

Political Parties, Factions
and Conflicts:
The New Zealand Labour
Party 1978- 1990

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Abstract

The Labour Party is New Zealand's oldest continuous political Party. Steeped in Social Democratic tradition the Party underwent major conflicts as three major factions emerged between 1978 and 1990. Using Frank Baumgartner's *Conflict and Rhetoric in French Policy Making* (1989), this thesis investigates why the three factions inside the Labour Party during this period used conflict in order to gain influence over the Labour Party and its political and legislative agenda. What was to emerge was a party struggling to maintain unity as the factions began to tear apart the very framework that was the Labour Party. This was to ultimately have an effect on both articulation of Labour policy and the aggregation of support at the polls. Using interviews with various former and current members of the Labour Party this thesis sets out to piece together how the factions inside the party used conflict to their advantage in order to gain influence in a fragmenting party. The emergence of splinter parties in the 1990s on both the left and right of the Labour Party in particular ACT and the Alliance shows just how fractured and divided the party was during the tenure of the fourth Labour Government.

Chapter 1

Introduction

Political parties are the foundation and bedrock of a state's party system. Parties consist of both aggregation and articulation functions; it is generally accepted that parties which aggregate well, often struggle to articulate and vice versa. Parties must work to gain influence and control over an electorate; this in the view of Robert Michels is a primary goal of political parties;

“Pursuing legal methods, appealing to the electors, making it their first aim to acquire Parliamentary influence, and having for their ultimate goal ‘the conquest of political power’” (Michels, 1962:82).

Political parties are an important link between different roles in society; this role is succinctly summed up by Richard Mulgan;

“Like organised interest groups, political parties form an institutional link between the various groups and of the wider plural society and the institutions of government. However, political parties have a specialised function. Their purpose is not just to influence government action but to do so in a particular way by endorsing and supporting Parliamentary candidates at elections. Political parties are a universal feature of modern representative democracy” (Mulgan, 1994: 217).

When it comes to policy which will gain them ultimate favour with the electorate at large, parties can struggle to form coherent and cohesive strategies, often times due to political infighting amongst their own ranks. This conflict can cause tremendous problems for a modern political party; largely due to the fact that governments must work not only against the opposition in parliament, but also often with or against the other groups inside their ranks in order to pass comprehensive and effective legislation. This thesis will discuss the impact political infighting and conflict has on parties and how this can cause ambiguity and confusion amongst the party and cause major problems at both the aggregation and articulation stage. In order to demonstrate this I will use as my example the New Zealand Labour Party. The New Zealand Labour Party, here after referred to as Labour is a party which

is steeped in tradition, it is the oldest continuous political party in New Zealand (Mulgan; 222). Formed in 1916, Labour was born out of the industrial action and union movements of the early 20th century. It is by enlarge a Mass Party (Duverger, 1954: 63). Labour as a political movement can trace its roots back to the late 19th century. Because of this the Labour Party is an incredibly well organised political entity, and was one of only two parties to occupy the government benches during the period of 1935 – 1996.¹ The structures and history of the Labour Party will be outlined in a later chapter of this thesis.²

Within the Labour Party there have always been numerous groupings which I will label factions. These factions have occupied various ideological positions on the political spectrum within the Labour Caucus as well as within the party as a whole. I intend define the term factions and explain why I have labelled these groups as factions in a later chapter of this thesis. The period I intend to focus on in this thesis is between 1978 and 1990.³ During this period the Labour Party underwent immense changes in both personnel and structure and in 1984 was able to win the General Election. This was followed by an increased majority in 1987 as the party gained re-election for the first time since 1946. What, however, was to take place next was the collapse of the Labour Government during the period between 1987 and 1990 due to political infighting and a series of conflicts within the Labour Party which caused the public at large to lose faith in the ability of the party to effectively govern. Labour went from 48 percent of the popular vote and 57 seats in 1987 to 35.1 percent and 29 seats in 1990. I intend to show

¹ The Labour Party was first elected to government in 1935; shortly after this the National party was created out of the remains of the Reform and United Parties. From this point onwards either National or Labour were to govern. Due to the nature of the First Past the Post Political system which the two parties were elected on the parties were able to govern alone. This was to change in 1996 with the adoption of Mixed Member Proportional which replaced First Past the Post and the two major Parties were forced to seek coalition partners.

² The Labour Party has been selected as an example of major conflict in the New Zealand political System because of the immense change and restructuring that the party underwent in particular during the period focused on during this thesis. The New Zealand Labour Party and New Zealand in general are excellent examples of the change which was undertaken in relation to the changing political situation and reaction to the decline of the era of big government and Keynesian economic dominance and the rise of Market driven policies which were to replace them around the world. New Zealand is used also as an example of a Westminster system of government with a strong Cabinet which allowed for the rapid passage of legislation without serious scrutiny.

³ This period was both an important period of conflict and change in the Labour Party as well as a period of conflict around the world as governments and parties struggled to maintain the status quo of the rising costs and pressures of the Keynesian Economic model, the period was a major period of change around the world as countries moved closer to market-driven economies.

that the infighting and conflict inside the party caused this collapse of the Labour vote. I intend to use Frank Baumgartner's *Conflict and Rhetoric in French Policymaking (1989)* in order to demonstrate the different types of conflict and division which can occur in the policy process. This theory of conflict will be applied to the New Zealand Labour Party in order to discover how ambiguity arose inside the party and how it eventually led to the downfall of the Labour Government due to a public perception of the party which showed the party as divided due to the conflict over the legislative agenda. My argument will be that due to the nature of the New Zealand electoral system of First Past the Post (FPP) during the tenure of the fourth Labour Government, a single party, namely Labour, was able to dominate the policy making process in a way that it would be unable to do so since the adoption of Mixed Member Proportional (MMP). This however does not mean that policy was passed without conflict, in fact quite the opposite; due to what I believe were major conflicts and divisions from three distinct factions inside the Labour Party during this time period. Partially due to the fact that the Labour Party dominated the Legislature, but also in part due to a lack of an organised leadership, the National Party was unable or perhaps unwilling to oppose the reforms brought in by the dominant factions in Labour (Jesson et al 1988: 45). What did emerge across the policy spectrum was an organised opposition from within the Labour Party.

Using subheadings provided by Baumgartner's work I have outlined the key issues to be taken into account in this thesis, which had a major impact on both policy articulation and voter aggregation and support. These will be outlined in great detail later in this thesis. Using the Labour Party as an example of conflict ridden governance I intend to show how factions in the Labour Party emerged in varying degrees of influence inside the party and the impact this had on the government's legislative and political agenda. Once the factions and conflicts inside the Labour Party have been outlined and defined it will be possible to analyse the impact the factional infighting inside the party had on the party's electoral performance at the 1990 election. The Labour Party underwent a serious ideological shift between the period of 1978 and 1990. This ideological shift caused major conflict inside the party and was in the view of many one of the major rift points inside the party amongst the factions.

However, this thesis will not be investigating in great detail the ideological shift inside the party as that is beyond the scope of a Masters thesis and would require a much greater and more in-depth study. This thesis will use interviews with important personalities, who held senior positions inside the Labour Caucus and the Labour Party as a whole. Added to this will be a body of literature written on the subject by scholars and political commentators of the time as well as media sources to investigate the impact of the factions. The media coverage of the conflict plays an important role in conveying the differing sides of the debate.

In order to investigate the impact that the factions inside the Labour Party had on the passage of legislation and in turn the impact on the party's electoral performance at the 1990 election it is first necessary to discuss the relevant literature which has been written on the subjects of conflict and factional infighting, as well as the literature written on political party theory. The use of the Labour Party and in particular the fourth Labour Government as a case study requires an examination of literature of both of these organisations. Using a framework provided by Frank Baumgartner, the use of conflict will be analysed to discover how the various factions inside the Labour fought each other. Using Baumgartner's 1989 work I intend to demonstrate that conflict is able to shape and craft the issues that are before a government. In order to demonstrate the impact conflict has on public policy it is first necessary to explain and define the theories put forward by Baumgartner.

The Labour Party is being used as an example of a functioning political party in the New Zealand Party system which underwent immense change both inside Parliament as well as at an organisational level of the Extra-Parliamentary Party. The party was subject to major conflicts both in opposition from 1978 – 1984 and then in government from 1984 – 1990. By investigating the effect that the conflict had on the party's articulation of policy and comparing this in 1984 when the party was elected to government with 1990 when the party was defeated it is possible to discover the impact the factional infighting had on the aggregation of voters. The Labour Party is a massive and complex organisation in the form of a functioning political party. As a result it has enormous structures which need to be examined in order to investigate how conflict was able to spread through the party

ad have a massive impact on both policy articulation and by the time of the 1990 election, voter aggregation. It is also necessary to investigate the makeup and structure of the New Zealand political system and how the Labour Government was able to use this to its advantage. This will include the dominance which Cabinet maintains in a Westminster system such as New Zealand has. In order to compare and discuss the Labour Party's factional infighting it is necessary to investigate two periods of the party's history. These are namely the 1978 – 1984 period of opposition and the 1984 – 1990 period of government. The first of these saw the emergence of two of the three distinct factions which came to dominate the fourth Labour Government. The fourth chapter of this thesis investigates the conflict which took place within these factions as they vied for influence and leadership inside the party and created confusion and ambiguity particularly in the aggregation of voters and the articulation of a clear electoral message at both the 1978 and 1981 elections. In the lead up to the 1984 election this division and conflict within the party remained unresolved and following the electoral victory in 1984 the party was given the responsibility of governing as a fractured and divided party.

Beginning with the emergence of what Dr Michael Bassett describes as a new breed of MPs elected at the 1978 general election; this chapter will investigate the emergence of two distinct factions in the Labour Party between 1978 and 1984. With the party becoming increasingly divided the conflict inside the party began to emerge as a potentially explosive issue in terms of the long term future of the Labour Party. The fifth chapter investigates the impact the conflict had on the Labour Governments of 1984 – 1987 and 1987 – 1990. What was to emerge following the government's re-election in 1987 the fracture and collapse of the dominant faction which had emerged in the government's first term and the emergence of two rival factions each claiming to represent the party's true supporters. With three factions, each vying for influence and impact on the party's legislative and policy agendas the party fell further into conflict.

Finally this paper will conclude by examining the overall impact the conflict inside the Labour Party had on the aggregation of votes at the 1990 election and the aftermath for the party.

Chapter 2

Literature Review

In order to understand the nature of political parties and in particular the Labour Party it is first necessary to investigate the literature written on parties and their organisation. This will be followed by a description of Frank Baumgartner's work and the theory from which I intend to use in order to show the levels of conflict inside the political party and the affect this had on the passage of legislation and the ambiguity and confusion this had on the articulation of Labour policy. This will in turn show the effect on the aggregation of the Labour vote at the 1990 election. Finally as part of the literature review I will include a review of materials written on the Labour Government. These are important because many have been written by journalists and analysts who covered the events which took place. There are also a number of books and articles which have been written by key members of the party who had a major impact on legislation and were instrumental in the makeup of the party.

"An Integrated Theory of Party Goals and Party Change" (Harmel and Janda; 1994) focuses on the numerous party goals which are held by various political parties and how this effects the organization and performance of a political party. In the view of Harmel and Janda there are four types of Party goals. The first of these is the vote maximisers. Parties use the electorate to gain as much support (aggregation) for their policies as possible. This however is not always easy parties often having to adapt to differing situations in order to maximise their chances of gaining votes. Secondly they outline Office Maximisers; these people aim to gain political portfolios as opposed to controlling the government. Under a system of MMP these would often be potential coalition partners. The third group outlined by Harmel and Janda are the Policy/ideology advocates. These people often place ideological aims ahead of reliance on voter support. Finally the Intra Party Democracy maximisers play

their role by attempting to gain as much support though rank and file membership as possible. They will also attempt to get as many of the rank and file members into positions of power as possible. Arguably this is best summed up by the role of the Extra-Parliamentary wing of the party.

Robert Michels' epic and influential tome is an astute starting point in the examination of political parties. Michels discusses the makeup of political parties as structures of modern society. In doing so the reader is brought to the realisation that political parties are oligarchic in nature and that all parties are made up of an elite grouping which attempts and in many areas succeeds in dominating the many. This in the view of Michels is the *Iron Law of Oligarchy*. Political parties that reside inside a democratic party system in the view of Michels are anything but democratic themselves. This theory of oligarchy is clearly demonstrated inside the Labour Party and will be expanded on in later chapters.

Angelo Panebianco, in his book *Political Parties: Organisation and Power* (1988) believes that parties are made up of various coalitions; each coalition has its own agenda and role in the party. These coalitions represent different groups within the party, and with the event of an electoral defeat or a leadership change, often time's new dominant coalitions and groups emerge within that party. These factions inside a party are able to exert major influence in a party. Panebianco believes that "principal power resources tend to be concentrated in the hands of small groups" (Panebianco: 37). Panebianco labels the groups as "dominant coalitions," which he describes as a "result of alliances between groups" (Panebianco: 39). He argues that dominant coalitions are often made up of numerous groupings of MPs, who have formed an "alliance of alliances" (Panebianco: 39). Maurice Duverger explains in his book *Political Parties; Their Organisation and Activity in the Modern State* (1954), that often at times, members of certain political parties will come together around certain ideals and tend to form an "inner circle". This inner circle is often made up of party elites, who dictate policy to the remaining Members of the party. "A variable 'ruling class' comes into being that is more or less closed; it is an inner circle into which it is difficult to penetrate" (Duverger, 1954: 151). I intend to show that through the dominance of Cabinet inside the New Zealand political system a hierarchal structure emerged inside the Labour Party which Antonio Gramsci describes as a dominant hegemony.

This is similar to the ideas put forward by Panebianco and Duverger. This idea will be followed up and expanded on in later chapters. Political parties are supposed to dominate their ideological and political market. In doing this they often create a niche climate which in turn allows them to dominate their nation's party system. Nicolo Machiavelli in his famed and influential treatise *The Prince* defines how leaders (princes) crafted their dominance over nation states;

"He who obtains sovereignty by the assistance of the nobles maintains himself with more difficulty than he who comes to it by the aid of the people, because the former finds himself with many around him who consider themselves his equals, and because of this he can neither rule nor manage them to his liking. But he who reaches sovereignty by popular favour finds himself alone, and has none around him, or few, who are prepared to obey him" (Machiavelli: 74).

Following on from this Gramsci argues that a modern political party has a major impact on a democratic society similar to that of Machiavelli's Prince;

"The modern prince, the myth-prince, cannot be a person, a concrete individual. It can only be an organism, a complex element of society in which a collective will, which has already been recognised and has to some extent asserted itself in action, begins to take concrete form. History has already provided us with this organism, and it is the political party-the first cell in which there came together germs of a collective will tending to become universal and total"(Gramsci 1971:129).

Therefore, if as Gramsci argues the modern prince is the political party, the modern noble must be the party Caucus. This leads us back to the dilemma posed by Machiavelli. If a party is seen to be too focused on the Parliamentary party, it will often face opposition from the Extra-Parliamentary party, which often feels that it is being excluded from the policy process. The party must maintain friendly relations with both its Caucus and its Extra-Parliamentary wing if it is to maintain support and further its aspirations of voter aggregation. With an increase in tensions between the various groupings inside a political party such as that between a party Caucus and the Extra-Parliamentary party, often times ambiguity, uncertainty and confusion emerges in policy articulation. Political parties "exercise a balancing and arbitrating function between the interests of their group and those of other groups" (Gramsci, 148).

Kenneth Janda (1990: 5) argues that "defeat is the mother of all party change". If party continually suffers defeat at the hands of the electorate, the party is more likely to change its

leadership and electoral tactics in order to somehow gain election at future elections. This will be examined inside the Labour Party; this is because in the lead up to the 1984 election the Labour Party lost three consecutive elections, whilst keeping same leadership and tactics each time. This caused uncertainty at the electoral level and meant that Labour was unable to make inroads as an opposition party with the hope of becoming government. This subsequently in turn led to the emergence of the differing factions inside the Labour Party.

Katz and Mair in their 1990 paper *Three faces of Party Organisation: Adaptation and Change*, argue that political parties are distinct organisations because they are producers of public goods such as government and policies, rather than as private goods which can be bought by individuals. Because of this, parties must be treated as distinct political organisations which have clear and present structures.

Often parties are forced to react to changes in their environments which can have a major impact on their structure and political ideology, this is outlined in *Parties and their Environments* (Harmel and Janda, 1982). Furthermore this is continued through Schlesinger's 1984 paper *On the Theory of Party Organisation*, which argues that parties exist in a 'political market', and those parties which refuse to respond to particular shifts in the market are doomed to fail. The 'market' described by Schlesinger is crucial and a political party must be prepared to adjust to these changes if it is to have any chance of survival in the electoral system within it exists.

"Frequent elections and today, constant polling provide nearly continuous tests of the appeal of candidates, officeholders and their policies. A Party which does not respond to the electoral market will by definition lose to parties which do, and over the long run in a society where people are free to form new parties, it will find itself supplemented by responsive parties" (Schlesinger; 1984:383-384).

This aspect of surviving in an ever changing 'political market' will be examined later in the thesis. Schlesinger uses and draws upon Anthony Downs' 1957 work *An Economic Theory of Democracy* which argues that "Parties formulate policies in order to win elections rather than win elections in order to formulate policies" (Downs; 1957:28).

Strom (1990) describes the influences that political institutions such as political parties have and whether these are direct or indirect influences, in essence arguing that influence leads to voter aggregation. He also describes how governmental institutions create policy and influence as well as gain control of the executive branch of government, particularly in Westminster systems. Harmel and Tan (2003) in their work on factional dominance - *Party Actors and Party Change; Does Factional Dominance Matter?* Argue that;

“Stakes from winning or losing a battle over factional dominance are much greater if there is substantial difference in the desires of the relevant, rival factions than if the rivals are close together in their preferences. When there has been substantial distance between factions locked in intense rivalry, the newly crowned dominant faction is likely to move quickly and dramatically to refashion the party in ways which better reflect its own ideological-issue and/or organizational preferences.” Harmel and Tan (2003).

Using data gathered from five political parties across Europe, Harmel and Tan argue that changes in leadership and in dominant coalitions can have a major impact on the fortunes of a political party.

Katz and Mair 1995 in *Changing models of Party Organization and Party Democracy*, describe the changing relationships over time between society the state and political parties, arguing that the mass party model is in fact outdated due to the fact that its association with an antiquated social structure that is no longer relevant to post material society. They argue that the development of ‘Cartel’ parties has replaced the mass party model. In addition to this Rudd Koole (1996) in *Cadre, Catch-all or Cartel? A comment on the notion of the Cartel Party* further discusses the relationship between the state and political parties, but believes that the term ‘Cartel’ parties have existed in various forms for quite some time.

Richard Mulgan in his 1994 book *Politics in New Zealand* outlines the New Zealand political system in great detail as well as in-depth analysis on New Zealand political parties and party theory in general. He also outlines structures which play an important role in the New Zealand system such as that of the power of the Prime Minister and Cabinet. This importance will be studied further in later

chapters as part of a study of the New Zealand political system. The Rt. Hon Sir Geoffrey Palmer, himself a member of the fourth Labour Government and Prime Minister from 1989 – 1990 outlines the importance of Parliament and the New Zealand Constitution during the New Zealand's FPP period in *Unbridled Power: An Interpretation of New Zealand's Constitution and Government (1987)*.

In his book *Conflict and Rhetoric in French Policy Making (1988)*, Frank Baumgartner outlines the ways in which political parties and other organisations use various forms of conflict in order to achieve their goals and aims in a political process. Although he uses the example of French Politics I will apply his theories to the New Zealand political system and use these theories to describe the conflict which occurred inside the Labour Party and which eventually brought down the fourth Labour Government at the 1990 election. Using subheadings provided by Baumgartner's work I have outlined the key issues to be taken into account in this thesis.

During the time frame focused on in this thesis, namely 1978 – 1990, the New Zealand party system was dramatically different to the current system of MMP. Under FPP, Parliament was dominated by two parties – the Labour and National Parties. Because of this it was very difficult for smaller parties to gain traction at elections. The plurality nature of FPP meant that one party was to dominate the legislature and with that the legislative agenda. The Westminster system which New Zealand adopted gives parliament absolute authority over legislation. Keith Jackson describes the importance of parliament;

“It is the central tenet of the Westminster-type system that parliament has the unfettered right to make laws. It cannot be bound by laws made by previous parliaments and, in turn cannot bind its successors. Judges cannot overturn its legislation provided it follows the manner and form prescribed by the statute” (Jackson, 2006:162).

Because of the importance Parliament in the New Zealand party system I will examine how political parties are able to dominate the Parliamentary arena and use this to create and articulate their legislative agenda. The New Zealand Westminster system is reliant on the power possessed by the Cabinet. Sir Geoffrey and Matthew Palmer describe Cabinet as “the powerhouse of the New Zealand government” (2004:78). Elizabeth McLeay has written

extensively on the New Zealand Cabinet and the overwhelming power that this institution holds in the New Zealand Westminster system in *The Cabinet and Political Power in New Zealand* (1995). Further analysis of the New Zealand Cabinet is also found in McLeay (2006) as well as McLeay (2002). Dr Michael Bassett himself a former member of both the Labour Party and a Cabinet Member in the fourth Labour Government has written extensively on the Labour Party as well as the Third and fourth Labour Governments. Bassett's *Working with David: inside the Labour Cabinet (2008)* gives an informative and descriptive view of the events and in particular the infighting which took place inside the fourth Labour Government. *The Third Labour Government (Bassett, 1976)* describes the legislative agenda and events which occurred inside the Third Labour Government, this is important as many of the influential members of the fourth Labour Government were involved in various forms inside the Third Labour Government. In chapter three of this thesis I will outline the various factions and show that many of the disagreements and conflict issues actually dated back to the Kirk and Rowling Governments between 1972 and 1975 as well as the during the period of opposition between the fall of the third Labour Government and the election of the fourth Labour Government (1975-1984).

Subsequently *the State in New Zealand 1840 – 1984: Socialism without doctrines?* (Bassett, 1998) discusses the economic situation in New Zealand leading up to the election of the fourth Labour Government, arriving at the conclusion that the changes and deregulation which took place under the fourth Labour Government were not only necessary but inevitable due to what he describes as decades of government mismanagement. This economic crisis which the fourth Labour Government inherited is described in *Roderick Deane, his life and times* (Bassett and Bassett (2006).

Jesson et al describe the emergence of the right in New Zealand politics which took place during the 1980s in *revival of the Right; New Zealand politics in the 1980s (1988)*. Steven Levine and Robert McRobie outline the changes which took place in New Zealand politics during the 1980s in *From Muldoon to Lange (2002)*. *The Fourth Labour Government: Politics and Policy in*

New Zealand (Holland and Boston (ed), 1990), outlines the major legislative progress of the fourth Labour Government, whilst Simon Sheppard's *Broken Circle; The Decline and Fall of the Fourth Labour Government* (1999) is considered by many to be the definitive work on the decline of the Labour Government in 1990.

The above literature allows for the study of political parties and the conflicting factions which make up political parties. In this case the New Zealand Labour Party is used as a case study to show the impact that factional conflict has on the outcome of a party's electoral aggregation and its policy articulation. Using Frank Baumgartner's work it is possible to examine why conflict happens in political parties and how factions can use conflict in order to attempt to change the scope of the issue and expand the direction of the debate. By combining the above literature with Baumgartner's theory I intend to show how the factional infighting inside the Labour Party in the period focused on in this thesis influenced legislation articulation and then the impact this had on the aggregation of Labour votes at various elections. This requires a brief summary of the theories of Frank Baumgartner, which are found below;

1. Conflict

In the view of Frank Baumgartner Conflict is necessary in policy making in order for the public to pay any attention to issues. For this to happen groupings inside the political party will often attempt to expand or contract issues in order to bring conflict into the issue.

"In the absence of conflict, no one has an interest in attracting other participants, and consensual issues often remain part of the [specialised] community of experts who are constantly involved in implementing them. The presence of intense conflict on the other hand, creates winners and losers in the community of specialists. The losing side has an immediate interest in changing the roster of participants by appealing to outside allies" (Baumgartner, 1989: 4-5).

Using the theoretical framework provided by Frank Baumgartner namely that by changing the nature of the debate through the use of conflict policy makers are able to create a situation in which their policies gain attention, which in turn allows them to shape the political debate in their favour.

Baumgartner outlines the ways in which political parties and other organisations use various forms of conflict in order to achieve their goals and aims in the political process. Although Baumgartner uses the example of French policy making, the overall theory is easily applied to the New Zealand political system. Using Baumgartner's theories on conflict I intend to show how three factions emerged inside the New Zealand Labour Party and how through the use of conflict they were able to bring disorder and ambiguity to the policy process inside the party.

2. Divisions inside the Party

I will argue that there were three divisions inside the Labour Party during the tenure of the fourth Labour Government, these divisions I have labelled factions and will define as a group of members inside the Labour Party who rallied around certain personalities in order to achieve their political aims and ideals. Although the groupings appear to be formed along ideological lines, this is in fact not the case. It is important not to confuse a faction in the New Zealand Labour Party with a faction in the party's Australian counterpart, the Australian Labor Party (ALP). In the case of the Australian Party members belong to a distinctive ideological faction inside the party and vote on along these lines.

"When you join the [ALP] you clearly belong to the left or the centre or the right or whatever the factions are. True independents, people who aren't affiliated to any of these classifications or groups are rare within the ALP" (Caygill, 2009:1).

The New Zealand Labour Party does not have a requirement for joining or belonging to a faction inside the Party and often groupings form around personalities rather than ideological foundations.

This was certainly the case in the fourth Labour Government. This is again expressed by Caygill;

"In New Zealand I think the groups were much more situational so they were more fluid and a person might be sort of in the 'Centre' on one occasion and some years later be on the 'Right' arguably. But more important than that I think the groups in the New Zealand Labour Party were as much as they were grouped around ideology or philosophy" (Caygill, 2009:1).

Despite this I have found that the term factions is the easiest to use when describing the groupings and divisions in the Labour Party up to and including the tenure of the fourth Labour Government. The factions in the Labour Party are as follows

1. The traditional arm of the party which was made up of left wing ideologues and activists. These members of the party rallied around Jim Anderton, their political views were steeped in the socialist traditions of former leaders such as Michael Savage and Peter Fraser. This grouping inside the party came to dominate the Extra-Parliamentary wing of the Party and became further isolated from the party from within Parliament
2. The Centre grouping inside the party which had moved away from the traditional arm of the party, and was focused on creating a more democratic society. This group was dominated by figures such as Prime Minister David Lange, Deputy Prime Minister Geoffrey Palmer and other Cabinet officials such as Helen Clark and Dr Michael Cullen.
3. The New Right group of the party which came to epitomise the reform process inside the Party as well as the Labour Caucus as a whole. This group was responsible for numerous economic and social reforms being implemented by the Labour Government. This was arguably the most influential and creative grouping inside the Caucus and party as a whole. Predominantly led by Minister of Finance Roger Douglas, the group also maintained key members of Caucus and Cabinet including Richard Prebble, David Caygill, Mike Moore, Michael Bassett and Phil Goff. Able to ally themselves with key members of the Treasury, the new right were able to completely dominate the Labour Caucus as well as the legislative agenda. This will be fully explained in later chapters.

Dr Michael Bassett believes that the terms left, right and centre are difficult to attribute to the factions inside the Labour Party;

“Let’s shall we not use the terms left, centre, and right, although occasionally they will come into things, let’s talk about those who wanted to change - the reformers, those who wanted to go backwards and those who were more or less the centre ground and it would be true to say that the Labour Party had segments of all of those” (Bassett 2009).

The factions within the Labour Party created division and conflict not only in the articulation of policy but also in the aggregation of support. This was most evident in the years leading up to the election in 1984 but was also prevalent in the second term of the government between 1987 and 1990, this conflict would ultimately cause the collapse of the government in 1990 and as a result the Labour Party would have major leadership changes resulting in three different leaders and Prime Ministers between 1989 and 1990. Baumgartner believes that in order to understand the different levels of conflict in policy making there needs to be three central questions.

1. "Is there disagreement about the existence of the problem?"
2. Is the presence of the problem agreed upon by all, but is there disagreement to the best solution to it?
3. Are both the problem and solution agreed upon, but there is a disagreement over implementation?" (Baumgartner,1989:75)

Throughout the course of this thesis I will endeavour to investigate various levels of conflict inside the Labour Party at various stages between 1978 and 1990. This timeframe is chosen because this is the period where the factions who came to distinguish themselves inside the Labour Party were at their most powerful.

3. Scope

By looking at the scope of various issues and questions that arose in the conflicts inside the party it is possible to discover just how big of an impact the factional infighting amongst differing groups inside the party had on both policy articulation and voter aggregation. This will discover the impact of the drafting and passage legislation inside the party and the impact that they had on the articulation of voters. Baumgartner believes that by expanding the scope of the debate, the experts such as civil servants lose their control of the issue and the presence of non expert policy actors often leads to the expansion of the issue to a wider audience (Baumgartner, 1989:66).

4. Expansion versus contraction of the debate

This will be studied using Baumgartner's argument that the losing side of an argument will often attempt to expand the debate, thus creating more attention for their cause whilst at the same time the winners will often attempt to keep participation restricted ensuring success.

"Those with an interest in keeping participation restricted to a small set of experts follow a strategy of contraction; they portray issues in the most narrow and technically complex way as possible. Those hoping to increase participation do the opposite: they portray issues in the broadest and most political way they can depending on who wins the rhetorical battle, the policy community will be limited to a small number of experts, or it will be expanded to include large numbers of generalists" (Baumgartner,1989:129).

In the case of the Labour Party I will attempt to explain how the three factions used the media and other tools to expand or contract information available to the public as well as policy and party officials of the Labour Party in order to attempt to shape and determine the direction of the debate. This will be shown across various issues and conflicts that occurred inside the party at the time.

5. Rhetoric

Using rhetoric and in some cases misdirection groups on various positions of an argument are able to influence public opinion in an effort to gain support for and articulate their various policies more favourably. In the case of the Labour Party, the right wing bloc was very successful at gaining public support using rhetoric to portray opposition to various reforms as "anti choice", "anti freedom" and in some cases "undemocratic." By using this and other such rhetoric the factions created major ambiguity and confusion inside the articulation of policy, the result was often confusion for the general public and such factional infighting in the end was to have an immense impact on the aggregation of Labour support at the 1990 election.

"Policymakers are not restricted in their choice of terms but can choose to make technical arguments, generalised ones, or both. Sometimes the success of a rhetorical shift can be striking" (Baumgartner, 1989:154).

6. The Media

The media is one of the most important tools in politics, often referred to as the fourth estate; it plays a major role in the articulation of policies by policy makers. Political parties must learn to use and manipulate the media to their own advantage in order to be successful in their aims of not only articulating their message to the public but in also aggregating that same public's support at election time.

“Media coverage of an issue increases dramatically whenever Parliamentary debate focuses on it. Especially when combined with public demonstration and other activities outside of parliament designed to generate publicity, the Parliamentary debate can from the basis of the explosion of an issue onto the front pages of the newspapers and onto the national political agenda” (Baumgartner,1989: 166).

This use of the media was controlled very effectively by the three factions inside the Labour Party, who used the media to their own advantages by expanding the debate and creating various sympathies in various forms of the media.

“Because of the privileged access to the media that the parliament enjoys, the debate then provides a prime opportunity for those on the losing side of a conflict in the specialised policy communities to expand the issue and to force it into the national political agenda” (Baumgartner, 1989:166).

There is a major link between the media and the use of rhetoric between the three factions as they vied for influence in the articulation of policy and as well as the aggregation of support at the 1990 election.

7. Breadth of Participation

Conflict arose inside both the Labour Caucus and party as a whole during the period of 1978 to 1990. As less dominant factions were excluded from the policy making and decision processes inside the party apparatus this conflict was to intensify to point where major rifts began to emerge in the party.

“The number of outside interest groups involved in the policy process has a important impact on the policy process, not only on conflict but also on participation...participation is strongly related to the proliferation of groups” (Baumgartner, 1989:110-111).

Emphasis throughout the thesis will be placed on the power of Cabinet under the New Zealand Westminster system of government and how it was able to dominate the articulation of policy and in doing so dominated the other party apparatus. By analysing the different factions and the conflicts between them it is possible to discover the impact the factions had on policy making in the fourth Labour Government. The use of interviews in the writing of this thesis has meant a greater understanding of the issues and conflicts which took part inside the party as a whole during the period of 1978 – 1990. Each interviewee was presented with a copy of the same questions so to ensure consistency and clarity and in order to avoid the appearance of any bias. There were however some questions which were applicable to certain interviewees and not others, these questions were asked solely of the required person. For example the Hon Jim Anderton MP and the Hon Ruth Dyson MP were asked about the role of the President of the Labour Party as they are both former Presidents of the Party whilst the remainder of the participants were not. The use of interviews has allowed for a greater in-depth understanding of the factions and has created a true depiction of the factional infighting from those who were there. By applying the information acquired from the interviews to the theoretical framework put forward by Frank Baumgartner it is possible to examine how the factional infighting influenced the passage of legislation inside the Labour Party and how through the use of rhetoric and conflict the differing factions were able to exclude others from the debate thus closing off arguments to their positions.

By combining Frank Baumgartner’s theories on conflict with the traditional political party theories and the bodies of literature written about the Labour Party factions it is possible to understand the impact of factional infighting inside the Labour Party and the impact the factions had on the articulation of Labour policies as well as the impact this had on the aggregation of voter support at the 1990 General Election. The following chapter will outline the structures in the Labour Party to discover how factions inside the party came to dominate the legislative agenda. The power of Cabinet

inside the New Zealand political system will also be examined. With a group or faction controlling Cabinet it becomes easier to exclude other factions from policy arguments.

Chapter 3

The New Zealand Labour Party structures and organisations

This chapter will show that a modern political party such as the Labour Party has a great deal of organisation at numerous levels. There are three distinct groups of the Labour Party - the Cabinet, the Caucus and the Extra-Parliamentary Party which shall be focused upon. Although Cabinet is not a party apparatus, under the FPP electoral system governing New Zealand during the focused time period of this thesis, it was controlled by the Party which held a majority of seats in Parliament. During the timeframe of this thesis the Cabinet of the fourth Labour Government will be assessed as if it were a part of the party. As well as the above mentioned groups there are also sub-groups and individuals within the party who wield a great deal of power – The Leader and Deputy Leader of the Party (in the case of a Government Party under FPP the Prime Minister and Deputy Prime Minister), prominent Cabinet Ministers and finally the Party President.

Cabinet

The New Zealand Cabinet is made up of elected Members of Parliament (MP) and under FPP was invariably from the governing party. These members were known as Ministers. Cabinet has been described as “the powerhouse of the New Zealand government” (Palmer and Palmer, 2004:78). Ministers are often picked from the Parliamentary party because of their experience and knowledge in certain key policy areas. However, in the case of new Ministers, members are chosen because they show leadership skills and potential. The New Zealand Cabinet can be contrasted with Cabinets in the countries such as the United States where Cabinet members are not elected, but are instead political

appointments who are then confirmed by the elected Senate. As New Zealand is a Westminster Parliamentary Democracy, Cabinet plays an incredibly important role in government. Elizabeth McLeay describes how 'amateur' Ministers interact with professional civil servants in the day to day running of Cabinet, a tradition which New Zealand has inherited from the Westminster model of governance;

"Expertise in governing is supplied by the public service, while Cabinet houses those versed in political skills, well honed by experience in the legislature, in the Extra-Parliamentary party, and perhaps even in local government and pressure groups" (McLeay, 2006: 201).

Added to this Sir Arnold Nordmeyer outlined in 1946 the make up of parliament and in essence Cabinet;

"Parliament is essentially a representative body, a cross section of national life. Fortunately it does not consist of experts; it is composed of ordinary – men and women who, as they are wise, will give heed to what experts have to say, remembering always that the experts are at least sometimes wrong" (Nordmeyer, 1946: 8).

Yet despite this overwhelming power which is possessed by Cabinet there is little mention of Cabinet and its functions in official constitutional documentation of New Zealand.

"One of the most striking characteristics of New Zealand's inherited Westminster-style political system is that Cabinet, the single most important committee of government, appears nowhere in the written parts of the constitution" (McLeay, 1995:13)

This importance of Cabinet cannot be downplayed in the Westminster system of government.

Cabinet is the most important arm of the Parliamentary system

"Under the former two party system, Cabinet dominated Parliament. Cabinet formed a sizable proportion of the governing Caucus, which was tightly bound by party discipline. By dictation the direction of its policy, Cabinet ensured that there was little effective opposition to its collective will" (McLeay, 2006: 201).

Cabinet is made up of the most influential members of the political party which forms the government Cabinet's power is accurately summed up by Sir Kenneth Keith in Mcleay (1995).

"Cabinet itself is a formal institution, without statutory basis or obligations. This means that the actions of Cabinet are free from the supervisions of the courts." The power of the New Zealand Cabinet is derived from its ability to control the Parliamentary agenda and its passage of legislation (McLeay 1995:21).

Taking Sir Kenneth Keith's observations into account with that of Keith Jackson it is easy to see just how powerful both Cabinet and Parliament are in the context of the New Zealand political system;

"It is the central tenet of the Westminster-type system that parliament has the unfettered right to make laws. It cannot be bound by laws made by previous parliaments and, in turn cannot bind its successors. Judges cannot overturn its legislation provided it follows the manner and form prescribed by the statute" (Jackson, 2006:162)

Parliament after the 1984 General Election contained 95 members; the Labour Party with its 57 seats was the party to control Parliament. The Labour Cabinet of 1984 was made up of 20 Ministers, it could be argued that the nature of the political system which puts 20 Ministers in control of a nation is a form of elective dictatorship, certainly with the power entrusted into these 20 ministers the notion of the "tyranny of the majority" becomes all the more clear. Parliament is in effect an elective dictatorship.

Whilst Cabinet is primarily the executive arm of the government it is often made up of numerous factions in itself. This was clearly evident inside the Cabinet of the fourth Labour Government, especially during the second term from 1987 until the election defeat in 1990. Each of the factions subsequently maintains its own agendas and they attempt to influence policy making, which often comes at the expense of another faction's agenda or an alternative policy. However, once Cabinet has settled on a position, every member of that Cabinet must agree with the decision which has been made by Cabinet as a whole. This is in spite of any personal animosity or feelings about particular issues that ministers may hold. This notion is known as 'Collective Cabinet Responsibility';

"The principle of collective responsibility underpins the system of Cabinet government. It reflects democratic principle: the House expresses its confidence in the collective whole of government, rather than in individual Ministers. Similarly, the Governor General, in acting on Ministerial advice, needs to be confident that individual Ministers represent official governmental policy. Acceptance of ministerial office requires acceptance of collective responsibility. Issues have often been debated vigorously within the confidential setting of Cabinet meetings, although consensus is usually reached and votes rarely taken. Ministers must support it, regardless of their personal views and whether or not they were at the meeting concerned" (Cabinet Office, 2008:65).

Shaw and Eichbaum (2008: 76) explain that the importance of Collective Responsibility in the Westminster system resides on the fact that the government "stands and falls on according to whether

or not it enjoys the confidence of the House.” Former Prime Minister David Lange elaborates on the convention of collective responsibility;

“The Conventions of Cabinet Responsibility were simple enough. All members of Cabinet were bound by its decisions. Whatever their view of a matter, ministers had, when a decision was made, to uphold it in Caucus, if called upon they had to speak in its support in parliament; they had to act in public as if it had never crossed their mind to disagree with it” (Lange, 2005:249).

Under the auspicious of Collective Responsibility Ministers are tightly bound. However, due to the different factions within a political party as a whole, which can manifest and entrench themselves firmly into Cabinet, the notion of Collective Cabinet Responsibility becomes harder to enforce, abide and adhere to. This will be discussed at length in the fifth chapter, with special attention played to the conflict within the Labour Cabinet due to the principles of Collective Responsibility. With division in Cabinet, ambiguity and confusion is likely to emerge. This in turn will lead to poor articulation of policy and will lead to an unpopular public opinion of a government/party and its policies thus creating aggregation problems at elections;

“Not only is disunity unpopular with the public, but a Cabinet which is visibly and publicly fractured is politically vulnerable” (Shaw and Eichbaum, 2008: 76).

At the same time a unified Cabinet is much more likely to pass coherent legislation without uncertainty.

“A Cabinet comprising of Ministers who have a sense of confidence and a unified sense of purpose can decide big and controversial policy issues with ease. Where there is division and an atmosphere of political adversity, it is hard to decide any big policy and several meetings of Cabinet maybe required” (Palmer and Palmer, 2004: 83).

Unlike their National counterparts, the Labour Cabinet is elected by Caucus. The Labour Prime Minister, however, still maintains the power to allocate portfolios to the various Cabinet Ministers (Mcleay 1987). This in effect limits the powers of the Labour Leader, as the Caucus can choose who it wants to be in Cabinet. Sir Kerry Burke was a member of Cabinet in the first term of the fourth Labour Government from 1984 – 1987 and then Speaker of the House of Representatives from 1987– 1990. He

describes the desirable quality of Caucus elected Cabinet rather than positions being placed at the prerogative of the Prime Minister;

“There is great virtue in knowing that you are a minister because the majority of your colleagues have supported you and not just that you have been picked by the head prefect for being a good boy... I think that is where it really rests, there are advantages in both systems, but the Labour Party is less hierarchical, I think more democratic in its internal operations and that has its advantages I think in terms of quality of decision making, but as we have never had that [The National system of Cabinet selection] with a Labour Cabinet it is hard to make a comparison. There are advantages in both but that’s the way we are, that’s the way we have evolved” (Burke, 2009).

Caucus

Every MP is a member of their party’s Caucus. Caucus meets once a week (more often if required). Mulgan describes Caucus as the most important structural organisations of the New Zealand Parliamentary system (Mulgan, 1994: 101). Caucus contains not only Parliamentary members but also two members of the Extra-Parliamentary Party including the President (this role will be discussed later). Caucus is generally used as a way of a party unifying its position on issues and discussing strategy. It is rare for a Caucus to allow its members to vote freely on issues and when this occurs it is known as a conscience vote. During a conscience vote a member is allowed to vote according to his or her own personal beliefs. The use of conscience voting on controversial social issues such as abortion, homosexual reform and alcohol have allowed Labour members to vote on their own merits rather than by voting along party lines (Lindsey 2006: 186). This has occurred on numerous issues which parties such as Labour have deemed as conscience issues which;

“for the benefit of both the members of the party itself and the party itself, these convictions should be respected by allowing MPs to vote according to their personal beliefs on issues that touch their consciences” (Lindsey, 2006: 191).

At all other times members must vote in accordance with their party wishes and remain loyal to the official party line. This in itself has the potential to cause rifts and conflict inside a Caucus. It is hard to believe that every member of a party Caucus is continuously able to follow party orders, especially if that member believes that the proposed policy goes against the personal political beliefs of the member in question. This raises issues as to whether a member should remain primarily accountable to

the party or their constituency. As will be shown in the following chapters the economic direction that the fourth Labour Government followed was in the view of some members of the party a betrayal of traditional Labour position and values and as such these members were put in a position of choosing between their constituency and their party.

The role of a Caucus member is very important. Members who are not selected as Cabinet Ministers are known as backbenchers. Backbenchers act as a crucial role between constituents and Ministers. This is because a Minister does not always have the close proximity to the constituency that they would otherwise have as a backbencher.

“[Backbenchers] have also got a very great possibility to work constructively in leading committee work, select committee work, supporting, doing a lot of what you might call the donkey work for Ministers” (Burke, 2009).

This re-enforces the expectation that a backbencher must remain loyal to the party and vote in the House in accordance with the party platform and position. David Caygill believes that the most important role of a backbencher is not always to vote the party line but to involve his or herself in party activities whilst at the same time attempting to build a profile for themselves in an effort to gain the attention of fellow members of the party in the hope of at some point gaining a chance for promotion.

“It’s easier to be a backbench MP and have some freedom of action or capacity to build a personal profile if you’re in opposition because then its all hands to the pump. In government Ministers get more speaking roles than back bench MPs and backbench MPs need to be careful they don’t disagree with the party line so the roles are more limited but able MPs can build some profile, they could at the best of them develop policy areas that are useful supplements to what is going on in the Cabinet, although that’s not always an easy thing to do” (Caygill, 2009).

“Caucus was originally developed as a means of keeping backbenchers in touch with the leadership and giving them an opportunity to bring pressure to bear” (Jackson, 1989:174).

One of the most important roles of Caucus “is the collective agreement on party policy, strategy and tactics” (Gillon and Miller, 2006:177). It is also an opportunity for members outside of Cabinet to take issue with and in some cases hold their ministerial colleagues to account over issues which they may have a differing view on. As Caucus contains members of the entire Parliamentary party there are

often numerous factions which can play a major role in the shaping and creating of policy, although it must be remembered that the final decision rests with Cabinet alone. Often times the factions inside of Caucus can have a stagnant effect on the coherency of policy that the party or government is attempting to put forward, coherent articulation of policy often already being difficult to achieve in a modern functioning political party. Members of the party do not want to appear at odds with each other; disunity does not play well at elections. Parties need to achieve or at the very least give the impression of achieving cohesion in their decision making. Unlike their Cabinet colleagues, Caucus is not as tightly bound by Collective Responsibility. Whilst they are expected to remain loyal members of their political parties, it is not uncommon for members of Caucus to criticise, often times publicly, their party platform on several issues. However, as Sir Kerry Burke points out it is often the case that backbench members of Caucus try not to step out of line for fear of losing out on future promotions;

“The Cabinet did not have a majority of members in the Caucus, but nevertheless, when you are in government there is also a dynamic where backbenchers want to get a government post, so they want to become an under secretary or an associate Minister and ultimately a member of the Cabinet and so there will be a dynamic which encourages them to support the Cabinet line. The Cabinet could almost always guarantee backbench support” (Burke, 2009).

The Labour Caucus will be discussed further as an example of factional infighting amongst different groups inside the Labour Party, due to the fact that a number of Caucus members at various points during the tenure of the fourth Labour Government formed internal opposition to government policy. Jackson argues that Caucus is a perfect example for factionalism to take root inside a political party;

“Backbenchers are kept in close and continuing touch with the leadership, and Caucus is a potent factor in welding the Parliamentary parties into teams – the team being predominant in New Zealand politics” (Jackson, 1992: 174).

Caucus meetings are attended by two members of the Extra-Parliamentary party including the Party President. (Jackson 1992). Members of political parties are expected to follow the party direction and vote in favour of issues which the party deems necessary. Party discipline has played a major role in the voting habits of MPs since the formation of parties in the late nineteenth and early twentieth

centuries in New Zealand (Gillion and Miller, 2006:177). Although the Labour Party and many other political parties across the New Zealand political spectrum are formed in democratic principles, the reality of party discipline on voting issues for both members of Caucus and the notion of Collective Responsibility of Cabinet means that Robert Michels' iron law of oligarchy is staunchly instilled and entrenched in a modern political party such as Labour. The Labour Party like all political parties in the view of Robert Michels is anything but democratic in its hierarchy. Despite its ideals of democratic Cabinet selection the iron law of oligarchy portrayed by Michels is intrinsically in effect inside the Labour Party and Caucus as a whole.

"In a party, and above all in a fighting political party, democracy is not for home consumption, but is rather an article made for export. Every political [organisation] has need of 'light equipment which will not hamper its movements.' Democracy is utterly incompatible with strategic promptness, and the forces of democracy do not lend themselves to the rapid opening of a campaign. This is why political parties, even when democratic, exhibit so much hostility to the referendum and to all other measures for the safeguard of real democracy; and this is why in their constitution these parties exhibit if not unconditional Caesarism, at least extremely strong [centralising] and oligarchical tendencies" (Michels, 1962: 79).

As mentioned above, the exception to when members of a party Caucus can vote against their own party is found solely in the use of conscience voting. It is rare for a vote to be made a conscience issue. The Labour Party in the past has used conscience votes on matters such as abortion and alcohol prohibition (Lindsey, 2006: 187)

The Extra-Parliamentary Party

The final structural group of the Labour Party that will be examined in this paper will be the role played by the Extra-Parliamentary Party. This role is incredibly important because it is responsible for the garnering of support at grass roots level as well as playing a major role in organising electoral support and fundraising on behalf of the party. Representing the party outside of parliament it is the role of the Extra-Parliamentary party and in particular it's President to stay in constant contact between the Parliamentary party and the supporters. There are often times when the Parliamentary party and the Extra-Parliamentary party are at odds and this will lead to ambiguity and disunity inside the rank

and file members of the party. This occurred during the tenure of the fourth Labour Government and as a result it is necessary to investigate the overall impact this had on the party as a whole and its effect on both policy articulation and support aggregation. The position of Party President is a very crucial. The President of the Labour Party wields an enormous amount of influence in both the Parliamentary and Extra-Parliamentary Parties. The President acts as a link between the Caucus as a whole and the party outside of the House of Representatives. He or she is responsible for organising the grassroots support for the party as well as taking care of membership responsibility and selecting and de-selecting members for the party. Often times the President will also play a role in the creation of policy and the publication of the party manifesto during the election campaign. The president needs to remain in constant contact with the leader of the Parliamentary party, and often division between the two can create immense instability and confusion inside the party leading to mixed messages and ambiguity in both policy articulation and support aggregation. The role of the president is summed up by former Labour President Jim Anderton;

“It is representing what the members of the party fundamentally believe in and want to see your party represent and the rest of it. That’s what you’re there for you’re actually a representative of them, you happen to be the most important representative of the party in the President, they expect to see you representing their viewpoint” (Anderton, 2009).

However the power of the Party President is limited due to the fact that the Parliamentary members have been popularly elected at large by the public meaning that for a figure for the President to wield too much power and influence against MPs would be unwise from a vote aggregation perspective.

“It’s a position that is elected by the party, it’s not a public position so for members of parliament we cant do anything to them... we can expel them from the party and the Caucus but they are still in parliament and that would have been a suicidal thing for us to do. So you have power which really can’t be exercised” (Dyson, 2009).

Influential Cabinet Members

In the case of the fourth Labour Government during the 1980s there were a number of influential Ministers inside the Cabinet who held an enormous amount of sway inside the party as a whole. Often influential party officials such as these have been involved in policy making circles inside the party for a long time. In the case of the fourth Labour Government, these influential members had played an influential role in getting David Lange elected firstly as leader of the Labour Party in 1983 and then Prime Minister in 1984. There are a number of members of the Labour Party who were influential in gaining the election of a Labour Government; following this these members were appointed as Ministers in the fourth Labour Government. Applying the label provided by Panebianco it is possible to define these influential Ministers inside the Labour Government as part of a 'dominant coalition,' parties in the view of Panebianco are made up of various coalitions which vie for representation and influence over policy issues in an attempt to dominate the legislative agenda. A dominant coalition in the view of Panebianco is one which is made up of the most powerful members of the party. There are often other coalitions inside a party but due to their comparative lack of power by these groupings they are unable to be labelled as dominant coalitions.

"In a party in which internal competition – manifested in horizontal power games – is based on tendencies (weakly organised), control over zones of uncertainty is more concentrated and the dominant coalition is more cohesive" (Panebianco, 1988:39).

The term inner circle (Duverger, 1954), like that of Panebianco above also implies the dominance of a single grouping inside the party. The "Variable ruling class" (1954: 151) which Duverger argues in favour of was very prominent in the Labour Party during the tenure of focused study in this thesis. However, I intend to show that although the inner circle was able to dominate and control the legislative agenda inside the House of Representatives, an organised opposition inside the Labour Party as a whole was able to emerge from those who had felt disenfranchised by the inner circle. This notion of the inner circle is applied to the fourth Labour Government by Colin James. James describes the impact and speed with which the inner circle was able to gain the support of Cabinet and then Caucus on issues which were controversial inside the Labour Party;

“Ministers applied a burn-off technique: they led from out front at such breathtaking speed that critics were constantly left arguing yesterday’s case while ministers produced today’s new policy” (James, 1986:177).

This will be further elaborated on in the chapter entitled conflict inside the fourth Labour Government

Labour Party Ideology

With so many different points of view inside the Labour Party it is easy to see how parties can become easily divided. This thesis investigates the theory that factional infighting was responsible for the divisions in the Labour Party. This factional infighting then caused conflict inside the party which had a major impact on legislation articulation and eventually an impact on voter aggregation. However, it is important to note that the term faction should be used with caution especially inside the Labour Party. Ideology inside the Labour Party, although it exists does not play a major role in policy, and therefore it is difficult to describe the factions in the Labour Party as ideological. Former Party President Ruth Dyson describes the Labour ideology as follows;

“The Labour Party not only was but is made up of people who have different perspectives of centre left politics. So you start off by them being from the centre to the left and within that there are people who are extreme at either end, it is the same with any political party” (Dyson 2009:1).

Because of this it is difficult to claim that a particular MP would be either right or left on the ideological scale. This makes the argument that factions inside the Labour Party were not on ideological grounds stronger. While there are not in the view of many members of the Labour Party, ideological factions inside the party, there remain a certain presence of non-ideological factions inside the party.

Scruton defines factions as;

“Any group organised for political ends which defines itself at least partly by its opposition to some rival group. A faction is usually within a party, institution or government, and is identified by perceived common purpose rather than by rules of membership” (Scruton 2007: 238).

Comparatively with the Labour Party's Australian counterpart the Australian Labor Party (ALP) the New Zealand Labour Party is not made up of ideological factions. It is important to realise that the Labour Party like many political Parties around the world is made up of numerous grouping that have differing points of view on opinions and party policy. This is the nature of thriving political party in a democratic society. When taken into consideration against the ALP the New Zealand Labour Party Does not have strict factions. When an ALP member joins the party they become a member of a faction and this often sees them remain a loyal member of that faction for the remainder of their political career (Caygill, 2009). David Caygill explains that the New Zealand Labour Party does not operate in such a manner and is distinguishably different from its Australian counterpart;

"I think that isn't how the New Zealand Labour Party operates and it never has, its too small for that, apart from anything else, so I think its better to think in terms of what I would call groupings that are much more informal, I mean at times in the [ALP] the factions not just vote the same way, they vote together, they have been known to vote in pairs and show each other their ballot papers in order to make sure that you know... The discipline of the factions was enforced. Well there has never been anything like that in the [New Zealand] Labour Party" (Caygill 2009).

Former Labour Party President Jim Anderton further elaborates on this issue of comparison with the ALP and whether or not the term factions is able to be applied to the New Zealand Labour Party ;

"I don't think the description of factions is a correct description. There weren't factions in the sense of that word in sort of political or in politics. For example in Australia there are formal factions, you know you have a centre left faction, you have a centre right faction you have a left faction, and they all have their roles and they all interrelate and they all talk to each other as factions and they actually do deals apparently, like we will support you if we get three members of Cabinet or whatever. Now we had nothing like that. Now what actually happened was that we had the party on one side of this issue and some of the MPs with the party in a mainstream sense. The party didn't have a kind of factional approach it basically had, well here's our policy and this is what we stand for, and there would be arguments inside that but once they were settled and once remits got put through and policy was set we were all in the party" (Anderton, 2009).

I am arguing that there were many coalitions in the Labour Party during the period of focus in this thesis. These groups held various positions on the ideological scale inside the Labour Party as well as varying positions of power and hierarchy inside the party. However, even though these groupings held differing ideological visions inside the party it seems to be the case that the groupings rather than

being formed on lines of ideology were in fact formed around prominent personalities. Using the term inner circle (Duverger 1954), also implies a single dominant grouping. Using the term factions I intend to show how different groups inside the Labour Party attempted to control and dominate the legislative agenda whilst at the same time attempted to subvert and destabilise their opponents. These opponents were not in the opposition National Party but were in fact inside the Caucus of the Labour Party during the tenure of the fourth Labour Government. However, a term such as Faction has its drawbacks as well. It is important to realise that the Labour Party like many political Parties around the world is made up of numerous grouping that have differing points of view on opinions and party policy. This is the nature of thriving political party in a democratic society. The Labour Party like all political parties in the view of Robert Michels is anything but democratic in its hierarchy. Despite its ideals of democratic Cabinet selection the iron law of oligarchy portrayed by Michels is intrinsically in effect inside the Labour Party and Caucus as a whole. It must be noted that the term faction can be confusing as pointed out by Anderton (2009) and Caygill (2009). This will be taken into account throughout the remainder of this thesis, whilst at the same time acknowledging that the dominant personalities inside the party were surrounded by other members of the party which came to be colloquially known as factions. In summation the Labour Party contains numerous organisational structures which all play important roles in the general day to day running of the party which influence the way in which some factions can emerge to dominate others.

By applying the conflict theory of Frank Baumgartner it is possible to understand exactly why and how the various factions came into conflict with each other, causing ambiguity and confusion inside the Labour Party and allowing for rifts to develop further. As weaker factions inside the party were excluded from the legislative agenda they attempted to create conflict by expanding the issue, thus gaining for themselves public sympathy and popularity. The following chapter will investigate the emergence of two of the three factions inside the Labour Party and the impact they had on the fortunes of the Labour Caucus and Party as a whole whilst in opposition. What was to emerge inside the Labour Party was a series of conflicts which had a major impact on the public perception of Labour

and caused confusion and ambiguity at the polls as Labour suffered continuous defeat at the General Elections of 1978 and 1981.

Chapter 4

Labour Party Factions 1975 – 1984

The 'Muldoon Era'

A brief background – The Labour Party 1975 - 1978

This chapter will outline the emergence of the factions inside both the Labour Caucus and the Labour Party as a whole. From this it will be possible to pinpoint where conflict emerged as dominant coalitions emerged inside the hierarchy and structures of the party. These dominant coalitions would then proceed to dominate the legislative agenda in effect excluding other groups/factions inside the party. As mentioned the Labour Party is one of the two dominant parties in the New Zealand party system. Despite this fact Labour was between 1949 and 1984 clearly the minority majority party.⁴ With National successfully controlling the government benches for much of the period between 1949 and 1984, Labour needed a new outlook and structure to have any chance of reversing the trends of previous Labour Governments which had only governed for single terms in 1957 under Prime Minister Sir Walter Nash, and again in 1972 under Prime Minister Norman Kirk. Following the death of Kirk in 1974, Labour went into the 1975 election ill-equipped under the leadership of Wallace (Bill) Rowling.

National under the leadership of Robert Muldoon was elected in 1975 essentially re-instating its electoral dominance, with Labour resuming its familiar position on the opposition benches. The mood inside the Labour Party was despondent, without the vibrant leadership of Norm Kirk their electoral campaign lacked impetus to effectively counter Muldoon. With defeat in 1975 the Labour Caucus was in disarray. Labour's majority from its successful 1972 campaign was reversed.

⁴ Labour was one of the two major parties under FPP therefore it is labelled a Majority party. However, due to the fact that as mentioned in the previous chapter it was only elected to government for 6 of the 35 years between 1949 and 1984, the label minority majority party is used.

“Rowling’s Government paid a price for its profligacy and went down to heavy defeat on 29 November 1975. Muldoon’s mix of nostalgia, Extravagance and belligerence confronted voters in their state of unease. Labour’s Parliamentary majority of 23 turned into the same margin for National” (Bassett, 1998; 337).

With the emerging disarray and confusion that often accompanies a party following such a defeat as in 1975 the Labour Party found itself in the political wilderness again. It had once again been unable to achieve a second term and the political status quo of National in power had returned. The Labour Caucus had been reduced by 23, an extraordinary result considering that these members had three years earlier formed the Third Labour Government. With Caucus in such chaos, factional infighting would emerge as members of Caucus would desperately attempt to find a solution to the electoral woes of the Labour Party. This disillusionment inside Caucus is described by Douglas through Bassett;

“Douglas has described the Labour Caucus of the 1975- 78 period as the worst he ever served in, largely because the younger set of MPs, most of whom had been elected in 1972 had nearly all been defeated three years later” (Bassett, 2008:46).

This chapter will show that the factions of the fourth Labour Government and the conflict between these factions not only emerged but also became stalwartly entrenched during the period of opposition particularly between 1978 and 1984. The factions had similar aims and wanted to see the return of the Labour Party to government. What made them differ however was the means as to how the Labour Party would regain power. Whilst the Labour Party should have spent this period of time undermining and exploiting fractures in Muldoon’s leadership, they spent the majority of the period skirmishing with each other, thus creating disillusionment in the electorate and creating ambiguity in their articulation of their policies and strategies to the voting public. The conflict inside the Labour Party meant that there was a major problem with the public perception of Labour and meant that the general public become disillusioned with the party as a whole. The Labour Party was

very wary of the fractured disunity in Labour Parties around the world, in particular the Australian example of the failed Whitlam government;

“...the lessons from it were obvious. Disunity led to electoral downfall. The Whitlam government’s slide into disaster was marked by a failure of internal communications” (Lange, 2000:161).

It is clear that the Labour Party was aware of the fact that it was beginning to fracture and fall into similar habits of its Australian counterpart. Major changes were needed to transform the electoral fortunes of the Labour Party. As already discussed political parties’ ultimate goal is the “conquest of political power” (Michels, 1962: 82). With the event of an electoral defeat, parties often seek new leadership. From this, new and dominant coalitions or factions emerge, attempting to gain the ultimate goal of power as described by Michels. “Defeat is the mother of party change” (Janda, 1990:5), from this, parties should attempt to change a leader after an electoral defeat so the party can re-group and emerge as an electoral force in future elections. Even Machiavelli’s Prince outlines the purging of old factions as an important step to creating a new regime after the collapse of an old one (Machiavelli, 1993: 37 – 38). Unfortunately for the Labour Party during the ‘Muldoon era’, this was not applied. During the nine year tenure of Prime Minister Muldoon the Labour Party suffered three continuous electoral defeats under the mantle of Bill Rowling. The fact that the Labour Party was continually being defeated at the polls should have meant that the change needed was obvious. However this was not as straight forward as it would seem with the Labour Party. The emergence of differing dominant coalitions and inner circles surrounding key personalities inside the party meant that conflict was almost inevitable. With conflict having a direct relationship with participation (Baumgartner, 1989: 74) it is important to investigate during this period the levels of conflict inside the Labour Party and the impact this had on the party as a whole.

Having suffered defeat at the 1975 election the Labour Party was seen by the public as a spent force. Many believed that the Labour Caucus was in increasing need of change during this period in opposition. What was not agreed on however was what shape this change and reform to the party

would take? Baumgartner (1989:74) believes that there is a strong connection between the conflict and participation. Using Baumgartner's central questions as outlined in the first chapter it is clear that inside the Labour Party during the Muldoon era that the first of the three questions applied.

Is there disagreement about the existence of a problem (Baumgartner: 75)? It is clear that some in the Labour Party during the Muldoon era, in particular the Douglas faction believed that there was a major problem with the leadership of Bill Rowling. On the other hand there were members of the party led by the Anderton faction who believed that there was no problem with the leadership of Rowling and change was not needed. It was clear that not only was there disagreement in the Labour Party as to whether change was needed, there was also disagreement amongst those who wanted change as to what form this change should take. The emergence of three dominant actors inside the Labour Party during this period of opposition would have a major impact on the electoral fortunes of Labour and ultimately the articulation of policy to a public that was becoming further disenfranchised by the infighting and conflict inside the party. These three actors were Jim Anderton, Roger Douglas and David Lange; the latter two in particular would play the roles of Finance Minister and Prime Minister respectively in the fourth Labour Government.

The 1978 election – Labour's "major disappointment" and "moral victory".

The factions inside the Labour Party were critically exposed during the Muldoon era. There were those inside the party who believed major change was required in order to beat Muldoon, change that was seen as the only way in which the party could regain the momentum it had lost following the death of Kirk. It was clear that Rowling was perceived as weak, by many in his party as well as the opposition and in the media. This perception was one that stuck with him throughout his tenure as leader of the Labour Party. John Henderson however, believes that the suggestion of Rowling's weakness as been over-exaggerated over the years, and is indeed a misperception. This is

because of the fact that he was able to lead the Labour Party in three successive elections⁵, each time having the majority of his party supporting him in his position of party leader.⁶ Henderson (1981) claims that there was a double standard in the media coverage and public perception of Rowling versus Muldoon. This double standard will be discussed later during the chapter.

With the defeat of the Labour Government at the 1975 election, Prime Minister Muldoon was able to reassert National as the dominant Party in the New Zealand party system. With Labour's Caucus in the previously mentioned state of disarray, expectations were low in terms of gaining a satisfying result at the time of the 1978 election. Many were disillusioned with the direction the party leadership was taking and believed major changes were required if Labour was to transform its public image. Key personnel changes were also necessary if Labour was to convince the nation that it was an electoral alternative to the National Party. Rowling had the respect of the Party as a leader but was not seen as an effective counter to Muldoon,

“There was no doubt, that during the 1975-1978 period Muldoon continued to dominate Rowling in Parliament” (Gustafson, 2000: 259).

Removing Rowling from the position of leader however, was not an option as there was insufficient support in Caucus at the time (Lange, 2005: 114). Muldoon had during his first term as Prime Minister had the measure of Rowling, dominating him in parliament causing Rowling to look weak in comparison. With growing animosity towards Rowling's leadership in Caucus, it was expected that Rowling would be replaced following the likely defeat in 1978. Labour entered the 1978 election in a position of weakness, Muldoon was seen as a strong and powerful leader, one who campaigned by belittling his opponents and allies alike. The result of the election was one which

⁵ Rowling lead the Labour Party at the General Elections of 1975, 1978 and 1981

⁶ Despite the fact that there were challenges to his leadership, most notably the attempted coup in 1980, Rowling still maintained a majority in the Caucus votes which decided the leadership of the Labour Party.

few expected. Labour had been written off and National was expected to win by a comfortable margin.

Nonetheless, Bill Rowling's performance in the campaign was far better than most expected. A lively campaign saw him surpass Muldoon on the campaign trail, in effect shedding his 'weak' tag, providing a better than expected and impressive performance which surprised political pundits and media alike;

"Rowling appeared to perform far more effectively and impressively than did Muldoon" (Gustafson 2000: 259).

The result was a mixed blessing for the Labour Party; Rowling had somehow come into his own during the campaign, casting off his doubters to lead Labour to an admirable result. Even the media which had written him off prior to the election began to see the revitalisation of Rowling;

"The impressive performance at the May Conference was repeated on the campaign trail. Indeed, the vigour of his campaign surprised even his own supporters. Newspapers noted his improved speaking ability and referred to Labour's 'new-style' leader. One headline spoke of 'more punch Rowling'" (Henderson, 1981:176).

Rowling was riding on something of a high and enjoying his new found momentum and it looked as though he could be the leader who would be able to withstand the onslaught of Muldoon's political campaign of 'dirty tricks'. Rowling claimed that New Zealand was in a situation where it was in danger of becoming conflict-ridden if the people allowed Muldoon to continue his divisive brand of politics.

"The theme of Rowling's campaign was **unity** – complementing Labour's slogan 'Together we'll make it.' He portrayed himself as the leader who would end rifts that divided New Zealand society. He appealed to the electorate's higher ideals, and declared that Labour would work with New Zealanders to get the country back on the path of decency. He accused Muldoon of appealing to the 'darker side of New Zealanders, and their bigotry and greed,' and called for a return of the social and moral attitudes New Zealanders had traditionally upheld" (Henderson: 177-178).

As mentioned earlier the result of the 1978 election was a mixed blessing for the Labour Party. Although Labour won fewer seats than National, they effectively managed to win a larger share of the popular vote. National won 51 seats (39.82%) and Labour 40 seats (40.41%) with the minor party

of Social Credit registering 16.07% and only winning a single seat (Bassett, 2008: 47). Muldoon's aggressive tactics and the rise of popularity in Bill Rowling had in effect created;

“a voter backlash in which Muldoon survived the 1978 election thanks only to vagaries of the [FPP] voting system which gave National a majority of ten seats even though Labour got 10,085 more votes” (McLoughlin, 1992: 55).

Despite this better than expected result the party started to turn on itself searching for answers and excuses as to why the party had lost the 1978 election. There was considerable debate as to the reasons the Labour Party lost the 1978 election. Dr John Henderson describes the election result as a “major disappointment,” whilst at the same time being a “moral victory” (1981:179 -180). Although Labour had lost the election, the result was not as devastating as predicted.

“Rowling's own performance had clearly contributed to the result and vindicated his leadership. He boldly declared: ‘I don't regard gaining 11 seats against a Government as strongly entrenched as this as an election defeat’” (Henderson, 1981:180).

Rowling blamed the loss of 1978 on the rise of minor Party Social Credit which he claimed had siphoned off Labour votes in effect gifting the National Party the election;

“It's a great pity that those who hived off into splinter groups hadn't really considered the consequence of their actions” (Rowling in Henderson, 1981: 180).

Many had thought that the Labour Party was doomed to fail and along with it the leadership of Rowling following the election. With the better than expected election result Labour was in a much stronger position. Caucus was stronger, gaining an influx of talented MPs; many who had lost their seat in the 1975 defeat, and were now back to play an ever increasing role in the new Labour Caucus. Because of this Rowling's leadership was rejuvenated and he was seen in a sense as redeemer of the fortunes of the Labour Party;

“Bolstered by the election vote Rowling emerged from the first Caucus of 1979 saying his leadership was ‘very secure.’ Caucus had passed a vote of ‘appreciation and confidence’ in his leadership” (Henderson, 1981: 13).

Large inroads had been made into National's majority; National had gone from fifty five seats to fifty one, whilst Labour had moved from thirty two to forty, a gain of eight seats. The result allowed some reprieve for Rowling's leadership, with political analysts and the public alike surprised to see both Rowling and the Labour Party perform much better than expected. Bassett acknowledges that the appearance of twelve new MPs in the Labour Caucus following 1978 put pressure on the old guard who were supportive of the leadership duo of Rowling and Tizard. The fracturing rifts which had been so prominent between 1975 and 1978 were now developing further (Bassett, 2008). The factions that had emerged during the 1975 Caucus were now starting to gain momentum and confidence, it would not be long until conflict between the new breed and the old guard would occur causing major ambiguity in Labour Policy and creating uncertainty in the electorate. Change was needed if Labour was to have any chance of success at the 1981 election. Lange points out that whilst Rowling was an effective leader, he still he was unable to inject the impetus needed to bring the Party back to government.

"Bill Rowling was the undoubted leader of the Parliamentary Labour Party. He dealt well with individuals, but he could not chair the Caucus effectively or guide it towards an outcome" (Lange, 2005:114).

Dr Michael Bassett claims that the Labour Party lost the 1978 election due to the fact that the party's policies were too confusing; this was due to a distinct rift in the party.

"The old guard in the party were wedded to a loose form of Keynesianism and talked of the need to spend more and boost demand. They were for big government with themselves in control" (Bassett, 2008:47).

Countering this was a faction of newer MPs who had emerged during the Kirk years and were starting to play a more dominant role in Labour policy.

"The thinking of the newer breed was still in flux; we realised that the economy had slowed to the extent where there was no growth and there was already a budget deficit. Big borrowing for spending would only accelerate inflation, already at historically high levels. Roger Douglas differed with Bill Rowling and Bob Tizard over

taxation policy, and was ultimately given fairly free rein to produce a policy of tax rebates that would result in a minor extension to the deficit” (Bassett, 2008:47).

One thing was for sure that the new breed of MPs led by Roger Douglas and like minded Labour members was beginning to emerge as a dominant force inside the Labour Party. These members continually blamed Labour’s electoral woes on Rowling’s ‘weak’ leadership. It was clear that there was major disagreement over the cause of Labour’s continual electoral misfortune. Excuses were plentiful from all sides as to why Labour was unsuccessful in defeating National in 1978. Janda argues the following;

“Parties that perform well experience no pressure for change. Parties that do not perform well experience pressures for change. Moreover its core principal can be reduced to a single driving dynamic – the poorer the party’s performance, the greater the pressure for party change” (Janda, 1990:8).

As Rowling had performed more admirably than was expected in the 1978, the pressure for a leadership change was not as intense had it been if he had suffered an electoral defeat similar to that of the 1975 election. Instead the desire for change from within the party would be focused on the deputy leadership as shown later in the chapter when Labour’s Deputy Leader Bob Tizard was defeated in Caucus by David Lange.

Labour’s Dominant Coalitions/Inner Circles

I argue that there were two major actors in the Labour Party during the 1979 – 1981 Caucus; these were not as it would appear Lange versus Rowling, but rather a battle of their backers/supporters. David Lange’s key supporter and tactical strategist was Roger Douglas. Douglas had developed a reputation as a brilliant and well respected MP in the party who had played a role in the Kirk Cabinet as Minister of Broadcasting. He was seen as slightly radical in terms of his economic

thinking, but had gradually been gaining allies and support inside the Labour Party. With the arrival of David Lange in Parliament, Douglas now had an ally who appealed to the electorate. Alternatively the support of Rowling from Jim Anderton and other members of the Extra-Parliamentary would lead to a rivalry that had the potential to split the Labour Party and create uncertainty at the electorate. Intense lobbying was undertaken by key Members of the party to secure the deputy leadership for David Lange. This is a clear indication of the inner circle that was beginning to form inside the Labour Party surrounding Lange, led by Douglas.

“Roger Douglas, Richard Prebble, Russell Marshall and I meantime had been working hard to ensure that Lange had the numbers. In the end he won the deputy leadership by 20 votes to 18”. (Bassett, 2008:51).

Ruth Dyson (2009) points out that in the beginning David Lange and Roger Douglas were of similar thinking and were acting as one and the same. It was during this opposition period that this alliance began to take shape. This alliance would last until at least the second term of the fourth Labour Government and the nature of the alliance inside the Labour Government will be analysed in more depth in the next chapter in this thesis. With the by-election of Christchurch Central in August 1979, Geoffrey Palmer entered parliament, Bassett implies that Caucus at this stage was in a state of dejected disarray. Palmer’s entry into Caucus further cemented the rift between the ‘old guard’ and ‘newer breed.’ Palmer was seen as further evidence of a threat to the establishment of the ‘old’ Labour Party. In effect the old guard was being eroded by this new inner circle of talented relatively youthful members (Bassett, 2008: 48 - 50). The formation of this inner circle/dominant coalition inside the Labour Party should have allowed for a more cohesive approach to policy. The factional rifts however, continued to remain in Caucus. Effectively Caucus was split between the old guard and newer breed of MPs. Due to the relative success of the 1978 campaign, Rowling was for the time being secure in his position of leader. As already mentioned there was, what Bassett calls a newer breed of MP moving into the ranks of the Labour Party. These members of the party were beginning to play an increasingly large role in the policy making process and were beginning to gain an

increasingly large amount of influence in the party. Former Labour Prime Minister and member of the fourth Labour Government Helen Clark describes this;

“There was a new generation coming into Parliament for Labour, beginning with the election of Jonathan Hunt in 1966. Outside parliament there was the extraordinary energy of Jim Anderton in Labour’s Auckland local body campaigns, and later as party president” (Clark, 2009).”

Because of the relative security which Rowling had achieved in his leadership thanks predominantly to the election result in 1978 it was decided that the change which was in the eyes of the party faithful so desperately needed if Labour was to appear competitive at the next election, would have to come from else where. This change was to take place both inside the Parliamentary Labour Party as well as the Extra-Parliamentary Party.

“At the end of 1979 there was a move to rejuvenate the Caucus by deposing Bob Tizard as from the deputy leadership. This matched an earlier move to revive the party organisation outside parliament by electing Jim Anderton to the post of Party President” (Lange, 2005:129).

Bassett points out that at this stage Douglas and Bassett at this point were allies of Anderton;

“Douglas and I – and at the last minute Ann Hercus – had supported Anderton, believing that it was in the best interests of the party to separate the political from the organisational wings of the Labour Party (Bassett,2008:556).

This point is further cemented by Lange, who claims that there was an alliance between the later adversaries;

“Michael Bassett was among Anderton’s proponents. Anderton, Basset and Roger Douglas were as thick as thieves in the early 1970s” (Lange, 2005:129).

There was a general consensus within the party that the President should be someone who was independent from the Parliamentary party, having traditionally been a member of the Parliamentary Caucus. For this reason it was decided by many in the party to back Jim Anderton for the post of President.

“...We rallied behind Jim Anderton, and so Jim Anderton won the Presidency... and so that marked a sea change in the relationship between the party and the Caucus, and I was one of those who supported the change and I did that because I wanted to have a person who did not have to play the internal Caucus games as president of the party, I thought that would be better for the party” (Burke, 2009).

“One of the reasons why Anderton was promoted to be the president of the party was to try to get the running of the party organisation out of the Caucus and ironically Douglas, Bassett and to a lesser extent Ann Hercus were the three, but the only three in the Caucus who were really very strong in support of Anderton because he clearly had organising skills. He won relatively narrowly over Joe Walding in 1979, Joe being in the Caucus at the time” (Bassett, 2009).

The organisational skills of Anderton were to play a major role in the turn around of Labour’s electoral fortunes.

“Anderton was a determined, tireless organiser. As party president he rebuilt the party structure, put its finances on a sounder footing and turned a mess into an effective organisation” (Lange, 2005:130).

The election of Anderton gave hope to the grassroots organisation of the Extra-Parliamentary Party, Henderson outlines the hype that surrounded Anderton’s election and the immense support he received from the grassroots of the party;

“Anderton supporters were confident that he would bring with him a new dynamism and Kennedy-like charisma, combined with a determination to transform Labour into a modern political party. Many believed that his organisational abilities, together with Bill Rowling’s political skills would provide the leadership combination to give Labour victory in 1981. But already divisions were beginning to appear” (Henderson, 1981: 13).

This alliance between Anderton and Douglas was to be short lived. As so often happens in political parties, with this successful aggregation of Labour Party supporters came mixed messages and ambiguity in the articulation of the Labour message. Caucus was in disarray, with vague and ambiguous policies emerging. Labour supporters wanted new leadership inside the party. Clear and distinguishable dominant coalitions were beginning to emerge inside the hierarchy of the party as the various factions which would eventually make up the fourth Labour government began to take shape. With the replacement of Tizard as deputy with Lange combined with the newer breed of MPs who were beginning to emerge as dominant actors inside the Party, it was hoped that Labour would be able to win the 1981 election. These dominant actors would begin to shape and craft the policy of

the fourth Labour Government. The inner circle which surrounded David Lange was beginning to gain momentum. Added to this was the impact of the grassroots organisation campaign of Anderton. Supported by influential Extra-Parliamentary members who included Helen Clark and Margaret Wilson, Labour was looking in good shape heading towards the polls.

Divisions - David Lange and Roger Douglas versus Bill Rowling and Jim Anderton

The Labour Party was split and fractured over the direction in which it should take in order to successfully counter the dominance of Prime Minister Robert Muldoon and the National Party. The Labour Caucus was divided by the emerging rifts between supporters of Bill Rowling and those who wanted David Lange to take over as leader of the party. The divisions were given the labels of 'A Team' and 'B Team.' The A Team was made of Rowling supporters, they believed that National's weaknesses could be exploited by Rowling with the right mix of MPs supporting him and with the organisational skills of Party President Anderton the party would be in sound shape heading towards the 1981 election. Many in this team blamed the dirty tactics of the Muldoon campaign rather than the leadership of Rowling for the defeats in both 1975 and 1978. As already mentioned the consensus remained that Rowling had performed in much higher expectations in 1978 and that had in winning the popular vote the Labour Party was in touch with the voters and the prospects of winning in 1981 seemed like a distinct possibility.

"...When the Labour Party lost the 1975 election it was surprised, not so much that it lost but at the strength of the loss. It thought that that result was pretty unfair. It thought that it had not done a terrible job. Perhaps it had lost because the public were still startled by the leadership change after Kirk's death and hadn't got used to Bill as leader. Indeed to some extent we thought the campaign in 75 had been unfair. This remember was the campaign used the Hanna Barbara cartoons and Bob Jones ran a campaign outside the National Party attacking Bill Rowling personally" (Caygill, 2009).

The B team however, which consisted of Douglas, Lange, Bassett and many others had emerged in opposition to the general direction in which the leadership of Rowling was taking the party. They believed that Rowling needed to be replaced immediately if Labour was to have any chance of defeating National. Inevitably the two teams were destined to clash over the issue of leadership

“Moore, Prebble and Douglas, were however, adamant that Rowling had to go. I had independently come to the same conclusion, something that annoyed Anderton, whom I had been friends with for fifteen years. For a long time Anderton had been rather critical of the lack of direction that Rowling was giving the party, but in 1980 he was being pumped up by several women in the party who saw him as a potential leader. Helen Clark was one of them, and disliked the thought of Lange taking over because he opposed abortion. But we didn’t have the luxury of time to contemplate anybody but David [Lange]. And although I admired Anderton’s organisational skills, I had seen enough of him to know that he was incapable of leading a team” (Bassett, 2008:55).

Conflict – Bill Rowling’s Shadow Government and Douglas’ Alternative Budget

The concept of a shadow government in New Zealand was relatively unknown in New Zealand, and when in December of 1979 Rowling decided to launch such an escapade it was met with confrontation by many inside the Caucus. This is documented by Henderson;

“In December 1979 further Party divisions became public. In fanfare of generally favourable publicity, Bill Rowling launched a political first in New Zealand- a shadow Cabinet. But the bold move was severely undermined when Richard Prebble turned down the regional development and environment portfolios” (Henderson; 1981: 14).

Continued rifts and confrontation inside the party continued to grow with many believing that the influence of Anderton on Rowling was causing an imbalance inside the party and creating friction.

“Hard on the heels of Prebble’s refusals to join the shadow Cabinet, Labour’s Taupo MP Jack Ridley, criticised what he called the party’s trendy ‘whiz-kid’ image. It was clear that Jim Anderton’s image as Party President and strong support for Bill Rowling were not universally appreciated within Caucus” (Henderson; 1981: 14).

Added to this was further discontent and malice towards the Rowling leadership with the publication of an 'alternative budget' by Roger Douglas. This was issued on June 27 1980 in the days ahead of Prime Minister and Finance Minister Muldoon's official budget. The publication of such a document is not uncommon in a modern opposition party, what was Extraordinary about this particular alternate budget was the fact that Douglas was not the shadow Finance Spokesperson. He had failed to gain permission from the party leadership and his views were seen as too extreme for the electorate, as his economic policies were in contrast to that of Finance Spokesman Bob Tizard and Labour policy as a whole (Henderson; 1981: 14-15, Bassett; 2008: 53- 54, Lange, 2005: 131 -132).

"Roger Douglas was not only our most economically literate MP he had a daring quality and was prepared to challenge the old Labour Shibboleths about spending, price controls and stabilisation"(Bassett, 2008:53).

The Labour Party was now in a position where there was open hostility inside the party over the direction of the party's economic direction. This is further elaborated by Bassett in both 2008 and 2009;

"Efforts to change the direction of Labour's financial policy kept running up against the resistance of Bob Tizard" (Bassett, 2008:53).

"It was clear to me that given what was happening to the economy; just throwing money at problems was no longer an option. We didn't have the money. So we had to do new things and the question was how we did them. I found I agreed more and more with Roger who was an increasingly, well he wasn't increasingly difficult (he could be difficult to deal with, I mean he, really his fuse with the old conservative labour finance people got shorter and shorter) and he just had less and less confidence in the old-time Labour religion. However, everyone knew that they just couldn't do without him because he was the most economically literate and numerate of all of the members of the Caucus. While there were people who didn't like his medicine, they kind of knew that the patient was ailing and had to take some medicine and so Roger couldn't not be listened[to]" (Bassett 2009).

What resulted was the dismissal of Douglas from the Shadow Cabinet, thus creating further entrenchment of the rifts which had emerged inside Caucus. The B Team were of the opinion however that Douglas needed to be listened to and play a larger role in economic policy in the party

(Bassett, 2008:53, Bassett, 2009). Douglas then proceeded to turn his alternative budget into a book entitled *"There's got to be a better way"*. In this Douglas outlined his plans for a lowering of personal taxation and the implementation of taxation on spending, at the time radical thinking for a Labour candidate (Douglas, 1980: 66-70). Douglas concludes the book by arguing that income tax should be lowered to a point where it is essentially abolished;

"We can get our revolution going by dropping all income tax. I'll repeat that. Wipe all income tax. Not just cut it, wipe it. I have already proposed to wipe all company income tax [replacing it with capital and asset taxes]... First lower all salaries and wages to their present after-tax level, measured at the single taxpayer rate. For those with dependant wives, husbands, children and other relatives, the employer would add on enough to match the current value of the tax rebate, and claim it back from the state. Taking those two steps would put wage and salary earners on the same take-home basis they are on now...We should replace income tax with a tax on all wages, salaries and employee expenses, including what is paid out to owners of enterprises. A payroll tax in other words" (Douglas, 1980: 75 – 76).

The seeds of conflict were being sewn inside the Labour Caucus as a whole, Bassett argues that Lange and Anderton were at odds with each other on the issue of the leadership, Dr Bassett believes that Mr Anderton was attempting to gain power beyond his standing as President of the Labour Party (Bassett; 2008).

"Throughout Labour's history the National Executive had supported the Parliamentary leader chosen by Labour's elected representatives. However, this difference evaporated under Anderton" (Bassett, 2008: 85).

However, Anderton believes that the role of the President is to represent the party as a whole rather than just that of the Caucus and as a result this brought him into conflict with the likes of Bassett and Douglas (Anderton, 2009). It is clear that the two groups within the Labour Party were destined to clash in a foreseeable conflict. The Extra-Parliamentary party was sceptical of the rising popularity of David Lange. Lange claims that this was because of the cult like following that Jim Anderton had developed inside the Extra-Parliamentary ranks;

“[Anderton] had his own Greek chorus of followers, Helen Clark among them, which kept up a dispiriting commentary on the activities of the party’s Parliamentary wing” (Lange: 2005: 132 -133).

There was a clear rift emerging between the newer breed of the Parliamentary Labour Party and its Extra-Parliamentary counterpart. Lange and Anderton were both immensely popular amongst the rank and file membership of the party. The emergence of the inner circle/dominant coalition inside the Labour Party made up of David Lange’s supporters following the 1978 election was a defining moment for the Labour Party. Lange was a master orator and debater but he lacked organisational skills and political will. The materialisation of supporters in the form of Roger Douglas, Richard Prebble, Michael Bassett, and Mike Moore meant that Lange was now in a formidable position to challenge for the leadership outright. The fact that Rowling had led the Labour Party to successive electoral defeats in 1975 and again in 1978 meant that he was a liability the closer the party got to the 1981 election.

“A number in Caucus then resolved to put Rowling’s leadership to the test. The most active in the campaign against him were Bassett, Douglas and Moore. This time my instincts about their efforts were less clear-cut. I wanted to be leader and I was certain that Labour would not be elected with Rowling in office” (Lange, 2005:133).

The successful aggregation policies of the Extra-Parliamentary Party, which has predominantly been accredited to the organisational skills of Jim Anderton had brought many new members into the party who were reluctant to change the leadership at this point. The grassroots of the party was in a period of rejuvenation and the popularity of Anderton was seen by many in the B Team as a potential threat to the leadership aspirations of David Lange. Bassett implies that the reason that many in the party supported Rowling was not necessarily because they believed he was the right man for the job. And they wanted to support him to a point where he would hand over the leadership to someone else who was more in line with traditional labour thinking rather than the thinking that was being put forward by the B team.

“But why was [Anderton] on Rowling’s side? Because Rowling was a dying duck and there would be a place for Jim if he could breathe life into Rowling until he himself got into the Caucus... Clark had told me that she wanted [Anderton] to stand at the by-election in Onehunga when Frank Rodgers died on Anzac Day in 1980. For a while Clark was keen to get Jim in...– ‘you know we have got to get Jim into the Caucus’. I said ‘Jim into the Caucus?’ ‘Yes’ she said. Her exact words” (Bassett, 2009).

“Rowling’s supporters... ranged from those who wanted to keep him for their own reasons (Tizard and Warren Freer) to people like Geoffrey Palmer, David Caygill and David Butcher, who would ultimately become strong supporters of the fourth Labour Government but were still finding their way” (Bassett, 2008: 59).

Bassett describes the struggle as “nothing more than power. It was about who was most likely to lead Labour to victory, Lange or Rowling (Anderton)” (Bassett, 2008: 59).

The catalyst for the conflict inside the party was to arrive in the form of a leadership challenge in 1980. David Lange had been successfully elected as Deputy Leader in 1979 and there were many in the party who had decided that he was the only viable alternative and counter to the abrasive leadership of Muldoon. The rifts that were beginning to emerge in the Labour Party became inherently apparent during 1980. As mentioned previously the better than expected result in 1978 had meant that the need for a change of leadership had been postponed for the time being. However by the time of 1980 the desire for change in the view of the B team had once more emerged. The debate over the leadership of Bill Rowling was a major discordant issue. Caucus was noticeably divided on a solution. Some wanted to keep Rowling as leader as they believed that he had gained momentum from the 1978 campaign and this could be transformed into a winning campaign in 1981. While those who were seeking change believed that Rowling was weak and new and vibrant leadership was needed if the Labour Party was to have any impact on convincing the electorate that Labour was capable of leading the next government. There were also those who were disillusioned with Rowling’s leadership but believed that a year out from the General Election was the wrong time to change leaders (Henderson, 1981).

Bassett describes the way in which Roger Douglas and other MPs who were emerging as dominant forces inside the B team were becoming ever increasingly disillusioned with the economic

direction of the A team and its supporters. The debate continued to stir over whether or not Rowling was fit as leader to lead the Labour Party to victory in 1981. Henderson points out that although Lange was seen as the clear alternative to Rowling's leadership, had it come to a vote there were a number of contenders for the position, with Lange not necessarily the favourite⁷.

“Apparently a number of the MPs who believed Bill Rowling should reassess his position did not consider David Lange was necessarily the best man to replace him. Certainly the shadow of David Lange hung over the vote, but is important to note that no direct contest took place between Rowling and Lange” (Henderson, 1981:25).

What was apparent though was the fact that Lange had been gaining popular support inside the party since his victory in the 1978 Mangare by-election. He was seen by many in the party as the next leader, the man who could lead them to victory. Henderson points out that Rowling had been approached by newer breed members of the Labour Party, in particular Douglas and Prebble urging him to step down in favour of Lange in October 1980. Rowling promised that changes would be made allowing for more influence from the newer bred of MPs (Henderson, 1981). It was clear that this was not enough for Lange's inner circle and proper change was what was desired. It was clear that the newer personalities inside the Labour Party were beginning to clash. The scene was set for conflict inside the party. Lange's meteoric rise to the position of deputy had been seen by many as a sign that the old guard was on its way out, it was time to make room for the future of the party and establish Labour as the clear alternative to National at the electorate. Lange was seen as an effective counter to Muldoon. The rifts between Lange's inner circle and the Extra-Parliamentary Party continued to grow. Led by Anderton the Extra-Parliamentary Labour Party was beginning to recapture the grassroots support, it had subsequently lost with the death of Prime Minister Norm Kirk. Supported by influential party members outside of parliament, Anderton was able to increase the power of the Extra-Parliamentary Party to a point where many in parliament considered it a

⁷ The leadership vote was a confidence vote on the leadership of Bill Rowling. There was no other name put forward to oppose Rowling at this time. However, as Henderson points out it was a vote of Rowling versus Lange in all but name.

threat. The increasingly weakening Rowling Faction was under threat from Lange's inner circle, which seemed to be fighting a battle on two fronts by also taking on the Extra-Parliamentary faction. Moves were made to organise a vote of no confidence in Rowling's leadership. Bassett describes the mêlée between the Lange and Anderton blocs:

"As soon as Anderton, Clark and Wilson found out about the requisition for a special vote on the leadership for Caucus on Thursday 11 December 1980, they liased with Rowling's group principally Warren Freer and Bob Tizard. Jim's longer-term plan suddenly became obvious. He wanted to keep Rowling as leader until such a time as he could enter Caucus himself [as an MP], at which point Rowling would become expendable. Anderton would then try to head of Lange for the leadership. Labour's brightest star was on a collision course with the Party's President" (Bassett, 2008:56-57).

Conflict and Rhetoric during the Muldoon era; The Labour Party's attempted leadership Coup December 1980

With the leadership vote rapidly approaching, Douglas and Basset were busily trying to lobby support for the David Lange. Lange was put forward as a future leader who had more chance at winning the 1981 election which was scheduled to be held within a year of the leadership coup. There were those who believed Rowling was not right as leader but the fact that the election was less than a year away mean that it was not the right time for a change in leadership. Janda argues that the continual poor performance of a party leads to leadership change (Janda, 1990:11). The divisions between the Douglas/Lange faction and the Anderton/Rowling factions were now open for all to see. Henderson outlines the role that Anderton and other Extra-Parliamentary members played in securing a majority vote for the incumbent Rowling leadership could not be downplayed.

"Grassroots supporters were in favour of the retainment of Rowling as leader. Spurred on by Anderton's leadership in the Extra-Parliamentary wing of the party, supporters rallied around their leader as the encroaching leadership vote gained momentum" (Henderson, 1981: 20-21)

Anderton and likeminded Extra-Parliamentary members worked to gain support for Rowling. There were many members who believed that the process meant more than the outcome. They were angered by the tactics of the Douglas/Lange faction. Key in their decision to back Rowling was the fact that the general election was less than a year away. The feeling was that the friction of a leadership change would cause disillusionment in the party. Many thought the fact that the National Party was also undergoing leadership challenges and issues at the same time meant that Labour should present a united front.

“The December Coup attempt appeared to be particularly inappropriately timed in view of the public strife within the National Party. Prime Minister Muldoon had returned from overseas in October to face a concerted bid to replace him with his deputy Brian Talboys. He fought off his challenge, but National’s leadership problems were far from settled. Brian Talboys, whose lack of enthusiasm had undermined the earlier attempt to promote him to party leader, announced that he would be retiring at the end of the 1981 session. A bitter and divisive scramble for the National Party deputy leadership was assured. Now, for once, it seemed that Labour would benefit from National’s problems. But instead Labour would become embroiled in its own very public leadership struggle” (Henderson, 1981: 16).

Bassett describes how close the B team came to ousting Rowling and how he effectively managed to survive by a single vote, that of his own;

“I was really always a Lange supporter till 1987, and in that sense I was initially involved in the efforts to get Lange to be leader in the coup attempt in 12 December 1980 against Rowling that missed by one vote... all those in favour please say ‘Aye’ and up went 18 hands ‘and all those against please say no’, up went 18 hands, long pause, and Rowling suddenly said ‘oh’ he said ‘I’m against the motion’, and puts up his hand, 19 – 18 ‘I declare it lost, the motion to have a leadership spill’” (Bassett 2009).

With both sides engaging each other in rhetoric and sub defuse the battle for the leadership became increasingly heated. The two sides distrusted each other immensely. Clear divisions were intrinsically evident inside the Caucus. Added to this was the fact that the Extra-Parliamentary wing of the party was at odds with what many saw as the future of the party. The showdown eventually occurred when Caucus held the leadership vote. Many who had voted for Lange as deputy leader

were this time prepared to back Rowling. Henderson believes this is because of the fact there was an election less than a year away and that the instability of a leadership change at such a time would create ambiguity at the polls. There were also members who had not voted for Lange as deputy who changed their position at this point. Members of both factions would later go on to play major roles in the fourth Labour Government.

The results for the leadership vote are shown below. It is interesting to note that the vote was recorded as a vote for or against Rowling, nowhere in the vote was it put forward that Lange would be the alternative. The vote was a referendum on Rowling's leadership rather than whether Lange should succeed him.

For Rowling:

Sir Basil Arthur, Kerry Burke, David Butcher, David Caygill, Gordon Christie, Fraser Colman, Warren Freer, Fred Gerbic, Ann Hercus, Jonathan Hunt, Russell Marshall, Geoffrey Palmer, P.B. Rewiti, Stan Rodger, John Terris, Whetu Tirikatene-Sullivan, Bob Tizard, Koro Wetere, Bill Rowling.

Against Rowling:

Ron Bailey, Michael Bassett, Mary Batchelor, Mick Connelly, Mel Courtney, Roger Douglas, Arthur Faulkner, Bruce Gregory, Eddie Isbey, John Kirk, Brian MacDonell, Ralph Maxwell, Mike Moore, Richard Prebble, Jack Ridley, Gerald Wall Trevor Young, David Lange.

The A team had a majority albeit a very slender one. The fact that Rowling had survived by one vote meant that he was in a considerable position of weakness. His deputy was seen by many as the future leader of the party and he was now in a position of having to preside over an increasingly divided Caucus. When a party is in the midst of a major conflict Baumgartner believes that as well as noting the levels of intensity in the conflict, which in this case were very high, it is also critical to analyse the major protagonists in the conflict (Baumgartner, 1989: 79). The fact that the protagonists

in this conflict were the leader and the deputy meant that the public perception of the party was becoming more and more disillusioned. Added to the mix was the President of the Extra-Parliamentary party, which in effect showed the Labour Party as deeply rooted in factional conflict. The B team was able to exploit the weakness of Rowling to a point that the public had lost faith in him as a leader. Labour's internal fighting left it relatively weak and unable to exploit the skirmishing inside the Government's ranks. This is clear evidence of a party failing to work cohesively, an issue which had already cost them the 1975 and 1978 elections, with the 1981 election less than a year out the party was in terrible shape to launch a successful campaign against an incumbent of Muldoon's stature.

The Media

Bassett maintains that despite the influence of Anderton, Rowling was in a considerable position of weakness following the attempted coup. The coverage by the media added to the scope of the conflict. Members of the B Team were photographed following the leadership challenge celebrating the fact that they had all but beaten Rowling and the fact that he was now a virtual lame duck. In what became known as the 'fish and chip brigade' David Lange, Roger Douglas Michael Bassett and Mike Moore toasted their almost victory and the media covered the event with great gusto and alacrity. Baumgartner argues that the media can play a major role in shaping the debate in a particular direction. The B Team were particularly shrewd in their use of the media to expand the direction of the debate. Lange had emerged as somewhat of a media darling, his oratory skills and ability to use humour to his advantage meant that the media hung on his every move.

"Because of the privileged access to the media that the parliament enjoys, the debate then provides a prime opportunity for those on the losing side of a conflict in the specialised policy communities to expand the issue and to force it into the national political agenda" (Baumgartner, 1989:166).

In contrast to this the media coverage of the A Team following the coup attempt portrayed Rowling as weak and his leadership in disarray. The New Zealand Herald published a cartoon on December 15 which featured Rowling "crawling out of a rubbish tip with a brick around his neck

above the caption: 'Holiday disposal of the family pet'" (Bassett 2008:57-58). The cartoon featured members of the B Team driving away in the family car looking back on a degraded dog depicting Rowling, while a healthy dog resembling Muldoon moved in for the kill (Bassett, 2008:58).

The battle lines were clearly drawn, Douglas and Lange on one side, opposing Rowling and Anderton on the other. Rowling had the support of the Extra-Parliamentary party but this counted for little. As discussed in the previous chapter, it is the Labour Caucus which elects its leadership. Critics of Rowling claimed that Anderton was the real force and that Rowling was being kept in power until Anderton was able to enter parliament and gain power for himself. There was also a feeling that the messages of support that had been pouring in for Rowling may not have been genuine. Some even suggested that they had been manufactured by Anderton;

"Rowling maintained that the messages they received, and particularly telegrams and phone calls, from Party candidates and office holders, were 'inspired.' They thought that, in all probability, the 'inspiration' had been systematically supplied by Party President Jim Anderton, and his close supporters. However, journalists who examined the heaps of telegrams in Bill Rowling's office found few indications of orchestration" (Henderson, 1981: 21).

Douglas adds to the argument that Anderton was propping up Rowling and adding to the tensions by threatening MPs who were disloyal to the leader;

"Near the centre of the pro- Rowling campaign was Jim Anderton. Anderton appeared to be Rowling's number one supporter. For him loyalty to the leader was uppermost and, as he told us almost weekly in Caucus, there was a special place on the front page of the *New Zealand Herald* for people who were disloyal" (Douglas 1987: 19).

The result of the vote was a victory for Rowling, but only just. It was clear that the tide was turning against him and that the Lange backers or conspirators as they have been labelled were gaining support. With less than a year out from the election Rowling was in a position of weakness, having barely survived a vote of confidence, his leadership was in tatters, and Muldoon was the type

of leader who would exploit this weakness in Labour thus further undermining Rowling's leadership. In essence this was playing into the hands of Douglas and Lange.

The 1981 election

The result of the 1981 election was no great surprise for Douglas and Lange; they knew that Rowling was not fit to defeat Muldoon. Once again as in 1978 Labour won the majority of the popular vote but as with the FPP system it was the number of electorates which determined the outcome of the election. A third consecutive defeat at the hands of Muldoon was too much for the party, it was time to sideline Rowling and his factional A team and in doing so bringing forward the new leadership of the Labour Party which would lead them to victory in 1984, returning Labour to the Government benches. However, what eventuated was a Labour Party of a completely different complexion to what many had come to expect.

"Pre 84 we all wanted a Labour government and I guess we did in the 1987 election but we wanted a different Labour govt, we wanted a proper Labour Government not one we didn't recognise" (Dyson 2009).

With the electoral defeat of Bill Rowling in 1981, came the third successive term of Robert Muldoon as Prime Minister. The Labour Party was desperate to return to power. In order for this to take place many believed that Rowling had to be removed as leader.

"After three defeats, Rowling couldn't possibly lead the party into a fourth election... With Anderton not yet in Parliament, it gradually became obvious to everyone that David Lange would sooner rather than later take over as leader" (Bassett, 2008:63).

"It was perfectly clear Rowling who'd been defeated 3 times wasn't going to win. Oh he, he might, but oh my God it would have been so painful" (Bassett, 2009).

The continuation of the rifts between the Extra-Parliamentary Party and the Caucus as a whole meant that tensions remained high.

"What made Caucus so fraught was that Anderton kept grandstanding in public on a range of issues that were not the domain of the Party President" (Bassett, 2008: 63).

“I enjoyed telling Anderton in the confines of Caucus that he had no right to speak publicly on matters which were the preserve of parliamentarians. As president he was responsible for the party’s policy making process, he had no licence to make policy himself or announce it. This point continued to escape him” (Lange, 2005: 147 – 148).

As Janda points out the urge for change in a political party is exacerbated by continual poor performance by a party. This change is often in the form of new leadership or a new direction for the party (Janda, 1990:11). In the case of the Labour Party in the 1980s both of these would occur. During January of 1983 it was announced that there would be a vote as to who would replace Rowling as leader. The contest came down to two choices, Lange or Russell Marshall. Bassett claims that the Extra-Parliamentary party in particular Anderton and Clark were anxious that they were unable to defeat Lange with the current Caucus make up. Bassett also implies the fact that Mike Moore was a prospect as deputy leader under Lange made them overly apprehensive as well (Bassett, 2008: 77). With the leadership put to a vote, Lange easily beat Marshall by 33 – 9. The deputy leadership however was much closer with Geoffrey Palmer ousting Moore 22 votes to 21. The new leadership which would take Labour into the 1984 election was now in place. With Douglas taking the key portfolio of Finance he was able to exert major influence over both finance and election policy in general. The appointment of Douglas as Finance spokesperson was a major point of frustration with the Extra-Parliamentary leadership. Anderton and Clark, according to Bassett, were intent on applying as much pressure as possible to Lange. As already mentioned Bassett claims that the influence exerted by Anderton was like no such influence wielded by a President in Labour’s history

“It very quickly became clear that we had made a terrible mistake, and that Anderton actually wanted the Presidency for himself so that he could take over the party. I mean while he was president of the party he flirted in 82 and 83 with resolutions at conference that would have the leader of the party selected not by the Caucus, but by the whole of the party apparatus with Jim clearly thinking ‘I’ll trump these bastards’ and so when it became clear that Jim was not just an organiser, he was intent on using the party apparatus for his own purposes, Hercus, Bassett and Douglas joined the rest of the Caucus in thinking... that was a bad move and Jim was on the outer with the Caucus particularly from the time of the coup attempt against Rowling in 1980” (Bassett, 2009).

This is further evidence that the hostilities inside the party were gaining momentum. The rifts between the Parliamentary and Extra-Parliamentary party were such that each side began to create tension by publicly and privately criticising each other to the point where they were in danger of creating disunity to the wider electorate as a whole. Questions were asked as to whether the Labour Party was in any state to defeat National in the upcoming 1984 election. Leadership sallies and continual electoral defeat at the hands of Muldoon had severely weakened the party. There was hope however that the new team of Lange and Palmer would be able to reverse the trends of recent elections and gain back the momentum that Labour had lost with the death of Kirk.

With the replacement of Bill Rowling as leader of the Labour Party in 1983, Labour had a potential line up capable of defeating Muldoon and the National Party at the 1984 election. Lange, who by this time had assembled what, could arguably be described as an inner circle, began to assemble his opposition frontbench to counter the Cabinet of the National Party in the House (Bassett, 2008:82). Labour was however still in a position of weakness with regards to the conflict which had engulfed the party. Caucus was fraught due to the continuous internal fighting which had dominated the party almost entirely since 1978. The fact that the leader and the president of the party were continuously at odds with each other only further intensified this;

“I do not recall members sitting in factional flying squads, although the Caucus was certainly fractious. It was not a pleasant atmosphere. We were divided amongst ourselves and easily disheartened. Most of the time was spent discussing Parliamentary business and the talk was often acrimonious” (Lange, 2005:148).

Tensions inside the party were only exacerbated further by the announcement that Party President Jim Anderton would stand at the 1984 election. Caucus was united behind Lange as leader of Labour but the Extra-Parliamentary party was not. Party President Jim Anderton in the view of Bassett was attempting to undermine the new Labour leadership by de-selecting members of parliament who were vulnerable and replacing them with candidates who were closer to the Extra-Parliamentary party.

“During 1983 we were powerless to prevent his assault on the seat of Sydenham held by Norman Kirk’s son, John, who had represented it since 1974, albeit without distinction. So eager

was Anderton to enter Caucus that once he'd beaten Kirk for the Nomination in the middle of 1983, he challenged him to resign so a by-election could be held immediately. In September the President then presided over the de-selection of Brian MacDonell in Dunedin West, choosing his personal friend Clive Matthewson in his place" (Bassett 2008: 85 – 86).

The de-selection of the above mentioned MPs created further friction inside the party with the announcement that they would be voting with National in the House (Bassett, 2008:94) Gustafson, 2000: 368) (Lange, 2005:162). With the alignment of the two Social Credit MPS with Labour, National was in a position of weakness in the House which was alleviated somewhat with the votes of two Labour MPS (Bassett, 2008:94) (Gustafson, 2000:368) (Lange 2005: 162).

Bassett claims that because Lange was reasonably inexperienced in terms of his party history and as result was unable to control Anderton because he had no credibility in the party as opposed to the previous leaders of the party who had either played a major role in the executive branch of the party or been President;

"Labour's most successful leaders, like Peter Fraser and Norman Kirk, possessed natural authority and a capacity to frighten enemies. These were talents Lange never developed" (Bassett, 2008:86).

To this extent Lange was fighting a battle on two fronts. First against the Extra-Parliamentary Party and its leadership and secondly against the National Party, the latter having a leader whose authority and ability to take on opponents was legendary, in the form of Muldoon. Muldoon was also seen as considerably more energetic than Lange, but as Gustafson points out "Lange didn't have to be, because unlike Muldoon he was not a one man band" (Gustafson, 2000:362). Things were so tense between the Parliamentary and Extra-Parliamentary leadership that a truce was negotiated between Lange and Anderton by deputy leader Geoffrey Palmer, this called for the President to refrain from criticising the leader of the Parliamentary party in public and in doing so creating confusion and ambiguity amongst potential voters less than a year out from the 1984 election (Bassett, 2008:86) (Lange, 2005:163). The party remained divided over the direction in which economic reforms should take in the lead up to the election. This had carried over from the leadership debate which had stifled the party's electoral hopes at the previous elections of 1978 and 1981. The public perception of the

Labour Party was that it was weak and unfit to lead on economic issues. This had been a label that the party had desperately attempted to shed in the lead up to the 1984 election.

“Clearly there was something wrong with our appeal and it didn’t take very much polling to establish that basically the electorate thought that the Labour Party was terrific in terms of social issues...they care much more about the health system or the education system than the National Party seemed to but they thought on the other hand that the Labour Party was terrible at managing the economy” (Caygill, 2009:8).

The economic question was a major issue of conflict within the Labour Party. A conflict which if unresolved had the potential to keep Labour in opposition and gift the Muldoon and National a fourth term in government. There seems to be a consensus as to problems with the direction of the economic policy inside the Labour Party. Seemingly if Baumgartner’s second central question is applied to the conflict inside the party it is possible to analyse the way in which the party dealt with the issue and how this impacted Labour’s electoral aspirations for both the 1984 election and beyond.

Baumgartner’s second central question on conflict asks; is the presence of a problem agreed upon by all, but there is a disagreement to the best solution to it? It is clear that the Labour Party was seen as weak on matters of economic issues (Caygill, 2009) and that it had been out of power for almost three terms thus it was anxious to reverse this trend. Both factions inside the Labour Party agreed that a Labour government was preferential to that of National. What was not agreed on however was the way in which the party could present itself as an alternative to Muldoon and at the same time present a united front on the economic issues.

Conflict - Economic policy

The Labour Party had been split down two axis. This was beginning to create major problems for the Labour Party as it moved from 1983 into the cauldron of election year in 1984. Labour had been out of power since 1975 and the consensus was that Muldoon and National needed to be defeated. With the party divided over the direction of economic policy leading up to the election this conflict was not

going to be resolved easily. The divisions were apparent as Douglas and his supporters fought openly with Anderton and the Extra-Parliamentary party. Anderton describes the situation as follows;

“Now in truth what happened, there emerged in the Caucus a particular view point about the future which was not acceptable to the party and we had quite a lot of discussion at a policy committee level which I was on as President, that rejected those policies that were being put forward by some shadow ministers - they were the people who were leading that particular policy portfolio like Roger Douglas in Finance, Richard Prebble in say State Enterprises whatever, and we were saying no to some of their things and it was never resolved, we said no we are not going down that road” (Anderton, 2009).

Bassett describes the Labour Party as a sick patient and that Douglas was the only one who was able to cure the ailing party;

“People knew that they just couldn’t do without him because he was the most economically literate and numerate of all of the members of the Caucus and while there were people who didn’t like the medicine, they kind of knew that the patient was ailing and you know had to have some medicine and so Roger couldn’t not be listened [to]” (Bassett, 2009).

Douglas was beginning to tire, according to Bassett, of the way in which the previous generations in the Labour handled the economic situation and believed that there was no reasoning with them (Bassett, 2009). The longer the divisions inside the party over leadership and economic direction continued the less likely Labour would be able to create a united front and at the least appear capable of coming together to potentially govern.

However, the National Party was not immune to controversy with regards to so called renegade members of its party. The Position of National MP Marilyn Waring on nuclear issues came to the front with the introduction by Labour MP Richard Prebble of a ‘Nuclear free New Zealand Bill’. Waring had maintained that she would vote her conscience on issues of disarmament and nuclear weapons, this however, was out of line with the National Party position, and faced with the prospect of losing not only this vote but a possible budget vote and thus the confidence of the House of Representatives, Muldoon felt that there was no option other than to announce an early election in July of 1984 (Bassett, 2008: 94-95) Gustafson 2000: 372 - 377) (Lange 2005: 165).

There is considerable debate as to the preparedness of either major party heading into the 1984 campaign. Muldoon’s announcement of an early election had caught the nation off guard. When

questioned by the media as to whether or not National had enough time to run a campaign Muldoon's response was "It doesn't leave my opponents much time does it?" (Gustafson, 2000:375). He had not wanted an early election but with the Waring defection in his view he had no choice. Muldoon, sensing that the Labour Party was divided over its economic direction favoured a November Election in 1984 in an attempt to exploit the divisions further inside the labour ranks particularly over economic issues between Douglas and Anderton(Gustafson, 2000: 370).

The announcement of an early election meant that the divisions and conflicts within the party would remain unresolved throughout the campaign. One thing however that was certain was the fact that however divided the Labour Party was over the economic direction and issues of leadership it was completely united on one issue and that was the defeat of Muldoon and the National Party. Using Baumgartner's framework it is possible to investigate this conflict and the ramifications and impact it had on the fourth Labour Government.

Labour needed a shift in economic thinking from previous governments which had emphasised the role of the state and the influence that the government had over the economy. The first Labour Government under the leadership of Michael Savage and Peter Fraser had ushered in New Zealand's first welfare state during the 1930s amidst the angst of the great depression. However, the jewel in the crown was the 'cradle to the grave' Social Security Act (King, 2003:357). Social services were extended as government increased spending on health care, education, housing and elderly pensions. This massive increase in the role of government had in the view of some taken its toll on the economy and it was time for a change (King 2003:357-358).

The emergence of an inner circle inside the hierarchy of the Parliamentary Labour Party was to take place in the interim period of 1983 prior to the 1984 election. David Lange was now leader of the Parliamentary party and together with the likes of Roger Douglas, Michael Bassett, Geoffrey Palmer, David Caygill, Mike Moore and Richard Prebble a distinct dominant coalition inside the Labour Party was beginning to shape the way in which policy was crafted and shaped leading up to as well as

immediately following the 1984 election. With Labour now in a much better position to fight the 1984 election it was able to put many of the issues of leadership conflict which had recently plagued it under Rowling behind it. This shift in Labour thinking was based not entirely, but substantially around the new economic thinking which was being espoused by Finance spokesman Roger Douglas and his allies in both the inner circle and Treasury. Economic reforms were needed in order to drastically alter the course which had been taken by the previous Muldoon National government. Traditionally the Labour Party had not possessed the political will or capital to make drastic economic changes, as discussed earlier by Caygill. Labour was in need of a drastic shift in economic thinking and this was to be provided by Roger Douglas. The extent to which the left wing of the Labour Party was excluded from the debate and therefore the major decisions on policy is greatly debated. What is for certain is that the emergence of the new market driven approach to economic policy by the Cabinet was not favoured by those in the party who had been traditionally considered as left wing including the Extra-Parliamentary wing of the party. Douglas had already shown his intentions to shift Labour's focus on the economy away from what some might argue was a traditional left wing Labour position. Outlined in detail in his unofficial alternative budget and follow up book - *"There has got to be a better way,"* Douglas set out his plans for Labour economic policy were he to become finance minister in a future Labour government. Arguably the voters knew what they were getting when they voted Labour into office in 1984. Labour had tried the economic policies of yesteryear and it was time for a change. Colin James describes in his 1986 book Roger Douglas as "an unlikely revolutionary" figure, someone who is attempting to find new ways in order to achieve his goals of a deregulated economic system (James, 1986: 133). This is further elaborated by Bassett;

"...Douglas can be characterised as a dangerous radical, a leftie, I mean he wants to actually keep moving on and moving on and moving on and pioneering new ways of achieving old goals" (Bassett, 2009).

The scene was set for the newer breed of MPs who had infiltrated the Labour Party over the past few decades to implement their views and policies on both the economic and social sectors of New Zealand. The first Labour government had during the 1930s implemented radical reform; once again, it

would fall to the Labour Party to ring in a major period of reform. However, the direction which the fourth Labour Party would move was a drastic polar opposite to that of its 1930s predecessors, what would result was a conflict which would not only cripple the Labour Party but have a major impact on public policy as a whole.

Chapter 5

Conflict in the Fourth Labour Government 1984 – 1990

“Dear God! What a terrible bunch of people they were! It’s hard to believe I used to think so much of them” – David Lange, describing the members of Cabinet in 1987 (Lange, 2005: 247).

Sir Robert Muldoon⁸ and the National Party had governed New Zealand for nine years by the time of the 1984 election. Despite this National was still dominating in the polls at the beginning of 1984. The Labour Party as shown in the previous chapter was in a state of fractious infighting and this had taken its toll on the party as a whole in the public’s perspective. As mentioned previously, during the period of time under focus governments were elected using the plurality FPP system which favoured the two major parties of National and Labour. It was possible for minor parties to win seats but they were unlikely to gain traction.

“The lack of electoral success by third parties in terms of seats won, rather than percentage of voters received [under FPP], has been remarkable. In the elections between 1946 and 1990, National and Labour between them won a total of 1284 Parliamentary seats, losing only seven to other parties” (Mulgan 1994:219).

The two party monopoly that both Labour and National enjoyed under FPP meant that one of these two parties was going to be elected to government in 1984. The fact that National had been in government for 29 of 35 years between 1949 and 1984 meant that Labour was up against the odds as the election neared. Added to this was the fact that the Labour Party during its nine years in opposition since 1975 had undergone immense changes in personnel and leadership to a point that it had gained a public image of instability and disunity.

⁸ Muldoon had been knighted in 1983 so from this point onwards I will refer to him as Sir Robert Muldoon

“Because of the dysfunctional relationship between the Caucus and the party, the wider public found it difficult to get a handle on the Labour Party in the run-up to the 1984 election” (Bassett, 2008: 87).

Following Lange’s election as leader, the Labour Party had gained momentum and support in the opinion polls and was riding high on the popularity of Lange. Due to the infighting, this popularity would waver on and off throughout 1983 (Bassett, 2008:87). The announcement by Robert (Bob) Jones that his New Zealand Party would contest the 1984 election gave hope to the Labour Party. Jones in establishing his party had taken many traditional National voters who had become disillusioned with the direction that Muldoon was taking the country and who were unwilling to vote for Labour (Bassett, 2008:87) (Gustafson, 2000; 381).

The public perception of Muldoon was one of slightly dictatorial. He had for some time been viewed as mismanaging the economy, and in conjunction with the strict controls on the New Zealand economy which he had initiated, many were tired of the appearance of an over-reaching state hand in the economic sector.

“By 1984 Muldoon had come to typify for many traditional National voters what the founders of the National Party had criticised the first Labour Government of Savage and Fraser for – an almost totalitarian form of economic management, overlaid with political style which could be portrayed by its opponents as neo-fascism or neo-socialism” (Gustafson, 2000: 378).

The New Zealand economy in 1984 was in a complete state of dejection. Inflation had risen sharply under Muldoon and strict protectionist controls had caused major rifts inside his own party as well as the Labour Party.

“The most important economic plank in the National Government’s 1981 election campaign was its ‘Growth Strategy,’ which became more commonly known as ‘Think Big’” (Gustafson, 2000: 277).

‘Think Big’ saw the development of massive infrastructure efforts which required heavy amounts of borrowing in order to finance the projects. The aim was to make New Zealand self reliable and less vulnerable to overseas oil shocks and markets (Gustafson, 2000: 262 – 289). Muldoon himself in 1981 described the impact that Think Big was to have on the economy as a whole;

“My analysis of the state of the New Zealand economy was that there would be one more year -1981-of dull earnings, but by 1982 the building of new projects would be pumping more earnings into the whole economy and this would have flow-on effects which would revitalise New Zealand” (Muldoon, 1981:160).

‘Think Big’ was criticised for its overzealous attitude towards borrowing at a time when financial restraint was required. Opposition to mining operations and dam construction came to symbolise the view that Muldoon and ‘Think Big’ were out of touch with the nation as a whole (Gustafson, 2000: 262 – 289). By the time of the 1984 election the public had lost faith in Sir Robert Muldoon as Prime Minister. Gustafson argues that many had become disenfranchised with Muldoon to a point that he was no longer a viable option to be Prime Minister;

“Many people also tired of his arrogant overconfidence and ‘I’m always right’ and ‘one man band’ images. The economic credibility he had enjoyed for most of his nearly fourteen years as Minister of Finance was by 1984 considerably tarnished, not only by the country’s economic problems and Muldoon’s inability to resolve them but also by the growing number of professional economists and business, banking and farming leaders who were criticising him...”(Gustafson, 2000:378).

The Labour Party despite its internal fighting was seen as a plausible alternative to the National government. Despite the disagreements between Anderton and Lange, both wanted to see an end to Muldoon as Prime Minister. The organisational skills which Anderton had been known for were put into effect during both the election and its build up, especially when compared to the National Party;

“In contrast, the Labour Party, led by the ebullient and confident Lange was more outwardly united and better prepared for an election than probably at any time in its previous history. There was no doubt that Lange completely upstaged an almost fatalistic Muldoon. The Labour Party , well organised by it’s energetic president, Jim Anderton, himself a candidate for the Labour stronghold of Sydenham, previously held by Norman Kirk and his son John, had more active members, funds, organisational expertise, determination and enthusiasm than in any election over the past forty years” (Gustafson, 2000:381).

The fourth Labour Government sat from 1984 – 1990, the massive number of Acts and Bills passed by the Labour Party in power would constitute a thesis in itself; “The fourth Labour Government passed 1,167 new Acts in a personification of reforming zeal” (McQueen, 1991: 228). This immense amount of legislation is far too big to investigate the levels of conflict inside the Labour Party.

It is for this reason that I have narrowed the scope of this thesis to cover the economic thrust of the fourth Labour Government. Within this I will investigate the conflict that occurred in four economic issues namely the 'Devaluation Crisis', the 'Goods and Services Tax,' the 'Flat Tax' and 'Asset Sales'. These four issues came to represent some of the most important conflicts inside the party and the influence they had on the government as a whole is unparalleled. These issues will be examined to discover the impact the conflict surrounding them had on the articulation of the issues and then subsequently the impact on the aggregation of votes at the 1990 General Election.

Divisions inside the party 1984 - 1987

The divisions inside the Labour Caucus were to emerge as far more intrinsically entrenched throughout the first term of government. The Extra-Parliamentary Party was to become further isolated as the inner circle which had formed around Lange, emerged as a major force inside the Cabinet. As mentioned earlier the power which Cabinet wields is unmatched in the New Zealand political system. "The Powerhouse of the New Zealand Government (Palmer and Palmer 2004:78), Cabinet sets and directs the political and legislative agenda of the government. Lange set about selecting his Cabinet by way of a ballot, a practice which had long since been tradition in the Labour Caucus. Lange announced that he wished to see a diverse Cabinet, consisting of at least two women and two Maori members of Caucus. In what Bassett describes as "a slap at Anderton," Lange decided that his Cabinet would not comprise any new MPs (Bassett, 2008: 104). It was decided that neither Lange or Palmer would enter the ballot as they were considered automatic selections, 14 of the remaining 18 places were selected on the first ballot;

Michael Bassett, David Caygill, Fraser Coleman, Roger Douglas, Ann Hercus, Jonathan Hunt, Russell Marshall, Mike Moore, Colin Moyle, Frank OFlynn, Richard Prebble, Stan Rodger, Bob Tizard and Koro Wetere (Bassett, 2008: 104).

Following a number of further ballots the remaining four positions were elected comprising of Kerry Burke, Phil Goff, Peter Tapsell and Margaret Shields (Bassett, 2008:104). Despite the fact that no

new MPs were to be elected to Cabinet, Anderton still managed to attract 16 votes in the ballot. This was not enough for him to gain election to Cabinet but it shows that he still had a number of supporters inside the Caucus (Bassett, 2009).

Sir Kerry Burke argues that it was a mistake to leave Helen Clark out of the 1984. She had the talent to become a Minister and had been elected in 1981 to parliament which ensured she was not new MP. Burke claims that it was her role in the Extra-Parliamentary Party prior to her election that had prevented her from becoming a Minister (Burke, 2009). Bassett also acknowledges this and claims that she was left out because of her closeness to Anderton (Bassett, 2008: 104-105). Lange had the Cabinet which he desired, his inner circle was intact and the Extra-Parliamentary Party was kept at arm's length. Bassett suggests that Lange and his inner circle believed they could not trust Anderton or Clark and as a result their exclusion from Cabinet meant that they would not play a major role in policy decisions (Bassett 2008: 106). This is further argued by Lange; "the last people I listened to at the time was the likes of Anderton and Clark" (Lange, 2005: 205). Shortly following the election of Anderton to parliament he was replaced by Margaret Wilson as Party President;

"I was urged by Helen Clark and others to stay on because they knew too what was coming but I said 'well I always stood on the basis as you did and urged me to be a president of the Labour Party outside of the Caucus' because we needed the party to be independent of the Caucus otherwise the Caucus runs everything" (Anderton, 2009).

"When Margaret Wilson succeeded Anderton as President of the Labour Party not long after the change in government, I met her every week in an effort to break down the suspicion between the party and me" (Lange, 2005:186).

Lange needed to unite the party behind his leadership and by selecting a Cabinet which contained members of his inner circle he would be able to use friends and allies to convince both the party and the public that they would be able to be trusted to manage the economy effectively. Bassett argues that members of the inner circle were able to give dressings down to Caucus members who were disloyal but Lange was not.

"While all previous Labour prime ministers had served in the party organisation and had learned which levers to pull, Lange had picked up little from his year on the executive in 1978. More particularly he had no stomach for fights" (Basset, 2009:146).

What was to emerge however was a major series of conflicts inside the Labour Party which would rip the heart out of the Labour Party and create immense articulation and aggregation problems which would eventually contribute to the downfall of both the Labour government but also a rate of de-alignment unseen in the party's history. Economic and social policy would be drastically altered as the dominant factions inside Cabinet began to direct the legislative agenda of the Labour Party in a way that had never been seen before. In what became known as *Rogernomics*, the Labour Party would shift towards a market-driven economic policy which would impact immensely on every aspect of the Government's legislative agenda. This drastic shift in policy by the Labour Party would have an incredible impact on the fortunes of the Labour Party and would create immense conflict inside the party. Often when less dominant factions or groups inside a political party are excluded from the debate by contraction by the dominant group, the less dominant groups will attempt to expand the issue by appealing to other groups to help them. However the dominance of Cabinet and its inner circle was of such a level that it was not always possible to expand the issue as Baumgartner would allow.

The Labour Party prior to Rogernomics

It is necessary to briefly investigate the background history of the Labour Party leading up to the period of study. The Labour Party is New Zealand's longest continuous political party (Mulgan, 1994: 222). Formed in 1916, it was born out of the industrial action and union movements of the early 20th century. Labour as a political entity can trace its roots back to the late 19th century. Many of its early members found common ground with the ruling Liberal party and in particular the leadership of Prime Ministers John Balance and Richard Seddon. However, with the death of Seddon in 1906 cracks began to form in the Liberal – Labour alliance. The creation of the Reform Party and thus a well organised opposition party meant that many aspects the Liberals had previously taken for granted, now became election issues. Farmers, having been allied to the Liberal Government after the Land Reforms during the 1890s, were now emerging as affluent and the Reform party emerged as their party of Choice (Gustafson, 1980: 13). Added to this was a rise in middle class urban workers realigning to the Reform

Party. Infighting surfaced inside the Liberal structure, particularly amongst those who made up the pro Labour faction.

“Simultaneously, there appeared a succession of trade union and socialist political organisations. These were formed by a small minority of trade unionists and political radicals disenchanted with a liberal government which they regarded as timid, unprincipled and paternalistic” (Gustafson, 1980:13).

There was in the view of the Labour faction, a need to create a truly independent Labour movement. Gustafson (1980), points out that the New Zealand labour factions began to take inspiration from flourishing overseas labour movements, in particular the New South Wales Political Labour league, “whose constitution provided the basis for discussion” at the 1904 Trades and Labour Councils’ conference. (Gustafson, 1980:17). Members of the Labour faction began to explore the opportunities of forming an independent political party, one which was devoted to the socialist ideology and the protection of workers rights. Seddon was unable to prevent the Labour factions of his party pushing for independence. Labour candidates began to promote themselves as an alternative to the Liberal Party which it saw as “the party of stagnation that has latterly become the refuge of reactionaries and shufflers” (Hogg, 1906).

By the time of the 1910 Trades and Labour Conference, in Auckland, a functioning political party was beginning to form. This was by no means a united Labour Party however; there were numerous factions which held varying positions on contentious issues. The decision to disband the Political Labour League and replace it with a formal New Zealand Labour Party was opposed by the socialist wing of the organisation, led by Future Labour Prime Minister Michael Joseph Savage (Gustafson 1980: 22). Savage’s minority socialists however, made up the smallest faction of the new Labour Party (Hunt, 1947:19). Hunt also points out that the main purpose of the 1910 conference was to form a “Labour Party for political purposes” (Hunt, 1947: 7). The problem for the socialist arm of the Labour Party was that it too was splintered; with some members wanting to take part in the political process, whilst at the same time others believed that industrial action through the use of strikes was the only way to

further their ideological agenda. These factions appeared politically through the New Zealand Socialist Party and industrially through the New Zealand ('Red') Federation of Labour (Gustafson, 1980: 24.)

“Inside and outside parliament, formally warring groups had been drawn close together before 1916; the conference which resolved in July that ‘the time has arrived for the formation of a New Zealand Labour Party for the purpose of consolidating the political forces of Labour’ did little more than formalise and perpetuate machinery through which groups which divergent aims had been cooperating in local and by-elections since 1914” (Overacker, 1955: 711 in Gustafson 1980).

This is a clear indication of an emergence of factionalism inside the fledgling Labour movement.

This factionalism would continue further and develop into successful cliques and blocs subsequently over the next six decades leading up to the period focused on in this thesis. During the course of the next few years a political party began to take shape. Strengthened by what it saw as working class problems in New Zealand, namely the industrial action of the early 20th century and World War I, Labour began to gain favour with some of the electorate. However, in doing so it found itself splitting the left vote with the Liberal party and in effect gifting the election to the right leaning Reform party. Labour's foundations were in the working class socialist roots of New Zealand. The party championed worker's rights and unionism, this was underpinned by its purpose to “educate the public in the principles of cooperation and socialism” (Gustafson, 1992: 268), which remained its focus throughout the majority of the party's history. Initially the party emerged as an ideologically socialist party, summed in its constitution which stated the party's aims as “the socialisation of the means of production, distribution and exchange” (Overacker, 1955: 711). Gradually, over time however, as with all political parties, Labour began to shift in its political market. In 1919 the party defined socialism as “humanitarian liberalism and Fabians collectivism rather than scientific Marxism” (Gustafson, 1992: 268). Labour set about confirming itself as a party of the people, the heir apparent to the social policies and initiatives of the Liberal government. At the same time it set out to distance itself from Marxist-Leninism and other forms of socialism, which were seen as too extreme for the electorate. This culminated in the 1926 expulsion of communist party members from the Labour Party, finally extinguishing the party's link with Marxist-Leninist ideological doctrine (Gustafson, 1992). Labour was

now able to move forwards towards its goal of occupying the government benches. Labour began to emerge as a viable third party option to the Reform and United parties.⁹ Labour began to gain support in working class areas around mining centres (Overacker, 1955). Its power base expanded rapidly though in the 1928 election, during which the party made “spectacular gains in country-town and rural areas” (Overacker: 713). Labour’s share of the vote began to steadily rise as New Zealand headed into the great depression, “its percentage of the total vote rose from 26.4 in 1928 to 34.9 in 1931” (Overacker: 712). The Depression severely dented the electorate’s confidence in the coalition government’s ability to manage the economy, with Labour emerging as a real alternative under the leadership of the charismatic Michael Joseph Savage (King, 2003: 353-354).

The Labour Party finally took hold of the government benches in 1935, with a landslide victory against the incumbent coalition government. Savage and the Labour Party began to implement radical changes to New Zealand.

“Labour was in office for the first time, and with a powerful mandate for change. And change is what the new government would deliver, on a scale unprecedented in New Zealand’s history up to that time” (King: 2003: 355).

Labour instituted a social welfare system, which allocated assistance to New Zealanders from the ‘cradle to the grave’, the centrepiece of this new system was the Social Security Act, passed in 1938.¹⁰ With the death of Savage in 1940, Peter Fraser became Prime Minister. Fraser was able to continue the transformation instigated by Savage, thus entrenching the first Labour Government’s reforms for a generation. “

The first Labour government completely changed the economic, social and political face of New Zealand after 1935. It moved the centre of gravity to the left where it remained for half a century” (Gustafson, 1992: 287).

⁹ The United Party was the name adopted by the Liberal Party from 1925.

¹⁰ New Zealanders were now able to access free primary and secondary education, virtually free healthcare, and arbitration. Union membership was made compulsory and means tested pensions instituted for those over 60 as well as universal superannuation for the over 65s. The depth and scope of the reforms instituted by the Labour Party as part of its expansive social welfare are beyond the scope of this thesis.

Perhaps the most influential achievement of the First Labour Government was the creation and development of the welfare state. The Keynesian economic system which had dominated the western world since the end of World War II was fully adopted by the Labour government and the welfare state was its ideological soul mate. This was to carry on as successive Labour and National Governments continued to grow New Zealand's welfare state and expand big government (McAloon, 2010: 29 – 39) (Gustafson, 2006: 3 – 12). As already mentioned the interventionist economic policies of both Muldoon and similar solutions from the “old conservative Labour Finance people” (Bassett, 2009), had angered Douglas and his supporters inside the Labour Party. With the emergence of Douglas and his supporters in the Finance portfolio Douglas was able to implement the free – market ideology which he had been espousing since his alternative budget in 1980.

Rogernomics and the new right inside the Labour Party

Roger Douglas was appointed as Finance Minister along with two associate ministers in the form of Richard Prebble and David Caygill. This group was known as the *Troika* and emerged as the power behind the reform movement in the fourth Labour Government. It must be noted that during the period focused on in this thesis many other nations went through similar instances of economic reform. The most notable of these were Britain and the United States, the adoption of ‘Thatcherism’ and ‘Reaganomics’ brought about radical economic and social restructuring during the 1980s. Perhaps the major difference between these nations and New Zealand was that in Britain and the United States it was the Conservative and Republican Parties respectively which are traditionally right wing parties that brought the major changes to the economic sector whilst in New Zealand it was the Labour Party who was promoting the virtues of free-market economic reforms. The difference between Douglas and his supporters and traditional conservative economists was their liberal stance on social and global issues. Bruce Jesson (1988) describes this distinctive difference;

“Since 1984, New Zealand has been ruled by a government of the libertarian right. This has not always been obvious to New Zealanders: political awareness has declined since the 1930s, and for the first year or two; many New Zealanders misunderstood the nature

of the 1984 Labour Government because of its unique mix of policies. Its economic policies were laissez-faire and monetarist, and characteristic of what is known elsewhere as the new right. But in the social and foreign policy fields, this has, if anything, been a government of social liberalism” (Jesson, 1988:30).

The above mentioned laissez-faire economic policy was policy in direct contradiction to the traditional Labour ideology of the previous Labour governments and was seen by many as a betrayal of the principals of the Labour Party. What would follow would be a serious of major conflicts between the Cabinet and the Extra-Parliamentary party and some members of Caucus over the legislative agenda of the Labour Government. As is the case following every General election, the incoming government was briefed by various departments on the state of the nations. The Treasury presented the incoming Finance Minister, Douglas with a briefing entitled *Economic Management*. Jesson points out that the manner in which the paper was structured was comparable with the way in which the incoming government in particular the Troika viewed economic matters.

“It is based, implicitly, on a rigid separation between the goals of economic policy and the means. This separation of means and ends has been a consistent theme of the Labour Cabinet ministers, and it corresponds to a separation of the social and economic. The ends of policy are social and are set by politicians. The means are a technical matter to be settled by experts in terms of efficiency” (Jesson, 1988:42).

Lange describes the relationship between Treasury and Douglas in the first term of the government;

“Theirs was a perfect marriage. If they had differences in our first term in office I was not aware of them. They were always hand in glove. Douglas gave Treasury the opportunities which had eluded it when Muldoon was minister” (Lange, 2000:192).

Whatever the situation, it was clear that the thinking of both Douglas and Treasury was in sync with each other. The fact that the *Troika* and Treasury were of one virtual mind meant that the laissez-faire, free market approach to economic thinking was stalwartly entrenched inside the Labour Cabinet. With Cabinet being made up of only a select few and wielding the power described in the third chapter it is easy to see how conflict was able to spread through the Labour Party Caucus and Extra-Parliamentary party as those left out of the policy making process become increasingly

disenfranchised. Colin James describes the way in which the Labour Cabinet was dominated by the *Troika* and how through this they were able to gain a majority in Caucus;

“The initiative lay with the trio of finance ministers. Douglas and his two associates, David Caygill and Richard Prebble; once they had Lange, Palmer and Moore with them, they carried the central Cabinet committee, the policy committee; with that committee locked in, and with three or four other ministers such as Michael Bassett, Jonathan Hunt and Phil Goff onside, the Cabinet was sewn up; with Cabinet onside, the under-secretaries Trevor de Cleene, Peter Neilson, David Butcher and Bill Jeffries plus some other sympathetic backbenchers, the Caucus was enlisted. With the parliamentarians thus committed to the policy, Douglas and company were able to neutralise [the] party executive.”

There was also an overwhelming endeavour inside the Labour Party that the government should survive and win a second term at the 1987 election (James, 1986:177) (Dyson 2009) (Anderton 2009). Not since the first Labour Government had the Labour Party been re-elected and the determination on by newly elected President Margaret Wilson to achieve a second term for the government was there for all to see.

Conflict – the Devaluation Crisis

Bassett (2006) claims that the Reserve Bank had been urging the Prime Minister for a month between the announcement of the snap election and election day on July 14 1984, that there was an urgent need to devalue the New Zealand currency in order to stop the outpouring of foreign currency (Bassett, 2006: 112). Prime Minister Muldoon though seemed oblivious to this fact and as a result ‘in all, sales of foreign exchange in the month of 14 June – 14 July totalled NZ\$ 1.4 billion. This sum was as much as the Bank would normally sell in a year’ (Bassett, 2006: 112). Bassett further argues that years of Muldoon’s refusals to take advice of the Reserve bank and his interventionist economic policies had finally caught up to him and the result was a massive out pouring of foreign capital. With the defeat of Muldoon at the 1984 election, the Labour Party inherited a major problem in the form of an economic crisis. Eventually Muldoon allowed the suspension of trading but continued to refuse to devalue the currency.

“In July 1984 immediately after the Labour Government was elected a serious constitutional crisis occurred. It arose from the unwillingness of the outgoing Prime

Minister, Sir Robert Muldoon, to recommend to the Governor General urgent financial measures concerning devaluation of the currency which those who would form the incoming Government saw as essential" (Palmer, 1987: 3).

The Labour Party favoured a devaluation of the New Zealand Currency in order to stop the outpouring of currency from the foreign exchange;

"On Friday 13 July, election eve, there were reports that some trading banks had queues ten-deep as people sought overseas exchange. That day, Spencer Russell informed the Prime Minister that serious consideration was being given to closing the market, Muldoon informed him 'firmly' that he wished it to stay open" (Bassett, 2006: 112).

The major issue was the fact that the country was in the middle of an economic crisis which was seeing millions of dollars leave the country. Added to this was the fact that Sir Robert Muldoon was still refusing to devalue the currency, what emerged was a serious constitutional crisis, Palmer and Palmer explain the dire situation that the nation found itself in;

"The results on election night in 1984 made it clear that the National Government had been defeated by the Labour opposition, but the final official votes were some days away under the rules allowing for special votes. New Zealand was then in the throes of a financial crisis. The Reserve Bank had suspended all foreign exchange dealings to stop the flow of money out of the country. Officials had briefed the outgoing government that an immediate response by way of devaluation was required. Yet Sir Robert Muldoon, the outgoing National Prime Minister, at first refused to act. Later he said on television that he would not devalue as long as he was Minister of Finance, in response to a reporter's suggestion that there was little sense in not letting the government elect make the decision, Sir Robert said that he hoped to give the incoming Prime Minister some instruction in the realities of government over the next day or two. Sir Robert saw himself as still in charge. Legally he was; he was still Prime Minister and Minister of Finance and would remain so until the Governor-General accepted his resignation or dismissed him. Over the next ten days the Muldoon government was the lawful government. Its actions were, however, considered to be limited by certain constitutional conventions. The most important of these is that the outgoing government must not undertake any action that will embarrass the incoming government. That rule was generally understood. The question was whether constitutional convention required the outgoing government to act on the direction of the incoming government on a major policy issue" (Palmer and Palmer, 2004: 45 – 46).

The situation was fraught for the incoming government. Muldoon was refusing to devalue despite it being the express wish of the incoming Labour Government. The Reserve Bank by this stage was recommending that the currency be devalued by 20 percent. Pressure continued to mount on Muldoon to undertake the government's wish of devaluation of the New Zealand dollar. Lange made clear his intentions to devalue the currency which Muldoon announced he had no inclination to follow.

Matters came to a head with the Governor-General telling the outgoing deputy Prime Minister McLay that he would dismiss Muldoon and swear in McLay as acting Prime Minister providing that he followed the directions of the incoming government in the area of devaluation. This in effect forced the hand of Muldoon who finally announced that he would implement the incoming government's wishes (Palmer, 2004:46) (Bassett, 2008: 103).

The crisis of devaluation created animosity inside the Labour Caucus with not every member agreeing with the concept of devaluation as the best solution. Lange's inner circle was prepared to follow this advice, whilst Anderton believed that this move would create a run on the currency;

"They took the action of devaluation which I said would lead to a lot of speculative gains for people who speculated against the currency. Which it did of course, about [700] or 800 million dollars that was actually gained by people who had speculated against the currency" (Anderton, 2009).

Bassett argues that there were those in the party including Anderton who wanted to debate the incoming government's position on devaluation, an attempt by the less dominant factions inside the party to expand the debate, or in this case at the very least an attempt to at least create some sort of debate inside the party;

"Lange was confirming to Caucus that devaluation was virtually certain, something which new MP Jim Anderton promptly tried to debate, but he was pushed aside" (Bassett, 2008: 104). "On the devaluation, Anderton tried to stop that... tried to stop it on the morning when we were due to select Cabinet in 1984. He wanted to put that off and have a debate on devaluation, and of course everyone's tongues were hanging out, the spoils of office were sitting there and they wanted to get on with the real business and didn't want to listen to... [Anderton], and so he was easily pushed aside" (Bassett, 2009).

It was clear that the personality conflicts which had plagued the Labour Party in opposition were still prevalent inside the Caucus as it now moved into government. With the inner circle dominating procedures and putting forward their policy of devaluation it was left to Anderton and the left wing of the party to attempt to expand the debate. "Generally speaking the losers of a policy have an interest in expanding participation, while winners try to keep participation restriction" (Baumgartner, 1989: 8). Anderton's attempt to bring in further debate into the issue of devaluation was stifled by the

contraction policies of the inner circle who by this time were in complete control of the agenda inside the Labour Party.

Conflict – the Goods and Services Tax

One of the major issues of conflict inside the fourth Labour Government was the adoption of the Goods and Services Tax (GST) as a way of paying of the massive deficit which the government had inherited;

“Cabinet agreed in principle to adopt the form of indirect taxation which became known, at my suggestion as the goods and services tax. We were well aware that it was a radical proposition. The case was put to us that it would simplify the tax system and make it more efficient and reduce what was obviously widespread tax avoidance” (Lange, 2005:191).

The introduction of such a tax was abhorrent to the left wing of the party, Bassett explains;

“The basic GST message was one that Jim Anderton, Helen Clark and several unionists flatly rejected. At an indignant meeting of Clark’s Mount Albert branch members in early April 1985, Anderton promised ‘blood on the floor’ at the Labour Party’s regional conferences” (Bassett, 2008:149).

This was a clear effort by Anderton and his supporters to attempt to expand the debate.

Baumgartner argues that the losing side of a debate will often times try to expand the debate in order to gain public sympathy and attention (Baumgartner, 1989: 129).

Anderton in an interview in September of 2009 describes his opposition to the goods and services tax and how he refused to follow the government’s initiative on the tax;

“I had said to people here that GST is a regressive tax. It taxes your need to spend on essential services like food, clothing, medical treatment, that sort of thing. Now for low income people who have very little discretionary income that’s a huge impost on them. If I’ve got \$2000 a week I don’t need to spend, I can put it in the bank and I don’t get GST on it. In fact if I can put in the shares I get tax free capital gain, where as these poor buggers who have to spend money on the groceries get twelve and a half percent so is that a good thing? No its not. I mean I can’t do much about it now because it’s in the system but I opposed it bitterly. I wouldn’t even send out the literature here. They gave us tens of thousands of leaflets to send out to every household and I said ‘no I’m not going to distribute those, bugger them.’ I got into big trouble because everyone was told you had to distribute them I said ‘no not in my electorate they are not going,’ anyway I didn’t take them but that was the big thing (Anderton, 2009).

Added to this is a speech delivered in Parliament in 2010 in which Anderton explains his opposition to the tax in the 1980s and the impact the tax had on society as a whole;

“The introduction of GST and the halving of the top rate of tax that New Zealand introduced...dare I say, a Labour Government introduced in the 80s led to the greatest increase in the wealth gap between rich and poor in New Zealand’s history, the greatest increase” (Anderton 2010).

Bassett describes how the ‘blood on the floor’ failed to materialise as GST was passed in every regional conference with the exception of the Wellington conference (Bassett, 2008: 150). Claudia Scott argues that the attempt of those against GST to oppose the tax, before the rate or extent of the taxation had been announced at the party conferences only allowed for the public to side with the government further on the issue (Scott, 1987: 194). Bassett describes how there were those in the Labour Party who refused to adjust to the economic realities which faced the government and were stuck in the past with their solutions of yesteryear. “A crude form of Keynesian economics lurked in many a party member’s intellectual kit-bag” (Bassett, 2008: 150).

The attempted expansion of the issue of GST by the left wing of the party was to little avail, as only the Wellington Conference failed to adopt the policy. What was beginning to emerge was a clear sign that the dominant faction in Cabinet, Lange’s inner circle was in complete control of the legislative agenda. Lange claims that the term ‘new right’ first emerged after the 1984 election, and that it was originally only used by those in the party which he described as the ‘old left’, venting their anger at the new economic direction of the Labour Cabinet (Lange, 2005: 192). However he maintains that the fact that right wing publications and enthusiasts were complementing the government was not his ideal situation as leader of the Labour Party;

“I was not particularly happy to have the budget defended by the Featherston Evangelists or have the government puffed by right wing publications like the economist” (Lange, 2000: 192).

It was clear that the government had moved away from the Keynesian, traditional economic position towards a market driven economy and there were aspects of Labour supporters who were against this, whilst at the same time the traditional adversaries of the Labour Party were warming to the laissez-faire monetarist policies of the fourth Labour Government. The fact that Cabinet was

completely in control meant that the left wing of the party was completely isolated from the policy process;

“The right of the party got whatever they wanted, nothing was delayed or amended as a compromise...whatever the majority of Cabinet wanted... they got it and the majority of Cabinet was dominated by the right. So I guess the legislation was framed by quite a small group within the total Caucus but a majority of the Cabinet, and Cabinet had a majority in Caucus. So once you get something agreed to in Cabinet then it will go through Caucus if you’ve got a majority, which they had” (Dyson, 2009).

As mentioned, Bruce Jesson argues that what distinguishes the new right from other right wing groups is their stance on social and foreign policy issues. As already pointed out by former Labour Party Finance Minister David Caygill, the Labour Party is made up of many people who can hold different positions on different issues and as such the party is very diverse. The extent of this diversity is seen during the passage of the GST, where at the same time the government was distancing its self from the United States and moving towards a position of being nuclear free. Bassett points out that the media was quick to pounce on the fact that whilst both GST and debt relief bills were being passed the government used the nuclear free legislation and the incident of the sinking of the Greenpeace ship the Rainbow Warrior to distract the public (Bassett, 2008: 150, 160). This is further elaborated on by Anderton who believes that the left wing of the party were bought off by the government on the issue of nuclear weapons and nuclear powered ships being banned from New Zealand in exchange for their co-operation on economic issues;

“They had a nuclear free policy but I knew that had come from the party and not from the Caucus. So but they didn’t touch that and it was very shrewd in a way because what they said is we will give them the nuclear policy and we will take everything else... The nuclear policy was important for the party and it was too important for us to change so we will leave it with them and then we can say if you don’t support us with this then you will lose that as well and that’s what you mainly want so we will give that to you but the rest of it you have got to leave to us” (Anderton, 2009).

No matter how much the left wing of the party attempted to expand the issues they were often fraught by the overwhelming dominance of Cabinet and the inner circle which controlled the agenda. By changing the scope of the debate and in effect allowing the left wing of the party to ‘have the nuclear policy’ the dominant inner circle could proceed with the economic reforms, as according to

Anderton there was a fear that the inner circle would take away the nuclear issue, a favourite policy of the left and the Extra-Parliamentary party (Anderton, 2009) (Baumgartner, 1989: 66). The reformist zeal of the government is shown in the rhetoric used by the inner circle inside Cabinet.

“All ministers were sufficiently experienced politically to realise that any U-turn would be a disaster. ‘No U-turn became a Cabinet and eventually Caucus mantra” (Bassett, 2008:170).

Added to this was the popular catch cry ‘There Is No Alternative’ (TINA), which was put forward by many in both government and Treasury circles (McKenzie, 1999: 8). Caygill believes that it was not necessarily the fact that those outside of Cabinet had no alternative they just didn’t have the resources or time to implement an organised opposition to the reform process;

“Well that’s been slightly misinterpreted in the sense that nobody was saying that there was no conceivable alternative way of handling things. Of course there were conceivable alternatives in that sense. What we really meant was there was no alternative proposition on the table. You know, you backbench left wing MPs; you don’t have a coherent programme because you don’t have the resources to have it. Not that you don’t have the intellectual capacity - you’re just aren’t organised. Today we are debating X. you don’t like it, but you don’t have an alternative proposition in front of us. In that sense there was no alternative and that can become at a certain point, you’ve kind of got to keep going or you do crash - a phrase that has been attributed to Whitlam as far as I know correctly, that came out of the 72-75 Labor Government in Australia. Whitlam allegedly said we have to crash through or we’ll crash. It was used often in the 84- 90 period” (Caygill: 2009).

Baumgartner argues that the “success of a rhetorical shift can be striking” (Baumgartner, 1989: 154), the use of slogans and rhetoric to rally those against the reform would indeed prove striking. It is clear that the dominant inner circle faction which was in control in the Cabinet was not prepared to let the less dominant factions inside the Labour Party gain access to the legislative agenda, this was a process that created major irritation particularly from the left of the party as they believed that they were not being consulted enough on issues. The arrival of Margaret Wilson as President at the end of 1984 saw some semblance of an alliance between the Extra-Parliamentary party and Cabinet, as the relationship between the two had been thawed after frosty dealings under the presidency of Anderton.

“Margaret Wilson worked extremely well and in fact probably saved the government in the 84-87 period by establishing regular and strong relationships with the Prime Minister and the Cabinet and the Caucus” (Burke, 2009).

This however is not a view shared by Bassett who claims that Wilson was allied with Anderton and Clark in her criticism of the government agenda;

“Anderton, Clark, Wilson, Wilde and a few others disliked the majority faction in Caucus. They detested Lange and the rest of us who had squeezed them out of influence” (Bassett, 2008: 139).

The Labour Party had in passing economic legislation which was market –driven and laissez-faire, had in some sense taken support from the National Party. It is to this extent that National was unable and in some cases unwilling to put up much in the way of resistance to the Labour Party;

“The first term of the Lange-Douglas government was marked by a paradox; the ideas of the libertarian right achieved an almost uncontested dominion. Yet the political mood remained profoundly non-intellectual. The free-market reforms of 1984-87 were imposed arbitrarily, without public debate. The justification came afterwards, usually in the form of trite and simple slogans: getting the fundamentals right and removing inefficiency. Trite or not these slogans were sufficient enough to dominate debate. There was no resistance from the National Party to these reforms once Muldoon was removed from the party leadership” (Jesson, 1988: 45).

This however can also be put down to the nature of FPP, under the former system, Parliament was dominated by a single party in government and that party maintained an absolute majority and was able to pass legislation almost at will.

“It was a First Past the Post system, you got the votes, and you could do anything you liked. We could sit there for 24 hours a day, we did, and when the first raft of legislation was put after the first budget we had urgency 24 hours a day. We never went home, we never slept, well we did we slept in the corridors but that’s the way it was, First Past the Post, we won you lost that’s it so everything goes through, don’t worry about the select committees, just bang!” (Anderton, 2009).

However, it is the job of the opposition to oppose the government and its policies (Palmer and Palmer, 2004: 158), and the fact that the National Party seemed unwilling to suggests just how far the Labour Party had moved in terms of its position in Parliament;

“The opposition then was perceived as being weak, but actually I think they would have had to have been quite an extraordinary opposition to have combated what was a clear well thought out in advance agenda, that Roger Douglas and the rest had in place. And it was also a First Past the Post parliament... Muldoon had a difficulty in that he was seen as more to the left than Roger Douglas was, I remember a budget discussion which had Ruth Richardson [National MP] and somebody else, I can’t remember, the other commentator, the two of them were being interviewed about the budget and Ruth Richardson said of the first Douglas Budget, and ‘it that it was a fantastic budget’ and the Labour person said

I rest my case. I'm sure that people coming to New Zealand would have wondered if they had got off on the wrong planet" (Dyson, 2009).

Because of this perception of a weak National Party and with the reform process at full steam, the Labour Party was able to enter the 1987 election in a position of confidence. The fact that Labour was seen as taking National's ground allowed them to proceed with the reforms, the only real alternative in the two party dominated FPP system was the National Party and Labour had them trumped. There was however concerted opposition from the left to the reform process leading up to the 1987 election with the emergence of the "Left Alternative," a left wing group which set out to challenge the sitting Labour Member of Auckland Central and member of the Finance *Troika*, Richard Prebble (Sheppard, 1999: 94) (Bassett, 2008: 300). They set out to capture the "traditional Labour vote in the Auckland Central electorate" (NZH, July 7 1987: 3). They believed that the Labour Party had gone too far in its implementation of Rogernomics and the monetarist policies it had become famous for;

"The Group which calls itself the Left Alternative opposes Rogernomics and wants to see full employment and a living income for everybody" (NZH, July 7 1987: 3).

This attempt at destabilising Prebble was unsuccessful as he managed to survive and hold the seat at the 1987 election. This was however, the beginning of a major period of opposition to the economic reform process from within the left of the party. Party President Margaret Wilson had begun selecting members for the election which she believed would be able to defend the party against further reform (Bassett, 2008: 274). This was also combined with a situation that very few had anticipated – a split between Douglas and Lange which was beginning to gain momentum as Bassett claims Lange moved closer to Wilson (Bassett, 2008: 27).

Despite this the Labour Party was re-elected at the 1987 election with an increased majority (Burke, 2009). Bassett claims that the 1987 election was in part a referendum on the reforms and the fact that the government won suggests that the people of New Zealand were prepared to accept the reforms and let the government continue.;

"Douglas played a major role in the 87 election campaign. People just wanted the reforms to continue, the job wasn't yet done. Prebble gave him the line I think that your house isn't finished until you have actually put a couple of coats of paint on it and got the

windows properly fitted and we hadn't done that yet. And Douglas just kept on and on and on, on radio, I don't know how many job meetings I went to in the course of the campaign just to hear the radio droning along in the background with Douglas talking and seamstresses sewing and doing various things with Douglas explaining this and that and the other thing. So while Lange might have wanted not to have Douglas, in the end he couldn't have carried it off" (Bassett, 2009).

As mentioned the fact that the Labour Party had been making inroads into National policy meant that some of the National members were unwilling to prevent the reform process (Bassett, 2009). There was also a cross over into National territory at the 1987 election;

"The final result Labour 58 seats (47.96 per cent of the national vote); National 39 seats (44.02 per cent). Yet there had been some substantial shifts in voting behaviour. Majorities in hard-core Labour electorates such as Roskill and Otara fell. Some erstwhile Labour voters had crossed straight over to National, while some National voters moved our way to embrace market-led policies. The last phenomenon was most marked in blue ribbon urban seats like Remuera, North Shore and Tamaki. In the first of these, which had been the deepest blue since the seat was created in 1938, the final National majority was only 406, and Muldoon's majority in Tamaki was his lowest in many elections" (Bassett, 2008: 274).

Gustafson also records the severity of the National defeat at the hands of the free-market Labour Government and the minor party support, particular that of Jones' New Zealand Party which had help defeat Muldoon in 1984, had collapsed with its supporters flocking to Labour due to the Douglas led reforms;

"Such was the swing of the New Zealand Party voters to Labour in the wealthiest urban seats that the National strongholds of Fendalton, North Shore and Remuera were only just held with shockingly small majorities" (Gustafson, 2000: 434).¹¹

The result shook the National Party to its core, with Ruth Richardson, herself a proponent of the free-market monetarist policies of Douglas assuming the role of Finance spokesperson, effectively ensuring that the National Party was now in step with Labour economically and putting an end to any hopes Muldoon had of playing a role in National economic policies (Gustafson, 2000: 434-435).

¹¹ The final electorate results saw National hold Fendalton by 311, North Shore by 920, Remuera by 406 and Tamaki by 1947 (Gustafson, 2000: 434 and 518).

Conflicts – flat tax, the collapse of Lange’s inner circle and privatisations

Following the election victory of the Labour Government, the first time Labour had achieved re-election since 1946, there emerged a major rift inside the inner circle surrounding David Lange. With retirements at the election and the promotion of Kerry Burke to Speaker, Labour needed to fill the vacant seats in Cabinet that had occurred. This led to the emergence in particular of Helen Clark who had fallen out with Anderton over Anderton’s public outburst following Labour’s defeat at the Timaru by-election in 1985.¹² Clark had been gaining favour amongst the likes of Lange and her close relationship with Wilson meant that she was another bridge between party and Caucus. Once again through use of a ballot, the Labour Caucus selected its Cabinet;

“Wilson announced that all 18 (we agreed once more that neither Lange nor Palmer should be on the ballot) had been filled. Bassett, Butcher, Caygill, Clark, Cullen, Douglas, Goff, Hunt, Jeffries, Marshall, Moore, Moyle, Prebble, Rodger, Shields, Tapsell, Tizard and Wetere would form the Cabinet” (Bassett, 2009: 277).

Welch (2009) argues that there was a feeling that Helen Clark had moved away from the likes of Anderton sufficiently to be considered by Bassett as ‘one of us,’ an example of the use of rhetoric by the party to alienate those who were against the reform process;

“‘Us’. Interesting word ‘us.’ Who exactly was ‘us’? To Bassett, it was the new Labour Party being built by the Douglasites on the ruins of the old. Anyone associated with Anderton and traditional Labour was ‘them’” (Welch, 2009: 107).

The tactics of the dominant faction in Cabinet who made up the inner circle were to isolate those in Caucus who were against the reforms to a point where their careers in the party would not advance further. Clark had emerged because of her denunciation of Anderton and as a result would be able to join the ranks of Cabinet in 1987.

¹² Labour had held Timaru since 1928 and with the death of Sir Basil Arthur in 1985 a by election was held. The Labour Party was defeated, prompting Anderton to speak out against the government - “The Government’s internal enemies seemed delighted by the outcome in Timaru. Jim Anderton was all over the front page of the Herald on Monday June 17 telling Cabinet it needed to learn the lessons of Timaru. ‘An unacceptable threshold of pain had been exceeded’ he said, and ‘the people’ rather than ‘economic advisors’ should be listened to by ministers...what wasn’t immediately apparent, however was the fact that it had produced a split between him on the one hand and Helen Clark and Margaret Wilson on the other. Anderton was in the process of gradually separating himself not only from his former allies, but from the government of which he was a part” (Bassett, 2008: 158).

“Clark of course was initially very critical of the thrust. And as I tell the story in *Working with David*, was critical of the budget of 1984, but then broke with Anderton. She really came aboard to the extent that Lange made the immortal utterance that she was ‘so dry she was combustible’ (Bassett, 2009).

In essence the inner circle was able to contract the debate on the economic reforms by limiting the career advancement of those who were against the reforms. Baumgartner argues that for every expansion there is a contraction in policy making circle (Baumgartner, 1989: 132 -133). This was one of the ways in which the Labour inner circle contracted the debate in effect shutting down internal opposition to their reform process and limiting the criticism. Bassett claims that through the influence of his speech writer and lover Margaret Pope, Lange was becoming less and less enthusiastic about the reform process and its initiator Douglas (Bassett, 2009). Lange claims that following the result of the 1987 election, restraint and control was required by the Labour Party or they risked superseding National’s territory completely;

“It is the goal of every major political party to occupy the centre ground which is the key to longevity in government, but it cannot do that if its base is not secure, and it was plain in 1987 that we were at some risk of losing ours. It was self serving to argue, as Douglas and his supporters did afterwards, that our victory was a mandate for yet more radical reform. Our campaign did not promise more radical reform. In terms of the electorate and in terms of Labour’s chances in the electoral contest, it made no sense at all to have us leap further away from our home ground” (Lange, 2005: 242).

The move away from market – driven reform by Lange signalled the end of the alliance between him and Douglas. In his allocation of Cabinet portfolios Lange set about dismantling the power possessed by the troika, a group which he had set out to create following the 1984 election;

“I no longer trusted Douglas and wanted to use the allocation to put some restraints on him. I took Prebble out of his role in finance but made a misjudgement when I gave him responsibility for all the state-owned enterprises, thinking that he would find enough to interest him in their oversight. His chief interest proved to be in selling them” (Lange, 2005: 244).

Following the re-election of the Labour Government in 1987 there was a major Cabinet re-shuffle. Lange was distrustful of those who followed Douglas and believed that the social services required protection from those who he believed would harm them;

“My greatest concern was to put ministers in place who would protect the social services from the onslaught I knew would be made on them, which is why I gave Social Welfare to Cullen and I gave Housing to Clark” (Lange, 2005: 244).

In removing those who were allied to Douglas and as such the reform process, Lange believed he was protecting the social services in general, he has acknowledged the fact that he believed they were in danger of similar reforms and worried that they would be further attacked by the reforms.

“Health had been Bassett’s responsibility in the first term in office. He had a waspish manner and he was a staunch ally of Douglas. I made Caygill Health Minister in his place. Caygill was dry as dust on economic issues but I thought him too polite and cautious to drive a bulldozer through public health” (Lange, 2005: 245).

Following on from this Lange looked to protect the Education portfolio. He claims that Education Minister Russell Marshall was not an ally of Douglas but had reservations about his abilities to defend the education Ministry against the Douglas reform process;

“Russell Marshall had no love for Douglas but he was not the right minister to defend the education portfolio. His department was a lumbering dinosaur, an easy target, but he was unable to distance himself from it, or from the teachers unions” (Lange, 2005:245).

Lange in saying the above acknowledges the fact that he was in fact in direct conflict with Douglas and his supporters as well as with the teachers unions who were trying to expand the issue of education reform to a level that would undermine the government’s reforms. Lange turned to Deputy Prime Minister Geoffrey Palmer to take the education portfolio, which he refused (Lange, 2005: 245) (Bassett, 2008: 278) (Bassett 2009). With no other alternative Lange himself took the education portfolio (Lange, 2005: 245) (Bassett, 2008: 278). Bassett claims that Lange was suffering from delusions of grandeur by comparing himself with former Labour Prime Minister Peter Fraser. However as Bassett points out this was not the case;

“He seems to have held the mistaken belief that Peter Fraser, Labour’s greatest Ministry of Education, had held the portfolio while Prime Minister, although in reality Fraser had held the position for only a month while PM” (Bassett, 2008: 278).

The split between Douglas and Lange was characterised in essence by the decision on what would be known as the Flat Tax. Having in the first term introduced both GST and lowering of the

personal tax rates (Bassett, 2008: 129 – 164), as well as numerous other reforms to the public sector beyond the scope of this thesis, Douglas, following the 1987 election was moving towards the implementation of a flat tax. Janda argues that parties which are successful with policies are unlikely to change them; “Successful parties seldom change a winning formula” (Janda, 1990:6). With Douglas and his followers, as well as the mainstream media claiming that the electoral victory of 1987 was a mandate to continue the reforms it is little wonder he wished to press on with the flat tax. Lange claims that Douglas approached him with three proposals for the 1987 budget in April of that year with, the first two were in the opinion of Douglas not viable and if the Prime Minister wished to take them then Douglas would have resigned (Lange, 2005: 236).

“The third option Douglas offered is burned into my memory. Its content would come as no surprise to anyone familiar with the ACT policy, or at least with ACT policy as it was in the days when Douglas was the head of that party, but in April 1987, when such things were unheard of in mainstream politics, it was a shock to me. He described it at some point as radical, but radical does not do it justice. He argued for the sale of almost every government asset, including roads, hospitals, schools and universities. Every social service was to be privatised. We were to have a single rate of income tax at 15c in the dollar, and GST would be raised to fifteen percent to match” (Lange, 2005: 236-237).

Senior Ministers discussed the proposal and realised that it was not viable in its current form (Lange, 2005: 237- 238). Lange points out that a split between him and Douglas would create problems in aggregation of voters at the next election as voters in the first term had supported the party due to the unity created by Douglas and Lange working as a team (Lange, 2005: 238-239). Labour had produced a manifesto at the 1987 election at the insistence of the Extra-Parliamentary party, the thrust of which promised that consultation would be provided to the party before reforming labour relations and that there was to be no privatisation of any corporations which had been created out of the old post office (Lange, 2005: 240). Lange claims that within a year of the election these promises were broken (Lange, 2005: 240). The stock market crash in October of 1987 only complicated matters further, the Government was forced to implement an economic recovery package in December, and this followed the November Labour Party conference where there were major tensions between Lange

and Douglas and the left of the party in the form of the Extra-Parliamentary party (Lange, 2005: 246).

Dyson describes the mood at the Conference;

“Between 1984 and 87 the determination of Roger Douglas et al to bulldoze ahead against any discussion or opposition became really very bad so that by the time of the 1987 election the relationship was really... that was when it was obviously very bad the conference after the 1987 election... was a very bitter and divided conference, you would not have thought we had just won an election” (Dyson, 2009).

The left of the party, tired of being ignored and passed over were attempting to expand the issue of the reforms at the Party Conference, Bassett remarks that Lange “got the worst reception I’d seen for any leader at the 27 conferences I had attended” (Bassett, 2008: 312).

“Most of the defence of the government was left to Douglas who preached the gospel of Rogernomics that had so recently won us re-election. He got a noisy reception. With one eye on the markets that would reopen the next day, he pledged that despite many left-wingers winning spots on the party executive, there would be no U-turn in economic policy. He would take no step to endanger confidence in the economy, either at home or abroad” (Bassett, 2008:312).

The conflict however, now had a third faction in the form of David Lange, the leader of the party and Prime Minister of the fourth Labour Government had split from the economic reform process, a process he had vigorously defended during the first term of the government. Things however would get much worse inside the Labour Party as the conflict which had thus far been between Cabinet and the Extra-Parliamentary Party and a few members of Caucus would now emerge as between two dominant personalities inside Cabinet, namely Lange and Douglas. Following the November Conference there was a feeling of animosity inside the party as the conflict which had taken place at the conference continued to place strain on the party apparatus as a whole;

“Moore described the conference as ‘a flash-point in Labour history’. Electorate organisations tired of raising money to pay levies to an executive that constantly undermined their government and were now thinking twice about attending conferences. Moore believed that from now on, everyone wanting to progress within the Labour organisation would seek to bash its Parliamentary leaders...Douglas weighed in with words that ‘no one has a future around here unless we tackle the issue of un-elected people throwing their weight around at conferences’. Ominously he predicted that a new party would emerge unless collectively we took charge of the old one” (Bassett, 2008: 313).

Bassett also argues that Lange who by this time was gravely ill did not have the strength to fix the party or the capacity as he was never a major player in the executive of the party unlike leaders of yesteryear such as Fraser and Kirk (Bassett, 2008: 313). At the same time the Extra-Parliamentary wing of the party and Jim Anderton in Caucus would continue their critical assessment of the reform process, as the reforms continued in a form which many traditional Labour supporters had never imagined would be initiated by a Labour Government. The Government's response to the economic crisis created by the stock market crash came in the form of a proposal put forward by Douglas which in the opinion of Lange "amounted to a re-working of his radical option earlier in the year," (Lange, 2005: 246).

"[Douglas] argued that we should liberalise the labour market, remodel the public sector, further reduce tariffs, and sell something like \$14 billion worth of public assets. Personal tax would be levied at a flat rate of 23c in the dollar and the goods and services tax was to be raised to fifteen percent. His fiscal projections seemed hopelessly optimistic to me. Much had happened with GST, when benefits were raised as compensation for the impost; Douglas offered a sweetener by way of a scheme he called guaranteed minimum family income, or GMFI. This was a form of subsidy for those who were in paid employment and was designed to keep a margin between those in work and those on a benefit" (Lange 2005: 246 -247).

Cabinet discussed the proposals on two separate occasions and agreed to the package, with only two objections against the flat tax in the form of Michael Cullen and Lange (Lange, 2005: 247); Douglas assured Lange that the announcement of the package would be delayed because of Lange's objection. Lange claims that it was decided that the package would be announced on December 17 although the taxation issue would be left until the New Year in order to let the final analysis of the GMFI take place by officials (Lange, 2005: 248). Under the provisions of Cabinet Responsibility Lange had to follow the direction which Cabinet had agreed, despite the fact he was Prime Minister. This is to ensure that the Prime Minister remains 'first among equals.' Lange claims that he considered resignation, as he no longer had the confidence of Cabinet (Lange, 2005: 249). Bassett (2009) claims that this was the time that Lange should have resigned in order to create unity in Cabinet surrounding the taxation issue;

"When I first sat in the Cabinet room I believed in the conventions of Cabinet government and I did my best to put them into practice. It was not an easy matter for me to set aside

but I did, because I could not bear to think of the country we would have if the flat tax went ahead" (Lange, 2005: 249).

The conflict that had emerged inside Cabinet between Lange and the majority of Caucus was a serious matter. Cabinet had set out to implement a flat tax which the Prime Minister was against. The Cabinet Manual clearly outlines the rules under which Ministers are supposed to resign if they can not maintain collective responsibility. The one reason Lange was able to survive was the fact that he was Prime Minister. Prime Ministers are equally as bound by this rule as junior ministers but the fact that the Prime Minister was in a position of power and the general public would be unaware of the Cabinet provisions of collective responsibility would mean that he could push the boundaries. This in effect was Lange's way of expanding the issue of the conflict over the flat tax, by making the public aware of the fact that he was standing up to Douglas and his flat tax he would be able to gain popularity. By claiming that the economics surrounding the flat tax failed to add up he was in effect applying Baumgartner's theory that those who expand the issue will try to portray the issue as more costly than the contractors have predicted (Baumgartner, 1989: 131-132). Following the Christmas break and contemplation by Ministers and officials, Lange at the end of January announced, while Douglas was abroad that there would be no flat tax (Lange, 2005: 249), his intention of expanding the issue had led to a unilateral decision against the wishes of his Cabinet and against the conventions of Cabinet collective responsibility. Tensions were fraught in the Cabinet of the fourth Labour Government following this announcement of the cancellation of the flat tax. There were clear factions inside Cabinet from this point.

An organised opposition to the leadership of Lange emerged inside the Labour Party known as the Backbone Club, this was established in order to support the policies of Douglas and continue creating media attention for the issues Douglas was proposing. The ability to use the media is a method often used by MPs and those in the public spotlight in order to expand an issue in order to gain public attention to their plight. Douglas and the Backbone Club were experts at controlling the debate and using the media in order to do so;

“Because of the privileged access to the media that the parliament enjoys, the debate then provides a prime opportunity for those on the losing side of a conflict in the specialised policy communities to expand the issue and to force it into the national political agenda” (Baumgartner, 1989:166).

With the Backbone Club emerging as a pivotal threat to Lange and his leadership, there were many in the party who were worried about the party’s chances of re-election in 1990, although still some time away yet, the party wanted to maintain at least a perception of unity for the electorate at large. A major issue of contention emerged at the 1988 conference with the election of new President Ruth Dyson. Anderton had announced his intentions to run for the presidency with the aim of wresting the party back from the right wing factions;

“The Jim Anderton Approach, he wanted to do, what Jim wanted to was get elected President and then leave, because he thought that was the only way of getting Labour back. I understood where he wanted to get to and I agreed with that but I didn’t agree with his methods, I thought the way to do it was from within inside the party to change the processes and get rid of some of those people and that is what we did” (Dyson, 2009).

Lange claims that both the Backbone Club and Dyson were adversaries but that there was a united front in order to stop Anderton regaining the Presidency;

“For some reason I can only explain in terms of an atavistic dislike of Anderton, the Backbone Club threw its weight behind her and she won. The right of the party would have been far better placed with Anderton as president, because it would have cut off the party from me and the Caucus. The party offered its continuing support in return for consultation and a voice, particularly in the sale of public assets. I agreed on behalf of the Caucus” (Lange, 2005: 263).

Anderton had the support of many left leaning unions and the Extra-Parliamentary party in his bid for the Presidency but up against the combined forces of an “uneasy coalition of Cabinet, all but a handful of Caucus, the party hierarchy, the Women’s Council, the Backbone Club, and right-leaning unions,” it was a battle he was unable to win, going down 572 – 473 (Sheppard, 1999: 148).

From this point onwards Anderton’s participation in the Labour Party would become increasingly limited and isolated. Dyson argues this was because of tactics and not outcome. Anderton was trying to restructure the party from within parliament as president, which the majority of the party didn’t want;

“They wouldn’t go with him. They said no this is our party and we are going to get it back. That was my position, where as Jim said you will never get it back you have got to start again” (Dyson, 2009).

With Anderton isolated within Caucus and the Party it was difficult for him to continue any strategies of expansion in order to derive conflict against the Backbone Club and Douglas. At the same time Douglas began using the media to undermine Lange and his leadership following the conference;

“Douglas returned again to his own record as a team player, in contrast to Lange whom he portrayed as an isolated, erratic individual: ‘One has to ask: Why is it that all these decisions have been made unilaterally by the Prime Minister, without advice to or consultation with Ministers, without public service advice? Why is it that none of these matters were brought to Cabinet and argued through with the Cabinet, with supporting papers and advice, to reach the best possible collective decisions?’” (Sheppard, 1999: 154).

By bringing himself into direct conflict with Lange through the medium of the media, Douglas was able to control the debate and in effect expand it to his point of view. Lange, aware of the popularity of not only the reform process but also Douglas himself, knew that he would not be able to dismiss Douglas (Sheppard, 1999: 155).

“Caygill was the only credible choice [to succeed Douglas in the finance portfolio], but he had said plainly that he would not over from Douglas unless Douglas did not want the job” (Lange, 2005: 262).

The dismissal of Richard Prebble by Lange from Cabinet in late 1988 created conflict inside the party. Prebble had in disregard of the agreement made with the party at the conference, refused to consult the party on the issue of the sale of the Shipping Corporation. In response Lange dismissed him from Cabinet, to which Prebble retaliated by speaking out on television that Lange was acting like a dictator (Lange, 2005: 264) (Sheppard, 1999: 160 – 161). This was followed shortly after by the resignation of Douglas who claimed he could no longer serve as Minister of Finance under Lange, implying that the only way for labour to gain re-election in 1990 would be under the tutelage of another leader (Sheppard, 1999: 164- 168). The Backbone Club rallied around Douglas, holding public rallies to promote the achievements of Rogernomics, a leadership challenge emerged in Caucus where Douglas challenged for the leadership in a situation which had echoed Lange’s rise against Rowling. However just as in 1980 the incumbent was the victor, this time with a much more comfortable

margin than Rowling had possessed, the final margin was 38 – 15 in favour of Lange (Sheppard, 1989: 169).

Lange had won the battle against Douglas, however the conflict would continue as Caygill, Douglas' replacement continued the reform process, moving towards continued asset sales and privatisations. Anderton who was opposed to the sale of the Bank of New Zealand had abstained from the third reading of the Bill, in effect gaining expulsion from Caucus as he had violated the rules which maintained that members must not abstain from votes under the punishment of expulsion. Anderton managed to gain re-instatement into Caucus through a loophole in the constitution (Sheppard, 1999: 171). However, once Anderton had returned having announced that he had the Extra-Parliamentary Party behind him and his views on the continuing asset sales and in particular the sale of the Bank of New Zealand he resigned from the party (Sheppard, 1999: 182);

“I abstained, I wouldn't vote on it, which was equivalent of voting against it of course so they tossed me out of the Caucus I got back again eventually but then resigned once I'd gone on my own terms” (Anderton 2009).

Anderton's resignation from the party he was once President of caused shockwaves throughout the party as a whole. In resigning he managed to take numerous Extra-Parliamentary figures with him as activists of the traditional Labour ideological background flocked to his support. He was however unable to take any sitting MPs with him as he left the Labour Party formally on April 18 1989 (Sheppard, 1999: 182 – 183). His former allies inside the party had refused to follow Anderton, Helen Clark in 1993 explained;

“I've always been fairly contemptuous of people like Anderton who walked away from it, because clearly in two party politics the Labour Party was the only vehicle that there was if you had any interest in the social democratic agenda” (Clark, 1993).

Anderton however explains his reasons for leaving after the departure of thousands of financial members from the Extra-Parliamentary Party;

“The party I joined in 1964 was not the party I left in 1989 and so if I had been asked to join the Labour Party in 1989 I wouldn't have joined it... they have left party and they think 'well you get on with it' and the way they show their opposition is they don't

renew their membership, well they sure did that it in droves. I mean someone said to me, this is where I think I made this comment, one of the media said, why are you leaving the party why don't you stay in side it and fight? I said well actually I'm not leaving it its already gone I know there is all these people who used to belong to the Labour Party they are out there, saying why are you still there? And why am I still there, what's the answer? Why am I still here, what because I think I'm going to make a difference? I know I'm not going to make a difference. I've sacrificed my whole political career and haven't made a difference, what else can I do? I can't put my name to this stuff; it's terrible so I'm going" (Anderton, 2009).

Anderton set about forming a political party in opposition to the Labour Party based on traditional Labour Values. Allied with operatives and activists who had made their craft inside the Extra-Parliamentary Party of the Labour Party, Anderton attempted to unite the disenfranchised left of the Labour Party under the banner of the NewLabour Party (NLP) (Trotter, 2001: 252). However, Anderton had failed to gain the support of the Trade Union movement which made up the core of Labour Party support. This was to prove fatal to Anderton's chances of gaining major Labour support. With many Union Leaders agreeing with the former Caucus allies of Anderton that he had abandoned the fight against Douglas and the Backbone Club (Sheppard, 1999: 183 – 185). Unfortunately for Anderton by establishing a working political party to the left of the Labour Party it was not traditional Labour people who followed him but rather those even further to the left;

"An opportunity arose for radical leftists of every persuasion to break out of the political ghetto within which they had been confined for most of the Cold War period. Maoists, Trotskyists, radical feminists, deep ecologists, gay-rights activists, and Maori Nationalists flocked to the NewLabour Party's inaugural conference in June 1989...the public perception of the NLP as a dangerous bunch of 'loony lefties' would never be dispelled" (Trotter, 2001: 253).

David Lange's Resignation and the final decline of the Fourth Labour Government

With the dismissal of Prebble and the resignation of Douglas combined with the defection of Anderton to the NLP the Labour Party was haemorrhaging support. The factional infighting was beginning to take its toll publicly on Labour. A political poll at the beginning of April placed the government squarely in second place behind National at a margin of 58 percent to 34 percent.

Matters only deteriorated further for Labour as another poll held in May placed the margin at National 63 to Labour's 30 percent (Sheppard, 1999: 186).¹³ With the Backbone Club openly criticising Lange's leadership and promoting the achievements of Rogernomics at every available opportunity it would only be a matter of time before cracks in the party would begin to show. An attempted leadership coup against Lange was thwarted during a four week recess in the Parliamentary schedule. With Ministers and Caucus members returning from the four corners of the earth to register their votes on June 29 1989 it came down to a slim number of votes. There were a number of Caucus members who wanted Douglas re-instated into Cabinet, but with Douglas refusing to be part of a Lange led Government the only way was through a leadership coup. Lange emerged with his leadership intact but only just as parallels were drawn with the coup against Rowling almost a decade earlier, this time the margin was a slightly more comfortable at 28 in favour of Lange, whilst 24 wanted a change in leader and therefore Prime Minister (Bassett, 2008: 498) (Sheppard, 1999: 188 – 192) (McQueen 1991: 174 – 177). A vote was held on August 3 1989 to fill the two vacant seats in Cabinet which had emerged from the dismissal of Prebble and the resignation of Douglas. What emerged was the re-instatement of Douglas to Cabinet along with the newly promoted Annette King (Bassett, 208: 506). This was the final nail in the coffin for Lange, the fact that the Caucus had elected Douglas;

"I did not put it to the members of Caucus as a choice between him and me, as it was hard to believe any of them could be so stupid as to see it in any other way. The majority chose Douglas. When I heard the result I knew my decision had been made for me" (Lange, 2005: 272).

David Lange's resignation as Prime Minister on August 8 1989 led to the election by Caucus of Geoffrey Palmer ahead of Mike Moore as Prime Minister and Helen Clark was elected Deputy ahead of Douglas (Bassett, 2008: 509). The use of expansionist tactics by the Backbone Club had proven too

¹³ The two Polls were the *Haylen poll* for *Eyewitness News* and the NRB poll for *The New Zealand Herald* respectively (Sheppard, 1999: 186).

much for Lange. By expanding the issue through use of pressure and rhetoric Douglas' supporters had managed to force the re-instatement of Douglas into Cabinet. Lange saw his only option as resignation. Clark's elevation to the position of Deputy Prime Minister in effect vindicated her decision to abandon Anderton and the left of the Party. The inner circle pressure forced by Douglas and his followers in the first term had paid off by way of the majority of Caucus in essence choosing Douglas over Lange. The factional infighting had taken its toll on the Labour Party. With an election little more than a year way Labour was in a place of disillusionment with many voters struggling to see the party as a viable option at the election. As Labour moved closer to the 1990 Election there was a sense that the party was doomed in government. With mass defections of Extra-Parliamentary members leaving the party in droves in either re-alignment to the NLP or de-alignment into the political wilderness;

"I'd say I represented a hundred thousand, most of whom walked over that period and I represented them right through until the time I left which was 1989. And by then most had left, the Labour Party was down to about five thousand members by the time I left. We nearly had as many in the NewLabour Party as they had" (Anderton, 2009).

The Factional infighting which had caused a split in the relationship of Lange and Douglas played a major part in the decline of the fourth Labour Government. However both Anderton and Caygill place most of the blame for the Labour Government's fall on the economic crisis and stock market crash of 1987 shortly after the election. The Labour Party is a Mass Party and as such in the view of Duverger relies heavily on membership in order to survive.

"The members are therefore the very substance of the party, the stuff of its activity. Without members, the party would be a teacher without pupils" (Duverger, 1954: 63).

A mass party relies on its large membership in order to stay financially viable; by spreading the burden of subscription across as many members as possible the Mass Party is able to stay financially

afloat. With an exodus of 100,000 members in the view of Anderton the party was in danger of self destructing. Janda argues that parties are reluctant to seek radical change unless they are under the threat of destruction and extinction (Janda, 1990: 13). The Labour Party was never at that point, it was one of two parties in the First Past the Post Electoral system and was always going to survive the election. Nevertheless with mass defections in the form of de-alignment and re-alignment the party was haemorrhaging badly and change was drastically needed. Bassett claims that the polling data the party was receiving in the lead up to the 1990 General Election made the party aware that drastic change was needed in order for the party to have any chance of gaining re-election (Bassett, 2009). In what could be described as the final conflict of the fourth Labour Government Palmer was replaced as Prime Minister by Mike Moore a mere six weeks from Election Day;

“It was distressing, because it devalued the office of prime minister and made us an international laughing stock, and it was destructive because Palmer was perfectly willing to carry the burden of defeat and then give way to a new leadership which might have a chance of starting again among the ruins” (Lange, 2005: 279).

Conclusion the 1990 election and its aftermath

In replacing Palmer as leader many inside the Cabinet and Caucus hierarchy believed that Moore may have been able to save seats and breathe life into the party at the election where Palmer had been performing poorly. There is substantial debate amongst historians, political commentators and Members of the Labour Party alike as to whether this had its intended effect. (Bassett, 2009) (Sheppard, 1999: 231- 233) (Welch, 2009: 122 – 124). As stated previously Janda argues that parties are most likely to make drastic changes to their leadership and aims if they face extinction. Labour was at this point as close to extinction as at any other time since 1935. Anderton claims that the issue was never if the Labour Party would lose but rather by how much? (Anderton, 2009). The changing of leader so close to the election proved to be too little too late. The final results of the election saw Labour crash to its worst ever defeat. Labour received 35.1 percent of the vote and 29 seats compared to National's 47.8 percent and 67 seat Welch argues that there were some in the party who believed that Labour was in danger of winning as few as 12 seats (Welch, 2009: 122). In massive turn around from the 1987 election Labour was in a complete state of disarray;

“In the worst general election result in the party's history, 27 seats were lost to National, and further opening a wound that was already bleeding, Jim Anderton won Sydenham for NewLabour” (Welch, 2009:125).

With Anderton and the emerging Green Party polling a combined 12 percent of the vote (Trotter, 2001: 254), Labour's traditional left wing support had all but abandoned the Party. With the formation of the Alliance Party with Anderton as its leader in 1992 combining the NLP with the Greens and other smaller parties disenfranchised by the two party dominance of Labour and National it was clear that Labour would need a substantial re-building period if it was to have any chance of reclaiming the government benches. The foundation of the Association of Consumers and Taxpayers (ACT) political party in 1994 created a vehicle for those who had allied themselves to Douglas and the

Backbone Club. The emergence of what Sheppard (1999: 245) describes as “daughter parties” shows just how fractured and splintered the Labour Party had been between 1978 and 1990. The infighting had been inevitable as three factional groupings inside the Labour each led by three equally dominant personalities in the form of Lange, Douglas and Anderton vied for influence in a political party that each claimed to be representing the true values of. Baumgartner believes that groups in opposition to issues will attempt to expand issues in order to gain popularity and sympathy for their causes. Throughout the period discussed in this thesis all three factions had attempted this to various degrees of success. The dominance of Cabinet in the New Zealand political system however was to give the dominant Lange-Douglas faction the initial advantage due to the overwhelming power possessed by the inner circle inside the Cabinet. With the split between Lange and Douglas this dominance would shift to two rival factions in effect creating further tension and conflict. Many in the party believe that the infighting was not the major downfall of the government culminating in the electoral landslide defeat at the hands of National but believe that it had some impact on the result;

“I think with Bill Clinton when he was campaigning for the US Presidency that it’s the economy that explains most election results. No I don’t think the infighting cost the election in 1990. I think we were doomed basically when the economy tanked at the end of 87 and didn’t pull up” (Caygill 2009).

However, Caygill also believes that the infighting wouldn’t have helped in the public perception of the party (2009).

“I think the reason we lost the 1990 election is because we lost our way as a government or as a Labour government. Labour people all over the country would cross the street to avoid talking to a Labour person. We lost them because they didn’t like our policies, it was, we had infighting because we didn’t like our polices within the party” (Dyson, 2009).

The infighting had created confusion amongst traditional voters as evidenced by the drop in membership between 1984 and 1990 (Anderton, 2009). The restructuring of the Labour Party during the 1990s to that of smaller membership revolving around higher donations from large organisation (Miller, 2001: 234), supports the trend of this de-alignment of supporters and the lack of support which Labour maintained throughout the 1990s which could be attributed to the factional conflicts which

occurred predominantly a decade earlier. By expanding the issues according to Baumgartner, the left wing of the Party which had been left out of the policy process had in essence contributed to the decline and fall of the Labour Government. Although the left wanted a Labour Government and had in the opposition period between 1975 and 1984 worked hard to achieve this, the Government they received was one which in their point of view was unrecognisable as a Labour entity (Anderton, 2009) (Dyson, 2009). The dominance of the right faction of the party and their ability to exclude the left of the party from the policy process had led to conflict. This conflict would contribute to a mass defection of members from the Extra-Parliamentary party as well as a former Party President in the form of Anderton establishing a party to the left of Labour. For the left to survive in the Labour Party the only option to them was to expand the conflict to a point where the survival of the Government was essentially untenable.

With the election of Helen Clark as leader of the Labour Party following further defeat in 1993 the Labour Party moved to distance itself from the era of Rogernomics, in claiming to follow the ideals espoused by the third way, Labour under Clark was able to distance itself from its two daughter parties in ACT and the Alliance, by arguing it was the central party and only real opposition to National (Miller, 2001: 231). However it was ironically the reunion of Labour with the Alliance (in particular with Anderton) in 1988 after a softening in stances by both parties (Trotter, 2001: 259) which was to allow or a return to power of Labour in 1999. The result was a three term Labour Government supported by Anderton in the form of various political entities. With Anderton becoming Deputy Prime Minister in a Labour led Coalition Government from 1999 – 2002 and then from 2002 – 2008 holding numerous high profile Cabinet positions whilst maintaining the number 3 rank in the Labour led Cabinet the reconciliation of the left in New Zealand and as such more traditional Labour ideology and values, was complete. The fourth Labour Government continues to invoke images of fractured governance but as with most political events in New Zealand the public and then eventually the Labour Party was able to move beyond the period and look towards the future as a united political party.

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