

“Liberating the wealthy”: the legacy of New Zealand Labour leader David Lange

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Former New Zealand Prime Minister David Lange died from renal failure in Auckland’s Middlemore Hospital on August 13. He was 63 years old and had been in poor health for some time, suffering from an incurable blood condition.

Lange’s death was the occasion for fulsome official remembrances and commentaries. According to Lange’s wishes, there was no state funeral. A public ceremony organised by media personality Gary McCormick attracted several thousand to the Ericsson Stadium rugby league ground in South Auckland. Among working people, he is still remembered by some for those personal qualities that appeared to set him apart from the usual run of establishment politicians—as an individual of humanity, ebullience, intelligence and candor.

The crowd was not massive, however. Above all, Lange is associated with the free market policies that had a profound impact on living standards and deepened the gulf between rich and poor. He presided over a Labour Party government from 1984 to 1990 that was toasted by corporate leaders around the world as a model for economic restructuring. Lange resigned as prime minister in 1989 shortly before the Labour Party suffered its worst ever defeat. He spent the final six years of his political career as a disengaged and at times embittered figure on the parliamentary backbench, finally retiring in 1996.

The overriding factor that determined the course of Lange’s political career was the exhaustion of Labour’s program of social reformism. In the postwar period, both Labour and the National Party based their policies on maintaining one of the most highly-regulated economies in the world, which, by the late 1970s, was being undermined by the growing global integration of production. After the National Party proved incapable of carrying out the economic restructuring demanded by big business, Lange and the Labour Party implemented the far-reaching measures.

Lange came into politics from a career in the law, entering parliament in 1977 at a by-election for the working class seat of Mangere in Auckland. He had been a member of the influential Princes Street branch of the Labour Party, whose ranks included the current Prime Minister Helen Clark, businessman and future Finance Minister Roger Douglas and Richard Prebble, the future chief hatchet-man for privatisation. The latter two, along with Mike Moore, who later became World Trade Organisation (WTO) head, backed Lange to oust Bill Rowling as Labour leader.

As a court-room lawyer, Lange had a reputation as a battler for the under-privileged and is still remembered among Samoans for defending those caught up in the infamous anti-immigrant “dawn raids” carried out by the National Party under Prime Minister Robert Muldoon in the late 1970s. The son of a South Auckland doctor, Lange was imbued with a Methodist background—a religion he espoused throughout his life.

Lange described himself in his autobiography as an “advocate for lost and hopeless causes”. Despite his professed interest in defending ordinary working people, he never demonstrated any commitment to socialism. He was attracted to criminal law by the “challenge of taking on the system on

the side of the underdog” but had no perspective for changing the system. As far as Lange was concerned, the “underdog” was always destined to remain as such.

Lange was pitched into office at a time of rapidly building social and economic pressures. Between 1982 and 1984, the business elites, straining against the economic regulations and controls that kept them isolated from the world market, began to swing against Muldoon. Knowing that Labour’s Roger Douglas favoured devaluation, investors speculated heavily against the New Zealand dollar, causing foreign currency reserves to dry up and a full-blown monetary crisis.

When Muldoon called a snap election in 1984, significant sections of big business threw their weight behind Labour. The working class and sections of the middle class were already hostile to National as revealed by large protests against the 1981 South African rugby tour and industrial action against the government’s wage-price freeze. Prominent millionaire property magnate Robert Jones virtually guaranteed a Labour win when he set up his own political party drawing critical votes away from National.

The day after the election, Lange faced what one commentator called a “contrived crisis”. The Reserve Bank closed the foreign exchange market and Lange authorised a 20 percent devaluation. The speculators made a killing and the advocates of market reform ensconced in the Treasury, with Douglas as the new Finance Minister, took control of the economic agenda. In an atmosphere of crisis, Douglas rammed through a series of policy coups, including floating the currency and removing interest rate controls.

Once the economic blitzkrieg began, a stunned electorate was left shell-shocked with apparently nowhere politically to turn. The trade union bureaucracy led by the pro-Moscow Stalinists of the Socialist Unity Party was determined to maintain Labour in office at any cost and suppressed opposition by workers. The result was similar to what Reagan had done in the US or Thatcher in Britain but without any major class battle akin to PATCO sackings or the British miners’ strike.

A new breed of entrepreneurs, engaged by the government to advise on asset sales, plundered the public sector, seizing essential assets—telecommunications, railways, banks, a steel mill, forests—at bargain basement prices. In one case, an unknown young businessman, Graeme Hart, bought the Government Printing Office, which had been valued at \$NZ70 million, for just \$23 million and used it as a launching pad to dominate the retail book trade. In less than two decades, Hart became the country’s wealthiest individual.

Privatisation resulted in savage job cuts. In 1986 alone, nine public departments were turned into State Owned Enterprises to prepare them for sale. Out of a total of 70,000 employees, only half still had their jobs five years later. By 1994, the privatised state telephone operator Telecom, on its way to becoming the top company on the NZ stock exchange, had more than doubled its profits and halved its workforce.

Social inequality deepened. Studies carried out in the early 1990s

showed that during Labour's term of office, the top 10 percent of earners increased its share total income by 4 percent to 20 percent. The share for middle and bottom income earners suffered declines of about 5 percent. By 1993, the wealthiest 20 percent of households were receiving 45 percent of gross income, up from 35 percent in the late 1970s.

With Douglas and Prebble imposing savage economic measures, Lange devoted his energies to providing a progressive façade for the government and cultivating a base for Labour among layers of the middle class. He banned US warships carrying nuclear weapons from entering New Zealand ports and promoted various forms of identity politics including Maori nationalism.

Lange's anti-nuclear policy was designed to appeal to the popular opposition to French and US nuclear testing in the Pacific. He maintained the ban, which effectively froze the ANZUS defence pact, despite opposition from the US, Britain and Australia. As a result of the controversy, Lange gained the international spotlight with appearances at the UN General Assembly and a highly publicised debate at the Oxford University Union in 1985 against US evangelical leader Jerry Falwell.

Lange's anti-nuclear stance is still touted as evidence of his enduring legacy and Labour's purported opposition to militarism. In fact, the policy reflected the views of sections of the ruling class who sought a foreign policy more independent of the US and Australia, so as to pursue New Zealand imperialism's economic and strategic interests in the South West Pacific. Over the last four years, the Labour government has committed New Zealand troops to US and Australian military interventions from the Solomon Islands to Afghanistan and Iraq.

Lange also laid the basis for the development of a privileged Maori elite that he calculated would help maintain Labour in power. His government enabled Maori tribes to submit claims to the Maori Land Court for land confiscations dating back to 1840. An earlier Labour government had established the court in the mid-1970s but it had remained a virtual dead letter.

By opening the way for retrospective claims, Labour established the legal basis for multi-million dollar compensation claims, many of which are still running. A new layer of Maori entrepreneurs, business people, lawyers and state bureaucrats began to emerge with vested interests in maintaining the profit system. At the same time, Maori workers, who were among the hardest hit by Labour's economic policies, were diverted from class politics into the dead-end of Maori nationalism.

At the 1987 election, Labour was returned to office, taking three seats from National and increasing its share of the vote—the first time for an incumbent government since 1951. Sections of the newly-enriched elite, their share portfolios fattened by financial deregulation and the plunder of public assets, transferred their votes along with their gratitude and, in some cases, hard cash to Labour. Labour nearly lost the seat of Otara, one of its strongholds in working class South Auckland, but almost took the blue-ribbon National seat of Remuera, encompassing the country's wealthiest suburb and home to many high profile CEOs.

Following the global share market collapse in October 1987, Douglas announced a new low flat tax package in December to restore investor confidence. The New Zealand stock exchange—by now widely regarded as an uncontrolled playground for corporate raiders and financial speculators—had been particularly badly hit by panic selling. Douglas sought to exploit the crisis to drive his economic program to its conclusion, with further deregulation, tax cuts, asset sales and attacks on government services.

The new measures intensified the already widespread opposition in the working class to Labour's economic reforms. Industrial action escalated sharply in late 1987 and during 1988 with a wave of strikes by public sector workers against privatisation and attempts to impose private sector labour laws via the State Sector Act.

Labour's second term was marked by serious splits and the collapse of

party membership. In 1988, former party chairman turned MP Jim Anderton walked out to set up New Labour, as a political safety valve for the explosive anti-government hostility in the working class. Most of the Labour "left" went with him.

Lange called a temporary halt to the economic policy offensive, quaintly declaring that it was "time for a cup of tea". To prevent a further fracturing of the party, Lange had no choice but to oppose Douglas. After months of infighting, Lange finally sacked both Douglas and Prebble in late 1988. When the caucus majority voted to return the two to cabinet eight months later, Lange promptly resigned to be followed in quick succession by Geoffrey Palmer, then Mike Moore.

The resignations of Lange and Anderton were an open admission that they had no perspective to oppose the economic restructuring agenda championed by Douglas. New Labour, subsequently joined with three other minor "left" parties to form the Alliance, which collapsed in 2002 after supporting the Clark Labour government's decision to dispatch New Zealand troops to Afghanistan. Anderton, who formed the Progressive Party, functions today as a loyal Labour ally.

Labour's two terms of office opened the door for the return of the National Party which intensified the onslaught on social position of the working class including savage cuts to welfare spending and the imposition of individual contracts on workers. When Labour returned to office in 1999 on a wave of hostility to the Nationals, it had fully embraced the program of economic restructuring. Like Lange, as her ministers did the bidding of big business, Prime Minister Helen Clark attempted to dress up her government in "progressive" clothes by appealing to Maori nationalism, feminism and Green politics.

During this month's general election, Lange's legacy became something of a tug-of-war in ruling circles.

Business spokesmen and conservative politicians—including Don Brash, a former Labour-appointed Reserve Bank governor and leader of the opposition National Party—emphatically praised his leadership and vision in transforming the economy into one that is "internationally competitive".

On the opposite side of the same coin, the erstwhile left, including Labour politicians, union bureaucrats, media commentators and a layer of ex-radicals, rushed to proclaim him a "man of the people" who in the end rehabilitated himself by moving to moderate the free-market juggernaut he had set in motion.

Prominent among these was Chris Trotter, a political commentator and founding member of the New Labour Party, who expressed the subservience of this entire layer to capitalism.

Writing in his "From the Left" column in the *Dominion Post*, he declared that the economic reforms of the 1980s were inevitable. If Labour hadn't, Trotter insisted, the measures would have been imposed in the form of an IMF "structural adjustment" program. Lange therefore had no choice, but he used his skills to transform the implementation into an "exciting and exhilarating roller coaster ride", before sensibly applying the handbrake in order to mitigate the worst effects.

Trotter speaks for a whole school of ex-radicals who now seek to canonise Lange as a great prime minister and the true bearer of the Labour tradition. Their purpose is to present him as the "conscience" of Labour and thus try to breathe life into the party's corpse.

According to this sanitised picture, Lange played little part in the theory, planning and implementation of the economic reforms, which were prepared and rammed through by Douglas and Treasury, either against Lange's better instincts or behind his back.

All this involves a rewriting of history. In 1987, Lange sacked his Minister of Education Russell Marshall and personally oversaw the implementation of "reforms". He introduced the "Tomorrow's Schools" plan, which, under the guise of "community control", established schools and universities as independent units with elected boards and principals

acting as CEOs, opening the door for the subsequent savage assault on public education.

Lange himself did not shy away from insisting that the market reforms were necessary and that the country benefitted as a result. For the great majority of ordinary New Zealanders, it has proven to be anything but an “exhilarating ride”. The outcome has been economic uncertainty, joblessness, the loss of basic services and declining living standards—by any objective measure an unmitigated disaster.

In a revealing last interview before his death, Lange told TV3’s John Campbell, that the main achievement of his Labour government was that, ironically, it had ended up “liberating the wealthy”. Then with a shrug of resignation, all he could offer was a throwaway comment, “that’s the way it is”.

Lange’s offhand remark sums up the bankruptcy of Labour’s entire perspective. For decades, Labour claimed that the position of the working class could be improved within the framework of capitalism through social reforms based on national economic regulation. For a period, particularly following World War II, that appeared to be possible. But those temporary circumstances were inexorably undermined by the globalisation of production that demanded the unfettered operation of the market. Unerringly, Lange and Labour adapted themselves to the new “reality” of capitalism.

The alternative is the program that Lange had always dismissed as impossible: the replacement of global capitalism with a planned world socialist economy that harnesses that immense resources produced by the working class for social need, not profit. Not only is such a program possible, it is the only means for ending deepening social inequality, defending democratic rights and preventing war.



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