris, page 10).

In 1987, under the Lange Labour Government, a Taskforce on Hospital and Related Services was set up. It was chaired by Alan Gibbs, one of New Zealand's three members of the notorious Mont Pelerin Society (MPS). The Taskforce produced a report called *Unshackling the Hospitals*, which recommended to:

* Separate health providers, (i.e. the public hospitals, clinics and medical services responsible for administering health care to the sick), from health funders or purchasers (i.e. the Government in the first instance, and then later a number of decentralised Regional Health Authorities and ultimately, fully privatised Managed Health Care organisations).

* Introduce "modified competition" so that health purchasers could go to a "market place" to "get the best value for money".

* Pay providers a fixed amount for pre-specified treatments, rather than for "what they actually spent".

* Introduce some form of consumer-based funding (the "user-pay" system).

* Have "health providers" run public hospitals in a "business-like way", ie. for profit.

The report became so unpopular that the Labour Government disowned it, but it did not disappear.

In 1990, when the National Party headed by Jim Bolger came to power, another of the Mont Pelerin Society's three New Zealand members, Simon Upton, was immediately appointed Health Minister; he set out to implement the Gibbs Report, despite the National Party having said nothing about it throughout the election campaign.

The National Party knew that their intended health reforms would be so unpopular, that the public would need "convincing". So they swiftly launched an elaborate public relations campaign. They intended to implement their changes with virtually no public debate; only those who supported the "market-driven" policy were consulted.

Sir Ron Trotter, the Chairman of the MPS front group, the Business Roundtable, was appointed Chairman of the National Interim Provider Board (NIPB), the apparatus established to oversee the reforms. The Co-ordinator of the New Zealand Coalition for Public Health told the *New Citizen* on October 3rd, 1996, regarding Trotter and his NIPB (which was largely devoid of health professionals), "It was a total sham. Ron Trotter, another Business Roundtable former Chairman, he would go round in helicopters, land in the field of a hospital, and do a brief visit with a couple of people, in and out, and this used to incense staff because of all the money that has been wasted. I mean he clearly didn't know very much."

Chief consultants to the NIPB included CS First Boston, and in particular, Peter Troughton, the British born former member of the Business Roundtable and a major player in the privatisation of Telecom. Troughton attended the 1989 Mont Pelerin Society Conference held in Christchurch, and has since played a leading role in advising both the Australian and Victorian governments on privatisation.

The Business Roundtable commissioned a special report, commonly referred to as the *Danzon Report*, which was kept relatively secret. Officially entitled *Options for Health Care in New Zealand*, it was, however, made available to the Government's Taskforce headed up by Simon Upton.

The *Danzon Report* was authored by economist Prof. Patricia Danzon and by Susan Begg from CS First Boston. Danzon was proclaimed to be an expert in health care systems and insurance and risk management; educated at Mont Pelerin's University of Chicago and at Oxford, she had been the recipient of a Mont Pelerin Society Fellowship.

Begg, an economic analyst, was educated at the University of Canterbury, had previously worked in Treasury, and then moved to CS First Boston. She was a specialist in regulatory economics, competition policy and State Owned Enterprises policy issues.

The *Danzon Report's* recommendations were virtually identical to those proposed by Gibbs in 1987. The idea was to gradually force the public to join *private* health care plans, and to reduce the Government's involvement in provision of health care. Tax cuts would ostensibly compensate people for the high premiums that they would have to pay under the new system. Danzon and Begg also endorsed the corporatisation of public hospitals, and their ultimate privatisation. Gibbs confirmed his ultimate agenda in the September 1996 edition of *North & South*: "The model we came up with was an initial means of getting some business units out there to establish prices. It was only a transitional step to people purchasing their own health services, paid for from tax cuts. In the long run I foresaw hospitals being privatised."

As Minister of Health, Mrs Jenny Shipley decided to restrict the number of people eligible for heart surgery, by insisting that under a new booking system for surgery waiting lists, cardiac patients had to score higher than 35 points to qualify for surgery—doctors and specialists urged that the level be 25 points. According to the *New Zealand Herald*, Mrs Shipley said it was decided on the money available.

Not long after the release of the *Danzon Report*, Simon Upton's Taskforce produced its Green & White Paper entitled *Your Health and the Public Health*. Its recommendations were almost identical to those of Danzon. Though Upton acknowledged that New Zealand's public health system had been "one of the best in the world, envied and praised by other countries", he pushed ahead with his and Danzon's "reforms". His restructuring plans included:

* The abolition of the 14 existing area health boards;

* The establishment of four Regional Health Authorities (RHAs) to be the purchasers of all personal health and disability services;

* The corporatisation of public hospitals into 23 Crown Health Enterprises (CHEs) with business CEOs appointed to manage hospitals for a profit;

* Small isolated or rural hospitals would become Community Trusts, to be left to restructure themselves with some limited funding from the Government;

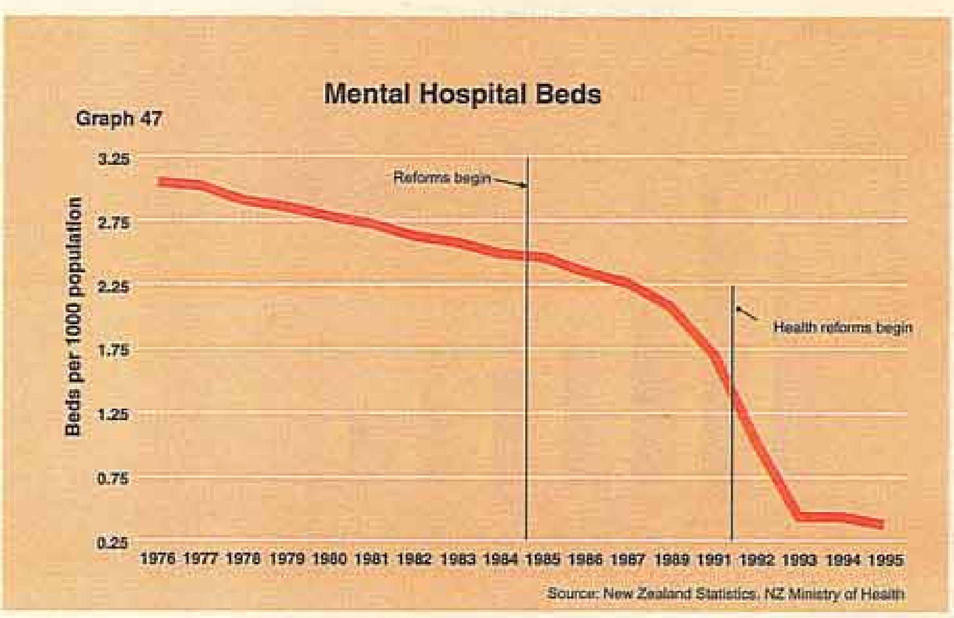
* The establishment of a separate Public Health Commission responsible for nation-wide immunisation and other public health issues;

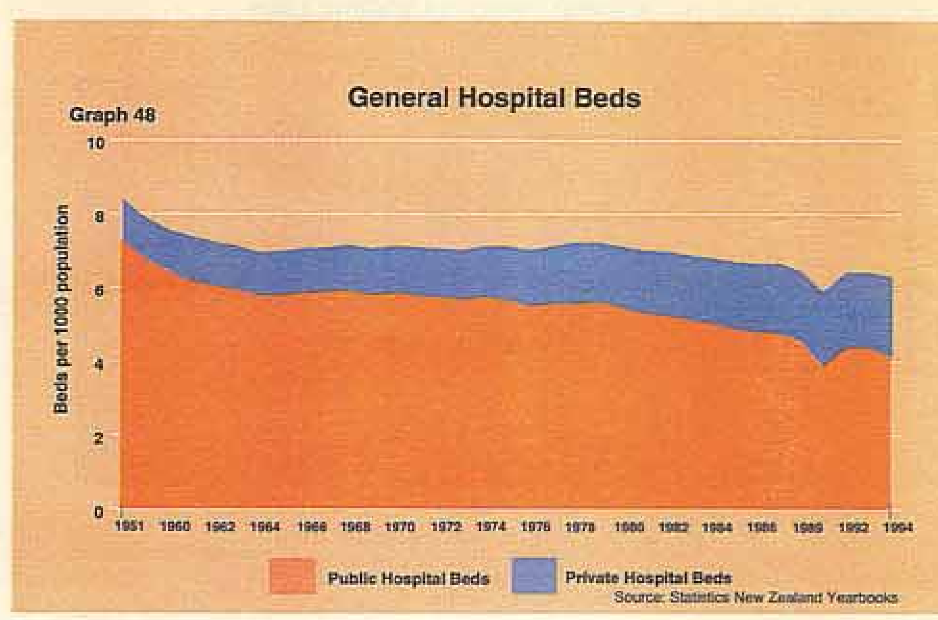
* Budget control measures to constrain health spending;

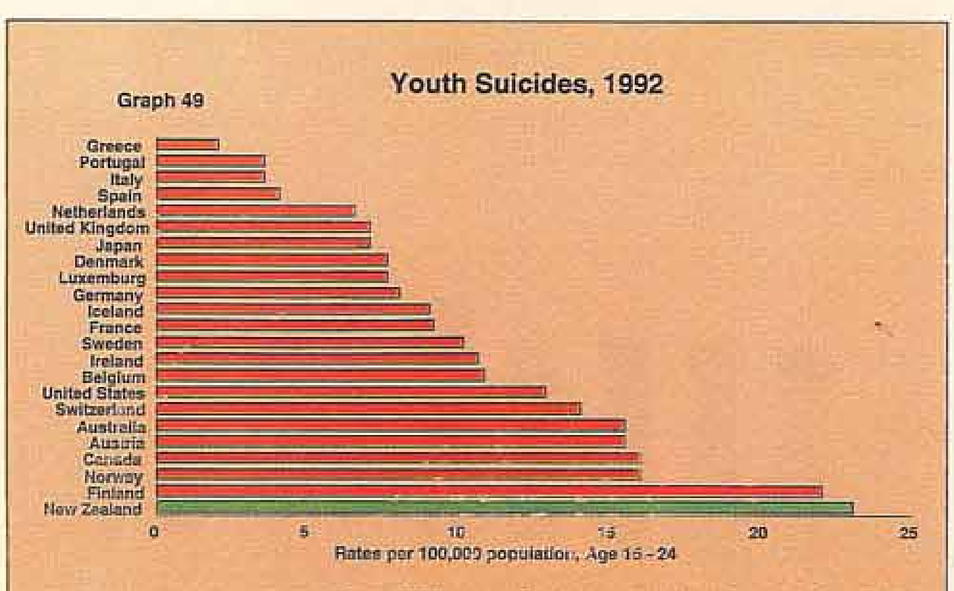
* Competition policy for health providers, to force "greater efficiency."

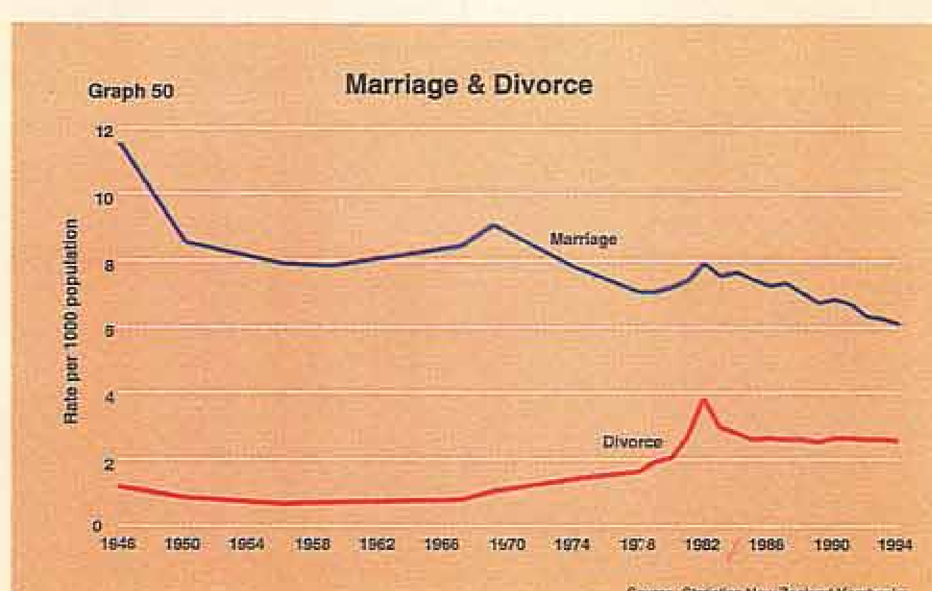
The Government claimed that reforms were necessary because of a blow-out in the health budget. However, according to Lyndon Keene, Co-ordinator of the New Zealand Coalition for Public Health, who has conducted an intensive investigation

Continued Page 21









Nazi 'reforms' rip New Zealand - Australia next

New Citizen Special Feature - 16

from Page 20

of New Zealand's spending on public health, it had increased by less than 1% a year through the 1980s, when inflation and population growth were taken into account. In fact, it was the implementation of the reforms which blew out the budget. According to David McLoughlin, senior writer for *North & South* in his special report of Sept, 1996 entitled "How Bad Is Our Health?", "Three years ago, when National's health reforms took effect, government health spending had been steady on around $4 billion annually for several years. Since then, health spending has gone up sharply each year, reaching $5 billion in the financial year that ended on June 30 and predicted to pass $5.3 billion in the current financial year."

A second justification for the health reforms was to reduce hospital waiting lists. Since the "reforms" these have soared. Even though costs and waiting lists are soaring, New Zealand is barrelling ahead toward Douglas' announced goal of full privatisation "by the year 2000". (*Sunday Star*, April 5th, 1992.)

Privatisation of the public health system is proceeding through "Managed Health Care", which has been pioneered in America since the early 1970s, means cutting back on health care supplied to patients in order to boost the profits of the "providers", known as Health Maintenance Organisations (HMOs), which are usually controlled by major insurance or international financial networks.

It works very simply: any doctor or hospital enrolled in the plan is told that they may no longer prescribe the amount and quality of treatment they believe to be in the best interests of the patient, but only what the "provider" will allow. If they go beyond that, the doctor or hospital is penalised, whether financially, or by being kicked out of the plan.

Profits for the HMOs have soared. For example, Oxford Health Plans Inc., which has 1.2 million enrollees, received $60.3 million in revenues in 1990; it grew 2,827%, to receive revenues of $1.765 billion in 1995. Profits grew even faster - 5,200%, from $1 million in 1990 to $53 million in 1995.

Aetna Health, the same Aetna Health operating in New Zealand and which in 1996 merged with US Healthcare, is now the third largest HMO in the United States. Prior to the merger, US Healthcare recorded revenues in 1990 of $1.33 billion; it tripled that in 1995 to $3.61 billion, which produced a fivefold increase in profit from $77.5 million in 1990, to $380.7 million in 1995.

A managed care pilot scheme is now running in Tauranga, New Zealand; it is owned by an Aetna subsidiary, "Managed Care New Zealand". Two of the major shareholders in Aetna New Zealand are Business Roundtable high-flyer, Ron Brierley and the architect of "Rogernomics", Sir Roger Douglas.

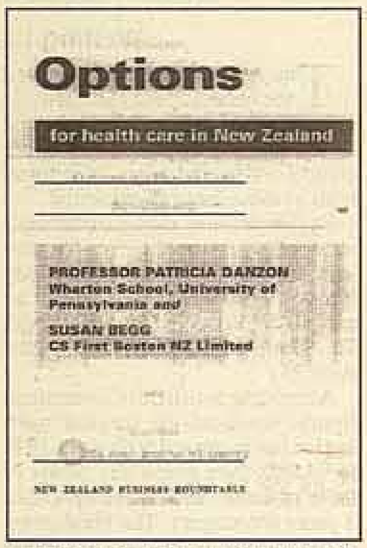
Under managed care, profits are soaring, while patients are suffering, and increasingly, dying. An uproar has broken out against "managed care" in the United States, where dozens of State Legislatures, as well as the Federal Government, have passed or are considering laws to rein in the HMOs. (See *EIR* magazine, Vol 23 No 40, Vol 23 No 42, Vol 23 No 43.)

As Douglas has said, Mont Pelerin's plan is to force all health care to be private. It is no surprise, then, that spending on private health services in New Zealand rose 132% between 1985 and 1995. It went from $181 to $429 per person and private hospitals and private insurance are booming industries.

Desperate people on waiting lists naturally turn to the private sector. In fact both Southern Cross Health Care and Aetna Health, the two largest health insurers, have recently increased premiums by up to 20% to offset rising demands for private health care.

Meanwhile government funding of surgical and medical services in public hospitals dropped by $91 million between 1994 and 1995 - a decrease of more than 5% in one year. In the same period government funding of surgical and medical services in private hospitals increased by $55 million, or 191%, according to the Health Department's publication, *Health Expenditure Trends in New Zealand.*

Mont Pelerin assets in the New Zealand government, in cahoots with Douglas' mates in the "private sector", have set into motion a plan that will carry out "murder and ill-treatment of civilian populations," through "the denial of surgical and medical services," a crime for which Nazis were hung at Nuremberg.



The Mont Pelerin Society's destruction of the New Zealand health system

1987

Report of Labour Government's Taskforce on Hospitals and Related Services:
"Unshackling the Hospitals"
Chaired by **Alan Gibbs** (MPS member)
This report laid the foundation for the corporatisation and ultimate privatisation of the hospitals and medical services.

1990

National Party Government
Prime Minister Jim Bolger
Minister for Health - **Simon Upton** (MPS member)
Minister for Finance - Ruth Richardson
Minister for Crown Health Enterprises - Paul East
Minister for Social Services - Bill Birch (Successor to Simon Upton in 1993)
The Nationals did not mention health reforms in their election campaign, but moved immediately to implement Gibbs' recommendations.

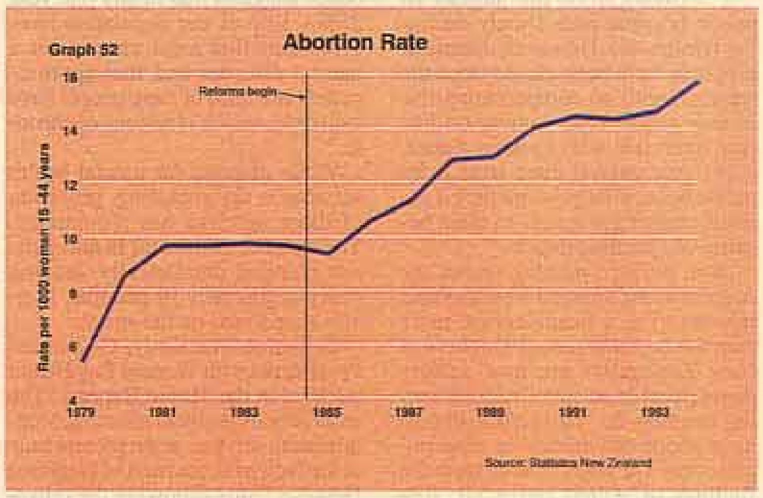
April 1991

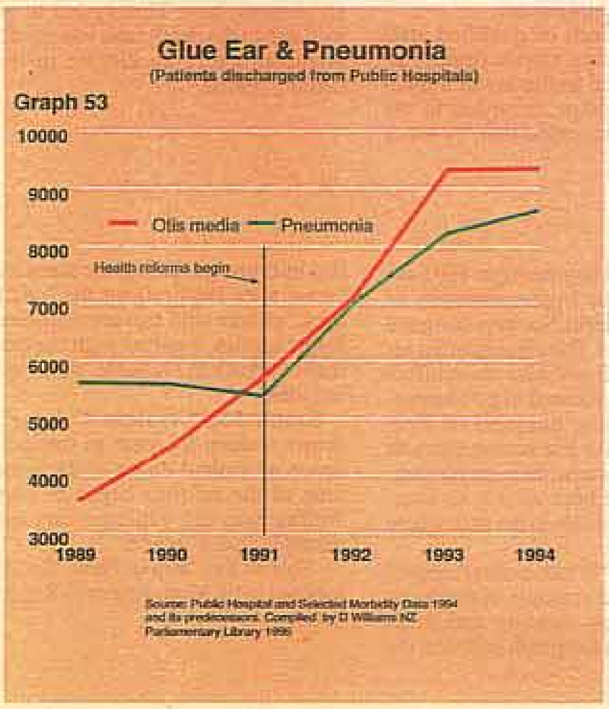
Danzon Report
("Options for Health Care in New Zealand")
Authors: **Prof. Patricia Danzon** (MPS Fellowship)
Susan Begg (CS First Boston)
Report commissioned by **Business Roundtable.**
This report was looked to by the Government as the ultimate "authority" on how to implement the "market reforms" for health.

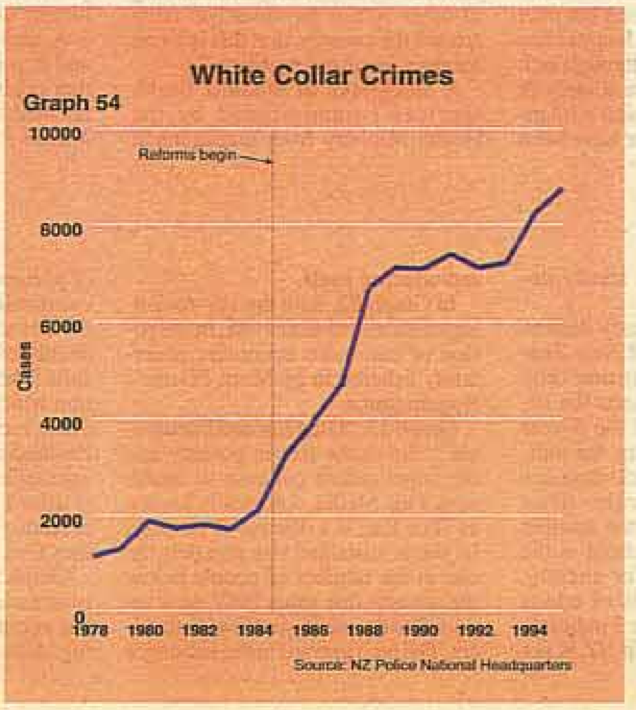
Sept. 1991

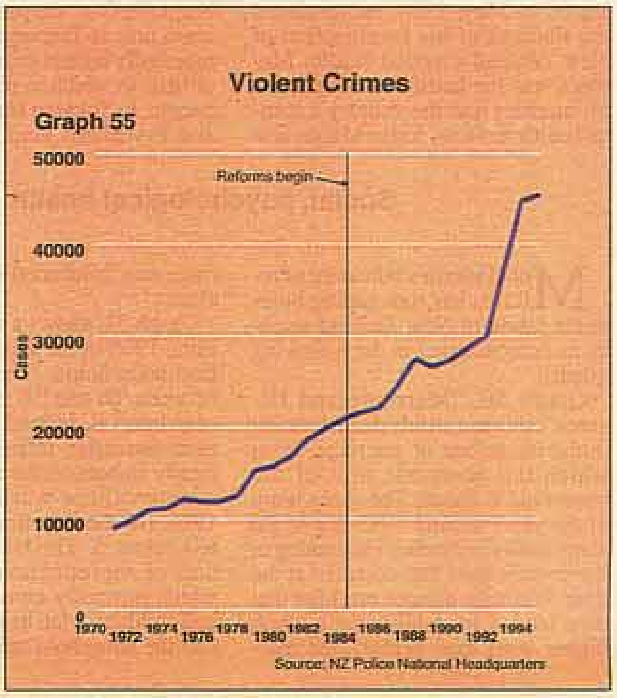
Report of the National Government's Taskforce on Health:
Green and White Paper
("Your Health and the Public Health")
Author: **Simon Upton** (MPS member), Minister for Health
Consultants: Susan Begg (CS First Boston), Geoff Swier
Upton drew heavily from Danzon's report; his Green and White Paper became the official Government policy.

National Interim Provider Board (**NIPB**)
Chairman: **Sir Ron Trotter**
Chief economist: Geoff Swier
Consultants: **CS First Boston**, Peter Troughton
The NIPB was responsible for implementing Upton's Green and White Paper; its chairman, Trotter, was also the longtime chairman of the MPS front, the Business Roundtable.









Nazi 'reforms' rip New Zealand - Australia next

2.7.3 The Human Cost

Waiting Lists

The health reformers justified the necessity for reform to: 1) reduce the surgical waiting lists, and 2) to bring the health budget under control. After the years of reform, both of these have skyrocketed.

People are now dying while waiting for surgery on the ever-increasing surgical waiting list; nobody knows how many, because no records are kept! (see Interview with Dr. Scott, page 24 and Dr. Neutze page 25)

According to official Government figures however, the surgical waiting list has increased 50% since 1991 to 94,000. (See graph 43). Many of these patients have waited up to 2 or 3 years for surgery. The breakdown of the waiting list by class of surgery is shown in Graph 44.

As extraordinary as these official figures are, they still do not reflect the true picture. According to Dr Alister Scott from the Coalition for Public Health in a press release of October 6th, 1996, surgical waiting lists in New Zealand's public hospitals are increasing at a rate of one person every hour.

Furthermore, Lyndon Keene, Coordinator of the Coalition for Public Health explains in an interview (page 26) why total hospital waiting lists are in fact much closer to 200,000! This figure includes approximately 80,000 patients who have been re-assessed and placed on a new "booking list", as well as outpatients who have been placed on waiting lists for non-surgical treatment, such as dental, podiatry, radiology or other diagnostic care.

Under the new booking system, just over half of the people on existing heart bypass waiting lists would not get surgery, under the Government's planned points system. Of 662 patients on the list, about 53% would be referred back to their doctors because they fall under a cut-off mark of 35 points. Heart specialists who devised the criteria wanted a cut-off mark of 25 points. But according to a report in the *New Zealand Herald* on May 10th, 1996, "the Minister of Health, Mrs. Shipley, who took responsibility for the 35-point threshold, said yesterday that it was decided on the money available."

Christchurch cardiologist Dr. David Smyth says that around one in 20 of those people waiting for heart surgery won't get their operation in time and that half of the 50 Canterbury people who die each year while awaiting cardiac surgery, could be saved if there were a cardiothoracic unit operating in Christchurch. Likewise, cardiologist, Dr. Harvey White of Green Lane Hospital in Auckland, warns that people are more at risk of dying from waiting, than they are of dying on the operating table.

Delays in surgery are not only due to lengthy waiting lists. A report in *The Dominion* of April 24th, 1996 revealed that "Middlemore Hospital, Health Waikato, Nelson-Marlborough, and the Napier and Hastings hospitals last year closed their theatre doors to surgery two months before the end of the financial year, trying to sidestep budget blowouts." In April, North Shore Hospital stopped all elective orthopaedic surgery, and Green Lane Hospital halted angioplasty procedures and only performed heart surgery till July, even though their regional health authority masters had warned them to spread the load, for economic and political reasons. Auckland Hospital closed a surgical ward for up to eight months because it had run out of money to take extra patients waiting for operations. The Hospital had the capacity and the demand from patients to do more surgery but was not allowed to because of its budget. The same hospital also announced a go-slow in four areas—urology, neurology, general and eye surgery—after surgeons worked 40% ahead of their financial targets in the first two months of the financial year.

Triage

Budget and staffing cuts have forced medical professionals to "play God", and decide who will get care, and when, and who will not.

Take the case of Dick Tabb, a retired postal/Telecom employee aged in his 60's, who for two and a half years suffered severe pain whilst awaiting orthopaedic surgery for a hip replacement. He told his story to *North and South* magazine.

It took a year before Dick was seen by the orthopaedic surgeon and although classified as urgent, it was 15 months before he got his operation. The operation went well and five days after surgery he was back home. But ten days later, Dick developed agonising pain in his affected leg. The doctor suspected blood clots, a not uncommon but potentially life-threatening postoperative complication. Dick needed to be seen urgently at Christchurch's accident and emergency department. It took nine agonising hours of excruciating pain before he got the necessary treatment; nine hours during which the skeleton-thin staff at Accident and Emergency juggled the needs of one acutely ill patient against the next.

Medical staff call this process of shuffling desperate people up and down the queue, "triaging". It's a term coined from the fighting fields where medical staff were forced to make chilling assessments of which of the war wounded could be saved.

This juggling act is due in large measure to cuts in staff levels, exacerbated by the shift from highly skilled, to less skilled and casual nursing staff. While official figures taken from annual Year Books proclaim that the number of working nurses, as a percentage of the population, has dropped only slightly from 1991 to 1995 (see Graph 45), the 1995 Coalition for Public Health's Report, *Nursing and Medical Staffing Trends 1990-1994* and the 1996 New Zealand Nurses Organisation's (NZNO) nurse staffing survey report, *Safe Staffing? Patient Safety and Nurse Staffing*, tell a different story:

* Nursing staff levels decreased by 12.4% between 1990 and 1994; amounting to the loss of 1,077 full-time equivalent nurses and 1,073 enrolled nurses, in the public sector.

* On a per capita basis, the number of qualified nursing staff employed in the public sector decreased by 15.6% between 1990 and 1994 (see interview with Lyndon Keene, p.26).

The following quotes are from nurses working in environments which they regard as unsafe for their patients, as recorded in the NZNO *Safe Staffing* survey:

* "Hospital wide bed crisis is becoming the norm...the standard of patient care drops considerably. Some days we just don't have the resources available to meet the patient's needs." - Staff Nurse Accident & Emergency.

* "We have telemetry monitoring and with only 2 people working, and busy, even with alarms turned on, a patient could be dead before we would be aware of it and yet we could be deemed 'responsible'—happening more and more." - Staff Nurse, Coronary Care Unit.

* "Wards are staffed for 26 patients—each ward usually has 35 patients, stress, lower morale, unsafe practices, higher staff turnover—inability to get staff." - Nurse Coordinator, metropolitan CHE.

* "Heavier workloads: reduced number of staff with any nursing or special needs knowledge/training required to care for sick people, increased use of casual staff (who don't know location/clients)." - Registered General Nurse, Care of the Elderly.

The following interviews on page 24 with Peter Gaffikin, spokesman for the Nurses Organisation in Christchurch and Lyndon Keene, Coordinator of the Coalition for Public Health describe in some detail, the alarming trends in nursing. In Christchurch Hospital the increasing reliance on casual labour, coupled with the shortage of senior nurses is of grave concern. The casual pool of nurses swelled from 20 in 1993 to about 180 today. Christchurch Hospital is pioneering a new breed of desk-bound nurses called "patient-care managers," who will be in charge of overseeing about 100 patients' individual "care plans" from the moment of admission to discharge. Nurses, doctors and other medical personnel are vehemently opposed, as it is clearly designed to push patients in and out of the wards as quickly and inexpensively as possible, while allowing the bean counters to tot up every intervention from bed pan to brain scan. In this move, 35 of the most senior nurses, known in the old days as "ward sisters" or "charge nurses," are scheduled to have their positions "disestablished" and to be replaced with eight "patient care managers."

Christchurch Hospital surgeons like Phil Bagshaw, Paul Armour and Graham Inglis, view the removal of a charge nurse position from each ward as an extremely risky step. Bagshaw explained to the *North-South* magazine in September, 1996, "These nurses who headed each ward were vastly experienced and so provided an important safety valve on the ward. Junior nurses and doctors relied heavily on having direct access to the charge nurses' expertise."

According to Year Book statistics, the number of working physicians appears to be increasing. (See graph 46)

This is one more statistical lie, because, even if the number of people per doctor were declining, patients *cannot get access to the doctors to get treatment*, because of waiting lists and the budget caps which force whole surgical teams to remain idle for perhaps months at a time, or because doctors are simply not available in the area in which they live. (See interview with Dr. Alister Scott, p.24)

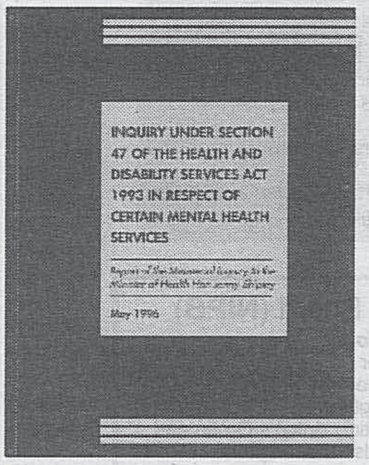
Hospital beds and Mental health

New Zealand's statistical Year Books show the number of public hospital beds slowly declining (Graph 48). However, dozens of hospitals have been closed since the reforms, with no compensating rise in new public beds coming on line (see interview with Lyndon Keene, p.26). And even if there were more public beds, what good are they if patients cannot get access to them because of spending caps?

But, perhaps nothing shows the success of the vaunted New Zealand reforms to be a shameless lie, more than the fact that record numbers of New Zealanders are now *killing themselves*! In an optimistic, advancing country, do "most high schools have about one suicide in their pupils every 1-2 years"? Such were the findings of retired Judge Mr. Ken Mason, whose *Mason Report* released in May, 1996, encapsulated the findings of his investigation of New Zealand's mental health. Mason's was the latest in a long series of inquiries into the country's mental health services. Judge Mason also found that, "The best available evidence suggests that in any one year 25% - 30% of our population have symptoms that meet criteria for a mental disorder and that approximately one third of these people have a disorder which is serious or chronic."

While demand for mental health services is sky-rocketing, provision of those services has plummeted. The number of mental health beds has plunged dramatically, leaving many desperately ill patients, literally abandoned on the street.

Catherine MacKirdy, Consultant Psychiatrist with Western Bay Health testified in the Mason Report: "The most serious problem affecting Mental Health services at the present time is the lack of acute beds in Regional Hospital Units following the downsizing and closure of the old mental hospitals. Over the past year our own acute unit at Tauranga Hospital has repeatedly been in crisis through lack of beds in which to place acutely ill people. In Tokanui Hospital's Intensive Psychiatric Unit, we have been



The Mason Report

told that they have been looking after as many as thirty people in nineteen beds. I am aware, from talking to other senior psychiatrists from around the country, that this is by no means a localised problem."

A stock-take of medical health services commissioned by the Health Ministry from management consultancy, Ernst & Young, showed the total number of mental hospital beds for acute, medium and long stay patients was supposed to hold steady at the 1993 level of 1,539 till at least 1995, before starting to reduce to 1,341. The present number of beds equates to about 38 for every 100,000 people, a dramatic decrease from approximately 225 per 100,000 in 1985 or even 500 per 100,000, fifty years ago. (See graph 47)

The most common cause for psychiatric emergencies in adolescents is threatened or actual suicide; New Zealand's youth suicide rate is the highest in the Western world (see graph 49).

Wellington Police told *The Dominion* on December 23rd, 1995, that as many as 46 of the 70 suicides attended by their department in that year, could have been people with a history of mental illness.

A serious lack of qualified staff and degenerating morale pose a further crisis. The testimony of a mental health worker, recorded in the *Mason Report*, stated that "A lot of community Mental Health staff have left due to dissatisfaction with management and health reforms." One frustrated nurse claimed "We have not had a pay increase in five years and my current employer is probably, in the new year, going to lock me out as I and a number of my colleagues refuse to sign a contract which is inferior in wages and conditions to what I am on now. In fact, for District Nurses this means a drop in salary of $7,000."

The budget-slashing mania and ideological fixation on health care reform, and handing of responsibility for public health over to the "entrepreneurs" and their Managed Care organisations constitutes a wilful crime against humanity, as spelt out in the Nuremberg Code. Such policy decisions by individuals elected to represent and uphold the rights of all citizens, have already led to an increase in the death rate, which will unquestionably accelerate in the coming period.

Social, psychological health

Mont Pelerin's blitzkrieg of reforms has torn gaping holes in the fabric of New Zealand society, as demonstrated in the following graphs:

Graph 50, "Marriage and Divorce", shows a steady disintegration in the institution of marriage, upon which the economic unit of the household is based. The sharp jump in the years around 1982 is a slight abnormality, reflecting a loosening in the divorce laws that occurred at the time. While the divorce rate after that time tended to stabilise (at a much higher level than before), the marriage rate continued its steady decline.

Graph 51, shows a steady decline since 1966 in the size of New Zealand households. The greater drop between '66 and '76 reflects the 10-year interval, instead of the 5-year used thereafter, reflecting the anti-family impact of the rock-drug-sex counterculture worldwide. After 1986, for the first time the number fell below 3. The household is the unit of reproduction for society, which normally consists of adults and children; a fall below 3 indicates that the household unit in NZ is not reproducing itself.

In Graph 52, note the sky-rocketing of abortions after 1985, in the period of enormous economic uncertainty ushered in by Mont Pelerin's Rogernomics.

Graph 53, "Glue Ear and Pneumonia", shows the rise in poverty and the concomitant collapse in health care. Otis Media, commonly known as Glue Ear, is a disease of poverty; its steep, sustained rise parallels the rise in the number of people below the poverty line since 1989, now reported to be one in six New Zealanders. The leap upward in the incidence of pneumonia beginning in 1991 accompanied the implementation of the Mont Pelerin Society-designed health reforms. Pneumonia often results from a less serious chest infection which is allowed to go unremedied. Increasing numbers of New Zealanders have less access to health care, either because they can no longer afford it, or because it is no longer readily available in the area where they live.

Graph 54, "White-collar Crimes" is an excellent example of free market economics—looting and stealing. Although the graph parallels the rise in crime generally, the steep increase after 1984 reflects the "quick buck" culture shift that accompanied Rogernomics, together with the dramatic cutback in available, well-paying jobs.

Graph 55, "Violent Crimes", shows a steep increase in the incidence of violent crime at the same time as the reforms began to bite. Welfare was cut, while poverty and unemployment soared.

This is the "Brave New World" ushered in by Mont Pelerin's Rogernomics.

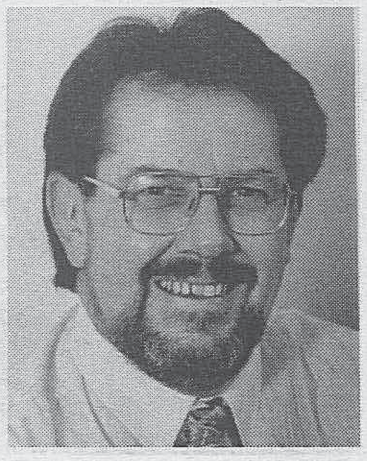
Nazi 'reforms' rip New Zealand - Australia next

2.8 Mont Pelerin destroys NZ education

Not that long ago, New Zealand had one of the best education systems in the world. By 1938 they were the 4th most literate nation, and by 1950, they had the highest per capita library book lending rate in the world. What took a once proud nation of New Zealanders generations to build, took the London-based Mont Pelerin Society (MPS), and its New Zealand Business Roundtable (NZBR) apparatchiks less than a decade to destroy!

Tomorrow's Schools, written by the mandarins in Treasury, and initiated by the incoming Labour government in 1987, set the scene. The Treasury bean counters claimed that education was inefficient, that government intervention should be minimised, and that radical "free market" reforms were required. Soon, teachers became known as "providers" and students became known as "customers". The legal right to attend the closest school was abolished, which placed students according to supply and demand. Compulsory teacher registration was also abolished, and the conditions for the privatisation steamroller of education had begun.

But the reforms weren't nearly fast enough for the Mont Pelerin Society, so they sent out from London their highly successful education wrecker, Stuart Sexton from the Institute of Economic Affairs, MPS' main think tank. Sexton was British Prime Minister Margaret Thatcher's personal advisor on education, and thus the architect of the destruction of Britain's education system. As well, Sexton was Special Advisor to Sir Keith Joseph (Lord Joseph), and Mark Carlisle (now Lord Carlisle),



Kevin Bunker, General Secretary of the New Zealand Post Primary Teachers' Association (NZPPTA)

Thatcher's successive Secretarys of State for Education and Science, who under her guidance, turned Britain into the post-industrial rubble heap that it is today.

Roger Kerr, Executive Director of the NZBR and MPS member, commissioned Sexton to write the report, *New Zealand Schools: An Evaluation of Recent Reforms and Future Directions*, which went much further than Treasury's brief. Sexton recommended that the school boards be allowed to hire and fire teachers, suppliers and consultants, negotiate pay scales, purchase materials, and conduct in-service training; in short, that they be able to operate just as the private system does today. The word "privatisation" did not appear in Sexton's report, which instead referred to schools as "self-managing", with increased "parental choice". It was crucial, Sexton said, that schools operate "without the support or interference from the present multitude of national agencies". Most of Sexton's recommendations were implemented, assisted by a huge campaign run by the NZBR-dominated New Zealand media, and through the lobbying of the Education Forum, an NZBR front that represents no-one, has no classroom teachers, university lecturers, representatives of parents, trade unions, teacher associations nor community groups—but claims to represent education. In fact, it is dominated by business: Fletcher Challenge; Federated Farmers; the Employers Federation, the Manufacturer's Association, and—no surprise—Roger Kerr of the NZBR.

Under the reforms, government funding for private schools was doubled, while state schools' funding was cut back, with no consultation with trade unions, employer groups, or school trustees. Today, instead of a school principal being concerned with what's happening in the classroom and managing the school, principals have had to become business managers, who spend their time seeking corporate sponsorship, fundraising and marketing their schools. According to Jane Kelsey, social researcher, and author of *Economic Fundamentalism: The New Zealand Experiment-A World Model for Structural Adjustment?*, "Many schools looked to other innovative, and in some cases, dubious sources of funds." As reported in New Zealand press at the time, some of these dubious sources of school sponsorship included a massage parlour and some liquor stores. Is it any wonder principals are taking early retirement? A recent survey conducted by the Education Review Office revealed that in the worst affected areas, 25 per cent of principals interviewed said they intended to leave the profession. According to Kevin Bunker, General Secretary of the New Zealand Post Primary Teachers' Association (NZPPTA), *12.9 per cent of secondary teachers have left the profession in the past 12 months*! (NZPPTA, Gazette Issue 19, November 4, 1996). Teachers cite their reasons as overwork, stress, low morale and low pay. Research into teacher workloads found that secondary school teachers worked an average of 75 hours a week, made up of teaching class, class preparation, grading of tests, homework and assignments-most of which is unpaid.

These conditions underlie the government's prediction of a national teacher shortage for 1996/97 of 880. Marilyn Yeoman, President of the New Zealand [Primary] Principal's Federation (NZPF) says that in her personal view, the figure is woefully understated. Mrs Yeoman told The *New Citizen* "The government claims there are 580 primary teacher positions [vacancies—Ed.] nationwide. We surveyed 550 Auckland [primary] schools in November and found there were 539 vacancies, so it doesn't leave much for the rest of the country. In fact, I think the total is quite a lot higher ... I personally think the total of 880 is understated by about one and a half times [would be 1320 vacancies—Ed.]". The NZPPTA have just completed a study which found that the cumulative total of secondary teacher vacancies has skyrocketed from 1,215 in 1993 to 2,937, as of November 1996—a 142 per cent increase in three years! (See Table 2)

In a desperate attempt by the Government to plug the teacher shortage, the New Zealand Ministry of Education are advertising teaching positions on the Internet. Mrs. Yeoman said "Many teachers from Australia and Canada are applying for the positions, but the biggest worry is that they [Ministry of Education] are flying plane loads of graduate teachers from the South Island, and all they get is the plane trip and a meeting with the principal and they're expected to teach next term. But a number of them are in their very early years of teaching, so we are very nervous what we will find after the school year begins.

A considerable number of these recruits just don't have the experience". Mrs Yeoman confirmed that some schools weren't waiting for the government to fill vacancies, and were contracting recruitment companies to find teachers for them. At least one well-known New Zealand agency has recruited 30 teachers internationally.

The government claims that the pupil-teacher ratio for primary classes is 20.68:1; and 15.65:1 for secondary classes. Kevin Bunker scoffs at the statistics: "When you take out all of the non-teaching positions that are included in those figures, you get a very different picture. Those positions include: principals, resource staff, guidance counsellors, non-teaching heads of department, teacher aides, ancillary staff, support staff, advisors, consultants and behavioural staff." He said "I regularly see class sizes of 35 students, particularly in the core subjects, mathematics, English and science, and this is the rule, rather than the exception". So much for government statistics!

"Class sizes of 35 students, particularly in the core subjects, mathematics, English and science, and this is the rule, rather than the exception."

Table 1

Predicted New Zealand teacher shortages

Year	Primary	Secondary	Total
1997	580	300	880
1998	420	550	970
1999	260	880	1140

Source: Ministry of Education, May 1996

Table 2.

Secondary teacher shortages advertised

Year	Vacancies	% Loss Rate
1993	1215	10.8
1994	1597	12.5
1995	2219	12.9
1996	2937	-

Source: New Zealand Post Primary Teachers' Association, November 4, 1996. Gazette No 19.

III. Interviews

1. Agriculture

1.1 Collis Blake, Chairman, Provincial Support Group

November 22, 1996

The following interview provides an insider's perspective of the devastation of New Zealand's rural sector—a story which one will find nowhere in official accounts. Collis Blake was the chairman of the Provincial Support Group, a private rural counselling group which, in the late 1980s, put up their own time and money in a battle to save farmers being destroyed by Rogernomics. Mr. Blake runs a large (by New Zealand standards) cattle farm of 1,500 head on the South Island. In his efforts to save farmers, Mr. Blake had his share of clashes with Federated Farmers, New Zealand's main farm lobby, which is one of the biggest backers of the "reforms".

Q: What exactly did you do in these cases, to help the farmers?

A: Well, my daughter's described me as a professional negotiator. We got into the position that the financial institutions would come to us to sort the problem out, because, we could do better for the bankers, as well as the farmers, if they followed our situation rather than the strict legal situation. And, it worked, and the bankers trusted us, and we trusted the bankers, and the farmers trusted us, and we trusted the farmers, but the farmers and the bankers didn't trust each other. So we were in the middle, and our word was totally our bond, and so was everybody else's, as far as we were concerned. The only times we had a failure was when somebody panicked, and that could be anybody. We were quite, we were very broad in our thinking. We would try any avenue, and we would take responsibility, we would take perhaps the responsibility for running the finances of the farm, signing the cheques, etc, we'd come up with a plan, and we would guarantee performances, and we had a very skilled operation going. OK, that was just our operation. Now, not that many people actually left the farm—I understand about 800, where it was projected 8,000 would go.

Q: Is this across all farms?

A: Yeah, the sort of projections were 8,000, and the official figures seemed to say about 800 left. Now, what we did was we actually made the bankers, and to some extent the farmers, just sit down and bloody well think, and be realistic about it, and that gets back to: we could do better for the bankers as well as the farmers, because we absorbed the terrible antagonism. Now, having said that, you asked about suicides, and, in the thick of it, which was broadly '86 through to '90, I suppose, in 18 months, I had a suicide across my desk every week, for 18 months—the worst day I had was three, I think the biggest gap I had was three weeks ...

There were only a couple of us made public statements, and that was because there were ramifications if people were indebted. The only people who could speak out were those who were not indebted. You couldn't speak out if you were indebted, and we actually had to bail 5 people out who were trodden on immediately they spoke out, in various ways.

Q: Were they got at by the banks?

A: Oh yes, well they just went home and found them mustering the bloody sheep, you know. Some of the actions were very, very precipitous. I mean, a guy not far from here had a fairly big grain operation, he had about 2,000 acres in grain, which is very big by our standards, and at 12:00 he was told that his machinery would be repossessed if the $800,000 he owed was not repaid by 2:00. Now that was just a total impossibility. Now you might have thought that was an unusual situation, and it was, I suppose, but what happened there, was they took the machinery back. We did various things, like we leased his land to his father on a three year lease— there was no point in selling the bloody thing. He actually leased the machinery back from the people concerned. They agreed to pay his wages, and then to put him in the shit properly, refused to pay the tax on the wages. Inland Revenue took him to court and he got made bankrupt, which was, we were most unhappy about, because we had a deal with Inland Revenue not to pursue bankruptcy, but the Inland Revenue's lawyers exceeded their responsibility. And, that was that. So at that stage we formed a family trust in the name of the kids, he did that and his indebtedness got totally wiped off, so that got rid of a million dollars. His trust is now very profitable, he got rid of all the indebtedness, and he's built a new house, and he's in a very stable, in fact he is in an extremely good position, but still doesn't own anything ...

Overall it was very, very successful. I believe we stabilised the situation, which was almost out of control, because the yuppie bankers, the thirty to thirty-five year-olds, went absolutely bloody berko, went absolutely crazy with their power. To such an extent, that one of my good friends who was in a terrible situation, was told that he [the banker] wouldn't give him any money. He asked for money to buy diesel; they said, "Buy it out of your wife's wages, since she's teaching." So he did. Then he went back and said, "Look, I need money for groceries," and the banker said, "You don't deserve groceries; you don't deserve food." And then the banker went to the guy's lawyer, who was there, and said "I want you to guarantee me access to this farm, I want to go into this farm," and the lawyer said, "Fine, we will guarantee you access into it, but we won't guarantee you access out of it," and the banker was a bit stuffed at that. He expected people to do it. There was a craziness in the whole system, in some funny way.

Q: What were the bad years? You mentioned '86 to '90...

A: That was about it—'86 to '90, '86 to '91.

Q: Do you put this down as being unleashed by Rogernomics?

A: Yes, I do, because the farming community in New Zealand, since 1936, had been in a totally controlled situation: guaranteed prices, or a

Continued Next Page

Nazi 'reforms' rip New Zealand - Australia next

from page 23

bottom situation. The financial part of New Zealand had been totally controlled too, that's Reserve Bank ratios, lending amounts, interest rates, etc, that had been controlled. Government money was lent out, and had been for all sorts of things from housing to farming at very concessional rates over many years, and that stopped overnight. Absolutely stopped overnight. The money output was totally decontrolled, and interest rates just went straight through the roof. At the same time as the base line was removed on the farming produce, the produce prices went down very significantly, and interest rates went from an absolute maximum of 12%, to a minimum of 25, and a maximum of about 36. Every trading bank in NZ charged at least 36% at some stage. Like Westpac, which is Bank of New South Wales, I can quote cases when they were 45%, and this is on a monthly balance base too, so it gets pretty high. I rang up one of my mates and said, "Well, I've topped you this time, I've got interest rate charged to 56%," and he said, "Well you're still 6% behind me." ...

The situation went absolutely mad, and it was the financiers, the yuppies, in the main. They were just bloody crazy, and so were the MPs of course. Now Richard Prebble, for instance, at a private dinner party, (and you can quote this if you like) at a private dinner party said, "We will take 3,000 farmers off their farms." And the guy who was head of one of the major banks there said, "And how will you do that?", and he said, "I'll just get the police in." But if you're looking at what the situation is now, today: if you exclude a few of the very high-powered yuppies, say a quarter of a percent or a tenth of a percent of New Zealanders, nobody in New Zealand is as well off as they were in 1984—not a farmer, nobody. Our production is significantly lower; the only production increase has been in dairying. I mean, sheep are down dramatically. There's nobody better off, I mean, we really are in a very depressed state, I believe, and I cannot reconcile the fact that we have a strong economy, because, when the Labour Government took over, with a great criticism of Muldoon, we owed $15 billion in overseas loans, that was private and public, and we owned all the companies that have since been sold: the Telecom, the Forestry, whatever. Now, at this stage, ten years later, as a country we owe $65 billion; we have sold all these various companies, all these state-owned assets have been sold; we have never yet balanced our books on a yearly income-earnings-expenditure basis, and I just cannot see how anybody thinks we're in a good position, I really don't.

Q: What you've just told me, I haven't heard from anyone else.

A: Well, I have an extremely good following, but not from the official people. Let's look at this new wages bill that's just come out. Look, I've just employed a university boy for four months—we employ one every year. I'm paying him $7 [an hour] right? Last year I paid the boy $8; the year before that I paid him $10! And that's the going rate, and he says, "Thank you very much for giving me a job." The wage rates have dropped terribly for ordinary people, but they have escalated dramatically for the so-called executives, or high-powered executives. I can hire any reasonable labourer I want for $10; I can get an A-grade mechanic for $15, and that's not a hell of a lot to live on, really.

Q: One particular detail: you mentioned 8,000 farmers would leave the land; the official figures were 800. Do those official figures add up with what you would have expected, based on what you knew and saw?

A: Yes, that would be about right. I think we stabilised the thing, much to everybody's surprise. But, there are a lot of people who have progressively left, since that date. And in fact, probably people are leaving the land faster now than at any stage up till now. At the moment, agriculture is extremely depressed, and including dairy who are in trouble. There are quite a lot of dairy farms—big ones—come on the market in the last three or four weeks, like 7 or 8 600-cow units, 50 miles from here. So, it is very difficult to sell a property right now, and I'm not quite sure what will happen, but what happened before, and we tried very hard to not let farmers fall into it, was that the banks would keep a person going on a wage that normally was about $8,000 a year in drawings. That was after his house and petrol and all sorts of things—that's just spending money. They would keep him going for two or three years, and then when we came out of the situation—such as we did in 1992, 1993, 1994, when things were a bit better—the banks could then get their money back, and they would sell the bloody thing. And the farmer had done three or four years caretaking, and would get little if any money for it...

There are quite a few people now who are in trouble, who we thought were quite past being in trouble, they're getting back into trouble. Oh yeah, quite a lot. People who actually got new mortgages five or six years ago, and were looked to be quite sound, are now being asked to pay their loans back. You see, they changed the terms of lending, the rural bank lending, they changed the terms, and every bank did it. And the standard terms now are: that the money is repayable on demand; that the interest rate is totally flexible at the bank's wishes; that every asset that the farmer, and/or family has is normally dragged into the situation; and in the majority, but not all of the cases, the banks have power of attorney to do what they like, and so, in fact, they don't have to even tell you when they're selling you up.

Q: Who are the big rural mortgage holders?

A: Currently it's the National Bank, who have bought the Rural Bank. There was the Rural Bank, which was a government job, and then there was the BNZ probably behind them. Currently it's the National Bank are the big lenders: the National Bank in pretty broad terms is 47% or something—47% of the rural lending is with the National Bank, and 48% of the National Bank's total lending, is in the rural sector. So they're very exposed to the rural sector, the National Bank.

Q: Rural Bank was originally sold to Fletcher Challenge, right?

A: Yes it was, and that was a deal that was organised, because the government owed Fletcher Challenge a favour of $800 million dollars, and they sold the Rural Bank at more than a thousand million below it's face value, and then Fletchers took out the good loans into Fletcher Finance, and put in the bad Fletcher Finance loans into the Rural Bank, and then sold the Rural Bank out to National Bank, so National Bank tended to get the shitty end of the stick, you might put it.

Q: See, the hypothesis we've de-

Collis Blake was the chairman of the Provincial Support Group, a private rural counselling group which, in the late 1980s, put up their own time and money in a battle to save farmers being destroyed by Rogernomics.

veloped with this number of only say 800 farmers leaving the land, is that—see, we knew that Rural Bank, or Fletcher Challenge through Rural Bank, were the largest rural mortgage holders—that if those figures are correct, which, you know, 800 farmers for New Zealand might be a big number, but I would have expected it to be a bit bigger than that...

A: It's out of about 30,000.

Q: Right. Well, my hypothesis was, farmers actually must have been forced into a position to virtually, not legally, virtually be working for the banks and staying on their farm, sort of like, a "creeping feudalism", if you can put it that way. So that is, and was, a big phenomenon?

A: Yeah, that'd be right. Yeah, it was quite big; we were very conscious of it, and tried desperately not to let it happen, but it certainly happened, in quite a big situation.

Q: OK, what about the figures that around a million hectares of farmland has changed, and at least 500,000 of that has gone to forestry? So I assume that's been a big phenomenon in the last few years?

A: Yeah, and continuing and increasing.

Q: How do they make money out of that in the short term?

A: Well, that's one of the major problems. There's no income for 25 years, and it has a terrible effect on small towns, because you get all sorts of things happening. As your population goes down, then farmers become isolated, and then your facilities in a small town, say a thousand people or something, and you lose the post office, and you lose the school bus run, and schools close down, and this is happening very, very, a lot around Taumarunui and Hunterville now, it's really happening a heck of a lot, and it's quite a worrying situation for stability of the area.

Q: What do you say to the people who say that the period under Muldoon was bad, because you were oversubsidised, and overstocking, and all that kind of thing?

A: You know, the guy mightn't have been perfect, he might have been bloody awful, but he was certainly better than what we've had since. Bob Jones set out with the NZ Party to crucify Muldoon, and managed to take enough away to get Labour in. They deregulated the financial structure, and interest rates rose. Interest rates rose at the bank I was banking with, the BNZ, at 1% a month, for 18 months. Now there was nothing that the productive side could do about it. Now what I'm saying quite clearly is, and it's still current today, is that the productive sector have stood, and it's not only farmers, it's every productive sector you like—the productive sector have become subservient to the financiers, which was never the case for the last fifty years. So the government have just said, "The financial sector is God, and you are the guys who can play with it", whereas previously, the financial sector was regulated.

2. Health

2.1 Peter Gaffikin, Nurses Organisation, Christchurch

22 October 1996

Q: We want to communicate to our readers, the danger for Australia of going down the same pathway as NZ, especially on health care. If you had to summarise the effect of managed health care on patients, from the standpoint of nursing safety, what would you say?

A: I would have to say there is a basic dilemma for health professionals, especially nurses, as the fact that the health reforms like NZ has brought in, means that money, to be perfectly frank about it, money is the bottom line, and political concerns: there is always a danger in every area of health care that clinical concerns will be overridden by costs and other financial considerations. We see that happening time and time again.

Health is a complicated area. You can't equate it with manufacturing or anything else, easily. If someone is sick, what do you do? Just say, "It's day three. You've had your quota of days, so out you go." We have had absurd situations in NZ, where maternity patients, young mothers have been thrown out in the middle of the night, because their three days is up. A crazy situation--that's in a public health system!

Q: So the average stay for maternity patients is three days?

A: Someone, somewhere, has said that the funder, the RHA, funds for an average of three days. "If you go beyond that, you are costing us money, so out you go," and we had people being put out at 12.00 or 1.00 in the morning--young mothers with their first babies.

Q: Can I put something to you, and ask what you think? This is a hypothesis on my part. The fact that the RHAs and CHEs really haven't worked in terms of what Gibbs laid out, and what they were expected to save by way of health budget money, and by reducing waiting lists etc. How much do you think that that was an intentional way of changing the system to the point where it wouldn't work, such that the only alternative then, is seen as bringing in privatisation with a vengeance, as a way of solving something that they knew would not work from the outset?

A: Very clear, I think that is the case. Things like old age, maternity services, child care—quite clearly they are being run down, with systems that cannot work, so it leaves an open door, and a desperate population to have any kind of health care, so the privatisation is really the only option that is put forward as a way of solving that.

Q: Peter, we need to see the human side of these issues. Do you have examples that are important to make the point of the reality for people?

A: Yes. From our point of view, we have just been through a very painful exercise around about Christmas time last year [1995], where the old Charge Nurse figure, who has been a Unit Nurse Manager—they were disestablished at Christchurch Hospital, which had enjoyed a reputation for being the finest hospital in the country. So it was a busy, acute, modern hospital, but it has always prided itself on the wonderful tradition of high quality care. It has always been a bit snooty, a bit above everyone else, but it had people of 30 years experience of nursing, just being told to finish up at the end of the week. Absolutely criminal! I mentioned before about the institutional knowledge you have lost. You have lost a role model, you have lost the nursing leadership, you have lost these people who had so much to give, and the doctors there are on the bandwagon because they are finding they used to go to the old Sister/Charge Nurse and ask what is happening—get a rundown in 10 minutes—finger on the pulse stuff. You replace those people with a bright young thing, straight out of school/university, they've got the right qualifications, but no life experience, absolutely no experience of the health system. It doesn't work. Doctors are unhappy. Nurses are unhappy. Patients are unhappy.

Q: Do you think this is leading to an increase in medically preventable deaths?

A: We have got to be careful when we say that. We got bloody crucified the last time we even mentioned it. It leaves people open to alarmist accusations. The quality of nursing is dropping simply because the experienced people are getting out. They have had enough and they are leaving the service and going to find something that is a hell of a lot easier, better paid and more satisfaction. We are losing a lot of good nurses, forever. So the standards are dropping, yes. We are losing the skills, even if the statistics show we have the same number of nurses.

Q: Well, Peter, we have to fight—make a fight on this.

A: I think you do, and the Business Roundtable and the Australian equivalent is pulling the strings.

2.2 Dr. Alister Scott, Gastroenterologist and former Chairman of NZ Medical Association

21 October 1996

Q: Is there an inequitable distribution of health care in certain areas of New Zealand?

A: The contrast is often made between the North Shore of Auckland, and the central isthmus of Auckland, or South Auckland, but there are other "medical ghettos" too, scattered through the country, and, in particular, the Maori population tend to be a kind of ethnic ghetto. Polynesians generally, to a lesser extent. They have very much less satisfactory health indicators, more diabetes, more coronary disease, decreased expectancy of life, more infant mortality, more cot death and so on, and they tend to be visible because of their race, but also that is partly reflecting the lower socio-economic status that they generally have.

Q: What about in rural areas? When the public hospitals were converted to CHEs, there must have been a lot of smaller rural-based hospitals and medical facilities that functioned as community hospitals that initially were to be set up as "community trusts". Do you know what has happened in that area?

A: In general they have all collapsed. Very few of them got off the ground to start with, and most of them have collapsed because of a series of difficulties—mainly in finance. But also difficulties in staffing. Once they were no longer staffed from the centre, they just don't get the resources that they need, and they have generally collapsed. Interestingly, there are two hospitals, one at Taumarunui and one at Te Kuiti in the western mid-north Island, and the example of Taumarunui is quite interesting. It used to be a general hospi-

Continued Page 25

from Page 24

tal. It had one or two resident surgeons, and when you look at its geographical site, it is actually two hours from anywhere else where base hospital services could be provided by road, and it happens to be in the lee of Mt. Ruapehu, so that flying conditions are not always particularly good, so the idea of an air ambulance doesn't always work. So that community, that used to have a hospital which it could rely on, now effectively has only an emergency station.

Q: Have you noticed that the decrease in average length of [hospital] stay has contributed to an increase in re-admission rates?

A: There is no doubt it has. Particularly in some groups.

Q: Doctor, if you had to say what your primary concerns are about the health system in NZ, what are you most worried about?

A: Well, I think there is a real risk that we will develop a two or three tier system, with a significant number of people unable to gain access to the treatments that they need. I think that that has already happened. By the time that you have delays for reconstructive orthopaedic surgery, that can go up to two years or more, you're already denying some people health care that they ought to be able to expect. So that is the first problem—that there is a very substantial degree of unmet need. It is very obvious in the waiting lists for procedures, but there is also a similar waiting list for investigations. I'm a gastroenterologist, and I see far too frequently, somebody with a cancer of the bowel, especially, who has been waiting for some time for a procedure, often waiting for a time that will change their disease from curable to incurable. The fact that a significant number, of New Zealanders, in fact a very significant number don't have access to the investigations and treatments that they need, is a problem, and I can't see it getting any better in the near future, and the system doesn't have the incentives that will correct that—partly because patients have no power in the present system except through the ballot box, and that is only every three years, when it is muddled with all the other issues.

2.3 Dr. John Neutze, Cardiologist, Green Lane Hospital, Auckland

22 October 1996

Q: What do these long waiting lists mean, for the patient?

A: We have to admit there are limits. We cannot treat every 80 year old for symptoms—we can only treat them when symptoms are intolerable really. We're not a particularly affluent state, so we have to have certain limits, but, for example, in coronary surgery, which is used often because it is very easily comparable to other countries, and we have between 400 and 450 patients a year, per million, have a coronary operation. In Australia it is almost double that. It is about 800, so the restraints in NZ are higher, and what it means is that many people who have important symptoms—with angina, which can come on at rest, which limit them, which makes it hard for them to do their job, and which carries a risk of death somewhere between 5% and 10%, each year, many of those are not getting an operation at the moment. And we have roughly one death a month on our waiting lists.

Q: You said about one person a month is dying whilst they are waiting for cardiac surgery. Has that changed—is it increasing?

A: We have had this situation in NZ for a long time. Treatment has been inadequate for about ten years in this area. The situation is creeping up in Australia, too, but it is really here and now, and has been for some time. At first it particularly hits the elderly, because it is against the law to, as it were, have different criteria for the elderly, but when it comes to it, if you have a retired pensioner who is struggling and is very restricted, to a 50 year old who is still responsible for his family and so on, the choice is very difficult to look after the elderly, and that has been with us for quite a long time ...

People are on our waiting list for over two years who, in most western countries, would have the operation within three months. So once you have got down to that sort of level, deaths on the waiting lists would be greatly diminished.

Q: Is it possible to have, as the reformers would suggest, a health care system functioning as a competitive business? They are doing it with electricity, water etc. Can you do it with health?

A: No. It is an absurd concept. You do need business-like management, but the concept of competition in health is a total phoney. Everyone appreciates commercial competition when they are buying bread or something. They all know about bread. They know there are lots of possibilities of producing it, they know what quality they like, and they know what it costs, and they pay for it. When it comes to it, not one of those things applies to health care. You do not want the product to start with, you really have no way of judging whether this group or that group is better, only if they have a better image, and so the principles that sustain the commercial environment only apply when there are plenty of providers and, the purchaser is informed, and the purchaser does the purchasing. That does not apply to health. Once you have a competitive commercial operation, say, in cardiology, which is my trade, people don't go to that group because they are the cheapest, they go because they trust them, because they believe they have all the equipment, and because they believe they have got all the skills.

Q: Have you got specific examples of cases or examples of individuals who might not have died and suffered, except for the lack of funding, etc?

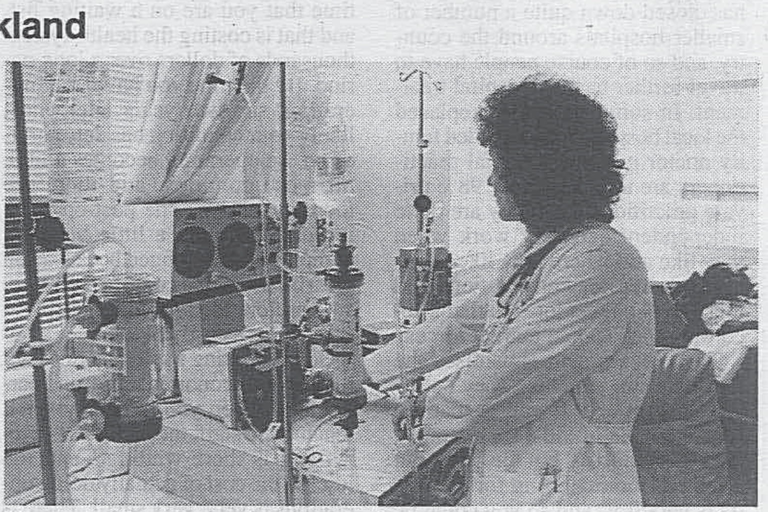
A: I'll read you some examples from a newspaper that came out a month or so ago.

These are all patients with angina. "Bill, aged 56, has a 30% chance of dying of a heart attack in the next five years. An exercise test he took had to be stopped after only 3 minutes of walking only slowly on the tread. With coronary surgery he has a 90% chance of relief from his angina and chances of dying would be halved. On the waiting list for 3 ½ years, he has no prospect of an operation in the near future. Bill won't get one unless he has and survives a further crisis.

"Robert, 55 years, has severe angina, often triggered by eating. Two years ago he had a bout of abnormal heart rhythm and was put on a priority list for surgery. Eleven months ago he was upgraded to a list, which said he should be operated on in two weeks, and he is still waiting.

"Michael, aged 57, has quit as a driver because of severe angina. He has only a quarter of the normal blood supply to his heart, and had a heart attack in 1990. By 1992, he experienced increasing pain and continued deterioration by last December. He should have had surgery within two weeks, but is still waiting."

These are our patients. It was published in a paper called the *Sunday Star Times*.



People don't go to a particular group for medical care because they are the cheapest, "they go because they can trust them, because they believe they have all the equipment, and because they believe they have got the skills."

2.4 Maxine Gay, Chairperson of New Zealand Schizophrenia Fellowship

Maxine also works for the Federation of Trade Unions and was recently invited to be a member of the Advisory Board established as a result of the *Mason Report*.

25 October 1996

Q: Regarding the policy of deinstitutionalisation, how has it affected those with mental health problems and their families?

A: Our experiences in the Schizophrenia Fellowship have really taught us that community health care has increasingly become a euphemism for no health care at all, for many people. It is simply adding to the numbers of the dispossessed. Time and time again, we are becoming aware of people with major mental disorders and their families, who are just left to flounder about. It seems to be a bit of a lottery, really, as to whether they are going to end up being dealt with by the justice system. *The ill person resolves the problem, by quietly killing him or herself*, before which they are simply shunted from one place to another ... The crisis that does exist in this country in terms of mental health is, in our view, *a crime of neglect*. It is not that the figures have not been known and that we haven't known for a long time...

There have been 25 reports since 1989 that have talked about the desperation that is existing in the lack of mental health services, with very, very little action in between. And that is disgraceful. Reducing the crisis really has been, and remained, at the bottom of the economic and political agenda, frankly, and there has been repeated failure to inject any kind of new money, or to look at establishing new models, following report after report that has cried out for them.

Q: I guess you also have a large component, in what are called mental health patients, that are not strictly people with mental diseases, but people with significant behavioural problems or personality problems, who are quite difficult to cope with.

A: Well, those people really are the ones that are increasingly falling through the gap here. There is a real invisibility about them. They do not strictly fit the criteria of the Mental Health Act. Therefore, they are often denied services and quite frequently, we have again had case after case, where people might be given a diagnosis in one part of the country for schizophrenia, and another part of the country they are given a diagnosis of personality disorder. The behaviour being exhibited is quite the same, but one allows you to have treatment, the other one doesn't. Very frequently, we have discovered that often the personality disorder diagnosis will be given when somebody is presenting for treatment at 5 o'clock in the evening, and there are no beds available. The availability of beds is often one of the determining factors in the diagnosis.

Q: Do you think that that is due to just pragmatism and frustration at not being able to deal with the problem of having no beds, or is it also partially due to this lack of training that you have talked about?

A: I think it is both, and I think that what has happened for us here, is because of the appalling state of psychiatric staffing levels and psychiatrists, and the inability of the health services to retain NZ medical graduates after their training—then all CHEs are highly reliant on limited tenure overseas psychiatrists. They are often appointed for periods of between 3 months and 2 years, and, in some cases, for example where I live in the Wellington region, at one stage, over half of the psychiatrists were temporary appointments, primarily from North America.

Q: So there is no continuity or ongoing care of patients.

A: So the impact on the quality and continuity of care is enormous, and many of those visiting psychiatrists are highly critical of local services in terms of safety and professional skills, but they are seldom involved in promoting change because of the short length of stay and their short tenure, compounded with the legislative requirements where there is a much greater judicial review and appeal mechanism. That means that a significant number of psychiatrists are taking on such high case load levels, and because of the high proportions of temporary appointed overseas doctors, unfamiliar with the legislation, they contribute to the increasing problems of under-treatment and refusal to treat, because if they are spending 10% of their time working on the medico-legal matters to justify bringing someone in [to hospital] then they are more likely to discharge people or not take them in in the first place, rather than prepare reports and defend a clinical position before a family court judge. So they often leave it to the patient to decide whether or not they want to accept treatment, rather than insisting upon it. Ultimately this leads to further hospitalisation and demoralisation of the patient.

We have also had a big debate in this country about what constitutes a "serious danger". Our *Mental Health Compulsory Assessment and Treatment Act 1992* allows for only people to be brought in [to hospital] if they present a serious danger to themselves or others. But it seems that the whole question of "seriousness" is only invoked when resources are poor. When someone is so unwell that they are unable to make a decision about their own care and protection, that is serious. But here we wait for something to happen before providing treatment, and it simply flies in the face of all the studies that show the benefits of early intervention both in human and economic terms.

Q: So how much do you think that is contributing to the increase in the suicide rate amongst people who are suffering from mental illness?

A: Oh, it's huge ... We did an assessment in Wellington last year (1995), and it showed that of the 70 suicides in this city, that two-thirds of those had had some form of intervention in terms of mental health.

Q: Those graphs I sent through to you on suicides. Do they strike you as being an accurate representation of what is happening, or do you think they are understated? (Graph, p. 1)

A: Oh, I suspect it is understated. Until recent times we have had a very, very poor reporting of suicide. A lot of it has been swept under the carpet. We still believe that a significant number of suicides in young people are still not being reported as suicides. Young people in motor vehicles for example. There are still a lot of deaths that have question marks over them. And in the reported rates, we have amongst the highest rates in the OECD countries ... I believe that it is irrefutable that people turfed out of institutions without proper care and attention, are simply exchanging the prison of the institution for the prison of the street, frankly. And they will die! (See Graph 49)

Q: It is so stark. Early in 1996, Governor Tom Ridge of Pennsylvania, U.S.A., went ahead and cut about 200,000 people off medical care, even though he had the rigorous scientific proof that this would lead to up to 3,000 people dying within a six month period. In other words he knew this would lead to an increase in the death rate. You couldn't get a more stark example of the Nuremberg Code, which is an internationally agreed to standard of what constitutes a "crime against humanity."

A: Its almost a sort of—well, it is a genocide really, of the mentally ill, that is world wide in lots of ways. I think people have been made invisible. They were made invisible in institutions—often abandoned and left to vegetate, but now they are pushed out into the community and are even more invisible, left to drain the life out of their families, if they have biological families that are still involved with them, or other family forms that they make, whether it is the mental health community itself or whatever. There are pockets of good community programs that are running, but they are just so few and far between, and so under-resourced, and they are simply relying on the goodwill of people, rather than proper planning and good management...

Because we are not addressing the needs of the chronically ill, they do become acute and semi-acute, and so all the emphasis on this very small number of acute beds where people are stabilised and then shoved back out again to start the cycle all over again ... We have had 10 - 12 years now of economic fundamentalism and an increase in terms of the structural adjustment program that has given us a whole market economy, and when you apply the ethos of the market to health, then that is criminal. The consequences are at best exacerbated major illness, and, at worst, frequently death by suicide. As far as I am concerned the policy makers who make those kind of decisions are the people who are also responsible ...

In the same time the major growth industry has been in the food banks, so you have a general population that is dispossessed and poverty stricken.

Q: And you believe that is attributable to market driven policies?

A: Oh, absolutely! There can be no doubt. There are lots of studies. You start to look at housing for example, as you move to market rent you start getting homelessness ... We have also seen the emergence of diseases of poverty, such as Rickets, Scurvy, Tuberculosis. If you start to take people with major mental disorders, and you have got all of these other diseases already rife in the community, and our people with least resources inevitably end up in the poor, overcrowded parts of town, with poor nutrition. Their other health needs are diabolical. And they are often not believed about their other health needs. They become so ill before they are even seen for any treatment. It is just a vicious cycle of miserableness. I think it is a miracle that people with schizophrenia and other mental disorders, get to be old people—a total miracle really ... And also the thing I find extraordinary, is that there is incredibly strong evidence that delay in recognition and early treatment of psychotic disorders, leads to an increased economic cost of the illness. Even using the free marketeer's own model, the cost of somebody is far lower if they have had access to early treatment and good quality treatment. We certainly don't have any recognised early intervention services at all.

Nazi 'reforms' rip New Zealand - Australia next

2.5 Lyndon Keene, Co-ordinator of New Zealand Coalition for Public Health, Wellington.

3 October 1996

Q: Firstly, regarding rural communities—What is your sense of what has happened to health services and care for remote rural areas, since the reforms?

A: Well the Government has centralised services, or is still in the process of centralising services. It has closed down quite a number of smaller hospitals around the country, and so of course people have to travel further to seek hospital treatment. In some areas they replaced the local hospital with extended family doctor practice. General practitioners are approximately 98% private practitioners, so they are quite independent and they work when they like and where they like. They charge a fee for consultations and that varies quite a lot—so that's according to so-called market forces.

The Government subsidises the fee for some patients. They subsidise the poorest. If you're married with a couple of kids, for example, then it is adjusted, but the threshold [income] for qualifying for a subsidy is very low, and so you could be quite poor with several children and be above the limit.

There is a lot of anecdotal evidence that shows that many people are not going to their doctor early on in their illness because they think twice before going because of the cost, and many—in fact 71% of GPs surveyed—have publicly stated this. (GP Weekly Survey, 1/11/95)

Q: I know you have been closely involved in the debate about hospital surgical waiting lists. The *New Zealand Herald* Oct 3rd, talks about the closure of a surgical ward at Auckland Hospital, due to a shortage of funding. The hospital's General Manager, Mr Wolstencroft, said "The ward can stay open only if the Regional Health Authority, North Health, decided to buy more surgery from Auckland Hospital." Now, is that a normal state of affairs under the reformed health system, where the focus is more on profitability than public health, or is that an anomaly?

A: No. [i.e., it is no anomaly—Ed.] Last year quite a number of CHEs had to close down their operating theatres for extended periods because they had run out of money. We also have a number of CHEs that have openly said they have slowed down the rate at which they perform operations, because they are doing them too quickly and they are going to run out of funds before they get through the financial year. So that is happening because the RHAs put a cap on the spending. They are saying, "This is how much you are allowed to spend and once you have spent that—no more." So if you are efficient and effective, which is what they are trying to encourage, then you end up with all your surgeons, and staff and theatre nurses twiddling their thumbs for several months at the end of the financial year, because there is no money. It is not unusual for a person, say, wanting a hip replacement or a knee replacement, to wait 2 years, or even 3 years. If you want a hip replacement operation and you have to wait a couple of years for it, you can be on pain killers, perhaps two kinds, you can be on another set of drugs to deal with the side effects of the pain killers, drugs to protect your stomach lining etc. So you could be on a cocktail of drugs during that time that you are on a waiting list, and that is costing the health system thousands of dollars over a long period. By the time you have your operation, say two years later, most likely your condition has deteriorated so the operation becomes a little bit more complex, and therefore more expensive. The post-op nursing care becomes a little bit more complex and prolonged because you are a bit more of a complicated case, so therefore the procedure itself becomes more costly...

So the waiting list in fact does not make good economic sense, and particularly when you have a hospital that has the staff, the facilities—everything is there waiting—and it's idle, so the cost of actually doing operations is very, very small. There is serious under-staffing in many areas. They have cut back to the bone to such an extent that staff find it very difficult to actually take annual leave, and often what is happening, is that annual leave is being accumulated, and the CHEs end up with big bills to pay their staff at the end of the year, accumulated annual leave because they haven't been able to take it. So these periods are often used to tell the staff to go and take their holidays.

Q: Regarding these waiting lists, what are your independent findings there?

A: Our independent figures are conservative. What has happened is that the Government has introduced a new system of measuring the waiting lists, which has the effect of making hundreds of people invisible. They set up what they call a booking system, and what happens, is that the patient is allocated a certain number of points according to how severely ill they are. If you are severely ill you score a high number of points, if you are only semi-urgent or moderately ill, you score a medium number of points, and so on. If you are above a certain threshold, then you are put onto a booking list for an operation, and you are guaranteed an operation within a certain time, usually about 6 months. If you don't score enough points to get onto that list, then you don't stay on a waiting list, you simply get sent back to your GP who is supposed to monitor you. One of the big problems with it, is that the threshold to get onto the booking system is so high, that you have to be quite a serious acute case to qualify to get on it. So we actually have semi-urgent and quite seriously ill people who aren't qualified to get onto the booking list—they are not even on a waiting list either. So we know for example that five or six hundred people have just been wiped off of the Opthalmology waiting list in Dunedin because they have introduced that system there. They used to have 700-800 people on the Opthalmology waiting list at Dunedin Hospital. The CHE is now trying to tell us that it is between 100-200. We know because we have good contacts down there that they haven't done those operations. So, even our figures will be conservative and will only be slightly higher than the government figures.

We put a press release out on this just before the election—we collated as much as we could on other waiting lists, like non-surgical waiting lists, and the outpatient waiting lists, and now, again, a lot of the CHEs didn't provide us with very comprehensive information, but we did get sufficient information to show that the outpatient waiting lists were close to 60,000, and this is the waiting list you're on before you get onto the surgical waiting list, and some of those outpatient waiting lists for particular surgery departments were actually longer than the official surgery waiting list. So the 60,000 was only from 17 of the 23 CHEs, so I worked it out on an average that if the other 6 CHEs, had similar kinds of lists to the other 17, then we would be looking at somewhere around 80,000 people on the outpatient waiting lists. That is probably conservative as well because some of the CHEs who didn't give us information are some of the bigger ones.

Q: So, none of those 60,000-80,000 on the outpatient waiting lists would be included in the official figures on the surgical waiting lists, so they are all over and above the 94,000?

A: It would be at least 80,000, because the bigger CHEs didn't give us figures and they would lift the numbers up, but also the only big CHE that gave us figures, actually said that not all of the people waiting for outpatient care are locked into their system yet, and they said a "substantial number" are not included. So there are a lot more. So we are saying a conservative figure of 95,000 on surgical waiting lists, and there's at least 80,000 on outpatients waiting lists for radiology, cardiology, podiatry, for hearing tests etc. Again, we got very limited information, but we did find in radiology, for example, the waiting list is around 6,000-7,000. So that is just one department alone. On the basis of that, we said the real waiting list is around 200,000 but in truth it is probably quite a bit more than that even.

Q: The Public Health Commission was established in 1994 and then disestablished mid-'95. The idea of a Public Health Commission seemed a good one. What happened?

A: The demise of the Public Health Commission was a serious blow to the population's public health services. It was the first time really, for a long time, in my living memory, that there had been such a sharp focus on public health issues on a national basis. In fact it gave it such a high profile that it became embarrassing to the Government. They were pointing to health problems that were linked to poverty and housing and unemployment, and of course these were embarrassing to the Government, and that is widely believed to be the real reason why the Government got rid of it.

Q: Lyndon, there is an important anomaly which I would like to go over with you. In your paper you said that nurse staff levels had decreased by 12.4% between 1990 and 1994, and that the number of junior doctors had dropped by 6%. The anomaly which I would like you to comment on, if you can, is that according to Yearbook figures, which I know are notoriously unreliable—we have drawn some graphs from Yearbook figures which show that the people to doctor ratio is decreasing. In other words it went from about 600 people per doctor in 1984 to about 450 per doctor in 1995. They also show that there is an increase in the actual number of working nurses and working physicians—from '81 through to '95. The question is, knowing what you know about what the actual reality is, and you have already covered some of this in terms of shutting down wards for various reasons, budget constraints, but how would you reconcile those two different realities with what the Yearbook figures are telling us? Is there some sort of explanation?

A: Yes, I think there is. First of all, the Coalition for Public Health did an extensive survey of all the CHEs last year and we got all the information directly from them about how many nursing staff they were employing—registered nurses, enrolled nurses and we also asked them for senior and junior doctors. We asked them for their actual numbers and also the full time equivalent numbers. We got all of that from all of the CHEs and collated it and put an extensive report together on that, and we compared the information we had from CHEs with the latest published information from the Dept. of Health which went back to 1990/91. They stopped basically, workforce planning and they have stopped collating regularly, any information on workforce figures so that was the latest data they had available. Our comparison showed that, in full time equivalent terms, the nursing numbers had been reduced by 12.4%. It was something like 8.2% for registered nurses, but a much higher number for enrolled nurses. Overall it was about 12.4%. For junior doctors there had been a decrease, and for senior staff there had been an apparent big increase, but the reason for the apparent increase, was not because there had been a real increase, but it was because they had started measuring the hours of the doctors in a different way...

That has had the effect of appearing to show that there are many more doctor hours worked in public hospitals. It was simply because the number of hours that they worked in public hospitals weren't being acknowledged in the past. Now they are. So certainly as far as the public system goes that would account largely for that.

Now the official figures—the figures that the Government has been putting out recently—have not been full-time equivalent figures. They have been actual head count numbers and that is probably what you have got in the Yearbooks.

Q: Yes, because it is actual working physicians and working nurses—nothing to do with hours.

A: Two things about that. One is, that because they are not full-time equivalent, it doesn't show the trend that we have been seeing, which is a great trend towards more casualisation of staff and more part-time work. This is particularly happening in nursing. They are relying more and more on casual staff. They are reducing their core staffing levels right down to the bone, and then relying on agency nursing staff to come in, and that is actually creating huge problems because a lot of the nurses are telling us that because they are so overworked anyway, you get these agency staff in who are not familiar with the ward. They are often not familiar with the specialty that they are in, and the poor, over-worked staff nurses have to keep an eye on them and it's a big problem. So that is one of the reasons why there appears to have been an increase. There may well have been an increase in terms of actual numbers, but in actual full-time equivalent terms that is certainly not the case... So those figures put out by the Yearbooks are meaningless, really. We know from official figures, that about 50% of registered nurses work part-time, and that part-time could be anything from a few hours a week to 38 hours a week, so by counting each nurse as an equal number is ludicrous.

Q: It would seem to me that there has to be some way of making a profit in these health care plans, in order for this whole push by Simon Upton and his crowd to work. In that respect, obviously this Business Roundtable and the people involved in that have had a finger in most of the privatised "pies". Do you see any individuals or groups that are associated with the Business Roundtable, that have overseen or received an inordinate interest in the development of these health care plans and private insurance and things of that kind?

A: Well we have had Business Roundtable people involved with the whole restructuring process. We have had Ron Trotter, and of course Ron Brierley has an interest in the health care. And of course Roger Douglas, who was one of the kingpins of the restructured system, has been one of the main promoters of the new right ideology. He also has an interest in Aetna Health. Those that perhaps will do well, are not the local people, but rather international multinational groups moving in. It won't be really a case of locals having control of what goes on here, but the multi-nationals. That is all part of what the Business Roundtable is about. It's not just a local New Zealand-focussed little tribe, it is an international tribe. I think that the reason why the Business Roundtable is keen to see these reforms pursued, is because New Zealand is seen very much as a kind of test tube if you like, and if they can make them appear to work here, then of course our experiment gets sold all around the world. Even though it's a disaster, the multi-million dollar PR machine from the Government and the big bucks that the Business Roundtable and their friends are putting in to promoting this experiment around the world, are giving a very misleading impression of what it is like. You speak to 8 out of 10 New Zealanders, and they will tell you that the so-called health reforms are a disaster.

Q: If they've shut down 9 hospitals, and they are pushing to dramatically increase the throughput in the beds, there is no way this graph (See graph 48) can be accurate. The number of public beds, at least, has got to be coming down. It actually shows an *increase* in public beds since 1991.

A: That is definitely not the case. Since about 1984/5 there have been several dozen small hospitals close.

Q: The graph shows a very dramatic 3,000 public bed decline from '87 to '90 and then from '90 to '94 a 3,500 increase. There is a sharp "V" in the graph.

A: That is interesting, because some statistics or data that I looked at on waiting lists and patient throughput and number of operations performed, I went back over ten years or so and looked at those things, and what I found generally was that there was a significant change around 1990 in all the figures, and I looked into them a bit further, and what I found, in fact, is that the pre-1990 figures are not comparable with post-1990 figures generally.