A new colony for the IMF: New Zealand

by Allen Douglas

New Zealand's drastic economic "reforms" since 1984 were the showpiece of a lecture by New Zealand Embassy Councillor Derek Gill, co-sponsored by the National Economic Club and the International Monetary Fund at the IMF Visitors' Center in Washington, D.C. on April 13. In a presentation which hyped the emergence of New Zealand's wildly speculative financial markets, and which glossed over the utter ruin the reforms are bringing to New Zealand's farmers, manufacturers, and workers, Gill let the cat out of the bag as to whose program it was, that the Labour Party began implementing immediately after its 1984 election. "The government introduced an IMF-style devaluation," Gill began, ticking off the rest of the reforms which are the standard package the IMF prescribes to loot developing-sector countries for the private banks.

As Gill's speech made clear, New Zealand, with its over $50 billion debt (U.S.$30 billion) and a population of only 3.25 million, has become an IMF showpiece. The Fund does not formally dictate conditionalities to the country as it does in Ibero-America or Africa, only because New Zealand's Labour government carries out the IMF program on its own. In addition to its "IMF-style devaluation," the Labour government has implemented other standard IMF demands: It has privatized state sector assets (in order to raise $14 billion to pay the debt); it has eliminated protective tariffs (opening the country up for foreign looting); it has ended interest rate controls (leading to interest rates as high as 30%); and it has "freed up" its capital markets (allowing speculation and money laundering to predominate over financing for hard-commodity production.)

The IMF has been low key but not absent from the country. For example, in late 1988, the IMF reorganized the New Zealand government's Inland Revenue Board, to gouge more revenue out through taxes. Furthermore, the all-powerful Business Roundtable's chief think tank, the Center for Independent Studies, is chaired by Rod Deane, who spent part of the 1970s in the office of the Executive Director of the IMF. Deane is presently the head of Electricorp, a former government department now "corporatized" and soon to be sold off. He is keeping up the grand tradition described by former IMF official Davison Budhoo, of IMF executives looting countries, while granting themselves extravagant pay rises and staging lavish parties. Electricorp caused a scandal in late 1988 when its executives granted themselves "bonuses" of hundreds of thousands of dollars, even as they fired thousands of employees.

Derek Gill, in his speech in Washington, praised the New Zealand Treasury Department as "the core economic agency of the reform program." As former Prime Minister Robert Muldoon, once an IMF big-shot himself, recently noted, a hard core of Treasury employees were trained by the IMF.

Rural economy devastated

While waxing eloquent about the growth of capital markets "even freer than Hong Kong" (which is based on drug-money laundering), and the fact that salaries for economists such as himself had soared from $30,000 per year to $150,000, Gill did note that "the farmers have been hit the hardest," and that there is "severe distress in the rural community" which until recently has accounted for 75% of all New Zealand's exports.

This provoked a question from the audience: "Most of the burden of reforms is being placed on the agricultural economy. Why do the farmers put up with the pain?" to which Gill replied, "I will give you the answer in two parts, the first a bit cynical. The farmers aren't going to vote for them [the Labour Party] anyway." He then explained that the leadership of the farm organizations supported measures to cut their own members' throats. "The farm lobby have been consistent supporters of the general direction of the reform. The farm sector leadership, anyway, has been supportive of the government, including on slashing farm subsidies. . . . This is partly to do with the character of the leaders at the top of the farm sector."

These leaders, as in the Federated Farmers organization, are invariably Freemasons. They are directed by such high-level Masons as Sir Ron Trotter, chairman of the Business Roundtable. Many rank-and-file Masons, as well as non-Masons, have been destroyed by this sellout.

This correspondent then ticked off the devastation caused by the government's reforms: 1) unemployment (over 170,000) is at the highest rate in New Zealand's history; 2) as many as 20,000 out of 50,000 farmers stand to lose their farms within months; 3) though the purpose of the privatization is to raise the money to pay the $50 billion foreign debt, it was Labour itself which created that debt (up from $12.6 billion when Labour came in); 4) the "next phase" of the government's economic reforms—which Gill did not even allude to—is Mussolini-style corporativism, a command economy in apparent contradiction to the present IMF-style "free market."

To all this, Gill could only reply, "I don't know what to say other than that I disagree," followed by the preposterous claim that, "Reviewing the reforms to date, New Zealand has escaped relatively lightly. . . . The economy is in relatively good shape to benefit from the upswing."