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THE NEW ZEALAND LEGION AND CONSERVATIVE PROTEST
IN THE
GREAT DEPRESSION

A thesis presented in partial fulfilment
of the requirements for the degree
of Master of Arts in History

by
Michael C. Pugh

November 1969
University of Auckland
PREFACE

During the period 1928-35, depressed economic conditions created a need for increased state activity. Many conservatives condemned as 'socialistic' the measures taken by governments to lessen the impact of the slump, and were reluctant to concede that their laissez-faire views were inappropriate for the situation. One of the conservative rebels, W.A. Veitch, argued:

'It seems to me that the remedy is for the [Reform] Government to abandon its policy of socialism and get back to the original principle of encouraging individual effort by restoring public liberty'.

Although there was no consistency in the organisation and personnel of right-wing protest, its individualistic theme was recurrent.

Men who resist political and social change, particularly those who fail, are not popular subjects for historians. Since the publication of W.P. Reeves' The Long White Cloud in 1898, 'state experimentation' has rightly been regarded as a prominent characteristic of New Zealand's history. There has been a tendency, however, for writers to underestimate the political significance of those who opposed the extension of state activity. This thesis traces the fortunes of right-wing protesters as they reacted to economic disaster and the way it was handled by conservative governments. An examination is made of the

genesis of the United Party and its failure to satisfy the right; the increased political tension of 1932-33, which resulted in the formation of the New Zealand Legion; a history of the Legion; its failure and the growth of other organisations including the Democrat Party. An attempt has been made to show that the Legion was not simply an inconsequential oddity, but one manifestation of the crisis in conservatism.

The author's interest in right-wing attitudes was stimulated by the increasing attention being paid to popular right-wing movements by historians overseas. In the world-wide depression of the early 'thirties, political as well as economic conventions were questioned, and almost every nation had at least one fascist-type group. The author suspected that New Zealand experienced comparable right-wing extremism, and found that a proposal in the periodical, Tomorrow, had not previously been tackled: 'Someone who knew ... the Legion well should write a memoir of it for the benefit of future students of political psychology.'

Extensive use has been made of newspapers and archival material to determine the attitudes of conservatives to the economic situation, and to trace the progress of the three major protest groups - the United Party, the Legion, and the Democrat Party. The Legion manuscripts which have been preserved give a thorough insight into the

Legion's history. Its organisation and membership have been examined in some detail because this particular movement was the most extreme of the right-wing protest groups, and the most popular. The Downie Stewart papers were valuable for an analysis of the attitudes of one of the most prominent conservatives in the period who lent some support to protest. Surviving manuscripts of J.G. Coates indicated the economic and political views of the Reform Party leader.

My thanks are due to the many librarians, especially the staff of the Auckland University Library and Mr Hitchings of the Hocken Library, Dunedin, who offered their assistance in my research. I also extend thanks to Miss Judith Hornabrook and the staff of the National Archives in Wellington. I am indebted to Mr J. Nelson of Havelock North for permission to use his Legion manuscripts; to Sir John Ormond for permission to read his diary; to Mr G.W. Armitage of Christchurch for access to the Downie Stewart papers in his possession; to the Hon. W.J. Scott for permission to use the Coates Papers. Special thanks are due to all those who granted me interviews and answered my enquiries. I wish to acknowledge the helpful suggestions of Professor R. McD. Chapman, Mr E.P. Malone, and Mr Kendrick Smithyman, of the University of Auckland. It is a pleasure to acknowledge my debt to Dr Michael Bassett for his supervision and assistance. I would also like to thank my typist Alison Thompson.

This thesis is dedicated to my wife, Margaret Pugh, who typed the
drafts, suggested innumerable improvements to the text, and encouraged me throughout my research.

Michael C. Pugh
Auckland
November 1969
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CHAPTER I

INTRODUCTION: CONSERVATISM AND THE LIBERAL ETHIC

New Zealand politics, for all their pragmatism, are not without emotion or nostalgia. The United Party's electoral success in 1928 may have been otherwise without it.1 Looking back from the perspective of the economically insecure nineteen twenties and 'thirties, the achievements of liberalism between 1891 and 1900 seemed glorious. A focus of world attention, the Liberal phenomenon was synonymous with tolerance, state protection of the individual, social progress, and humanitarianism.

So venerated was the memory of the Liberals, that competition for the mantle of the Liberal Party and for the title of 'liberal', was common among politicians. It was used to counter Bolshevism, to defend moderate socialism, and to indemnify conservatism. William Downie Stewart, Reform's Minister of Finance, claimed in 1928 that:

'The Labour Party is merely a party of opportunism, catching at any straw that will gain them political support. Their latest cry is that they are the lineal descendants of Seddon and Ballance, which is a travesty of political history.'

He continued with reference to the United Party:

'the whole flock is trying to make use of the liberal tradition while ashamed to adopt the name of Liberalism, as they too well know that the Ark of the Covenant of Liberalism has long since passed into the safe custody of the Reform Party.'

It would have been irreverent for politicians of the 'twenties and 'thirties not to acknowledge Ballance and Seddon as the inspiration for their political attitudes. A contemporary writer suggested, 'we are all Liberals in these days'. Conservatives who protested at the increase in government interference during the depression of 1928-35 were no exception. They justified their opposition to conservative governments with their own laissez-faire interpretation of liberalism.

That the term 'liberal' could conceal a multitude of beliefs was partly due to the empirical aspect of New Zealand politics. British laissez-faire liberalism, with its doctrine of individualism and 'anti-authoritarian distrust of the state', had never been relevant to the New Zealand situation. In the 1890s, the venture into what W.P. Reeves called 'state experimentation', was a continuation of the state interference which had been made necessary by the economic insecurity of

colonial society. The dilemma of statism versus individualism remained latent in New Zealand because of the needs of colonial society. Liberalism and its heritage remained open, therefore, to many differing interpretations.

The Labour Party, for example, identified itself with the humanitarian facet of liberalism. With the death of Ballance in 1893, and the elimination from power of Stout and Reeves by 1896, the Liberal Party had lost its radical tinge. The Labour Party gained from this situation and increased its support by fielding greater numbers of candidates in successive elections after 1919. By 1935, the popular image of the 1890 Liberals was that of humanitarianism, and one that Labour's moderate policy could appeal to. As Michael Joseph Savage remarked after Labour's victory:

'we intend to begin where Richard John Seddon and his colleagues left off.'

For the Labour Party there was no dilemma about expanding state activity.


By contrast there was uneasiness among conservatives. Much friction occurred between those who were prepared to adapt the functions of government according to the needs of society, and those who opposed any extension of state activity and whose protest was channelled into the United Party, the Legion and the Democrat Party.

Although, in the early years of the century, the Reform Party was the Parliamentary Opposition to the Liberals, it was to prove adaptable to the demands created by economic insecurity in the 'twenties and early 'thirties. Reform Party conservatives were no more committed to a laissez-faire policy than the 1890 Liberals, and exhibited no more than a 'generalized attachment to private enterprise'. Coates won the 1925 election to the accompanying maxim of 'less government in business', but anti-statism had never been given the status of a rigid doctrine by Reform. Farmers, whose support was essential to Reform, traditionally demanded state intervention to ameliorate the vicissitudes of overseas prices, while those manufacturers who favoured Reform demanded tariff protection.

Indeed, on occasion, the Reformers had to defend their state intervention against complaints made by laissez-faire individualists.

7. R.McD. Chapman, et al., New Zealand Politics in Action, London, 1962, p. 14. 'Coates was not only continuing a tradition of state and public regulation begun by the Liberals in the 1890s; he was also laying the foundation for the much greater extension of public control in the succeeding period of Labour rule.' W.H. Oliver, Problems and Prospects of Conservatism in New Zealand, Wellington, 1965, pp. 27-28.
Adam Hamilton (Reform, Wallace) said in 1928, for example:

'the socialism of ... Reform is not a bad policy .... It is not only the privilege but the duty of the Government to hold the proper balance between individual freedom and State protection .... There is a certain amount of socialistic legislation that is very beneficial, and I do not think this Government has exceeded its right and its duty in that direction.'

As the Party's railway building, marketing control boards and Motor-Omnibus Traffic Act indicated, Reformers did not avoid state intervention; they were conservatives with a small 'c'.

However, there was a considerable undercurrent of opinion in New Zealand politics which maintained that laissez-faire liberalism was not merely relevant to conditions in the 1920s, but was a New Zealand tradition. According to this belief individuals should not need to rely on government assistance. In fact government interference was said to undermine moral self-reliance and, by raising taxation, to weaken business confidence and delay economic recovery. Government

8. P.D., Vol. 217, 1928, p. 393; see also Nosworthy (Postmaster General), ibid., p. 43.

activity (often called 'socialism') was regarded as dangerous:

'The fact of the matter is that prosperity, when properly viewed, will increase in inverse ratio to the amount of legislative control; that we do not need more State enactments but less; that individuality is being smothered under a weight of regulations, and that the incentives to personal effort will be most effectively restored in proportion to the extent to which State interference is reduced.

This virus of socialism needs examination in this Dominion. We have dallied too long with such dangerous doctrines that work out so detrimentally in practice. Can we not even yet get back to individualism and unfettered private competition.' 10

This defence of 'yeoman' values was a central feature of conservative protest groups.

The founders of the United Party were one such group who had faith in individualism. The notion that the United Party was a 'liberal revival' is only partially accurate, and inadequate without qualification. It implies that the United Party was linked to the humanitarian statism of the Liberals of the early 1890s - a view supported by the fact that heavy borrowing (to finance land settlement and railway extension) was the most significant item in the Party's platform in 1928. The impression that United was a centre party which avoided the extremes of Labour and Reform, also seems confirmed by Labour's support of the new Government. But the supposed inheritors of the Liberal Party, the National and United Parties, were in effect

'thinly disguised' conservative parties. Denuded of their wage-earner support by the growth of the Labour Party, residual Liberals (such as Forbes, Ransom and Masters) were revealed as conservatives. Indeed throughout the 'twenties fusion discussions took place between Liberals and Reformers. By 1928, these 'liberals' regarded Reform policy as obnoxious 'socialism' and, in their attitude towards the role of the State, they were to the right of the Reform Party.

United's success was a freak performance that could not be repeated. Once the United Government had initiated wage-cutting and other deflationary policies (in 1931) it was impossible to dupe poorer sections of the community by disguising right-wing individualism as 'liberal' or humanitarian. Both the Legion and the Democrat Party were unable to extend their bases of support beyond disgruntled conservatives.

Conservative protest was unable to win the acceptance of the majority of conservatives; not all were dissatisfied with state activity. Farmers, for example, welcomed government regulation and promoted the establishment of export marketing controls. Dairy farmers also demanded protection against businessmen and trusts, and called for

the provision of cheaper rural credit. Rural-urban sectional clashes were already significant in the 'twenties, but the conflict deepened as governments were compelled to take steps to rehabilitate the farming industry at the expense of urban interests. A breach occurred with the raising of the exchange rate in January 1933 and the resignation of the only Cabinet member representing a city constituency, the Minister of Finance, Downie Stewart. Policies favouring rural interests were regarded by commercial groups as radical and inflationary; businessmen were more inclined than farmers to join protest movements. Conservative sectionalism was a problem which the Legion, despite its policy of national unity, was unable to overcome.

It would be an oversimplification to suggest that most businessmen were consistent participants in right-wing protest. Many, such as T.S. Weston, M.L.C. (whose interests included the Dominion newspaper), Sir James Gunson (N.Z. Insurance Co., Auckland Gas Co., Wisemans Ltd.), and Oliver Nicholson (N.Z. Insurance Co., Bank of New Zealand, Auckland Savings Bank), were loyal to Reform. At times they promoted government regulation of business (e.g. the Company Bondholders Act of 1934). But there was a small and extremely vocal group of dissidents who resented state intervention, including William Goodfellow, Edwin Salmond, Sir

12. Dairy farmers' demands were channelled into the Country Party, Douglas Credit, and eventually the Labour Party, see W.P. Morrell, 'The Labour Victory in New Zealand', Contemporary Review, Vol. 149, Mar. 1936, p. 336; R. Clifton, 'Douglas Credit and the Labour Party, 1930-35', Unpublished M.A. thesis, V.U.W., 1961. Although the non-farmer element of the Douglas Credit movement may have had a conservative view of social change, the movement was concerned to increase the State's control over finance and is not considered a conservative protest group in this thesis.
John P. Luke and J.B. Donald.\(^{13}\)

Small-scale entrepreneurs who upheld laissez-faire ideals in the midst of economic disaster were not all willing to contribute to conservative factionalism. The greatest problem facing right-wing protest was that by attacking conservative governments it was hindering the presentation of a united conservative front against the Labour Party. The vote-splitting bogey was a powerful factor in dissuading men from becoming active dissidents; it was an important reason for the collapse of the Legion and for the failure of the Democrat Party in the 1935 general election. In addition the comparative lack of social unrest in New Zealand inhibited the growth of right-wing militancy. The riots of 1932 were short-lived and there was no foundation for right-wing extremism; the Legion was a response to a political crisis within the conservative Coalition. It was a conservative protest group rather than a fascist-type organisation. Whilst an increasingly popular Labour Party was poised to take advantage of any division in conservative

\(^{13}\) William Goodfellow presents an interesting case of perennial business antagonism to J.G. Coates. Originally from a Waikato dairy farm, he introduced American business techniques to the organisation of the Waikato dairy industry, which affected the lives of 40,000 people. His holdings were a model of vertically integrated tycoonery. These included the sale of cream separators; collection and processing of milk by the N.Z. Co-operative Dairy Co. Ltd., and Amalgamated Dairies Ltd.; Glen Afton collieries to supply power to the factories; the Challenge Phosphate Co.; Empire Dairies Ltd. in Britain for the purchase of Waikato butter. Intending to service the Hamilton area with radio broadcasts, he gained a monopoly of broadcasting in New Zealand in 1926. When this ended in 1932, he acquired a directorship in N.Z. Newspapers Ltd. A friend of J.B. Donald, he helped form the United Party - the first of his forays into politics, interview with Sir Douglas Robb, 7 Mar. 1969.
ranks, right-wing protest was a hazardous venture. The right struggled in vain to safeguard laissez-faire ideals and succeeded only in weakening conservatism.
CHAPTER II

SUCCESS FOR THE RIGHT: UNITED PARTY AND COALITION

The United Party's success in the 1928 general election was a triumph for a right-wing party that had been saddled with a statist policy. The significance of the £70 million loan issue was that it created an illusion under which the electorate voted. Appealing to the need for cheap money, Ward bracketed developmental statism with humanitarianism, and evoked memories of Ballance and Seddon. But prior to Ward's policy speech most United Party candidates consistently advocated individualism — in contrast to the ideas of Ballance, Stout, Reeves, and McKenzie. For the founders of the United Party there was no dilemma between statism and individualism, and no compromise position such as that reached by Reform, or indeed by Labour. Liberalism for United's founders could only mean 'rugged individualism' and an end to government interference in the economy as practised by Reform.

The formation of the Coalition Government in 1931 was a second triumph for the right. By 1930-31 urban businessmen began to be adversely affected by declining prices, and the United Party under Forbes took a definite deflationary stance. Forbes lost the support of the Labour Party but won admiration from conservatives. However

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the United Party by itself was unable to promote deflation to the extent demanded by right-wing conservatives. And it was partly the result of pressure from business interests anxious for deflation to continue, that a coalition was formed and vote-splitting avoided in the 1931 general election.

The United Party had its origins in conservative protest. It is doubtful whether the Party would have been formed had it not been for the widespread feeling of dissatisfaction created by the Reform Government of 1925-28. The Parliamentary Liberals (renamed Nationalists) formed a core of opposition to Reform, but without organisation, finance, and more widespread support, they were ineffective. Much of the backing for the new party came from commercial and business interests disillusioned with Coates' neglect of his election pledge - 'less government in business'.

Massey's Dairy Produce Export Control Act had given rise to rumours of urban business protest against Reform as early as 1923. Further tension between the rural and urban elements in the Party arose

2. The United Party was tantamount to a new creation, see ibid., p. 20; see also W.J. Gardner, 'The Reform Party', in R.McD. Chapman, ed., Ends and Means in New Zealand Politics, A.U. Bull., No. 60, 1965 (3rd edn.), pp. 32-33.

in 1925 on the question of a successor to Massey. William Downie Stewart, a lawyer imbued with orthodoxy, became the hero of anti-statist urban business and was regarded with suspicion by farmers. By contrast J.G. Coates, who emerged as leader, was less inhibited by orthodoxy and accepted government responsibility, particularly in aiding the primary producer. Conflict between Coates the farmer, and Stewart the city representative, was to continue throughout the depression.

Urban discontent recurred over Coates' Family Allowances Act and Motor-Omnibus Traffic Act (both of 1926), though within his party the former Act was regarded as a personal whim rather than a surrender to the principles of socialism. Nevertheless, right-wing conservatives tended to dismiss all state activity as 'socialism'. The leader of a deputation of commercial interests on 23 March 1926 asserted that Coates' legislation 'had actually established principles which were the basis of the main planks of the Socialist party's policy.' Coates shrewdly replied that members of the deputation had at some time required government assistance, and that he regarded national interests as paramount.

4. An opinion expressed by Dr R.M. Campbell in a letter to the writer, 28 May 1968.

5. O.D.T., 24 Mar. 1926, p. 8(1). Criticism of the Motor-Omnibus Traffic Act (which imposed licensing regulations) and the Cash-on-delivery system (used by the Post Office) was a preoccupation of the Chambers of Commerce, see Wellington C.C. Minutes, Jan. 1926–June 1927, pp. 38ff.

Confidence in Coates received its greatest blow, however, with the inauguration of absolute price control by the Dairy Board from 1 September 1926. The Board took complete control of marketing dairy products, and consignments were allotted to Tooley Street importers at prices fixed by the Board's London Agency. Although not all farmers supported price control, the measure does seem to have derived from dairy farmers themselves and it can be regarded as an act of self-regulation rather than state intervention. However, urban interests viewed the scheme as 'state meddling' and reacted sharply; a Free Marketing League led by the proprietary marketing firms of Stronach Paterson and J.B. MacEwan, campaigned for the abolition of compulsory price-fixing. They were aided in their efforts by Coates' mysterious move in June 1926 of appointing Paterson as the part-time Government nominee on the London Agency of the Board. It is possible that by appointing a representative of marketing firms Coates was striving to achieve a balance of interests on the Board. But with the backing of


8. As London Manager of his father's firm A.S. Paterson & Co. Ltd., Paterson's sales commission would have been undermined by the Dairy Board's price-fixing. His appointment to the London Agency may have been assisted by the fact that he was a close friend of Coates' private secretary - F.D. Thomson. Correspondence from Dr R.M. Campbell, 17 Feb. 1969.
Tooley Street importers, Paterson was able to prejudice the work of the London Agency until absolute price-fixing control was abandoned in 1927. Government action in appointing Paterson to the Board had ironically contributed to the success of the Free Marketing League - a group which incorrectly regarded price control as state interference.9

The League's success encouraged anti-statists to broaden the scope of urban protest from the narrow confines of self-interested dairy middle-men, to general dissatisfaction of business with the Government. And dissatisfaction in the business world was becoming widespread. At the 1927 conference of the Associated Chambers of Commerce, William Machin (President) said:

'you will find at least 80 per cent. of our business and professional men stating that they can no longer see their way clear to support the Coates Government, which has been the last straw in the long-continued and increasingly harmful Socialistic legislation'. 10

Delegates to the conference lamented the lack of a political outlet for commercial demands and called for 'definite action to stem the tide of


Government interference'. State activity was no doubt viewed by commerce as an obstacle to the maximisation of profits.

This was the background against which A.E. Davy (Reform Party organiser in 1925) and W.A. Veitch (National, Wanganui) canvassed support for a new party. While establishing a branch in Wellington in September 1927, Davy expressed surprise at the manner in which his task had been made easier by the extent of dissatisfaction with the Government. The general feeling of the Wellington branch, which Davy said comprised Liberals and 'progressive' Reformers, was that Reform's 'sops and compromises to the extreme Labour Party, had given a great impetus to the Red movement, and but for the advent of the new party would result in disaster to the country.' Veitch argued likewise, and in justifying individualism said:

'true Liberalism, which stands for justice to all sections of the people, which will resist everything that is inequitable and benefits one section at the expense of the other, which will abolish bureaucratic control and re-establish democracy and British liberty in the country, is the only system of political ethics that will ever restore New Zealand to prosperity.'

11. Ibid.


13. P.D., Vol. 212, 1927, p. 213. H.G.R. Mason (Labour, Auckland Suburbs) drew the obvious conclusion that Veitch was 'taking up exactly the position of the enemies of the Liberal party of ... (the 1890s) - a curious position, surely, for one who professes to be reviving that party.' Ibid., p. 242. In an interview with Chapman twenty years later Veitch remarked 'The first violation of the British constitution was Massey's Dairy Control Act.' Chapman, 'The Significance of the 1928 General Election', p. 46, fn.
Typical of conservative protest in the depression, Veitch was preaching anti-statism. By the end of 1927 complaints about the administration's lack of direction were common, 'and a considerable outcry against further extensions of State activity ... [had] been raised'.

Underlying the general complaints against Reform were more specific proposals. On an organising tour for the United Party in May 1928 Forbes summarised these as: abolition of government by Orders-in-Council, reduction of the overloaded public service, an end to government business restrictions and curtailment of trading by the government. Clearly the founders of the United Party were motivated by a dislike of bureaucracy and state interference. Their specific policies set the pattern for future conservative protest movements such as the Legion and the Democrat Party.

The organisation of those who protested at Reform's 'socialism' in the late 1920s was to provide a party machine capable of winning the 1928 general election. The conference of the United Party, which ran in Wellington from 18-22 October 1927, set up an organisation to select candidates (though names of personnel were not published). Despite the similarity of outlook, there was probably no official link at this stage between the United Party and commercial bodies, since the latter were not sufficiently organised until March 1928. It was then that the Free

15. O.D.T., 25 May 1928, p. 10(5).
Marketing League and the Welfare League convened a meeting and established the '1928 Committee'. According to the Labour Party leader, H.E. Holland, most of the participants at the meeting were members of the Reform Party, and at first Holland accused Coates of being under the Committee's influence. Coates, however, insisted that the Committee 'marched in on top of me' and that, although it had placed him under pressure, the Committee had remained unsatisfied.

This was undoubtedly true for, in June 1928, a complete page of the Otago Daily Times was devoted to the case against government interference. It bore the unmistakable stamp of the 1928 Committee, and stressed the danger to private enterprise and the resultant decrease in the sources of wealth from which to draw taxation. Repugnant state enterprises included the State Fire and Life Insurance, some state coal mines and hydro-electric power, the Public Trust Office and the Post Office Savings Bank. The Forestry and Railways Departments were said to have overstepped their legitimate purposes. Mention was made of

16. P.D., Vol. 219, 1928, p. 183. Most of the delegates were Chamber of Commerce officials, e.g. H.T. Merritt, C.P. Agar, A.F. Wright, J. Begg, W. Machin, J. Taylor; Paterson and MacSwan represented the Free Marketeers. The Welfare League was founded in 1919 by Charles Skerrett, K.C., and canvassed 'moderate opinion' independent of class and party. Its avowed aims, like those of the N.Z. Legion (see Chapter IV), were for the common welfare, but in effect it was a right-wing propaganda group. See M.A. Noonan, 'The Aims of the New Zealand Welfare League 1919-1922', Historical Society Annual, Auckland, 1969, pp. 28-46.

'harassing regulations', and their 'arbitrary enforcement' by 'overzealous State officials', and special reference was made to export control legislation. Only three days later, on 23 June, Veitch was communicating similar sentiments to the United Party in Auckland and suggesting that the Labour Party -

'would no doubt prefer to keep Mr. Coates in power on account of the decidedly bureaucratic trend in his policy, as, for instance, the bus regulations, compulsory dairy control, wide expansion of State Departments and State financial operations, and control of the people by State officials, whereas Liberalism is based on a fuller individual liberty and encouragement of individual effort.'

It seems extremely likely that there was some measure of co-operation between the 1928 Committee and the United Party in the six months prior to the general election. At a meeting of the Auckland Chamber of Commerce in June 1928 the Free Marketeers - Paterson and MacEwan - stressed that the 1928 Committee would avoid involvement in party politics, but the following month the Auckland Chamber carried a motion authorising its council 'to take, regardless of political consequences, whatever steps it may consider necessary either in conjunction with the 1928 Committee or otherwise to secure redress' of its


19. A.S., 23 June 1928, p. 13(1); Veitch's remarks were echoed by H.T. Merritt (President of the Auckland Chamber of Commerce) who said that state interference was 'now taking a foremost place among the commercial problems of the day.' Ibid., (2).

20. Ibid., (2).
The 1928 Committee appeared to be making little progress as a pressure group. Despite its collection of £770.18.9 in funds, and its hopes of securing the abolition of the Cash-on-delivery system and the curtailment of the Public Trust Office operations, the Committee was doing little more than justifying its existence. Forbes, however, welcomed its criticism of state institutions, and as the election drew near it became apparent that the United Party was drawing on a large reserve of conservative discontent, much of it activated by the 1928 Committee.

The United Party Conference of 1928 achieved nothing in regard to policy which was left for Ward to announce later. An examination of candidates' speeches reveals a considerable discrepancy between their policies and that announced by Ward. Few candidates mentioned loans or railway building, but nearly all criticised bureaucracy and


22. P.D., Vol. 219, 1928, p. 184 (H.E. Holland); N.Z. Worker, 12 Sept. 1928, p. 5(1-5); Farming First, 10 Oct. 1928, p. 8. The Committee's financial transactions included a contribution of £400 to the Welfare League. It is possible that Davy extracted or was promised money from the brewers for the United Party, see Milne, p. 124. Liquor interests had been alienated by amendments to the Liquor Control Bills 1926-28, see L. Lipson, The Politics of Equality, Chicago, 1948, p. 222.

23. P.D., Vol. 219, 1928, p. 189. E.J. Howard (Labour, Christchurch S.) suggested that United and the Committee would have similar programmes, ibid., p. 192.
departmental extravagance. Ward's shock announcement of 16 October to extend borrowing was, as Davy stated later, Ward's own idea. Loudon (candidate for Chalmers) made it clear that there had been no warning of the policy and withdrew from the contest. Some candidates, like J.B. Donald, spoke of freeing Parliament from party control of preferential voting and of land settlement, without at first mentioning the loan. But the success of the loan blunder was so spontaneous that candidates were obliged to elaborate on its virtues.

The popularity of United's loan programme obscured realities, not the least of which was that the Party was 'a movement of protest .... born out of the unrest brought about by the long-continued acts of interference with private enterprise', and insecurity of commercial life. The United Party was the first, and most successful, of the conservative protest groups in the depression, but it owed its triumph to a blunder.

24. e.g. E.R. Allen (candidate for Auckland Suburbs) N.Z.H., 10 Oct. 1928, p. 16(2) and J.B. Donald (Parnell) ibid., (5). Mason (Manukau) counted 41 instances of unwarranted government interference, ibid., 12 Oct. 1928, p. 15(2). E.R. Allen went as far as to argue that railways would become obsolete and that concrete roads would be more beneficial, ibid., 11 Oct. 1928, p. 10(3). The Auckland Star noted that Reform had 'interfered with trade and industry to an extent that would fill the Conservative of a former generation with horror.' A.S., 18 Sept. 1928, p. 6(3).


The 1928 election results reflect the significance of Ward's loan proposal, and this impairs analysis of the response to United's anti-statism. Any such analysis has to be based on the response of those groups of people most concerned about the extension of state activity - business and commercial persons. What could they expect from Ward's loan or land settlement proposals when increases in taxation and government expenditure would result? If they voted United they did so in spite of the loan; a vote for United was a vote against Coates. Round Table suggested that 'Business interests in the towns ... are believed to have voted fairly solidly against the Coates Government in the hope that a change would give them some relief from ... constant encroachments ... in the domain of business.' Results in the Marsden electorate, for example, show that the town vote for Reform dropped 7.7%, while Labour's rose 4.3%, and United increased the Nationalist share by 1.7%. In the Auckland City area, Reform lost a 26% share of the total vote to United. Coates had obviously found it difficult to satisfy both the urban and rural wings of the Reform Party; a significant body of urban conservatives had found


United's anti-statism a welcome alternative to Reform.

The election result was a victory not only for the Liberal rump but also for the 1928 Committee. *Farming First* warned:

'The Ward Government, if it comes, will require close watching to see if it has ... sold itself beforehand to the 1928 Committee .... and the preference shown to ... Ward by business interests may mean only his more complete subserviency, or may have been a reaction against the Coatesian muddling of the past three years.'

The 1928 Committee was indeed satisfied with the outcome of the election. A deputation to Ward in February 1929 was little short of adulatory. It congratulated the Prime Minister for being a sound businessman with a commercial training, and praised Cabinet Ministers for openly deprecating government interference. Ward's reply was conciliatory and a contrast to the treatment meted out by Coates to previous deputations. As the *Otago Daily Times* remarked, 'The election utterances of the Prime Minister and of other members of the United Party had not unreasonably filled the members of the committee with high hope'.

The new Cabinet would have given these interests further satisfaction. Its composition, businessmen for the most part, reflected the Party's foundations and the right-wing assumption that the man who


proved himself by making money in business had the requisite ability
to govern the country. Ward and Donald were company directors, the
latter having personally financed United candidates to the tune of
£6,000; Masters and Atmore owned small businesses; Ransom and Cobbe
were sheep farmers, but had previously been in business and served as
Chamber of Commerce presidents for Dannevirke and Feilding respectively;
Taverner was a public accountant; Wilford and Ngata were solicitors; de
la Perelle and Stallworthy owned district newspapers. Stallworthy was
dismissed in 1919 from the Labour Party for opposing the selection of
a radical candidate for Kaipara in that year. He was instrumental in
organising the Auckland section of the United Party although, para-
doxically, he was an ex-president of the anti-Ward Protestant Political
Association. Like Veitch, Stallworthy typified the advocate of 'sane
labour', and abhorred highly organised and 'strike-conscious unions'.
Forbes, ex-leader of the Nationalist rump in Parliament, has been
described as a conservative who liked to think that the Liberals had a
greater affinity with the left than with Reform. He and other United

32. The Cabinet's composition was not, therefore, the result of
accident, as suggested by R.G. Habershon, 'A Study in Politics,
34. Bellringer, pp. 292-308; Prince, p. 233.
35. Burdon, p. 132; though in criticising Reform's 'socialism',
Forbes had once suggested that affection was growing between
Party members, however, were really desirous of recreating a past age - an age without bureaucracy, Dairy Boards and big business, and one in which the individual could, like Forbes, make good from a lottery in a state land purchase. With the United Party in power 'more business in government' had been achieved.

Business interests were further gratified by the inactivity of the new Government. Although troubled by Ward's insistence on completing the South Island Main Trunk railway, deflationists were pleased by the decision to abandon the Taupo-Rotorua railway. They also praised United's refusal to restore the civil service cuts of 1922. The Land and Income Tax Amendment Bill of October 1929 - a gesture to encourage land settlement - increased revenue marginally without taxing business. A. Hamilton (Reform, Wallace) concluded that 'Business, trade, and commerce seem to be the all-important factor to the present Government.'

The major controversy in United's ranks was, obviously enough, over the Party's reliance on Labour for support in Parliament. During the 1928 election campaign Ward had indicated that United would vote with the Labour Party to oust Reform. This did not mean that United's philosophy was similar to that of the Labour Party; the arrangement was

purely expedient. The uneasy alliance, which lasted for two years, caused considerable tension in both parties.

United's maintenance of the arbitration system and of relief wages gave rise to the *modus vivendi* - a situation which led A.M. Samuel (Reform, Thames) to ask: 'What is this country coming to when we have such a sorry spectacle as the Labour party in combination with the business men's Government to protect the wealthy men of the country?' Some members of the Labour Party did divine similarities of policy between Labour and United; they had been misled by Ward's loan blunder. The Rev. Clyde Carr, when finally disillusioned at the end of 1930, admitted:

'We said we believed that the mantle of Richard John Seddon, or some of the other great Liberal giants of the past, had descended upon the present United party. The wish was perhaps father to the thought.'

Holland had been less convinced of the validity of United's 'liberal' claims, and repeatedly stated that the two conservative parties would have to come together. He favoured United solely because he feared an attack by Reform on the arbitration system and consequent wage reductions. Holland could do little else but support the United Party.


Business interests that backed the United Party were largely unaffected by declining prices until 1930-31, and could afford to allow the arbitration system to continue. Forbes and Ransom would have agreed with their farming colleagues that the Arbitration Court needed overhauling, but Ward and others submitted that the Industrial Conciliation and Arbitration Act worked well. It had been evident during the committal of the Amendment Bill in 1927, that urban employers were less rigid in their attitudes than the farmers. As F. Waite (Reform, Clutha) suggested:

'Why are the Employers' Federation and the Alliance of Labour working together in opposing this amending Bill? Because after many years of the Court's working these parties have come to realize that by collusion they can agree to higher wages, and pass the higher costs on.'

To say that capital and labour had fallen 'upon each other's necks and slobbered about the virtues of the Industrial Conciliation and Arbitration Act', was an exaggeration. But this statement attributed to the


40. P.D., Vol. 216, 1927, p. 427; see also ibid., p. 411 (Lysnar, Independent, Gisborne). In 1927, sheep farmers urged voluntary arbitration because the Court's awards placed 'a direct charge on the producing capacity of the land.' N.Z. Sheepowners' & Farmers' Federation, Summary of Representations made to Cabinet, Christchurch, 1927, p. 28. Most farming occupations were, in any event, outside the Court's jurisdiction. Only 6% of agricultural and pastoral workers were in unions, N.Z. Year Book, 1931, p. 841. The actual percentage of labour costs on farms was about 25% of total farm expenditure, I.W. Weston, 'Farm Overhead Charges in New Zealand', Economic Record, Vol. 8, May 1932, p. 19.

Minister of Labour, indicated that urban employers were prepared to accept ruling wage levels. In the convivial atmosphere of the 1928 Industrial Conference, the employers advocated optional arbitration of industrial disputes and complained that the compulsory system hampered trade and production. However, there was by no means a conspiracy against the I.C. & A. Act; T.O. Bishop for the Employers' Federation and Manufacturers' Association admitted, 'On the whole, during the last thirty years the advantages of the arbitration system have outweighed its disadvantages.' Coates was not induced to have his Amendment Bill re-committed.

The United Party's industrial policy was guided by local price conditions. 1928 was a year of rapid financial recovery and the outlook for 1929 was better than for any year since 1925. Although export prices had fallen 30% since 1924, local prices had varied little more than 1%. Consequently, urban businessmen (except those dealing in primary produce for export) were less affected by the fall in world prices than farmers, and had no necessity to press unequivocally for a change in the arbitration system. In political terms it meant that, for two years anyway, the businessman's government was prepared to tolerate existing conditions, in return for Labour's support. The United-Labour compact was thus partly a continuation of the so-called 'alliance'.


between worker and businessman against the farmer at the 1927 Industrial Conference. Ward had to promise that he would end unemployment, but his solutions were temporary and patchy.\textsuperscript{44} Too great a reliance was placed on land settlement - a policy which would have forced up land values, and one that was impossible to implement without the cheap loan. The Unemployment Act of 1930 represented a sop to the Labour Party rather than any profound sympathy with Labour's aims.\textsuperscript{45} The United Party, which had originated in protest at the 'socialism' of the Reform Government, did not indulge wholeheartedly in state activity.

Relying on Labour for support, United could no more carry out its deflationary aims than pursue the unintended developmental policy with which it had come to power. For those not securely in office, frustration was an obvious result. Almost predictably, Davy warned:

>'The United party and its Cabinet are at present on trial ... if to retain office they are to be dragged at the chariot wheels of Labour, I suggest that the sooner a mandate is sought from the people the better it will be for them.'\textsuperscript{46}

\textsuperscript{44} e.g. Telegram, Ward to Donald (instructing Donald to take action on Post Office unemployment near Christmas) 27 Nov. 1929, N.A., P.M., 6/5.

\textsuperscript{45} See Habershon, p. 67. Veitch in defending the Unemployment Bill explained that Hospital Boards would be relieved of financial responsibility for unemployment, thus relieving the ratepayers, \textit{P.D.}, Vol. 224, 1930, p. 411. Munro (Labour, Dunedin N.) made it clear that 'the Labour party voted against ... Reform's/ no-confidence motion because we believe that we shall still get something from the Government in the nature of an Unemployment Bill that will recognize the people's right to work.' \textit{Ibid.}, p. 922.

\textsuperscript{46} \textit{A.S.}, 9 Oct. 1929, p. 7(8).
The indecisiveness of the 1928 election result caused protest on the right to continue even though a right-wing party had taken office.

The uncertainty of United's position was accentuated by the illness and incapacity of Sir Joseph Ward. According to Downie Stewart, Ward was 'pathetic in Parliament'; unfortunately United depended on Ward to carry off the 'liberal' masquerade. This did not prevent a split occurring in the United Party, made public in January 1930 when Davy accused Ward of authoritarianism and fawning on the Labour Party. At the same time Davy outlined his philosophy - clearly a belief in individualism, and something that few members of the Cabinet should have disagreed with:

'There is only one clear line of demarcation in our politics, and that is the one drawn between the great mass of businessmen, tradesmen, artisans, those generally believing in moderate views, businesslike methods, and progress along sound lines ... and, on the other hand, the followers of the doctrines of Marx'.

The United Party Cabinet, he said, had 'laid this country open to the

47. Notes for Three Generations, Stewart MSS., Private Collection.

48. The Sun (Auckland), 13 Jan. 1930, p. 1(1-3). He had already written to Forbes in December 1929 criticising Cabinet control of the Party, lack of regular caucus meetings, failure to operate land settlement policy, failure to grapple with the growing evil of departmental control, wrongfully representing the United Party as the defunct Liberal Party, bitterness shown to Reform, and 'the unwarranted attempt to malign the ex-Minister of Finance.' Ibid., p. 11 (6); N.Z. Worker, 16 Oct. 1929, p. 7(1-7). To some extent, Davy's criticism of the Cabinet was justified, see A. Mitchell, 'Caucus: The New Zealand Parliamentary Parties', reprint No.33, Journal of Commonwealth Political Studies, Vol. 6, No. 1, Mar. 1968, p. 6.
menace of Socialist Labour. H.R. Jenkins (Parnell) agreed, making it known that he and his followers were dissatisfied ex-Reformers. He criticised the South Island railway extension, advocated a cut in relief wages and, like Davy, called for fusion of the anti-socialist parties.

The fruits of office, however, ameliorated any discomfort which United Ministers may have felt at Davy's remarks, and it was patent that a coterie of Ministers - Forbes, Ransom, Atmore, and Donald - were in control of the Party's executive. The crisis in United's ranks, which was accentuated by the loss of the Parnell seat (leaving United with 25 seats and Reform with 29), culminated in Ward's resignation on 14 May 1930. Ward's abdication was not, perhaps, a disaster because Forbes was acceptable to many Reformers and he was able ultimately to engineer a Coalition and retain some share in government. The Reform press complained about political drift in much the same way as it had in 1927-28. At least the policy of drifting under a sick man was


51. Shand (General Secretary, U.P. organisation) to Ward, 19 Mar. 1930, N.A., P.M. 6/14. Donald had cabled to Ward congratulating him on his stand against Davy, 13 Jan. 1930, Ibid., 6/11. His brother was later selected to contest Parnell.

52. R.T., Vol. 21, 1930, p. 464; see also O.D.T., 18 Mar. 1928, p. 8 (6-7).
altered to a policy of drifting under a fit, if lethargic, one.

However a rearrangement of conservative forces was taking place which resulted in hardened antipathy between capital and labour. Protest on the right was marshalled around arguments in favour of deflation, and to serve its ends the right advocated fusion of Reform and United.

By the end of 1930 the Government had found itself enmeshed in the problem of declining revenue. Forbes had already announced on 30 May a prospective budget deficit of over £3 million. The decline in export prices, which had begun in 1928, was now complemented by a decline in local prices of between 10% and 12%. Various business indices show that towards the end of 1930 urban business began to feel the effects of depression more acutely. Commercial interests thus joined the farmers in advocating the abolition of industrial awards; they argued that labour costs represented between three fifths and a half of the total cost of all production in New Zealand.

The increasingly vocal nature of this protest was exemplified by

53. J.P. Belshaw, 'The Crisis in New Zealand, 1930-1934', Unpublished M.A. thesis, A.U., 1934, p. 15 & graph 2, & p. 17. Relative to the farming community, urban businessmen (other than exporters) had by the end of 1931 escaped lightly. The 11% fall in retail prices between 1928 & 1931 was slight compared with the 43% fall in export prices.

54. Canterbury C.C., Bull., No. 72, Jan. 1931, p. 2(3) Actual labour costs in factories was about 17% of total costs, N.Z. Year Book, 1932, pp. 443 & 448 (value of factory production 1929-30 - £93,464,526; cost of labour - £17,621,464).
a deputation to Forbes on 3 February 1931. Led by the 1928 Committee stalwart, H.T. Merritt, it submitted resolutions for cost reductions and reductions in the civil service. Businessmen were less critical of Forbes, however, than they had been of Coates in 1928. In the opinion of many conservatives Forbes was 'at all events, a safe and practical man of equable temperament, sane and sincere'.\(^{55}\) This opinion was reinforced by his refusal to allow the dole, the stoppage of work on four railway lines, the severing of links with Labour, and his stringent new economies announced on 14 February 1931. For deflationists the most pleasing of the February economies were the reductions in departmental expenditure and a 10% cut in the wages of public servants. Urban employers joined with the farmers in congratulating the Prime Minister.\(^{56}\)

Urban interests, however, were resolute in attitude, and continued to denounce 'insidious increases' in government spending. Their slogan throughout the depression asserted that 'inflation is a disease worse than anything it may be required to cure.'\(^{57}\) Made more stringent by economic conditions, these views bear enough resemblance to those of the 1928 Committee and United Party founders, to suggest


56. e.g. Goodfellow to Forbes, 16 Feb. 1931, *N.A.*, P.M., 6/16; Dunedin Chamber of Commerce to Forbes, 16 Mar. 1931, *ibid*.

57. *Canterbury C.C. Bull.*, No. 75, Apr. 1931, p. 2(1) The only cure was removal of impediments to business activity.
that they were a continuation of right-wing protest. It was in the interests of these people to see that Forbes was preserved, both from an election trauma and from the unpredictable and 'socialistic' Coates.

Corresponding to the fall in local prices, business interests took up the issue of fusion which Davy had raised. The Auckland Chamber of Commerce, for example, informed Forbes, in July 1931, of a unanimous resolution that 'the Reform and United Parties should coalesce in view of the present abnormal economic position.' The value of Forbes to deflationists was illustrated by the admiration for him held by Downie Stewart. On the grounds that there was little to differentiate between the two conservative parties, Stewart advocated fusion. He abhorred the treatment of Forbes by the Reform Party, and throughout 1931 pressed Coates to agree to fusion with United.

Coates was unwilling to submerge his party's identity in an arrangement with those who had opposed him in 1928. On 25 November 1930, while Forbes was in London, Coates declined fusion and demanded seven points of policy agreement. Although Forbes' new deflationary policy differed little from the points raised by Coates, the Reform leader refused Forbes' overtures on 5 May 1931. The result of the Hauraki

58. Stewart (President) to Forbes, 31 July 1930, N.A., P.M., 6/11.

59. Diary Pocket Book of Political Events, 1931, Stewart MSS., Private Collection. On 3 July 1930 Coates had moved a motion of no-confidence in United against Stewart's view: 'that it was better not to openly challenge Forbes as he was apathetic and fatalistic in his attitude and would drift into trouble of his own accord if left alone.' Ibid.
by-election of 27 May 1931 (in which United suffered a fall in votes of 19.3%), and the deteriorating budgetary situation, made it clear to right-wing conservatives that preservation of a deflationary government was imperative. Coates still held off business pressure for fusion — such as that of a Wellington deputation (led by Lionel Nelson, later prominent in the Legion) requesting the establishment of strong government. Most of the press was critical of Coates, and the Otago Daily Times was representative of the press in its opinion that 'The spirit and determination which Mr Forbes has shown in grappling ... with an unenviable task have won for him widespread admiration.'

The attention of fusionists focussed on Stewart, who threatened to 'go Independent if Reform put United out' and wrote that he felt 'a political Ishmaelite out of step with the party and that the future would be very difficult .... On several of the Bills I was in constant conflict with my own party in caucus.' Stewart was not entirely arguing from a position of weakness, for he had substantial support in the commercial community. The assertion that his 'judgment carries most

60. Forbes faced a deficit of £6,850,000; 1931-32 was the worst period in the depression from a budgetary point of view, J.P. Belshaw, p. 42.


62. O.D.T., 19 Aug. 1931, p. 6(4). Forbes was concerned, however, at fighting an election on stringency measures, and told Stewart that he was considering postponement of the election. Diary, 18 Aug. 1931, Stewart MSS., Private Collection.

63. Diary, n.d., Stewart MSS.
weight in the country, but Stewart's correspondence reveals the unpopularity of Coates among some Reformers. H.C. Jenkins (editor of the Wanganui Chronicle) wrote, for example, 'I think that the Chronicle might justly come out with the advocacy of you taking the lead in the Reform camp.' A Forbes-Stewart combination would have been ideal for many who, while Coates was leader, felt a conflict between loyalty to Reform and admiration of Forbes.

Coates was influenced in his decision to form a Coalition by the revelations of the Parliamentary Economic Committee of 1931. Urban and rural employers who gave evidence agreed on a range of emergency economic proposals, with the exceptions of interest rate reduction and an increase in the exchange rate on sterling. Vigorous opposition to the Arbitration Court by urban employers was something of a contrast to

64. O.D.T., loc. cit.
66. 'I am in touch with a good many farmers who are all staunch for Reform, but one man voices the lot. We want Reform, but we want Forbes as Premier.' Smaill to Stewart, 1 June 1931, ibid.; see also in this file E. Griffiths to Stewart, 20 May & 27 May 1931; W.D. Hunt to Stewart, 18 May 1931; J.U.C. Valentine to Stewart, 11 June 1931; see also Jenkins to Stewart, 22 May & 29 July 1931, & Polson to Stewart, 3 Dec. 1930, in 3/Elections.
67. This was the reason given by Coates in a telegram - Coates to Reform Candidates, 18 Sept. 1931, 6, Coates MSS.
68. The inflationary proposal to raise the rate of exchange 20-30% was an issue rigidly opposed by many urban interests and was contentious enough to be shelved, much to the detriment of farm recovery. The difference of opinion forbode ill for the future political stability of conservatism.
their lukewarm attitudes at the 1928 Industrial Conference. Their opposition to the Court transcended, at times, the logic of their own utterances. J.T. Spiers, representing the Manufacturers' Association, admitted that if wages were cut all round the purchasing power of the community as a whole would be reduced, and no one producer would be any further forward; but in spite of this he demanded an end to compulsory arbitration. 69 Conservatives had an obsessive belief in the need to cut wage costs.

Negligible conservative protest was raised in submissions to the Economic Committee, but witnesses took the opportunity to advocate extreme measures. With a programme which foreshadowed that of the Legion (see below, Chapter IV), H.T. Merritt suggested:

- less taxation and greater economy in public expenditure
- taxation of Government trading departments
- compulsory amalgamation of contiguous local bodies
- reduction in the number of M.P.s and Cabinet members
- reduction in the travelling expenses of M.P.s 70

'Government on the cheap' accorded with the individualists' ideals of minimal state activity, though as yet there had been no questioning of the political system which, in 1933, was to give rise to the New Zealand Legion. The fact that there was little protest in 1931 about government meddling in business was a compliment to Forbes' inertia. But the proposals put forward by employers to the Economic Committee could only

70. Ibid., pp. 358-361.
be carried out by a stronger government than that headed by Forbes alone.

Sensitive to the economic plight of the farmers and businessmen, Coates was forced to take the logical political steps towards alleviating their situation. He admitted at the Inter-Party Committee meeting, on 16 September, that either an election or a National Government would have to come; the following day Coalition was agreed to. For right-wing conservatives the Coalition promised to combine deflation and a diminution of state interference. However the arrangement had a grave potential weakness. Would Coates, noted for his antipathy towards laissez-faire policies, have too great an influence in the new Government? An admirer of Downie Stewart expressed popular right-wing opinion when he commented, 'I think, under the circumstances that the Reform Party is very lucky in having Mr. Forbes as leader because it surprises me to learn from every channel that I tap, how unacceptable Mr. Coates is.' 71 It was apparent that the hopes of urban conservatives were —


Stewart was to be a right-wing insurance policy against the 'socialistic' influence of Coates.

Coalition provided a veneer of safety and unity. It ensured that Labour would not hold office through a split vote at the polls as some conservatives, like Sir Francis Dillon Bell, feared. Any potential antagonism between rural and urban conservatives, on such issues as the exchange rate, was avoided during the election campaign of 1931 by asking the electorate for a 'blank cheque' to cut costs. In the short campaign period of one month there was hardly time to formulate policy, but rigid deflation was something about which both rural and urban conservatives agreed. The closing of conservative ranks depended on it.

The participation of eighteen unofficial Reform and United candidates in the 1931 election was not indicative of protest about principles of policy. More significant was the fact that unofficial candidates were encouraged by remnants of local Reform or United organisations which were disgruntled with the leadership's control of candidatures. J.C. Kirkness, for example, had much support among Reformers in Oamaru, and styled himself a 'Reform Coalitionist'.

74. Habershon, p. 137.
Nevertheless he admired Forbes 'for putting his foot down when he returned from the Imperial Conference'. Like the official Coalitionists Kirkness proposed contraction of state expenditure. Clearly, little in economic and social attitude differentiated the official and unofficial candidates.

Nor did the fall in United's share of the total vote indicate loss of conservative faith in that Party's stringency measures. Much of United's loss (from 29% of the vote in 1928 to 26% in 1931) is accounted for by the desertion of those wage-earners who had been taken in by the £70 million loan. Some 60% of the total number of voters in 1931 supported Coalition candidates, official and unofficial. This may have reflected the lack of an alternative anti-socialist party and the electors' misgivings about voting Labour, rather than a positive vote of confidence in the Coalition. But the 'blank cheque' had not been rejected.

The events of 1928-31 illustrate the significance of the laissez-faire ethic as a factor in New Zealand politics. The United Party was able to capitalise on conservative aversion to state interference and on the general mood of disillusionment with Coates; right-wing protest played a considerable role in the United Party's success. Not all supporters of the Party would have been directly affected by government

75. O.D.T., 27 Nov. 1931, p. 6(8).
interference in business. Many may have joined the United Party because it offered an outlet for their political aspirations which had been blocked by an exclusiveness in Reform's organisation. Certainly most United M.P.s neglected their anti-statist principles in order to retain office with Labour's help. It would be an oversimplification, therefore, to credit right-wing conservatives with consistency of attitude. The indecisiveness of the 1928 election result meant that the following three years were full of uncertainty for the right.

The period seemed to end on a favourable note. The business elements that had conspired to throw out Coates in 1928 helped to pressure him into bolstering the much admired Forbes in 1931. It has been said with some justification that the chief beneficiaries in 1931 were members of the 1928 Committee.76 The Coalition Government seemed willing to undertake deflationary policies and, although the economic outlook was uncertain, conservatives were reassured about the political situation.

Yet by 1931 cause for future conservative protest could be detected. Farmers had indicated their hopes for an alteration in the exchange rate - an inflationary measure which was anathema to many businessmen. In addition Coates was no longer Leader of the Opposition,
but the more able partner of a new government; his influence on Coalition policy was to cause serious dissension among conservatives. Although the period 1928-31 was characterised by success for the right, insecurity was latent in the right-wing ascendancy.
CHAPTER III

THE SICK BODY POLITIC AND A SURGEON: COALITION 1932-1933

Right-wing conservatives had played an important role in the events leading up to the formation of the Coalition, and this was reflected in the policies of the new Government. There was minimal conservative protest, therefore, during 1932. Some legislation, such as the Mortgagors' and Tenants' Relief Act, was irritating; but for the most part conservatives approved the enactment of a comprehensive deflationary policy. Little support was gained by young Reformers who complained about their Party's ineffectiveness, and few conservatives thought it necessary to supplement, by militant action, their Government's measures to stifle civil disorder. By world standards New Zealand lacked extreme social unrest in the depression; the unemployed riots were short-lived, and failed to provoke an extremist right-wing reaction.

However in January 1933, when Coates took the unorthodox step of raising the exchange rate on sterling, a major crisis in conservative ranks ensued. The exchange rate issue was critical, not only because it divided rural-urban interests and turned conservatives against their own Government, but also because it brought party politics into question. The crisis resulted in the growth of several conservative protest groups and contributed to the initial success of the embryonic New Zealand Legion.
Conservatives justified their advocacy of deflationary measures as 'sound business practice', though few argued as bluntly as H.M. Campbell (Coalition, Hawke's Bay) who condemned all state enterprises: 'They are not of any advantage to anybody; and I think we ought to wipe the whole lot of them out, and get back to what made this country - private enterprise.'

The support of economic theorists, such as Professor A.H. Tooker (of Canterbury University College) and Sir Otto Niemeyer (of the Bank of England, who visited New Zealand at the end of 1930), was largely incidental to the attitude of deflationists. Without relying on profound economic theories conservatives argued that the deteriorating budgetary situation made retrenchment imperative. Indeed, in April 1932 Stewart predicted a budget deficit of £8.3 million for the year.

Like a large business organisation the Government had to reduce its costs to cover decreasing revenue, for -

'The eventual alternative ... would be bankruptcy and default, the effect of which ... would ... be much worse than the immediate effects of the severest economies.'

Ethical considerations were just as important as economic factors. Forbes, for example, invoked business morality and asserted:

'I have been brought up to pay my way in my private dealings. I consider it the right course to pursue not only privately, but also in administering the affairs of the country.' 3

The analogy between business and government was a hallmark of conservatives throughout the depression. 4

Although strong government was necessary to carry out deflation, conservatives easily incorporated deflationary policies into their laissez-faire ideals. Individualists suggested that the State should interfere in the economy only for the purpose of cutting costs and expenditure, and removing 'statutory hazards' to business. This negative role of the State was judged to give positive results. It would restore that enigmatic factor - business confidence - for the incidence of depression had 'fallen first and most heavily on private enterprise'. 5 During 1932 the Coalition complied with these anti-statist principles to the extent that, on the few occasions when the Government did transgress the individualist spirit, only limited conservative indignation was aroused.

Such was the case when, on 22 December 1931, Forbes instituted

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3. P.D., Vol. 228, 1931, p. 458; see also H. Holland (Reform, Christchurch N.), ibid., Vol. 231, 1932, p. 259.

4. The analogy has continued to be in vogue: 'I see Cabinet as the board of directors of the biggest business in the country', Rt. Hon. K.J. Holyoake, in A.V. Mitchell, Government by Party, Christchurch, 1966, p. 100.

exchange control to guarantee the Government's foreign exchange requirements. A deputation of commercial interests, led by Stronach Paterson, complained that the commercial community had helped to return to power 'a National Government pledged ... to refrain from further restrictions on private enterprise .... [and then] out of the blue this same Government imposed restrictions and control'. Such was the lack of outrage, however, that neither this nor a subsequent deputation was given publicity. As J.B. MacEwan pointed out, the real grievance was the Government's failure to consult commercial interests; the deputation disagreed with Forbes' suggestion that exchange control was purely a banking matter. Commercial interests were irritated but not completely alienated from the Government.

Any minor dissension was overshadowed by the common concern to reduce wage costs by abolishing those provisions of the I.C. & A. Act which enabled industrial disputes to be settled by compulsory arbitration. In the knowledge that the labour force was in a weak bargaining position (with over 50,000 registered unemployed) William Goodfellow candidly told the Parliamentary Economic Committee that strikes and lockouts were better for settling industrial disputes than arbitration. A sharp

7. Ibid.
8. Parliamentary Economic Committee, N.A. Le., 2/2, p. 794. H. Johnston, a member of the Reform Party Executive, believed that Parliament should only meet to abolish compulsory arbitration. Correspondence from Dr R.M. Campbell, 8 June 1968.
confrontation between labour and capital outside the Arbitration Court could only benefit the employer and result in reduced wages. Adam Hamilton (Minister of Labour) indicated how attitudes had changed since the 1928 Industrial Conference: it 'met in prosperous times. There was then not the same need to ... suggest necessary alteration in the law as there is to-day.'9 Between 1929 and 1932, whilst the purchasing power of wages had remained static, export prices had declined by almost 50% and retail and wholesale prices had declined by 16% and 13% respectively. Conservative dissension over the abolition of compulsory arbitration was thus neither strident nor widespread.

Those conservatives who voted with the Labour Party on the I.C. & A. Amendment Bill of March - April 1932 did so for a variety of reasons, few of which reflected sympathy for the worker. A.J. Stallworthy, spokesman for individualism, feared that voluntary arbitration would 'throw our industrial matters ... into the control of the Communists and ... the unscrupulous employer.'10 His dread that reduced wages would adversely affect trade was shared by R.A. Wright (Coalition, Wellington Suburbs) and A.H. Samuel (Coalition, Thames), whilst G. Black (Coalition, Motueka) objected to provision for the use of Orders-in-Council to determine which workers should be exempt from the Act. No large-scale defection from the Coalition was involved, and the Government was able to meet the Labour Party's objections with equanimity.

The attitudes of deflationists were further embodied in the report of the National Expenditure Commission which had been appointed in February 1932. Indeed, there was an element of truth in J.A. Lee's assertion that the Commission represented the businessmen who had helped bring about the Coalition. Few deflationists objected to the concluding sentiments of the draft report of July 1932:

'dependence upon Overseas Loans for any purpose should cease, social and even essential services by the State must be severely curtailed, and the pruning knife continue to be applied to all administrative costs.'

The only complaint was that the report did not go far enough, but most conservatives agreed with the verdict that the proposals 'must be given a high place among the most masterly of our State papers.'

In regard to the sanctity of business contracts, some aspects of the National Expenditure Adjustment Act and Mortgagors' and Tenants' Relief Act were controversial. But dissension was significant in its potential, rather than actual, damage to conservative unity. The proposal of the National Expenditure Adjustment Act for a reduction of 20% in interest rates, caused Downie Stewart to threaten resignation,

11. Ibid., Vol. 233, 1932, pp. 309-311. The Commission chairman was G. Shirtcliffe, an ex-manager and partner in A.S. Paterson & Co., and another commissioner was James Begg - sheep farmer and company director.

12. National Expenditure Commission, N.A., T., 66/1-2. The Head of the Prime Minister's Department had even been asked by the Commission: 'Do you get any value from the League of Nations?' N.A., T., 66/5.

but he succumbed to the views of the rest of Cabinet. The conservative press also argued that state interference with the sanctity of contracts was a dangerous and revolutionary precedent, and that 'the recipients of fixed incomes, especially investors ... had ... tailed far behind in the procession of prosperity when prices were rising.' In spite of these criticisms it was admitted that the farmers' debt problem was acute, and that the National Expenditure Adjustment Act was reconstructive. The removal of anomalies which were unjust to the mortgagor, could be hoped for. Commercial interests were just as equivocal as the press and provided no rigid opposition. On the one hand the Wellington Chamber of Commerce expressed 'grave concern' at the provisions of the Mortgagors' Relief Amendment Bill, and on the other, W. Machin (President of the Associated Chambers of Commerce) thought the proposals sound. In Parliament, Stallworthy argued that the attack on the sanctity of contracts was 'likely to break down ordered society and constitutional government', but he was one of only a few Coalitionists to vote against the National Expenditure Adjustment Bill.

The year 1932 was a rewarding one for conservatives because their

demands for a curb on state profligacy had been met by the Government. But there were two major threats to political stability. A proposed increase in the rate of exchange on sterling, advocated by farmers and recommended by the Hight Economic Committee of February 1932, was sufficiently controversial to be shelved until the following year. The other threat to political stability came not from within the Coalition ranks, but from the low-income groups and the unemployed. The Coalition weathered the riots however, partly by enacting public safety emergency legislation, and partly by ameliorating relief-work conditions. Any need for militant counter-measures to the civil disorder of 1932 was foreshadowed by the fact that a coalition of conservatives was in power. Unlike the situation in New South Wales, there was no radical Lang in New Zealand to provoke the formation of a New Guard.

The 1931 election campaign had already given rise to civil disturbance. Election meetings were enlivened by rowdiness—particularly in Christchurch where Forbes on one occasion had to escape over a fence and through a private garden. During his tumultuous meeting of 23 November 'police and civilians engaged in hand to hand battle, and a number of policemen drew their batons and used them freely and effectively'.

19. The Hight Committee included the unorthodox Australian economist, Professor D.B. Copland. For his views on deficit finance, see, N.A., T., 66/1-2; see also A.J.H.R., 1932, B-3, pp. 32-34.

Freedom of Speech and British Liberty Committee of prominent Christchurch citizens subsequently planned the formation of a Black Shirt Brigade to preserve order. Coalition candidates disapproved, however, and the plan lapsed.  

More violent disturbances, such as the Auckland riots of 14 and 15 April 1932, provoked greater response. Nevertheless, public reaction to the demand for an organisation to counteract 'subversion' was generally limited to the swearing-in of specials. One of the few extreme reactions came from Will Lawson, a free-lance journalist who had worked on the Evening News (Sydney) and on the New Zealand Herald. He contended that outbreaks of violence had been prevented in New South Wales by the activity of 'patriots of the highest calibre' in the New Guard. Lawson concluded that in New Zealand:

'it would be well to have some citizen body ready for service in emergencies which may arise while the Soviet propaganda is stirring the people in one direction or another.'  

One press report actually said that 'something in the nature of a New


Guard will be organised throughout New Zealand, and returned soldiers are stated to be playing a prominent part. This was pure speculation, for nothing of significance eventuated.

The few counter-subversion groups which were created failed to survive the year. One such group was the National Security League, founded in 1932 by A.N. Field, a journalist, whose fear of the imminent Communist danger was well known. The objects of the League, however, were concerned with the restoration of 'the means of payment and lightening of the burden of debt', as well as with the security of property, justice and order. Like the Welfare League, the National Security League was run by one or two individuals. It had little influence and was eventually submerged in the Legion.

There was little scope for a militant right-wing movement because conservatives were far from unanimous in their reactions to the riots. The Wellington Chamber of Commerce wanted the Government to 'make the


25. Field had worked as a sub-editor on the Dominion until 1928. He seems to have had paranoid tendencies, for he talked about the 'subterranean forces today enmeshing nations and individuals in the chains of slavery', and he asserted that 'classes of small capitalists are destroyed and thrown into the proletariat, while those that survive are drawn more and more into the toils of the Money Power', A.N. Field, The Truth About the Slump, Nelson, 1931, pp. 65 & 144-5. Elsewhere he wrote: 'The whole trend of Socialism is to deprive Christians of their property and to reduce them to a sub-human, animal status.' The Truth About New Zealand, Nelson, 1939, p. 116. His book, Why Colleges Breed Communists, Nelson, 1944, bespeaks of similar tendencies.

26. Letter from A.N. Field to Dr R.C. Begg, Gisborne Times, 11 Apr. 1933, p. 3(3-4).
utmost effort to put the leaders of the Communist party in New Zealand into custody forthwith'.\textsuperscript{27} In contrast, less repressive businessmen thought that retrenchment had gone too far. They blamed Coates for the situation, and requested Lord Bledisloe to ask Coates, as Minister of Unemployment, to alleviate distress.\textsuperscript{28}

The passage of the Public Safety Conservation Bill, the slight improvement in relief work conditions, and the relapse into despair by the unemployed, precluded any lasting militant reaction to the riots. Nevertheless, the civil disturbances highlighted dramatically the general economic situation. Within the Reform Party a small group expressed dissatisfaction at the lack of a positive and popular policy, and attempted to reform the Party. The group of activists formed the New Zealand National Movement, but met with little success until it was reorganised as the New Zealand Legion.

According to some Hawke's Bay Reformers - in particular, J.D. Ormond, jnr. - the Coalition was failing to evolve a creative policy and was allowing the Labour Party too much initiative. Ormond had defied the Coalition election pax and, with some assistance from A.E. Davy and local Reformers, he had stood for the Waipawa seat against

\textsuperscript{27} Wellington C.C. Minutes, 12 May 1932, p. 63.

\textsuperscript{28} Rodney Coates to Coates, 19 Apr. 1932, 1, Coates MSS.; copy of C.A. Arthur to Lord Bledisloe, 21 Apr. 1932, ibid.; see also A.E., 15 Apr. 1932, p. 6(3). Coates' ability to provide work, however, was hampered by Stewart's control over finance.
In April 1932 Ormond, C.R. Watson (Secretary of the Waipawa Reform Party), and J.F. Nelson (another farmer), discussed Reform policy and organisation with Coates and the Party executive. It was arranged that H.M. Campbell (Reform, Hawke's Bay) would try to persuade the executive to take over any worthwhile ideas suggested by these men. It also seems probable that Campbell contacted his nephew, Eric Campbell, leader of the New Guard, for advice on organisation. The attempt at reform apparently made little impression on the Reform Party executive, but the dissidents held a meeting in Hastings on 2 July 1932, and resolved to: 'reform the Reform Party or form a New Party.'

This protest emanated partly from young Reformers, like Ormond and M.D. Smith, who had suffered from the Coalition election arrangement to support sitting members. Moreover, the sheep farmers among the dissidents were feeling the dire effects of the slump in wool prices. Sherston, for example, found that 'The income from my farm had dropped

29. J.D. Ormond was a 27 year old Waipukurau sheep farmer. Much of the information about these events was obtained, by courtesy of Sir John Ormond, from his Notebook.

30. Eric Campbell cannot recollect who made enquiries but remembers that 'There was no discussion on policy ... as there was a similarity between our objectives that made comment unnecessary.' Correspondence from E. Campbell, 14 Oct. 1968.

31. Sir John Ormond's Notebook. Apart from Ormond, Nelson, and Watson, those present included Marcus D. Smith (Mayor of Dannevirke and a Reform candidate in 1931 who was forced to withdraw because of the Coalition arrangement to support sitting members), Major J.R.V. Sherston, J.W. Harding (local sheep farmers), and A.E. Davy.
to insufficient to meet costs, certainly not enough to keep me, my wife and daughter. The farmers believed that the market situation for wool and meat was worsened by 'State extravagance, reckless borrowing and Socialistic legislation.' Some farmers found state activity intolerable even though they were in distress.

A tour of the country by Ormond and Nelson during July 1932 revealed similar discontent among other Reformers. F.J. Rolleston (Attorney-General and Minister of Justice and Defence, 1926-28), 'was disgusted with the present state of things'. In Timaru 'a good committee of business men' was found to be 'working on much the same lines' as the Hawke's Bay group, and in Dunedin, A.E. Davy 'was at work'. Thirty such dissidents met in Palmerston North on 23 July 1932, and agreed to set up the New Zealand National Movement. Major Sherston was appointed organiser and meetings were held with farmers


33. N.Z. National Movement, Circular No.2, Oct. 1932, Minutes, Legion MSS. The complete circular is reproduced as Appendix 1. Circular No.1 is missing from the Legion MSS.; see also N.Z. Worker, 7 June 1933, p. 2(2-3).

34. Sir John Ormond's Notebook. Davy and Ormond each warned Coates about the activities of the other. It is doubtful (for reasons discussed in Chapter VI) whether Davy's intrigue was (as Ormond suggests in his Notebook) the beginning of the Democrat Party. The incident reveals, however, Davy's dissatisfaction with Reform.
and businessmen in Hawke's Bay.  

Like the founding of the United Party, the National Movement was prompted partly by 'the extravagant and socialistic policy of past Governments', as revealed by the National Expenditure Commission's Report. The pettiness and parochialism of party politics and the advanced age of M.P.s were other reasons given for the Movement's formation. The founders decided not to form a new party. Instead, they favoured a non-party organisation 'To ensure the return to Parliament of men (or women) best qualified to govern the Country in the interests of all.' In spite of its origins and its anti-Socialism it was to be 'open to supporters of all existing political parties.' Preservation of individualism was a major task, and was enshrined in policy advocating encouragement to private enterprise, an end to government interference, and the eradication of party spirit. Unlike the Legion, however, the Movement did not advocate the abolition of parties outright. Overall, the Movement's aim was to put the Government

35. N.Z., Vol. 2, No. 23, 5 July 1934, p. 14. Major J.R.V. Sherston, aged 44 in 1932, was an imposing soldier noted for his horsemanship. After serving with the British Army in World War I, he served in Afghanistan, and in 1920 went to the British Staff College. He emigrated to New Zealand in 1925. After a year he bought a sheep farm in Hawke's Bay, and was helped by J.D. Ormond's father. He agreed to organise for the National Movement if it paid for someone to manage his farm. 'I felt that I should try to make use of my Army and Staff training to organise SOME thing, we none of us knew quite what.' Correspondence from Brigadier J.R.V. Sherston, 27 Sept. 1968.

of the Dominion 'on a sound and efficient basis.' The Movement had a knack of producing platitudes; a skill which its successor, the Legion, was to develop to a high degree of proficiency.

Yet by the end of 1932, the New Zealand National Movement and similar protest groups had made little headway. Protest was confined to isolated groups of businessmen, farmers, and local Reform officials. Fear of rioting alone had not provoked a widespread right-wing response. Some conservatives were to look upon the New Zealand Legion as a force 'of loyal, organised and disciplined citizens to ensure that there would be no stoppage of essential or food supplies.' Others felt that educated public opinion would be strong enough to stop rioting, but that organisation was necessary because —

37. Ibid. The members agreed to support 'the forces of Law and Order in any emergency brought about by the action of seditious or revolutionary groups.' Ibid. The Communist influenced National Unemployed Workers' Movement was strong in Hawke's Bay. It did not, however, instigate strikes (in Hastings and Waipukurau) until September 1932 — after Ormond and Sherston had commenced their Movement. See P.G. Morris, 'Unemployed Organisations in New Zealand 1926-39.' Unpublished M.A. thesis, V.U.W., 1949, pp. 52-3.

38. Wanganui Herald, 27 Apr. 1933, p. 10(5). The Hawke's Bay Chairman of the Legion actually contacted the police and offered the Legion's assistance in the event of civil emergency, Hawke's Bay Div. Report to National Council, 4 Apr. 1933, D.C., Legion MSS., see also A.I. Rainbow to Chairman Hawke's Bay Div., 3 Mar. 1933. The Chairman's query, as to what action the Legion as a whole would take in the event of civil commotion through an unemployed strike in Hawke's Bay, was answered with: 'the Legion is not concerned with taking upon itself any such function as suggested.', Tonkin to Secretary N.Z. Legion, n.d., & Littlejohn to Tonkin, 29 June 1933.
'They did not want this menace of Bolshevism coming into the country and destroying cherished institutions. It was known that these riots were organised by a band of Communists.' 39

Individuals were undoubtedly motivated to join the Legion through fear of Communism and recurring civil disturbance; but the riots of 1932 and fear of their recurrence did not give the Legion its appeal. 40 Interest in the Legion was not aroused until a political crisis occurred the following year.

Throughout 1932 little conservative protest disturbed the equanimity of deflationary operations. Undercurrents of tension were apparent but, for the time being, Stewart surrendered to the views of his fellow Ministers; objectors to the I.C. & A. Amendment Act, the National Expenditure Adjustment Act, and the Mortgagors' and Tenants' Relief Act, did not break irrevocably with the Coalition; militant reaction to civil disturbances was still-born; reform of the Reform Party failed and Sherston experienced difficulty in persuading people to take an interest in the National Movement. 41 Conservative protest was certainly less widespread and less insistent than in 1927 when the United Party had been formed. As H.E. Holland remarked, 'There has never before been a

40. Brigadier Sherston expressed the opinion that 'fear of rioting did not arise', in correspondence to the writer 27 Sept. 1968.
41. R.C. Begg, The Secret of the Knife, Norwich, 1965, p. 84.
session where the lines of demarcation have been so rigidly drawn between the two sections of the House.\textsuperscript{42} There appeared to be little political conflict other than that between Labour and Coalition.

The crisis which eventually destroyed conservative harmony was precipitated by the Government's wish to inflate the farmers' income through a rise in the rate of exchange on sterling. The debate which raged during 1932 and 1933 became predominantly a conflict between the rural and urban wings of the Coalition's supporters. Farmers agitated for government intervention in the belief that 'the inescapable question ... is whether the farmer is to break or be saved .... high exchange raises the total national income.'\textsuperscript{43} Their ranks were augmented by businessmen who had close financial connections with farmers. W.D. Hunt (President of the Stock and Station Agents Assn.), for example, urged an increase in the exchange rate because farmers' accounts were not being paid.\textsuperscript{44} Among other businessmen, however, anger was aroused to an extent that, when the rate was raised in January 1933, a new party was mooted and the fall of the Coalition predicted. On few occasions in New Zealand's history have conservatives been so vitriolic against a

\textsuperscript{42} P.D., Vol. 232, 1932, p. 773.

\textsuperscript{43} Press, 21 Jan. 1933, p. 14(2); see also evidence of W.G. Goodfellow at the Parliamentary Economic Committee, N.A., Le., 2/2, p. 770. Disagreeing on the grounds that high exchange represented financial manipulation, Farming First was a minor exception to rural unity on the issue; see Farming First, 10 Feb. 1933, p. 3.

\textsuperscript{44} N.A., Le., 2/1, pp. 119-123.
government which they themselves had helped into power.

The division in the country reflected division in the Cabinet. Coates had believed in raising the exchange since early 1932. Realising that restoration of the farmers' income was more important than a balanced budget, he suggested deliberate planning at both ends i.e. increasing farm receipts as well as reducing farm costs. He was restrained from acting by the opposition of most of the Banks and business interests, by Forbes' uncertainty, and by Downie Stewart's dissension.

Forbes eventually succumbed to the pressure of farmers and, converted to unorthodoxy, stated: 'If orthodox methods fail to find a solution in times of grave emergency, then I claim that the Government is justified in resorting to other means'.

The Banks had already pegged the rate at £(N.Z.)110 : £(Stg.)100 in January 1931 to protect their London balances from the effects of the slump in export prices. They resisted raising the rate further because, they said, it would cause inflation and speculation, and damage the Dominion's credit. Coates made it clear that the Government would

45. Correspondence from Dr R.M. Campbell, 8 June 1968; Coates to H.C. Walpole, 25 Feb. 1933, 5, Coates MSS.; P.D., Vol. 235, 1933, p. 11.


47. See evidence of Sir H. Buckleton, N.A., Le., 2/2, p. 553; W.A. Kiely, ibid., 2/1, pp. 236-7; J.T. Grose, ibid., 2/1, p. 287. The Bank of New South Wales, which held a large stock and station agency loan but no more in total advances to farmers than other banks, was a notable exception. See K. Sinclair and W.F. Mandle, Open Account, Wellington, 1961, p. 200.
go ahead, and although they were guaranteed indemnity for financial losses, the Banks were 'reluctantly compelled to co-operate' in raising the rate to £(N.Z.)125 : £(Stg.)100 on 19 January 1933.

Stewart's rigid opposition to increased exchange had earlier caused Cabinet to hesitate. On 11 March 1932, he had informed Parliament that the rate would not be changed. As the Round Table correspondent remarked:

'This decision came as a great relief both to the nervous trader whose enterprise has been checked for two long months of suspense, and to the taxpayer, who knows that inflation is easier to start than to stop. Special congratulations are due to the Minister of Finance'.

A concomitant of Stewart's opposition to high exchange had been the aversion expressed by farmers to his inclusion in the New Zealand delegation to the Ottawa Conference. The problem was overcome by including Coates in the delegation with Stewart, while Forbes remained in New Zealand. An open breach had been temporarily averted, but Stewart was becoming increasingly out of tune with the rest of the Cabinet.

48. A.S., 20 Jan. 1933, p. 6(1). One of Coates' greatest achievements was to show 'that the banking system was not sacrosanct', W.B. Sutch, Recent Economic Changes in New Zealand, Auckland, 1936, p. 34; see also Coates to Ada Coates, 26 May 1933, 1, Coates MSS.

49. R.T., Vol. 22, 1932, p. 685. It was widely believed that Stewart or Dillon Bell wrote the articles on New Zealand.

50. Once again Stewart was on the point of resigning. He wrote to Forbes: 'it is fair to assume that in effect the price I am called on to pay for offending the advocates of a high exchange is that I shall forfeit my right to go to Ottawa.' Stewart to Forbes, n.d., not sent, 1/F., Stewart MSS., Hocken.
Stewart's isolation was evident at the crucial Cabinet meeting of 11 January 1933 when he admitted: 'I have felt for 12 months that I am regarded as the Black Sheep of the Cabinet who is blocking everything the farmers want'. His stand was based on the assumption that a long-term adjustment of the whole economy was necessary.

'If one could assume that prices could recover in the next year or two then it would be quite legitimate to adopt ... palliatives ... to cover a temporary emergency; but I do not think that is the position.'

Stewart had threatened to retire many times, but on 16 January he finally resigned and, persistent in his martyrdom, ignored a last minute plea from Lord Bledisloe and an offer to reconsider the exchange policy by Coates. As the only man in the Cabinet who championed urban interests and who could restrain Coates, the loss of Stewart was particularly

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51. 1933 Diary, 11 Jan. Coates replied curtly: 'You are not the black sheep - you are not so important as you think you are. In fact you have a very exaggerated idea of your own importance.' Ibid.

52. Stewart to R. Smith, 20 Jan. 1933, 3/Resignation, Stewart MSS., Hooken; see also Stewart to W.P. Morrell, 23 Sept. 1933, 1/M., Stewart MSS., Hooken; 1933 Diary, 11 Jan.

53. Bledisloe to Stewart, 16 Jan. 1933, 4/Resignation, Stewart MSS., Hooken; Stewart to Bledisloe, 17 Jan. 1933, 4/Resignation, Stewart MSS., Hooken; 1933 Diary, 20 Jan. Coates found Stewart 'the opposite of being helpful', and was relieved to be rid of him, Coates to Rodney Coates, 16 Mar. 1933, 1, Coates MSS.
unfortunate for businessmen. 54

Business interests, which had been pleased with the Government's deflationary measures of 1932, now criticised the high exchange policy with an outburst of emotional fervour. Importers, shippers and traders - affected by the added cost of imports - argued against helping the farmer by deriding the value of farmers to the economy. According to Stewart, businessmen were 'almost the only class on which we can rely to sustain the Budget'. 55 Merchants asserted that farmers hopelessly in debt should 'be allowed to sink out of sight, and that the 'economic aspect of the problem should not be crowded out ... by sentiment'. 56

Generally, however, high exchange was censured as a policy of 'wilful inflation' which would raise prices and increase the taxation necessary to correct the Budget deficit. The German post-war experience was cited as a dire warning against inflation, and the inflationary policies of the New Deal were said to be putting the Americans 'through the "third

54. See E. Salmond in Dominion, 27 Jan. 1933, p. 10(6). Almost all of the 50 telegrams received by Stewart were from businessmen; even those in favour of high exchange thought: 'it is costing too much if it means the loss of ... /Stewart's/ services', J. Begg to Stewart, 22 Jan. 1933, l/Exchange, Stewart MSS., Hocken; see also Press, 19 Jan. 1933, p. 8(2).


56. Mercantile Gazette, 8 Feb. 1933, p. 150(1).
Criticism was not solely the prerogative of traders. Ignoring the protective tariff that the high exchange gave them, manufacturers complained that their raw materials would be more expensive. With the exceptions of the *Press* and *Waikato Times*, newspapers also voiced disapproval, ostensibly in the national interest; though the increased cost of newsprint undoubtedly had a bearing on their attitude. Truth, for example, asserted that the high exchange 'shatters the last remaining shred of confidence ... in the supine, weak-kneed Coalition.' The editor predicted 'untold suffering and misery', and accused the 'exchange riggers' of having 'out-Langed Lang'. The possibility that Britain would impose butter quotas kept alive hopes that, in order to placate the Mother country, the exchange rate would be lowered and British imports made cheaper. Sustaining its crusade, Truth urged 'Let us go to Britain, ashamed ... and confess the gross iniquity of our


58. See A.S., 23 Feb. 1933, p. 8(6); New Zealand Exchange Rate Controversy. N.Z. Truth, 1932, Stewart MSS., Private collection. The rural-urban rift was all the more decisive because the Labour Party denounced the increased cost of imports as: 'yet another levy on the severely-slashed earnings of all workers', *N.Z. Worker*, 1 Feb. 1933, p. 2(2).

exchange ramp. Conservative editors were remarkably contemptuous of the Government's exchange policy.

The passage of the Banks Indemnity Bill was stormy and, although the Coalition avoided defeat by eight votes on the crucial Second Reading, Forbes was astonished at the strength of the opposition, both in and outside Parliament. Indeed, a group of mainly United M.P.s - Veitch, Wright, McSkimming, McDougall, Harris and Stallworthy - voted against the Bill and were excluded from Coalition caucuses. A.J. Stallworthy's break with the Government was particularly bitter. In an open letter to Forbes he concluded that the Government had no moral right to remain in office, and later claimed that 'the two so-called leaders of the Government are the most dangerous revolutionaries in the land.' Such vituperation was undoubtedly coloured by Stallworthy's resentment at losing a Ministerial post when the Coalition was formed in 1931.

60. Ibid., 26 July 1933, p. 8(3).

61. E. Salmond to Stewart, 10 Apr. 1933, 3/Dictatorship, Stewart MSS., Hocken. Protest meetings were held in all the main urban centres, see Dominion, 27 Jan. 1933, p. 10(6); Press, 2 Feb. 1933, p. 13(1-2); A.S., 20 Jan. 1933, p. 8(4), & 21 Jan. 1933, p. 11(2).

62. Harris and Stallworthy received vindication from their electors, A.S., 24 Jan. 1933, p. 5(2-3), & 21 Feb. 1933, p. 3(6); McSkimming told Stewart 'that his duty to God prevented him from supporting it', Stewart to Forbes, 4 Apr. 1933, 1/F., Stewart MSS., Hocken; Atmore, Bodkin and Wilkinson also voted against the Bill. There was a disciplinary Caucus on 16 February 1933, S.T., 17 Feb. 1933, p. 7(3); Harris was received back into the fold, N.Z.H., 6 Oct. 1933, p. 11(3); McDougall and McSkimming maintained they had not left the United Party, O.D.T., 16 Feb. 1933, p. 13(4).

63. Truth, 5 Apr. 1933, p. 10(4); O.D.T., 4-Feb. 1933, p. 12(5); see also A.S., 3 Feb. 1933, p. 5(6); P.D., Vol. 235, 1933, p. 353.
That there was no large-scale defection from the Coalition camp was due to the dilemma which conservative M.P.s faced. They had the choice of either voting with Labour and endangering the Government's position, or voting for the Bill and against their consciences. To Stewart, who voted against the Bill but refused to vote for a Labour Party amendment, and to waverers like H.G. Dickie (Pātea) and H. Holland (Christchurch N.), political stability was a paramount consideration. Their support of the Coalition was a tribute to their anti-socialism as much as to their party loyalty.

Unfortunately for laissez-faire advocates, government interference did not end with the Banks Indemnity Bill. The taxpayers' bleak prospects were worsened by an estimated budget deficit of £9,550,000, which many accounted for as a consequence of high exchange. It was commonly suspected by businessmen, moreover, that the Sales Tax which 'disorganised and stifled' business was a means of paying for the deficit.\(^\text{64}\) Equally objectionable was the compulsory nature of the 'voluntary' conversion loan of March 1933. The clauses which provided penalties for creditors failing to convert to lower rates of interest suggested to some conservatives that legitimate Government activity had extended 'to repudiation and confiscation as an easy way of paying debts'.\(^\text{65}\)

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Reserve Bank proposal further antagonised the commercial community. A mass protest meeting addressed by Stronach Paterson in Wellington, for example, cavilled at the proposed political control over the Bank. In addition the scheme to reimburse the Banks for their gold at book value, instead of the higher market value, was interpreted as 'common theft'. Legislation which followed the raising of the exchange rate did nothing to placate disgruntled conservatives.

Altogether, the Government's reconstruction efforts of 1933 had created considerable ill-feeling among its urban supporters. When the first Session ended on 10 March, many conservatives hoped that Parliament would 'remain prorogued for the longest possible interval'. Even in the midst of this crisis of capitalism, the laissez-faire trumpet of commerce blew its discordant and unwavering note. Businessmen complained that New Zealand was menaced by a 'landslide to socialism' and worse, much of the revenue for the State's 'socialistic' activities came from private enterprise 'hampered by Government interference, and subjected to competition by public trading organisms which enjoy special privileges.'


67. Dominion, 11 Mar. 1933, p. 10(2).

68. S.T., 30 Mar. 1933, p. 6(4); see also A.M. Seaman in A.S., 16 Feb. 1933, p. 14(1); Stallworthy, ibid., 24 Jan. 1933, p. 5(3); J.P. Luke, ibid., 18 May 1933, p. 8(2).
Furthermore, the administration was criticised as being a 'farmers' government' which had given the cities too little attention. The appointment of J. Bitchener as Minister of Public Works on 10 April established an all-rural Cabinet and seemed to justify the accusation. Bitchener was described as 'almost entirely without originality or inspiration', and as having shown no special qualifications for the position; his elevation raised a howl of urban protest. Coates, undoubtedly the most dominant figure in the Cabinet, was singled out for criticism. Special opprobrium was also reserved for Forbes - 'I fear', said Edwin Salmond, 'that to-day he has fallen from the high place he had in our regard.' It was even suggested that Forbes and Coates had become dictators.

Conservatism was thus severely tested in the crisis, and a collapse of the Coalition seemed a possibility. The hopes of the Labour Party were raised and, at the Party's 17th Annual Conference, the executive indicated that:

'the Hon. Downie Stewart's resignation from the Government has given the disgruntled Tory element a possible leader in an insurrection which may, during the next Session of Parliament, possibly result in the defeat of the Government and present the long-awaited opportunity of the Labour Party.'

69. A.S., 20 Jan. 1933, p. 6(3), & 27 Jan. 1933, p. 6(3); P.D., Vol. 235, p. 110, 1933, (Veitoh, Wanganui); Wanganui Herald, 26 Apr. 1933, p. 6(3).

70. A.S., 10 Apr. 1933, p. 6(3), & 11 Apr. 1933, p. 6(3); letter from Stallworthy, ibid., 12 Apr. 1933, p. 6(7).

71. Dominion, 27 Jan. 1933, p. 10(6); see also R.T., Vol. 23, 1933, p. 706; Stallworthy in O.D.T., 4 Feb. 1933, p. 12(5); Mercantile Gazette, 8 Mar. 1933, p. 261(3).


Fear that the Labour Party would benefit from conservative disunity caused the Reform press to lessen its criticism of the Government, to ask the community to give the exchange experiment a fair trial, and to warn against factionalism. Ephemeral right-wing parties were constantly hampered by the bogey of splitting the anti-Labour forces - a large factor in their failure to elicit support.

However, conservatives were so incensed at the Coalition's policy that several protest movements appeared. As in 1928, an attempt was made to form a businessman's party. Salmond, Stallworthy and others urged Downie Stewart to 'smash the government' and lead a new party. Stewart refused because, apart from his physical disability (crippled during the War), he realised that he would be dividing conservatism. Nevertheless, thirty people assembled in Wellington on 8 February 1933 to form a new organisation. They declared that the Government would be decimated at a general election, 'but so serious was the outcome of the Government's policy that immediate action was vital. The only definite statement of policy was that the Government should cease its interference in commerce.


76. A.S., 9 Feb. 1933, p. 9(1).
PLATE I

'The Mushroom Season'

A cartoon illustrating the growth of minor political parties after the raising of the exchange rate in 1933.

(Auckland Star, 21 Feb. 1933. With acknowledgement to the Auckland Star.)
In spite of J. B. Donald's explanation that this 'All New Zealand Party' was non-sectional it was obviously a party of disgruntled businessmen and insignificant politicians. The initial meeting resembled a United Party reunion, with A. J. Stallworthy, P. McSkimming, J. A. McPherson, H. Atmore, A. W. Bodkin, D. McDougall, J. B. Donald, W. B. Taverner and T. W. Macdonald among the United M. P. s and ex-M. P. s who attended. The All New Zealand Party had been in uncertain existence for a month when it changed its name to the New Zealand Political Federation. But its policy, issued in August, contained familiar individualistic features: an end to 'boss control' in politics; fewer M. P. s; reduction of taxation; opposition to high exchange; opposition to the Reserve Bank. The platform was described as 'a delightful combination of pompous phrases and polysyllabic profundity.' In similar terms this Federation was castigated by the Reform press for dividing the conservative camp. Unable to overcome the bogey of factionalism, its support was negligible and limited mainly to Auckland.

Individualism was also a prominent feature of the Seddon Liberal


80. *O. D. T.*, 11 Feb. 1933, p. 10(5-6), & 22 Aug. 1933, p. 6(4-5); *Timaru Herald*, 23 Aug. 1933, p. 6(3-4).
Party - a group founded in January 1933 under the leadership of E.H. Sutherland (President of the Auckland R.S.A.). The Party claimed to represent the working and middle classes, though its sympathies were obviously with the latter. Its view was that, by taxation, the Coalition was "pauperising the working classes, the Great Middle and Professional Classes, as well as bankrupting the tradespeople and importing classes."\(^{81}\)

Dislike of state activity was evident when the Seddon Liberals invited Stallworthy (now an Independent and Vice-chairman of the N.Z. Political Federation), to persuade an audience of 600 to insist on representative government, to war against bureaucracy, and to ensure the State's fulfilment of its contract obligations.\(^{82}\) The Party's main crusade, however, was against the Central Bank which the Party said "would really be controlled by a small coterie of German-Jew financiers on the other side of the world."\(^{83}\) These paranoiacs persisted until August 1933 but had limited influence, unable to survive criticism for increasing conservative disunity.

Yet another political group of 1933 was the Citizens' National Movement, which wanted 'Economic Laws to take their natural course' and

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a single tax on land. As one editor noted, 'There is hardly a town in New Zealand that has not lately seen the launching of a new party or at least a branch of one' (see Plate I). But these eccentric groups, often violently anti-socialist, never resolved the dilemma that by increasing dissension they were making Labour's task easier.

Many conservatives were thus confused. It was uncomfortable for them to realise that by denouncing their Government they were helping Labour supporters. Troubled minds found solace in blaming a more abstract adversary - party politics and the political system. The unsatisfactory political and economic situation was said to have been caused by exaggerated party spirit. The Banks Indemnity Bill may never have been passed had it not been for party discipline.

Criticism of party government became a preoccupation of editors and correspondents to the press. G.S. Thomson, the Reform candidate for Dunedin North in 1928, wrote:

84. Citizens' National Movement Manifesto, Wellington, 1932. The group derived from the Commonwealth Land Party which attempted 'to reawaken the old enthusiasm for Henry George' and had a journal purporting to have a circulation of 1,000; see R.A. Goase to Fowlds, 20 Dec. 1932, 2/28, Fowlds MSS.; Nicolaus to Fowlds, 14 Feb. 1933, 2/30, Fowlds MSS. The organiser, E.W. Nicolaus, was a well-educated agriculturalist who had stood for Wellington Central in 1931 as an Independent. He joined the Legion and appeared, to no effect, before the Monetary Committee of 1934; see A.J.H.R., 1934, B-3, pp. 593-627.

85. Press, 23 Feb. 1933, p. 8(3); see also O.D.T., 22 Aug. 1933, p. 6 (4-5). The 'N.Z. Peoples' Party' of Gore, Southland was another such panacea. Incomes were to be limited to £500 per year, and everyone would get £10 per week, see S.T., 18 Mar. 1933, p. 10(3); O.D.T., 24 Feb. 1933, p. 10(5).
'I am convinced that democracy ... is a myth, and that the unholy mob led by unscrupulous, place-seeking labour secretaries, presidents, and other officials simply must be kept ... in restraint. To accomplish this we must, if necessary, establish even in "God's own country", a dictatorship that will wipe out Parliament as at present constituted .... the time has arrived for the surgeon's knife to be used to cut the cancerous growths out of the body politic.' 86

Editorials, though less extreme, were equally challenging:

'No one would welcome any movement in New Zealand wishing to apply the strong-arm methods ... used by the Fascisti, the Nazis or the Bolsheviki; but that does not mean that the people of New Zealand are so firmly shackled to the old political labels that they cannot evolve for themselves a movement which will give ... this country a new national sense.' 87

What was required was 'an act of exorcism' - 'a cleansed and invigorated national political conscience'. 88

With party politics in disrepute, the National Movement's efforts to purify political morality gained new relevance and attracted greater interest among conservatives. During the early months of 1933 J.D.

86. O.D.T., 26 Aug. 1933, p. 14(4-5). The Dominion's correspondence columns were particularly full of these challenges, see issues of 7 Feb. 1933, p. 9(7); 13 Feb. 1933, p. 11(7); 17 Feb. 1933, p. 13(7); 25 Mar. 1933, p. 12(5); see also N.O., Vol. 1, No. 10, p. 7; Press, 13 Mar. 1933, p. 9(1-2), & 14 Mar. 1933, p. 14(5).

87. S.T., 24 May 1933, p. 6(5).

88. Dominion, 11 Mar. 1933, p. 10(2); see also O.D.T., 20 May 1933, p. 10(6-7); H.B.H., 22 Feb. 1933, p. 4(5).
Ormond and Major Sherston sought a figurehead, un tarnished by party politics, to direct the Movement - renamed the New Zealand Legion. They persuaded a prominent Wellington surgeon to take command and extend the Legion's influence throughout the country.

The surgeon's background inspired confidence. Robert Campbell Begg emerged from a purposeful Presbyterian upbringing in Dunedin with an M.A. and M.Sc. at the age of twenty-one. On the point of emulating his grandfather and becoming a divine, he changed his mind, took up medicine and gained degrees at Edinburgh. After experience as a medical officer in the Transvaal and, during the War, in the Near East (where he contracted rabies and influenza), he took up residence in Wellington as a specialist and consultant in urology. Disgusted with the mal-administration of the hospital boards, Begg campaigned for reform, and topped the poll in the Wellington Hospital Board election of 1931. He was a prominent witness before the National Expenditure Commission, and much of his scheme for hospital reorganisation was adopted by the Commission. 

89. His father, A.C. Begg, owned a sheep station, and had opposed Seddon as a Prohibitionist at two elections. After telling the unemployed to salvage sheep's heads and livers from the slaughter houses, he was pelted at an election meeting with these same ovine organs, and gained the nickname - 'Sheep's Head and Pluck Begg'. Interview with J.A. Lee, 1 Feb. 1968.

Wellington for his forthright views on efficiency in health administration.

Dr Begg had a sincere desire to improve political life, though his enthusiasm was not matched by political acumen. His tall, military bearing and steely-blue gaze commanded respect. He worked fifteen hours a day (at the age of 47 in 1933), and had uncomfortably exacting standards. In politics, however, he was completely inexperienced. As a speaker he was earnest and sincere, but his oratory was unimpressive. Begg's delivery was described, by a Legionnaire, as 'placid, undemonstrative ... which would not appeal to the average elector or the auctioneer.' 91 His weakness on the public platform was exemplified by his insistence on answering only written questions, and when heckled he was 'slow and generally feeble in the come-back, and plainly exhibited his annoyance.' 92 Lacking the oratory of a potential dictator, it was his diligence, idealism and freedom from party taint that made Begg the kind of man who could rally the dissident and bewildered conservatives. One newspaper editor suggested that 'Whatever the future of the Legion it will certainly not fail for lack of a good leader.' 93

Believing that the country was on the brink of a serious crisis,


92. **N.Z. Worker**, 26 Apr. 1933, p. 6(5); see also **N.E.M.**, 21 June 1933, p. 2(4).

93. **Taranaki Herald**, 19 Apr. 1933, p. 6(3).
Begg agreed to tap 'responsible opinion' and convene a conference. The conference met on 8 February 1933, and comprised 50 Wellington citizens and fifteen farmers ('chosen' from the Hawke's Bay, Poverty Bay, Wairarapa and Manawatu districts). Delegates from the All New Zealand Party (which by coincidence was meeting the same day) attended but lost interest when the Legion advocated a non-party movement. Press reports were confusing. It was suggested that the Legion was a Tammany Hall organisation, run on military lines. Indeed, the provisional constitution contained seven disciplinary clauses; but these were probably no more punitive than rules of the existing political parties.

Begg explained that his emergency movement would: 'teach the people their responsibility as units in a democratic Government'; maintain law and order; support the establishment of a truly national party; 'encourage and stimulate what is best in our public life.' For one shilling members pledged 'to make any necessary personal sacrifice for the sake of

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94. S.T., 7 May 1933, p. 7(3). One source stated that Stallworthy M.P., Rushworth M.P., and G. Shirtcliffe attended, though it was denied by these men; see ibid., 2 June 1933, p. 4(5); N.Z. Worker, 26 Apr. 1933, p. 3(8), & 10 May 1933, p. 6(3); Dominion, 20 Mar. 1933, p. 10(6); N.Z.L.2, H.o.C., Legion MSS.

95. S.T., 22 Feb. 1933, p. 8(1); A.S., 23 Feb. 1933, p. 8(4).

96. Constitution and Rules (Provisional, 17 Feb. 1933), H.o.C., Legion MSS. - reproduced as Appendix II. Begg denied the significance of the rules, see O.D.T., 24 Feb. 1933, p. 8(8).

97. N.Z.H., 13 Mar. 1933, p. 11(7); see also Press, 22 Feb. 1933, p. 8(7). Two speakers at the initial meeting advocated suspension of the constitution and government by proclamation, but received little support, see S.T., 7 May 1933, p. 7(3).
the Country ... and to further loyalty, by every means in my power, by vote, example, and personal influence, the objects of the Legion. 98

Guaranteed £100 by the founders, Begg embarked on organisation. Between 17 February and 26 March, he travelled 5,276 miles and addressed 42 meetings throughout the country - all of them closed to the press. 99

Secrecy heightened public curiosity.

In spite of its vague and platitudinous aims, the response to the Legion was encouraging. Some 2,000 members were signed up in the first month, and the conservative press was adulatory. The Legion was hailed as a new spirit in political life which could pull New Zealand out of the mire. It was felt that:

'the general body of citizens, confessedly unable themselves to grapple with perplexities ... look on with a craven helplessness. A vague sense of menace prevails. This movement should inspire courage by its certainty of touch no less than by its wholesome ideals. It deserves success.' 100

With the blessing of the press, and a diligent leader, the Legion had good prospects for success. It could not have been formed at a more propitious time. Parliament and party politics had reached a nadir in


100. N.Z.H., 17 Mar. 1933, p. 3(3); see also H.B.H., 8 Apr. 1933, p. 4(5).
public esteem, and the Coalition had failed to fulfil its early promise. The relatively unorthodox policies of J.G. Coates, such as the raising of the exchange rate, prevailed in the Government. Disillusioned conservatives turned to protest.

In the New Zealand situation criticism of the party system was usually indicative of individualism - a dislike of excessive government interference and expenditure, an aversion to bureaucracy, and annoyance at an unbusiness-like approach to government. Protest, even against the political system, always remained within the confines of conservatism; only its rhetoric seemed radical at times.

During 1933 the New Zealand Legion was to enable conservatives to protest against a surfeit of government without seeming to increase factionalism. Cleansing the body politic in a non-socialist spirit deluded many into believing that the Legion would unite, if not the nation, at least conservatives. The Legion claimed that various political and self-interested 'quacks have not made a proper diagnosis' of the depression disease.¹⁰¹ This, the surgeon and his team of Legionnaires set out to rectify.

¹⁰¹ Light on the Legion, 1933, p. 1, H.O.C., Legion MSS.
'We're tired of these old geezers.'
'What we need is a Dictator.'

Caesarian section.
Surgeon, see your knife is keen,
sharpen it up
on the Rotary strop
or on the leathery buttocks of Big Business.

If a new conservative force was to flourish in the crisis of 1933 it had to avoid an open breach with the Coalition Government; a challenge to the existing conservative parties would divide conservatism and assist the Labour Party. It was also essential to avoid a contentious policy which might limit potential support. The Legion evaded these pitfalls by substituting remarkably facile platitudes for policy, and this made it possible for both supporters and opponents of the high exchange rate to enrol as Legionnaires. At a time when established conservatism seemed to be suffering from factionalism and inertia, the Legion's zealous pursuit of national unity had widespread appeal.

The Legion's crusade to create a new order seemed radical and even savoured of fascism - an element of novelty pervaded its aim to abolish parties and interest groups. Yet the ultimate ideal was to establish a

laissez-faire society of untrammelled individualism. New Zealand would return to a 'free age' assumed to have existed before Vogel's borrowing policies and Seddon's state paternalism. This myth, analogous to that evoked by the United Party and Coates' right-wing critics, was backward-looking rather than revolutionary. Although the Legion's objectives and colourful rhetoric appeared millenial, Legionnaires were assured that there would be no great social upheaval. Rhetoric masked the Legion's individualism and its deprecation of increased state activity. These underlying features were reflected in the Legion's organisation which theoretically enabled individuals to influence the movement; in its activity which was educational; in its membership which was drawn from the Coalition parties. The Legion represented an extreme form of conservative protest in the depression.

Dr Begg's diagnosis of the slump was ingenious in its neglect of logical, economic explanations. He declared that New Zealand's problem was primarily moral and political; the depression had merely worsened a situation already decadent through lack of moral courage and national spirit. A dominance of sectional selfishness over national interest had brought politics into disrepute and caused the Parliamentary machine to break down. Parliament was no longer a 'deliberative council' of free men and could not be expected to function in the national interest. As the exchange rate crisis had shown, pressure group influences and 'party dictatorship' had curtailed the freedom of M.P.s:
Downie Stewart had to resign to speak his mind, and the country lost his services. This meant Cabinet and country were dominated by one or two men. 2

S.G. Holland expressed similar sentiments. Notwithstanding his father's abject 'party vote' on exchange, the Christchurch Legionnaire averred that 'New Zealand had bred a team of "political smoogers", who had to keep on side with their leaders in order to make their future secure.' 3 In 1933 Syd Holland's political ambitions appear to have been focussed on a non-party system.

Generally, however, Legionnaires were careful not to blame any particular party for the crisis. Begg was of the opinion that politicians were honest in their endeavours and that 'A mere change in personnel ... would make little difference'; it was the system that was wrong. 4 Blame rested squarely with the electors who had shunned self-reliance and were now dependent on government assistance. Dr Begg deduced that this reliance of individuals on State paternalism was at the root of the country's demoralisation:

'Pampered in our standard of living, surrounded by luxuries which we have not earned, servile and dependent on that mysterious entity, the Government, we now act like a broken army whose morale has vanished.' 5

2. H.B.H., 7 Sept. 1933, p. 6(5); see also Timaru Herald, 3 July 1933, p. 11(2)
5. N.Z.L. 12, p. 2, H.O.C., Legion MSS.; see also Light on the Legion, pp. 6-7, H.O.C., Legion MSS. It is appropriate to note that Dr Begg's brother, James, was a member of the National Expenditure Commission, and he probably provided the Legion with personal knowledge of government finances.
Moral uplift and sound principles of government were the *sine qua non* of national economic restoration. The Legion would not wait for a price recovery; its 'inner significance is the reconstruction of political thought ... and its earliest results must be moral before they are material.'

Lack of a policy was initially the Legion's greatest strength because it enabled members of all parties to join and still retain their party affiliations. A political platform would cause controversy and dissension. The Legion had to be

'a spiritual movement, drawing to itself men of goodwill, whom it will lead on a new crusade. That is the problem - to call up a crusading spirit, to sound a rallying cry, not to elaborate details of policy. Details divide, we need to unite .... give us a creed, a confession of faith, high in its ideals, daring in its demands.'

In this fashion the Legion avoided the bogey of dividing the forces of conservatism. The Legion would not interfere with the free exercise of the individuals' political views but, as J.D. Ormond maintained, it would 'not help any man who puts out a flowery platform'. It was not denied that eventually decisions would have to be made regarding political reforms, but much faith was placed in the notion that reconstruction of

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7. *N.O.*, Vol. 1, No. 3, p. 3; see also *S.T.*, 8 May 1933, p. 4(4); *N.Z.L.*, 3, H.O.C., Legion MSS.

the country could initially be secured through unbiased reason and disinterested effort. For example, it was seriously suggested that the army of unemployed could only be eliminated by 'the concentrated thought and goodwill of everybody.' The multitude of opinions would be channelled to a common cause and, in a spirit of self-sacrifice and open-mindedness, 'a harmony of thought could be achieved'.

Emphasis on the moral rather than the economic crisis enabled Legionnaires to crusade with platitudes, instead of debating practical issues such as unemployment. With ingenuous brevity the Legion solemnly pronounced: 'We stand for what is right. We are the enemies of what is wrong.' In the absence of policy details such rhetoric, often evangelical, nationalistic and martial, assumed paramount importance in the Legion's early success. It was indicative of conservative confusion in the depression that thousands should flock to hear what one editor described as 'airy flapdoodle'. In a mood of flagellant nationalism, for example, Begg questioned New Zealand's dependence on Britain:

10. Littlejohn to Divs., 16 June 1933, H.O.C., Legion MSS.; see also *N.E.M.*, 21 June 1933, p. 3(5).
'We must boldly look far into the future to discover our destiny, must develop the national consciousness which will permit us to take our rightful place, not as a colony or dependency, but as a partner ... a nation in a commonwealth of nations ... we should stand on our own feet, plan the future and proudly develop the spirit of nationhood.'

The Legion's nationalism corresponded to its ideal of individual self-reliance.

To undertake the task of creating a nation and regenerating its morale could so easily have implied arrogance. But the task was accepted modestly, with 'humility and solemn dedication'. An attitude of reverence ensured that difficulties would be alleviated by divine aid. It was a mark of weakness for individuals to rely on the State and for New Zealand to lean on Britain; but Major Sherston, on behalf of Legionnaires, admitted: 'unless we relied upon a Higher Power, and acknowledged our allegiance thereto, our work was likely to be in vain.' Dr Ulric Williams (of Wanganui) went further and stated that the Legion's sense of responsibility was actually 'a prompting by the very spirit of God.'

The new movement would be a brotherhood of individuals who would instil

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15. *Wanganui Herald*, 27 Apr. 1933, p. 11(4); see also *Light on the Legion*, p. 16.
a sense of public duty and Christian service into political life.

Much of the Legion's rhetoric was as relevant to the battlefield as to the pulpit. Analogy between war and depression was particularly suited to the Legion's needs. Both crises could be solved by comradeship and morale boosting. One Legionnaire exalted, 'In time of peace, is there still no war?' Memories of the Gallipoli disaster were summoned to arouse 'the same spirit of service in the volunteers for the campaign to ensure victory for the national forces.' The very name, Legion, was chosen as a symbol of numerical strength, honour, patriotism, comradeship, opportunity and defence. Conservative bewilderment in the depression and the powerful sentiment which the Legion cultivated, can be judged from the emotional statements of Legionnaires:

'On this Anzac Day, when memories of those young men who made the supreme sacrifice are still green, there comes a call for service in a cause ... worthy of one's best effort. At to-day's beautiful service, when looking at the mounted soldier on the top of the War Memorial, with his arm stretched upward, it seemed to me he was pointing the way for us out of greed, selfishness, class strife, and party antagonisms, to ... the spirit of love and sacrifice'.

Legionnaires looked back to 'glories' of the past for a solution to the

18. Light on the Legion, p. 6; see also N.E.M., 21 June 1933, p. 3(5). The Legion of Frontiersmen felt obliged to publicly disassociate itself from Begg's movement because people confused the two, see Dominion, 6 Apr. 1933, p. 10(6).
19. Dominion, 26 Apr. 1933, p. 11(8); see also Wanganui Herald, 27 Apr. 1933, p. 11(5).
present crisis.

Such effusive patriotism was not the sole prerogative of fascist parties. Indeed the Legion, though proud of its unorthodoxy, was hardly fascist in its recital of the anti-statist views which had intensified since Coates began extending state regulation in the late 'twenties. In addition to its aim of freeing government from sectional and party strife, the Legion proposed to guard against bureaucracy and, ignoring the trends to a regulated economy, to insist on rigid demarcation between State and private enterprise. It is difficult to find anything novel in the Legion's restatement of the laissez-faire cliché - 'The time has come for a real observance of the line: "More business in government, and less government in business."' \(^{20}\) Nor was anything more hackneyed in right-wing attitudes, than the notion that success in making money out of others qualified businessmen to run the country. The Legion itself would 'conduct the national business ... with the same shrewd judgment as is given to any successful business.' \(^{21}\) It was also nothing more than a feature of conservative protest to advocate that:

'The old, wasteful era of "State paternalism", with its costly expansion of social services, and other lavish expenditure of revenue and loan moneys ... must be ended.' \(^{22}\)

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21. *Timaru Herald*, 28 July 1933, p. 4(4-5); see also *Press*, 4 July 1933, p. 8(6); *Gisborne Times*, 19 May 1933, p. 3(1).

The Legion's 'radicalism' generally meant stemming the demoralising drift to state aid, in lieu of individual effort and private enterprise.

It is true that the Legion's vague objectives, its nationalism and its attack on the party system were features comparable to aspects of fascist ideology. Like the new movements overseas the Legion claimed to be non-partisan, though it hoped to induce public-spirited men to stand for Parliament. These independents would form a National Government, reform the administration to suit New Zealand's needs, and 'the Legion outside the House ... would advise and co-operate but not coerce.' The Legion was also strongly anti-communist and condemned international communism as a disruptive element in national unity. Begg welcomed the support of Labour Party adherents, but warned them against temporising with communism and betraying their own cause.

But such points of similarity with fascism were uncommon. Legionnaires constantly repudiated the label 'fascist', and attacked fascism as un-British and a threat to individualism. They argued that 'British countries have the greatest measure of liberty, the widest scope for individual development', and that loyalty to Crown and Constitution was 'the individual citizen's insurance policy for personal freedom and justice.'

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23. N.Z.L. 5, H.O.C., Legion MSS.


25. Light on the Legion, p. 13; see also Gisborne Times, 5 June 1933, p. 4(8).
The Legion was nationalistic but did not glorify the power of the State over the individual. As a defender of capitalism the Legion was more akin to that enemy of fascists - laissez-faire liberalism. In contrast to fascist movements the Legion would be an educational force acting constitutionally. It would educate people to refrain from lobbying the Coalition, and teach them 'their responsibility as units in a democratic Government.'

The movement may have seemed bizarre, even fascist, but it more closely resembled the kind of right-wing protest which the United Party had exploited in 1927 and 1928.

Legionnaires certainly did not attribute their philosophy to activist sources such as Sorel, Bergson or Nietzsche; rather, they sought a hero from New Zealand Liberalism. Vogel and the Seddonians were responsible for extravagant public works and state paternalism, and were therefore unsuitable candidates. However, Sir George Grey, who had wanted to establish a liberalism of yeomen and small businessmen, was ideal. The Legion considered that Grey's provincial system was particularly suited to New Zealand conditions.

A further indication of the Legion's regressive outlook was its other source of inspiration —


27. *N.Z.H.*, 26 Aug. 1933, p. 13(8); *S.T.*, 4 May 1933, p. 5(1); *N.O.*, Vol. 1, No. 2, p. 1. It is possible that Dr Begg may have been influenced by what he saw of the Nazis on a visit to Germany in 1930. In the New Zealand situation, however, Hitler's philosophy was as inappropriate as Grey's. There was little danger of New Zealand welcoming fascism. Both left and right-wing opponents of Coates thought the existing government dictatorial enough.
Edmund Burke's Bristol election speech of 1774, in which he justified the independence of M.P.s from the lobbying of their electorates.28

In its organisation as well as its aims, the Legion reflected the conviction that, by disinterested reasoning, individuals could arrive at common decisions. Lack of a detailed policy was the Legion's initial strength; but it was difficult to sustain interest with platitudes. To be constructive and effective it was necessary to formulate specific proposals for reform. Machinery was thus created which gave each Legionnaire an opportunity to influence the Legion's operations. However, an excessively democratic framework alone, was insufficient to generate ideas and decisions on political reform. Without direction, the decision-making process was often sluggish. Organisers faced the dilemma of allowing democratic participation but avoiding the chaos which such individualism promoted. In practice, the Legionnaire's freedom of action was limited and officials issued instructions for discussion at meetings. No amount of extensive organisation could develop a workable power structure based on rugged individualism, without involving authoritarian leadership. The individual was apathetic without stimulation; the leadership was powerless without mass appraisal of its decisions. Consequently, between February and July 1933, few decisions were made at all, and the movement began to lose its initial momentum.

Regulations governing the conduct of Legionnaires were designed to

28. It was reproduced for the use of Legion speakers - Sherston to Divs., 17 May 1933, H.O.C., Legion MSS.; see also Gisborne Times, 16 May 1933, p. 5(1-2); S.T., 13 May 1933, p. 6(6)
suppress self-interest and encourage altruism. Yet such restraints
denied precisely the kind of freedom from boss control in politics which
the Legion was advocating. A Legionnaire was expected to undertake
duties assigned to him, such as writing letters to the press and speak-
ing at meetings. On pain of expulsion he was prohibited from exercising
any influence on Members of Parliament in the performance of their duty.
At local body elections he had to decide, without class bias, which
candidates attained the Legion's standards. For this purpose he was
provided with a series of questions as a measuring rod.\textsuperscript{29} The
individual was prohibited from standing for public office without the
consent or invitation of the National Council of the Legion. Should he
stand for Parliament or a local body council the Legionnaire was bound
to pledge himself solely to governmental reform. If elected, he was to
exercise judgment according to conscience and national needs.\textsuperscript{30} Such
vagueness in the regulations was understandable: the Legion would have
had difficulty in enforcing them.

In exchange for these restraints the individual was free to
advocate his solutions of the depression at Legion meetings. But
suggestions had to gain the approval of all centres (or branches) before
being incorporated into the Legion's programme. As there were some 700
centres throughout New Zealand there was little cause for fear that the

\textsuperscript{29} N.Z.L. 10, H.O.C., Legion MSS.

\textsuperscript{30} Constitution and Rules of the N.Z. Legion, N.Z.L. 15, H.O.C.,
Legion MSS.
Legion would be stampeded into forming a policy. Indeed, suggestions were so slow to emerge that the National Council meeting, scheduled for May 1933, had to be postponed for six weeks.\(^{31}\)

Local centres were expected to investigate political and economic reform, and to exchange views and speakers with other centres. The local organisation had to be self-contained and financially self-supporting, and had to forward weekly progress reports to the Divisional Council. In practice, however, centres were instructed on the securing of members, the issue of press releases and the conduct of meetings. Centres were advised that to maintain interest at meetings, 'It should appear that important and inside information on organisation will be discussed'.\(^{32}\) The activity of centres depended greatly on the ability and enthusiasm of their chairmen. For example, under the leadership of F. Milner, Oamaru held 41 town and 39 country meetings in six months. The Otago Council met twice a week and set up an enthusiastic committee on local government chaired by Dr C.E. Hercus (Professor of Bacteriology and Public Health).\(^{33}\) Wellington centres were keen enough to organise public debates and hold Speakers' Training Classes. Generally, however, the organisational framework was insufficient to stimulate discussion without local leadership and official guidance. In many towns the

\(^{31}\) Sherston to Divs., 31 May 1933, H.O.C., Legion MSS.

\(^{32}\) Circular 5, 1934, H.O.C., Legion MSS.; see also Littlejohn to Divs. 20 June 1933, H.O.C., Legion MSS.

\(^{33}\) See O.D.T., 20 Sept. 1933, p. 8(5).
interest meeting was probably the final one.

Proposals for the Legion's consideration were to be collected by the eighteen Divisional Councils into which New Zealand was partitioned. Divisional Councils, comprising chairmen of centres, were to arrange speaking tours; to co-ordinate the activities of centres; to compile registers of members, speakers and owners of aircraft; to provide sketch maps of landing grounds. The ultimate function was to sift ideas and to make recommendations to the National Council. Such a task would have been formidable, were it not for a lack of spontaneous creative thought from members; the Otago Division alone had 93 centres requiring supervision.

Leaders from each Division formed the National Council which was to meet quarterly in Wellington and deliberate on the Legion's affairs. A Provisional Council met on 4-5 April to consider organisation, but the Council proper did not meet to discuss policy until July because of the paucity of proposals.

To facilitate administration Dr Begg appointed, with National Council's approval, an Executive of six headed by Lionel Nelson (Chairman), D. M. Robertson (Travelling Organiser) and Major Sherston (National Secretary - see Plate II). The Executive dealt generally with the administration, finance, research and publicity of the movement, and

34. Sherston to Divs., 13 May 1933, H. O. C., Legion MSS. Dr Begg was a keen aviator and piloted himself to many meetings.
also investigated anti-Legion activities and censored material for publication. With an optimistic sense of the Legion's potential, advice on broadcasting techniques was also sought. The major task of the Executive was to direct the minds of Legionnaires toward productive thought by distributing model constitutions, notably the Swiss, for discussion. Most of these reflected the Legion's fear of unbridled government and involved an elected Cabinet, a reduction in the number of M.P.s and the establishment of provincial assemblies. A great mass of material was issued, including articles on democracy, analyses of proportional representation, and reprints of Begg's speeches. Between 10 and 15 May 1933, for example, eight circulars were sent to the Divisions. Lest it appear that such schemes were directives instead of guidance for discussion, it was stressed that they had 'no value or form as policies of the Legion.' Yet without the provision of agendas, a dearth of resourceful ideas would have contributed to an earlier collapse of some centres. Many Legionnaires were content to register a protest against the Government but less inclined to contribute ideas of reform. It was, of course, impossible for the Executive to consult all centres before acting. The principle of mass participation in decision-making was frequently ignored - as illustrated by Begg's arbitrary increase of the Executive to nine members late in 1933.

37. Begg to Div., 30 Nov. 1933, H.O.C., Legion MSS.
J.R.V. Sherston
General Secretary of the New Zealand Legion.

Dr. R. Campbell Begg
Leader of the N.Z. Legion.

(National Opinion,
Vol. 1, No. 3, 7 Sept. 1933 - Sherston.
Vol. 1, No. 8, 16 Nov. 1933 - Begg.)
The functioning of this comprehensive machine required substantial financing. An estimate of £12,400 was prepared for the first year of operation.38 This faith in the Legion's future growth was optimistic—the expenditure between 10 February and 15 July 1933 was only £1,225:4:10, mainly for wages, printing and advertising. But even this sum proved an embarrassment; Divisions were fulfilling only a third of their financial quotas—an indication that membership was below expectations.39 Contrary to the Labour Party's suspicions, there were no great personal investments in the Legion. The bulk of revenue was derived from the one shilling membership fees, and by July 1933 this accounted for £698 of the total revenue of £819.40 The financial position was so acute that delegates to the National Council of 19-21 July had to subscribe loans of £25 each to raise money for sundry creditors. Without funds idealism proved impotent.

Confidence in the Legion was slow to subside, however, and the National Council decided to embark on what proved to be the impecunious venture of publishing a fortnightly journal. The sponsors of Legion Press Ltd. asserted that, with a working capital of £500, and 50% of the journal's space devoted to advertising, circulation would reach

39. Sherston to Divas., 10 May 1933, H.O.C., Legion MSS.
40. McIntosh to Divas., 11 Aug. 1933, D.C., Legion MSS. About £100 came from small donations including a contribution by W. Goodfellow; correspondence from Dr R.C. Begg, 11 July 1968.
12,000 and profits would be realised by the end of six months. The unfortunate delegates at the National Council meeting of July were persuaded to subscribe to the working capital. Only £295 was raised but it was decided to continue with the publication of National Opinion. Actual circulation only reached 2,400, at 2d a copy, and the paper was soon plagued by marketing and financial problems. Divisional Secretaries were burdened with the distribution of National Opinion, and had to forward it to centres and hawk copies round bookshops. Some 5,000 copies of the first issue were delivered to booksellers, but by the sixth issue shop sales had declined to 'an insignificant figure.' Legion material was not a highly marketable product.

National Opinion limped to twenty-seven issues, providing news of Legion activities and acting as a media for the dissemination of depression panaceas. In this quasi-intellectual publication articles and letters could be found on a 'stamped scrip scheme', on Social Credit by A.R.D. Fairburn, on the single tax by Nicolaus, and on profit sharing by H. Valder and F.A. de la Mare; more erudite contributions included one on female unemployment by W.B. Sutch, and a serial form of New Zealand, A Short History, entitled 'Youthful Nation', by J.C. Beaglehole. The journal certainly provided a more efficient forum for ideas than

41. Littlejohn to Divs., 26 June 1933, H.O.C., Legion MSS.
42. Begg and Lionel Nelson contributed the largest amounts at £40 each; Mins. Nat. Council, July 1933, H.O.C., Legion MSS.
43. Begg to Divs., 3 Feb. 1934, H.O.C., Legion MSS.
centre meetings, but the £60 needed to produce each number became an insupportable burden.

The organisation established by the Legion indicated a faith in individualism. It reflected an optimistic view of the ability of Legionnaires to create schemes of political reform and ignored the problem of attaining mass agreement on crucial issues. It was cumbersome and financially prohibitive. An attempt was made to guide discussion along certain lines, but in effect no-one had the power to make fundamental decisions and the dilemma was never clearly resolved.

The Legion's membership was, in theory, open to all except 'devotees of Lenin's doctrines of violence.' But the essentially conservative nature of the Legion's protest is illustrated by its reception in different levels of society. Prominent among the adherents were businessmen, professionals and farmers, whose allegiance was generally to the Reform Party. A typical committee man was a town lawyer, aged 40-44 years, who if he served in the War, did so as a lieutenant or captain. He was now devoting his energy to reversing the process whereby competitive economic individualism had given rise to pressure groups in economic and political life. Legionnaires were nevertheless attracted to the movement for a variety of motives. Many undoubtedly joined, in a spirit of noblesse oblige, to uplift New Zealand's morale, but a great many others signed membership cards as a protest at the 'socialistic' way

44. Littlejohn to Divs., 16 June 1933, H.O.C., Legion MSS.
in which the Government was coping with the depression.\textsuperscript{45}

By April 1933, Dr Begg had inspired a nucleus of 2,000 'citizens of integrity, intelligence, reputation and strength of character'\textsuperscript{46} to establish Legion centres. He envisaged that the movement would then embark on a membership drive with the establishment of public enrolling booths. The original target was 400,000 members, but by the end of the year, when membership was at its maximum, the enrolment was only 20,000.\textsuperscript{47} This was nevertheless an astonishing figure after barely a year's existence since, in comparison, the Labour Party's membership was only about 30,000, and that of the Social Credit League an estimated 4,000.\textsuperscript{48} The total membership figure is however, misleading. Many members, attracted to a meeting out of curiosity, may have joined in a moment of zeal, only to neglect their 'patriotic duties' afterwards. At the height of the Legion's influence active Legionnaires probably numbered less than 5,000.

Public meetings excited curiosity because the Legion was initially organised secretly. As Sherston explained, 'Before public interest had


\textsuperscript{46} N.Z.H., 20 Mar. 1933, p. 10(6); see also N.Z.L. 1, H.O.C., Legion MSS.

\textsuperscript{47} Hastings Centre to Members, 22 Aug. 1933, Hastings, Legion MSS. Only one enrolling booth appeared - in the square at Palmerston North, N.O., Vol. 1, No. 5, p. 7.

been aroused, adequate attendance at short notice at the Legion's meetings could only be ensured by direct invitation. Furthermore, carnivals, prosperity weeks, and political enigmas were especially attractive in the otherwise drab depression atmosphere. Attendance at the Legion's public meetings was particularly large. In Dunedin, Nelson, Wellington, and Auckland the average attendance was over 2,000, and in smaller towns such as Gore and Hastings audiences of 300 were not uncommon.

Membership was widespread throughout New Zealand but concentrated in areas traditionally represented by conservative M.P.s. Thus the Provinces of Southland, Otago, Hawke's Bay, Taranaki and Nelson each boasted 2,000 members. Towns such as Ashburton (231 members) and Waipukurau (134 members), which had enthusiastic local committees, were more receptive to the Legion than the city centres. Wellington, where Dr Begg had a personal following, was an exception with 900 members; but Auckland and Christchurch each had less than 400 adherents. It also seems probable that the formation of strong Legion centres was facilitated in areas where Reform and United Party organisation had broken down. The confusion surrounding the selection of Coalition candidates for the 1931 election illustrates that some Reform and United committees (e.g. the Reform committee of J.C. Kirkness in Oamaru), were at variance with their


respective central organisations. This no doubt aided the establishment of protest groups such as the Legion.

However, Dr Begg was concerned as much with the quality of his Legionnaires as with the quantity. Preferably they had to be courageous, sane and of strong integrity, or as E.W. Nicolaus suggested, 'right-thinking men and women'. This in effect meant that the active elements in the Legion were overwhelmingly conservative in political attitude. One critic of the Legion revealed that the Eltham Committee had been elected by a group of men, most of whom were associated with the Reform Party and the Protestant Political Association. Similar disclosures were made about committees in the Christchurch and Nelson area and, of the New Plymouth Committee it was declared that every member had 'consistently supported either the Reform or United parties for at least 20 years.' A contemporary cartoon showed the Reform Party shielded from the Legion solely by the smoke from A.E. Davy's pipe (see Plate III.)

It is indeed difficult to imagine that some of the prominent Legionnaires were non-partisan. James Begg was a staunch Reformer who had been a member of the Dunedin branch of the 1928 Committee. D.M. Robertson had, like several other Legionnaires, unsuccessfully contested

51. *Dominion*, 18 May 1933, p. 11(8).

52. *Dominion*, 30 May 1933, p. 11(7).

53. *Tarapaki Herald*, 20 May 1933, p. 2(7); see also *N.E.M.*, 17 July 1933, p. 6(2), & 19 July 1933, p. 7(1); *Press*, 18 May 1933, p. 7(3).
a seat for Reform at the 1928 Election and was a Reform Party organiser in 1931. I.J. Bridger (Mayor of Eltham) was a past president of the Protestant Political Association. W. Hayward (of the Legion's Canterbury Executive) and E.E. Hammond (a member of the National Council) were both past chairmen of the United Party. Hayward also stood for the Christchurch City Council as a Citizens' Association candidate and affirmed that the Legion 'had for its aims and objects exactly what the Citizens' Association had stood for during the last 20 years.'

Dr. Begg himself was elected to the Wellington Hospital Board, in May 1933, as a Civic League and Ratepayers' Association candidate in opposition to the Labour Party.

The impressions of hostile contemporaries and knowledge of the political attitudes of a few Legionnaires gives a limited indication that the membership was conservative. This assertion is, however, supported by an analysis of the voting patterns of over 50 Legion committee members for the elections of 1928, 1931 and 1935. Although this sample was small,

54. Press, 3 May 1933, p. 10(6). The Association, of which S.G. Holland was President in early 1933, was a notorious critic of the relief policies of the Mayor, D.G. Sullivan, and Labour Council, see ibid., 28 July 1933, p. 10(7).

55. The names of 450 Legion members throughout New Zealand were collected from various sources, particularly newspapers and National Opinion. Biographical material, not always complete, was collected for a sample of 171 (about 10% of the most active membership). If the Legionnaire or a relative could be traced a questionnaire was sent (Appendix III), and 45 of these were completed. In other cases information was available in newspapers and Who's Who in N.Z., (1932-1968). Statistics for the base group of 171 are thus derived from a variety of sources, and bias, particularly in regard to social status, has been minimised though not eradicated. All but 25 of the base group were officials and committee members.
it strongly suggests that the Legion's leadership was anti-Labour (Table I).

<table>
<thead>
<tr>
<th></th>
<th>1928</th>
<th>1931</th>
<th>1935</th>
</tr>
</thead>
<tbody>
<tr>
<td>ineligible</td>
<td>5</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>United</td>
<td>5</td>
<td>46</td>
<td>Nat'l 43</td>
</tr>
<tr>
<td>Reform</td>
<td>43 Coal</td>
<td>1</td>
<td>6</td>
</tr>
<tr>
<td>Ind. Utd.</td>
<td>-</td>
<td>1</td>
<td>-</td>
</tr>
<tr>
<td>Ind. Ref.</td>
<td>-</td>
<td>6</td>
<td>-</td>
</tr>
<tr>
<td>Indep.</td>
<td>-</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Labour</td>
<td>1</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>Democrat</td>
<td>-</td>
<td>-</td>
<td>8</td>
</tr>
<tr>
<td>sample+</td>
<td>54</td>
<td>58</td>
<td>59</td>
</tr>
</tbody>
</table>

A feature indicated by the Reform-Coalition-National pattern is that most Legionnaires had not rebelled by voting United in 1928. Yet both the Legion and the United Party were founded on individualist attitudes and both flourished on conservative dissension. To an extent, this inconsistency on the part of malcontents may be explained as their confused reaction to a welter of right-wing groups and, at elections, to numerous independent and unofficial candidates. Consequently right-wing 'voters were attracted to this rebellion but not to that, stood by the Government here but not there'.

Other significant factors are involved in the case of the United and Legion groups. The Legion was primarily led by Reformers because its predecessor, the N.Z. National Movement, was the product of Reform Party dissidents in Hawke's Bay. In his tour of New Zealand in February 1933, Dr Begg contacted people recommended by Ormond and Sherston - Legion centres were thus established with a basis of local Reform support. Those who deserted Reform's 'socialism' in 1928 and founded the United Party, were men of calculated policies and direct action. United Party founders would have considered the Legion's programme timid, academic and nebulous. Many, such as Stallworthy and Donald, may have been directly affected by the increased exchange rate. Their reaction was equally direct; they revelled in parties and pressure groups. A forthright platform of anti-socialism and anti-exchange was thus characteristic of their All New Zealand Party and N.Z. Political Federation. Right-wing United supporters who joined neither Stallworthy's escapades nor the Legion were undoubtedly mindful of the disasters which overtook their 1928 venture and were wary of joining another.

It is apparent that Legionnaires, faithful to Reform in 1928, were dubious about quitting their party. They could join the Legion without raising the vote-splitting bogey, and in this respect the Legion's protest involved a less drastic move than that of the United Party in 1928. In some areas the Legion centre may have acted as a substitute for a moribund Reform Party branch (see above, p. 98).

The occupations represented in a sample of the Legion's leadership suggests that the members were not necessarily adversely affected by alteration in the exchange, and were more concerned with the political repercussions of the new financial policy than with the policy itself. A majority of the sample were men of substance in high-earning, high-status
occupational groups - businessmen, professional men and sheep farmers (Table II) - though Divisions were instructed to enrol people from as varied occupations as possible. The delegates who attended the Provisional National Council of April 1933 included lawyers (12), businessmen (12), doctors (4), accountants (4), farmers (4), a rector, an engineer and a minister of religion.

TABLE II+

<table>
<thead>
<tr>
<th>Group 1. High Income:</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>legal profession</td>
<td>37</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accountants, brokers</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>company directors</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>medical profession</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>academic</td>
<td>6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>large-scale farmers</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>engineers, architects</td>
<td>6</td>
<td></td>
<td></td>
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</tbody>
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<table>
<thead>
<tr>
<th>Group 2. Middle Income:</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>self-employed, small farmers &amp; businessmen, managers, &amp; business men, managers, &amp; business men, managers, &amp; business men, managers,</td>
<td>38</td>
<td></td>
<td></td>
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<tr>
<td>editors, journalists, teachers)</td>
<td></td>
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<table>
<thead>
<tr>
<th>Group 3. White Collar &amp; Uniform Workers:</th>
<th></th>
<th></th>
<th></th>
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<tbody>
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<td></td>
<td>3</td>
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<table>
<thead>
<tr>
<th>Group 4. Skilled &amp; Semi-skilled Workers:</th>
<th></th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
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<table>
<thead>
<tr>
<th>Group 5. Unskilled &amp; Unemployed Workers:</th>
<th></th>
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<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| Total: | 156 | 156 |
| Not Known: | 15 | 15 |
| Base Sample: | 171 | 171 |


57. Sherston to Divs., 24 May 1933, H.O.C., Legion MSS.
58. Occupations of delegates to Nat. Prov. Council, Minutes, Legion MSS.; Dominion, 6 April 1933, p. 10(7-8).
At a time when the collection of consultation fees seemed to be threatened by deflation, lawyers and doctors were particularly receptive to the Legion's crusade. Unattached to strong pressure groups, they considered themselves objective spokesmen for the moral standards of their communities. Serving on a Legion committee may have been an act of patrician benevolence, an added burden of being one of the community's élite. Indeed, a number of Legionnaires were community leaders in other spheres. The sample of 171 members included the Mayors (or County Chairmen) of Waipukurau, Waipawa, Wairoa, Dannevirke, Cambridge, Morrinsville, Hastings, Eltham, Palmerston North, Lower Hutt, Kaikoura, Oamaru, Riverton and Gore; thirty others served on local bodies and relief committees; and another thirty of the 171 were executive officers of Rotary and business organisations such as Chambers of Commerce.

It would be unjust to deny that a large number of people joined the Legion in a sincere spirit of altruism. The Legion was not merely a movement of the small town bourgeoisie expressing its fear of the corporatism and bureaucratisation of society. Many Legionnaires were restating positive and creditable values of individualism. They saw the destiny of mankind as 'something higher than the accumulation of wealth, pleasure, or social position', and aimed 'to more fully develop and use their community instinct for the welfare of their fellowmen'.

59. The difficulty of securing payment for professional services was illustrated by the experience of the Auckland Hospital Board, which in 1934 had to write off £23,347 in unpaid fees. N.Z.H., 22 May 1935, p. 10(7).

if in some cases it may have seemed hypocritical or patronising, the image of self-denial and moral rejuvenation was nevertheless a powerful motive for joining the Legion.

The First World War had produced a similar feeling of comradeship and for some, including Dr Marion Whyte of Dunedin, the Legion was 'the spirit of 1914 all over again'. 61 Despite its parade-ground rhetoric, however, the Legion was not a refuge for the ordinary returned soldier. Information relative to service in the Great War (obtained for 109 Legionnaires) reveals that half had not served - mainly because they were over age. It is also remarkable that the age group which probably bore the brunt of the War (aged 35-39 in 1933 and at that time forming 10% of the adult male population), represented only 8.9% in the Legion sample. However, 22.4% of the sample were in the 40-44 age group (which also represented only 10% of the adult male population). It is fair to assume that most wartime commissioned officers were in or above this age group. Indeed, Legionnaires for whom military ranking was obtained were overwhelmingly from the upper-echelons of the armed services (Table III). The sample indicates that the Legion's leadership was lacking in returned servicemen generally; but returned servicemen in the Legion came primarily from the officer class. This further reinforces the contention that the Legion was led by men of high social status and conservative temperament.

61. O.D.T., 12 May 1933, p. 10(2).
One of the Legion's most prominent militarists was Major-general Sir Andrew Russell. Educated at Harrow and Sandhurst, he commanded the ANZAC withdrawal from Gallipoli and the NZEF in France. Since 1920 he had served almost continually as President of the Returned Soldiers' Association. When Sir Andrew revived the National Defence League in 1930 to protest at economies in defence expenditure he explained that military discipline was essential to law and order and public morality. It was, he said, 'the only extant example of truly national team work in which the individual is taught to sink his own personal advantage'. Major Sherston, who had served under Russell, had little difficulty in persuading New Zealand's foremost soldier to apply these principles as Leader of the Hawke's Bay Division.

An analysis of ages further indicates that the Legion's leadership comprised well-established men. Nothing reveals the non-activist nature of the Legion more than the fact that nearly a quarter of the sample were over fifty-four (Table IV). Among the venerated Legionnaires Sir Truby King, founder of the Plunket Society and aged seventy-five, was

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63. E.T., Vol. 20, 1930 p. 912; see also An Encyclopaedia of N.Z., Vol. 3, pp. 156-7; S.T., 17 June 1930, p. 8(1). Sir A. Russell was also a lecturer in British Israel.
enthusiastic about the new movement. He telegraphed to Dr Begg: 'Enrol me forthwith for active service under your leadership in promoting your own very practical ideals for national organisation.' Despite Sir Truby's eagerness, the Legion did not have the makings of an activist organisation. It was hardly, as sixty-five year old Sir Andrew Russell asserted, 'a movement for youth'.

**TABLE IV**

<table>
<thead>
<tr>
<th>Age Group</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>19-20</td>
<td>1</td>
</tr>
<tr>
<td>20-24</td>
<td>3</td>
</tr>
<tr>
<td>25-29</td>
<td>4</td>
</tr>
<tr>
<td>30-34</td>
<td>17</td>
</tr>
<tr>
<td>35-39</td>
<td>12</td>
</tr>
<tr>
<td>40-44</td>
<td>30</td>
</tr>
<tr>
<td>45-49</td>
<td>21</td>
</tr>
<tr>
<td>50-54</td>
<td>11</td>
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<tr>
<td>55-59</td>
<td>17</td>
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<tr>
<td>60-64</td>
<td>9</td>
</tr>
<tr>
<td>65+</td>
<td>9</td>
</tr>
<tr>
<td>Not Known</td>
<td>37</td>
</tr>
<tr>
<td><strong>Base Sample</strong></td>
<td><strong>171</strong></td>
</tr>
</tbody>
</table>

The Legion's religious rhetoric may have indicated a high degree of piety among its members, but the religious affiliations of the sample were generally too difficult to determine. Denominations represented in the Legion ranged from that of the Chairman of the Methodist Times, to a

64. *Dominion*, 22 April 1933, p. 12(5).
recipient of the Papal Cross, to H.D. Caro who claimed to have been the first Jewish child born in the South Island. Exceptional in their praise of the Legion were an anonymous minister who wrote for National Opinion, and the Rev. R.T. Dodds (Nelson) who felt that: 'In so far as the aims of the Legion stood for loyalty, unselfishness and the real brotherhood of man, the Church was right behind it.' The great majority of clergymen, though deoring party politics, were turning their attention to the more practical sphere of relieving distress.

It would appear that the Legion's leadership was intelligent and capable in many fields, if not in political judgement. Corresponding to their occupations, the educational attainment of the sample was high. Seventy-six members had university degrees. Only twelve of the 144 Legionnaires whose qualifications were obtained had not progressed beyond primary school, and the Legion boasted at least two Rhodes scholars and two university professors. The prevailing sentiment was that Legionnaires were above politics and party strife. It was admitted that the Legion hoped to attract men 'who were not frightfully interested in politics.' Indeed, the movement appealed to a class which had been

67. See A.J.S. Reid, 'Church and State in New Zealand, 1930-1935', Unpublished M.A. thesis, V.U.W., 1961, p. 10. Much effort was made to enrol Maoris and women. The gospel of the Legion was being supposedly spread among the Maoris by P.R. Kuiti of Ohau, Manawatu, (N.Q., Vol. 2, No. 21, p. 14.). Legionnaires addressed women's meetings and rebuffed rumours that women were unwelcome, (Legion, Vol. 1, No. 4, p. 2; Press, 4 July 1933, p. 8(6)). But in the sample of 171, only three were women, and none were Maoris.
68. N.E.M., 21 June 1933, p. 3(4).
jolted into political awareness by the depression, but which up to then 'had no idea of what politics were about.'

Nevertheless, the Legion attracted a few political rejects. It would be an exaggeration to conclude that the Legion had acquired 'a motley throng of political opportunists and ex-party hacks tailing along gingerly in the rear,' but at least fourteen Legionnaires had failed at general elections, including W.J. Girling (Reform, Wairau) who lost his seat in 1928 (Appendix IV). These unsuccessful candidates may have hoped that the Legion would present political opportunities outside the rigid party control of Forbes and Coates. Their hopes were ill-founded. It cannot even be said that the Legion provided the political experience which the majority of Legionnaires lacked. Only seven Legionnaires who had not contested an election previously were to offer themselves as candidates for the 1935 election (see Appendix IV).

The middle-aged, high-status professionals who joined the Legion did so for a great variety of reasons, and it would be unreasonable to impose on them an overall motivational theory. There was, for example, a genuine strain of idealism in the Legion's appeal which stirred the social consciences of many people. Some Legionnaires, less spiritually motivated, complained that taxation was too burdensome and that 'many


70. Truth, 19 July 1933, p. 13(4).
supporters of the Reform Party have been much harder hit by the slump than many relief workers. A tiny minority feared a crime wave unless conditions improved, whilst others openly advocated a dictatorship for New Zealand. The majority, however, were not impressed by the more authoritarian aspects of efficient government. Among self-reliant New Zealanders generally, there is perhaps an underlying distrust of party politics which depression accentuates. In the earlier depression of the 1890s it had been thought that party politics were inefficient, bred corruption, and caused class antagonism. In 1891 a Committee of the House of Representatives anticipated the Legion's policies by advocating an elected Cabinet, and confidently asserted that party government is unsuited to such a colony as New Zealand. Anti-party feeling again came to the fore in 1933 and was exploited by the Legion.

The most important factor in the Legion's enthusiastic reception was the failure of established conservatism to solve the depression without causing sectional disension or increasing state interference in the economy. The political crisis caused by the raising of the exchange rate in January 1933 was thus a crucial factor in the Legion's initial success. Legionnaires were dissatisfied with the Coalition for its lack

71. N.E.M., 20 July 1933, p. 2(7); see also Gisborne Times, 6 May 1933, p. 7(1).


of national leadership, but were unable to contemplate joining the Labour Party. Indeed, Labour represented all the tendencies in their most advanced form for which Legionnaires criticised the Coalition. F. Milner was possibly not the only Legionnaire who had the dubious distinction of moving a vote of confidence in Forbes (during the 1931 election campaign) and then, two years later, doing the same for Dr Begg. It would be reasonable to conclude that most motives for joining the legion reflected a conservative style in social attitude - a belief that individual effort was being undermined by the State.

With unwarranted sensationalism it was reported that the rise of the Legion had caused commotion in Government circles, and that the Reform Party was 'gravely concerned at defections from its ranks'. A.E. Davy (reappointed Reform Party Organiser) informed a press reporter that at first he had thought the Reform Party might be affected, but with the Legion's vagueness and lack of experienced leadership he predicted that the movement would collapse. The Government did not take any unusually repressive measures against the Legion - the Public Service Commissioner barred government employees from joining the Legion, but it was standard practice to prohibit public servants from being members of any political group. The Commissioner's ban on the Legion gained considerable publicity.

75. Truth, 7 June 1933, p. 12(4).
76. H.B.H., 19 May 1933, p. 7(6), & 25 May 1933, p. 7(6); for Sherston's reply see Taranaki Herald, 26 May 1933, p. 10(8).
only because Begg contended that it was 'almost impossible' for the Legion to become a party, and envisaged the formation of an auxiliary section which public servants could join. With Begg's assurance that there was no danger of the Legion becoming a political threat, an agreement was reached in June 1933 whereby civil servants could become members if they took no active part in organisation. It is not known whether many of them availed themselves of this privilege.

There is little evidence that Coalition M.P.s were concerned about the movement. Coates was informed privately of the Legion's progress, and on one occasion was warned that a hostile article (inspired by Lionel Nelson and E.E. Hammond) was about to appear in National Opinion. But Coates took no action. The Legion generally refrained from openly criticising the Government; in turn it was no doubt tolerated as an anti-Labour ginger group.

For the most part the Legion's relations with the press were cordial. One Labour supporter, H.M. Christie of Napier, claimed that Major Sheraton had secured the assistance of the conservative press before launching the Legion's crusade. Whether the allegation was true or not, editors were

77. A.S., 20 Apr. 1933, p. 3(3); S.T., 19 May 1933, p. 6(2).

78. D.M. Robertson to Coates, 29 Sept. 1934, 4, Coates MSS. In the opinion of Dr Begg in correspondence to the writer, 11 July 1968, H. Holland, C.H. Chapman, R.A. Wright, K. Holyoake and A. Hamilton were at first favourable towards the Legion. A.E. Jull attended a Legion meeting by invitation, H.B.H., 7 Sept. 1933, p. 6(6).

certainly very favourable towards the movement. Editorials expressed the hope that in this protest movement lay the chance of conservative unity. Although some editors thought the Legion's task was too formidable, most agreed that the removal of sectional pressures was necessary, and that if the Legion could break down the party system it would achieve a great purpose. Critical of Hitler and Mussolini, the press defended the Legion against the charge of fascism and noted that its proposals were 'not of any alarming kind.'

Undoubtedly the conservative press envisaged the Legion as a counterweight to the vigour of the Labour Party - the 'irreconcilable attitudes' of which were held responsible for sectional discord. The Dominion typified press enthusiasm for the Legion's lofty patriotism:

'It's aims ... are to be highly commended. The public ought to be thankful that there is in this country a body of men animated by the spirit of service to ... devote their energies to the propagation of a new and worthy gospel in national citizenship.'

Conservative editors tended to applaud all opponents of state interference.

The most splenetic attacks on the Legion came from the Communist

80. O.D.T., 13 May 1933, p. 12(6), & 21 Mar. 1933, p. 6(5); see also S.T., 24 May 1933, p. 6(5), & 1 June 1933, p. 6(5); Dominion, 11 Mar. 1933, p. 10(2), & 23 Feb. 1933, p. 8(2); H.B.H., 16 Sept. 1933, p. 4(5). Truth and the Timaru Herald were alone in their suggestions that the Legion was attempting to institute Hitlerism. Both also commented that New Zealand's crisis was economic rather than political; Truth, 19 July 1933, p. 13(2-5), & 26 July 1933, p. 8 (4-8), & 14 June 1933, p. 10(4-8); Timaru Herald, 24 July 1933, p. 6(3-4). Other newspapers disliked the name Legion because of its militaristic connotations, or feared that the Legion would form a party to challenge the Coalition; A.S., 7 Apr. 1933, p. 6(3); Press, 24 July 1933, p. 8(2).

81. Dominion, 22 June 1933, p. 8(3).

82. Ibid., 8 Apr. 1933, p. 10(2); see also O.D.T., 13 May 1933, p. 12(6-7); S.T., 12 Apr. 1933, p. 6(5).
Party. With customary respect for party doctrine the communists portrayed the Legion as a gang of impoverished small traders which was acting as a tool of capitalism and intimidating the workers. The communists exaggerated the Legion's potential and warned that 'the Legion is to prepare the road to fascism and war, the logical outcome of the capitalist way out of the crisis.' A more accurate analysis was provided by the 'Marxist' who declared that the Legion represented a 'wistful longing for a return to the peacefully evolving capitalism - and ordered government - of Victorian days'. But the Legion had no desire to enrol the devotees of Lenin and was no doubt strengthened in its convictions by the Communist Party's polemics.

The attitude of the Labour Party was of greater consequence for the Legion's future since the Legion hoped to convert the workers and unemployed to its conservative cause. However, Labour sympathisers were deterred from joining the Legion because the Labour Party constantly pilloried the Legion's aims. The New Zealand Worker revealed the Legion's origins in the N.Z. National Movement:

'The most bitter and savage Tory reactionary tenets of the original movement have been carefully kept from the public .... The New Zealand Legion is a barefaced attempt to lure the people into the toils of a tyrannical Tory dictatorship.'


84. Press, 19 Oct. 1933, p. 7(2).

85. N.Z. Worker, 7 June 1933, p. 2(8); see also 19 Apr. 1933, p. 3(1).
"The New Zealand Legion, ready to fight its way to the Land of Milk and Money, led by Dr. Camel Begg."

Reform Party members on the left are:


Legionnaires on the right are:


(A. Reeve, Politickle, Wellington, 1934.)
Equally damaging to the Legion's cause was a pamphlet in which Dr D.G. McMillan (of the Kurow Labour Representation Committee) drew psychological parallels between the Legion, the Ku Klux Klan and Hitlerism. Dr McMillan concluded that organisations which 'gave a neurotic people a delightful sense of martyrdom without doing any martyring', and which professed 'lofty ideals ... founded on the shifting sands of emotion, patriotism, fear and prejudice have developed into malignant cults'.

Legion officials were sufficiently chagrined by McMillan's attack to issue a press release warning the public 'to beware of paying 6d for such a jumble of rubbish' and reasserting the Legion's educative function. Other Labour M.P.s also claimed the Legion was fascist, and M.J. Savage and P. Fraser argued that the Coalition Government rather than party politics should bear the blame for the depression.

As the Legion's early promise failed to materialise, the left wing's vehement criticism gave way to ridicule. The movement's personnel and its political attitudes provided abundant ammunition for J.A. Lee who labelled the Legion 'a sort of a political bran tub for political infants'.

Labour's leader, H.E. Holland, confessed that he had never been invited


87. Littlejohn to Divs., 6 July 1933, H.O.C., Legion MSS. One editor noted the lack of proof in McMillan's thesis, and accused him of suffering 'from the wiles of distortion'; Gisborne Times, 3 June 1933, p. 4(5).

88. O.D.T., 14 Mar. 1934, p. 5(1), & 8 June 1933, p. 8(3); N.Z. Worker, 26 Apr. 1933, p. 2(2-3), & 17 May 1933, p. 7(2); A.S., 29 Mar. 1933, p. 6(7); Press, 24 July 1933, p. 10(1).

89. N.Z. Worker, 24 May 1933, p. 7(5), see also 21 June 1933, p. 4(1-2).
to join; he thought there was little danger of Begg becoming a Mussolini and said he 'regarded it rather as a lost Legion.' Few Labour supporters could have joined the Legion under this barrage of invective.

In fact it was questionable whether the Labour Party would permit its members to join the Legion. In October 1933 when the matter was first referred to the Party's National Executive, it was decided that open prohibition would only give the Legion some much desired publicity. Six months later, however, after the Legion had announced that it would contest the next general election, the Labour Party Executive barred the Party's members from joining the Legion.

Nor did the Legion attract the unemployed and relief workers, most of whom needed more state aid - not less. At the Legion's Provisional Council meeting in April 1933, it was stated hopefully that 2-3,000 relief workers in Wellington might be counted on for support. But, like the Labour and Communist Parties, the relief workers' associations were hostile and predicted that the Legion would form a Mussolini-style dictatorship. One of the reasons given for the National Conference of Unemployed (in Wellington, 29-31 May 1933) was 'To devise ways and means

90. Gisborne Times, 17 Apr. 1933, p. 2(8).

91. Exec. Mins., 4 Oct. 1933, & 25 May 1934, N.Z. Labour Party MSS. The Chairman of the Hastings L.R.C. was one of the few Labour supporters who had joined the Legion; Lowe to Tonkin, 18 May 1933, D.C., Legion MSS.

to frustrate any actions or operations of the New Zealand Legion.\textsuperscript{93}

The majority at the Conference agreed to educate workers to this end, although an anti-strike group - the National Union of Unemployed - was less averse to the Legion, and its treasurer, D. McLaughlin, wrote for \textit{National Opinion}.\textsuperscript{94} Generally, workers were more attracted by the Labour Party's agitation for higher wages and full employment. For workers, vague utterances were no substitute for specific promises of state assistance.

It is reasonable to conclude that rank and file members of the Legion were not from low-income groups. Certainly evidence to the contrary is lacking, and the impressions of ex-Legionnaires support the contention that most ordinary members were solvent farmers and men in business.\textsuperscript{95} At a time when class antagonism was rife it is doubtful that the Legion committee members would have been supported by people from greatly different social groups.

The left-wing charge of 'fascism', albeit a pejorative one, dogged the Legion throughout its brief existence and prevented it from increasing its support. However, the Legion falls well within the category of

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\begin{itemize}
  \item \textsuperscript{93} Cited by P.G. Morris, 'Unemployed Organisations in New Zealand 1926-39', Unpublished M.A. thesis, V.U.W., 1949, p. 58; see also \textit{Gisborne Times}, 9 June 1933, p. 3(3); \textit{N.Z. Worker}, 12 July 1933, p. 7(2).
  \item \textsuperscript{94} Morris, pp. 58-63; Circular issued by Hataitai Reo, Grounds Relief Workers, 2, National Unemployed Workers' Movement MSS.; \textit{N.Z. Worker}, 7 June 1933, p. 1(5).
  \item \textsuperscript{95} Correspondence from C.G.E. Harker, 6 Jan. 1969; L.F. Rudd, 5 Nov. 1968; G.R. Davies, 4 Dec. 1968; R.F. Gambrill, 11 Nov. 1968.
\end{itemize}
conservative protest. Concealed by a façade of radical-sounding rhetoric was the desire to establish a moral and self-reliant society, free of self-interest and state paternalism. The Legion’s cumbersome organisation was itself a miniature society of individualists, and accordingly the movement suffered from lack of direction. Men of substance and the conservative press were attracted by the idealistic conception of a nation united and free from party strife. The Legion was particularly attractive because it did not seem to involve an irrevocable break from the established bulwark against socialism - the Coalition Government. Support for the Legion by conservatives reinforced the view of the left that the Legion had nothing to offer and might actually introduce some form of right-wing dictatorship.

The Legion’s crusade against the trend towards increased state activity was similar to the earlier protest of the United Party – the same fears of ‘socialism in the Government’ pervaded its attitudes. Until 1933 conservatives had been generally satisfied with the deflationary performances of both the United Party and the Coalition. However, the exchange rate crisis and Coates’ positive approach to economic recovery threatened conservative unity. The Legion flourished in this critical period with its aim of unifying conservatism behind a crusade of moral rejuvenation. To this extent the crusade embodied features characteristic of conservative protest in the depression. The Legion’s non-party solution was an extreme reaction to a critical situation; as the crisis passed, the movement was to experience difficulty in sustaining its appeal.
CHAPTER V

THE CRUSADE IN DISTRESS

it is now on a rising tide of its public influence and it behoves every member and every Division to maintain and increase its driving power and not be misled ... or suspect that the direction of the Legion is being deflected. 1

Fervent belief in the Legion's crusade made its promoters reluctant to admit that New Zealand's political structure was surviving the economic crisis. The Legion's role as 'an emergency movement to meet a national crisis' was being undermined by the improvement in export prices (the price of wool and meat rose from October 1933), and the diminishing prospect of social and political chaos. This added to the problems of insufficient finance, a cumbersome organisation, and a narrow basis of support which the Legion had failed to solve after six months of rapid growth in membership. Furthermore, the Legion's fund of platitudes was becoming exhausted and members were demanding progress and action. Dr Begg considered it vital therefore that the Legion should decide on a definite programme.

This decision raised further difficulties. Members welcomed suggestions for political reform, but the increasing appeal of economic nostrums and the growth of the Douglas Credit Movement heightened the Legion's awareness that economic recovery unavoidably required the

1. Begg to Divs., 7 Oct. 1933, H.O.C., Legion MSS.
formulation of economic policies. Since the need for deflation and the need to avoid controversy had been two of the few points of agreement among Legionnaires, members were inevitably antagonised by an inflationary programme which, in any case, failed to win acclaim from monetary reformers and the unemployed. Dr Begg now faced the dilemma of either pushing his movement toward further positive action or allowing it to collapse. Ambition prevailed and Begg proposed several grandiose schemes including a plan to wipe out New Zealand's overseas debt. This merely alienated the movement's remaining conservative support. Indeed, over-ambition was the Legion's final downfall. It culminated in the decision that the Legion would contest the election of 1935. This transgression of the principle that conservative protest should not divide the anti-Labour forces at the polls fully revealed the movement's pretentiousness and completed its demise.

Formulation of a policy was fraught with difficulties for the Legion. Sensitive to the criticism of vagueness the National Executive had urged, in June 1933, that 'generalities should end, and definite proposals be forthcoming'. However, the process was slow, as recommendations for government reform had to be approved by all centres before they could be adopted as policy. A manifesto was not issued until 20 November 1933. It called for:

2. Littlejohn to Diva., 20 June 1933, H.O.C., Legion MSS., see also Sherston to Diva., 7 Sept. 1933. Hawke's Bay Legionnaires decided that 'unless we very shortly put something definite before our members the movement will not succeed.', Tonkin to Smith, 19 June 1933, D.C., Legion MSS.
'(1) The decentralisation of government and administration; (2) the formation of regions with large powers ... independent of Ministers or the central government; (3) the co-ordination of local body government within these regions; (4) the reduction of the central bureaucracy by giving many of its powers to regional administration; (5) securing a larger share in real government by giving back to Parliament powers usurped by the Government; (6) abolition of the Prime Minister's powers ... of declaring measures to be voted on as questions of confidence; (7) replacing party Cabinet by elective executive.'

This platform was scarcely more precise than the Legion's original aims - even the elaboration of specific points failed to make them any more realistic. The notion of an executive elected by the two Houses of Parliament was devised to produce both strong and responsible government. Ministers would be freed from local electorate pressures by relinquishing their seats in Parliament; they would be available only for introducing Bills, answering questions and facing specific charges of incompetence. Parliament was to wield over the Cabinet 'exactly the same control as is exercised by a board of Directors over the Executive Management of a Company.' In practice such a vague arrangement was likely to yield neither a responsible Cabinet nor a strong Government.

Legionnaires also gave detailed consideration to Parliamentary procedure with the aim of saving money. To reduce the cost of Parliament (calculated at £3.15.0 per minute in session), they advocated a reduction in the number of M.P.s by a third. The Address-in-Reply Debate and the

4. Nelson to Divs., 19 Oct. 1933, H.O.C., Legion MSS.
publication of Hansard were to be further eliminations in the interest
of economy. Time-wasting party wrangles would cease with the abolition
of party government, including suppression of the term 'Leader of the
Opposition', and parties would be replaced by 'associations of electors'.

Little effort was made to explain how this non-party system would work.

In their anxiety to economise, Legionnaires who drew up blueprints for
reform overlooked the impracticability of their ideas. Feasibility was
not a significant characteristic of the detailed reforms for Parliament.

The proposals for local body reform were equally idealistic. New
Zealand was to be divided into twenty-five regions or Shires, the
boundaries of which would enclose viable administrative areas. Each
Shire would have its own regional council with adequate rating powers
and a fixed annual grant from the central government. The establishment
of Shires was viewed as no less than 'the secret of the salvation of
Government in this country.' An important advantage was that 450
existing local bodies would be eliminated. To Dr Begg it had seemed
that

'the Government is unable to assert the sovereignty of the
State .... the development of New Zealand along national
lines is impossible, because the real rulers of the country
are small groups of local body members who have obstructed
any attempt made by New Zealand to free itself from parish
control.'

6. Preferential voting would be introduced to 'break up the tyranny
of the party nominations.' N.Z.L. 16, H.O.C., Legion MSS., and
Littlejohn to Diva., 3 July 1933; H.B.H., 8 Aug. 1933, p. 5(8),
& p. 6(1); N.O., Vol. 1, No. 4, p. 10.

Regional Councils were to control harbours, highways, poor relief,
health and secondary education.

8. Dominion, 28 July 1933, p. 12(4-5).
The Legion surmised that decentralisation would free central government M.P.s from local pressures. Shires were therefore an absolute necessity to enable the central government to concentrate on national issues. It does not appear that Legionnaires had examined the failings of the Provincial System (1852-1876) very closely.

The addition of policy details overcame some of the Legion's vagueness, but it also exposed the movement to critical scrutiny and critics quickly pointed out the impractical and undesirable features of the programme. Conservative editors disregarded their previous enthusiasm for non-party government and viewed the scheme as potentially dangerous. Hitler's methods were poor publicity for the concept of strong government - reports of Nazi brutality had been received with widespread aversion in New Zealand - and editors now argued that party politics could not be suppressed without introducing fascism. Particularly open to ridicule was the proposal for an elected executive since, it was indicated, unanimity would disappear if the Prime Minister could not choose his own Cabinet. Many conservatives were inclined to agree with Downie Stewart that 'There was no miracle which could produce a sudden and perfect form of government, combining the utmost freedom for the individual with the maximum of efficiency in the government.'

Other aspects of the Legion's programme provoked more sympathy.


10. O.D.T., 14 July 1933, p. 6(2).
Deflationists had frequently advocated a reduction in the number of M.P.s, and the only criticism of the Legion on this point was that it did not go far enough. Similarly many people approved of a Legion proposal to reform the Legislative Council because, by 1934, the Council's membership had fallen to nineteen, of whom twelve were aged over seventy. Favourable consideration was also accorded the Legion's proposal to reform the multitude of local bodies. The inefficiency of local government and the high level of local body debt had been of concern to deflationists since the beginning of the slump. For example, the National Expenditure Commission of 1932 had found that since 1915 local body debt had increased by 191% and rates by 181%, and had concluded that compulsory amalgamation of local bodies was necessary. The Legion's plans for local government reform were consequently approved by deflationists and the conservative press. Indeed one verdict was that 'In dealing with local bodies, the Legion is highly successful in stating the obvious.' This somewhat mitigated the general disapproval of the Legion's plan for non-party


12. N.A., T., 66/1-2, Local Govt., pp. 1-7; ibid., Park Memo, 4 Mar. 1931; see also Parliamentary Economic Committee, N.A., Le., 2/1, p. 316, & Le., 2/2, p. 1042; Canterbury C. C. Bull., No. 87, Apr. 1932; Gisborne Times, 19 Aug. 1932, p. 4(5); A.S., 8 June 1933, p. 6(3); Press, 27 July 1933, p. 8(2).

13. Truth, 26 July 1933, p. 8(5); see also Dominion, 24 July 1933, p. 8(2); A.S., 2 Aug. 1933, p. 6(3). The Coalition Government promised a Commission on Local Government which never eventuated. In July 1933 the Legion was pleased to report that six authorities in the Wairoa district of Hawke's Bay had met on a voluntary basis to establish a Regional Council. See Mins, Nat. Council, July 1933; N.O., Vol. 1, No. 2, p. 7; N.Z.H., 22 July 1933, p. 10(3).
government. The movement may have been more successful had it restricted its attentions to a consideration of local body reform.

Nothing but dissatisfaction resulted from the Legion's attempt to formulate an economic programme. Indeed, there was considerable reluctance on the part of many Legionnaires to allow discussion of economic proposals at all, because they considered the question of government reform more vital. But with the passing of the political crisis of early 1933 the focus of public interest shifted from politics to economic and monetary problems. As Mayor Hutchison of Auckland observed with approval, 'A wave is sweeping through the country for some reform of the monetary system which will give a fillip to trade and industry and help the unemployed.'\(^\text{14}\) The Legion was sensitive to public opinion and, to widen its support, resolved to treat economic problems with some urgency.

However, the economic inclinations of the majority of Legionnaires were decidedly orthodox. Members were consistently critical of 'lavish' state expenditure: 'We must preach and practise economy' was the Legion's maxim.\(^\text{15}\)

Consequently, an inflationary scheme suggested by the Economic

\(^{14}\) N.Z.H., 7 June 1933, p. 13(2).

\(^{15}\) Press, 24 June 1933, p. 4(4). An example of the Legion's vigilant attitude toward government expenditure was Dr Begg's indignation at the cost of the Waitangi celebrations, February 1934; A.S., 8 Feb. 1934, p. 9(3).
Research Committee of the Wellington Division caused a furore in the Legion. The scheme was based on the principle that the State should ultimately control money, credit and land. 'The Crown should reassert its sovereignty over land' to prevent land speculation and ensure that the unearned increment would become the property of the whole nation. No practical details of how this would be achieved were furnished. Similarly, there was no indication how a proposed non-political 'State Credit Board' would finance public works and private enterprise for the absorption of the unemployed, without undue inflation. The Board was also to perform the functions of a Central Bank and, by controlling imports and exports as well as credit, maintain an 'internal price level independent of external prices.' Again no practical details were provided.

To a large extent this economic nationalism corresponded to the Legion's political reforms. If New Zealand were to assert itself as a nation, it would lessen its economic dependence on foreign bond-holders and Tooley Street merchants. Accordingly, the Legion advised that British quotas for New Zealand produce should be accepted as an inevitable step along the path to greater independence. Like Douglas Crediters, Legionnaires feared that 'the sovereign rights of a people are sought to be made the playthings of the international financiers.' The Legion dismissed Sir Otto Niemeyer's plan for a New Zealand Reserve Bank as

16. N.Z.L. 16, H.O.C., Legion MSS. The ideas of the Wellington Research Committee reflected the single tax views of one of its members, E.W. Nicolaus (see above, p. 72n.).

'for all practical purposes an appendage of the Bank of England.' \[18\]

However, many Legionnaires would have undoubtedly preferred 'domination' by the Bank of England to the massive state intervention envisaged in the Legion's scheme for a State Credit Board.

Equally disturbing to the orthodox was the Stamped Scrip scheme proposed by the Legion. The scheme would increase 'the flow of business and the interchange of commodities', because recipients of scrip notes would have to spend them by certain dates or affix stamps to re-establish their status as legal tender. \[19\] It was of obvious benefit to retailers and businessmen, but its impracticability and the prospect of inflation caused widespread discontent in the Legion.

The movement's officials hurriedly assured members that these economic proposals had been published without authority and had not been definitely endorsed by the Legion. \[20\] This could not prevent a spate of criticism, disclaimers and resignations, for the plans were popularly associated with official policy. The press pointed out that the advocacy of State-controlled credit and inflation closely resembled the Labour Party's financial policy. Even worse, land nationalisation was

\[18\] Ibid.

\[19\] Stamped Scrip Plan Report, 12 Sept. 1933, H.O.C., Legion MSS. The Legion reached an agreement with the Timaru Boro' Council for the implementation of stamped scrip, but legislation would have been required to sanction its use, and the scheme was abandoned, N.O., Vol. 1, No. 10, p. 14; see also a proposal for a coupon system, Nelson to Hawke's Bay Sec., 23 Nov. 1933, Havelock N., Legion MSS.

\[20\] Dominion, 18 Aug. 1933, p. 12(2).
a proposal 'so like Communism that everybody owning even a backyard ... shivered with horror.'

The sharp reaction to the economic plans is illustrated by the remits to the National Council meeting of July 1934. From Tauranga and Waipukurau, for example, came pleas for avoidance of controversy:

'there exists an urgent need, in order to attract to the Legion a greater and wider measure of public support, to delete ... from the Legion's published programme all controversial matters, such as managed currency ... and to place before the public, with more prospect of endorsement, a short and simply worded programme with reform of the Parliamentary system as the prime objective.'

Not all members shared the single tax views of the author of the Legion's land policy, E.W. Nicolaus. Nor did they agree with Begg that, because 'no-one can ignore conditions which are driving men to Communism', New Zealand needed a planned economic system. The prospects for anarchy in New Zealand were not substantial enough to convince Legionnaires that the necessary alternative was state control of the economy.

Furthermore, Begg's courtship of the unemployed, the Labour Party and the monetary reformers was ineffective. Dr Begg had two interviews with Major Douglas during the latter's visit to New Zealand in February


21. Truth, 18 Oct. 1933, p. 8(4). The whole policy was described as 'a farrago of unadulterated rubbish .... vapid and inane ', ibid., 26 July 1933, p. 8(4-5); see also Timaru Herald, 24 July 1933, p. 6(3-4); Dominion, 26 July 1933, p. 8(2); O.D.T., 28 July 1933, p. 8(6).

22. Remits from Divs., n.d., H.O.C., Legion MSS.

1934. The Legion's leader was sufficiently impressed by Douglas to call for the unity of all unorthodox reformers. It was now, he said, 'a matter of ranging the forces of reaction against those of progress .... The allies must marshall themselves in groups.' Although Douglas Credit leaders had comparable social backgrounds to the Legionnaires, and were likewise reacting under the stress of depression, they were too firm in their own ideology to be deceived by the Legion's proposals. Farmers in the Douglas movement were particularly hostile. They condemned the Legion as an organisation backed by 'vested interests', and they nicknamed Legionnaires, 'the Goldshirts'. Representatives of labour were also unimpressed, and saw the Legion's economic programme for what it was - an attempt to make the Legion 'all things to all men'. The Legion was clearly incapable of attracting more vigorous groups to its own ailing cause.

It was also incapable of holding its original supporters. Centres became moribund and the financial and organisational difficulties were intensified. For example, in Hawke's Bay - a Legion 'stronghold' - the post of Divisional Secretary changed hands three times in as many months,

24. Davie to Bullock, 15 Feb. 1934, Social Credit MSS.
27. Farming First, 10 Apr. 1933, pp. 18(3), & 19(1); Gisborne Times, 20 June 1933, p. 4(7-8).
28. O.D.T., 16 Aug. 1933, p. 4(6); see also N.Z. Worker, 9 Aug. 1933, p. 3(3).
and no practice for collecting funds had been established. By August 1933, the Napier and Hastings centres were leaderless, and of rural centres (except Havelock North), it was reported that 'complete silence reigns.' A similar situation existed in Christchurch and Dunedin.

Reviewing the Legion's progress, Dr Begg admitted that, although the public's response to the movement had been 'universally successful', the organisational aspects were unsatisfactory. Only seven of the eighteen Divisions were functioning properly and centres were 'looking for a lead' instead of producing ideas of their own. Conservative protest was not generous with practical alternatives to the status quo; those that did emerge merely earned rebuke and repudiation.

At Head Office the position was equally distressing. Major Sherston announced that 'The liabilities incurred to date cannot be allowed to run on', and he decided to return to his farm until the Legion's financial situation justified his recall. By January 1934 the office staff in Wellington had been cut down to one, part-time secretary. The expense of another National Council meeting, due in October 1933, was considered unwarranted, and delegates were spared a further trip to Wellington until the New Year. Difficulties continued to beset National


30. In Dunedin the secretary, who was paid £1 a week, was dispensed with when funds ran out in November 1933, correspondence from W.S. Gilkison, 20 Mar. 1968; see also Press, 11 Dec. 1933, p. 7(1).

31. Begg to Divs., 16 Oct. 1933, H.O.C., Legion MSS.

Opinion. Advertisers would not support the paper, and raising the annual subscription from 5/- to 7/6 lost subscribers without covering the cost of production. Applications for a new issue of 6% non-cumulative preference shares in Legion Press were invited, but the firm had never declared a dividend, and the shares were not eagerly sought after. 33

Whilst many Legionnaires had been alienated by the campaign for a definite policy, others were dissatisfied with the movement's indecision. They pointed out that by not participating in the Lyttelton by-election of 13 September 1933 the Legion had lost an opportunity to reveal the 'weakness' of the party system. Legion officials had wisely concluded that participation would merely reveal the weakness of the Legion. 34 Nevertheless, younger members were disgruntled with the Legion's cautious leadership, and Sir Andrew Russell recorded difficulty in recruiting young men who tended 'to look on the Legion as being run by the more reactionary elements.' 35 In June 1933, dissatisfaction with the leadership had caused some young Legionnaires, including J.D. Ormond, to establish a National Youth Movement to train youth for 'democratic responsibility'. A measure of the Legion's weakness is that Head Office knew nothing officially about the Youth Movement. A month after its

34. N.E.M., 19 Sept. 1933, p. 2(6); N.O., Vol. 1, No. 2, p. 11; Press, 6 Sept. 1933, p. 10(3). An Independent candidate who stood for the Lyttelton seat gained only 263 votes, and could not prevent Mrs McCombs (Labour) from increasing her late husband's majority. The fall in the Coalition vote at this by-election was commonly attributed by conservatives to the Government's high exchange policy, see R.T., Vol. 24, 1935, p. 213.
35. Russell to Gen. Sec., 6 Nov. 1933, D.C., Legion MSS.
formation Begg had to accord it status as 'a self-governing body parallel with, but outside the Legion'. 36 Apart from a few meetings addressed by M.P.s in Wellington, however, the Youth Movement was no more active than its parent body. It merely succeeded in drawing attention to the Legion's debility without injecting any effective stimulant into the organisation.

The Legion countered unrest with assurances that the Executive was 'quietly maturing its plans' for further definite measures to save New Zealand from disaster. 37 Meanwhile members were asked to believe that New Zealand was still approaching a crisis. Begg rightly indicated that unemployment was still acute, but dismissed news of improved conditions in England as a 'False, Cheap, Publicity Stunt .... deplorable for the future of New Zealand.' 38 The Legion was becoming increasingly dependent on the economic crisis for its own survival. At least one newspaper editor had been angered by the Legion's increasingly irresponsible statements. He accused the movement of playing on the fears of people and disuniting the 'moderate-minded section of the electors'. Such activity, he said, was helping those 'extremists who are hoping to ride into power upon a wave of popular discontent'. He challenged the Legion to substantiate its abusive platitudes and cite proof of bribery and

36. N.O., Vol. 1, No. 7, p. 13, & Vol. 1, No. 1, p. 7; Truth, 1 Nov. 1933, p. 8(4-7); Russell to Gen. Sec., 6 July 1933, D.C., Legion MSS.


corruption in Parliament, but no evidence could be produced in reply.\textsuperscript{39} In general, the Legion seemed incapable of specifying either its grievances or a practical policy.

Nor did the Legion become any more temperate in its attitude. A combination of challenges and veiled threats was employed to retain the loyalty of members. Begg reminded his followers of their obligation to undertake personal sacrifice for the Legion: 'Attack must be met with attack. Deserters must rejoin the colours .... Remember the obligation that has been signed. We shall be called on to fight for it.'\textsuperscript{40} Unfortunately that undefined commitment to personal sacrifice was itself an obstacle to increased membership, and the National Executive agreed that the individual should determine 'according to his conscience' what constituted personal sacrifice.\textsuperscript{41} However, both this retraction and the threats were unable to prevent growing disillusion among members.

Dr Begg surmised that flagging interest among Legionnaires could only be prevented by bold, appealing strokes of policy: 'We want something big and daring, something that will set the imagination of the people on fire and rouse them like the blast of a trumpet.'\textsuperscript{42} Three ambitious proposals attempted to fulfill this need - a scheme to cancel

\begin{itemize}
\item \textsuperscript{39} Timaru Herald, 28 July 1933, p. 8(3-4), & 3 Aug. 1933, pp. 5(1-2) \& 6(3), & 8 Aug. 1933, pp. 9(2-3) \& 6(3-4), & 15 Aug. 1933, p. 6 (3-4).
\item \textsuperscript{40} N.O., Vol. 2, No. 11, p. 14.
\item \textsuperscript{41} Sherston to Divs., 8 Aug. 1933, H.O.C., Legion MSS.
\item \textsuperscript{42} Press, 5 Oct. 1933, p. 3(3).
\end{itemize}
New Zealand's debt with Britain, a proposed conference to unite all sectional groups, and the decision to enter the Legion as a party in the forthcoming general election. None of these was sufficiently realistic to prevent the Legion's demise.

Begg's scheme to wipe out New Zealand's debt to Britain reflected an obsessive aversion of many New Zealanders to overseas borrowing. The Legion objected to New Zealand's 'insupportable' interest burden and calculated that every hour the taxpayers had to find £1,560 in interest on foreign loans. It was declared that 'this young and vigorous country is already enslaved in bonds of unrepayable debt'; eventually, in 'dishonour and disgrace', New Zealand would have to default. Debt consciousness was part of the Legion's nationalistic character. Indeed, Begg's plan was prompted by the threatened restriction of the market for New Zealand's produce in Britain, and was an effort to accelerate the nation's 'emergence from infancy to adult life.' Dr Begg suggested that over a period of fifteen years (after New Zealand's unemployed had been absorbed), Britain should send one million emigrants to New Zealand in return for the cancellation of New Zealand's debt. For New Zealand, the additional population would enable greater use of public services, lessen the country's dependence on an external market, and save £8 million per annum in interest payments. Initially, Britain would pay for the cost


44. Immigration Plan - Evening Post reprint, H.O.C., Legion MSS.; see also *N.O.,* Vol. 1, No. 5, p. 2.
of passage and preliminary expenses, but would save an estimated £26 million per annum needed to maintain one million unemployed in Britain. Moreover, the plan would avoid the embarrassment of inevitable default by New Zealand.45

This scheme, described by John Stewart (Director of Legion Press) as 'the most statesmanlike proposal since the days of Vogel', 46 was so divorced from depression conditions and increasing unemployment that it merely caused further resignations. A few Divisions endorsed the scheme, but it was stretching credulity for the Legion to claim that prominent politicians had called on Begg 'to express their support' or to suggest that the idea was being discussed seriously in British Parliamentary circles.47 In fact, the debt and immigration plan attracted a further spate of ridicule. It seemed premature for Begg to advocate a plan which involved the prospect of more mouths to feed and higher taxation; great disorganisation of the economy would inevitably result from such a rapid influx of immigrants. How would the immigrants be employed when the economy already seemed to be producing more than could be sold? Could Governments be tied to such a long-term agreement? As the editor of the Press stated, the plan would 'offend the common sense of the people more than it stirs their imagination.'48 Indeed, many centres were outspoken

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45. Immigration Plan, ibid; N.Z.H., 8 Nov. 1933, p. 12(7).
46. N.E.M., 6 Nov. 1933, p. 2(7).
48. Press, 5 Oct. 1933, p. 3(3); see also N.Z.H., 9 Nov. 1933, p. 13(5); Dominion, 7 Oct. 1933, p. 9(8).
in their objections and complained generally about the ideas emanating from Head Office. The Hororata Centre (Canterbury), for example, asked that 'no publicity will in future be given to any policies of this kind', and its secretary suggested that Begg 'ought to be gagged.' The Begg Plan was a trumpet blast that roused more ire than acclaim.

A second bid for prominence, through the Unity Movement, was equally futile. The Legion invited twenty 'public groups' to reconcile their differences at a conference, with the object of creating a strong force of public opinion to advocate urgent measures for the rehabilitation of New Zealand. The plan also served as an attempt by the Legion to gain recognition from workers and the unemployed, or at least to moderate the economic demands of these groups. However, representatives of workers flatly rejected the invitation. The United Mine Workers, for example, replied that they considered the Legion to be a fascist body whose purpose was 'to suppress the workers' organisations.' Nor did the Legion gain the confidence of the Labour Party. Messrs. P. Fraser, W. Nash, T. Brindle and D. Wilson conferred with Dr Begg for two and a half hours, in December 1933, without reaching any agreement on the aims of a unity conference. Even a favourable response from the Douglas Credit Movement had no lasting significance, and the Douglas Credit secretary later reported that his Movement had 'refused to be stampeded' by the

49. N.Z.H., 23 Oct. 1933, p. 10(6), & 20 Oct. 1933, p. 10(6); see also the objections of Otane Centre (Hawke's Bay), Logan to Gen. Sec., 6 Jan. 1934, D.C., Legion MSS.

50. Grey River Argus, 12 Dec. 1933, p. 6(3-4); see also Workers' Weekly, 12 Dec. 1933, p. 2(1-2).

Legion. The whole notion of a unity conference was ingenuous, for it would have required nothing less than a change in human nature to reconcile the differences between all sectional groups at the height of the depression. No indication was given as to the kind of urgent measures which any such conference could consider. It was farcical for the Legion to demand such agreement when its own ranks were divided.

The Legion also failed to persuade the three political parties to form a 'Unity Government'. The National Council meeting of 18-19 July 1934 urged Forbes, Coates and Savage to form such a Government with Preferential Voting, Shire Regional Councils, and an Economic Council of interest groups as the minimum points of agreement. But all three party leaders affirmed their faith in the party system. Mr Savage argued that the Labour Party had no moral right to do other than demand an election at the earliest opportunity. Forbes and Coates claimed that they had already placed 'country before party', and that Labour's unco-operative attitude towards the Coalition made a Unity Government impossible. In addition, Coates attacked the Legion for 'seeking the destruction of representative government.' The elimination of an opposition party, he wrote, 'would be the first step to the suppression of all opposition and of new ideas.' Such outright opposition to the Legion by Coates was unlikely to go unheeded by those Legionnaires who

52. Graham to Whiteman, 19 May 1934, Social Credit MSS.; & Allardyce to Sec. N.Z.L., 20 Dec. 1933. The replies to the Legion's invitation from other interest groups have not been traced.

normally supported the Reform Party. Hitherto, some conservatives had belonged to both organisations. The Coalition leaders now cast doubts on the wisdom of Reformers retaining their Legion membership.

Dr Begg's hopes for a unity of interest groups and political parties were so naive that it is possible he was preparing another ambitious stimulant for his decaying movement - the formation of a political party. Secure in the knowledge that he had tried to eliminate party feeling in others through persuasion, he now argued that, because the Unity Movements had failed, the Legion was justified in forming what might be described as 'a party to end all party'.

The confidence of the Legion's promoters was irrepressible. They announced that 'to give practical effect to what we know is right', the Legion's 'battlefield would be at the polls at the next election.' Sufficient men of 'mental integrity and judgment' would be returned to Parliament to reform the system of government. The Legion would endorse some of the 'best men' of the existing parties, and contest sixty electorates on its own account. All that was required of candidates was a progressive outlook and a belief in the Legion's government reform policies. Candidates would not be tested on detailed economic questions, though it would be to their advantage to concur with the policy drafted by the Legion's National Executive. The policy included Begg's Debt and


Immigration scheme, and the creation of an advisory Economic Council to the Government consisting of major interest groups. A bait for working class support was added - public works construction at full wages, abolition of work camps, and 'adequate sustenance for the unemployed'.

It is a matter of conjecture how many Legionnaires would have been prepared to endorse the platform; the decision to contest the election, was sufficient to cause the movement's disruption before such points were considered.

The Legion's new move had disastrous results. Several Divisions objected to the undemocratic manner in which the decision to form a party had been presented for confirmation to the National Council of July 1934. The Dunedin, Balclutha, and Invercargill Divisions refused to attend the meeting and the Oamaru Division withdrew in protest. In September, the Auckland and Dunedin Executives resigned on the grounds that the views held in Wellington had become increasingly untenable. Attempts were made to heal the breach (Coates was informed that Dunedin had 'new blood and fresh strength'), but the refusal of many Dunedin Legionnaires 'to march' revealed an irreparable split in the whole movement (see Plate IV).

Even the most active of centres, such as Havelock North, resolved that it would be a blunder for the Legion to compete as a party.

58. Laing to Coates, 14 Nov. 1934, 2/ Dunedin, Coates MSS.; see also O.D.T., 21 Sept. 1934, pp. 6(8) & 10(6).
59. Resolution, 27 June 1934, Havelock N., Legion MSS.
PLATE IV

'Caesar's Dilemma'

A cartoon illustrating the dispute, in September 1933, between the Dunedin and Wellington Executives of the New Zealand Legion over Dr Begg's decision to form a political party.

(Auckland Star, 22 Sept. 1933. With acknowledgement to the Auckland Star.)
Begg doggedly asserted that the Legion's purpose had been consistent: 'the movement was formed as a strong political one and not merely as an educative group.'

Differentiating between 'Talkers and Actionists' he recalled the pledge which his followers had signed:

'The pledge which every member took was carefully worded in such a way as to commit whoever signed to a course of action .... He agreed to assist with his own vote, to organise the electorates and to support at the polls candidates who were prepared when elected to act ... for the objects of the Legion.'

Nevertheless the general impression which members had originally gained was that the Legion was to be a non-party body. It was inconsistent for the Legion to rail against party politics and then to become a political party itself. Begg had argued that it was the system rather than the personnel which was wrong, yet he now sought to change the personnel. Such direct political action offended the basic conservatism of many Legionnaires, particularly as the prospects of success for the divided movement became less promising. Consequently, arrangements for the formation of electoral committees, for the collection of funds and selection of candidates had to be abandoned.

By setting itself up as a party the Legion hoped to split some of the Labour vote at the general election. Indeed Begg stated that the

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61. N.O., Vol. 2, No. 27, p. 25, see also No. 21, p. 1.

62. O.D.T., 19 July 1934, p. 10(2); Legion, Vol. 1, No. 2, p. 3.
Labour Party might have more grounds for complaining about vote-splitting than the Coalition. 63 But many Legionnaires regarded the move as a foolhardy venture which would divide conservatism, and agreed with W.P. Morrell, that 'Labour may well be the chief beneficiary.' 64 Some critics initially thought that the Legion would be a disruptive influence at the General Election. Ormond, for example, informed Coates of the danger that Begg 'might get a little ambitious and make a mess with ... [his] new political party.' 65 It was soon apparent, however, that the Legion was disintegrating, and that what it could do with its handful of votes at the next election would impress no-one. 66

By August 1934 the Legion had indeed become a pathetic movement, weak in mind and body. The leaders abandoned their work. In May 1935 Dr Begg relinquished his position as President in favour of a younger man. 67 Major Sherston was never recalled from his farm and the travelling organiser, D.M. Robertson, pressed Coates to give him a job, claiming that he was 'destitute and bordering on mental breakdown.' 68

63. O.D.T., 4 May 1934, p. 7(1).
65. Ormond to Coates, 15 July 1934, 2/Waipawa, Coates MSS.; see also O.D.T., 4 May 1934, p. 8(6).
66. The Sun (Christchurch), 4 May 1934, p. 6(3-4), & 19 Mar. 1934, p. 6(3); O.D.T., 20 July 1934, p. 8(5), & 24 July 1934, p. 6(6); Dominion, 1 Mar. 1934, p. 8(2); Mercantile Gazette, 13 Sept. 1933, p. 1017(2-3); Tomorrow, Vol. 1, No. 24, p. 5. The only editorial support for the Legion came from the Evening Post (Wellington) which stated that the Legion had 'proved so far that it is not a mere flash in the pan, and it gives evidence now that it has a constructive purpose.' Evening Post, 1 Mar. 1934, p. 10(2), see also 24 July 1934, p. 8(3).
68. Robertson to Coates, 21 Aug. 1934, & 8 Nov. 1934, 4, Coates MSS.
The financial predicament of National Opinion was a drain on funds - a problem aggravated when Legion Press was sued for alleged libel. Under a nineteen year old editor, Lyndsay Clark, a new journal - Legion - was launched which ran for only four issues and featured emotive articles on such topics as 'Communism in Eastern Europe'. The final issue of 13 December 1934 carried an advertisement which also served as an obituary:

'Board Room to Let - spacious, suitable for annual meetings etc.... Office Space To Let Also.'

After two years of colourful crusading the Legion had collapsed, eccentric and deformed.

Any form of conservative protest which threatened to challenge the Coalition Government at the polls could be sure of defeat. The majority of Legionnaires realised that the Coalition was the strongest insurance against a Labour Government and, however unpopular the Coalition might be, it was always preferable to Labour. Once the United and Reform Parties had combined to keep Labour out, and narrowed the basis of anti-Labour support, conservative protest was unable to provide a strong alternative to the Coalition. Accordingly, the Legion's role had remained negative; it received dissent, and it contributed to the unpopularity of the Government by advertising conservative discontent.

69. An official of the Levin Boro Council claimed £300 following the appearance of an article in National Opinion which criticised the administration of unemployment relief in Levin, see Legion, Vol. 1, No. 1, p. 1.

70. Legion, Vol. 1, No. 4, p. 16.
In the absence of strong Reform or United party machinery, the Legion may well have been more effective at a local level. Paradoxically, the Legion was successful in this respect long after it had ceased to exist as a national movement. In May 1935, Dr Begg and some local followers endorsed several candidates for the Lower Hutt local body elections. A personal friend of Dr Begg was returned unopposed as Mayor, and seven of the nine councillors were elected as Legion candidates on a platform of lower rates and non-party administration. However, in 1933 and 1934 the movement's proposals had been too absurd. Its economic policies, for example, were clumsy deference to the general desire in the country for economic reform, and they failed to allay the suspicion with which workers regarded the Legion. An increasingly authoritarian leadership had grappled ineffectively with the Legion's complex organisation. It ended by imposing its schemes on the movement and alienating the members. The Legion's failure did not indicate an end to conservative protest; other movements had been established, including the Democrat Party. In spite of the fact that the depression was lifting there was still scope for right-wing protest provided that its aims were limited. A fundamental defect in the Legion's brand of protest had been ambition.

71. Dominion, 9 May 1935, p. 10(4); correspondence from J.W. Andrews, 25 Nov. 1968. No Citizen's Association candidates participated in the elections, and it is possible that the Legion candidates would have won without Begg's help. Nevertheless it is remarkable that only seven months before Labour's landslide victory in the country, only two Labour candidates for the Hutt Council were successful. Labour had sweeping successes in the Wellington City Council elections.
CHAPTER VI

DEMOCRAT SUCCESSION

The Legion's inability to unify conservatism was illustrated not only by its collapse but also by the growth of other conservative protest groups. However, they were unable to command the same degree of support as the Legion, and it was not until the Government increased its controls over mortgage contracts and the dairy industry that a successor to the Legion could be formed. The extension of mortgage relief legislation, which Coates urged for alleviating the debt burden of dairy farmers, contributed significantly to the antagonism of rentiers and commercial interests between 1933 and 1935. The sanctity of contracts and injustices to urban interests were again at issue. Coates' handling of the dairy crisis that developed after 1933, also annoyed dairy farmers and produce merchants. Opportunity for a new protest group was provided, therefore, by both rural and urban hostility towards the Government.

The Democrat Party, formed in 1934, capitalised on much of this conservative dissatisfaction. Although organisation of the new party was initiated by two men with their own specific grievances against the Government, in policy and membership the Democrat Party was to

1. The two men were William Goodfellow and J.W.S. McArthur, both of whom were antagonised by government commissions of inquiry - the Dairy Industry Commission (1934) and the Company Promotion Commission (1934).
exhibit similar characteristics to earlier conservative splinter groups. Like the Legionnaires, the Democrats were unable to extend their narrow basis of conservative support and attract the poorer sections of the community. The United Party had been successful in this respect because it disguised its conservatism with the loan proposal; it had acted as an anchorage for those who were as yet wary of voting Labour. By 1935 the depression experience had caused these uncertain voters to transfer to Labour. It is unlikely moreover, that most disgruntled conservatives voted Democrat in 1935. Against their inclinations many dissidents remained in support of the Coalition through fear of vote-splitting. An important feature of the conservative crisis in the depression was that dissidents failed to move in a body from one protest group to the next. Far from minimising the significance and effect of the crisis, this inconsistency added to uncertainty and confusion.

Not all confusion in conservative thought was concentrated in the Legion. With the increasing interest in monetary reform, the growth of Douglas Credit, and the fall in dairy produce export prices, many other panaceas flourished. A number of impractical schemes were presented to the Monetary Reform Committee of July 1934 and reflected the general public's 'debt consciousness' which the Legion had helped to stimulate. Few of the nostrums were practical. The Legion did not submit evidence to the Committee but on his own behalf S.G. Holland advanced a plan for the eradication of New Zealand's internal debt. His ignorance of economics was particularly evident when he argued that inflation aided
creditors rather than debtors. The Legion appears to have done little to educate its members in common-sense economics.

None of the other quack remedies which were presented to the Monetary Committee attracted much support. The more exaggerated fears associated with debt problems were present in New Zealand but not widespread. Anti-Semitism, for example, was often part of a general suspicion of foreign bankers and bondholders, and was unlikely to provide the basis of a right-wing movement. Colonel T.W. McDonald (United, Wairarapa 1928-31 and Democrat candidate in 1935) expressed an extremist opinion 'that the whole monetary policy of the world is in the hands of a few Jewish financiers'. A Hawke's Bay Social Credit-er even managed to link the Legion with the 'band of Jews' who 'aimed at world domination through the power of money'. However, anti-Semitism was not a predominant feature of monetary reform groups. As the Legionnaire, A.N. Field, noted, the leaders of the 'money power conspiracy' were not all Jewish.

On the other hand, most right-wing groups were on their guard against anything which could remotely be considered communistic. In

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2. A.J.H.R., 1934, B-3, p. 438. Holland's plan was that holders of government stocks would cash their holdings for new notes. The government would then withdraw from circulation £2 million per annum for fifty years and hence wipe out its internal debt.


this respect Jews were occasionally linked with radicalism. An Auckland group, the Dominion and Empire Organisation, proclaimed: 'Who ruined Russia and took control and caused a very bloody revolution? The Jewish coterie headed by Lenin and Trotsky.' The Welfare League, which handled some of the Government's election publicity in 1935, was equally alert throughout the depression for signs of communism. The League was instrumental in attacking intellectuals and university freedoms, and its secretary, A.P. Harper, affirmed that students learned communism 'by suggestion' at school. It was but a short step for extremists to assert that the Coalition Government had pushed New Zealand 'into the arms of international socialism.' But the support for such views was as limited as the prospects for communism in New Zealand. It was state interference rather than the bolshevik bogey which aroused sufficient outcry for a right-wing party to be formed.

Nevertheless, it would be unreasonable to assume that all conservatives viewed state interference as obnoxious. Many encouraged government intervention, particularly when it protected their own

6. Cited in Tomorrow, Vol. 1, No. 21, p. 1, see also No. 22, p. 2. Little evidence of this extremist group has survived.

7. F. Waite report, n.d., 3/1, Coates MSS.


interests. For example, under pressure from rural Reform M.P.s, who were concerned about the lack of farm credit, Coates modified the Reserve Bank Bill to give government appointees an initial majority on the Board of Directors and prevent the control of credit being in the hands of private interests. 10 Others, including Downie Stewart, believed that state interference was inevitable though they argued that businessmen should prevent it from going too far.11

A few businessmen even proposed reconstruction through inflation. On 6 June 1933 a deputation, comprising the Mayor of Auckland (G.W. Hutchison) and several representatives of business interests, presented Coates with some proposals based on The Means to Prosperity by J.M. Keynes. The deputation recommended a National Loan of £10 million paying interest at 3% and, as with war loans, 'semi-compulsory conscription' of wealth. The 'reconstruction' loan would be used to raise relief pay rates and employ people on local body works. In addition, agricultural exports which failed to realise a floor price would be subsidised. The deputation emphasised that the scheme would preserve business from bankruptcy:

'The continuance of unemployment is slowly sapping the morale of the people and the increasing army of unemployed, involving with it decreased spending power, is bringing the business community face to face with bankruptcy and disaster.

10. See R.T., Vol. 24, 1934, p. 457. Note that commercial interests opposed the creation of the Reserve Bank (see above, p. 67).

The property-owning classes are finding it increasingly difficult to secure returns from their investments, and the value of real estate is fast reaching vanishing point. 12

In spite of these arguments the plan raised consternation in the business community.

For once, commercial interests were in agreement with the Minister of Finance, whose reply to the deputation was that Keynes' proposals were inappropriate for an exporting country and that the loan would involve further debt. 13 Conservative editors agreed that the reconstruction loan would 'do no more than provide funds for a brief bout of local inflation'. 14 The Auckland Chamber of Commerce was evenly divided over the proposal, and one of its members who had been in the deputation, the Legionnaire J. Hislop, revealed that he had been mistaken about the nature of the deputation and expressed disagreement with the loan proposals. 15 A few businessmen were enthusiastic about the scheme and incorporated its ideas in a National Reconstruction Association; but it failed to gain ground. No conservative group in the depression could


13. N.Z.H., 7 June 1933, p. 13(3-4).

14. Dominion, 8 June 1933, p. 8(3); N.Z.H., 7 June 1933, p. 10(2); A.S., 6 June 1933, p. 6(3); Mercantile Gazette, 21 June 1933, p. 681(2-3).

win widespread approval for a policy of inflation.

Following the raising of the exchange rate in January 1933, the Coalition continued to antagonise commercial groups, particularly with its legislation to alleviate rural distress. J.P. Luke, Chairman of the Legion's National Council, voiced a typical business protest when he urged members of the Auckland Chamber of Commerce to 'stand shoulder to shoulder to meet a very great menace' — the 'landslide toward State Socialism'. Government intervention to combat a crisis in the dairy industry contributed to conservative dissension and the formation of the Democrat Party. Excessive state intervention was still the issue which attracted most support to right-wing protest groups.

Legislation which took Coates even further in the direction of unorthodoxy was achieved in spite of considerable opposition in the Government. Coates confirmed that his colleagues were 'not men who will drive to its conclusion legislation that may out across accepted ideas.' It appears that Coates became reconciled to the view, expressed by Downie Stewart at the time of the exchange rate crisis, that the low level of export prices would be permanent. Although the prices of wool and meat began to improve after October 1933, the prices of dairy exports continued to fall and by January 1934 were less than half the January 1930 level. Coates admitted that because of the continued oversupply

17. Coates to Rodney Coates, 29 Sept. 1934, 1/2, Coates MSS.
18. Index prices for butter and cheese (1928–29=100) were 45 & 48 respectively in 1933–34 season, **A.J.H.R.**, 1934, H-30, p. 25.
of dairy produce on the London market, the higher exchange rate had not prevented the fall in prices. Unlike Stewart, however, Coates came to the conclusion that permanent and far-reaching government intervention was all the more necessary, particularly in regard to the relief of farm debts. With reference to the proposed Mortgage Corporation and the Rural Mortgagors' Final Adjustment Act (1935), Coates stressed the temporary nature of earlier mortgage relief legislation:

'It is becoming increasingly evident, however, that a new standard of price-levels must be reckoned upon as a more or less permanent feature. In these circumstances it is useless continuing on the basis of temporary postponement, and some general scheme of permanent reconstruction must be evolved.'

This new assault on the depression was not appreciated by those who upheld laissez-faire economic theory.

The establishment of the Mortgage Corporation in April 1935, with its aim of providing cheaper long-term mortgages, was particularly deplored by businessmen. Investment organisations sensed the threat of competition in their own field of activity, and argued that there was already too much borrowing rather than too little. The Associated Chambers of Commerce, after an address by Downie Stewart, issued a strong protest against the establishment of the Corporation. The commercial interests argued that there was already an ample supply of money at low

interest rates, that the Corporation's administrative costs would be too high, and that many of the mortgages to be transferred from the State Advances Office were unsound. The proper course, they considered, was for the Government to encourage new private institutions. 21 The investment institutions were championed in Parliament by A. Harris (Coalition, Waitemata), R.A. Wright (Coalition, Wellington Suburbs), and Downie Stewart. 22 Spokesmen for investors strongly objected to the suggestion of W.J. Polson (President of the Farmers' Union) that share-holder control in the Corporation be eliminated. Urban interests preferred semi-private control as a protection for the tax-payer against excessive state liability. 23 Private enterprise opposed the Mortgage Corporation in principle but was eager to exert its control over the directorship.

Conservative dissension over the Mortgage Corporation was aggravated by the 'breach of contracts' involved in the Rural Mortgagors' Final Adjustment Act of 1935. A special committee, representative of financial interests and set up by the Associated Chambers of Commerce, argued that 90% of farmers were quite able to meet their financial obligations. The committee stressed that the new law would protect the inefficient farmers, and that the provision of a five-year 'stay order', under which farmers would be permitted to retain 20% of the value of...

their assets whilst working on a budgetary system, was 'class' legislation. Why, asked the investors, should bankrupt farmers receive better treatment than insolvent businessmen? The committee concluded that the law would 'inevitably create the impression in the minds of the investing public that no broad acre security is thereafter a safe investment.' The press joined in condemning the Act as one which ignored 'certain principles that lie at the root of commercial honesty.'

In Parliament Coates again came under attack from right-wing conservatives. Stewart, Wright, Stallworthy and Veitch voted against the Rural Mortgagors' Final Adjustment Bill, and A. Harris asked to be excused from caucuses because the Government's proposals showed 'insufficient regard for the difficulties of town and city dwellers.' Stallworthy and Veitch (who by 1935 were labelling themselves Democrats) argued that the principle behind the Bill was communistic and that 'All the co-operative efforts that have been made over a period of twenty years to build up a yeomanry by liberal administration has been deliberately smashed by the present Government.' In the dairy farmers' worst hour these individualists expressed the view that the country

25. Ibid., 19 Mar. 1935, p. 8(7), see also 16 Mar. 1935, p. 12(4-5); N.Z.H., 14 Mar. 1935, p. 10(2); S.T., 15 Mar. 1935, p. 6(3-4). Eventually editors were pleased to announce that the provision for farmers to retain 20% of their equity had been abandoned; O.D.T., 20 Mar. 1935, p. 8(6). For an explanation of the working of the Act see J.G. Coates, Adjustment of Farm Debts, Wellington, 1935.
needed a rest from legislative interference and urged Forbes to assert
greater control over his Minister of Finance.

Protest was not confined solely to those financial and commercial
interests annoyed by the Government's 'contract breaking'. Despite the
mortgage relief legislation, dairy farmers added their protest to that
of businessmen. They were antagonised by Coates' receptive attitude
towards the British proposals for quotas on dairy produce. By January
1933, the glut of butter on the London market had re-opened the
possibility, proposed at the Ottawa Conference of July-August 1932, of
limiting imports of dairy produce into Britain. Coates argued in
favour of coming to terms with what he viewed as the inevitable -
restricted production by a quota system as the only alternative to
restricted production through a 'price war'. He argued that dairy
quotas would probably improve prices and indicated the success of meat
quotas which New Zealand had agreed to accept at Ottawa. 28

This suggestion was forthrightly rejected by farmers who viewed
it as contrary to their policy of expanding production to increase their
income. 29 Editorials in support of the farmers made it clear that 'New
Zealand disbelieves in the quota on principle, even if modified accept-
ance of it as regards meat has been necessary'. 30

28. Coates, A Butter Quota, pp. 18 & 24; see also J.G. Coates, Dairy

29. Between 1929-30 and 1933-34 butterfat production increased from

30. N.Z.H., 13 July 1933, p. 8(3).
Much of the opposition to quotas was headed by William Goodfellow and a group of Auckland importers and exporters. As founder of the New Zealand Co-operative Dairy Co., Goodfellow had a position of considerable power in the dairy industry. He already had little reason to favour the Government - it had wrangled over the compensation due to him after the Ward Government had cancelled his virtual broadcasting monopoly. At the Parliamentary Economic Committee of 1931, and prior to the drastic fall in butterfat prices, he had argued: 'The best thing to do with the dairy farmer is to leave him alone .... He will find his own way out of his present troubles.' Yet as representative of the Dairy Board in the New Zealand delegation to Ottawa, he had requested that Britain impose a 30% reduction (Australia asked 25%) on Danish imports of butter without restriction of Empire supplies. The dairy industry would tolerate a certain amount of government intervention when it worked to the industry's advantage.

Legitimate interference did not include restrictions on New Zealand produce and in 1933, to further his opposition to quotas, Goodfellow formed the N.Z. Producers' and U.K. Manufacturers' Reciprocal Trade Federation. Goodfellow, J. Hislop (who later resigned from the

31. Interview with Sir William Goodfellow, 18 July 1968. Goodfellow had helped the United Party and contributed funds to the Legion; his opposition to Coates during the dairy crisis was to lead him to form the Democrat Party.


Auckland Division of the Legion), Gainor Jackson and J. Seabrook (importers), spread free trade publicity throughout the Auckland Province, established thirty branches, and issued a journal - Practical Prosperity.\textsuperscript{34} The Federation's aim was: 'The closest possible business and trade associations with Great Britain and the fullest possible development of reciprocal trade between her and ourselves'.\textsuperscript{35} In contrast to the Legion, the Federation urged that, because New Zealand depended on United Kingdom markets and relied upon the British Navy for protection, 'New Zealand must cling closely to the Mother Country.'\textsuperscript{36} The prospect of quotas had produced arguments for 'dependency' on Britain, which Legionnaires had, for the most part, rejected.

The argument for free trade was based on the assumption that the British request for quotas was a result of Britain's resentment at New Zealand's 'high tariff' and high exchange. Prior to the Ottawa conference Goodfellow had been strongly in favour of raising the exchange rate to increase farmers' revenue.\textsuperscript{37} In September 1933 he was suggesting that 'by increasing the exchange rates ... without simultaneously reducing the tariff, a further disability of 15 per cent. was placed on Britain's imports, with the result that considerable resentment has been produced.'

\begin{itemize}
\item \textsuperscript{34} Interview with Sir William Goodfellow, 18 July 1968.
\item \textsuperscript{35} Practical Prosperity, Vol. 1, No. 1, p. 1.
\item \textsuperscript{36} Ibid., Vol. 1, No. 2, p. 3.
\item \textsuperscript{37} N.A., Le., 2/2, p. 770.
\end{itemize}
caused. The Reciprocal Trade Federation, then, conducted its feud against the high exchange rate and the tariff; dairymen and importers feared that New Zealand would become dominated by a small group of local manufacturers. Quotas had indeed caused Goodfellow to re-think in regard to the exchange rate.

Goodfellow's 'low tariff - low exchange' arguments were, however, fallacious. The British Board of Trade realised that New Zealand's tariff was already low and largely a revenue tariff. Nor did the quota principle derive from resentment at New Zealand's high exchange rate. As Coates noted, Britain's prime concern was to protect British agriculture from the effects of low prices. The United Kingdom was moving in the direction of protection and regulation (as shown by the Agricultural Marketing Act 1931, which set up producer boards), irrespective of New Zealand's actions or wishes.

The nature of British agricultural policy was illustrated by the announcement of March 1934 that the Ministry of Agriculture would subsidise milk production in Britain instead of imposing restrictions

38. *Practical Prosperity*, Vol. 1, No. 1, pp. 3-4. Article VII of the Ottawa Agreement required the Dominions to review their tariffs with a view to reducing them; it was frequently quoted by the Federation.


on dairy imports. This gave temporary respite to the free traders, but
the quota issue had contributed to Coates' unpopularity. Paradoxically,
the increased exchange rate, which earlier had caused hostility between
town and country, provided, by late 1933, a degree of affinity between
dairy interests and businessmen. This was demonstrated when A.J.
Stallworthy (normally anti-farmer and soon to become the leading
Auckland Democrat), sided with the farmers and called for an 'effective
antidote for the vicious pamphlet advocating the quota issued by the
Hon. J.G. Coates'. 42 The exchange rate and quota issues had created a
strange entente.

The argument that the dairy industry needed more government inter-
vention was advanced by a Royal Commission on the Dairy Industry, which
reported on 15 October 1934. The Commission's recommendations for
greater marketing controls, and the subsequent Agriculture (Emergency
Powers) Act of November 1934, were to sharpen the antipathy between
Goodfellow and the Government.

The undesirable practices of so-called 'free marketing', were
significant in prompting the Commission to recommend greater regulation
of the industry and a reconstitution of the Dairy Board. Witnesses
complained about the activities of Amalgamated Dairies, which had been

42. N.Z.H., 18 July 1933, p. 13(3). A great many impoverished dairy
farmers were to look to the Labour Party for assistance, however,
rather than to the Democrats, see E.P. Malone, 'The Rural Vote -
A.U., 1958, pp. 177ff.
formed by Goodfellow in 1927 and which had taken over marketing between the N.Z. Co-op Dairy Co. and the Tooley Street merchants. In May 1931 Goodfellow and his London manager, J.B. Wright, had attempted to sell an additional 15,000 tons of butter to the Co-operative Wholesale Society in Britain at 2/- per cwt. below market price. Some of the profits which should have filtered back to the suppliers of the N.Z. Co-op. Dairy Co. were to be retained by Amalgamated Dairies. Similar complaints were lodged against Empire Dairies, which Goodfellow had established in 1929 as a consignment selling-house in London. Producers felt that Goodfellow's marketing concerns looked after the interests of the directors rather than those of the suppliers. To prevent such dubious marketing activities the Commission advocated greater control over the dairy industry.

43. See N.A., D.P.M.C., 211/22, Vol. 11, pp. 3190-3197 (A.J. Sinclair), & 211/20, Vol. 4, p. 803 (G.S. Davidson). The negotiations between the C.W.S. and Amalgamated Dairies are given in Lewisham to Coates (with memos.), 12 June 1934, Marketing Dept. files, N.A., D.P.M.C., 211/4, 2/7/2. A shareholder in the N.Z. Co-op Dairy Co. later indicated that Amalgamated Dairies made profits of £57,000 in 1935, of which £37,000 went to the directors. See ibid., Frost to Hon. Lee-Martin, 8 June 1936. The shareholder also indicated that charges concerning Goodfellow's marketing activities had been laid before the Commissioner of Police. Ibid., Frost to Coates, 29 Dec. 1934; see also Min. of Ag. to Reakes, 18 Jan. 1935, & 1 Feb. 1935, & Reakes to Min. of Ag., 2 Feb. 1935. In 1936 Amalgamated Dairies went into voluntary liquidation. Goodfellow to Duncan, 8 Oct. 1936, D.P.M.C., 211/4, 3/2/5.

44. N.A., D.P.M.C., 211/21, Vol. 10, p. 2941. Independent producers also expressed concern at the domination of Goodfellow's interests on the Dairy Board because, they maintained, he controlled three to four of the nine producers' votes. N.A., D.P.M.C., 211/20, Vol. 2, p. 311.

Not surprisingly, Goodfellow was particularly hostile to the Agriculture (Emergency Powers) Act which derived from the Commission's investigations and gave an Executive Commission of Agriculture the power to regulate production and marketing. Such controls were anathema to many merchants in the industry who had always been extremely suspicious of government interference. They were joined in their condemnation of the Government by the press and Associated Chambers of Commerce. Goodfellow had advocated a Dairy Board run by directors representing dairy producers, with no government officials other than in an advisory capacity. He described the eventual composition of the Board (three government nominees, one representative of factory owners from each of three wards, and one representing the N.Z. Co-op. Dairy Co.), as 'the most revolutionary and ultra-socialistic idea yet put forward'. The Government's policies during the dairy crisis prompted Goodfellow to consider the formation of a new anti-socialist party to fight the general election.

By 1934 Goodfellow's hostility to Coates coincided with that of an Auckland speculator, J.W.S. McArthur. It was largely the co-operation of these two men, with assistance from A.E. Davy, that produced the

46. See N.Z.H., 3 Nov. 1934, p. 15(6), & 2 Nov. 1934, p. 10(2-3); O.D.T., 31 Oct. 1934, p. 6(6).

47. N.A., D.P.M.C., 211/22, Vol. 23, p. 4336; see also 211/23, Vol. 15, pp. 5043-4 & 5061 (S. Paterson).

Democrat Party. The atmosphere of intrigue which surrounds the formation of the Party is indicative of the difficulties which dissenters faced in establishing a right-wing protest party in the depression. The Legion's failure had shown that popular anti-Government feeling was incapable of sustaining a party without adequate funds. The founders of the Democrats had much greater financial resources, and it is perhaps appropriate that the birth of the Party can be traced to a financial scandal.

McArthur was a suitable patron for a new protest movement. He had helped to establish the United Party in Auckland in 1927, and was chairman of the Executive. When Davy transferred the United Party's organisation to Wellington, McArthur switched his interest to 'obtaining several millions of the public's investment funds' for private forestry development.' It was in defence of this and subsequent speculation that McArthur sought to create another political party.

Complaints had reached various government departments from investors in McArthur's companies that they were unable to secure any knowledge about their investments. The subsequent Royal Commission 'to inquire into and report on the promotion, financial methods, control and

operations of companies and corporations', reported on 9 June 1934 that the Commissioners had been refused co-operation by the thirteen financial and investment trust companies under McArthur's control. 50 Coates therefore asked Parliament to pass special legislation to give the Commission power to investigate the companies concerned, and he indicated that for some months 'there has been an exodus from Auckland to Sydney of the principals' of the companies. 51 The Companies (Special Investigations) Bill was passed hurriedly and gave the Commission power to investigate specifically the McArthur Companies. It was an exceptional piece of discriminatory 'economic police action' for a government to take.

The action was warranted, for the Commission revealed that the parent company (the Investment Executive Trust of N.Z. Ltd.) and its subsidiaries were responsible for some extraordinary financial irregularities and for remarkable share deals. Some of the books were never audited, and in the words of one of the 'directors' of the Trust: 'The investment of the Company's funds was never discussed or decided at Directors' meetings at which I was present. As far as I know the

50. Interim Report, A.J.H.R., 1934, H-25, pp. 12-14. One of the companies was found to have 'dummy' bondholders including two girl clerks.

51. P.D., Vol. 239, 1934, p. 53. The same evening (8 August 1934) similar legislation was before the state legislatures in Sydney and Adelaide.
investment of the money was left to McArthur.' This system was simple and, for McArthur, extremely profitable. From one company, N.Z. Redwood Forests Ltd., McArthur had drawn £1,607.12.2d in 'personal expenses' between April 1931 and August 1932. He no doubt appreciated that 'playing the stock market' was more rewarding than political intrigue with the United Party.

Nevertheless the whole episode was to have significant political repercussions when McArthur defended his profits and his actions. He began by denouncing the Commission, the Government, and the Reform Party in a pamphlet addressed to the Trust's remaining debenture-holders. He attacked the 'conspiracy' of Parliamentary activity 'at the behest of its ruler, the Nicholson Group'. According to McArthur, Sir Oliver Nicholson (Director of the N.Z. Insurance Co.) and a 'Kelly Gang' of Auckland financiers had demanded the establishment of a commission in

52. Company Promotion Commission, N.A., T., 67/15; see also A.J.H.R., 1934, H-27, p. 42. One such investment was the purchase by McArthur of the Daily Telegraph Building in Sydney for £3,000. It was sold a short while later for £288,000 to another company which McArthur controlled. Another subsidiary of the Trust - Pacific Exploration Ltd. - was floated to purchase McArthur a yacht under the guise of conducting scientific research, see A.J.H.R., 1934, H-25, p. 10.


an effort to discredit the Investment Executive Trust. Implying that the Nicholson Group supplied the Reform Party's funds, McArthur requested an enquiry into the Party's finances.\textsuperscript{55} He also hastened to assure his clients that the Company 'was negotiating two large transactions, which would ... show a profit of 30\% to debenture-holders.'\textsuperscript{56} Certainly the Investment Executive Trust was unpopular among its competitors - the sharebrokers and the Stock Exchange - and indeed McArthur had once won a legal wrangle against the N.Z. Insurance Co.\textsuperscript{57} But McArthur's defence was clumsy and the attack on Coates was too hypocritical to be taken seriously.

Among some sections of the general public there was sympathy for McArthur in his stand against the 'big interests'. The controversy intensified the farmers' suspicion of bankers. It was suggested that the clean-up legislation had been instituted 'not so much in the interests of the public as in the interests of those who hold dominant positions in the money-jugglery and share-jugglery business'.\textsuperscript{58} But these accusations were difficult to prove, and much of the propaganda

\textsuperscript{55} Ibid., p. 12. The pamphlet also accused the Chief Commissioner, J.S. Barton, of being 'in league' with the editor of the \textit{Investors' Journal} which had advised investors to sell trust stock before the Commission's interim report had been made public, ibid., pp. 8-9. McArthur sued the Commission and claimed £20,000 damages for statements in the Second Interim Report; N.A., T., 67/22, 1.

\textsuperscript{56} McArthur, p. 11.

\textsuperscript{57} N.A., T., 67/23 (C. Brice).

\textsuperscript{58} \textit{Farming First}, 15 May, 1935, p. 2(1).
failed to ring true. A newspaper (the Sunday News), which was possibly financed by McArthur and which lasted only for the duration of the controversy, devoted its pages to defending the speculator. It artlessly suggested that 'the Investment Trust is merely following what is affectionately known as sound banking practice'. 59 This was completely contrary to the evidence documented by the Commission, and McArthur was unable to prevent the passage of the Companies (Bondholders Incorporation) Bill of March 1935 which controlled the establishment of bond-holding companies. Nor could he prevent the Coalition from placing his companies in the custody of the Public Trustee under the terms of the Companies (Temporary Receivership) Act of 1935.

Public debate was not the only method which McArthur used to defend his interests; he again became involved in politics. Soon after the Commission had been appointed (in January 1934), McArthur asked one of his share-holding colleagues, Richard Glover-Clark, to lobby M.P.s and prevent the Commission from making 'hostile' recommendations. Giving evidence before a similar Commission in New South Wales, McArthur said, 'I told Glover-Clark that we would have to organise a movement to resist hostile attacks being made on us.' 60 In return for his services Glover-Clark, an Auckland journalist who had stood as an Independent Reform candidate against A.J. Stallworthy in 1931, received £1,000 in 'travelling


60. Dominion, 21 Sept. 1934, p. 11(1).
expenses'. Unlike the founders of the Legion, McArthur had plenty of
finance, skilfully procured, to draw upon for his campaign.

With the co-operation of other conservative dissidents Glover­
Clark began organising a new political group, which became the Democrat
Party in September 1934. In a progress report of 3 August 1934 he
indicated to McArthur that a man who enjoyed the oode name 'Anchor'
(obviously Goodfellow), could 'bring into alignment' various newspapers
including the Auckland Star and two Christchurch dailies. Goodfellow,
who was a director of New Zealand Newspapers Ltd., was 'to enter into
a five-year contract at a stated salary with our friend of Polecat'.61
The 'friend' (A.E. Davy) was to organise a party which could hold the
balance of power when the next government took office.62 The oode names
failed to conceal the identity of those involved in the new party. It
was noted, in regard to 'Anchor' for example, that 'The Democrats opened
their Wellington office just as the New Zealand Producers' and United
Kingdom Manufacturers' Reciprocal Trade Assn. closed theirs, and it was
it seems more than a coincidence.'63

61. Evening Post, 20 Sept, 1934, p. 12(8); see also O.D.T., 21 Sept.
1934, p. 9(1). The full text of Glover-Clark's cable is given in
Appendix V.

62. McArthur assumed that the next government (designated 'Polab')
would be a coalition of the Labour and Country Parties. Both M.J.
Savage and Capt. Rushworth denied that their parties had anything
to do with McArthur. The speculator replied: 'I said efforts had
been made to induce political parties to move on behalf of trust
companies to resist unjust attacks. I did not say that those
parties had helped the companies.', O.D.T., 24 Sept. 1934, p. 10(5).

63. Tomorrow, Vol. 1, No. 41, p. 1; see also N.O., Vol. 2, No. 27,
p. 30.
PLATE V

Hon. W. Downie Stewart
(Weekly News, 11 Oct. 1928.)

William Goodfellow
(The Observer, 19 May 1932.)

A.E. Davy
(The Observer, 29 Aug. 1935.)

A.J. Stallworthy
(Weekly News, 7 Nov. 1928.)
It does not seem that Goodfellow had much difficulty in weaning Davy away from the Reform Party. Davy had unsuccessfully urged Coates to break up the Coalition and to enter a rejuvenated Reform Party in the elections. By August 1934, as Glover-Clark's cable to McArthur indicated, Davy was negotiating a contract with Goodfellow. Davy's resignation from the Reform Party, announced on 29 September, was accompanied by a diatribe against the Government's 'socialism':

'I have always opposed State Socialism and undue interference with the rights of private enterprise and the individual and the present tendency, together with other points of policy, have left me no option but to resign .... The present Government is Socialistic by inclination, action and fact'.

Davy should be credited with a consistency which is not apparent from his changes of party loyalty; he was constantly to the right of Coates and Forbes in his rigid anti-socialism.

The three men - Goodfellow, Davy and McArthur - who had been involved in the formation of the United Party, had been driven together for a second time by common opposition to Coates. But the alliance did not survive for long. McArthur's motive for joining ceased to exist when he was unable to prevent the Government taking over his companies. Davy, who thought free trade an outworn issue, quarrelled with Goodfellow.


65. A.S., 29 Sept., 1934, p. 10(5).
Davy rejected Goodfellow's choice of party leader, F.W. Doidge, because of Doidge's free trade views, and exceeded his instructions by finding too many party candidates. 66

Initially, however, Davy experienced difficulty in recruiting other prominent men for the party. Approaches were made to Sir Alexander Herdman, for example, and it was suggested that he might become party leader. 67 Herdman had left the Supreme Court Bench and, referring to his party's misalliance with United, expressed the fears of stalwart old Reformers: 'there is little to distinguish the Socialism of Messrs. Forbes and Coates from the Socialism of the Labour Party.' 68 However, the ex-Justice was contemptuous of Davy 69 and, like Doidge, stood as an Independent in the election. Davy's frequent change of party allegiance no doubt caused others to question his reliability and made them hesitant about joining the Democrats.

Downie Stewart would have been an ideal leader for the Democrats, but he was wary of vote-splitting. In fact Stewart was under constant pressure from dissident conservatives to lead a new party with a policy


68. N.A., P.M., 15/33; see also Fraser, Ungrateful People, p. 65.

69. Wells to Coates, 25 Mar. 1935, 3, Coates MSS.
of tax relief and a lower exchange rate. He was told that many businessmen feared a Labour victory, but were refusing to renew financial assistance to the Government for its election campaign. Admirers urged Stewart to join the Democrats, and an enthusiast even suggested that after the Democrat 'victory' Coates could be found a position in London as High Commissioner. It is interesting to note that the then High Commissioner, Sir James Parr, had also been approached 'to come back and take a leading part' but felt that he could not 'break his contract' with the Government. The Democrats were casting a wide net to secure a celebrity as leader.

Stewart adamantly refused, however, to form or join a vote-splitting party, and concluded that his only course was 'to stand as an Independent-Coalitionist in the hope that if a majority of non-Labour men is returned, the party in the Government can be reconstituted.' Eventually Stewart found himself defending the Government which he had voted against so often. He recognised that conservatism, however unsatisfactory, needed a united front to stand any chance of avoiding a Labour victory. It was significant, though, that Stewart, Herdman,


72. Stewart to Thompson, 27 June 1935, 1/T., Stewart MSS., Hooken.

73. In the election campaign Stewart said of the Government: 'It has taken the steps that were clearly necessary if New Zealand was to avoid ruin', Election Pamphlet, 27 Nov. 1935, 4/H., Stewart MSS., Hooken.
and another 'low exchange' M.P., R.A. Wright, were held in high esteem by the Democrats and not opposed by them in the election. 74

Davy was more successful in obtaining the support of some less distinguished opponents of the Government. The leadership of the Democrats fell by default to a lawyer, the Mayor of Wellington, T.C.A. Hislop. He had prestige in Wellington among rigid anti-socialists and had been favourable toward the Legion (see above, p. 77n.). Hislop's fellow Democrats were also to the right of the Government, and included several ex-United personalities. The perennial opponent of Coates, A.J. Stallworthy, joined the Democrats and, together with W.A. Veitch, J.B. Donald (United, Auckland East 1928-31), T.W. McDonald (United, Wairarapa 1928-31) and Matikanara (United, S. Maori 1928-31), represented the more experienced element in the new party. 75 Other recruits included H.B. Arthur, who had been an Independent candidate in 1931, and P. Keegan, a Country Party candidate in 1928. Davy also gained the assistance of a small Liberal party which he had organised in Christchurch in 1932. Two such 'Liberals', the Rev. B. Risely and F.G. Dunn, who disliked the 'regimentation and doctrinaire socialism' of Labour and thought the Coalition was too much under the influence of farmers, were

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75. W.A. Donald and D.F. Dennehby had also been United candidates - the former at the Parnell by-election of 1930, and the latter for Christchurch N. in 1928. M.H. Oram of Manawatu had withdrawn as a United candidate in the 1931 election.
supported as Democrat candidates. Nevertheless the high proportion of inexperienced candidates (forty-three out of fifty-four) indicated the difficulty which Davy had in gaining the support of more prominent conservatives.

Among the fifty-four Democrat candidates were at least six former Legionnaires (see Appendix IV). Although there is no evidence that the Legion's rump conference of May 1935 had come to any official agreement with the Democrats, the Legion refrained from criticising the new party: 'we wish to reserve judgment on this new party, which may turn out to have the support of capable, public-spirited candidates.' In any event the Democrats were pleased to receive the support of anybody, including former Legionnaires. Hislop, in his first speech at Masterton, courted those who had been in the Legion and indicated:

'There had been a rapidly growing discontent with the political affairs of the country, the most outstanding example of which was the formation and rapid growth of that excellent institution the New Zealand Legion, which had done immense good for the country and which contributed in no small degree to the growth of a sense of political responsibility.'

76. If successful, they were to be permitted to vote in Parliament according to conscience, on the understanding that they would vote for the Democrats on a vote of no-confidence. Interview with Rev. B. Risely, 28 Jan. 1969; see also N.Z.H., 8 Oct. 1935, p. 11(7).


Indeed the Democrats exploited all right-wing discontent and offered a policy not unlike the policies of the United Party, the Legion, and Stallworthy's ephemeral groups.

The same fears of socialism, of bureaucracy, and of sectionalism which had pervaded the earlier movements were expressed by the Democrats. Furthermore, like the Legion and the United Party, the Democrats made bids for working class support. But United's landslide of 1928 was not to be repeated. The Democrats could not erase the public's memory of that great 'hoax' - the United Party and its loan; a right-wing party could not succeed again in disguising itself as a humanitarian 'liberal' party. The Democrats were manifestly a party of ultra-individualistic 'liberals' and accordingly gained only the support of disgruntled conservatives.

Davy announced the formation of the Democrats with a re-statement of right-wing philosophy. The new party would ensure:

'The encouragement of private enterprise and initiative and the abolition of State Socialism and undue interference; a review of the present system of regulations and restrictions, with the object of simplifying and reducing them to a bare minimum of necessity; State trading concerns to be reduced as far as possible, be required to pay taxes, and generally be placed on the same footing as private enterprise.' 79

Not only would the Democrats put an end to interfering commissions and 'government by boards', but they would also clean up democracy. The former Legionnaire, J. Caughley (who stood against Coates in Kaipara), took much of the Legion's platform with him, and called for a parliament independent of 'outside influences' and 'freedom' of M.P.'s from 'party tyranny.' Other candidates promised that preferential voting would be introduced, that the Address-in-Reply debate would be limited to three or four speeches, and that the Democrats 'would act with a view to bringing about a reduction in the number of members of Parliament.' An astute journalist concluded that 'The working out of the Legion programme, without the Legion, is quite likely - indeed it is strongly probable.'

The Democrats deliberately bid for the support of small businessmen and disgruntled merchants by promising to lower the exchange rate. Investors who had been antagonised by mortgage relief legislation were promised repeal of its worst features. Coates and the Government were attacked for being 'controlled' by large landowners, and in language reminiscent of Dr Begg's, Veitch urged 'We must get away from ... narrow thoughts and petty considerations and make up our minds to lead the

80. J. Caughley, Election Pamphlet, 2/Kaipara, Coates MSS.


82. Farming First, 15 Aug. 1935, p. 2(1), see also p. 1(3).
people towards national unity'. The Democrats could scarcely have been more sectional in their interests themselves. As one editor noted, 'there is in the middle-sized towns a great discontent of the petit bourgeoisie with what they call the socialism of the Government to be made use of.'

In vain the Democrats attempted to widen their support by winning over the poorer sections of the electorate with promises of a National Insurance scheme, increased pensions, and an £8 million loan in one year to provide work at standard rates of pay. Predictably, the party also claimed descent from the Liberals: 'The policy of the Democrats', announced C.R. Dodd (Auckland Central), 'was based on that of Seddon.' Faith in the party's 'liberal' image as a bait for voters encouraged Veitch to predict 'we are going to cut far deeper into the votes that the Labour party would get than into the votes that the Government would get.' This was wishful thinking; impoverished voters were unimpressed by anything which savoured of gimmickry,

87. *P.D.*, Vol. 242, 1935, p. 272. This statement is similar to one made by Dr Begg (see above, p. 141).
and were assured by the Labour Party that Veitch had helped Forbes and Coates to 'devastate' New Zealand. In addition, the Democrats' anti-socialist remarks were clearly exaggerations. According to Hislop, for example, Coates' economic advisers - Drs Sutch, Campbell and Belshaw - were 'well-known and convinced socialists.' An election notice for A.J. Stallworthy even announced that 'A vote for the National Candidate is a vote for the Socialist-Communists.' Such catch-cries cannot be dismissed as merely the normal 'political mud-slinging' of an election campaign. There is little doubt that most Democrats believed that individualism was being undermined by the Government's 'state socialism'. But few voters who had experienced unemployment and poverty could be won over to a cause which damned government interference and espoused self-help.

Certainly the Coalition feared that the Democrats would split the conservative vote. Davy was seen by Reformers as particularly dangerous: 'He knows the weak spots of our show and will not be long in getting alongside them.' Consequently, much propaganda was prepared by the

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89. N.Z.H., 2 Oct. 1935, p. 16(1).

90. Ibid., 26 Nov. 1935, p. 3(1).

91. Livingstone to Coates, 11 Sept. 1934, 2/Canterbury, Coates MSS. Coates was also warned that A. Harris (Coalition, Waitemata) and H. Samuel (Coalition, Thames) had 'strong Democrat sympathies', Aickin to Coates, Tel. 25 June 1935, 3, Coates MSS.
Coalition's organisation, the National Political Federation, to combat the Democrat campaign. National speakers were told that the Democrat programme would result in a budget deficit of £22 million, that it was full of its own brand of 'socialism' and, appropriately, that the party's proposals 'read like the prospectus of a McArthur Company.'

Most of the conservative press raised the spectre of a Labour Government which might result from vote-splitting by Democrats. In spite of the fact that throughout the depression much of the press had been to the fore in criticising the Government, Reform editors ridiculed the Democrat policy as 'more marvellous than the United Party ever conceived.' At election times editors tended to overlook the misdemeanours of conservative governments. Exceptions were the Dominion and Evening Post of Wellington, which had also been the most favourable of the daily newspapers toward the Legion. They initially applauded the Democrat policy and contrasted it with the Coalition's 'misrule': 'it must be conceded that the programme has several attractive features, the principle one of which is that it is a programme.' Similarly, the editor of the Mercantile Gazette on behalf of commercial interests welcomed the new body 'of able and
patriotic men', looked forward to fewer farmers in Parliament, and predicted that Coates' 'high exchange and his determination to foist upon the country a Central Bank' would mean the defeat of the Government. These critics had taken particular exception to Coates' measures for the rehabilitation of farming, but for the most part the conservative press was anxious to prevent a divided conservative vote.

The Democrat Party's choice of candidates indicated that it was relying mainly on the support of small-town entrepreneurs - a handicap which the election results were to confirm. Out of forty-one Democrat candidates for whom information has been obtained, sixteen were merchants and businessmen, another three combined farming and business, fifteen were professional men and only seven were farmers. The party also had eight Mayors and ex-Mayors (including Mrs Black, ex-Mayoress of Dunedin) - community leaders who, it was hoped, would win over their local followers.

An analysis of the election results in the four European electorates in which the same candidate stood for United in 1928 and for Democrat in 1935, further illustrates the right-wing nature of the Democrat Party. For many electors, United may have been something of a bridge between Reform and Labour, but in 1935, former United M.P.s

who stood as Democrats fared badly in booths served by low-income areas. Between the 1928 and 1935 elections in Auckland East (J.B. Donald), Eden (A.J. Stallworthy), Wanganui (W.A. Veitch), and Wairarapa (T.W. McDonald), the United/Democrat candidates' percentage of the vote in each electorate fell drastically. The drop in 1935 was unevenly distributed. It was least in the areas which in 1928 had been conservative (i.e. where the Reform candidate had polled well), and was catastrophic in those places where in 1928 Labour had polled well. The higher the conservatism of the polling booth, the smaller was the decline suffered by the United/Democrat candidate. In Wanganui, for example, W.A. Veitch's percentage of the vote fell only 2.2 percentage points in the solid conservative booth of St. John's Hill; but fell 4.3% in working-class Aramoho. In Wairarapa there was no Labour candidate in 1928, but McDonald's percentage of the vote fell only 14.5% in 1935 in the conservative rural booths of East and West Taratahi; and slumped 47.35% in working-class areas of Upper Hutt. Stallworthy's fate was similar in Eden. In 1935 he showed a 16.4% decline on his 1928 vote in conservative Mount Eden; but suffered a 34.6% decline in the strong Labour booth at Kingsland. Clearly, as Democrats, these candidates had inherited some of the conservative protest vote which they had gained as United men; but in 1935 workers deserted them in droves. Similar observations could probably be made for the electorates where the Democrat candidate had not represented United in 1928. Democrat voters were overwhelmingly conservative protesters.
The Democrats had several problems to contend with. They had a hostile reception from the press, they were troubled by internal dissension, their policy was late appearing, and they eventually lacked finance. To a lesser extent these weaknesses had also been present in the United Party. The Democrat Party's greatest weakness, however, was that it could not extend its appeal beyond merchants, investors, rentiers and small businessmen who had been antagonised by the Coalition's 'state socialism'. Nothing illustrates better the 'shop-keeper' vote of the Democrats than the fact that T.W. McDonald polled his highest (26% of the votes) in the small service towns of Martinborough, Carterton and Greytown. The poorer sections of the community were wary of repeating the error that they had made previously by voting for United. Seven years of depression had completed the process by which many of those who had voted United in 1928 moved on to vote Labour in 1935.

It can be safely concluded that in five electorates (Bay of Plenty, Masterton, Wairarapa, Wairau, Mid-Canterbury) the conservative vote was divided between the National and Democrat candidates with the effect of giving Labour a narrow victory. In Wairarapa, for example, McDonald took about a third of the conservative votes and Labour won the seat by a mere 0.34%. The intervention of an extreme anti-socialist candidate

96. The financial aid promised by Davy to the candidates did not materialise; interview with Rev. B. Risely, 28 Jan. 1969.
had enabled Labour to win one of the most conservative seats in New Zealand. It is not correct, however, that the Democrat intervention was responsible for the defeat of the Coalition. Some conservative commentators attributed the election result to the Coalition's neglect of commercial interests, its violation of the 'sanctity of contracts', and the presence of Democrats to take advantage of the protest. A former Legionnaire, H.C. Jenkins (editor of the Wanganui Chronicle), wrote to Downie Stewart in this vein: 'The Exchange Issue on which you left the Government, eventually brought it down like a House of Cards.' But the intervention of the Democrats, with their policy of a low exchange rate, had merely contributed to the Government's defeat; their support was too narrowly based to affect the overall outcome of the election.

It is also doubtful whether the Democrats inherited all of the conservative protest which had accumulated during the depression. The formation of the Coalition in 1931 had indicated an awareness among conservatives that they would have to resolve their differences to combat the growing strength of the Labour Party. It was even more evident in 1935 that the right simply could not afford two parties. To create a united conservative front had been the main reason for the formation of the National Political Federation on 12 May 1935. R. Masters

and F. Waite representing the two Coalition parties had announced an 'amalgamation' to fight the approaching election. Conservatives welcomed the move. There were insufficient policy differences to keep United and Reform apart, and the Federation would enable them to resist the 'alien doctrine of Socialism' with its 'degeneration of citizens' into 'State serfs'. But there was still a great reluctance in the Reform and United Parties to co-operate fully. Adam Hamilton (Acting Minister of Finance) stated in May 1935 that there had been no inter-party caucus and that there was no suggestion of the parties losing their identity; the two organisations would merely work together.

The Democrat Party assumed the Legion's role as an important protest group because, unlike other minor groups, it initially had greater financial backing, and embodied the discontent of businessmen who felt that Coates was assisting the farmer at the expense of urban interests. Although the Democrat policy contained a definite commitment to a lower exchange rate and less emphasis on political reform, the Party's laissez-faire outlook was comparable to the individualistic views

98. N.Z.H., 13 May 1935, p. 8(2-3); see also O.D.T., 13 May 1935, p. 8(6).

99. O.D.T., 14 May 1935, p. 10(1), & 16 May 1935, p. 10(2). It is possible that the National Political Federation's offices in Kelvin Chambers, Wellington, were those vacated by the Legion after its final conference in May 1935, and advertised to let in National Opinion (see above, p. 142). For an analysis of National's election campaign see S. Wigglesworth, 'The Depression and the Election of 1935', Unpublished M.A. thesis, A.U., 1954, pp. 139-145. Continued stress in the National Party is discussed in Chapter VII.
It would be incorrect to suppose that all conservative malcontents had transferred in unison from the United Party, to the Legion, to the Democrats. This would underestimate the confusion which dominated conservatism in the depression. Conflicting pressures made the political behaviour of conservative dissidents erratic. The fact that any weakening of the 'conservative' governments in power would give hope to Labour, was an important pressure in preventing many conservatives from joining a protest group with which they might sympathise. At the other extreme, the loose party structures and lack of local party organisation was a factor which enabled many other dissidents to vacillate between protest groups and the established party. Many Legionnaires did not transfer to the Democrats. J.D. Ormond, W. Appleton and E.W. Nicolaus stood as Independents in 1935, and S.C. Holland and Lester Webb stood as National candidates. The organisational framework within which dissent operated was by no means rigid, and the Democrat succession to the Legion was therefore imperfect.

Most of the protesters eventually joined the National Party since, with a Labour Government in existence, the right could no longer afford the luxury of factionalism. But whichever route the dissidents followed into the National Party, their reaction to increased state activity was one of the most important features of the crisis in conservative thought. Many businessmen retained faith in laissez-faire economics and blamed government interference for retarding New Zealand's recovery from the depression. The depression had brought the issues between
individualistic 'liberalism' and humanitarian 'liberalism' into sharp perspective and sometimes into sharp conflict. The conflict was to continue within the National Party - an indication of the lasting significance of conservative protest in the depression.
CHAPTER VII

CONCLUSION

The period 1928-1935 in New Zealand was a critical time for conservatives, many of whom were reluctant to concede that the economic situation required a substantial expansion of state activity. A dislike of bureaucracy and 'government socialism' was common to conservative protest movements. Indeed, the myth that New Zealanders were traditionally self-reliant was an important undercurrent in New Zealand politics during the period. The more extreme appeals for the preservation of individualism, such as those voiced by the Legion, were not merely the protests of a lunatic fringe. Emotional dissent was a reaction to a critical stage of the depression and its attendant political instability. Protest groups, including the Legion, are most reasonably examined in the context of deepening economic crisis and conservative conflict about the responsibilities of the State.

The conflict was by no means clear-cut. Right-wing protest was erratic and unable to establish a permanent hold on the nation's political life. None of the movements, not even the United Party, was capable of sustaining a strong organisation and, during 1931 and 1932, with deflationary measures being thoroughly applied by the Coalition, there was relatively little complaint from conservatives. The outburst in 1933 was ephemeral. An improvement in economic conditions at the close of 1934 put an end to the Legion's style of emotive discontent, and
was a factor in the poor performance of the Democrats. The need for conservatives to create a united front against the Labour Party also put right-wing factionalism in an uncomfortable position.

However, the failure of right-wing protest after 1928 belies its significance as a factor in the political crisis. Opposition by conservatives hindered Coates' handling of depression problems, and made Labour's task slightly easier in the 1935 election. Conservative resistance to change influenced anti-Labour politics long after the depression had passed.

During the 'twenties and early 'thirties most conservatives had faith in the ideal that New Zealanders should proceed in life without assistance from the State. In practice they themselves were indebted to the government for assistance when in need. In 1935, for example, commercial and financial interests urged the Coalition to encourage the development of private lending institutions in lieu of establishing the Mortgage Corporation (See above, p. 152). Self-interest tended to predominate over strict adherence to laissez-faire ideology.

It might be argued, therefore, that because right-wingers were ambiguous about state activity their cries of 'dangerous socialism' were merely slogans of abuse. Certainly the term 'socialism' was used loosely, and for the most part pejoratively, by men such as Stallworthy. To Stallworthy and his colleagues, 'socialism' meant not simply the nationalisation of the means of production, distribution and exchange, but any form of state interference. Even the omnibus licence
regulations of 1926 were considered 'socialistic'. In addition, the term 'socialistic' was hurled at the Reform Party and the Coalition; right-wing conservatives did not reserve all their abuse for the Labour Party.

However, anti-socialism was more than just a catch-cry. State intervention increased markedly between 1928 and 1935, particularly after 1933 at the instigation of J.G. Coates and his economic advisers. It posed a considerable threat to the ideal of laissez-faire individualism. By Marxist standards, the Coalition's 'socialism' was severely limited in extent, but state activity caused many conservatives to take protest action. Nor was the protest simply a question of the disgruntled 'outs' attempting to become the 'ins'. Downie Stewart's protest over the exchange rate, for example, resulted in his political isolation, and the attitudes of A.E. Davy took him several times from positions of strength to positions of insecurity. In 1935 discontented conservatives voted Democrat at the risk, in several electorates, of giving Labour a victory. Such actions may have involved personal rancour or self-interest, but principles were also at issue.

In justifying their protest, conservatives formulated their own interpretation of New Zealand liberalism. They claimed that 'liberalism' meant upholding the yeoman values of self-reliance. The United Party, for example, preferred to ignore the fact that the ideas of left-wing Liberals predominated between 1891 and 1900 and resulted in increased state activity. The United supporters did exploit the
popular image of the Liberals as humanitarians, and further confused the electorate with Ward's £70 million loan policy. But the Party's origins and those of its ally, the 1928 Committee, indicate that it was the very antithesis of Reevesian liberalism. In fact, the formation of the new party was a protest at Reform's neglect of their 1925 maxim 'less government in business'.

United's right-wing philosophy was also disguised by the Party's reliance on Labour's support in office. This incongruous entente between United and Labour was only possible because, on the one hand businessmen had not suffered a drastic fall in income and were willing to tolerate existing wage awards, and on the other Labour was duped by Ward's promised spending policy. When trade declined in 1930-31, the United Party under Forbes took a definite deflationary stand and was forced to seek the support of its closer political relation - the Reform Party. As economic conditions deteriorated the basic antisocialism of United became apparent.

The formation of the Coalition and its policy of deflation was welcomed by right-wing conservatives, but the reconstitution of the Cabinet after the 1931 election was weighted against urban interests. New Zealand's economic dependence on agricultural exports also prompted the extension of government protection to the farmers at the expense of businessmen. The Coalition not only failed to assist commerce directly, but it also regulated the investment field and extended mortgage relief principally for the benefit of primary producers. This rural bias, together with the failure of United's businessmen to secure
ministerial posts, led to the demand again for a more business-like Cabinet. Businessmen, particularly retailers and financiers, therefore became prominent in protest movements such as the Legion and the Democrat Party.

In this respect, the raising of the exchange rate in January 1933 was especially significant in alienating importers, retailers, and even manufacturers from the Government. The exchange issue raised far more right-wing protest than the riots of 1932. Those urban businessmen who had no close financial ties with farming and who had applauded the recommendations of the 1932 National Expenditure Commission, rebelled against the new measure. As a result, the Government temporarily lost the support of usually obsequious editors; Stallworthy launched his own businessmen's party; and a Reform Party revolt in Hawke's Bay developed into the New Zealand Legion.

The exchange rate increase caused a critical, rural-urban conflict which, in the same year (1933), was worsened by such measures as the Sales Tax and the element of compulsion in the Loan Conversion scheme. Indeed the popular mood in 1933 was highly emotional; New Zealand became the 'paradise of the fake magician.' The Legion was one such expression of right-wing emotionalism.

Yet the Legion's respectable and wealthy leadership and its

nation-wide support suggests that the movement cannot be dismissed as the product of a 'lunatic fringe'. The Legion was expressing attitudes (against the party system, 'state paternalism', and the extent of overseas indebtedness) which, in more normal times, remained as undercurrents in New Zealand politics. At a time of relative prosperity, in the mid 1920s, the Hon. Sir Francis Dillon Bell had bewailed the fact that 'It is not easy to alarm a people like New Zealanders, or to arouse us to a full sense of the real imminence of the danger of social revolution.' Depression certainly made it easier to arouse such fears. In the depression of 1921-22, for example, the 'Bolshevik Bogey' had been a significant thrust against the Labour Party. Subdued political undercurrents again came to the fore in the depression of 1928-35, and were particularly strident in the political crisis of 1933. One editor concluded:

"In retrospect 1933 seems the most puzzling year since the war. When it began the outlook, both political and economic, was so black that intelligent and cool-minded men talked seriously of the possibility of a breakdown of industrial civilisation."

The Legion's crusade utilised normally latent attitudes, and played a substantial part in protesting at the apparent sabotage of individualism by the State.

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A comparison with overseas right-wing groups indicates that, although some analogies can be drawn, the Legion cannot with justification be termed a 'fascist' movement. Similarities between the Legion and European fascist movements are striking but not very extensive. The Legion's lack of ideology, its concern for moral regeneration and its aim of an organic, non-party nation, were common attributes of overseas fascist groups. French groups, in particular, offer noteworthy comparisons. Like the Legion, they were middle-class, elitist movements, shunning the masses and lacking the Führerprinzip trait of fascism; they were convinced that class antagonism had reduced the nation to moral torpor. But the Parti Populaire Français and other fascist movements were activist and prepared to resort to violence. The Legion hardly comes into the same category as 'revolts of youth', in which the 'élan of the battlefield was transformed into activism at home.' Furthermore, the Legion was anxious to preserve the mythical ideal of laissez-faire liberalism - an ethic which fascists opposed.

Even the New Guard, formed in Sydney in early 1931, presents only

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limited similarities to the Legion. The New Guard had far more of the theatrical trappings and para-military organisation characteristic of fascism, and New Guard recruits were generally more aggressive than Legionnaires. The membership of the New Guard consisted of 'sound, reliable service types' who carried guns and were ready to engage in 'military' operations to maintain law and order in Sydney, and to break up communist meetings with fisticuffs. The Legion did not have to contend with the same problem as the New Guard - a Labour Government whose policies were regarded as indistinguishable from Russian communism. In fact, the Legion had more in common with the All for Australia League, formed in 1931, which aimed at non-party government and represented the 'extreme Right Wing of respectable and law abiding conservatism'.

Although fascism can be characterised by its diversity of forms, there is perhaps a danger that the term 'fascist' will lose any validity if applied to too great a variety of right-wing movements. A definition which includes the activist, authoritarian style as an essential feature

9. E. Campbell, The Rallying Point, Melbourne, 1965, pp. 50-60 & 68-69. Campbell recalls that if the Sydney police had obstructed the New Guard's activities 'we might have been reluctantly obliged to politely detain them in their own lockups', ibid., p. 73.

10. An important New Guard objective was 'to foil any attempt, constitutional or unconstitutional, by the government to foist socialization on the people', ibid., p. 72.

11. Ibid., p. 42.
of fascism, must exclude the Legion; Dr Begg was no Mussolini. The Legion is more satisfactorily related to the New Zealand situation of economic and political crisis.

It is difficult to determine the nature of the experience of Legionnaires. There is little evidence to suggest that the Legion appealed to 'the disgruntled and psychologically homeless, to the personal failures, the socially isolated, the economically insecure, the uneducated, unsophisticated and authoritarian persons at every level of society', (as may have been the case of right-wing groups overseas). Legionnaires had a high level of educational attainment and were from élite social groups and high-income brackets of New Zealand society.

Explanations based on psychology seem rather inadequate in determining the motivations of Legionnaires. Social psychologists have attempted to show that a person's beliefs are partially a reflection of his personality, and that 'authoritarian' beliefs involve, in Freudian terms, 'a sadomasochistic resolution of the Oedipus complex.'


such attempts have encountered problems of measuring technique, and sociologists have regarded the concepts as having doubtful validity.\textsuperscript{15} Without reference to social context, the manner in which a great many 'personal solutions' achieve historical significance cannot be judged.\textsuperscript{16}

The Legion and other New Zealand right-wing groups are more adequately explained with reference to their context in the crisis of conservatism, than by comparing them with overseas fascism or by applying concepts from social psychology. The most valid generalisation which can be made is that, like the conservative opposition to the New Deal,\textsuperscript{17} the Legion developed from confusions within conservative thought about change in government and society.

The depression, indeed, caused a bewilderment in conservative ranks which at times resulted in contradictory behaviour by conservatives. There was no consistent transfer of protest from United Party, to Legion, to Democrat Party; conservatives were too perplexed to be consistent.


\textsuperscript{17} See J.T. Patterson, \textit{Congressional Conservatism and the New Deal}, Lexington, 1967, p. 16; see also, Bell, p. 2.
With the introduction of the Finance Bill of 4 May 1933, which extended the Coalition's term of office until 1935, it did not seem dangerous to express dissatisfaction at the trends of Government policy. But persistent alienation from the Coalition Government, as displayed by Davy, Stallworthy and Veitch, was exceptional. Disgruntled conservatives were generally aware of the political threat posed by the Labour Party and many, like Downie Stewart, remained loyal to the government in power, particularly as the 1935 election approached. While the Labour Party was ready to take advantage of any factionalism among conservatives, right-wing protest was a dangerous extravagance. Both the Legion and the Democrats lost sympathy by threatening to split the anti-Labour vote. Conflicting pressures gave rise to sporadic and ephemeral protest, and effectively illustrated the dilemma of right-wing conservatives.

After the United Party's failure to fulfil its 1928 election promises, right-wing groups were unable to gain support from non-conservatives. People impoverished by the slump turned solidly to the Labour Party, which had been untested in office and was more acceptable with its moderated policy. Labour's concrete promises were attractive and more obviously humanitarian than those of the Democrats. The Democrat Party could not disguise its origins as a disgruntled businessmen's organisation. Nor could it pass off its individualism as a renewal of liberal principles; the Democrats were certainly unable to claim the inheritance to Reeves' 'state experimentation'.
With the improvement in economic conditions by 1935, emotionalism gave way to calm and purposeful reconstruction. There was no recurrence of rioting, no sustained political crisis to produce a militant right-wing movement.

Despite its failure, conservative protest was an important factor in New Zealand politics between 1928 and 1935, and it had a lasting effect on the National Party. The stresses between the anti-Coates faction, and Coates' supporters lasted throughout the 'thirties. Immediately after the 1935 election (on 4 December), Forbes created a breach by having himself elected as party leader by a rump caucus. Coates withdrew and explained to Stewart that he considered Forbes' capabilities to be 'just NIL', and complained that he had carried the 'heavy weight' for too long. The feud continued when the Provisional Dominion Council of the National Party (of 19 August 1936) refused to support the candidature, for party leader, of Coates' understudy, Adam


Hamilton. The following day Masters, Hargest, Broadfoot, Bodkin, Endean and S.G. Smith, reaffirmed their loyalty to Forbes, and the Council decided to shelve the issue. Forbes finally announced his resignation, and the anti-Coates faction supported instead the Independent for Egmont, C.A. Wilkinson. Coates, wearying of the 'distasteful business', reported to Stewart that the Party was feeble and divided in Parliament. S.G. Holland and Col. Hargest of the Reform Party were against him:

'The feeling was that the "old gang" should go .... The matter of leadership was settled by my saying that Hamilton was the only man I could help, and a block of some six or seven were definite that if Hamilton was not accepted we should thereafter become a separate group.'

Ill-feeling persisted, however, because Hamilton was closely identified with Coates.

It is probable that the division was revolving around personal factors rather than Coates' past 'socialistic' policies, for Forbes seemed more reconciled than Coates to the Labour Government's policy. Referring to Labour's unorthodox financial policy, Forbes wondered


22. N.P. Minute Book, 11 Feb. 1937. The Party's problems were not all political; the Auckland branch had an overdraft of £700 and the funds at Head Office were only £1,250; ibid.
'why we had to struggle in the bog, when there was such an easy way out of our troubles', whereas Coates likened Labour's legislation to 'the principles of Communism.' Coates was still the National Party's most forceful personality and the crisis in the Party was not solved until the former Legionnaire and opponent of Coates, S.G. Holland, became leader in 1940.

A few protesters were reluctant to accept the need to form a united counterweight to the Labour Government. The Legion's leader, Dr Begg, saw no future in the welfare state, disliked the 'socialisation' of medicine and left New Zealand for South Africa. A.E. Davy, still to the right of the National Party, helped organise a Peoples' Movement in March 1940, to urge for more active opposition to the Labour Government. Declaring that both National and Labour were socialist, the splinter group asserted: 'We will support a party that will conform to British democratic principles which conserve our individual liberty'.

It is evident that Adam Hamilton's leadership of the National Party was the major obstacle to conservative unity. When S.G. Holland was elected Party leader in November 1940, the Peoples' Movement together with other splinter groups (a 'New Liberal Party' and a Soldiers' Party)


decided to amalgamate with the National Party in February 1941.\textsuperscript{26} The president of the Peoples' Movement, E.R. Toop, explained:

'We were always willing to retire from the political arena, provided we could see a leader who could assure us of a sincere, non-sectional and less party outlook and by his policy would restore confidence in the real alternative to apathetic acceptance of exaggerated State control and interference.'\textsuperscript{27}

Conservative factionalism outlasted the depression, perpetuated by right-wing opposition to the influence of Coates.

However, the majority of protesters made their peace with the National Party either before, or soon after, the 1935 election. Prior to the election, the Dominion Council of the Reform Party had included the protest group leaders - J.B. MacEwan (of the 1928 Committee), Marcus D. Smith (co-founder of the Legion), and R. Glover-Clark (promoter of the Democrats).\textsuperscript{28} A sample of fifty-nine leading members of the Legion shows that an overwhelming majority voted National in 1935 (see above Table I, p. 101). For most dissenters the path into protest was no more than a brief excursion.

Several former Legionnaires were in a position to influence the development of the National Party. Of approximately twenty-five persons

\begin{itemize}
\item \textbf{26.} \textit{N.Z.H.}, 20 Feb. 1941, p. 8(6).
\item \textbf{27.} \textit{O.D.T.}, 19 Feb. 1941, p. 6(5).
\item \textbf{28.} \textit{List of Dominion Council and Political Cttee. members, n.d., 6}, Coates MSS.
\end{itemize}
who attended the initial meetings of the Dominion Council of the National Party in 1936 and 1937, eight had been members of the Legion. At least eight former Legionnaires were selected as National Party candidates in the 1938 election. To some extent their attitudes were reflected in the original objectives of the National Party. The Party aimed:

'To promote good citizenship and self-reliance; to combat communism and socialism; to maintain freedom of contract; to encourage private enterprise; to safeguard individual rights and the privilege of ownership, to oppose interference by the State in business, and State control of industry.'

With the consolidation of a two party system, vestiges of ultra-individualism were finally institutionalised in the National Party.


30. In addition to Syd. Holland, former Legionnaires who stood as National candidates in 1938 were: J.W. Andrews (Hutt), W. Appleton (Wellington Cent.), F.G. Hall-Jones (Invercargill), A.G. Maddison (Hawke's Bay), J.D. Ormond (Napier), H.C. Veitch (Wanganui). They were unsuccessful. In 1940, the former Legionnaire, C.G. Harker, was elected for Waipawa.

APPENDIX I

NEW ZEALAND NATIONAL MOVEMENT

Circular No. 2.

WAIPUKURAU
October 1932

COUNCIL

H.B. MAUNSELL, Masterton, PRESIDENT.
J.W. HARDING, Waipukurau, CHAIRMAN OF EXECUTIVE.
M.D. SMITH, Dannevirke,

......... (Palmerston North)
J.D. Ormond Jnr, Wallingford, Member of Executive.

......... (Third Member of Executive)
J.R.V. Sherston, Porangahau, Organiser.

Hon. Secretary and Treasurer ... C.R. Watson, Waipukurau.

1. The expression of opinion which has been obtained on the Contents of Circular No. 1 makes it possible to decide that the Movement should continue its activities.

2. The name which has been selected for the Movement expressed the idea which is uppermost in the minds of those concerned in initiating it. Not only is it hoped that it will get almost universal, or National support, but also that, backed by that support, it will be possible for it so to influence the Govt of the Dominion that it will be possible to make secure once more the National foundations which have been undermined to so great a degree of recent years by State extravagance, reckless borrowing and Socialistic legislation.

3. The following are the reasons which appear to make the organisation of the Movement a National necessity :-
   i. It was largely the opinion formed of the harm which has been done by the extravagant and socialistic policy of past Govts which prompted the founding of the Movement in the first place. This opinion has now been very definitely confirmed by the report of the National Expenditure Commission and makes it unnecessary to say more on this subject in this Circular. The addendum to the report calls attention also to another contention of this Movement in regard to "Vote-catching", in which connection it may be appropriate to quote the following :- that "by way of placating constituencies and possibly securing continuity of Membership" the peoples' Representatives in Parliament have "year after year made inroads on
the Treasury for various objects, in numerous instances with no prospect of an adequate, or any, return on the expenditure involved."

ii. There undoubtedly exists a very petty spirit among the political Parties now representing the Electors. This is evidenced by the amount of personal abuse and destructive criticism of both individuals and parties which has been prevalent not only at Parliamentary elections, but also in debates in the House.

iii. The present system of short Parliaments and small electorates tends to make Members estimate things from a parochial rather than a National standpoint.

iv. A larger proportion of younger Members is required in the House of Representatives than is found there today. The number now gaining the experience which is essential to enable them to become the successors to the present Ministers and Leaders is negligible.

v. There are today many men and women outside Parliament whose ability is greater than that of many of those within. The reason that they do not come forward to assist in the Govt of the Country is that Politics, owing to the methods adopted in so many cases to obtain the votes necessary to ensure Membership, have fallen so low in the Public estimation as to be an occupation with no appeal to them.

4. It is now proposed that this Movement should organise as a NON-PARTY BODY, open to supporters of all existing political parties, with a view to obtaining an expression of sound Opinion throughout the Dominion, including the opinion of the Press on the suggested Objects of the Movement and the steps they consider should be taken to put the Govt of the Dominion on a sound and efficient basis. It should be made clear that there is NO INTENTION AT PRESENT OF FORMING A NEW POLITICAL PARTY. The action eventually taken by the Movement will depend entirely on what the above expression of opinion is found to be.

5. The PRINCIPLES which have been adopted by the Movement are:

- LOYALTY to the King, the Empire and the Dominion.
- Adherence to CHRISTIAN Principles.
- TRUTH, HONESTY, and GOODWILL in our Political and National life.
- Recognition of the importance of INTERNATIONAL CO-OPERATION.

Note. In general terms these may be said to be the principles of the existing political parties in the Dominion, but it is contended that they are not always adhered to. The Movement proposes to take steps which will be published later to ensure that its Principles are brought into practice.

6. The OBJECTS for which it is suggested that the Movement should work are:

- i. To bring into practice the Principles of the Movement.
ii. To enlist the support of every elector in the country, irrespective of the Party which he (or she) has hitherto supported.

iii. To ensure the return to Parliament of men (or women) best qualified to govern the Country in the interests of all.

iv. To oppose restrictive legislation and destructive forces and to support the reform of Parliamentary practice. Within this object are included:

(a) The encouragement of Private enterprise, personal initiative and thrift.

(b) The observance of strict economy in Govt expenditure.

(c) Drastic curtailment of external borrowing.

(d) The gradual reduction of Government interference to a minimum.

(e) The eradication of the petty Party spirit now existing.

(f) The investigation of and decision on the best steps to be taken to put a stop to the system of offering what can only be described as "bribes" in return for votes.

(g) The support of the forces of Law and Order in any emergency brought about by the action of seditious or revolutionary groups.

7. In order to achieve the desired results, an Organiser has been appointed to work systematically through the Dominion and :-

(a) Explain the points set out above and obtain the required expression of opinion on the proposals of the Movement.

(b) Enlist the help of individuals who approve of and are ready to work for the objects of the Movement, forming Local Executives where required.

(c) To collect views on all existing political problems and to collate these for the consideration of the Council of the Movement.

(d) To obtain funds for the Movement.

(e) To discuss the RULES of the Movement and to frame them in the light of suggestions received.

(f) To ascertain what steps it is considered should be taken to attain the objects of the Movement.

8. It is the purpose of the Movement to provide, eventually, an organisation which will make it possible for the people to express their opinions at any time, not only at an Election, on matters affecting their prosperity and welfare. For the Movement to succeed, every individual must contribute; the Movement must get almost universal support. It is PUBLIC OPINION which rules under Democracy. If PUBLIC OPINION is behind this Movement in sufficient quantity and then says what is wanted, there is no doubt at all that the wishes of the people can be given effect to. But there will have to be give and take between different interests. Individuals will have to make allowances for mistakes and indiscretions and the many misinterpretations and misrepresentations which must occur in building up a movement of this kind.

The Movement relies on the sound commonsense of ALL SECTIONS of the Community.
APPENDIX II

NEW ZEALAND LEGION

CONSTITUTION AND RULES

(November 22, 1933)

NAME.
The Organisation shall be named “The New Zealand Legion.”

OBJECTS.
1. The Legion represents an Emergency Movement to meet a national crisis.
2. It aims at organizing the whole people of New Zealand for the safety and security of the Dominion.
3. It proposes by means of the organised and devoted voting power of the people themselves, to secure a Government composed of men and women of integrity and intelligence, free from the trammels of sectional prejudice and sectional policy by the use of patriotic effort for the sake of the country.
4. It is in the interests of the government, central and local, and government based on National, not sectional, principles.
5. Its pledge is loyalty to the Constitution.

MEMBERSHIP AND RULES.

ENROLMENT.
6. Every person of any age, male or female, who has reached the age of 18 years, shall be eligible for membership.
7. All members of the Legion shall sign an Enrolment Book and adhere to rules laid down.
8. The subscription shall be £1/- per annum payable on joining.
9. All members of the Legion shall notify the secretary of their centre in the case of transferring their residence to another centre and shall then become members of the new centre.

OBLIGATION.
10. Members of the Legion shall act in conformity with the instructions and wish of the Committee of their centre.
11. Every member of the Legion shall look for guidance to the Leader and Committee of their centre and shall undertake all duties that may be assigned to them, including standing as candidates for any local body or, if requested to do so by the Divisional Council, may consider and give their votes on any question according to their conscience after due consultation with their Divisional Council.
12. Any change made against a member of the Legion, which is not acceptable to the member, shall be investigated by the Divisional Council to which the member belongs.
13. In the event of the Divisional Council having decided, after due consultation, that a member has been proved, the member shall be admonished, or reprimanded, or the Divisional Council shall recommend to the National Council his expulsion from the Legion.
14. The Divisional Council having made a recommendation for the expulsion of a member, the case shall be heard by the National Council, whose decision shall be final.
15. Any member of the Legion may either endorse the recommendation of the Divisional Council or advise the latter that he wishes to contest the decision.
16. Any member of the Legion shall have the right to appeal to the National Council against any disciplinary action taken against him by the Divisional Council.

RESIGNATION FROM THE LEGION.
17. Any member who at any time finds himself or herself unable to subscribe to the policy of the National Council of the Legion may resign, honestly believing that such policy is detrimental to the financial success of the Legions, may resign in order to avoid the duties imposed by membership of the Legion or to further his personal or sectional interest, contrary to the spirit of the Obligation, or to avoid any requisite, exclusion, or other penalty which the member shall have incurred through a breach of the Obligation or the decision to which he has subscribed.
18. Should the National Council adopt any policy or have any line of action at variance with the New Zealand Constitution, members of the Legion shall be automatically relieved from their obligations.

PUBLIC OFFICE.
19. No member shall stand as a candidate for any public office unless he receives the sanction of the National or Divisional Council to do so, and shall withdraw from any contest at any stage if requested to do so by the authority.

PARLIAMENTARY CANDIDATES.
20. The decision of members of the Legion or Parliamentary Candidates shall rest with the National Council and every member of the Legion requested to stand shall be expected to do so.
21. Every member of the Legion who is a member of the House of Representatives shall consider it a member of a deliberative body considering National questions, and not a special advocate for the needs of his own district.
22. Every member of the Legion shall respect the position of the representative of his district in the House of Representatives in the above sense, and shall not try to influence the latter’s attitude when any decision in the House is pending by personal interview, telegram, or other means, and shall not make clear that he is representing private or sectional bias.
23. Every member of the Legion who is a member of the House of Representatives shall consider it a member of a deliberative body considering National questions, and not a special advocate for the needs of his own district.
24. Every member of the Legion who is standing as a candidate for a seat in the House of Representatives or any local body shall be at liberty to discuss matters of political interest in a general way and give his views, but must make clear that he is representing private or sectional bias and not the views of his constituents.
25. Every member of the Legion shall be expected to do so.
26. Any member of the Legion who gives an election pledge in regard to his vote on any political question during an election shall be considered to have violated his Obligation to the Legion.
27. Every member of the Legion shall be expected to do so.
28. As a general principle, the obligation taken by a member of the Legion includes the duty of subscribing as a candidate if requested to do so, but in his selection the Council of the Legion shall give full consideration to any particular circumstances which might cause undue hardship if a member were called upon to carry out the particular duty.
29. In no case will the Legion demand that a member stand as a candidate for any position on which his private position has necessitated any undertaking which would preclude him from such candidature, but no member shall enter into such an obligation or cause any expense to be incurred by the Legion in connection with such a matter.
30. Any member of the Legion who is a member of the House of Representatives or a local body shall be entitled to consult any person, group or organization to obtain their views on any question on which a decision has to be made, but will refuse to give any undertaking that representations should be made to him by any person or interests separately involved, and will immediately report to the National Council of the Legion in the event of any pressure being brought to bear upon him with a view to influencing his decision before a vote is taken.
31. The Legion shall be organized into Divisions and Centres. The Dominion shall be divided into 18 Divisions or such other number as the National Council shall from time to time determine.
32. Each Division shall be governed by a Divisional Council which shall consist of representatives of all the Centres within the Division.
33. Each Centre shall be governed by a Committee to be elected by the Centre; the Committee to elect a chairman.
34. Further sub-division into Groups may be carried out by the Centre organizations where desirable.
35. Each Divisional Council shall elect its own President, who shall be the Divisional Representative on the National Council.
36. The National Council shall select its President who shall be the LEADER of the Legion throughout New Zealand.

GENERAL.
37. Should the National Council think it desirable at any time it may delegate any part of its functions to an executive or committee.
38. The Rules and Regulations may be amended by the National Council after consultation with the Divisional Councils.
APPENDIX III

Questionnaire sent to former Legionnaires

The University of Auckland
P.O. Box 2175
Auckland

This brief questionnaire is being sent to a sample of 100 people, and the information collected will be used for the compilation of statistics.

Please do not feel obliged to answer all or any of the questions, though your co-operation will naturally be appreciated.

A stamped addressed envelope is supplied.

1. Occupation in 1933

2. Final Rank in World War I

3. Age in 1933

4. Education (Please tick)
   - Primary
   - Secondary
   - University/Medical School

5. Positions (if any) on local bodies during the Depression.
   e.g. City Councillor

6. Please tick the party for which you voted in each of these three elections - party leaders are also given.

   1928
   a. Country Party (Capt. Rushworth)
   b. Labour Party (H.H. Holland)
   c. Reform Party (J.G. Coates)
   d. United Party (Sir J. Ward)
   e. Independent
   f. Did not vote.

   1931
   a. Coalition (Forbes/Coates)
   b. Country Party (Rushworth)
   c. Labour Party (Holland)
   d. Independent
   e. Did not vote.

   1935
   a. Country Party (Rushworth)
   b. Democrat Party (T.C.A. Hislop)
   c. Labour Party (M.J. Savage)
   d. National Party (Forbes/Coates)
   e. Independent
   f. Did not vote.
APPENDIX IV

Members of the Legion who had sought Parliamentary office or were nominated as candidates for the 1935 election.

<table>
<thead>
<tr>
<th>Candidate</th>
<th>Party</th>
<th>Electorate</th>
<th>Date</th>
<th>Result</th>
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<tr>
<td>Allen, E.R.</td>
<td>United</td>
<td>Auckland Suburbs</td>
<td>1928</td>
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<td>Appleton, Sir W.</td>
<td>Coal-Utd.</td>
<td>Wgtn. Suburbs</td>
<td>1931</td>
<td>&quot;</td>
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<tr>
<td></td>
<td>Independ.</td>
<td>Otaki</td>
<td>1935</td>
<td>&quot;</td>
</tr>
<tr>
<td>Begg, J.</td>
<td>Reform</td>
<td>Bruce</td>
<td>1920</td>
<td>&quot;</td>
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<td>Caro, H.D.</td>
<td>Democrat</td>
<td>Hamilton</td>
<td>1935</td>
<td>&quot;</td>
</tr>
<tr>
<td>Caughley, J.</td>
<td>United</td>
<td>Parnell</td>
<td>1931</td>
<td>withdrew</td>
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<tr>
<td></td>
<td>Democrat</td>
<td>Kaipara</td>
<td>1935</td>
<td>defeated</td>
</tr>
<tr>
<td>Corbin, H.H.</td>
<td>Democrat</td>
<td>Rotorua</td>
<td>1935</td>
<td>&quot;</td>
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<tr>
<td>Everett, H.E.</td>
<td>Coal-Ref.</td>
<td>Nelson</td>
<td>1931</td>
<td>&quot;</td>
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<tr>
<td></td>
<td>National</td>
<td>Nelson</td>
<td>1935</td>
<td>&quot;</td>
</tr>
<tr>
<td>Gambrill, R.F.</td>
<td>National</td>
<td>Gisborne</td>
<td>1935</td>
<td>withdrew</td>
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<td>Girling, W.J.</td>
<td>Reform</td>
<td>Wairau</td>
<td>1922,25</td>
<td>elected</td>
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<td></td>
<td></td>
<td></td>
<td>1928,35</td>
<td>defeated</td>
</tr>
<tr>
<td>Harker, H.L.</td>
<td>Democrat</td>
<td>Bay of Plenty</td>
<td>1935</td>
<td>&quot;</td>
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<tr>
<td>Holland, S.G.</td>
<td>National</td>
<td>Chch. North</td>
<td>1935</td>
<td>elected</td>
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<tr>
<td>Jacobsen, N.R.</td>
<td>Democrat</td>
<td>Napier</td>
<td>1935</td>
<td>defeated</td>
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<tr>
<td>Kirkness, J.</td>
<td>Unof-Ref.</td>
<td>Oamaru</td>
<td>1931</td>
<td>&quot;</td>
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<td>Macalister, S.M.</td>
<td>Reform</td>
<td>Invercargill</td>
<td>1928</td>
<td>&quot;</td>
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<tr>
<td>McChie, D.S.</td>
<td>Democrat</td>
<td>Pahiatua</td>
<td>1935</td>
<td>&quot;</td>
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<tr>
<td>Nicolaus, E.W.</td>
<td>C.L.P. +</td>
<td>Wgtn. Central</td>
<td>1931</td>
<td>&quot;</td>
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<tr>
<td></td>
<td>C.L.P.</td>
<td>Wgtn. East</td>
<td>1935</td>
<td>&quot;</td>
</tr>
<tr>
<td>Ormond, J.D.</td>
<td>Reform</td>
<td>Waipawa</td>
<td>1931</td>
<td>&quot;</td>
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<tr>
<td></td>
<td>Indep.</td>
<td>Waipawa</td>
<td>1935</td>
<td>&quot;</td>
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<tr>
<td>Robertson, D.M.</td>
<td>Reform</td>
<td>Buller</td>
<td>1928</td>
<td>&quot;</td>
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<tr>
<td>Russell, Sir A.</td>
<td>Reform</td>
<td>Hawke's Bay</td>
<td>1922</td>
<td>&quot;</td>
</tr>
<tr>
<td>Smith, M.D.</td>
<td>Reform</td>
<td>Hawke's Bay</td>
<td>1931</td>
<td>withdrew</td>
</tr>
<tr>
<td>Webb, L.</td>
<td>National</td>
<td>Lyttelton</td>
<td>1935</td>
<td>&quot;</td>
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</table>

+ Commonwealth Land Party
APPENDIX V

Cable from R. Glover-Clark to J.W.S. McArthur

3 August 1934:

As indicated in my cable with reference to Polab, I have come to a satisfactory arrangement with them and they have started activities already - firstly, to block the report coming down which, as I stated, may be very difficult; secondly, to discredit it if it does come down. I am working hard on the case at the moment and they should be able to put up a pretty good barrage if things run to schedule. I thank you for your permit through Investments - that means Sterling Investments - for immediate requirements. The most interesting matter to report at the moment is that Anchor rang me today and asked me to lunch which [sic] him, and he disclosed the following plan -

He is definitely going to enter into a five-year agreement at a stated salary with our friend of Polecat. Polecat is receiving instructions immediately to start organising a plan of attack which will culminate in three years from date on terms which I anticipate and do not particularly relish. But the first step is to put Polab on the Treasury benches and hold them there by a group which will hold the balance of power. Polab, Anchor considers, will then suit its policy to a certain extent to do what is wanted and will enjoy the responsibility and blame for the very troubled waters through which any party must pass in the next eighteen months. During the time that Polab is nominally in power, Anchor will be consolidating to the extent of making a certainty of complete control in three years. He does not want to widen the circle of interested parties and desires to cooperate with you alone. He can bring into alignment the "Auckland Star", the "Waikato Times", the "Whangarei Advocate", the "Wanganui Chronicle", the "Star" and the "Times" of Christchurch, the "Challenge Advertiser" - advertising farmers' manure, a journal with a circulation of 20,000 monthly, and the "Dairy Exporter". From the foregoing it appears to me that he can be of great assistance to us immediately, as he had already tied up with certain individuals who I require to make my plan certain. I have left him with the impression that there is no doubt about your co-operation providing that his policy suits you, so that while I now have his active support you can still draw back as the outcome of your meeting with him round about the 15th of this month.
BIBLIOGRAPHY
INTERVIEWS

Donald, Sir James B.  

Donald, W.A.  

Goodfellow, Sir William  

Lee, J.A.  

Nash, Sir Walter (dec. 5 June 1968)  

Ormond, Sir John  

Riseley, Rev. B.  

Robb, Sir Douglas  
Recalled Dr Begg and the Legion. Auckland, 7 Mar. 1969.

CORRESPONDENCE TO THE AUTHOR

The following correspondents volunteered information which contributed directly to this thesis:

Campbell, E., Canberra, Australia.  
14 Oct. 1968  
Mr Eric Campbell, formerly leader of the New Guard, indicated that a New Zealand organisation contacted him during the depression.
Dr Campbell, secretary to Coates 1931, provided notes and memories about clashes between Coates and his right-wing opponents.

Mr Hislop, present secretary of the N.Z. Social Credit Assn., provided information on the relations between Social Credit and the Legion.

In reply to the author's enquiries, over forty letters were received from former Legionnaires. The following were particularly helpful in supplying information about local organisation of the Legion:


Begg, Dr R. Campbell, Johannesburg, South Africa. 23 Feb. 1968; 30 Apr. 1968.

Davies, G.R., Napier. 4 Dec. 1968.

Gambrill, R.F., Gisborne. 11 Nov. 1968.


Grieve, W., Invercargill. 3 Nov. 1968.

Hall, P.D., Christchurch. 9 Oct. 1968.


Rudd, L.F., Auckland. 5 Nov. 1968.

I. MANUSCRIPTS

(i) Personal Papers

Campbell, Dr R.M., MS.

Dr Campbell provided a full text of the telegram from R. Glover-Clark to J.W.S. McArthur, 3 Aug. 1934, parts of which are in O.D.T., 21 Sept. 1934, p. 9. The complete text is reproduced in Appendix V.

(Stewart MSS., Dr R.M. Campbell, England.)

Coates, J.G., MSS.

The surviving papers of the Reform Party leader are a fraction of the original collection. Coates informed Downie Stewart that many of his papers were destroyed when the Labour Party came to power in 1935, Coates to Stewart, 7 Nov. 1936, 1/C, Stewart MSS., Hocken. Miss H.D. Montagu, secretary to Coates, adopted a harsh view towards the remainder, and explained in a letter to R.M. Algie (20 Oct. 1944, 8, Coates MSS.):


In the many weeks that I have spent going through Mr. Coates's papers with a view to destroying as many as possible, I have come across a number of interesting files and at times I find myself not knowing whether to say "yea" or "nay" to either. However, I have become more ruthless and most of them have gone.

The following files were relevant to this thesis:

1. The correspondence of Miss Ada Coates and Rodney Coates (1932-35) - much of it with J.G.C., and much concerning family affairs but with some political comment.

2. Pre 1935 election - files on individual electorates, some reports on organisational progress, mainly on selection of candidates.

3. 1935 election - reports on campaign progress, Coates' election speeches.

4. J.G. Coates cross-section of correspondence, 1935 - mainly concerned with individual hardship cases; of little political interest.

5. Exchange rate papers, 1933-4 - contains reports on deputations, but mainly typescripts of memoranda.

(General Assembly Library, Wellington.)

Fowlds, G., MSS.

The collection includes material on the Single Tax League with which Fowlds was associated. Two files contained letters from J.W. Nicolaus' Commonwealth Land Party: 2/28; 2/30.

(University of Auckland Library.)

Ormond, Sir John D., Notebook

The book contains valuable notes on the attempt to rejuvenate the Reform Party in 1932, and on the establishment of the Legion in early 1933.

(Sir John Ormond, Wallingford, Hawke's Bay.)

Stewart, W.D., MSS.

a) Private Collection. Diaries, notebooks, correspondence and the typescript for Stewart's unfinished book - Three Generations. Much of the material concerns the period prior to 1928. The Diaries, 1931-33, contain valuable jottings, written retrospectively, but with verbatim accounts of Cabinet meetings, deputations and the Ottawa Conference.

(G.W. Armitage, Christchurch.)

b) Hooken Collection. A large collection of correspondence and pamphlets - held in four drawers:

1. Miscellaneous letters filed under the initials of correspondents.

2. A large number of pamphlets dealing mainly with economics.

3. Stewart's speeches and election material; correspondence on fusion and on his resignation.

4. Chamber of Commerce material and correspondence on the exchange rate issue.

The Collection is at present being re-sorted.

(Hooken Library, Dunedin.)

c) Dunedin Public Library Collection. 100 letters written to Downie Stewart - deposited as part of a collection of famous signatures. Only two were of interest - one from Coates on fusion, and the other from J.M. Keynes on exchange.

(Dunedin Public Library.)

AUTHOR'S NOTE
The Private Collection of the Stewart papers has since been deposited with the Hocken Library, Dunedin.
9 February 1970
(ii) **Organisation Papers**

**National Unemployed Workers' Movement MSS.**

Folder No. 2 - circular issued by Hataitai Rec. Grounds Relief Work Job, 1933(?)

Folder No. 6 - report on the 7th Communist Party Conference, Dec. 1934.

(Alexander Turnbull Library, Wellington.)

**New Zealand Douglas Credit Assn. MSS.**

A few letters between the Legion and Douglas Credit were in an unsorted letter file 1933-34, and R.P. Graham's hard back letter file 1934.

(N.Z. Douglas Credit Assn. Office, Wellington.)

**New Zealand Labour Party, Minute Books**

1. The Resident Executive Minutes 1928-34 contain mainly resolutions, valuable for the attitude of the Executive towards Labour Party members joining the Legion.

2. Conference Minutes 17th, 18th and 19th Annual Conferences, 1933-35, contain references to the exchange rate crisis and membership of the Legion.

(N.Z. Labour Party, National Office, Wellington.)

**New Zealand Legion MSS.**

A considerable collection of material in the following files:

1. Head Office Circulars - printed matter on organisation and policy; conference reports; newspaper reprints; suggestions for discussion, including schemes for improving government; the pamphlet, *Light on the Legion*; National Movement Circular, 1932; circulars prefixed - N.Z.L.

2. Divisional Correspondence - Hawke's Bay Division's organisation, membership lists, notices of meetings, inquiries about membership and resolutions forwarded by centres.

3. Minutes of the Hawke's Bay Division meetings.


5. Centre Reports on progress - Hastings; Napier; Havelock North; Waipukurau; Otane.

(J. Nelson, Havelock North; MSS. to be deposited in the University of Auckland Library.)
New Zealand National Party Microfilm

Minutes of the initial National Party meetings, 1936-37 - dealing mainly with the question of party organisation and leadership. (In the personal possession of J.O. Wilson, General Assembly Library, Wellington.)

2. GOVERNMENT DEPARTMENT FILES (NATIONAL ARCHIVES, WELLINGTON)

Dairy Products Marketing Commission:
D.P.M.C., 211/4, 2/7/2 Investigation into the affairs of the N.Z. Co-op. Dairy Co. & Amalgamated Dairies Ltd.
211/4, 3/2/5 English agents, existing contracts.

Legislative Department:
Le., 2/1, Proceedings and submissions of the Parliamentary 2/2 Economic Committee, 1931.

Prime Minister's Department:
P.M., 15/1-49 Information memoranda prepared for the Coalition, for the 1935 election campaign, by A.D. McIntosh.

Treasury:
T., 66/1-9 National Expenditure Commission, 1932.

3. OFFICIAL PUBLICATIONS

Appendices to the Journal of the House of Representatives, 1932-34.
New Zealand Official Year Book, 1928-36.
New Zealand Parliamentary Debates, 1927-35.
New Zealand Statutes, 1926-35.


4. NEWSPAPERS

(i) Dailies

The Auckland Star 1928-35
The Sun (Auckland) 1930
The Sun (Christchurch) 1934
The Dominion 1933-35
Evening Post 1932-34
Gisborne Times 1932-33
Grey River Argus 1933
Hawke's Bay Herald 1932-33
Nelson Evening Mail 1933
The New Zealand Herald 1928-35
Otago Daily Times 1926-35
The Press 1930-33
Southland Times 1930, 1933-35
Taranaki Herald 1933
Timaru Herald 1933
The Wanganui Herald 1933

(ii) Weeklies

New Zealand Critic 1934
New Zealand Worker 1928-30, 1933
The Observer 1928-32, 1935
Truth 1933
Weekly News (Auckland) 1928
Workers' Weekly 1933-34
5. **PERIODICALS**

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<th>Title</th>
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<tr>
<td>Canterbury Chamber of Commerce Economic Bulletins</td>
<td>Nos. 36-100, 1928-33</td>
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<td>Economic Record</td>
<td>1926-35</td>
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<td>Farming First</td>
<td>1927-8, 1933-35</td>
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<td>Legion</td>
<td>1934</td>
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<td>The Mercantile Gazette of New Zealand</td>
<td>1933-35</td>
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<td>National Opinion</td>
<td>1933-34</td>
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<td>Practical Prosperity</td>
<td>1933-34</td>
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<td>The Round Table</td>
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<td>Tomorrow</td>
<td>1934-36</td>
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6. **PAMPHLETS**


- **Coates, J.G.**
  - *A Butter Quota or a Free Market?*, Wellington, 1933.

- **Lee, J.A.**
  - *Four Years of Failure*, Wellington, 1935.

- **Loyalty League**
  - *What is the Red Menace?*, Wellington, c. 1925.

- **McArthur, J.W.S.**
McMillan, Dr D.G.  The New Zealand Legion: What is it? What are its objects? Oamaru, 1933.

Mander, A.F.  Plain Talks About Democracy, Wellington, c. 1930.

Melland, E.  The Case Against Party Government in New Zealand, Dunedin, 1891.

New Zealand Sheepowners' & Farmers' Federation, Summary of Representations made to Cabinet, Christchurch, 1927.


Skelton, A.H.  "Reform" Unmasked, Auckland, 1925.

Stewart, H.  The World Depression, Auckland, 1931.


Valder, H. & De la Mare, F.  Better business, an excursion into the ethics of industrial organisation, Hamilton, 1925.

7. MISCELLANEOUS


---


### B. SECONDARY SOURCES

#### 1. UNPUBLISHED WORKS

**1. M.A. theses**

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Institution, Year</th>
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<tr>
<td>Bellringer, B.S.E.</td>
<td>&quot;Conservatism and the Farmers; a study in the political development of Taranaki-Wanganui between 1899-1925&quot;, A.U., 1958.</td>
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<td>Bremer, R.J.</td>
<td>&quot;The New Zealand Farmers' Union as an Interest Group; some aspects of farm politics, 1918-1928&quot;, V.U.W., 1966.</td>
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</table>
Wigglesworth, S.  'The Depression and the Election of 1935; a study of the Coalition's measures during the depression and the effect of these measures upon the election result of 1935', A.U., 1954.

(ii) Unpublished Typescript


2. ARTICLES


3. **BOOKLETS AND PAMPHLETS**

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5. COMPARATIVE WORKS

(i) Articles


**(ii) Books**


