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**The Price of Milk: Primitive accumulation and the New Zealand Dairy Industry**

**1814-2014**

**by**

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**A thesis submitted in fulfilment of the requirements for the degree of**

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## **Abstract**

The first consignment of dairy cattle was brought to New Zealand by Samuel Marsden in 1814. Two centuries later, the dairy industry is New Zealand's single largest source of export revenue. New Zealand, which exports to more than 150 countries across the globe, is the world's largest exporter of dairy produce accounting for approximately one third of all cross-border dairy trade. In economic terms, the development of the New Zealand dairy industry has been a remarkable success. This success has, however, been underpinned at crucial stages by often violent acts of dispossession.

This thesis provides a comprehensive historical account of the growth and development of the dairy industry in New Zealand from 1814 until the present day. It seeks to highlight not only the successes of the industry in bringing prosperity to the country but also the enormous social and environmental costs and consequences of the industry both within New Zealand and abroad. This thesis does this in part by making use of Marx's theory of primitive accumulation in order to add a crucial, and until now overlooked, critical dimension to the history of the New Zealand dairy industry.

This study begins by recounting the alienation of Māori land in the mid and late nineteenth century which established the preconditions necessary for the initial growth of the industry from the 1880s onwards. It chronicles the dispossession of Nauruan phosphate and the destruction of the Nauruan interior which provided for the steady expansion of the industry throughout the mid-twentieth century. This thesis also highlights the dispossession and degradation of New Zealand's freshwater resources which has underpinned the current dairy boom with catastrophic consequences for the country's environmental integrity and endemic biodiversity.

This thesis is dedicated to my mother

Moira Patricia Wynyard

1940-2013



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I want finally to acknowledge the love and support of my whānau and in particular the innumerable sacrifices made by my wife Jooles and our three daughters Ruby, Lily and Poppy, each of whom has contributed enormously to this thesis in their own unique way.

## List of Abbreviations

CAP	Common Agricultural Policy
DDT	Dichlorodiphenyltrichloroethane
DSIR	Department for Scientific and Industrial Research
ECan	Environment Canterbury
EEC	European Economic Community
EFTA	European Free Trade Association
EU	European Union
HMS	Her/His Majesty's Ship
IMF	International Monetary Fund
LDEL	Land Development Encouragement Loan
MAF	Ministry of Agriculture and Fisheries
MfE	Ministry for the Environment
NAFTA	North American Free Trade Agreement
NBR	National Business Review
NZDA	New Zealand Dairy Association
NZDB	New Zealand Dairy Board
NZCDC	New Zealand Cooperative Dairy Company
NZDG	New Zealand Dairy Group

OIA	Official Information Act
OPEC	Organization of the Petroleum Exporting Countries
PCE	Parliamentary Commissioner for the Environment
PKE	Palm Kernel Expeller
RMA	Resource Management Act
RMS	Royal Mail Ship
TVNZ	Television New Zealand
WTO	World Trade Organisation

## 1: Introduction

All agree that there is no field of investment now open in the world, at once so safe and so profitable as pastoral husbandry in New Zealand. – Godley, 1850

We have only to make the prime article in butter and cheese, then no power on earth can stay the flow of gold in this direction. The untold wealth of New Zealand lies upon the surface and the cow is the first factor in the way of securing it. – Bowron, Inspector of Dairy Factories, 1884

Sallust says 'fabrum esse suae quemque fortunae' – every one is the artificer of his own fortune – or, in the words of a popular maxim, "every man is the architect of his own fortune". In the colonies, however, the architect finds an abundance of material ready to his hand. – *Observer*, 1882

In 1814 the Anglican cleric Samuel Marsden arranged for the first consignment of dairy cattle to be brought to New Zealand. Marsden had a bull and two heifers sent from his base in Parramatta near Sydney to Rangihoua, the site of New Zealand's first Christian mission near Kororāreka (later renamed Russell) in the Bay of Islands. Marsden hoped that by developing agriculture a far greater degree of self-sufficiency might be achieved on the mission. Marsden also hoped to share the benefits of modern European agriculture with local Māori, whom he regarded as 'a very superior people in point of mental capacity, requiring but the introduction of commerce' to inculcate in them 'industrious and moral habits' (Yarwood 1967: para.8). It was perhaps a dubious altruism but one nevertheless unmatched in much of the future development of the New Zealand dairy industry.

Two hundred years later New Zealand is the world's largest exporter of dairy produce, exporting to 151 countries and accounting for approximately one third of all cross-border trade. The total New Zealand dairy herd numbers 6.7million (Statistics New Zealand 2014), with 5 million cows or heifers in calf or milk producing an estimated 1,815,000 tonnes of milk solids per year. The total export

value of New Zealand dairy production in 2014 is estimated at \$17.613 billion (MPI 2014: 13). The dairy industry has surpassed all others to become New Zealand's largest export earner accounting for around 29 per cent of the country's total exports by value (Morrison 2013: 2).

In economic terms the growth and development of the dairy industry in New Zealand has been a spectacular success and one that has been celebrated in a number of existing histories of the industry including Harold Philpott's *A History of the New Zealand Dairy Industry 1840-1935* (1937), Arthur Ward's *A Command of Cooperatives* (1975), Eric Warr's *From Bush Burn to Butter* (1988), David Yerex's *Empire of the Dairy Farmers* (1989). This thesis stands apart from this existing historical literature insofar as it seeks to catalogue and highlight not only the economic success of the industry but also the enormous social and environmental costs and consequences associated with profitable dairy farming in New Zealand that have, from the outset, been integral to that success.

In highlighting the social and environmental consequences associated with the New Zealand dairy industry this thesis utilises Marx's theory of primitive accumulation. Primitive accumulation describes the processes through which various lands and natural resources are stripped away from their original owners and inhabitants, transformed into private property and brought into the cycle of capital accumulation. These processes of primitive accumulation have the dual effect of creating 'free' proletarians essential to capitalist social relations on the one hand while simultaneously incorporating the soil and other natural resources into capital on the other (Marx 1976: 895). This thesis is chiefly concerned with the latter. It narrates a history of the New Zealand dairy industry bookended by two historical phases in which primitive accumulation has been crucial in capturing land and natural resources into the cycle of capital accumulation; the systematic dispossession of

Māori land in the nineteenth and early twentieth centuries and the dispossession and degradation of New Zealand's freshwater commons in the decades since the 1980s.

Also included in this chronology of the New Zealand dairy industry are other episodes in which processes of primitive accumulation have been used to facilitate the growth of the industry or to remove obstacles to its profitability. These include the systematic dispossession of Nauruan phosphate and the associated destruction of the Nauruan environment, the use of repressive state force to subdue striking workers whose industrial action was holding up dairy exports and the clearance of Indonesian and Malaysian rainforest for oil palm agriculture and specifically for the production of Palm Kernel Expeller or PKE, an important supplementary feed used on New Zealand dairy farms. While primitive accumulation has featured throughout the history of the New Zealand dairy industry this chronological account falls into 3 broad phases. The two historical phases mentioned briefly above and associated respectively with colonisation in the nineteenth and early twentieth centuries and with neoliberalism since the 1980s are separated by a third phase, a period of relative stability lasting from the interwar period until the mid-1970s. During this phase primitive accumulation ceases to be a central lever of accumulation within New Zealand and surfaces only sporadically. Successive governments throughout this era utilised a diverse array of interventions to shield New Zealand producers from the vicissitudes of markets including subsidies and tariffs, access to cheap credit and institutional support for cooperatives and for family farms.

A number of authors have approached the New Zealand dairy industry from the perspective of Marxian political economy and have focussed on relations of production in the New Zealand dairy industry. This literature, (see Blunden et al. 1997; Curtis 1999, 2001; Moran et al. 1993; Moran et al. 1996; Moran et al. 1996a) which is surveyed briefly in chapter two, posits family farms, producer

boards and sharemilking arrangements among important limitations to the direct penetration of capital into New Zealand agriculture. These are important insights and one limitation of this thesis is that it does not give them greater prominence. I have chosen instead to focus predominantly on the physical, on the land and on the water and to give a detailed chronological account of the growth and development of the New Zealand dairy industry and its institutional and legislative contexts over the course of two hundred years.

The central argument I make in this thesis is that the ongoing economic success of the New Zealand dairy industry has been predicated on successive episodes of primitive accumulation. The evidence for the claims that I make in this thesis is assembled from a variety of sources including the existing historical record of New Zealand and of the New Zealand dairy industry, as well as from various government publications and reports, the records of various industry bodies together with newspapers and other media sources. I return to the sources used in this thesis on page 7 below. This thesis is not intended as an original history; rather it is intended as a theoretically informed critical engagement with existing and largely uncritical sets of data. As such it draws together the various sources mentioned above with a well-established and recently flourishing Marxian literature on primitive accumulation.

With the exception of Warr (1988), all of the histories of the New Zealand dairy industry mentioned above were written by dairy industry insiders. Philpott worked for the Dairy Division in the Department of Agriculture and, beyond lamenting the fact that more Māori were not involved in the industry (1937: 368-370), eschews entirely any critical engagement with the history of dairying in New Zealand. Arthur Ward was a former General Manager of the New Zealand Dairy Production and

Marketing Board and his work too avoids criticism, opting instead to tell a story of the evolution of the New Zealand dairy industry entirely divorced from its social and environmental implications.

David Yerex edited *Dairy Exporter* magazine before taking over as head of the Dairy Board's Information Service. Yerex does in places touch, albeit very briefly, on the contradictions, costs and injustices inherent in the development of the New Zealand dairy industry. He notes disputes with Māori over land (1989: 24) and the use of unpaid familial labour (1989: 44), but these are treated as minor hurdles on the path toward progress and prosperity. Warr was a geographer, not an industry insider, and comes closest to capturing something of the ecological consequences of converting rainforest into pasture, yet Warr too treats this as progress, an arduous but necessary process 'aimed to get as much land as possible into good, productive, permanently sown pasture' (1988: 45). No thought of the intrinsic value of pristine rainforest, or of the plight of its original inhabitants, or indeed of the contested ownership of much of the land in question seem to have occurred to these earlier historians of the dairy industry in New Zealand.

This thesis then differs from the existing historical literature on the development of the dairy industry in New Zealand in that it prioritises the social and ecological implications of that development. This, I argue, is long overdue given the wide-ranging costs and consequences associated with profitable dairy farming mentioned briefly above and to which I will return below. Further, I argue that in failing to adequately account for these very real and ongoing impacts of the industry on people and on the environment both in New Zealand and beyond, the existing historical literature on the New Zealand dairy industry makes a significant and irresponsible omission. Any historical account of the growth and development of the New Zealand dairy industry purporting to



be comprehensive must include discussion of the social and ecological ill-effects of the industry as well as of its successes.

In addition to adding an otherwise absent critical dimension to the historical literature on the New Zealand dairy industry, this thesis also provides a more comprehensive historical account of the industry than that on offer elsewhere. Earlier histories of the New Zealand dairy industry have tended to be published just prior to periods of rapid change in the industry. Philpott's *A History of the New Zealand Dairy Industry 1840-1935* (1937) details the development of the industry from its beginnings until the end of 1935. As Philpott was writing the closing words of his history in the later months of 1935 the people of New Zealand were preparing to go to the polls. At the 1935 general election and in the wake of the Great Depression, the country returned its first Labour government which fundamentally altered the social and economic direction of the country, and indeed of the dairy industry, for much of the next five decades.

A number of more recent histories have traced subsequent developments in the industry through the mid-twentieth century until the 1970s and 1980s. Ward's *A Command of Cooperatives* was published in 1975; two years after Britain joined the European Economic Community (EEC) and the first Organization of the Petroleum Exporting Countries (OPEC) oil shock and amid the collapse of the post-war commodity price boom. Each of these events would have a profound impact on New Zealand and on the dairy industry and would contribute to another fundamental shift in the social and economic direction of the country, starting with election of the fourth Labour government in 1984. Warr's *From Bush Burn to Butter* (1988) and Yerex's *Empire of the Dairy Farmers* (1989) were published amid Labour's neoliberal reforms but before the momentous growth and intensification of dairying operations that has followed from those reforms. Since that time, as detailed in chapters

nine and ten below, the dairy herd in New Zealand has doubled from around three million cows in 1989 to more than six million (MPI 2013). Herd sizes, stocking rates and the sum total of land used for dairying have grown dramatically and the industry has expanded into new areas such as Canterbury and Otago. Moreover the dairy industry looks likely to remain the country's largest for quite some time given the fifth National government's 'Business Growth Agenda' which seeks to double the value of food exports by 2025 (Morrison 2013: 13-14).

Recent decades have also been marked by increasingly serious environmental degradation in New Zealand, particularly of freshwater ecosystems, and rapidly expanding, intensive dairying has been implicated as the major cause of that degradation (PCE 2013: 5-6). The environmental effects of the New Zealand dairy industry include the pollution of surface- and groundwater from effluent and nutrient runoff, significant biodiversity loss, the destruction of forests and wetlands for the expansion of the industry, soil erosion, soil contamination and significant greenhouse gas emissions (Jay and Morad 2007: 472). Over the last 25 years the dairy industry in New Zealand has expanded and intensified with attendant environmental consequences in ways that earlier histories were simply unable to anticipate. An important secondary contribution this thesis makes then is to update the historical record of the New Zealand dairy industry in light of these recent and far-reaching social, economic and environmental developments.

### **Sources used in this thesis**

This thesis seeks to add a critical and otherwise overlooked sociological dimension to the existing historical literature on the dairy industry in New Zealand. It also seeks to update the historical record of the New Zealand dairy industry in light of recent and far-reaching developments. In so doing this thesis draws extensively on the established historical record of the New Zealand dairy industry. The

historical narrative deployed in chapters three through eight is largely based on that developed in earlier histories of dairying in New Zealand and in particular on the work of Philpott (1937) and Ward (1975). This thesis also owes a lot to the work of Warr (1988) and Yerex (1989). As mentioned above these histories were, for the most part, written by industry insiders and as such tend to pay less regard to the wider social, economic and political context than would a broader academic history. In order to better account for these wider social, political and economic contexts this thesis also makes extensive use of the established historical record of New Zealand. Additional detail is drawn from the work of general historians such as Belich (1986; 1996; 2001), Gardner (1961; 1961a, 1969, 2012), King (2003) and Sinclair (1976; 1980; 1990); political historians and biographers such as Bassett (1976; 1993; 1995; 1998) and Gustafson (1980; 1986; 1986a; 1990; 2000); and economic historians such as Brooking (1992; 1996; 2004) and Hawke (1985). Further points of detail and interpretation are also drawn from the work of various radical, Marxist and Marxian writers, historians and political economists including Armstrong (1978; 1980), Bedggood (1980), Blunden et al. (1997), Curtis (1999; 2001), Eldred-Grigg (1980), Moran et al. (1993), Simpson (1976; 1984; 1986) and Steven (1989).

In addition to these and other secondary sources this thesis also makes substantial use of primary sources including: government publications such as the Hansard record of New Zealand Parliamentary debates, publications from various government ministries and departments including the Department of Agriculture, the Ministry for the Environment, the Ministry for Primary Industries and the office of the Parliamentary Commissioner for the Environment; reports and publications from various industry bodies including the Dairy Board, Dairy New Zealand and Fonterra; archived material including personal communications and political pamphlets; as well as newspapers and other media sources both contemporary and archived. These sources are used throughout the thesis but are most widely deployed in chapters nine and ten, which detail developments in the New Zealand dairy industry subsequent to those detailed in the earlier histories mentioned above.

This thesis also makes extensive use of a long-established and recently flourishing literature on Marx's concept of primitive accumulation. In so doing it draws extensively on the work of Marx, and in particular on volume one of *Capital* (1976), as well as on the work of other, later writers and theorists working within a broad field of Marxian political economy including De Angelis (2001), Federici (2004), Hall (2012), Harvey (2003; 2005; 2010), Hilferding (1981), Lenin (1956), Luxembourg (1951), Midnight Notes (1990), Swyngedouw (2005), Webber (2008; 2008a) and Wallerstein (1979).

### **Primitive accumulation and the New Zealand Dairy Industry**

In this thesis I will argue that mechanisms of primitive accumulation, such that Marx describes in *Capital* volume one, have been integral to the growth and development of the New Zealand dairy industry throughout its two hundred year history. In part eight of volume one of *Capital*, Marx draws attention to the violence that underpins the transition to the capitalist mode of production; that is, the myriad forms of thievery, predation, fraud, conquest, enslavement, robbery and murder that are the necessary precursors to the smooth functioning of the capitalist system. For Marx the routine operation of capitalism required first an 'original' or 'primitive' accumulation that is not the result of the capitalist mode of production but rather its starting point (Marx 1976: 873; 1973: 459-460; see also de Angelis 2001: 5; Federici 2004: 12; Harvey 2003: 143; Jones and Murtola 2012: 641).

Primitive accumulation describes the process through which various lands and resources hitherto held in common are constituted as private property and captured into the cycle of capital accumulation. The original owners and inhabitants of these lands and resources are, Marx argues, 'suddenly and forcibly torn from their means of subsistence and hurled onto the labour market as free rightless proletarians' (1976: 876). The classic example and the one that Marx details is the expropriation of the agricultural producer from the soil through the process of enclosure in Britain (Marx 1976).

Marx treated primitive accumulation as a mostly historical process that set in motion the continuous cycle of capitalism, an initial burst of violence substituted in time by the 'silent compulsion of economic relations' (Marx 1976: 899). This is not to say that the mechanisms of primitive accumulation disappear altogether but rather that they cease to be prevalent. As Marx puts it, 'direct extra-economic force is still of course used, but only in exceptional cases' (ibid). An impressive body of literature that has followed Marx has shown that the features of primitive accumulation that Marx details, the commodification and privatisation of land, the exclusion of peasant populations, the capture and enclosure of natural resources, and the use of state violence in backing these processes have all remained persistent features of the capitalist mode of production throughout its history (Amin 1974; De Angelis 2001; Federici 2004; Harvey 2003; 2005; Hilferding 1981; Jones and Murtola 2012; Luxemburg 1951; Swyngedouw 2005; Wallerstein 1979).

As mentioned above this thesis details successive episodes in which primitive accumulation has aided the development of the New Zealand dairy industry including the dispossession of Māori land and Nauruan phosphate, the use of state violence to dispossess workers of their rights, the dispossession and degradation of New Zealand's freshwater commons and the clearance of rainforest in Indonesia and Malaysia for the production of palm oil and the co-product PKE, a supplementary feed used on New Zealand dairy farms.

Primitive accumulation has played a central role in creating and recreating the conditions necessary for profitable dairying in New Zealand at crucial phases in a now two hundred year history. I therefore argue that a comprehensive historical account of the development of the New Zealand dairy industry *must* include Marx's theory of primitive accumulation as a central theme, any history of the New Zealand dairy industry that fails to take primitive accumulation into account makes far

too great an omission. Any history of the industry in this country that overlooks the social and environmental violence that has underpinned its growth and development gives only a partial account, partial meaning both incomplete and factional.

This thesis is then the first critical and comprehensive history of what is now New Zealand's largest export industry. Moreover I argue it is a timely addition to the existing historical literature on the industry given the dire environmental picture emerging in New Zealand that I have sketched briefly above and will return to below. This is particularly so given the fifth National governments goal of doubling agricultural exports by 2025, a strategy that could involve increasing milk production by an additional 700 million kilograms of milk solids annually (Morrison 2013: 13), a scenario New Zealand's Parliamentary Commissioner for the Environment has recently concluded could only lead to worsening environmental outcomes (PCE 2013: 67).

## **Chapter Summaries**

The next chapter begins by making a case for the ongoing relevance of Marxian political economy in light of the so-called cultural turn in the social and political sciences. It then surveys some of the existing Marxian literature on dairy farming in New Zealand and on agriculture more generally.

Chapter two then reviews a rich literature on primitive accumulation that begins in the closing pages of *Capital* volume one. It offers a somewhat more comprehensive explanation of Marx's theory than that given briefly above. As mentioned above Marx saw primitive accumulation as a mostly historical process, Lenin agreed with Marx on this point and together their ideas on primitive accumulation form the basis of one major interpretive tradition of the concept. I give a brief account of Lenin's arguments before turning to a second interpretive framework that treats primitive accumulation as an on-going, inherent feature of capitalism. I then trace the lineage of this interpretation of primitive

accumulation from its origins in the works of Hilferding and Luxemburg through the work of theorists of underdevelopment such as Amin and Wallerstein. This chapter also surveys a growing body of more recent literature that treats primitive accumulation as a recurrent feature even within advanced capitalist countries and one that has become increasingly prevalent since the mid-1970s. It covers influential work by writers such as de Angelis, Federici, Harvey and Webber as well as by a number of authors including Castree, McCarthy, Prudham and Swyngedouw who use primitive accumulation to account for the contemporary enclosure and degradation of the global environmental commons.

This chapter will also explore important debates and disputes within this burgeoning literature on primitive accumulation including what Hall (2012) has identified as two central questions to be addressed in any analysis of primitive accumulation namely, 'who carries it out and why'? This chapter will also explore related debates between those such as de Angelis (2001) and Harvey (2003; 2005) who see force as the central characteristic of primitive accumulation and others such as Webber (2008; 2008a) who argues that market processes are also implicated in primitive accumulation (Hall 2012: 1199; Webber 2008a: 396; 2008: 309).

Chapter three details the earliest phase in the history of dairy farming in New Zealand from the arrival of the first cattle in 1814 until the 1880s. It begins with settler land grabbing in the South Island, a process through which millions of acres of communally owned Māori land were swallowed up into vast estates by a small number of settlers. Large-scale pastoral agriculture was forefront in the minds of the land-grabbers and dairy farming was an important part of the emerging economy. This pattern of land-grabbing was not repeated in the North Island however. North Island Māori were far better placed to oppose settler encroachment than were South Island Māori, and oppose it

they did. Chapter three details the resulting wars in Taranaki, Waikato and beyond and the subsequent confiscation of millions of acres of prime dairying land. From the mid-1860s onwards the violent expropriation of Māori land was replaced with the indirect, but no less effective, violence of the Native Land Court, an institution aimed at breaking up communal Māori land tenure and facilitating the passage of land into the hands of settlers. Chapter three details the effectiveness of the Court in dispossessing North Island Māori of land and concludes by noting the rapid pace of development for the dairy industry in Waikato and Taranaki in the 1880s once Māori opposition was effectively quelled.

Chapter four describes the interventionist and seemingly illiberal policies of New Zealand's much lauded first Liberal government that held office for some 21 years from 1891 until 1912. It details an array of interventions into social and economic life aimed at bringing about a more equal social order. Central to the Liberal's plans for New Zealand was a closer settling of the land. This was to be achieved, first and foremost, by breaking up the big South Island estates formed in the early years of the colony. While the Liberals enjoyed limited success in this regard, the vast majority of arrivals to the colony were settled on land expropriated from Māori through the Liberal's 'coercive and punitive' land buying program (Brooking 1992: 84). Chapter four tells the story of the ongoing primitive accumulation of Māori land, albeit primitive accumulation with legal countenance, a process through which Māori lost an additional 3.1 million acres. It details the crucial role played in this dispossession by John McKenzie, Minister of Lands and Agriculture. Chapter four also chronicles the Liberal's various efforts to both foster and regulate the fledgling dairy industry.

Chapter five covers the years of the Massey-led Reform government from 1912 to 1925 and recounts that government's attempts to prioritise the dairy industry over competing interests. It is a



story of state brutality, war, plunder, and disease. It begins with the new government's response to the 1913 waterfront and general strikes, which delayed shipments of butter and cheese and so enraged the country's dairy farmers. In response to the strike Massey, himself a dairy farmer, raised a force of 'special mounted constables' from among his farming constituents who armed themselves with clubs and batons and rode to the cities to put down the strike. Chapter five goes on to describe the impact of the First World War and the influenza epidemic on the New Zealand dairy industry, the bleak picture of the industry that was emerging in the aftermath of war and disease, and Massey's solution to it, that lay in a claiming for New Zealand a stake in phosphate-rich Nauru. This move enabled steady growth for the New Zealand dairy industry throughout the mid twentieth century while simultaneously dispossessing Nauru and Nauruans of phosphate, of dignity and prosperity, and of environmental integrity.

Chapter six chronicles New Zealand's experience of the Great Depression. It tells a story that, together with chapter seven, stands in contrast to the rest of the history of the dairy industry in New Zealand. These two chapters detail the period from the mid-1930s until the mid-1970s, when primitive accumulation ceased to be a central accumulation strategy in New Zealand. This is not to say that primitive accumulation disappears altogether during this period, the dispossession of Nauruan phosphate continued apace until 1968, but rather that primitive accumulation within New Zealand recedes into the background. It is a pattern that David Harvey finds repeated at this time in many core capitalist countries (Harvey 2010: 310; 2005; 2003), although some authors such as Armstrong (1978; 1980) and Ehrensaft and Armstrong (1978) locate New Zealand not among core capitalist countries but rather among a small group of what they refer to as dominion capitalist societies, including also Argentina, Australia, Canada and Uruguay that exist between the core and periphery and exhibit characteristics of both. Chapter six details the human cost of the Depression in New Zealand and surveys the various political responses to it, which ranged from lavish offers to

borrow and spend to miserly austerity measures and pragmatic interventionism before the country returned its first Labour government in 1935, a move that fundamentally altered the political, social and economic direction of the country for much of the mid-twentieth century. Chapter six recounts Labour's myriad interventions into the economy including the system of guaranteed prices for dairy produce, which sought both to shield farmers from the vicissitudes of the market and guarantee to all other New Zealanders the means with which to share in the bounty of the land.

Chapter seven tells the story of what is widely regarded as a golden age in New Zealand's social and economic history, the post-war era characterised by a high degree of sectoral integration and socio-economic security (Belich 2001: 263). It begins during the Second World War with Labour's Wartime Economic Stabilization measures which were aimed at insulating the economy from the inflationary pressures of the war and at ensuring all New Zealanders shared in the sacrifices of the day. It examines the impact of the war on the dairy industry, how the industry responded to an abrupt interruption to the supply of fertiliser and a marked fall in the availability of labour power and how, through a combination of mechanisation and other labour-saving processes, dairy production was largely maintained throughout the war. Chapter seven also tells the story of increasingly wide-ranging governmental intervention in the dairy sector and in the export sector more generally in the post-war years. Successive governments became increasingly active in supporting the industry through various subsidies as well as through scientific research and advisory work. The purpose of these interventions was to maximise returns on exports for the mutual benefit of the country as a whole. Chapter seven also details the ongoing dispossession of Nauruan phosphate and the destruction of the Nauruan environment that was crucial to the prosperity of New Zealand in the post-war era. The dairy industry, which is more input intensive than most other land uses is implicated as a major source of demand for Nauruan phosphates. Chapter seven ends at the dawn of

the 1970s when growing clouds of uncertainty were forming on the horizons and threatening the golden weather.

Chapter eight deals with Britain's protracted decision to join the EEC and the impact it had on the New Zealand dairy industry. It begins in post-war Europe with the establishment of what would become the European Union as a bulwark against the Soviet Union. Chapter eight tells the story of the New Zealand export sector's frantic search for new markets and its efforts to diversify the product mix to take to those markets. It also tells the story of the long and mostly unsuccessful diplomatic rear-guard action aimed at guaranteeing on-going access to the British market for New Zealand primary produce. It highlights the significant role played in the campaign for on-going access by the Prime Minister Rob Muldoon (1975-1984). Chapter eight then details the Muldoon government's various attempts to spend its way out of a balance of payments crisis by increasing state support for agriculture and by embarking on a number of 'Think Big' infrastructural projects aimed at buffering New Zealand from the uncertainties of international energy markets (Jones 2012: 97). Chapter eight finishes in June 1984 when Muldoon announced a snap election for 14 July.

Chapter nine chronicles the re-emergence of primitive accumulation as a key accumulation strategy in New Zealand; this is not the violent primitive accumulation of the nineteenth century, but rather primitive accumulation by more subtle means. It begins on Bastille Day in 1984 with the election of New Zealand's fourth Labour government and tells the story of the wide-ranging neoliberal reforms implemented by that government and continued by successive governments ever since. It chronicles the blistering pace of reform throughout the 1980s and examines the impact of these reforms on the New Zealand dairy industry. Chapter nine details the sudden and systematic withdrawal of state support for the agricultural sector and the intense burst of pain experienced by farmers up and

down the country that followed. It tells the story of the shift away from medium-scale family farming, long prevalent in the New Zealand dairy sector, and the associated trend toward expansion, intensification and the corporatisation and consolidation of the New Zealand dairy industry. Chapter nine describes the radical land use changes that followed, the conversion of vast tracts of land from wool to dairy production and the expansion of the industry into areas such as Canterbury and Otago long thought unsuitable for profitable dairying. The chapter ends in 2001 with the emergence of Fonterra, the world's largest exporter of dairy produce.

Chapter ten details the rise of Fonterra as a global dairy giant: its myriad collaborations, partnerships and acquisitions; its strategies for maintaining and growing its presence in international markets; and the enormous environmental and social costs and consequences of these strategies. In order to maintain a strategy of lowest cost production, dairy producers in New Zealand turned to increasingly large-scale and intensive farming practices, and the massive expansion of the industry detailed in chapter nine has only gathered pace. Underpinning this expansion has been an enormous surge in the use of nitrogenous fertilisers much of which ends up in New Zealand's rivers, streams, lakes and wetlands. Chapter ten details the unfolding environmental catastrophe that is the cost of New Zealand's dairy boom, the dispossession of New Zealand's freshwater commons for the private gain of those with a stake in the industry. Chapter ten details the role of the current National government in facilitating this dispossession, the extraordinary lengths that the government is prepared to go in order to implement its agenda, and the frequent accusations of cronyism and conflict of interest that have resulted. Chapter ten finishes by exploring the rapid uptake in the use of PKE as a supplementary feed on New Zealand dairy farms and the impact that increasing demand for palm production is having on rainforest environments, endemic biodiversity and indigenous people in Malaysia and Indonesia.

This thesis is the first comprehensive, critical history of the dairy industry in New Zealand. It documents the growth and expansion of the industry over the course of two hundred years, from 1814 until 2014 and as such it adds to the existing historical literature on the dairy industry in New Zealand. It updates the existing historical record of the industry in light of recent and far-reaching social, economic and environmental developments. This thesis is also the first and only historical account of the industry that chronicles the enormous social and environmental impacts that have underpinned the growth and development of the industry throughout its history. In using Marx's concept of primitive accumulation to highlight the costs and consequences of profitable dairying for people and for their natural environment, this thesis makes a significant and until-now overlooked contribution to the historical record of what is now the largest export industry in New Zealand.

## Chapter 2: Letters of Blood and Fire

### Introduction

The past 25 years have witnessed a renewed interest in the processes through which formerly unowned, communally owned or state owned natural resources, lands, things and ideas are captured and enclosed and brought into the cycle of capital accumulation. This, Hall argues, is unsurprising given the collapse of central and eastern European communism, economic liberalisation in China, the shift away from statist economic management toward structural adjustment in the South and neoliberalism in the North, all of which 'introduced market relations where they had not previously existed and intensified them where they had' (Hall 2012: 1188). In seeking to account for these processes many authors have turned to Marx's theory of primitive accumulation. A flourishing literature has emerged which uses the concept to theorise a wide variety of phenomena including: the conversion of common, collective and state property rights into exclusive private property rights; the suppression of rights to the commons; public debt; colonial, neo-colonial and imperial accumulation of natural resources; the dismantling of welfare states and the suppression of alternatives to capitalist production and consumption (Harvey 2003: 145; Webber 2008: 300).

This resurgence of interest in Marx's theory of primitive accumulation has taken place at the same time as many in the social and political sciences turned away from Marxist thought in favour of approaches that put a greater emphasis on complexity, diversity and heterogeneity. As Jones notes Marxist political economy has been problematized in a number of ways and through debates over interpretation and representation as well as reductionism, functionalism, teleology, structural determinism, structural primacy and for neglecting agency and the peopled experience of capitalism (2008: 380). Many writers turned instead to a heterogeneous array of alternative approaches to political economy aimed at introducing complexity and diversity into social theory and at decentring

‘heroic, masculine, essentialist and reductionist knowledge of the economy’ (Jones 2008: 382). Smith notes that these approaches burst on the scene as ‘powerful and effective critiques’ and had a ‘powerful and salutary political effect, displacing the hegemony of white, male, hetero and bourgeois slants on the world with a multiplicity of perspectives, challenges and claims’ (Smith 2005: 890). The so-called cultural turn has seen a multiplicity of social theoretical perspectives mobilised against the many forms of oppression that divide societies such as New Zealand including not only capitalism but also heteronormativity, patriarchy, imperialism and racism (Smith 2005: 890).

For Smith however the very ‘good ideas’ embodied in the so-called cultural turn have been watered down. Through a long process of acceptance, generalization and erosion the power of these once sharp critiques has been diminished. Notions of diversity, multiculturalism and identity politics have been ‘ground into corporate language’ and recycled ‘as advertising script’ (2005: 891). ‘Once the potent weapon of an oppositional politics, they are now emblems of establishment neoliberalism, largely emptied of radical potential’ (ibid). This is not, Smith continues, to suggest that political struggles for women’s rights, for queer rights and against racism are somehow obsolete, but rather that capitalism is increasingly adept at absorbing and diluting once powerful critique (ibid). For Smith, Marxism, which was largely displaced in the social and political sciences by the cultural turn, remains relevant. It is ‘the one oppositional politics which really has not been significantly rescripted into media fodder, integrated, in greater or lesser part co-opted, but always has to be opposed’ (Smith 2008: 897). For Smith this demonstrates the power of class as a vector of social difference and political change (ibid), and demonstrates the ongoing salience of Marxist thought to contemporary social issues. Similarly for Jessop and Oosterlynck who nevertheless embrace the cultural turn, Marxian political economy remains important, it ‘enables us to recognise the conflicts and contradictions that make capital accumulation inherently improbable and crisis prone’ (2008: 1155).

In utilising Marx's theory of primitive accumulation this thesis too seeks to demonstrate the ongoing relevance of Marxist thought, which I believe remains the most trenchant and enduring critique of capitalism. And indeed, as Panitch argues, in the wake of the Global Financial Crisis of 2008 and in this age of austerity, Marxist thought seems newly and increasingly relevant today (2009: 140). This is not to suggest that other lines of critique and other oppositional politics are any less relevant or urgent, but rather that Marxist political economy remains a vital critical tool. This is especially true of the concept of primitive accumulation given thirty years of neoliberal orthodoxy characterised by the restoration and proliferation of predatory primitive accumulation as a central mechanism of capital accumulation.

This thesis is, to the best of my knowledge, the first work to theorise the growth and expansion of the New Zealand dairy industry using Marx's notion of primitive accumulation. In the paragraphs that follow I will trace the development of the theory of primitive accumulation starting with Marx's own use and definition of the concept in *Capital* volume one. *Primitive accumulation: The historical premise of capitalism* (pp 26-31) surveys Marx's definition of primitive accumulation as well as the use of the concept in the work of Lenin. In *The persistence of primitive accumulation* (pp 31-38) I chart the various uses of the concept in the works of Luxemburg and Hilferding and later in those of Amin and Wallerstein. I will account for the contemporary resurgence of interest in the theory embodied in the work of, among others, de Angelis, Federici, Hall, Harvey, McCarthy and Webber in the section titled *The new enclosures* (pp 38-47). *Destruction as dispossession: Primitive accumulation and the environment* (pp 47-49) surveys literature that treats the despoliation of the global environmental commons as contemporary primitive accumulation. The final section in chapter two *Debates and tensions within the literature on primitive accumulation* (pp 49-57) surveys a number of important debates and theoretical tensions that have surfaced in this literature in recent years. This thesis is not, however, the first to theorise the New Zealand dairy industry through



the lens of Marxian political economy. In the section titled *Agrarian questions* (pp 22-26), I will briefly survey other Marxian literature on dairy farming in New Zealand and on agriculture more broadly before returning to the theory of primitive accumulation.

### **Agrarian questions**

A number of writers have approached the New Zealand dairy industry from the perspective of Marxian political economy. Indeed a body of literature emerged in the 1990s, amid the wide-ranging neoliberal reforms of that period that stressed the ongoing prevalence of family farming, of sharemilking arrangements and of producer marketing boards and cooperatives as bulwarks against the direct penetration of non-farm capital in New Zealand agriculture. This body of work serves to highlight the extent to which the organisational structure of the New Zealand dairy industry has allowed it to resist some of the deregulatory pressures associated with neoliberalism.

Moran et al. argue that while capitalist agriculture has always existed in New Zealand, it provides only a small proportion of total agricultural production (1996a: 164). Family farming, these authors contend, remains the dominant form of production (1996a: 162; Blunden et al. 1997: 1759). In this literature family farming is treated as an example of simple commodity production, that is, a distinct form of production that operates within the wider context of capitalism and interacts with the capitalist economy but is nevertheless distinct from capitalist agriculture (Moran et al. 1993: 26; Moran et al. 1996; 1996a). These authors stress a number of features of family farming that they argue differentiate it from capitalist agriculture including the ownership of the means of production, the ability to adjust expenditure through the use of unpaid familial labour and the intergenerational transfer of farms which acts to reproduce family farming as a distinct form of production (Moran et al. 1993: 27; Moran et al. 1996a: 164).

Further these authors argue that family farmers are able to insulate themselves from full capital penetration through their relationships with credit and products markets. With regard credit, family farmers are insulated from full credit relations through their on-going use of internal credit that is, lending and borrowing within the extended family unit. With regard to marketing and selling their products, family farmers, and New Zealand dairy farmers are a good example of this, have organised themselves into cooperatives and are served by producer marketing boards which allow farmers greater control over the processing and marketing of products (Moran et al. 1996a: 164). By retaining control over processing and marketing and by being, partially at least, insulated from credit markets, these authors argue that family farms are able to resist subsumption by capitalist agriculture (ibid; Moran et al. 1993; Moran et al. 1996; see also Curtis 1999; 2001). As Moran et al. put it, the ongoing existence of cooperatives and producer marketing boards 'is a potent limitation to the full penetration of capital into agriculture' (1996a: 162).

The practise of sharemilking is similarly treated as simple commodity production by these authors. Sharemilking arrangements combine the resources of a landowner and a sharemilker toward the production of milk. The landowner contributes land while the sharemilker typically contributes labour, livestock and machinery (Blunden et al. 1997: 1765). For these authors sharemilking is an example of archaic relations of production within a modern agricultural system. Further these authors argue that the dairy industry practised in New Zealand does not appear amenable to capitalist production, at least not to the large-scale industrialised factory production common in the U.S. (ibid). Sharemilking, like family farming, is seen as an example of simple commodity production, a mutually beneficial and efficient relation of production that deters the direct involvement of capitalist producers and that facilitates intergenerational transfer contributing to the reproduction of family-based dairying in New Zealand (Blunden et al. 1997: 1759).

Throughout much of the twentieth century successive governments in New Zealand sought to shield the local economy from the full force of market relations. Efforts to this end actually began with the first Liberal government in the 1890s but took increasingly comprehensive shape in the interwar years and particularly after the election of New Zealand's first Labour government in 1935. Legislative and institutional support for family farms, for cooperatives and for producer marketing boards were part of a much wider battery of interventions including subsidies and tariffs, guaranteed prices and the provision of cheap credit put in place to protect New Zealand producers and the New Zealand economy more generally from the vicissitudes of the market.

Successive New Zealand governments supported the family farming model which was seen by many as the most effective and efficient means with which to work profits from the land. As Kautsky argues family farms and other small-scale tenant farming operations are both an integral part of the capitalist economy and are essential to the survival of capitalist agriculture. Kautsky's *The Agrarian Question* (1988) begins from his presumption that capitalist development would lead to the elimination of the family farming. By chapter 7 of *The Agrarian Question* Kautsky's analysis 'turns full circle'. 'Having started with a presumption of a general tendency on the part of capitalist development to dissolve and eliminate the peasantry, he finds himself explaining the opposite, namely why such a tendency does not prevail; why the peasantry may even persist within the general framework of capitalism' (Alavi and Shanin 1988: *xiii*).

Kautsky shows that, contrary to his expectations, large-scale capitalist agriculture was not supplanting small-scale peasant farming in Western Europe in the nineteenth century. 'The small farm has not lost ground to the large...In fact, in terms of overall acreage; small farmers seem to be growing in some areas' (Kautsky 1988: 135). Kautsky argues that while large-scale enterprise is

generally superior to small in industry, 'in agriculture this is not wholly, or always, the case' (1988: 147). As Watts puts it, small farms are better suited to the biological and rhythmic peculiarities of agriculture than are large farms. They are also able to survive lean times through self-exploitation, by working longer and harder and through the use of unpaid familial labour. As such, Watts continues, agro-industrial capital might actually prefer a family farming sector (1996: 232).

Kautsky concludes that large farms will never completely prevail in any capitalist society (1988: 164; see also Alavi and Shanin 1988: *xiv*). Kautsky goes on to argue that far from contradicting Marx's thought on the topic, Marx himself recognised this constellation in his early work (1988: 164). In volume 4 of *Neue Rheinisch Zeitung Politische-Ökonomische* Marx identifies a tendency in agriculture towards both concentration and fragmentation. With regard to the likelihood of France developing large-scale agriculture such as was prevalent in Britain at the time, Marx argues that 'if in France the tide has already begun to turn from fragmentation to concentration, in Britain the large landed estates are making giant strides towards renewed disintegration, conclusively proving that agriculture necessarily proceeds in an incessant cycle of concentration and fragmentation as long as bourgeois conditions as a whole continue to exist' (Marx and Engels 1978: 335; Kautsky 1988: 164-165).

Building on this tendency identified by Marx, Kautsky shows that whenever the large farm encroaches too far on the small, various interests act to increase the number of small farmers once again (1988: 165). As Kautsky concludes 'small land ownership will not disappear in present day society to be totally supplanted by large-scale land ownership, in fact where the concentration of land ownership has advanced too far, a tendency towards fragmentation sets in – with the state and large landowners providing a helping hand should it encounter too many obstacles' (1988: 166). In

chapter four we will see how in the 1890s the state, together with most other forces and blocs in society including some large landowners, joined in advocating a closer settling of the land as small scale family farms were widely believed to provide optimum social and economic outcomes.

Peopling the countryside with small-scale family farmers requires an abundance of land. Much of the land available to settlers in the nineteenth and early twentieth centuries was previously owned communally by Māori and was used for purposes quite removed from pastoral agriculture. In the chapters that follow we will see that land and many of the inputs essential to profitable dairy production were systematically stripped away from whoever owned or used them before and were thus captured, enclosed and brought into the cycle of capital accumulation. Marx referred to these processes as primitive accumulation and it is to this concept that we now turn.

### **Primitive accumulation: The historical premise of capitalism**

In chapter eight of volume one of *Capital*, Marx establishes his theory of primitive accumulation. For Marx the smooth functioning of the capitalist system required first an 'original', 'previous' or 'primitive' accumulation that is not the result of the capitalist mode of production but rather its point of departure (Marx 1976: 873). Here Marx draws on Adam Smith's contention that a previous accumulation must precede continuous capital accumulation (Marx 1976: 873; De Angelis 2001: 5; Harvey 2003: 143; Jones and Murtola 2012: 641). In Smith's words 'the accumulation of stock must, in the nature of things, be previous to the division of labour' (Smith 2001: 361), or, as Jones and Murtola put it, 'before continuous accumulation of capital could take place there had to be what Adam Smith called accumulation that is previous to the routine operation of capitalism' (2012: 641).

For Marx, 'primitive accumulation plays approximately the same role in political economy as original sin does in theology' (1976: 873). In both, an original act of sin condemns future generations to torment. In biting the apple Adam brought sin upon humanity as a whole. Economic original sin is also supposedly explained when told as an anecdote about the past. 'Long, long ago there were two sorts of people; one, the diligent, intelligent and above all frugal élite; the other, lazy rascals spending their substance, and more, in riotous living' (Marx 1976: 873). 'Thus', Marx continues, 'it came to pass that the former sort accumulated wealth, and the latter sort finally had nothing to sell but their own skins. And from this original sin dates the poverty of the great majority who, despite all their labour, have up to now nothing to sell but themselves and the wealth of the few that increases constantly although they have long ceased to work' (Marx 1976: 873).

For Marx, such 'insipid childishness' that is used to defend private property and inequality masks the actual history of the origins of capitalism, a history of conquest, enslavement, robbery, murder and force, a history that is written in the annals of humankind 'in letters of blood and fire' (Marx 1976: 875). Marx's critique of political economy makes clear that capitalism is a class relation between two very different groups of people. 'On the one hand, the owners of money, means of production, means of subsistence who are eager to valorize the sum of values they have appropriated by buying the labour power of others; on the other hand free workers, the sellers of their own labour power, and therefore the sellers of labour' (Marx 1976: 874).

There was, Marx notes elsewhere in volume one of *Capital*, nothing natural about this relation. 'Nature does not produce on the one hand owners of money and commodities, and on the other hand men possessing nothing but their own labour power. This relation has no basis in natural history, nor does it have a social basis common to all periods of human history' (Marx 1976: 273).

Rather, Marx shows, this relation had first to be created. For Marx 'free workers' were free in the double sense that they do not form part of the means of production, as did slaves or serfs, nor do they own the means of production themselves, such as with self-employed peasant proprietors (1976: 874). 'The free workers are therefore free from, unencumbered by, any means of production of their own' (ibid). In order to find themselves in this state of freedom they had first to be stripped of any other means of subsistence or production. 'The capital relation', Marx continues, 'presupposes a complete separation between the workers and the ownership of the conditions for the realization of their labour' (ibid). Primitive accumulation is the name given to the process of separation.

The process, therefore, which creates the capital relation can be nothing other than the process which divorces the worker from the ownership of the conditions of his own labour; it is a process which operates two transformations, whereby the social means of subsistence are turned into capital, and the immediate producers are turned into wage labourers. So called primitive accumulation, therefore, is nothing else than the historical process of divorcing the producer from the means of production (Marx 1976: 874-875).

The basis, Marx argues, of the whole process of primitive accumulation is the expropriation of the agricultural producer, of the peasant from the soil. The process through which the masses are 'suddenly and forcibly torn from their means of subsistence, and hurled onto the labour market as free, unprotected and rightless proletarians' (1976: 876). The history of the expropriation of the peasant from the soil differs, Marx contends, in different national contexts. The classic example, and the one Marx details, is the expropriation of the agricultural population from the land in Britain (Marx 1976: 876). In chapters 27 and 28 of volume one of *Capital* Marx recounts the process of the forcible expropriation of the people from the land, the enclosure of their resources hitherto held in common, and the 'bloody legislation' enacted against the expropriated (Marx 1976: 899).

For Marx, only after this initial burst of violence could the continuous circle of capital accumulation start to turn. As capitalist production advanced the kinds of extra-economic force Marx details were required less frequently. 'The advance of capitalist production develops a working class which by education, tradition and habit looks upon the requirements of that mode of production as self-evident laws' (Marx 1976: 899). Once fully developed, Marx argues, the very organisation of the capitalist system of production removes all resistance. 'The silent compulsion of economic relations sets the seal on the domination of the capitalist over the worker' (Marx 1976: 899). As Federici puts it, Marx assumed that 'the violence presiding over the earliest phases of capitalist expansion would recede with the maturing of capitalist relations, when the exploitation and disciplining of labour would be accomplished mostly through the workings of economic laws' (2004: 12). This is not to suggest that force disappears altogether, rather, as Marx puts it 'direct extra-economic force is still of course used, but only in exceptional cases' (Marx 1976: 899).

In the ordinary run of things, Marx argues, the dependence of the worker on capital for the necessities of life is enough to guarantee the functioning of capital accumulation (Marx 1976: 899). The system, once established, perpetually reproduces itself anew. As Marx puts it in the *Grundrisse* once the separation of the producers from the means of production and therefore the means of subsistence is given, 'the production process can only produce it anew, reproduce it and reproduce it on an expanded scale' (Marx 1973: 462). For Marx then, primitive accumulation is largely an historical process that sets in motion the continuous cycle of capital accumulation. For de Angelis, Marx's conception of primitive accumulation as the historical process that brought the capitalist mode of production into being forms the basis of one of the major traditional interpretations of the concept. 'In this conception, the adjective 'primitive' corresponds to a clear-cut temporal dimension (the past), which becomes the condition for a capitalist future' (De Angelis 2001: 1). Lenin also saw primitive accumulation as the historical premise to the cycle of capital accumulation. Like Marx,



Lenin held that the development of capitalism was rooted in the expropriation of the agricultural producer from the soil.

In *The Development of Capitalism in Russia* Lenin critiques populist economists who believed that the absence of a mature market in Russia would prevent the development of capitalism (Lenin 1956: 15; see also de Angelis 2001: 3). For Lenin the disintegration of the Russian peasantry into two classes, agricultural entrepreneurs and agricultural workers, established the preconditions necessary for capital accumulation (Lenin 1956: 47). As de Angelis puts it, 'Lenin argued that the disappearance of the peasants and their expropriation along with that of their communities, were the conditions for the creation of the capitalist market in Russia' (2001: 3). Lenin argued that although the rate of the disintegration of the Russian peasantry into two classes was difficult to accurately gauge, it was nevertheless slowly and inexorably taking place.

All the general data about the economy of our rural districts indicate an uninterrupted and rapidly increasing disintegration: on the one hand the "peasants" are abandoning and leasing land, the number of horseless peasants is growing, the "peasants" are fleeing to the towns, etc.; on the other hand, the "progressive trends in peasant farming" are also taking their course, the "peasants" are buying land, improving their farms, introducing iron ploughs, developing grass cultivation, dairy farming etc. We know which "peasants" are taking part in these two diametrically opposite sides of the process (Lenin 1956: 183-184).

For Lenin, then, primitive accumulation was a process that took place during the transition to the capitalist mode of production. As de Angelis notes, Lenin viewed this process as inevitable and ultimately positive, although he often drew attention to the contradictions of the process, contradictions plain to see in Russia's then burgeoning dairy industry. 'In the literature dealing with

the effect of dairy farming on the conditions of the peasantry, we constantly come up against contradictions: on the one hand reference is made to progress in farming, the enlargement of incomes, the enhancement of agricultural technique and the acquisition of improved implements; on the other hand we have statements about the deterioration of nourishment, the creation of new types of bondage and the ruin of the peasants' (Lenin 1956: 290).

Other writers have argued that primitive accumulation remains central to capitalism throughout its history. Federici, for example, argues that Marx was deeply mistaken in his assumption that the violence of the early phases of capitalist expansion would lessen with the maturing of the capitalist system (2004: 12). 'A return of the most violent aspects of primitive accumulation has accompanied every phase of capitalist globalization', continuous violence, enclosure and expropriation, war and plunder are 'necessary conditions for the existence of capitalism at all times' (Federici 2004: 12-13).

### **The persistence of primitive accumulation**

The idea of primitive accumulation as an ongoing, inherent feature of capital accumulation is explored in Hilferding's 1911 work *Finance Capital*. Hilferding saw European colonial expansion and the export of capital to undeveloped countries as the continuation of primitive accumulation. For Hilferding the export of capital allows the capitalist to increase profits. Interest rates, for example, are much higher in undeveloped capitalist countries which lack both credit and banking infrastructure and government regulation; entrepreneurial profits are also higher in undeveloped countries because of much cheaper labour costs. 'In addition, since ground rent is very low or purely nominal, owing to the large amount of free land resulting either from the bounty of nature or from the forcible expropriation of the native population, costs of production are low' (Hilferding 1981: 316).

Hilferding goes on to catalogue the benefits of exporting capital into new markets.

The opening up of new markets is an important factor in bringing an industrial depression to an end, in prolonging a period of prosperity and in moderating the effects of crises. The export of capital accelerates the opening up of foreign countries and promotes the maximum development of their productive forces. At the same time it increases domestic production which has to supply the commodities that are exported abroad as capital (Hilferding 1983: 318).

For Hilferding the export of capital thus becomes a powerful impetus to capitalist production and one that has a stabilising effect on capitalist countries at the core. Rapid increases in production also mean increased demand for labour power which is advantageous to trade unions, helping to overcome, in the advanced capitalist countries, the tendency toward pauperization that characterised earlier phases of capitalist development (ibid). This rapid rise of production, Hilferding continues, also 'inhibits a conscious awareness of the ills of capitalist society and generates an optimistic view of its viability' (ibid). For Hilferding the comparatively peaceful and prosperous conditions in advanced capitalist countries are only assured by violent acts of dispossession in the undeveloped capitalist countries. In chapters five and seven I will argue that the comparative peace and prosperity of New Zealand's so-called golden age, the middle decades of the twentieth century when New Zealanders enjoyed living standards among the highest in the world, was enabled by the dispossession of Nauruan phosphate, by the relentless strip mining of guano and rock phosphate without regard to the Nauruan population or to the local environment.

The major obstacle preventing a country being opened up, Hilferding argues, is the lack of sufficient 'free' labour. Only by the use of force can resolution be reached (Hilferding 1981: 318). 'As has always been the case, when capital first encounters conditions which contradict its need for

valorisation, and could only be overcome too slowly by purely economic means, it has recourse to the power of the state and uses it for forcible expropriation in order to create the required free wage proletariat' (Hilferding 1981: 319). The primitive accumulation Marx described in part 8 of volume one of *Capital* has to be repeated anew. The violent methods of primitive accumulation are the very essence of European colonial policy (Hilferding 1981: 319). Hilferding goes on to give an account of colonial primitive accumulation that squares closely with the experiences of New Zealand in the nineteenth century that we will explore in chapters three and four below.

The principal means of obtaining a free proletariat, Hilferding notes, is the expropriation of the native population, who are deprived of their land and therefore of the means of production and subsistence, of the very basis of their previous existence. The land is turned over to the conquerors. There is, Hilferding continues, an increasing tendency to give the land not to individual settlers but to large land owning companies. 'Here in accordance with the methods of primitive accumulation, there is an instant creation of capitalist wealth in the hands of a few capitalist magnates, while the small settlers are left with nothing' (1981: 319). As we will see in chapter three this is very much the pattern followed in the South Island of New Zealand in the 1830s and 1840s.

Hilferding goes on to give an account of the violent expropriation of land in the colonies entirely congruent with the experiences of North Island Māori in the 1860s and 1870s.

Expropriation itself is made possible initially by the resistance to the demands of the conquerors quite naturally provoked in the native population. The violent actions of the settlers themselves generate the conflicts which make necessary the intervention of the state which then assures that a thorough job is done of it. The quest of capital for unresisting objects of exploitation becomes the concern of the state, in the form of the

pacification of the area, for the attainment of which the entire nation, and in the first place the proletarian soldiers and taxpayers of the mother country, has to assume responsibility (Hilferding 1981: 319).

In chapter three we will see how settler interests in New Zealand provoked North Island Māori into rebellion and thus manufactured a reason for the state to intervene and punish the indigenous population by confiscating millions of acres of prime land in Waikato, Taranaki and the Eastern Bay of Plenty, land later crucial to the development of the dairy industry in this country.

In treating primitive accumulation as an on-going feature of capitalism Hilferding was followed by Luxemburg. For Luxemburg, Marx's contention that primitive accumulation establishes the preconditions for capital accumulation which, thereafter, proceeds as expanded reproduction in largely peaceful circumstances, only paints half of the picture. Capitalist accumulation, Luxemburg argues, as a whole, as an actual historical process, has two aspects (Luxemburg 1951: 452). One relates to the sphere of peaceful competition, to the commodity market and to the various spaces where surplus value is produced, the factories, the farms the mines and so on. Here accumulation is a purely economic process, a transaction between the capitalist and the wage-labourer. 'Here, in form at any rate peace, property, and equality prevail and the keen dialectics of scientific analysis were required to reveal how the right of ownership changes in the course of accumulation into appropriation of other people's property, how commodity exchange turns into exploitation and how equality becomes class rule' (ibid).

The other aspect of capital accumulation, Luxemburg continues, concerns the relations between capitalist and non-capitalist modes of production in various places around the world, and here the violence is much plainer to see. For Luxemburg, capitalist production requires trade with non-

capitalist social formations in order to provide stability and absorb growth. In order to realise surplus value, exchange relations between capitalist and non-capitalist social formations must be established (Luxemburg 1951: 452; see also De Angelis 2001: 3). As de Angelis puts it, 'this exchange relation clashes with the social relations of non-capitalist production. To overcome resistance to capital that arises from this clash, capital must resort to political and military violence' (De Angelis 2001: 3). The major mechanisms for accumulation of this kind are colonial policy, the international loan system and war. 'Force, fraud, oppression, looting are openly displayed without any attempt at concealment' (Luxemburg 1951: 452).

For Luxemburg these two aspects of the accumulation of capital, namely expanded reproduction and violent dispossession, are organically linked (Luxemburg 1951: 453; see also Harvey 2003: 138). Bourgeois liberal theory separates the realm of peaceful competition from the realm of capital's blustering violence but in reality, the historical career of capitalism can only be appreciated when these two aspects of capital accumulation are taken together (Luxemburg 1951: 453). Where Marx argues that capitalism comes into being 'dripping from head to toe, from every pore, with blood and dirt' (Marx 1976: 926), Luxemburg contends that the blood and dirt are ever present: 'sweating blood and filth with every pore from head to toe characterises not only the birth of capital but also its progress in the world at every step' (ibid).

Harvey argues that there is much to be taken from Luxemburg's formulation, not least of which is her idea that capitalism perpetually requires something 'outside of itself' in order to provide stability (2003: 140). Luxemburg's ideas of an organic relation between the peaceful realm of expanded reproduction on one hand and often violent acts of dispossession on the other is, Harvey contends, highly relevant and worthy of further exploration (2003: 141-142). De Angelis notes that Luxemburg

introduces the crucial idea that the extra economic prerequisite to capitalist production, that is primitive accumulation, is an inherent and continuous element of capitalist societies and its range of action extends to the entire world (De Angelis 2001: 3).

The idea of primitive accumulation as an inherent and continuous feature of capital accumulation surfaces again in the works of underdevelopment scholars such as Amin and Wallerstein. Amin argues that primitive accumulation allows for transfers of value in the world economy.

Whenever the capitalist mode of production enters into relations with pre-capitalist modes of production and subjects these to itself, transfers of value take place from the pre-capitalist to the capitalist formations as a result of the mechanisms of *primitive accumulation*. These mechanisms do not belong only to the pre-history of capitalism; they are contemporary as well. It is these forms of primitive accumulation, modified but persistent, to the advantage of the centre, that form the domain of the theory of accumulation on a world scale (Amin 1974: 3 emphasis in original).

For Amin then, the mechanisms of primitive accumulation remain a persistent feature of relations between centre and periphery. 'Parallel with the mechanism of accumulation characteristic of the capitalist mode of production, namely, expanded reproduction, a mechanism of primitive accumulation continues to operate and to be characteristic of relations between the centre and the periphery of the world capitalist system' (Amin 1974: 38).

Another example in this broad tradition can be found in Wallerstein's world-systems approach (Wallerstein 1979; see also de Angelis 2001: 5; Glassman 2006: 612). Wallerstein draws on Luxemburg's idea of capital requiring something outside of itself in to which to expand. Wallerstein argues that Luxemburg 'puts her finger' on that which was missed by Marx (1979: 8). Wallerstein's

insistence on the existence of a single capitalist world-system would, at first glance, appear to contradict Luxemburg's notion of capitalism depending on non-capitalist social formations.

Within this capitalist world-system however, Wallerstein finds non-capitalist space into which capitalism can grow, but it is a finite space.

Many have argued that the *typical* features of capitalism are the total availability of all labor and land as commodities, the orientation of all productive activity to the creation and appropriation of surplus value. But at no point have these *typical* features in fact been *exclusive* features (Wallerstein 1979: 149 emphasis in original).

Moreover Wallerstein argues that without this non-capitalist space into which to expand the capitalist world-system faces its demise. 'As the capitalist world economy approaches the asymptote of the total extension of the market principle, so it accentuates the social, economic and above all political contradictions of the system' (ibid). The exploitative nature of the system is rendered completely visible which thus provides the social basis for the supercession of capitalism (ibid). Wallerstein notes that the supercession of capitalism is not an automatic process but one requiring the agency of the oppressed. 'The point, however, is that the processes of capitalism themselves undermine the political strength of the system' (ibid). For Wallerstein the transition from capitalist world-system to socialist world government was underway, driven in part by the potential exhaustion of the limits of structural expansion which is required to maintain the economic viability of the capitalist system (1979: 164). In the three and a half decades that have followed capital has responded to these conditions with new and creative forms of primitive accumulation, new enclosures, new forms of predation, thievery and fraud, the widespread degradation of the global environmental commons, fresh blood and dirt.



In all of the literature detailed so far which treats primitive accumulation as an on-going, inherent feature of capitalism, theorists from Luxemburg to Wallerstein, treat primitive accumulation as something that happens in the periphery, in those spaces yet to reach capitalist maturity. More recent scholarship on primitive accumulation has sought to shed light on processes of dispossession that are no longer only confined to the peripheral spaces of capitalism but that are also occurring in the centre, in the advanced capitalist countries of the so-called Global North (Glassman 2006: 608).

### **New enclosures**

An early and important contribution to the theory of primitive accumulation as a persistent feature of even advanced capitalist nations was *The New Enclosures* by the Midnight Notes Collective published originally in 1990. In it, the authors argue that the previous decade, the 1980s, witnessed 'the largest Enclosure of the worldly Common in history' (Midnight Notes Collective 1990: 1). These enclosures were not the starting point of capitalist society, 'not a one-time process exhausted at the dawn of capitalism', but rather 'a structural component of class struggle' and a 'regular return on the path of accumulation' (ibid). Enclosure is the one process that unites proletarians across the history of capitalism. 'For despite our differences we have all entered capitalism through the same door: the loss of our land and the rights attached to it' (Midnight Notes Collective 1990: 1). This was true during the transition to capitalism in Britain that Marx detailed and that we explored above and it was equally true in 1990 when *The New Enclosures* was published, at which time the authors contend, 'on every continent millions are being uprooted from their land, their jobs, their homes through wars, famines, plagues and the IMF ordered devaluations (the four knights of the modern apocalypse) and scattered to the corners of the globe' (ibid).

These new enclosures, this new primitive accumulation was destroying the lives of millions in peripheral countries such as Nigeria and the Philippines, as well as in former communist countries such as China and the Soviet Union but equally the processes of primitive accumulation were reaching into the heartlands of capitalism.

In the United States, millions are homeless and on the move. The immediate reasons for this are highly publicised: the farm crisis, the steep rise of rental and mortgage payments relative to wages, warehousing of apartments and gentrification, the collapse of the social safety net, union busting. Behind these reasons, however is a fact: the decline, since 1973, of real wages for the mass of workers. The post-WWII inter-class deal that guaranteed real wage increases is now definitively over and the homeless are the shock(ed) troops of this fact. But even those whose wages have escaped the deal's collapse complain about the concomitant loss of the natural Commons due to a series of Big Catastrophes from the vanishing ozone layer to burnt-out rain forests (Midnight Notes Collective 1990: 1-2).

Furthermore these authors contend that the processes of primitive accumulation that were driving social and environmental devastation in the U.S. and other advanced capitalist nations were part of the same single unified process operating across the globe in differing, divisive ways while being totally interdependent (Midnight Notes Collective 1990: 2). 'Under the logic of capitalist accumulation in this period, for every factory in a free-trade zone in China privatized and sold to a New York Commercial Bank, or for every acre enclosed by a World Bank development project in Africa or Asia, a corresponding enclosure must occur in the US or Western Europe' (ibid). The expropriation of, for example, communal land in Nigeria or social housing in China is matched by an expropriation in the U.S., the end of a well-paid manufacturing job in Youngstown, Ohio or the destruction of a working-class community in Jay, Maine (ibid). Each contraction of communal rights

in the periphery or of 'socialist rights' in China or the Soviet Union is matched by a contraction of cherished 'social rights' in the centre (ibid).

In the post-WWII era, capital had offered the international proletariat various slogans, various deals and settlements from 'collective bargaining' and 'racial integration' in the U.S. to the family 'social wage' in the Soviet Union and 'colonial emancipation' in the so-called Global South. Through a myriad of struggles between 1965 and 1975 proletarian movements the world over had placed demands on capital that transcended its historical possibilities (Midnight Notes Collective 1990: 3). 'Consequently all deals were off and capital went on the attack everywhere' (ibid). By the end of the 1980s, the Collective continues, Capital had prevailed and these various social contracts were all but nullified. New enclosures, a return to the most violent acts of primitive accumulation, are the mechanism through which these various inalienable rights have so quickly been alienated.

The Midnight Notes Collective go on to detail the methods through which these new enclosures, this contemporary bout of primitive accumulation have operated, finding, first and foremost that the new enclosures operate in exactly the same way as did the old enclosures, 'by ending communal control of the means of subsistence' (Midnight Notes Collective 1990: 3). Among the world's poor, few now are those that can provide for themselves from their own work on their own land. The peasant of the Global South is far more likely today to exist on remittances sent from an émigré relative, or by growing poppies or coca leaves for export, or through prostitution, or by migrating to the cities nearby to eke out whatever meagre existence awaits in the growing slums of the world (Midnight Notes Collective 1990: 4).

Another major mechanism of contemporary enclosure, and one again that echoes the primitive accumulation with which Marx was familiar, is the seizure of land through debt. 'Just as the Tudor Court sold off huge tracts of monastery land and communal land so too modern African and Asian governments agree to capitalize and 'rationalize' agricultural land in order to satisfy IMF auditors who will only forgive foreign loans under those conditions' (Midnight Notes Collective 1990: 4). The end result, now as then, is the same: the loss of any means of subsistence independent of capital. The new enclosures also make migrant and mobile labour the predominant form of labour. 'Capital keeps us constantly on the move, separating us from our countries, farms, gardens, homes, workplaces because this guarantees cheap wages, communal disorganization, and maximum vulnerability in front of law courts and police' (ibid).

For the authors of *The New Enclosures* a final aspect of the new era of primitive accumulation concerns the environment. It is an important dimension in contemporary primitive accumulation and one to which we will return. 'The highly advertised disappearance of the rain forest, the much commented on hole in the ozone layer, the widely lamented pollution of air, sea and beach along with the obvious shrinking of our living spaces are all a part of the destruction of the earthly commons' (Midnight notes Collective 1990: 4). Processes of enclosure were also capturing previously unowned or communally owned aspects of the natural world into the cycle of capital accumulation. 'Even the high seas have been enclosed in the 1980s with the dramatic extension of the traditional territorial limits' (ibid).

Another recent example in this interpretive tradition that treats primitive accumulation as a persistent feature of capitalism can be found in the work of Dalla Costa. Dalla Costa too argues that primitive accumulation of the sort that Marx described continues to plague humanity on a global

scale (Dalla Costa 1996: 112). Like the Midnight Notes Collective, Dalla Costa sees a link between the processes of primitive accumulation in developing countries and those being pursued in the advanced capitalist nations of the world (Dalla Costa 1996: 113). For Dalla Costa, capitalist development has always been unsustainable because of its human cost (1996: 116): 'a presupposition of capitalism's birth was the sacrifice of a large part of humanity, mass exterminations, the production of hunger and misery, slavery, violence and terror. Its continuation requires the same presuppositions' (ibid).

Dalla Costa also points to the environmental implications of contemporary primitive accumulation. For Dalla Costa the expropriation of non-human nature belongs to the same singular process that has had such a devastating impact on humanity. 'Environmental destruction is united with the destruction wreaked on an increasingly large proportion of humanity' (Dalla Costa 1996: 118).

In 2001 the September issue of the UK based web journal *The Commoner* collected together articles that dealt with the issue of 'enclosures' and with the idea of primitive accumulation as an inherent and ongoing feature of capital accumulation. The issue opened with an article by Michael Perelman 'The Secret History of Primitive Accumulation and Classical Political Economy' taken from his book *The Invention of Capitalism* (2000). In it, Perelman argues that alongside their work on pure economic theory, classical political economists such as Adam Smith and David Ricardo engaged in a parallel project that promoted the forcible reconstruction of society along market lines (Perelman 2001: 1). The classical political economists actively advocated the brutal expropriation of any alternative means of production or subsistence from the majority of the people. 'They strongly advocated policies that furthered the process of primitive accumulation' (Perelman 2001: 2).

For Perelman, classical political economy paid only scant attention to primitive accumulation, and little regard to the great conflicts between capital and labor and between capital and pre-capitalist relations in the countryside (2001: 5). Smith, Ricardo and others deliberately obscured the role of primitive accumulation in establishing the pre-conditions for capital accumulation. 'Consequently the struggle against the self-provisioning of rural people cast only a light shadow across the pages of classical political economy, a shadow of an all but forgotten way of life, now obliterated by the process of primitive accumulation. This process has largely gone unnoticed among modern readers of classical political economy, in large part because the classical political economists attempted to prevent their readers from catching a glimpse of this process' (Perelman 2001: 6). Perelman concludes by noting that now, two centuries after the primitive accumulation of which Marx wrote, a new generation of economists 'gloss over the dark side of capitalism, ignoring the requisite subordination while celebrating the freedom to dispose of one's property' (2001: 17).

Also in the 2001 edition of *The Commoner* was the article on the continuous character of enclosure by de Angelis cited above. In *Theories of Surplus Value* Marx argues that 'once capital exists, the capitalist mode of production itself evolves in such a way that it maintains and reproduces itself on a constantly increased scale until the historical reversal takes place' (Marx 1971: 271-272). For de Angelis this 'historical reversal' is an obstacle of one sort or another to continuous accumulation, and primitive accumulation emerges anew at this point to help capital circumvent whatever obstacle it finds in its way. 'To the extent that class conflict creates bottlenecks to the accumulation process in the direction of reducing the distance of producers from the means of production, any strategy used to recuperate or reverse this movement of association is entitled with the categorisation – consistently with Marx's theory and definition – of primitive accumulation' (de Angelis 2001: 15). When labour accepts capital's requirements as natural laws then primitive accumulation is not required. When class struggles represent a rupture of that acceptance, a refusal of subordination to

the ordinary run of things, two things happen. 'First the ideological use of political economy to legitimise the "ordinary run of things", and then 'extra-economic means to *re-impose* the "ordinary run of things" (de Angelis 2001: 16 emphasis in original). For de Angelis then, primitive accumulation re-surfaces whenever it is needed to restore the conditions necessary for capital accumulation. I will return to de Angelis's arguments below.

David Harvey's *The New Imperialism* was published in 2003. In it, Harvey offers a 'general re-evaluation of the continuous role and persistence of the predatory practices of 'primitive' or 'original' accumulation' (2003: 144). For Harvey, it seems peculiar to continue to refer to an ongoing process as 'primitive or 'original' accumulation and he offers instead the concept of 'accumulation by dispossession' (ibid; Harvey 2010: 310). As he defines it elsewhere, accumulation by dispossession refers to 'the continuation and proliferation of practices that Marx had treated of as primitive or original during the rise of capitalism' (Harvey 2005: 159). For Harvey accumulation by dispossession involves a number processes.

These include the commodification and privatisation of land and the forceful expulsion of peasant populations; the conversion of various forms of property rights (common, collective, state etc.) into exclusive private property rights; the suppression of rights to the commons; the commodification of labour power and the suppression of alternative(indigenous) forms of production and consumption; colonial, neo-colonial and imperial processes of appropriation of assets (including natural resources); the monetization of exchange and taxation, particularly of land; the slave trade; and usury, the national debt and ultimately the credit system as radical means of primitive accumulation (Harvey 2003: 145; see also 2005: 159).

The State, Harvey continues, plays the vital role in supporting and developing these processes through its monopoly on violence and its ability to define legality (Harvey 2003: 145; 2005: 159). All these features of primitive accumulation that Marx described have remained present until now. Harvey points to displacement of peasant populations and the creation of a landless proletariat in, for example, China and Mexico in recent decades; the privatisation of formerly communally held resources; the privatization of previously nationalised industries; the decline of family farming and the growth of agri-business; and the continuation of the slave trade, particularly in the sex industry (Harvey 2003: 145-146; 2005: 159-160). To this list Harvey adds a number of wholly new techniques for accumulation by dispossession such as the extraction of rents from patents and intellectual property rights (2005: 159-160); the pillaging of the genetic resources of the planet by a small number of big pharmaceutical and biotech companies; the corporatisation and privatisation of public assets (such as universities); and the privatisation of water and other public utilities in countries across the world, from Bolivia to Britain (Harvey 2003: 147-148).

Harvey also notes the environmental ramifications of accumulation by dispossession. 'The escalating depletion of the global environmental commons (land, air, water) and proliferating habitat degradations that preclude anything but capital intensive agricultural production have likewise resulted from the commodification of nature in all its forms' (Harvey 2003: 148). Harvey also points to a reversion of common property rights won through years of hard class struggle, the right, for example to a state pension, welfare, free education and healthcare (2003: 148; 2005: 160). The rolling back of regulation protecting labour and the environment has also dispossessed people of rights (Harvey 2003: 148). Critics of Harvey such as Hall (2012) and Webber (2008) argue that accumulation by dispossession describes processes quite removed from those outlined by Marx, it is a point I will return to below.



For Harvey in the post-1973 era of neoliberal orthodoxy, accumulation by dispossession moved to the fore as a strategy of accumulation (2003: 172). In the 1950s and 1960s accumulation by dispossession was a strategy in the periphery, particularly through colonialism, imperialism and the predatory raiding of natural resources but in the core regions of capitalism, particularly those with strong social democratic state apparatuses, accumulation by dispossession was not prevalent. In chapters six and seven I will argue that primitive accumulation receded in New Zealand during the post-war era as successive governments sought to shield New Zealand from the vagaries of the market. 'Neoliberalization, after the mid-1970s has changed all that' (Harvey 2010: 310). Accumulation by dispossession has, Harvey argues, become increasingly internalized within the heartlands of capitalism at the same time as it has widened and deepened through the global system. Accumulation by dispossession is not the prehistory of capitalism but rather, 'it is ongoing and in recent times has been revived as an increasingly significant element in the way global capitalism is working to consolidate class power' (ibid).

Hardt and Negri too, treat primitive accumulation as an inherent feature of capitalism and one that has become increasingly prevalent in the neoliberal era. The relationship between capitalist production and primitive accumulation involves:

[A] constant back-and-forth movement in which primitive accumulation reappears and coexists with capitalist production. And insofar as today's neoliberal economy increasingly favours accumulation through expropriation of the common, the concept of primitive accumulation becomes an even more critical tool (Hardt and Negri 2009: 138).

Hardt and Negri see a renewed prominence of the kind of expropriation associated with the 'scramble for Africa' in the late nineteenth century when European nation states carved Africa up among themselves in their lust for gold and ivory (Hardt and Negri 2009: 230). Hardt and Negri note

the increased prevalence today, in areas all over the globe, of the kind of extraction that Harvey calls accumulation by dispossession, 'a form of appropriation that involves not primarily the generation of wealth but rather taking possession of existing wealth, usually from the poor or the public sector, by legal or illegal means and most of the time in situations where the limits to legality are unclear (Hardt and Negri 2009: 231).

### **Destruction as dispossession: Primitive accumulation and the environment**

A number of authors have drawn on Harvey's conception of accumulation by dispossession to account for the contemporary enclosure of natural resources hitherto held in common, that they see as a feature of neoliberalism (see for example Bakker 2007; 2007a; Bridge 2007; Castree 2008; 2008a; Mansfield 2004; 2004a). McCarthy and Prudham for example argue that contemporary neoliberalism, just like classical liberalism, relies on a strategy of redefining social relations to nature. These authors find parallels in and influences on neoliberalism in the enclosure of the commons that Marx described. 'Such reconfigurations of property relationships amounted to "freeing up" nature, i.e. detaching it from complex social constraints and placing it under the auspices of the self-regulating market, whilst jump starting capitalism through primitive accumulation, or what Harvey calls accumulation by dispossession' (McCarthy and Prudham 2004: 277).

Heynen and Robbins too note that contemporary neoliberalism is 'but the most recent embodiment of a well-established cycle of movement and reconfiguration, investment and production, and scouring, destruction and abandonment' (2005: 5). For Heynen and Robbins recent decades have been marked by a disturbing shift in the way in which the non-human natural world has been conceived, controlled, distributed, managed and produced. 'Revolutions in law, policy and markets are accelerating the ongoing commodification of natural things, laying bare the structurally driven,

environmentally destructive tendencies of capitalism' (2005: 6). Common property resources which have long resisted enclosure have been swallowed up in recent decades, and the communities to which they are linked have been excluded from them (ibid).

Erik Swyngedouw has applied Harvey's concept of accumulation by dispossession to the contested terrain of water privatization and de-collectivization (Swyngedouw 2005). Like Harvey, Swyngedouw notes that primitive accumulation or accumulation by dispossession has become a key accumulation tactic in recent decades. For Swyngedouw the official language of accumulation by dispossession is privatization:

As the term suggests privatization is a process through which activities, resources and the like, which had not been formally owned, managed or organized are taken away from whoever or whatever owned them before and transferred to a new property configuration that is based on some form of private ownership or control. Privatization, therefore, is nothing else than a legally and institutionally condoned, if not encouraged, form of theft (Swyngedouw 2005: 82).

For Swyngedouw such processes of accumulation are necessarily embedded within an ideological and discursive framework that renders such acts of theft as both legitimate and indeed desirable. With regard to the privatization of water the strategy deployed stresses state failure in the delivery of services on the one hand and preaches a version of market utopianism on the other (Swyngedouw 2005: 82-83).

And indeed similar lines of argument have been deployed in New Zealand in recent years to legitimate the capture and enclosure of freshwater resources for irrigation in Canterbury and beyond and so facilitate the further expansion and intensification of dairying operations into low-

rainfall areas not typically associated with profitable dairy farming. Chapter ten below discusses the fifth National government's efforts to remove regulatory obstacles to water storage and irrigation and thus free up freshwater resources for 'productive use'. The enclosure of previously unowned freshwater commons in Canterbury and Hawke's Bay for the private gain of those with a stake in the dairy industry is an explicit, contemporary example of primitive accumulation, the latest manifestation of a process that has been deployed to enable the growth and expansion of the New Zealand dairy industry throughout its history.

### **Debates and tensions within the literature on primitive accumulation**

This contemporary literature on primitive accumulation is not free of debate; rather the concept is employed differently by different theorists and in relation to an array of differing processes. Hall (2012) has catalogued many of the theoretical tensions within the resurgent literature on primitive accumulation in his study of agriculture in rural Southeast Asia and Webber (2008; 2008a) has highlighted contemporary debates about primitive accumulation in his work on social change in rural China. Hall begins by noting an array of processes involved in the spread of market relations that are used as synonyms for primitive accumulation including enclosure, commodification, accumulation by dispossession and neoliberalisation (2012: 1190). For Hall, the use of these concepts as synonyms for primitive accumulation is problematic, 'conflating commodification, enclosure, market expansion and primitive accumulation hides capitalism's specificity' (Hall 2012: 1191).

Hall identifies five distinct and influential conceptions of the relationship between primitive accumulation and capitalism used in the literature. The first that Hall refers to as the 'classical' conception, views capitalism as existing when direct producers are separated from the means of production and are forced to sell themselves as labour and when the means of production are held

by capitalists as private property (2012: 1191). In this conception, used by Hall and Webber, primitive accumulation involves the creation and reproduction of capitalist social relations and therefore focusses on the separation of people from the means of production (Hall 2012: 1191-1192; Webber 2008a: 401).

A second conception Hall identifies is that developed by Wood. Wood extends the 'classical' approach by including so-called market dependent social relations as central to capitalism (2012: 1192). Wood argues that market dependence extends beyond capitalists and 'free' and propertyless proletarians and includes land owning agricultural producers under certain circumstances (ibid). As Wood puts it, agricultural producers 'could be deprived of the means of their own self reproduction even while remaining in possession of the means of production...such a condition subjected them to the demands of the market...their access to the means of subsistence becomes dependent on the market' (Wood 2002:60). For Wood then, primitive accumulation involves more than the expropriation of the agricultural producer from the soil, it involves the imposition of market imperatives. As Hall puts it, Wood's definition of capitalism and primitive accumulation correspond: 'capitalism means market dependence and primitive accumulation creates it' (2012: 1192).

Hall finds a third conception in the work of de Angelis. De Angelis understands capital 'not as a totalised *system*, but as a *force* with totalising drives' (de Angelis 2004: 60 emphasis in original). Capital has an 'immanent drive' to expand and colonise the entire life-world through the processes of commodification and enclosure (de Angelis 2004: 61; Hall 2012: 1192-1193). De Angelis sees primitive accumulation as '*the forcible separation of people from whatever access to social wealth they have which is not mediated by competitive markets and money as capital*' (2004:75 emphasis in original; see also Hall 2012: 1193). De Angelis's use of primitive accumulation shares much with

Marx's description of accumulation as 'the conquest of the world of social wealth. It is the extension of the area of exploited human material and, at the same time, the extension of the indirect and direct sway of the capitalist' (Marx 1976: 739-740).

The fourth conception identified by Hall is associated with the work of James McCarthy as well as that of Sylvia Federici and Adrienne Roberts. Here primitive accumulation incorporates more than just the creation of capitalist social relations, it extends also to the creation of the conditions that allow those relations to exist. McCarthy argues that multilateral trade agreements such as the North American Free Trade Agreement (NAFTA) involve the primitive accumulation of the conditions of production as an accumulation strategy (McCarthy 2004: 327). Conditions of production are the 'requirements of capitalist production that capitalists cannot make for themselves (or for each other) as commodities' (Hall 2012: 1193; McCarthy 2004). McCarthy focusses on the environmental conditions of production and argues that NAFTA and other like agreements allow for the continuation of two fundamental dynamics in the relationship between capital and nature: 'enclosure on the one hand, and the environmental degradation that results from the subordination of nature to the market on the other' (McCarthy 2004: 334). Hall finds similarities between McCarthy's arguments and those of Federici and Roberts who both 'extend primitive accumulation to incorporate gendered and racialized transformations that, while not part of the capitalist relation per se, supported and continue to support the reproduction of the capitalist-wage labour relation and the accumulation of capital' (Hall 2012: 1193).

The final conception Hall identifies is David Harvey's accumulation by dispossession. For Hall, Harvey's concept has been widely accepted as a more appropriate name for the processes Marx identified as primitive accumulation, despite it being poorly defined in Harvey's work (2012: 1193).

Hall argues that Harvey's conception, which 'seems to refer to the ways in which accumulation can take place through "predation, fraud and violence" and through the state, privatization and the financial system' is not used to explain the formation of capitalist social relations (Hall 2012: 1193-1194). While accumulation by dispossession does indeed overlap with other approaches to primitive accumulation, it is used to explain how crises of over accumulation are resolved under neoliberalism rather than where capitalist social relations come from and how they are reproduced (Hall 2012: 1194). Certainly, Hall contends, a number of Harvey's examples of accumulation by dispossession including stock market crashes, corporate mergers and acquisitions and house flipping, are difficult to conceptualise as creating capitalist social relations (2012: 1194). Michael Webber has also drawn attention to the differences between accumulation by dispossession and Marx's primitive accumulation. Webber argues that where Marx uses primitive accumulation to account for the separation of producers from the means of production, Harvey uses accumulation by dispossession more generally to include the erosion of state pensions, paid vacations, education and health care. All of which, Webber contends, are modifications of the terms of capital labour relations rather than changes in access to the means of production (Webber 2008: 401).

Primitive accumulation, as it is deployed in this thesis, overlaps with a number of the conceptions identified by Hall including that found in the work of de Angelis, McCarthy, Federici and Harvey. The so-called 'classical conception' of primitive accumulation understood as the separation of people from their productive assets as it is used by Hall (2012) and Webber (2008; 2008a) is also important. As we will see in the chapters that follow the initial growth and development of the New Zealand dairy industry in the nineteenth century was made possible only through the dispossession of Māori land. Settlers were, however, less interested in Māori as proletarians than they were in Māori land. The mechanisms of primitive accumulation described in this thesis relate primarily to the forcible usurpation of communal property and the conversion of that property into commercial

commodities. This is consistent with Marx's definition of primitive accumulation which includes not only the creation of free and rightless proletarians but also the incorporation of the soil into capital (Marx 1976). As Marx puts it 'the fraudulent alienation of the state domains, the theft of the common lands, the usurpation of feudal and clan property and its transformation into modern private property under circumstances of ruthless terrorism, all these things were just so many idyllic methods of primitive accumulation' (1976: 895).

Hall goes on to discuss the various agents and opponents of primitive accumulation, beginning with what he sees as being the two key questions to be addressed in any analysis of the concept, namely 'who carries it out and why'? Hall finds most answers to these questions in the current literature to be somewhat abstract and argues that de Angelis's work 'stands out' in this regard. 'While he [de Angelis] makes occasional reference to the role of "the state, particular social classes, etc." in primitive accumulation, the enclosing actor is usually capital (understood as an anthropomorphized and depersonalized social relation) itself' (Hall 2012: 1196). Hall notes that much of the contemporary literature on primitive accumulation joins de Angelis in 'ascribing agency to capital itself' or it contends that the state plays the lead role in dispossession of this type (ibid). Hall finds a notable exception to this in the work of Michael Webber who argues that, in contemporary China at least, many peasants themselves choose to leave the land and enter the labour market (2008; 2008a; Hall 2012: 1196). I will return to Webber's arguments in the paragraphs that follow.

With regard to the acts of dispossession that have underpinned the development of a profitable dairy sector in New Zealand, the state has long played a leading role. As we will see in chapter three, while the initial alienation of Māori from their lands was carried out by a small number of rapacious individuals, the settler state soon took control of the process. When Māori opposed the



dispossession of their lands the state wasted no time in adopting more robust mechanisms of dispossession. War, confiscation, the Native Land Court and state-led land purchasing all played a part in the separation of Māori from their lands. The repressive forces of the state were mobilised again in 1913 when waterside workers' industrial action threatened to disrupt exports and butter and cheese from New Zealand's ports. It was the state too, in concert with Australia and Britain and supported by the League of Nations and later the United Nations that paved the way for the dispossession of Nauruan phosphate. In more recent times, and as is detailed in chapter ten, the state has also played a decisive role in the dispossession of New Zealand's freshwater resources through support for large-scale irrigation schemes and the forced removal of democratically elected councillors tasked with environmental protection.

Hall then turns to another important issue in the contemporary literature on primitive accumulation, the debate as to whether primitive accumulation always involves force and coercion or whether it can also take place via the mechanisms of the market (Hall 2012: 1198). Certainly Marx's account of the genesis of capitalism in Britain stressed the centrality of 'conquest, enslavement, robbery, murder' and 'force' (1976: 874). For Hall, 'the question is whether capital *always* has such origins' (2012: 1198 emphasis in original). Hall finds two poles in this debate represented in the works of de Angelis and Webber (2012: 1199; see also Webber 2008: 309). For de Angelis primitive accumulation involves the use of 'direct extra economic force' to impose and re-impose the 'ordinary run of things', that is, the absolute dependence of the working class on capital (de Angelis 2001: 15-16). De Angelis draws on Marx to argue that any attempt by workers to protect themselves from the 'ordinary run of things', to 'obviate or weaken the ruinous effect of this natural law of capitalist production' on their class is met with the use of 'forcible means' (Marx 1976: 793-794; see also de Angelis 2001: 16). Hall argues that de Angelis gives the impression that primitive accumulation always involves force and coercion (2012: 1199). Similarly for Webber, de Angelis claims that 'the

defining characteristic of primitive accumulation is that it occurs other than through the market, principally involving force' (2008: 309).

Against this, Webber argues that, in contemporary China at least, market processes play a leading role in separating rural people from the means of production (2008; 2008a; see also Hall 2012: 1199). '[A]s the recent history of China confirms, dispossession, outside the market *is* involved. But the market has been implicated too' (Webber 2008: 309 emphasis in original). Webber argues that many peasants in rural China have chosen to leave the land; they have chosen to migrate to urban centres for paid work in factories (ibid). Indeed, Webber argues that in terms of sheer numbers the market mechanism, through migration, has been more important than dispossession in separating rural people from their means of production (2008: 307). As he puts it elsewhere, 'the principal institution through which people in rural China are being relieved of their productive assets is the market. Not all, but most of the people who enter the market for labor power are doing so voluntarily: the compulsion is less that of power than of poverty or inequality' (2008a: 396). Webber argues that large numbers of former peasants have migrated to China's cities in search of new opportunities and a better life. 'The allegiance of these people to wage labour is purchased through the market rather than compelled through dispossession' (2008: 307; 2008a 405). As Hall notes, Webber gives the sense 'that leaving the land might be a genuine and positive choice', albeit one driven by the gap between rural and urban incomes (2012: 1199).

In rural China, Webber argues, Primitive accumulation is 'driven by local conditions' and not 'by the overarching concerns of capital in general' (2008a: 396). 'Primitive accumulation in China', Webber concludes, 'does not have one motive, does not simply reflect class interests, is not a particular case

of a global capitalist project; it is instead complex, particular and localised – a mix of dispossession for economic reasons, dispossession for other reasons, and market led processes’ (2008:315).

Fred Magdoff too notes that the separation of people from the land is accomplished through a variety of means, both forceful and otherwise.

Dispossession of people from the land over the last three centuries has formed an important pathway for the accumulation of capital... There have been many variations of means used, including both force...and swindling by using a variety of laws and agreements or outright chicanery... Sometimes the two are used together. And at other times, farmers and peasants lose their land as a result of capitalistic social relations – usually through not being able to compete in a cutthroat market place, or to afford the rents that the larger capitalised farmers can pay (Magdoff 2013: para.4).

And indeed the dispossession that has played so central a role in creating and recreating the conditions necessary to profitable dairying in New Zealand has varied widely and has included the direct force of repressive state violence, the indirect, but no less effective force of legislation as well as more subtle means, such as through market processes. Dispossession has also been accomplished through a combination of these means.

Primitive accumulation is then, an ongoing, inherent feature of capitalism and one that has become an increasingly prevalent strategy of accumulation in recent decades. In the chapters that follow I will show that mechanisms of primitive accumulation have played a crucial, on-going role in establishing and re-establishing the conditions necessary for profitable dairy farming in New Zealand from its beginnings in 1814 until the present day. This story begins with the violent dispossession of

Māori land in the nineteenth century and is written in letters of blood and fire entirely consistent with Marx's theory of primitive accumulation.

## Chapter 3: Original Sin (1814-1880s)

### Introduction

Pastoral agriculture has been central to New Zealand's capitalist economy since the middle decades of the nineteenth century. European settlers arriving in New Zealand at that time found that wool, meat and dairy could be produced in New Zealand with precious few resources (Steven 1989: 26). The promise of profitable farming was a powerful motivating force behind the rapid increase in the European population of New Zealand during the mid-nineteenth century. Pastoral farming, however, requires one key resource, land, and much of the land in nineteenth century New Zealand remained in Māori hands. This chapter is concerned with the establishment of the pre-conditions necessary for profitable pastoral agriculture and dairy farming in particular in nineteenth century New Zealand. It begins in 1814 with the arrival of the first dairy cattle and ends in the 1880s by which time many millions of acres of land had passed out of Māori hands. The earliest phase in the development of the New Zealand dairy industry is chronicled in the section titled *The first dairy cattle* (pp 59-61). The central theme of chapter three is the systematic dispossession of Māori land, the process through which communal Māori land was captured and enclosed and brought into the cycle of capital accumulation.

This process began with large-scale settler land-grabbing in the South Island through which millions of acres of communally owned Māori land were swallowed up into vast estates by a small number of settlers. This process is detailed in the section titled *Profits and Pasture: The settler land economy* (pp 61-70). It is a process similar to that described by Marx in part 8 of *Capital* volume 1 through which those who produce and survive from the land are 'suddenly and forcibly torn from their means of subsistence' (1976: 876). This pattern of land-grabbing was not repeated in the North Island where Māori were far better placed to oppose settler hunger for land; a much greater use of

force was required to separate North Island Māori from their means of subsistence. The section titled *War and Peace: The dispossession of Māori land* (pp 70-79) examines the role of war, confiscation and the Native Land Court in alienating North Island Māori from their lands. Chapter three ends in the 1880s with abundant land in the hands of settlers and the prospects for pastoral farming and dairying in particular beginning to look bright, two sections titled *From the ashes of War: An industry emerges* (pp 79-84) and *The Chinese Connection: Chew Chong and the Taranaki dairy industry* (pp 84-86) detail the rapid development of the dairy industry in the North Island in the 1880s on lands recently expropriated from Māori. Together this chapter argues that the initial development of the New Zealand dairy industry was predicated on the primitive accumulation of Māori land.

### **The first dairy cattle**

On the last of his three voyages to New Zealand, Captain James Cook brought with him goats and pigs as well as a young bull and two heifers. Cook gifted breeding pairs of both goats and pigs to different Māori chiefs and intended to leave the cattle also, provided he could find a chief powerful enough to protect them or a place where they might be safely concealed (Clark 1949: 180; Philpott 1937: 13; Ward 1975: 1). Unable to satisfy either condition, Cook took the cattle away with him, eventually presenting the bull and at least one of the heifers to the king of Tonga (Philpott 1975: 13; Ward 1975: 1). As Ward puts it, the birth of the dairy industry in New Zealand was postponed until the early nineteenth century when Reverend Samuel Marsden ‘fulfilled Cook’s intentions and landed a bull and two heifers at Kororareka’ (1975: 2).

As mentioned in the introduction, Marsden arranged for the first dairy cattle to be sent to New Zealand in 1814. In the years that followed Marsden continued to send small consignments of cattle

to his mission station at Rangihoua. It was his hope that by developing agriculture a greater degree of self-sufficiency could be achieved on the mission station (Warr 1988: 1). As Marsden himself put it, 'my wish was that the missionaries in time should be supplied with milk, butter, cheese and animal food, which would in great measure render them independent of the natives for support' (Marsden in Philpott 1937: 14). Marsden, who is remembered in Australia for his cruelty and materialism (Yarwood 1967), intended that European agricultural practices developed on the mission stations be introduced in due course to local Māori (Warr 1988: 1). Initially however, Marsden struggled to convince even the missionary settlers of the importance of cattle: 'On one occasion he found that a missionary had shot three of his heifers and two bulls, and also one calf' (Philpott 1937: 14; see also Ward 1975: 2). On other occasions the missionaries were less than enthusiastic in their efforts at mating the stock, thus checking any increase in herd numbers (Philpott 1937: 14). As Warr notes, Marsden often 'chided' and 'admonished' the missionaries for insufficient efforts in agriculture (1988: 1). Despite these and other setbacks, by 1821 Marsden had 23-25 head of cattle grazing on the missionary grounds. By 1823, 50 head were recorded, increasing to 95 by 1829 (Philpott 1937: 14; Ward 1975: 2; Warr 1988: 1-2).

As Clark (1949: 226), McNab (1913: 71), Philpott (1937: 14) and Ward (1975: 2) all note, the second sizeable import of dairy cattle came on 30 March 1833, when John Bell set out from Sydney to establish himself at Mana Island, near the entrance to Cook Strait. Bell brought with him 10 head of cattle and 102 sheep from which he supplied meat and milk to the burgeoning ocean whaling trade. In May of 1839 Messrs Cooper and Holt, Merchants of Sydney, sent some bulls and heifers to Kāpiti Island as payment to local Māori for a cargo of flax (Clark 1949: 226; Philpott 1937: 15; Ward 1976: 2). The fate of these animals is unclear although Edward Jerningham Wakefield, son of Edward Gibbon Wakefield and future member of parliament, is reported to have seen wild cattle in the hills at the entrance to Pelorus Sound. Wakefield believed these to be descendants of the Kāpiti cattle.

Also in 1839, William Barnard Rhodes, another future parliamentarian, loaded around 50 head of Durham cattle (later known as shorthorn, the prevalent dairy stock in the earliest days of the industry in this country) aboard the barque 'Eleanor' and left New South Wales for Akaroa on Banks Peninsula. The number of cattle Rhodes brought with him has been disputed. The Rhodes family biographer puts the number between 30 and 40 (Clark 1949: 227n) and the Encyclopaedia of New Zealand has it that 40 Durham cattle were swum ashore at Akaroa (Gillespie 1966). As Eldred-Grigg notes, the first commercial dairy station in the South Island was launched when Rhodes landed his herd at Akaroa in 1839 (1980: 11).

### **Profits and pastures: The settler land economy**

From the beginning dairy farming attracted ambitious and well-resourced operators. Rhodes, the so-called 'millionaire of Wellington' became one of the colony's most successful entrepreneurs. As Patterson puts it, 'in an age of grasping opportunism Rhodes was one of the most successful of graspers' (2012: para.8). Rhodes was initially involved in whaling but turned to pastoral agriculture in order to augment his income. He later became involved in insurance and finance. He was responsible for the establishment of the New Zealand Shipping Company Limited and, alongside other prominent commercial figures such as Thomas Russell, to whom we shall return, also established the New Zealand Insurance Company and the Bank of New Zealand (Patterson 2012; see also Belich 1996: 358; King 2003: 225). As Gillespie puts it, Rhodes 'was not distinguished as a public benefactor, despite his wealth, and was much criticised on that score'. He was, Gillespie continues, also 'accused of a too highly developed self-interest' (Gillespie 1966: para.2). This was a trait found also in Thomas Russell and one 'not untypical of a certain kind of businessman in the colonial era who was prepared to take enormous business and investment risks and dabble in politics to help create the kind of environment in which they and their cronies were most likely to flourish



financially' (King 2003: 225). Great fortunes, King continues, were on offer in the years preceding tighter commercial regulation (2003: 225-226).

Another whaling magnate turned pastoralist and later financier was Johnny Jones who, in 1838 bought the Waikouaiti whaling station. Jones purchased large blocks of land in what is now South Otago and Southland from Ngāi Tahu. 'He paid textiles and metalware for a vast subprovince of 2,000,000 acres reaching inland from Waikouaiti to Wanaka' (Eldred-Grigg 1980: 11). Having established himself as a large landowner, Jones settled a number of families on his holdings. The lands around the whaling station at Waikouaiti became New Zealand's first agricultural colony when disgruntled British migrants in Sydney took up Jones' offer of sixty acre farmlets to working people. 'A dozen or so families (a total of about forty people in all) were housed in wooden barracks at the station and set to labour in the fields' (ibid). Jones sent a consignment of cattle to his settlement sometime around 1838-1840 (Clark 1949: 226; Philpott 1937: 15). In coming years the nascent town of Dunedin would 'derive a great food supply from Jones's cattle and sheep' (Philpott 1937: 15). As Eldred-Grigg notes, while impoverished British labourers were doing the hard work, the Jones family was accruing the profits, by 1844 the colony was flourishing and 'the Joneses were employing thirty families as servants' (Eldred-Grigg 1980: 18).

Jones, together with prominent New South Wales politician W. C. Wentworth, was also responsible for the most brazen, 'fantastic and enormous' land purchase of all (Eldred-Grigg 1980: 12). In 1840 a syndicate formed by Jones and Wentworth paid a few hundred pounds for the entire South Island, Stewart Island and all other adjacent islands (ibid). 'Together with all seas harbours coasts bays Inlets Rivers Lakes Waters Mines Minerals Fisheries Woods Forests Liberties Franchises profits emoluments advantagements hereditaments rights members and appurtenances

whatsoever...'(ibid). While Jones's more extravagant claims were subsequently ignored by the colonial government, this kind of land-grabbing was typical of the colonial pattern in much of the South Island. As Rob Steven puts it profitable pastoralism required large landholdings that could be acquired at not too great a cost (1989: 28). This was possible to a far greater degree in the South Island than it was in the North. North Island Māori – although weakened by colonial impact – continued to resist the worst excesses of settler land grabbing. As Eldred-Grigg notes, North Island Māori defended their lands with blood but in the South Island a few favoured Pākehā were able to seize lands into enormous estates (1980: 10). The processes of colonisation that would eventually break up the Māori tribes in the North had, by 1840, 'all but destroyed the Ngāi Tahu people of the south' (Steven 1989: 27). Eldred-Grigg notes that the Māori population of Canterbury that had totalled about 4,000 in 1800 had fallen to 500 by 1840. 'On the Kaikoura coast where 4,000 people had been living as late as 1827, despoliation was so complete that by 1857 only 78 Maori survived there...the strength of Ngāi Tahu had been permanently broken. Nothing stood in the way of Pakeha land greed' (1980: 10).

Steven argues that as soon as it was discovered that the local climate allowed for year-round pasture growth and that wool, meat and dairy produce could be produced in New Zealand with very few resources then the acquisition of land became an 'overriding preoccupation' for settlers in the colony (1989:26). Settlers flooded in to the South Island 'hoping somehow to share in the riches of the rapidly growing pastoral industry' (Steven 1989: 28). As mentioned above however, much of the land in the South had been swallowed up into enormous estates, 'monopolised by a small gentry class' (ibid). Settlers arriving in the south would, henceforth, have to 'rest content with the wages that could be earned in the region' (ibid). As Eldred-Grigg argues a pattern of colonial settlement had emerged – large estates had been secured by a privileged few. 'Poor English labourers were doing the hard work at Waikouaiti and penniless French peasants were breaking the ground at Port Louis-

Phillipe, but the brains behind South Island colonisation belonged to rich men. The profits belonged to them too' (Eldred-Grigg 1980: 13). Thus were the early land grabbers in the South Island able to 'heal' what Marx called 'the anti-capitalist cancer of the colonies' (Marx 1976: 938).

In giving the British Crown the exclusive right to purchase Māori land the Treaty of Waitangi put an end to the worst excesses of private land-grabbing. For a number of reasons, commercial, strategic and, ostensibly at least, also philanthropic, the British Crown bowed to pressure from various missionary groups, trading interests, settlers and Colonial Office evangelicals and issued orders for the annexation of New Zealand (Belich 1996: 180-187; King 2003: 151-167). In accordance with the principles of *laissez-faire* prevalent in certain circles at the time, British governments around 1840 were reluctant imperialists. They were reluctant because Britain already 'had the lion share of world shipping and industrial trade goods; they got most of the profits from trade with far flung regions' (Belich 1996: 182). So long as trade continued to flow there was little incentive for the Colonial Office, driven as it was by an overriding principle of parsimony, to go ratcheting-up intervention in New Zealand from cheap to extremely expensive (ibid). Nevertheless, in response to alarmist pleas for protective intervention and with a growing sense of disquiet in London regarding Wakefield's scheme for systematic colonisation, the British government decided to act (King 2003: 155-156; see also Belich 1996: 182-183).

William Hobson, who became the first Governor of New Zealand, was dispatched from London in August 1839 with instructions to negotiate the willing transfer of sovereignty from Māori to the British Crown (King 2003: 156). The resulting Treaty of Waitangi would, King argues, turn out to be the most contentious and problematic ingredient in New Zealand's national life (King 2003: 156-157). Central in this regard is the second article of the Treaty. Leaving aside discrepancies between

English and Māori language versions of the Treaty and ignoring for now that only the Māori version of the Treaty is valid under international law, article two of the English language version of the treaty guarantees to the Chiefs and Tribes of New Zealand ‘the full exclusive and undisturbed possession of their Lands and Estates Forests Fisheries and other properties which they may collectively or individually possess so long as it is their wish and desire to retain the same in their possession’ (Treaty of Waitangi 1840). As mentioned above, the Crown received the exclusive right to pre-emptive purchase of any land Māori were willing to sell. As we will see in what follows, an unwillingness on the part of many Māori to sell or lease land would lead to war, confiscation and the abolishment of the ‘beastly communism’ of communal land tenure (Simpson 1986: 125), resulting in what Ward has called ‘the sordid, demoralising system of land purchasing’ (Ward 1973: 267) that would, in the decades that followed, allow for the expansion of dairying into Taranaki, Waikato and other regions that were once strongholds of independent Māoridom (Belich 1996: 250-251).

Ongoing Māori resistance to encroaching European colonisation led to a particular pattern of settlement in parts of the North Island. As Philpott puts it in his *History of the New Zealand Dairy Industry*, while European settlers in the South Island were safe ‘from molestation by the Maoris’, North Island Māori remained ‘hostile and a menace to isolated settlers’ (1937: 22). To guard against possible Māori attack, retired soldiers were brought in from Britain to serve as a settler militia. In 1846, in the wake of widespread fighting in both central and northern parts of the country (see Belich 1996: 204-211), Governor George Grey requested military assistance from his superiors in the Colonial Office in England. He was sent a detachment of retired British soldiers that would become the Royal New Zealand Fencible Corps. Militia settlements were established to the south and east of Auckland in 1847 and 1848. Around 700 fencibles, ex British regulars, were settled at Howick, Panmure, Onehunga and Otahuhu (Warr 1988: 8; Stone 1973: 6). In exchange for seven years military service, each member was given free passage to the colony for themselves and their family

and a two room cottage on an acre of land made ready for cultivation. Each member was also given an advance for furniture and stock (Cowan 1983: 450). As Cowan puts it, the settlements 'formed a strong wall of defence for Auckland on the south, covering the routes by the Tamaki River and Manukau Harbour' (Cowan 1983: 451).

The Fencible settlement at Howick is particularly noteworthy insofar as it represents the earliest recorded example of a dairying cooperative, an organisational structure that has long dominated the New Zealand dairy industry (Duncan 1933; Ward 1975). The United States has had dairy factories referred to as cooperatives since as early as 1810, although as Philpott notes, 'these appear to be joint stock companies rather than co-operatives as we define the term' (Philpott 1937: 31). For Philpott, cooperative dairying proper commences in 1855 in northern Norway. Cooperative dairy factories followed in Switzerland the following year, in England 1870, Germany 1870-1879, Sweden 1880, France 1888, Belgium 1894, Holland 1886, Russia 1897 and Siberia 1901 (Philpott 1937: 31-32). Dairy cooperatives were established in the U.S and Canada in the late 1870s, in Australia in the mid-1880s, in Ireland in the 1890s and in Scotland and Wales in the first decade of the twentieth century (ibid).

The Howick Pensioners' Co-operative Cow Company was established on 29 May 1848. It consisted of 40 members, each holding a £10 share and its modest objective was to purchase one cow for each of its members (Warr 1988: 9; Philpott 1937: 18-19). The Company had an executive committee of 13 tasked with purchasing cows, selling dairy produce to members at a fixed price and selling any surplus produce to the public (ibid). In the end members of the cooperative were unable to keep up instalments and the enterprise failed. New Zealand's next foray into cooperative dairying would be in the 1870s by which time war had dramatically altered the possibilities for dairying in New Zealand.

Governor Grey's militia farmers, an important source of labour on nearby farms, were not called upon to serve in the ensuing wars. Grey preferred to execute his wars with Imperial soldiers and local militia, some of whom would be rewarded with confiscated land after the fighting had stopped (King 2003: 213; Simpson 1986: 153).

From the 1880s onward there was a steady expansion of dairying operations into Waikato and Taranaki, the major North Island dairying centres for much of the history of the industry in New Zealand (Warr 1988; Duncan 1933; Philpott 1937; Ward 1975), and still home to a sizeable concentration of herds. In the 2013/14 dairying season, 23.7 per cent of dairy herds in the country were situated in the Waikato region with a further 10 per cent in Taranaki, making these the first and fourth largest dairying regions on a herd concentration basis respectively (LIC/Dairy NZ 2014: 13). Prior to the 1880s progress into these areas had been checked by Māori resistance to encroaching settlement.

The census of 1854 recorded a European settler population of 32,524. Ten years later in 1864 the European population in New Zealand had reached 172,158 (Simpson 1986: 116). Settler demand for land was increasing but many North Island Māori, who retained sizeable stretches of land well into the middle decades of the nineteenth century, were reluctant to sell or lease land to Pākehā (Steven 1989: 28-29). From the point of view of settlers, survival and prosperity lay in pastoral agriculture but that required abundant land (Simpson 1986: 125). Many settlers came to see Māori as an obstacle, blocking their avenue to prosperity. As such there was a growing pressure to expropriate Māori lands by whatever means necessary (Steven 1989: 29).

Settlers brought with them European traditions of intensive agriculture. In the view of many settlers uncultivated land was 'waste land' (Simpson 1986: 125), a 'wilderness' rather than the basis of a primitive economy (Bedggood 1980: 25). As Cowan puts it with reference to the settlement of New Plymouth, 'the vigorous men of Cornwall and Devon, who formed the larger portion of the settlement founders, were not disposed to permit a few hundreds of natives bar the way to the good acres lying waste under fern and *tutu*. Hemmed in as they were between the mountains and the sea and between the domains of the Maori tribes, they were impatient for expansion of their landed possessions' (1983: 157). Weaver argues that from the settler viewpoint 'land and what lay beneath it seemed wrongly idle – wasted – until it yielded wealth (Weaver 1999: 18). This settler view clashed significantly with the views of Māori, for whom land was not merely an economic resource to be exploited but rather, 'an heirloom intimately bound up with the tribal unit. It was the soul of the tribe and the symbol of the tribe's well-being and survival. Its retention was tangible evidence of this and was therefore of the utmost importance' (Simpson 1986: 125). Government purchase agents were sometimes able to find Māori willing to sell land to Pākehā. In many cases however these Māori lacked the proper authority to sell tribal lands and did so out of spite, actuated for example, by a private tribal feud (Simpson 1986: 116). At the behest of land hungry settlers, purchase agents actively sought out those Māori willing to part with land and it was precisely this practice that led to war in Taranaki (ibid).

Settler demand for land in Taranaki was frustrated by unwillingness on the part of local iwi to part with it. As Simpson notes, for would be pastoralists cooped up in New Plymouth the refusal of Taranaki Māori to sell or lease lands was infuriating. 'About 3000 settlers...occupying only a few thousand acres, stared out resentfully at 2000 Maoris occupying over 2,000,000 acres' (1986: 125). The flash point came when a junior Te Āti Awa chief, Te Teira sold some land at Waitara in Taranaki to the Crown, against the wishes of the principal chief in the area Wiremu Kingi te Rangitake (Belich

1996: 229; King 2003: 212). Teira had tried to sell the land a number of times before but had been refused on the grounds that it belonged to Āti Awa as a whole and that he lacked the proper authority to sell it (Simpson 1986: 127). When the then Governor Thomas Gore Browne accepted Teira's offer and purchased the block of land at Waitara, the majority of Āti Awa, headed by Wiremu Kingi te Rangitake 'opposed the transaction, and made vehement and repeated protest' (Cowan 1983: 155). As Cowan puts it, the determined opposition of Wiremu Kingi, 'who was not a firebrand, but a well-wisher of the whites and a man of high intelligence and cool reasoning, should have been sufficient warning to the authorities...to treat the matter delicately' (1983: 156). Wise statesmanship might, Cowan continues, have avoided a clash (1983: 157). But when Wiremu Kingi and his supporters peacefully occupied the Waitara block in March 1860, Gore Browne, long of the view that Maori needed a sharp lesson, opted instead for war (King 2003: 212).

Simpson notes that Wiremu Kingi was saddened rather than angered by the purchase of the Waitara block. At issue was the concept of communal land tenure. Kingi could never agree to the sale of the land at Waitara because it was communal property and the majority of the community were not willing to part with it (Simpson 1986: 129). Simpson argues that European settlers were strongly opposed to communal land tenure as it frustrated their attempts to purchase land. As Weaver puts it, 'Maori land tenure could not be accommodated quickly within the familiar conventional instruments of capitalist enterprise' (Weaver 1999: 19). Owing to 'insularity and cultural superiority' the European settlers either chose not to understand such concepts or they regarded them with considerable contempt (Simpson 1986: 125). The settler conception of property – defined, individualized, exclusive and transferable was Weaver argues, 'esteemed by colonisers as a hallmark of civilization, akin to Christianity' (Weaver 1999: 19). For Simpson then, 'of all the barbarisms practiced by the Maoris, that which rankled above all with the settlers was communal land tenure' - a concept the Colonial Treasurer C. W. Richmond described as 'bestly communism' (Simpson 1986:



161). As Cowan claims that Waitara, with its relatively large population, existing tension of feeling among local Māori and its complicated system of communal ownership was the worst possible location for Gore Browne and his advisors to demonstrate their stated intention to negotiate land purchase with individual owners (1983: 156-157). Ward agrees that in insisting on the purchase at Waitara, Governor Gore Browne was making an extremely bad choice (1973: 114-115). If however, war and later confiscation was Gore Browne's intent, then Waitara was an ideal location for a confrontation.

### **War and peace: The dispossession of Māori land**

The first shot in the Taranaki war was fired on March 17 1860. As Cowan puts it, 'Wiremu Kingi and his Atiawa followers, with the fiery chief Hapurona as the war-leader, determined to maintain their right to their tribal lands' (1983: 164). The settler government on the other side remained intent on confrontation. The resulting war devastated Taranaki for much of 1860 and 1861, erupted again in 1863 when Governor George Grey, Gore Browne's replacement, invaded Waikato and continued until 1872, 'developing into a bewildering series of intersecting conflicts spread over much of the North Island and involving most Maori' (Belich 1996: 229).

Many accounts of the wars in Taranaki and Waikato stress the settler desire for Māori land as the key causal factor sparking the conflict. As Belich notes the idea that the seizure of Māori land was the main political and military objective of the campaigns has been so widely accepted that the conflicts are often referred to as the 'Land Wars' (Belich 1986: 77). For Belich however, while settler cupidity for land was indeed an important factor triggering the wars, 'the widespread desire for the imposition of British administration, law and civilization on the Maoris was so important that perhaps it should rank with land hunger as a cause of war' (ibid). British sovereignty over the Māori-

controlled interior of the North Island was nominal. In effect English law applied only in the settlements, beyond that indigenous law prevailed (Belich 1986: 78). As Belich notes elsewhere, outside the main settlements Pākehā law lacked coercive power and ‘a great many Maori did not consider themselves obliged to obey Pakeha law when it did not suit’ (Belich 1996: 224).

The settlers were, Belich notes, ‘never happy about Maori control of the interior’ but tolerated it so long as Māori ‘continued to sell land and while their independence remained inchoate’ (1986: 79). A series of intertribal meetings held in the North Island in the mid-1850s led to the idea that Māori should unite behind a monarch of their own. The great Waikato chief and Musket Wars general Pōtatau Te Wherowhero was installed as the first Māori king in 1858 at his capital at Ngāruawāhia (Belich 1996: 232; King 2003: 211). The emergence of a much more unified Māori polity in the form of the King movement and the subsequent decline in land selling led some settlers to the view that a show of strength was required (Belich 1986: 77-78). In the ensuing wars in Taranaki and Waikato the colonists sought to extend substantive sovereignty over Māori. War presented Pākehā with an opportunity to give Māori the ‘sharp lesson’ many had long wanted. An editorial in the *Taranaki Herald* opined that it was time to abandon the policy of ‘waiting until the Maori shall of themselves become amenable to our law...the natives should be told most explicitly what the consequence to themselves will be of their joining in this war’ (*Taranaki Herald* 1863: 2). As Ward puts it, ‘a large proportion of the settler community wanted the Maori subdued by force of arms’ (1973: 147). Colonel Godfrey Charles Mundy exemplified the feeling among portions of the settler community thus:

I will admit some secret feeling of disappointment at this pacific position of affairs...a regret that up to this date the Maori has never yet received what would have been of infinite service to their particular complaint – namely, a good sound thrashing! Such as one as has been frequently and salutarily administered by British blue-jackets and red,

upon troublesome people in well-nigh every other quarter of the globe (Mundy 1852: 68).

In the wars that followed in Taranaki and Waikato the settlers used overwhelming force to crush Māori opposition 'with a ruthless brutality which eventually sickened even the soldiers who did their bloody work' (Simpson 1986: 161). As Steven notes, in the end the British Imperial troops, hardened by Britain's imperialist adventures around the globe, 'left the prosecution of the war to the settlers, in disgust at the brutalities the latter were inflicting' (1989: 29). A brutality evidenced in the words of one settler, A. S. Atkinson of Taranaki who opined that 'one lies in wait to shoot Maoris without any approach to an angry feeling – it is a sort of scientific duty' (Atkinson 1863).

The Invasion of the Waikato began on 12 July 1863 when Lieutenant General Duncan Cameron crossed the Mangatawhiri River. The war, ostensibly a pre-emptive strike to subdue a Kingite movement bent on invading Auckland, was, from the outset, an unequal struggle. At peak 12,000 Imperial troops were mobilised (Belich 1986: 126, 1996: 236). In addition there were around 5,000 colonial troops comprising two permanent corps – the Forest Rangers and the Colonial Defence Force Cavalry as well as a Waikato Militia recruited from the Australian and Otago goldfields on the promise of confiscated Māori land. The promise of confiscated land proved to be an inviting one: the total number of Waikato Militia rose from just 300 in 1863 to 4,000 early in 1864 (Belich 1986: 126, 1996: 236; see also King 2003: 213 and Simpson 1986: 153). The imperial and colonial forces were well equipped with up-to-date weaponry. Belich notes that the number of Māori resisting is not known, but estimates a mobilisation of around 2,000 to 3,000 (1996: 236). Michael King puts the figure higher at 5,000 but notes that the Kingitanga never had more than 2,000 warriors in the field at one time (2003: 213). Simpson notes that the Kingitanga had no artillery, no cavalry and no ships

and were equipped for the most part with highly inaccurate, antiquated weaponry left over from the Napoleonic wars (1986: 153). For Simpson the justifications given for the invasion of the Waikato were ‘threadbare in the extreme’. Essentially those who opposed the colonial and imperial forces would forfeit their lands. Just like Āti Awa before them ‘the Waikatos’ only real crime was a desire to sit down upon the land they possessed. They did not wish to sell it, which in the settler’s eyes was a constant affront (Simpson 1986: 153).

In the end, the thousands of imperial troops and millions of pounds of imperial money were able to secure for settler interests a limited but real victory in the New Zealand wars (Belich 1986: 200, 1996: 239). More significantly, by provoking Māori into rebellion the settlers had manufactured a reason to mete out punishment. As Simpson puts it, by 1865 the settlers had achieved their ambitions; they had contrived an excuse to attack Māori in Waikato and Taranaki, declared all those who opposed them to be “rebels” and then crushed their rebellion with ruthless brutality (1986: 161). In the years that followed settler interests would prove highly efficient at exploiting the conditions created by this “rebellion” by alienating Māori from their land.

Before this could happen however the settler government, more than happy to call on imperial support in the execution of war, needed to abolish one aspect of imperial policy that did not sit well with their ambitions, the Crown right of pre-emptive purchase. As mentioned above, the Treaty of Waitangi had given the Crown the first right to purchase any lands Māori were willing to sell. In this way Māori land owners were shielded from unscrupulous land jobbers save one. The Native Lands Act of 1862 swept away the whole notion of Crown pre-emption. As we will see in the remainder of this chapter, it was the first in a wider battery of legislative measures aimed at alienating Māori from

their land. The driving force behind the Act was Thomas Russell, a dominating figure in nineteenth century New Zealand business (Stone 1973: 169-192).

As Stone puts it, Thomas Russell was the classic colonial example of the self-made man (Stone 1973: 172). The son of an Irish carpenter, Russell was brought to New Zealand as a 9 year old boy in 1839. Originally a Sunday school teacher, Russell showed such industry and drive that the local Wesleyan church sought to foster and develop his talents. The church leaders discovered and nurtured in Russell an 'unusual financial flair' and entrusted in him the investment of some of the accumulated church funds, an astonishing gesture, Stone argues, in light of Russell's subsequent financial career (ibid). After a period as an articled clerk, Russell qualified as a lawyer and was thus well positioned to become a prominent dealer in lands and loans in the 1850s. Russell amassed a considerable fortune while in his twenties through both his law practice and his speculative activities (King 2003: 224). In 1861 Russell established a partnership with Frederick Whitaker, future premier of New Zealand and 'together they built one of the most flourishing practices in the colony, with extensive business interests, especially in land speculation' (Stone 1973: 172).

As discussed above, Russell was typical of a certain kind of colonial businessman, happy to dabble in politics to create the kind of environment in which he, and others like him, would flourish (King 2003: 225; see also Simpson 1986: 163). To this end Russell entered politics in 1861. He was made Minister without portfolio in 1862 and, following the outbreak of war in Waikato in 1863, was made Minister of Defence. As Simpson notes, Russell and others belonging to squatting and financing interests had long desired the invasion of the Waikato; it 'presented them with an excellent opportunity to get their financial way' and as such 'they seized the opportunity with both hands' (Simpson 1986: 163). As King puts it, 'as Minister of Defence, Russell eagerly prosecuted the Waikato War in order to put

Maori in what he regarded as their place and to open up the Waikato itself to property investment and settlement' (2003: 225). To facilitate the latter, Russell advocated the confiscation of lands held by 'rebel' Māori and called for the establishment of military settlements on Māori land to 'pacify' opposition (Stone 1973: 172).

This was achieved through the passage of the Suppression of Rebellion Act 1863 and the New Zealand Settlements Act 1863. The Suppression of Rebellion Act authorised the settler government to punish, 'by death, penal servitude or otherwise' anyone found to be 'in rebellion' against the Crown. The Act suspended *habeas corpus* and allowed for the use of courts martial for the trial of anyone detained under the Act (Simpson 1986: 163). In addition, the Act served 'another equally unpleasant purpose', 'it indemnified those who committed questionable acts in pursuing the suppression of rebellion' (ibid). The New Zealand Settlements Act 1863 begins by asserting that certain 'evil disposed persons of the native race...have entered into combinations and taken up arms with the object of attempting the extermination and expulsion of European settlers and are now engaged in rebellion against Her Majesty's authority' (New Zealand Settlements Act 1863). As Simpson argues however this was patently untrue 'but it mattered not a whit to Thomas Russell and his eager land-jobbing friends' (1986: 163). The Act authorised the establishment of settlements on any land belonging to Māori in any district in which a tribe, section or considerable number of Māori were found to be in rebellion (ibid). As Simpson notes, the Act did not restrict itself to the holdings of individual 'rebels' but included whole districts. Thus was the settler government able to defray, in part at least, their obligations to the thousands of colonial militia recruited on the promise of 50 acres of confiscated Māori land upon demobilisation (Simpson 1986: 164-165; see also King 2003: 215). Most of the militia had no intention of settling on the confiscated land preferring to sell their grants, often at scandalously low prices, to Auckland land agents.

The Whitaker-Fox Ministry in which Thomas Russell served as Minister of Defence was replaced in 1864 by the more moderate Weld Ministry. While massive confiscations of Māori land did indeed proceed, the amount of land taken was 'certainly far less than the more extravagant confiscations planned by the previous Ministries' (Ward 1973: 177). As Simpson puts it, the confiscations 'might have been much worse' had the government of Russell and Whitaker not been ousted in 1864 (1986: 165). The incoming Weld Ministry quickly agreed upon confiscations of Māori land. In the Waikato 1,202,172 acres of the most fertile land were taken. In Taranaki 1,275,000 acres were confiscated, and in Tauranga and the Eastern Bay of Plenty 738,000 acres were seized by the Crown (Simpson 1986: 165; Ward 1973: 177-178). As Simpson puts it, 'it is really very hard, looking at the facts, to avoid the conclusion that the war was deliberately engineered by those who most stood to gain to carry out a massive land-grab' (Simpson 1986: 165). This view was shared by many of the officers fighting in the war who came to see it as both cruel and immoral, 'nothing more than a device got up to rob the natives' (Simpson 1986: 166). For Scott, writing about war and confiscation in Taranaki, the process was a master-stroke, 'breath-taking in its simplicity – and in its expected rewards: (1) the land had been wrongfully seized; (2) the Maoris had resisted; (3) punish the Maoris for resisting, recover costs and legalise the seizure by confiscation' (Scott 1975: 19).

Some of the confiscated land was subsequently returned to Māori. 300,000 acres in the Waikato, 250,000 in Taranaki and 500,000 in Hawke's Bay were offered back to any Māori who could prove that they had not been involved in hostilities (Simpson 1986: 168). As Simpson notes however, while the land confiscated had been under communal tenure the land returned to Māori was under individual title and was thus easy to alienate. Individual Māori were much easier to persuade than were wider iwi (tribal) or hapū (sub-tribal) interests. Much of the land returned was just as promptly lost (ibid). Many Māori who returned to their lands after the fighting did so to find their homes and gardens pillaged and their livestock stolen. In order to buy food and the seed needed to put down

crops they were forced to borrow against the only asset left to them, the land that had recently been returned to them (ibid). 'In this way another 577,000 acres found its way into Pakeha hands in Taranaki alone in the year immediately after the end of hostilities' (ibid). It was, Simpson continues, a splendid time for the land-agents. J. C. Firth, a prosperous flour miller came into possession of 50,000 acres of prime land near Matamata (Simpson 1986: 168; Stone 1973: 17). Where Firth led, others followed. Among the most notable were, perhaps unsurprisingly, Thomas Russell and Frederick Whitaker (Stone 1973: 17). Indeed Thomas Russell did so spectacularly well in the aftermath of the wars that William Rolleston, Under-Secretary of the Native Department, complained to the House that, there is a 'vulgar idea which is said to exist, that Mr Thomas Russell is not the representative of the Colonial Government, but the Colonial Government is the representative of Mr Thomas Russell' (Rolleston 1875: 58). War and the forceful seizure of millions of acres of land had a devastating impact on Māori – here primitive accumulation of the very sort that Marx describes in part eight of *Capital* volume one involving 'conquest', 'robbery, murder' and 'force' (1976: 874) played a leading role in separating Māori from their lands. More devastating still was the process that came next, the Native Land Court and the legal 'purchase' of Māori land 'at the barrel of the gun' (Walker 1990, 129).

For Steven, 'The most devastating of all the onslaughts the settlers made on Maori as a people was the enforced conversion of their communally possessed land into individual private property' (1989: 30). The principal means of achieving this was the Native Land Court established in 1865. 'This notorious institution was', Belich notes, 'designed to destroy Maori communal land tenure and so both facilitate Pakeha land buying and 'detrribalise' Maori' (1996: 258). As Simpson puts it, the Native Land Court amounted to confiscation with legal countenance. 'It was in its effects one of the most pernicious measures ever enacted by a settler community to get its hands on the estate of the native inhabitants (1986: 168).



In the first years of its operation from 1865-1873 the court granted tenure of Māori land to small numbers of 'owners', usually ten, who, in theory at least, were trustees for wider tribal interests (Belich 1996: 258; Simpson 1986: 170). Legally however, these ten owners were in no way bound to their wider iwi or hapu and could dispose of the land as they saw fit. As Simpson puts it, this suited the land-jobbers very well. 'Five hundred owners were not easy to suborn, but ten were hardly any trouble at all' (Simpson 1986: 170). In the face of limited economic opportunities and declining incomes many of the 'owners' named on the title were tempted into debt. Selling land was, in many cases, the only available avenue out of debt (Belich 1996: 259). As Simpson argues, 'the owners named on the title would be plied with whiskey and unlimited credit and then, quite suddenly, the credit would be cut off'. In order to satisfy these debts the 'owners' of the land were induced to transfer title to their creditors (1986: 170). It was, Simpson continues, an exercise in cynical blackmail and one that was actively encouraged by the authorities (ibid). In the 30 or so years that followed Māori were confronted by 'a predatory horde of storekeepers, grog-sellers, surveyors, lawyers, land agents and money lenders' all grasping to entangle Māori in debt and alienate them from their land (Ward 1973: 185-186).

As Belich puts it, the debt cycle and Land Court created a vortex that sucked in massive tracts of Māori land. 'Between 1861 and 1891 Māori land holdings in the North Island halved from 22 million acres to 11 million acres, or from about 80 to 40 per cent' (1996: 259). Less than a sixth of this land was lost to confiscation, the rest to sale. For Ward, nothing saving perhaps epidemic disease was as harmful to Māori life as land selling. 'It was the sordid, demoralising system of land purchasing, not war and confiscation, that really brought the Maori people low' (1973: 267). Such were the actions of the Land Court that in 1883 the *New Zealand Herald* was compelled to comment that:

The working of the Native Land Court has been a scandal for many years past but as the chief sufferers were Maoris nobody troubled themselves very much. The cases went on

month after month. All this time the Maoris were living near a European town; to keep them advances were made by the landbuyers and enormous interest was charged. The money usually went for rum and the whole time of the sitting was spent in debauchery. The consequence was that at the conclusion of the sitting they had entirely divested themselves of their land (*NZ Herald* 1883).

Settlers were quick to justify their rapacious appetite for Māori land. In the words of J. C. Richmond, Colonial Secretary and head of the Native department, 'the settler was, quite properly, anxious to extend settlement. Nor could this desire for land be properly called greed. It was not individual wealth he was grasping; he was indulging in the healthy wish for the spread of civilisation' (Richmond 1864: 349).

### **From the ashes of war: An industry emerges**

As has been mentioned above, the spread of 'civilisation' into Waikato and Taranaki had long been checked by Māori resistance. From the early 1880s onwards, with opposition effectively crushed and with a massive amount of land now in settler hands, there were rapid developments in pastoral agriculture, and dairy farming in particular in the former bastions of Māori independence. The profitability of dairying in New Zealand had also been held in check until the early 1880s from which time refrigeration allowed for the development of an export trade. In the early years of the dairy industry in this country farmers had had to rest content with the domestic market and with a limited market for butter and cheese in Australia. From 1882 onward with the advent of refrigeration and with land now much more readily available, there was a massive proliferation of dairying concerns particularly in the North Island. As Belich notes during the 1880s New Zealand underwent something of a farming revolution (1996: 260). And while the export market really struggled until after the depression of the mid 1880s the possibilities afforded by refrigeration justified the establishment of

an export infrastructure. Throughout the 1880s the groundwork was laid for a coming 'golden age' of dairying in New Zealand. Land alienation continued in the 1880s and more and more land was opened up for dairying (Armstrong 1980: 39). An impressive number of dairy factories commenced operations and many vessels were fitted with refrigerating machinery (Philpott 1937: 36-38). The New Zealand Shipping Company Ltd, established by the land-jobber W.B. Rhodes, had five specially designed and equipped steamers built in the mid-1880s. As Philpott puts it, interested parties could now plan for a dairying future with resolution and confidence (1937: 36).

Also in the early 1880s the settler government signalled its intention for the first time, to foster the fledgling dairy industry. In May of 1881 the Government offered a £500 bonus for the first 25 tons of butter and 50 tons of cheese that could be produced in a factory 'worked on the American principle' (Philpott 1937: 34; Ward 1975: 5). The 'American principle' refers to the cooperative ownership of cheese and butter factories. In accordance with the 'American principle', farmers who supply milk to the dairy factory receive as payment the whole of the return from the sale of the produce less the cost of manufacture and selling. As Philpott puts it the buildings and plant were developed by the cooperative overtime and this differed markedly from the proprietary model common in Britain (Philpott 1937: 34; Ward 1975: 5). The important point, Ward notes, is that this was intended to encourage factory production over home or farm manufacture (1975: 5). The government of the day, Philpott notes, was evidently 'favourably disposed toward the factory system of manufacture, and decided to encourage it' (1937: 34). By insisting on adherence to the 'American principle', the Government was also encouraging the development of the cooperative type of dairy factory. And while cooperatives grew only slowly in number compared with proprietary interests in the early years of the industry, by the close of the century they were dominant (Warr 1988: 77). As mentioned above, the cooperative has remained the dominant ownership structure in the dairy industry in New Zealand ever since.

Ward notes that the way was now set for the next phase in the development of the dairy industry in this country, factory as opposed to farm manufacture, and the number of factories quickly grew (Ward 1975: 6). Factories were established in Edendale and Flemington in the South Island in 1882 and in Te Awamutu in the Waikato the same year. The Te Awamutu Cheese and Bacon Company was the first dairy factory in the North Island. While a small number of new factories continued to open in the South Island, from 1883 onward the really rapid developments were taking place in the North Island. Perhaps unsurprisingly, Waikato and Taranaki were home to many of the new operations, although the local Māori populations were excluded from this expansion into their lands.

In 1883, nine new dairy factories commenced operations, seven of them were in the North Island (Philpott 1937: 44). One of them, a cheese factory at Lepperton, ten miles (16 km) north of New Plymouth was the first dairy factory in Taranaki. For Philpott, Taranaki's comparatively late entry into the field of factory dairying is due to the fact that 'the Maoris were a menace in Taranaki for some years after they ceased to be troublesome in most other quarters' (1937: 46). With that particular problem remedied through war and confiscation Taranaki 'developed its dairying activities more rapidly than any other province of New Zealand and subsequently became for many years the leading dairying district (Philpott 1937: 46). Factories were established in Katikati and Hamilton in the Waikato the same year and also in Pukekohe and Clevedon, areas to the south of Auckland made newly accessible by the roads built for the prosecution of the war. Also in 1883, the regulationist hand of the government was strengthened with the appointment of the First Government Lecturer, Mr William Bowron, who was to advise would-be dairy farmers on farm design and equipment. Bowron produced a pamphlet; *Observations on the Manufacture of Cheese, Butter and Bacon in New Zealand* in which he emphasised the suitability of the land and climate in New Zealand for dairying, and the prospects of an unlimited market in Britain. Bowron's appointment marked the beginnings of a government supervision and advisory service (Evans 1969: 147; Philpott 1937: 48).

Several more dairy factories commenced operations in formerly Māori held regions in the years that followed. In 1884 dairy factories opened in Morrinsville, Paterangi and Rukuhia in the Waikato as well as in Okoia and Karere in Whanganui (Philpott 1937), another theatre in the wars of the 1860s, albeit a somewhat less important one than Waikato or Taranaki (Belich 1986: 199).

1885 saw a flurry of dairying activity, particularly in Waikato and Taranaki. The Taranaki Butter Company was established at New Plymouth and a number of dairy factories in the Waikato formed themselves into an organisation called the Waikato Dairy Factories Association. The Moa Dairy Factory in Inglewood, Taranaki commenced operations in 1885 as did the Opunake dairy factory, also in Taranaki. Additional dairy factories were established in Whatawhata, Tauwhare and Waihou in Waikato the same year (Philpott 1937: 56-59). In 1886 factories were established at Otakeho, Manaia and Ihaia Road, Opunake all in Taranaki as well as in Pukekura, near Cambridge (Kemureti) in the Waikato. The factory at Pukekura was established by Henry Reynolds whom Philpott calls 'one of the outstanding founders and pioneers' of dairying in the Waikato (1937: 60; see also Duncan 1933: 7).

Reynolds had arrived in New Zealand from Cornwall in 1868 and had spent his first years in the country working on his father's property near Cambridge in the Waikato. During the 1870s Reynolds became involved with a syndicate formed by his father-in-law, the former Waikato Militia Officer Captain William Steel, and a number of prominent Auckland capitalists led by Thomas Russell and Frederick Whitaker. The syndicate had formed to purchase and develop the Piako swamp, a huge area of confiscated Māori land in north eastern Waikato now known as the Hauraki Plains. The syndicate purchased the 86,502 acre swamp from the settler government in 1873 after clandestine negotiations with the then Vogel Ministry (Stone 1973: 177). The sale of the Piako swamp caused a scandal – in selling the land to Russell and his associates the government ignored a number of

provisions and regulations around the sale of confiscated lands. The sale was, Stone notes, indefensible by law but had been justified by the Vogel government on the grounds of expediency. It was the Piako purchase more than anything else that built up the image of Thomas Russell as an unscrupulous land-jobber, 'an unprincipled speculator and intriguer...a devourer of Maori land' (1973: 177).

In November 1876, Reynolds was chosen to manage the Piako estate and in the years that followed he oversaw the conversion of the swamp to pasture. He supervised the digging of an impressive network of drains, the building of roads, the cutting of scrub and the ploughing and sowing of the drained land (Doolin 2010). In 1877 Reynolds used proceeds from the sale of his father's farm to purchase 5,000 acres of the land he had been managing and thus he became a financial partner in the Waikato Land Association – established by Russell to profit from the sales of Piako land (Doolin 2010: Stone 1973: 177). Reynolds left the Waikato Land Association in 1886 when he opened the Pukekura factory, the first specially designed and built butter-making factory in the Waikato. Originally Reynolds' factory had the capacity to process the milk from 100 cows on his own farm. Gradually this was expanded and supply was drawn from neighbouring farms (Philpott 1937: 61; Warr 1988: 86). To market his butter Reynolds established the name and brand 'Anchor' (Philpott 1937: 61; Ward 1975: 10; Warr 1988: 86). Reynolds sent samples of his butter to the Melbourne exhibition in 1888 and it won first prize.

Buoyed by his success Reynolds and his associates formed a company, Reynolds and Co, and built additional factories at Ngāruawāhia and Newstead as well as skimming stations at Te Kowhai, Whatawhata, Paterangi, Te Awamutu, Kihikihi, Pukerimu, Hamilton, Waihou and Te Aroha (Philpott 1937: 61; Ward 1975: 10; Warr 1988: 86). Not content with a dairying empire in the Waikato,

Reynolds sought expansion into Taranaki, establishing a butter factory at Inglewood and creameries at Kaimata, Egmont Village and Tariki (Philpott 1937: 61; Ward 1975: 10; Warr 1988: 86).

In 1896 Henry Reynolds sold his substantial dairying interests to the New Zealand Dairy Association (NZDA). The NZDA later amalgamated with other Waikato dairying concerns to become the New Zealand Cooperative Dairy Company (NZCDC), and the new company took over the 'Anchor' brand (Philpott 1937: 61; Ward 1975: 10; Warr 1988: 86). The NZCDC grew into New Zealand's largest cooperative. It was, Ward notes, 'massive even by international standards' (Ward 1975: 47; see also Philpott 1937: 49). As we will see in what follows the NZCDC would survive a number of mergers and acquisitions and emerge in the 21<sup>st</sup> century as the Waikato-based New Zealand Dairy Group which merged in 2001 with the largest Taranaki based cooperative, Kiwi Cooperative Dairies to form Fonterra, New Zealand's largest company.

### **The Chinese connection: Chew Chong and the Taranaki dairy industry**

While Henry Reynolds name ranks highest among the pioneers of the Waikato dairy industry, in Taranaki that distinction belongs to Chew Chong (Chau Tseung) originally of Guangzhou, China who arrived in Otago in 1863. After three years as 'a buyer of old iron' around the Otago goldfields (Duncan 1933: 6), Chong moved north to Taranaki in 1870 to work as 'an itinerant pedlar of children's toys, trinkets and household needs' (Warr 1988: 88). On his frequent travels through Taranaki's recently cleared bush land, Chong found the edible fungus 'Jew's ear', later known as 'Taranaki wool', growing on the decaying stumps of tawa, puketia and mahoe trees (Ward 1975: 8; Warr 1988: 88-89). Chong knew the fungus to be greatly prized in his native country and, having established himself as a storekeeper in New Plymouth, took to buying fungus for export to China (Duncan 1933: 6; Philpott 1937: 64; Ward 1975: 9; Warr 1988: 88-89). Trade in the fungus, which

grew freely in the countryside, cost nothing to produce and could easily be collected by children, meant much to the struggling settlers of Taranaki. Chong paid cash for the fungus at a time when the settlers lived by a system of barter. The butter settlers produced on their farms fetched little and had to be bartered with the storekeeper for supplies. As Duncan puts it, the cash paid for the fungus was a godsend to many a settler. 'It was not till they were paid spot cash for their fungus that the settlers knew the delightful sound of the clinking of coin of the realm' (1933: 6).

As important as the trade in fungus was to the settlers of Taranaki, Chong is primarily remembered for the part he played in establishing the dairy factory movement in Taranaki (Duncan 1933: 6). Starting in the mid-1870s, Chong sent small consignments of butter to Australia (Ward 1975: 9; Philpott 1937: 64). In 1884 Chong sent butter to England but it was of such poor quality that London market reports compared it to cart grease (Philpott 1937: 64; Ward 1975: 9). For Chong, the problem was that it was farm-made butter, none of his suppliers really understood how to make butter and there were no special facilities on farms in which to do the work (Ward 1975: 9). The solution lay in factory production. In 1887 Chong built a butter-making factory at Eltham. He named his factory, and the butter produced within, 'Jubilee' in recognition of the Golden Jubilee marking the fiftieth anniversary of Queen Victoria's ascension to the British throne (Duncan 1937: 7; Philpott 1937: 64; Ward 1975: 9; Warr 1988: 89). Chong followed his Eltham factory with a network of creameries at Hunter Road, Te Roti, Mangatoki and Rawhitiroa (Philpott 1937: 64; Warr 1988: 89). The butter produced in Chong's factory was of such quality that it was awarded a silver cup for the best half-ton of butter packed suitable for export at the South Seas Exhibition in Dunedin in 1889 (Duncan 1937: 7; Philpott 1937: 64; Ward 1975: 9; Warr 1988: 89).



As Philpott notes, Chong rendered invaluable service to many early Taranaki dairy farmers and left behind him 'a record of honest and often generous treatment' (1937: 64). Chong was so highly regarded among early Taranaki dairy farmers that in 1910 representatives from across the region presented him with an illuminated address expressing gratitude for the part he played in establishing the butter industry in Taranaki (Philpott 1937: 65). This was rare praise indeed at a time when the Chinese were a tiny minority, barely tolerated by other settlers (Ip and Pang 2005: 176).

This rapid development of dairying operations in Waikato and Taranaki in the 1880s and indeed pastoral farming in New Zealand more generally, was greatly facilitated by the systematic dispossession of communal Māori land in the middle decades of the nineteenth century. Mechanisms of primitive accumulation consistent with those detailed by Marx in the final pages of *Capital* volume one were used to wrestle lands away from Māori and vest them in the hands of settlers. As we have seen in this chapter this process began with the aggregation of large estates by a small number of land-grabbers in the South Island. This process was not possible in the North Island however where Māori remained well placed to oppose settler encroachment. Much more robust mechanisms of primitive accumulation were required. Direct extra economic force was used to strip North Island Māori of their lands and in this the settler state played a leading role. What wasn't achieved through the direct violence of war and confiscation was achieved instead through the indirect violence of the Native Land Court. Through these mechanisms of primitive accumulation Māori lost their lands and settler interests gained much of the land needed for New Zealand's future prosperity.

## Chapter 4: Liberty or Leviathan (1891-1912)

### Introduction

Armstrong argues that the 1890s were perhaps the most critical period in New Zealand's history, these years mark the development of New Zealand as an export oriented producer of primary raw materials, predominantly for the British Market (1978: 300). This chapter details the role of New Zealand's first Liberal government in aiding the development of an economy based on the export of foodstuffs, including dairy, to Britain. As always with pastoral farming, land was central. The Liberal Party's land reform policies of the 1890s were, ostensibly at least, aimed at breaking up the large pastoral estates and redistributing the land to small farmers. In actual fact however the Liberals had limited success in this regard and the vast majority of family farmers were settled on land expropriated from Māori. Chapter four details the ongoing dispossession of Māori land through the Liberal's land buying programme, a process through which Māori lost an additional 3.1 million acres. The primitive accumulation of Māori land remains a central theme in chapter four, albeit primitive accumulation with legal countenance. This chapter also details a number of other ways in which the Liberal government sought to assist the development of export-oriented farming and dairying in particular, including the provision of cheap credit to settler farmers, the establishment of the Department of Agriculture and the passage of a number of Acts designed variously to regulate the quality and consistency of dairy produce for export, restrict competition and so foster the development of the dairy industry.

Chapter four begins with a brief section titled *The Liberal Government* (pp 88-89) which highlights the election of the Liberal government in 1890, the legacy that they inherited in terms of land monopoly and their plans to solve it using the levers of state power. The section titled *Land for the people* (pp 90-96) details debates about land that were prevalent in New Zealand in the 1890s. Many settlers

that came to New Zealand in the nineteenth century were escaping the injustices of enclosure in Britain and wanted to create a more equal social order in New Zealand, land debates of the time centred on the best way to achieve this end. The central figure in the Liberal administration with regard to land was John McKenzie and the section titled *The small farmer's friend: John McKenzie and the breaking up of estates* (pp 96-102) details the role he played in bringing about a closer settlement of people on the land. As has been mentioned above, the Liberals were able to achieve these ends by dispossessing Māori of an additional 3.1 million acres, the section titled *The Liberal Government and the marginalisation of Māori* (pp 102-108) details the mechanisms of primitive accumulation used by the Liberals to effect this dispossession. The final section in this chapter, *The Department of Agriculture* (pp 108-116), highlights the role of the state in fostering the development of the New Zealand dairy industry.

### **The Liberal Government**

New Zealand's first Liberal government has been much fêted by historians and politicians alike. The Liberals held office for some 21 years and were responsible for a raft of 'progressive' legislation including women's suffrage and old-age pensions that earned them an almost mythical status in New Zealand history books. Indeed as Belich notes, the election of the Liberals in 1890 'ranks with the Treaty of Waitangi in 1840 as one of the key dates twentieth century school children were expected to know even if they knew nothing else' (2001: 38). Despite significant ideological differences between various personalities within the party, the Liberals were unified by a seemingly illiberal belief in a more comprehensive role for central government in the country's affairs. The Liberals wanted an interventionist state that would regulate social and economic life and bring about a more equal social order (Brooking 1996: 84).

Central to the liberal vision for New Zealand was a much closer settling of the land, it was Belich notes, the Liberals panacea for all ills (2001: 44; see also Hamer 1988: 67). Of the Liberal government's many interventions it would be land reform together with a system of advances of cheap credit to settlers and the establishment of the Department of Agriculture that would have the most impact on dairying in New Zealand. As Belich puts it, 'the Liberal government saw dairy farmers as their yeoman dream come true' (Belich 2001: 60). The development of a profitable, factory based, export dairy industry was pivotal to Liberal plans for New Zealand. The first step toward achieving it was to secure enough land.

As discussed above, throughout the middle decades of the nineteenth century land-grabbing was rife. Initially this had remained largely confined to the South Island where Māori resistance was weakest. Later however, in the wake of wars in Taranaki, Waikato and surrounding areas, vast tracts of North Island land was swallowed up by rapacious individuals, finance companies, loan firms and banks. As Yerex notes, 'by 1891 more than 60 percent of the free hold land in New Zealand – roughly 3 million acres – was held by fewer than 600 persons or commercial firms' (1989: 31). For Brooking, the degree of monopoly was starker still, freehold land had been 'locked up' in the hands of a tiny number of run-holders. 422 individuals and companies (less than 1 per cent of all land owners) controlled eight million of the total twelve and a half million acres of freehold land in 1890 (Brooking 1996: 75; see also King 2003: 269). Armstrong notes that this pattern was repeated also in Australia, Canada, Argentina and Uruguay and that in all these countries the late-nineteenth century was characterised by struggles between settlers wanting land to work and various land companies, speculators and estate owners (1978: 299). Conditions in late-nineteenth century New Zealand were very far removed from the yeoman vision of an orderly, prosperous and well peopled countryside that had attracted many settlers to the colony.

## Land for the People

How best to control, distribute and use the land was the central debate during the closing decades of the nineteenth century (Brooking 1996: 79). Many settlers including farmers, farm-labourers, town dwellers, unionists, and even some city capitalists supported the closer settlement of the land by family farmers in the interests of social and economic gain for all. Most settlers were also united by the view that no one, rich nor poor, Pākehā nor Māori, had a right to land unless they used it productively. The land debate in New Zealand therefore centred on the best means of achieving the goal of closer settlement of the land. As Brooking notes, there were five main models of land tenure available to New Zealanders in the late nineteenth century: British-style landlordism, where an aristocracy leased lands to farmer tenants, who in turn exploited a large mass of agricultural labourers; latifundia, the semi feudal estate system common in Latin America; Māori-style communal ownership; benevolent state landlordism or; independent freehold (1996: 81-87). Most settlers rejected Māori-style communal ownership of land outright, as King puts it, 'the spectacle of 'idle' or unfarmed land such as that in Maori ownership' was scandalous (King 2003: 259). What Māori commonly regarded as 'a nexus of complex fishing, hunting and cropping rights as well as a compendium of past tribal events' (Simpson 1986: 125) was little other than a wilderness in settler eyes. As Brooking argues, heavily cultivated, closely settled land was seen by almost everyone as preferable to vast areas of rain forest inhabited by Māori 'because well-tilled fields and villages peopled with families equated to progress and civilization' (1996: 81).

Most settlers also rejected both British and Latin American models of monopolistic land tenure as they could not be reconciled with the kind of rural, moralistic and, to a certain extent at least, egalitarian society that the settlers were endeavouring to create. In the first instance this was to be a rural society, most settlers were of the view that life in the countryside was morally superior to life in the city. The countryside, healthy, clean and pure, was set against a nightmarish vision of dirty,

diseased and vice ridden cities (Brooking 1996: 82). The industrial towns of Britain that many settlers had left behind were, Polanyi reminds us, 'deep sloughs of misery' that denied inhabitants 'the human shape of life' (2001: 103). As such, a grim vision of cities 'burned in the minds' of many nineteenth century New Zealanders (Brooking 1996: 82). Closer settlement of the land would guard against the evils of the dark satanic mill.

As Brooking argues, these 'ruralist' ideas stressing the desirability of a vigorous and well peopled countryside were bolstered by both religious arguments on one hand and by another cluster of values variously termed 'the yeoman ideal' and 'egalitarianism' on the other (1996: 83). In the late nineteenth century most New Zealanders were familiar with the Bible which, more than any other source, generated a climate of opinion in opposition to monopolistic land tenure (ibid). For Brooking, the key teachings of the bible with regard to land were: that settled farmers were superior, a more orderly and civilised human type than nomads; and that land monopoly was wrong (ibid). Recourse to the Bible lent a moralistic tone to debates around land monopoly; politicians framed their arguments in terms of good against evil, right and wrong.

Biblically derived arguments against land monopoly were an integral part of the land debate in late nineteenth century New Zealand and these arguments were buttressed by a secular concern with greater equality, a yeoman vision that rejected the rigid hierarchies of old-world pastoralism in favour of an order based on independent farmers (Brooking 1996: 84). Champions of this yeoman vision were nostalgic for a 'golden age' that many believed had been swept away by enclosure, their vision for New Zealand was one in which men of modest means would work the land free from the dictates of landlord, vicar and priest (Brooking 1996: 85; see also Hamer 1988).

Many prospective settlers were previously agricultural labourers in England, but had been locked out of the land in the years following the great Revolt of the Field that erupted in the English countryside in 1872 (Rollo 1981: 18). The Revolt of the Field was an uprising, led by Joseph Arch, of English agricultural labourers against farmers and landowners. The English peasantry, once 'bold', 'sturdy' and 'energetic' had been brought low by the combination of enclosure and the destruction of the cottage industries (Hobsbawm and Rudé 1969: 52). In 1872, in response to horrifying poverty and degradation, farm labourers in south Warwickshire approached farmers for a rise in wages – they were 'contemptuously ignored' (Rollo 1981: 33). In the months that followed farm labourer's unions throughout the midlands and southern England rose in revolt. Farmers responded by forming Defence Associations against the unions and beginning on the 21st of March 1874, thousands of union members were locked out in Suffolk, Cambridgeshire, Norfolk, Essex, Bedfordshire, Hampshire and Lincolnshire (Rollo 1981: 74).

The locked-out farm workers were actively targeted by New Zealand immigration agents and 1874, the year of the great lock out, saw a 'flood tide' of immigrants to New Zealand (Rollo 1981: 63-78; 1972: 22). That year there was a net increase of over 38,000 immigrants, New Zealand would not experience an annual increase of that scale again until 2002 (Phillips 2013: 8). Many of these immigrants brought with them a pronounced hostility toward old-world social hierarchy and a marked aversion to gentry and clergy alike. Many of these locked-out English farm-labourers would have struggled to find fault with William Cobbett's assessment of the landed gentry as, 'the most cruel, the most unfeeling, the most brutally insolent...the most base of all the creatures that God ever suffered to disgrace the human shape' (Cobbett 1826: 728).

The desire to unseat estate owners and run holders was not limited to would be farmers. As Brooking notes, most urban unionists also supported the break-up of the big estates on the grounds that land monopoly was wrong (1996: 85). Many settlers wanted a more equal economic and social order than the one they had left behind in Britain and most agreed that the state was the best mechanism with which to secure it. 'Only the state had the power to remove extremes of ostentatious wealth and crippling poverty by taking such coercive actions as setting special taxes on the big estate owners' (ibid).

Many conservatives were also opposed to land monopoly on economic grounds. Land peopled with well-to-do working farmers could turn a greater profit than a large landholding (Brooking 1996: 86). Even some of the land-owning gentry themselves supported closer settlement of the land. 'They, too, wanted sturdy yeomen; small farming and large farming could be complimentary; and subdivision could be profitable' (Belich 2001: 127-128). As we saw in chapter two, Kautsky found that small farming is essential to the survival and reproduction of large-scale agriculture (Kautsky 1988). A closer settling of the land by small farmers is in many cases, a more efficient way of earning profits from the soil.

Having rejected Māori-style communal ownership on the one hand and both British and Latin American models of monopoly tenure on the other, nineteenth century New Zealanders were left with just two choices, state landlordism and independent freehold. The land debate in New Zealand contested the territory between the two. Although, as Brooking notes, this is not to suggest that there was a simple division between those who supported leasehold and those in favour of freehold. Rather, 'there was a continuum from straight out land nationalisers on the far left to advocates of 'freehold only' on the right. The middle ground was contested by an array of more 'moderate'



interests (1996: 87; see also Oliver 1960: 144; Sinclair 1980: 172-173). On the left of the leasehold faction was a small and vociferous minority who supported the nationalisation of all land without compensation. The great majority of those who favoured leasehold however were more pragmatic; they believed that the government should hold on to as much land as possible and buy back, at a fair price, areas of privately held land such as those held by absentee owners, banks or companies (ibid). Essentially those who advocated leasehold, and this was the position of many in the Liberal Party, saw the state as the only just, honest and fair landlord available (Brooking 1996: 89; see also Oliver 1960: 143-144). Advocates of state landlordism believed that contented state tenants would build a benevolent nation.

Against this, those in favour of freehold argued that ownership alone could guarantee progress. Advocates of the freehold believed that people cared more for that which they themselves owned. By establishing and protecting clear individual property rights to the land the state would create the ideal conditions for independent farmers to flourish. This position was given voice by Arthur Young, defender of enclosure, who Marx called 'a careful observer though a superficial thinker' (1976: 828). 'Give a man secure possession of a bleak rock and he will turn it into a garden; give him a nine year lease of a garden, and he will convert it into a desert' (Young 1929: 47-48), 'the magic of property turns sand into gold' (Young 1929: 95).

Advocates of freehold land tenure too were divided into more moderate and more hard line camps. Essentially they differed in their strength of feeling against the leasehold and in their view of a single, land-only tax - as proposed by Henry George in his 1879 work *Progress and Poverty*. George had argued that the building of infrastructure such as roads, bridges, railways and various civic amenities did more to raise the value of the land than did any improvements made by individual landowners.

As such, landowners reaped an 'unearned increment' that resulted from community endeavour. George advocated a single tax on the development of land to capture the 'unearned increment' for the community as a whole (George 1953; Brooking 1996: 90; Sinclair 1980: 172-173). Moderate freeholders accepted that community initiative had played an important part in increasing the value of the land and were thus prepared to accept a modest level of taxation. Against this the more conservative 'freehold only' camp rejected the idea of an 'unearned increment' outright. Any increase in land values owed exclusively to the industry and drive of the individual landowners. It was they and not the state that were entitled to any increase in the value of the land (ibid; see also Oliver 1960: 144; Sinclair 1959: 172-173).

These differences notwithstanding, the land debate in nineteenth century New Zealand took place within the relatively narrow framework of liberal capitalism (Brooking 1996: 86). For the most part the positions articulated within the debate reflected differing positions within the field of liberalism. Conservative elements aligned themselves with a broadly 'classical' liberal position that stressed strong private property rights and warned against the perils of government intervention in the economy. More progressive elements on the other hand, favoured a positive role for the state in mitigating the worst excesses of unrestrained capitalism. This position reflected the emergent 'new liberalism' of T. H. Green and J. A. Hobson (see Richardson 2001: 36-38; Heywood 2003: 59). As Brooking puts it, despite a small minority of noisy socialists, 'hardly anyone talked of Marx or socialism because they didn't want to overthrow the capitalist system. They rather wanted to reform it, make it fairer, civilise it, and remove its sharper edges' (1996: 86; see also Sinclair 1980: 172-173). There was a broad consensus assembled behind the idea that the best means of achieving this was by closer land settlement.

There was broad consensus also around the idea that the most legitimate legal and moral claims to ownership of the land lay with those who worked it most effectively, which in the eyes of most, meant those who farmed it well according to British agricultural practices of the day (Brooking 1996: 94). Absenteeism or treating the land as idle speculation invalidated claims to ownership in the eyes of most settlers (ibid). As Belich argues, land monopoly and absentee capital, together with their joint offspring, absentee landholding, were deeply unpopular (2001: 39). When the first Liberal government took office in 1891 they were determined to ‘bust up’ the big estates and allow for settlement by smaller landholders. As we will see in what follows, while the Liberals had some success in breaking up the big estates, they were much more successful in dispossessing Māori of their remaining land. As Simpson argues, ‘by far the greatest numbers of settlers were placed on land bullied and cajoled from its Maori owners at knockdown prices. During this period the Maoris lost more land than they had during the confiscations after the wars’ (1986: 231; see also Belich 2001: 192; Brooking 1992: 78-99, 1996: 131-156; King 2003: 270-271). As we will see in the paragraphs below, the Liberals took care to disguise primitive accumulation behind a benevolent veneer.

### **The small farmer’s friend: John McKenzie and the breaking up of estates**

With regard to land policy the central figure in the Liberal administration was ‘honest Jock’ John McKenzie, ‘small farmer’s friend’ and ‘the Liberal’s chief evangelist for closer settlement of land obtained from anywhere at all’ (Belich 2001: 39; see also McLauchlan 2006: 138). In late May of 1845, the five year old McKenzie was taken by his father to visit family at Strath Carron, County Sutherland in the Scottish Highlands. It was to be a journey that would change his life. On the return leg of their journey, father and son called at the small Presbyterian Church at Croick. There McKenzie was greeted with a sight he could never forget. ‘Huddled in the graveyard under a tent like awning, cold, frightened and yet defiant, were some ninety people, including 23 children under ten’ (Brooking 1996: 15). Here were eighteen families, ‘once-proud crofters and tenant farmers’, ‘respectable, long

settled, and law abiding' forced into a state of vagrancy by the 'massive historical trauma known as the Highland Clearances' (Brooking 1996: 16). For Marx, the Highland Clearances were 'the last great process of expropriation of the agricultural population from the soil' (1976: 889). Here, the mechanisms of primitive accumulation were used to systematically sweep long-settled agricultural folk from the land. Those who did not flee for the coast or the colonies were driven forcibly toward Glasgow and the other manufacturing towns (Marx 1976: 889-890) where they were then 'turned into vagabonds, and then whipped, branded and tortured by grotesquely terroristic laws into accepting the discipline necessary for the system of wage-labour' (Marx 1976: 899).

The scene that greeted the young McKenzie in the grave yard at Croick left an enduring impression upon him. The evicted people McKenzie encountered were so devout that they refused to seek refuge within the walls of the church; instead they slept in the only other place where they could escape arrest for vagrancy, the graveyard, a place at once both sacred and sinister. The very thought that people could be forced into to such desperation by a heartless landlord bent on 'improving' the land by replacing people with sheep shaped McKenzie's entire philosophy and life's work (Brooking 1996: 16). As he put it to the House of Representatives during a debate in 1892:

The Minister of Lands, Sir, got his ideas as a boy when he saw the poor people evicted from their houses in the most cruel manner and unable to get a place for their feet to stand upon except they went to the cemeteries. The poor people were not even allowed to camp upon the King's highway. The only place in the world where they could go and rest themselves without being put in gaol was among the dead in the cemetery. I have seen that in my days. Is it any wonder I should have opinions of my own in connection with the land question in this country? (McKenzie 1892: 603).

McKenzie did not suffer personally from the clearances; his own family were not driven from the land, yet McKenzie lived in an area where many suffered and had many friends and acquaintances amongst those worst affected. As Brooking puts it, 'John McKenzie not only lived through the peak years of the enclosures but lived close to some of the most notorious evictions' (1996: 16). The Highland Clearances shaped every aspect of McKenzie's parliamentary career; he devoted his considerable energy to making more land available for the people and fighting against the Old World evils which he had personally observed (Hamer 1988: 75). Similarly for Yerex, McKenzie 'nurtured a deep hatred' of landlordism 'which had caused such misery in his own country' as Minister of Lands McKenzie 'moved Heaven and earth to make it possible for every man who wanted to own land to farm, to do so' (Yerex 1989: 81; see also McLauchlan 2006: 138).

McKenzie's first major contribution in this direction was the introduction of a graduated land tax as part of John Ballance's Land and Income Assessment Act of 1891. McKenzie's provision exempted all owners of land valued at under £500 and thus affected only the very rich and freed most small farmers from paying any tax at all (Brooking 1996: 101). McKenzie intended the graduated land tax to facilitate the breaking up of the big estates by forcing their subdivision into small and tax exempt units (Hamer 1988: 85). As Belich notes however, the graduated land tax was always a token measure. 'It was aimed more at raising revenue than at breaking up large farms; and it did not do even this very well – 1,500 wealthy taxpayers paid an average of £40 each in 1892/3, which was hardly penal' (Belich 2001: 44). McKenzie followed this with somewhat more robust legislation in the form of the Land Act of 1892 and the Lands for Settlements Acts of 1892 and 1894.

After long and sometimes acrimonious debate between freehold and leasehold factions within the Liberal Party, McKenzie's Land Act passed into law on the 6th of October 1892. The Act, which was

posited as a compromise between leasehold and freehold, introduced a 'perpetual' lease of 999 years. The lease was set at the low rental rate of 4 per cent of the capital value of the land, a figure well below the market rate of the day. Further, there was to be no revaluation of the land at any time in the future and thus no threat of rising rents for leaseholders and no 'unearned increment' accruing to the state. The Liberals had sought to combine the best of both leasehold and freehold with this novel form of tenure. As Sutch argues however, 'lease-in-perpetuity was merely the freehold – and a very cheap freehold – in disguise' (1969: 143).

Those on the left of the Liberal Party strenuously opposed the 999 year lease as it benefitted individual settlers at the expense of the state, which would gain nothing from the rising value of the land, the exact opposite of what Henry George had hoped to achieve with single land tax (George 1953; Brooking 1996: 110; Oliver 1960: 144; Sinclair 1980: 172-173). As Sutch notes, by 1892 the land nationalisers and conservers, the followers of Henry George and the single tax had largely been defeated by the government they had helped to elect (1969: 143). The left-wing of the Liberal Party was left to placate itself with the knowledge that the Land Act prevented monopoly. As Hamer puts it, 'as for the radicals, many of them were able to justify the acceptance of the lease-in-perpetuity on grounds McKenzie was at pains to emphasise for their benefit, that it was a step in the right direction, a clear advance on what had gone before' (1988: 97).

The next steps along the path toward closer settlement of the land were McKenzie's 'Lands for Settlements' Acts, the first of which passed into law in 1892. These Acts were designed to buy up the great estates and subdivide them into viable farms to be made available to the landless on easy terms (Belich 2001: 128). McKenzie's initial Lands for settlements Bill introduced on 9 September 1891 included a compulsory acquisition clause. The Bill was blocked by the Legislative Council on the

grounds that it was too radical (Brooking 1996: 106-108). A watered down version of the Bill was subsequently introduced. Under the resulting Lands for Settlements Act the government were given no power to compel an estate owner to sell (Hamer 1988: 93).

McKenzie was determined to make compulsory acquisition a central election issue in 1893 (Brooking 1996: 120; Sutch 1969: 143). In the lead up to the election McKenzie promised that compulsory repurchase would be passed should the Liberals be returned to office. At the same time Richard John Seddon, who had succeeded Ballance as Premier, hinted that cheap loans might be made available to farmers to help them on to repurchased land. In so doing McKenzie and Seddon judged the public mood well. The combination of compulsory repurchase and easy credit proved irresistible. The Liberals were returned to office in 1893 with a much larger majority in the House (Hamer 1988: 113).

In the 1893 election, 17 of the 27 members of the Legislative Council that opposed compulsory acquisition lost their seats (Sutch 1969: 143). Emboldened by this as well as by the popularity of compulsory repurchase among the general public and by the Liberal's increased mandate more generally, McKenzie introduced a revised Lands for Settlements Bill which included a compulsory acquisition clause on 20 July 1894 (Brooking 1996: 123). The Bill was passed through the lower house by a vote of 50 to 5. Members of the Legislative Council agreed that they could no longer continue to block a measure that had such widespread public support and after some debate around minor details the Bill became law (Brooking 1996: 126-127; Sutch 1969: 143; see also Belich 2001: 128). As Brooking notes there was one final plank in McKenzie's reform package that also passed into law in 1894, one which has received comparatively little attention. The Lands Improvement and Native Lands Acquisition Act signalled McKenzie's intentions to go beyond merely breaking-up the large

estates. The purchase of cheap Māori land would make much more land, particularly in the North Island, available to settlers (Brooking 1996: 128).

Ultimately the compulsory acquisition legislation was used sparingly, usually the threat of it was sufficient (Simpson 1976: 27). Indeed as Sutch notes McKenzie made use of it just twice in his remaining six years in office (Sutch 1969: 143). Many of the large estate owners were more than happy to part with their land. As Sutch puts it, 'many landowners pressed their holdings on to the government to rid themselves of the debts of the eighties and to sell on the rising market' (ibid). Similarly for Belich, landowners leapt at the opportunity to sell. 'Four or five times the amount of land bought was offered for sale under the Lands for Settlement Act. The Gentry had overcapitalised on land and there were few rich buyers' (Belich 2001: 128).

By 1912 when the Liberals finally lost office to 'Farmer Bill' Massey's Reform government, 223 estates comprising 1,296,942 acres had been repurchased at a total cost £5,948,071. The Liberal's settled some 21,996 people on repurchased estates and this played a role in creating a new rural order based on medium sized family farms, a model long dominant in New Zealand pastoral agriculture (Brooking 1996: 245; see also Simpson 1986: 230; 1976: 27; Sinclair 1980: 179). A far greater role in this regard was played by the breaking-up of the largest remaining estate of all, the 11 million acres still held under Māori ownership in the North Island. As Michael King notes, McKenzie's 'first hand memories of the highland clearances did nothing to prevent him from taking every possible opportunity to part North Island Māori from their land' (2003: 271). McKenzie and the Liberal's set out to compliment the break-up of the big estates by buying up as much Māori land as they could. As Brooking notes, 'they had much greater success in accomplishing this objective than



they did in breaking up the European owned estates' (1996: 131). Here, somewhat more subtle mechanisms of primitive accumulation were required.

### **The Liberal Government and the marginalisation of Māori**

During its first years in office, before James Carroll's 'Tai-hoa' (go slow) policy slowed sales of Māori land to an almost halt, the Liberal government effected the purchase of some 3.1 million acres of Māori land, 2.7 million acres were purchased directly by the state and a further 400,000 acres were sold on the private market (Brooking 1996: 133, 1992: 78; Simpson 1986: 230). As Brooking notes, 'the liberal land-buying programme of the 1890s was the biggest of any administration after the New Zealand Wars, both in terms of expenditure and in terms of the area of land acquired' (1992: 78). Throughout the 1870s and 1880s, successive settler administrations had adhered to a policy of free trade in Māori land. Owing in no small part to the dubious practices of Pākehā land buyers, many Māori had become distrustful of the land sales process and were reluctant to sell. Māori land sales ground to a halt. If the Liberal government hoped to satisfy the considerable land hunger of settlers, particularly those in the North Island who were largely unaffected by the break-up of the great South Island estates, or to develop the fledgling dairy industry then it needed ever more and cheaper land to be opened up for settlement (Brooking 1996: 131).

Had the Liberals simply dispossessed Māori of their land in the same fashion as earlier settler administrations it is unlikely they would have received quite as favourable an historical reading as they generally have. The Liberal's took great care to dress the primitive accumulation of Māori land with an air of ethicality. Policies that were aimed at benefitting Pākehā were packaged as acts of benevolence toward Māori. As Brooking puts it, the liberals attempted to make their actions appear legitimate by engaging in what Alan Ward has called 'a show of justice' (Brooking 1996: 135, 1992:

83; see also Ward 1973). The liberal government's first step in this direction was the establishment of a Royal Commission of Inquiry to tidy up disputed land titles and protect Pākehā, and ostensibly at least also Māori, from fraudulent deals made in the past. When the Liberals took office in 1891, owing to confusion around communal Māori land tenure and the unscrupulous actions of some Pākehā land buyers, the ownership of more than a million acres of land was disputed. The Royal Commission was established to find solutions to this unsatisfactory state of affairs (Brooking 1996: 135). Benevolence on the part of the Liberal administration was demonstrated by the appointment of the Māori member of the House, James Carroll, as a commissioner.

Carroll's recommendations to the Commission included the establishment of Māori committees to negotiate future land sales and leases, the establishment of a body to resolve existing disputes over land, and the formation of some sort of 'racial arbitration court' that could mediate between Māori and Pākehā on issues and disputes beyond land (Brooking 1996: 137). The government chose to ignore Carroll's proposals and opted instead for the recommendations of William Lees Rees, a politician with a keen interest in the development of Ngāti Porou land, who had been appointed chairman of the Commission (Brooking 1996: 135-136). Rees, like John McKenzie, was opposed to land monopoly and supported the closer settlement of the country. He also wanted to promote the development of the East Coast in particular and the North Island more generally by encouraging the selling and leasing of Māori land (Brooking 1996: 136) Rees advocated the re-introduction of full crown pre-emption on sales of Māori land ostensibly protecting Māori from unscrupulous land grabbers and land sharks and securing for Māori a fair price for their lands (Brooking 1992: 83). The government accepted Rees's proposals, in the coming years crown pre-emption would prove highly effective in dispossessing Māori of their land.

The Native Lands Purchase Act of 1892 re-introduced partial crown pre-emption. The Act made it illegal for any party other than the Crown to negotiate the purchase of Māori land for two years after any particular area of land was gazetted for sale (Brooking 1996: 137). Full crown pre-emption followed in 1894 with the passage of the Native Land Court Act, supposedly to protect Māori from land sharks (Brooking 1996: 139, 1992: 83). Also in 1892, a Native Lands (Validation of Titles) Act was passed, under which judges from the Native Land Court could investigate disputed land sales and grant new certificates of title. This Act, seemingly aimed at protecting both Māori and Pākehā from questionable land transactions in the past, greatly facilitated the land sales process. As Brooking puts it, 'purchase became simpler and speedier once full property rights were vested in secure title' (1996: 137).

While paternalistic Liberal benevolence toward Māori may have been, at least partially, evident in the re-introduction of crown pre-emption and the clarification of title, every other aspect of the Liberal's Māori land policy was coercive and punitive (Brooking 1992: 84). Brooking points to a raft of oppressive measures aimed at opening up Māori land to Pākehā settlement passed by the Liberals in the few years that followed. An institutional check on rapid land alienation was removed when the Native Department was abolished in 1892. The Land Purchase Office contained within was transferred to the Department of Lands and Survey, McKenzie's territory. The Minister for Lands was henceforth responsible for both breaking up estates in the South Island and acquiring Māori land in the North (Brooking 1992: 84). The Liberal's re-introduction of crown pre-emption forced down the price paid for Māori land. The Crown paid Māori an average of 6s 4d per acre of land compared to the thirty shillings an acre that Māori land could fetch on the open market (Brooking 1996: 141). While Māori land was kept artificially cheap, large scale purchases required extra money from the government coffers. The Native Lands Purchases Act of 1892 and the Lands Improvement and Native Lands Acquisition Act of 1894 provided most of the capital needed for the purchase of the 2,729,000

million acres bought by the Crown between 1892 and 1899 (Brooking 1992: 87). The Lands Improvement and Native Lands Acquisition Act together with the Public Works Act of 1894 and the Native Townships Act of 1895 gave the Crown the right to build roads through and towns on remaining Māori land. As Brooking puts it, 'once again 'a show of justice' was maintained while Seddon and McKenzie achieved their objective of opening up Maori land by building roads through it' (1992: 87-88). This was primitive accumulation disguised by benevolence.

Minor aspects of the legislation were added and amended, the age at which Māori vendors could sell their land was dropped from 21 to 17 under the Native Lands Purchase and Acquisition Act of 1893 for example, and by 1895 the Liberal's Māori land legislation was largely locked in place (Brooking 1996: 140; 1992: 88). For Brooking then,

The job of acquiring ample land for the promotion of the dairy industry in New Zealand had been completed quickly and cheaply by the time McKenzie withdrew from active political life in 1899. The legislation he administered ensured that Maori farming could never become a serious competitor to the heavily subsidized, tightly regulated and scientifically instructed white settler farmer (Brooking 1992: 88).

Among the many reasons Māori could not compete with Pākehā in agriculture was the fact that Māori lacked access to credit. In the tellingly brief chapter on Māori dairy farmers in his *History of the New Zealand Dairy Industry*, Philpott notes that visitors to these shores have often expressed surprise that more Māori were not established in dairy farming, given the magnitude of the industry in this country and the sizeable areas of land still held by Māori. The author laments the fact that too often Māori were 'left with insufficient money to work the land' and were 'denied the opportunity of obtaining finance from the usual sources available to the Pakeha' (1937: 368). In this, too, the

Liberals had a hand. As has been shown above the Liberals rolled out a formidable legislative battery to secure the requisite land to foster the fledgling dairy industry. As Hamer argues, what was missing was finance to help would-be farmers stay on the land. Much of the newly opened up land in the North Island was still covered in dense native bush. 'Men who were going to work that land would need a good deal of credit – to obtain stock, seed and equipment, to tide them and their families over the early years, and to carry out the initial development that was essential if their farms were eventually to be self-sufficient and viable' (Hamer 1988: 98).

In the early 1890s private credit was both difficult to obtain and interest rates were prohibitively high. The Liberals found themselves under increasing pressure to provide cheap credit to settlers. They were however, more than a little reluctant to do so. In order to finance any system of cheap credit the government would have to borrow offshore, something they were loath to do. As Hamer puts it, 'one of the Liberals' most doctrinaire policies was opposition to borrowing' (Hamer 1988: 85). Gradually however, the Liberals came to the view that a lack of access to credit could derail their entire land settlement programme. 'Men could not just be dumped on the land, they had to be helped and enabled to stay there' (Hamer 1988: 98-99). In 1894 the Liberal government reluctantly passed the Advances to Settlers Act financed by an overseas loan of £1,500,000 (Hamer 1988: 133). In so doing the Liberals broke one election promise, to not return to overseas borrowing, in order to fulfil another more important one, to aid small farmers. The state would henceforth provide leaseholders and small freehold farmers with cheap credit through the newly established Government Advances to Settlers Office.

For Sutch the greater availability of both land and now finance 'produced almost a rural revolution', 'it enabled grass to be sown and livestock to be reared by small farmers' there were, from this point

on, a far 'greater number of self-employed farmers, shop keepers and suppliers of country services' (1969: 146). Similarly for Simpson, the Liberals land legislation and the provision of credit had a positive impact on the would-be settler farmer. 'Under the Liberals therefore, a man could get on the land with the help of the state, and stay there, so that with hard work and good luck he could well expect to be a wealthy man' (Simpson 1976: 28). Philpott notes the importance of the Act as a stimulus to the dairy industry, 'the government was decidedly sympathetic towards the industry in all its branches and was generous in its support' (1937: 95; see also Quigley 1989: 51). Quigley argues that the success of the Advances to Settlers Act was such that the policy was soon extended to other sectors of the economy, the Act 'began the tradition of wide-ranging Government intervention in the New Zealand credit market which persisted until quite recently' (Quigley 1989: 51).

The Advances to Settlers Act provided settlers with access to loans of between £25 and £2,500 at an interest rate of five percent (Quigley 1989: 56). The provision of cheap credit allowed new farmers to get on with the important initial tasks of breaking in land, draining swamps, fencing, sowing grass seed, acquiring stock and building the infrastructure, the roads and bridges, skimming stations and dairy factories, necessary to prosperous agriculture (Hamer 1988: 164). Māori were, from the outset, excluded from the push toward prosperity. Cheap credit was not made available to Māori landowners (Simpson 1986: 230). Māori were needed as labour to help establish profitable farms but beyond that were denied all opportunities. The Advances to Settlers Act was just that, a system of advances to white, settler farmers, available exclusively to Pākehā engaged in a narrow range of agricultural and horticultural activities (Sutch 1969: 145). Not only were Māori increasingly alienated from the land they were also denied access to the capital they desperately needed if they were to develop whatever meagre lands they retained. As Ward puts it, economic opportunities everywhere were closed off to Māori who, from the mid-1890s onwards, were largely subordinated to the settler political and legal system and expected to operate within it and assume its obligations while

simultaneously being stripped of their lands by processes that hindered the development of Māori agriculture (1973: 305).

### **The Department of Agriculture**

On Pākehā farms a new kind of agriculture was emerging. Scientific innovation was yielding a diverse array of increasingly sophisticated agricultural technologies; from refrigeration to the three furrow riding plough or the steam powered shearing machine. With regard to dairying more specifically there was the home separator, the milking machine, a combined churn and butter worker and the Babcock test and Gerber method to determine the butterfat content of milk and cream (Philpott 1937). As Sutch notes, this new type of farming required new standards of quality control, the selection of the right kind of stock for optimum yields, the preparation of the best pasture, the best techniques of farm management, and the production of the highest quality milk and cream to be made into butter and cheese (1969: 146). The decisive role in this would be played by the state, in the form of the Department of Agriculture established in 1892.

Many of the would-be settler farmers did not come from a farming background and those who did often lacked specific experience in dairying (Sutch 1969: 146). Many also struggled to keep pace with technological innovations. As such, successive settler governments since 1883 had operated an instructional and educational service for dairy farmers. Government appointed experts would travel the country, farm to farm, providing information and advice to farmers. Initially these government lecturers operated out of the Stock Division of the Department of Crown Lands. In 1886, the Minister for Lands and Survey, John Ballance, created an agricultural branch of his department which took over responsibility for dairy instruction (Sutch 1969: 146; Philpott 1937: 78; Ward 1975: 13; Warr 1988: 108).

John Sawers was appointed the Chief Dairy Expert in 1889, he was the sole expert overseeing the entire dairy industry in this country. Sawers had trained under J. B. Harris, Scotland's Chief Dairy Instructor and a leading expert in cheese making with extensive experience in both Canada and the United States, and had himself gained experience in Scotland, Canada and at the Waiareka Dairy Factory near Oamaru (Nightingale 1992: 51; Philpott 1937: 73). Many in New Zealand's farming community warmly applauded Sawers' appointment, but continued to agitate for much more (Brooking 1996: 160). It was not just farmers who wanted the state to help create the conditions for profitable dairy farming; big business too wanted action on that front. 'W. S. Davison, manager of the New Zealand and Australian Land Company, told the *New Zealand Farmer* in September 1890 that New Zealand would fall well behind its trade rivals unless the government appointed more dairy experts and stepped up the scientific investigation of dairying' (Brooking 1996: 161).

When the Liberals assumed office in 1891 they responded at once. McKenzie was made Minister for Lands and Agriculture and he announced almost immediately that some kind of institution would be established to assist with the development of agriculture (Brooking 1996: 1614). Later the same year McKenzie appointed C. W. Sorensen as a dairy instructor to assist Sawers. Sorensen, a Dane, had specialised in the manufacture of butter and was thus chosen to compliment Sawers who was principally an expert in cheese making (Philpott 1937: 77; Warr 1988: 108). The appointment of Sorensen signalled the new government's intention to extend assistance and instruction. As Brooking notes, it was predicted that the large audiences who attended Sawers' and Sorensen's lectures would persuade the government to act decisively and establish a Department for Agriculture (Brooking 1996: 162). Before he did so, McKenzie sought advice from countries with existing Departments of Agriculture including Australia, Canada, the United Kingdom and the United States. McKenzie wanted to learn from these existing models and adapt them to fit New Zealand's unique conditions. McKenzie also sought advice from international experts well acquainted with successful



agricultural development, Canadians and Danes with regard dairying, and in so doing he broke with the long tradition of adhering slavishly to the supposedly superior practices at Home in England (Brooking 1996: 162).

The Department of Agriculture was formed on 31 March 1892 by the amalgamation of the Stock Department and the Agricultural branch of the Department of Crown Lands (Nightingale 1992: 37; Philpott 1937: 78; Ward 1975: 13; Warr 1988: 108). John Douglas Ritchie became the first Secretary of Agriculture (Brooking 1996: 161-162; Nightingale 1992: 37; Philpott 1937: 79; Warr 1988: 108). Ritchie's new role was defined by the Premier, John Ballance in the following terms, 'to collect and distribute information on subjects connected with agriculture among the settlers by means of lectures and pamphlets and generally promote the welfare of the farming community' (quoted in Nightingale 1992: 37). The new Department represented a significant step up of state intervention in agriculture. Ritchie headed a permanent staff of 83 and operated an annual budget of £36,000. The Department continued to grow and by the time Ritchie retired in 1909 there were 371 permanent staff (Nightingale 1992: 38; Brooking 1996: 162).

Among Ritchie's more pressing concerns as Secretary was the promotion of the dairy industry and, as Warr puts it, immediate steps were taken to put the infant export industry on to a sounder footing (1988: 108; see also Philpott 1937: 79). To this end the government passed the first Dairy Industry Act in October of 1892. As Nightingale argues, the 1892 Act established an unprecedented level of state intervention in the dairy industry and therefore had its share of detractors among the more conservative elements of New Zealand's political establishment (1992). As Brooking notes, the passage of the Act unleashed a flood of invective in the House. 'John Duthie compared it to Russian

despotism, Robert Bruce complained that it interfered with the liberty of the subject, and Thomas McKenzie predicted a mass conversion from dairy farming to sheep farming' (Brooking 1996: 163).

The Dairy Industry Act of 1892 was intended to 'regulate the Manufacture of Butter and Cheese for export and to provide for the purity of the milk used in such manufacture' (Philpott 1937: 79; Ward 1975: 13; Warr 1988: 108). Essentially the Act meant that all butter and cheese produced for export had to be graded and branded so that its factory of origin could be traced (Nightingale 1992: 53; Warr 1988: 108-109). It also provided authority for the appointment of inspectors to trace sources of unhygienic milk, to inspect factories and farms and to instruct factory managers and farmers on making improvements (Nightingale 1992: 53; Philpott 1937: 79; Warr 1988: 109). Opponents of the Act dismissed it as 'draconian' and 'tyrannical'. Henry Smith Fish, for example 'claimed the government should employ Pygmy inspectors so that they could climb inside cream cans (Brooking 1996: 163).

As both Philpott and Warr show, the Dairy Industry Act came into operation rather too late in 1892 to allow the various dairy companies the requisite time to register their respective trade-marks. The provisions of the Act were therefore not strictly enforced in the first season of its operation (Philpott 1937: 79; Warr 1988: 109). As such, the 1892 Act did little to solve the problems of tainted milk and poor hygiene on the farms and factories, it did however provide the nucleus around which a much more comprehensive package of legislation was built in 1894 (Philpott 1937: 79; Warr 1988: 109). For Philpott, the second Dairy Industry Act that passed through the House in 1894 marked 'a true starting-point of dairying progress in New Zealand' (1937: 88; see also Warr 1988: 109). Owing to the ongoing problems with hygiene McKenzie, as Minister for Agriculture, was under increasing pressure to tighten regulations. As Brooking notes McKenzie faced pressure from the medical profession, the

1894 Agricultural Conference, the National Dairy Association Conference, and J. C. Valentine, who had been appointed Chief Dairy Expert in 1893. Bowing to this pressure McKenzie instituted changes (Brooking 1996: 164).

The 1894 legislation included a number of 'vitaly important' measures including the introduction of a grading system and the appointment of dairy produce graders; the establishment of cool-stores at the four main ports; the payment for milk on the basis of quality; and the compulsory registration of all dairy factories (Philpott 1937: 88-89; see also Warr 1988: 110). The 1894 Act also increased the numbers and extended the powers of the dairy inspectors, who could henceforth enter the dairies and cowsheds to inspect milking practices, the production of butter and cheese and even the condition of the herd. McKenzie also imposed a fine of up to £50 for a single breach of the new regulations (Brooking 1996: 164). For 'Farmer Bill' Massey in opposition the 1894 Act threatened to make New Zealand into a nation of two classes, 'those who were inspectors and those who were inspected' (Massey 1896: 156).

In the years immediately following the passage of the 1894 Act, the Liberals continued to tinker. In 1895 the first government dairy schools were held at Edendale in Southland and at Stratford in Taranaki. The schools featured lectures and demonstrations of all aspects of dairy factory practice (Philpott 1937: 94; Warr 1988: 111). Also in 1895 the government passed legislation to regulate the sale and manufacture of margarine. The Margarine Act made it illegal to mix, colour or stain margarine with any other ingredient or material so as to imitate butter, it was therefore left an unappealing grey colour (Steel 2005: 183). It also became illegal to mix margarine with butter, butter fat or milk and to offer for sale as butter any margarine or related product (Philpott 1937: 94; Steel 2005: 183; Warr 1988: 111-112).

As Steel notes, margarine as imitation butter threatened the dairy industries monopoly on the production of essential foodstuffs (Steel 2005: 184). The Act stopped short of banning margarine production outright, but the introduction of such restrictive legislation signalled the Liberal's active support for the development of the dairy industry (Warr 1988: 112). The architect of the Margarine Act was John McKenzie. As Brooking puts it, McKenzie 'showed genuine disdain for the notions of competition and level playing fields' (Brooking 1996: 165). McKenzie had 'backed a winner' in the dairy industry and was going to 'almost any lengths to ensure its victory' (ibid). For Philpott, the Margarine Act deprived New Zealanders of precisely nothing. Margarine was a substandard product, unfit for table use. 'All classes of people in New Zealand appreciate and use high quality butter' (1937: 93). In Parliament John McGregor offered a dissenting voice, arguing that legislation against margarine, 'one of the most brilliant discoveries of the age', should be regarded as 'a libel on civilisation', 'depriving people of a wholesome and economic article of food' (Macgregor 1895: 115).

In 1896 the Department of Agriculture appointed two new officers as inspectors of dairies in response to persistent and robust criticism of the sanitary conditions prevailing in milking sheds. As Brooking notes reports from these inspectors soon reinforced calls for further improvements in standards of hygiene. The Minister of Agriculture responded by producing an even more comprehensive Dairy Industry Bill in 1898 (Brooking 1996: 164). Nightingale argues that the 1898 Dairy Industry Act largely completed the state regulation of the industry in New Zealand (1992: 54). The 1898 Act was one part of a broader package of legislation passed that year that significantly augmented the powers of the Department of Agriculture. Under the Act, the Department became directly responsible for ensuring a hygienic supply of milk. Prior to the passage of the Act, control of the local milk supply was vested in the hands of local authorities (Nightingale 1992: 54; Philpott 1937: 103; Warr 1988: 113).

The 1898 Dairy Industry Act also provided for financial advances to dairy companies. Government loans were made available, on the decision of the Minister of Agriculture, for the purchase of land for dairy factory sites, the erection of buildings and the purchase of plant and equipment (Philpott 1937: 103; Warr 1988: 113). As Philpott and Warr both note, these sections of the 1898 legislation were not popular with dairy companies, 'who could obtain suitable finance from banks more expeditiously and with fewer restrictions' (Philpott 1937: 103; see also Brooking 1996: 165; Warr 1988: 113).

The final planks in the Liberal's regulatory framework for the dairy industry were put in place with the passage of the Dairy Industry Act of 1908. The 1908 Act essentially reviewed and consolidated all previous dairy legislation and established the basis of the administration of the industry for much of the twentieth century (Philpott 1937: 128; Ward 1975: 25). The 1908 Act introduced much more rigorous standards of hygiene in both the milking process and the milk shed and established an inspectorate body to police compliance. Despite the earlier legislation, many dairying operations remained unsatisfactory. Hygiene standards in the milking sheds were of particular concern. As Warr notes the early milking sheds typically lacked adequate flooring and a supply of clean water (1988: 119). The then Minister of Agriculture, Robert McNab, recognised the need for a drastic improvement in conditions under which milk was produced on farms. To this end the 1908 Act was developed, it would prove the Minister's undoing (Philpott 1937: 129). The 1908 legislation demanded, among other things that: the floor of every cowshed be made of concrete and adequately drained; that every cowshed be swept at least once a month; that all manure and other offensive matter be removed to a distance of 30 feet; that no building used in the production, storage or sale of milk be closer than 60 feet to any 'manure heap, cess-pool, closet, urinal or liquid manure tank; that all places where cows are milked be kept in good repair, drained, cleansed and kept in a sanitary condition ; and that each cowshed be provided with a supply of clean water for washing the milker's hands and cleaning the shed (Department of Agriculture 1908: 2).

These measures attracted fervent and widespread opposition from dairy farmers across the country. Dairy farmers and the Farmer's Union expressed 'extreme irritation' concerning the new hygiene standards (Hamer 1988: 309). Indeed, such was the strength of feeling against the new regulations that they were never fully implemented and were subsequently dropped (Philpott 1937: 129; Warr 1988: 119). There was widespread opposition also to Clause 6 of the legislation that introduced an annual registration fee for all dairy farmers. The fee or 'cow tax' as its opponents disparagingly referred to it as, met with near universal condemnation on the part of dairy farmers. As an editorial in the *Hawera and Normanby Star* put it on the 4 February 1909 'to the farmer the word tax is like a red rag to a bull...nowadays the farmer is awfully afraid that the socialistic element emanating from the towns will, metaphorically speaking, squeeze his life blood out' (*Hawera and Normanby Star* 1909: 6). Farmers were opposed to what they saw as an increasingly intrusive state. If, 'bureaucratic state socialism was to take the form of inspectors snooping around dairy sheds and forcing on farmers cost increasing changes' (Hamer 1988: 309), then farmers wanted no part in it. The 1908 election was the last that the Liberal's won outright. At the following election in 1911 the Liberals lost their majority but managed to hold office with the support of various independent Members of Parliament. In 1912 the then Premier Thomas Mackenzie lost a vote of confidence in the House and 'Farmer Bill' Massey's conservative New Zealand Political Reform League took office.

In the 21 years that the Liberals held office New Zealand readily assumed its role in the world as a specialist producer of foodstuffs for the British market. As Armstrong puts it, New Zealand became an imperial farm (Armstrong 1978: 301), and like all farming enterprises the key ingredient was abundant land. The Liberals made much of their desire to break up large pastoral land holdings, but their policies did little to radically change ownership patterns among settlers (Armstrong 1980: 39). The Liberals were successful however in finding lands for the people among the acres still owned by Māori, under their leadership and additional 3.1 million acres passed out of Māori hands. The

methods of primitive accumulation employed by the Liberals may have been more subtle than those used by earlier Governments but they were no less effective. Through the provision of cheap credit, the establishment of the Department of Agriculture and the passage of various Acts of Parliament, the Liberal government also devoted considerable energy to fostering the development of the New Zealand dairy industry which contributed to a general export-oriented prosperity in the years before the First World War (Armstrong 1978: 301; 1980: 39).

## Chapter 5: The Coldest Monster (1912-1926)

### Introduction

While the Liberal government sought to disguise the more coercive aspects of its legislative agenda behind a veneer of benevolence, the Reform government that replaced them operated the levers of state power in a much more direct fashion. This chapter examines the years of the Massey-led Reform government from 1912 to 1925 and narrates that government's efforts to back the dairy industry over competing sectors. It is a story involving direct state repression, war, plunder, and disease. Chapter five begins with a section titled *A new government* (pp 118-124) that details Massey's slow ascent to power. This is followed by a section called *Massey's Cossacks* (pp 124-131) that recounts Reform's response to two of this country's most bitter industrial disputes, the Waihi miner's strike of 1912 and the 1913 waterfront and general strikes, the latter of which delayed shipments of butter and cheese and provoked a direct confrontation between dairy farmers and urban workers. In response to the strike Massey, himself a dairy farmer, called upon his farming constituents who armed themselves with clubs and batons and rode to the cities to put down the strike. This section describes the Massey government's use of 'direct extra economic force' to re-impose 'the ordinary run of things', that is, the re-emergence of primitive accumulation to restore the conditions necessary for capital accumulation (Marx 1976: 899; see also de Angelis 2001).

The next section, *The First World War and the influenza pandemic* (pp 132-142) describes the impact of the First World War and the influenza pandemic on the New Zealand dairy industry and the bleak picture of the industry that was emerging in the aftermath of war and disease. *Imperialism in the Pacific: Massey's gift to the farmers of New Zealand* (pp 142-146) details Massey's efforts at claiming for New Zealand a stake in the phosphate-rich island of Nauru, a move that would enable steady growth for the New Zealand dairy industry throughout the mid-twentieth century but one that



would have a catastrophic social and environmental impact on Nauru. *Absolute Control* (pp 146-148) chronicles the passage of the Dairy-produce Export Control Act of 1923.

## **A new government**

In 1912, after more than 21 years in office, the Liberal government finally expired and was replaced by the conservative Reform government led by a dairy farmer, William 'Farmer Bill' Massey (Belich 2001: 87). By the time he became Prime Minister, Massey had already been in Parliament for some 18 years, having languished in opposition since first entering the House in 1894 (Fairburn 1990: 189; King 2003: 305). Massey was born in 1856 in Limavady, a small market town in Northern Ireland. His father, John Massey, a well-established and relatively substantial small holder, was attracted to Auckland in 1869 by the provincial government's land grant system to self-supporting migrants (Gardner 1961: 7, 1969: 4). Under the scheme, John Massey was placed on the 'rough scrub-covered hills' of Puhoi from which he walked away in disgust some months later opting instead to lease land at Tamaki (Gardner 1969:4). William Massey, who stayed behind in Limavady to finish his schooling, re-joined his family in 1870. Massey spent his first two years in New Zealand working on his father's farm before taking up work as a ploughman on John Grigg's Longbeach Estate near Ashburton. John Grigg, eminent Canterbury gentleman, pastoralist and a former neighbour of John Massey's, purchased the 32,000 acre estate in partnership with his brother-in-law Thomas Russell (Belich 1996: 364, 2001: 61).

Grigg's estate had a permanent staff of 150 people and produced wool, mutton, beef and dairy produce for export (Belich 1996: 364). As Gardner notes, the young Massey would have counted himself lucky to be taken on by Grigg (Gardner 1969: 6). Massey was eager to learn the best in farming and Longbeach was regarded by some as 'the best farm in the world' (Stevens 1952: 60). The

estate became a celebrated training ground for a new generation of small farmers (Gardner 1961: 7, 1969: 6; Patterson 2011: 52). As Gardner puts it, Massey's two and a half years at Longbeach not only confirmed his Northern Irish individualism and his strict belief in the virtues of self-reliance, individual responsibility and initiative but it also left him more favourably disposed toward large landowners than many of his contemporaries. 'No doubt John Grigg, the enlightened "big" man helping "small" men, gave Massey a kindlier view of runholders than that held by land radicals such as Reeves who denounced the great landowners as social pests' (Gardner 1969: 6).

In 1876 Massey returned to Auckland with sufficient capital to lease 100 acres at Mangere. Over the following decade Massey expanded his interests and had secured title to 300 acres by the late 1880s (Patterson 2011: 52). At the same time, Massey became increasingly active in the Auckland small farming community. He became chairman of the Mangere Small Farmers Club and the president of the Auckland Agricultural and Pastoral Association (Gardner 1961: 8, 1969: 7; Patterson 2011: 52). In September of 1891, alarmed by the election of Ballance and the Liberals, conservative Auckland business and farming interests formed the National Association. Massey's standing in the farming community was demonstrated when he was elected vice-president (Gardner 1969: 9; Patterson 2011: 52).

The manifesto of the National Association proclaimed the principles of Herbert Spencer. Spencer was an influential advocate of *laissez-faire* who held that inequalities of wealth, position and power were natural and inevitable and that no attempt should be made by governments to mitigate against them (Heywood 2003: 54; 2004: 32). The wording of the manifesto makes clear the Association's opposition to what it saw as the worrying radicalism of the Liberal Party. The formation of the Association was meant to:

form into one solid body all those who are alarmed by the socialistic tendency of the present legislation. To show the fallacy of the principle that labour and capital are antagonistic. To protest against undue interference with the rights and liberties of the individual. To protest against experiments affecting the tenure of land by which confidence in the good faith of the colony is shaken (*NZ Herald* 1891: 4).

There is, Gardner continues, no evidence whatsoever to suggest that Massey had anything but the fullest sympathy with these aims. 'It was through this arch conservative body that the self-made farmer and contractor had his introduction to party politics' (Gardner 1961: 10).

Massey's first attempt to secure a parliamentary seat came when he was chosen as the National Association's candidate for Franklin in the 1893 election. Initially reluctant to stand, Massey neither expected, nor indeed achieved success at his first attempt (Gardner 1969: 8). Massey polled well near his home in the north of the district and was able to capture the votes of many established farmers. Massey's opponent, Major Benjamin Harris, a long established, popular Liberal Member held on to the country-town vote and won the election by a narrow majority (Farland 2008: 34; Gardner 1961: 11, 1969: 8; Scholefield 1925: 10; Patterson 2011: 53). Massey's showing in the 1893 election was sufficient to earn him the right to stand again in the following election in 1896, however an opportunity presented itself even sooner and Massey took the seat of Waitemata in a by-election in 1894 (Gardner 1969: 8; Patterson 2008: 53).

In the 1893 election the Waitemata seat was won by Richard Monk but the result was declared void a few weeks later on the grounds of bribery and corruption (Scholefield 1925: 10). Monk was unseated when it was revealed that his supporters 'treated' voters to drinks (Farland 2008: 35). For Scholefield, Monk's supporters did nothing more than follow the time honoured English political

tradition of 'providing refreshments for the intelligent electors' (1925: 10). As Gardner puts it somewhat less sympathetically however, Monk's supporters 'turned Waitemata into a colonial Eatanswill with free beer, cigars and half-crowns' (Gardner 1961: 1). Massey, who had narrowly missed out on securing Franklin for the opposition, was formally invited to stand. It was Gardner notes, Massey's passport to Parliament where he would stay for the remaining 31 years of his life (1969: 11).

Massey took his seat in the House in June of 1894 as a backbench opposition Member of the House of Representatives at a time when Seddon's reforming Liberals were reaching their zenith (Gardner 1961: 13; Patterson 2011: 53). As the new member for Waitemata, Massey 'joined a small, dispirited and effectively leaderless group of conservative independents' (Patterson 2011: 53). Throughout the 1890s the opposition failed to keep pace with the Liberals and provided little by way of effective opposition. As Gardner argues, the opposition 'havered in a gentlemanly, ineffectual way', opposing the Liberal legislation and proclaiming 'the sanctity of property, the virtues of *laissez faire*, the necessity of 'prudence' in government borrowing and 'thrift' in expenditure' (Gardner 1961: 14). Massey adhered closely to the party line and advocated an old-fashioned conservative position against 'state interference'. Massey was loyal, hardworking, tenacious and vigilant and he soon earned the respect of his peers (Gardner 1961: 14, 1969: 10). When the Opposition met to choose a leader in September 1903 Massey was elected unopposed (Gardner 1961: 20; Patterson 2011: 53).

It is unlikely, Gardner notes, that anyone in the mid-1900s would have predicted victory for Massey in 1912. 'The opposition's liabilities in reputation, its weakness in numbers, and its poverty in policy seemed to offer permanent handicaps in the political race' (1961: 21). Yet by 1911, Massey's Reform Party had eroded the support of the Liberals to such an extent that in 1912 it needed just five

members to cross the floor for the Liberal government to collapse and for Massey's reformers to capture power (Simpson 1976: 29). For Patterson, at base it was an increase in prices for New Zealand's agricultural exports and an associated growth in the power of the farming lobby that underpinned the rise in Massey's political fortunes (2011: 53). Indeed as Philpott shows prices for dairy produce were consistently high in the years that separated the elections of 1905 and 1911. Higher prices in 1905 were largely attributable to a decline in Siberian production owing to the Russo-Japanese War (Philpott 1937:119). Prices remained high and reached a record during the 1911/1912 season, owing to a drought that gripped the Northern Hemisphere the previous season (Philpott 1937: 138).

As their prosperity grew, farmers became increasingly determined to protect what they had (Gardner 1969: 13), they acted as an increasingly 'self-conscious sectional interest group' (Fairburn and Haslett 2011: 62). Farmers formed their own union in 1899 and showed an increasing determination to promote their own interests and those of the agricultural sector (King 2003: 278). The New Zealand Farmers' Union which survives today as Federated Farmers of New Zealand, began lobbying on behalf of sympathetic candidates at the 1905 election and threw its weight behind Massey and the Reform Party, albeit unofficially, the Union's motto being 'principles—not party', at the 1911 election.

Another crucial factor helping Massey erode the Liberal support base was the sudden death of Richard 'King Dick' Seddon on 10 June 1906. Seddon was replaced by Joseph Ward. Gustafson argues that Ward was a clever man but not the brilliant campaigner Seddon had been. 'For the first time Massey was to be set against another mortal politician and not the demigod Seddon had become in the eyes of the public' (Gustafson 2013: 1). At the same time, King notes, the opposition in Parliament was becoming increasingly well organised and controlled under Massey's leadership

(2003: 278). From 1906 to 1909 Massey had decided not to put his party forward as an alternative government, opting instead to play the role of a strong opposition (Gardner 1961: 25). This changed in February 1909 when, in a short sentence at the end of a speech at Palmerston North, Massey announced that he would henceforth lead the Reform Party (ibid; see also King 2003: 278).

The name Reform had been associated with various conservative groups in New Zealand for some time and had been brought into the opposition party organization by a group of young Christchurch lawyers and businessmen who had established a Political Reform League in the city in 1905. Other Leagues followed in various centres around the country, the most successful of which was at Pukekohe in Massey's own electorate and it helped persuade him to the idea of a full scale, dominion-wide organisation (Gardner 1969: 14; see also Farland 2008: 98). As Gardner argues, the name reform was an uneasy fit for a conservative party, particularly one that had long since promised to keep in place much of the Liberal's legislation. Nevertheless the Reform Party, a coalition of farming, urban professional and business interests (King 2003: 279), went into the 1911 election confident of victory.

As David Hamer puts it, the election of 1911 set in train a process of events that culminated in the fall of the Liberal government the following year (1988: 329). The 1911 election results were a disappointment to both Liberal and Reform, neither side achieved a majority and New Zealand was left with a deadlocked Parliament (Gardner 1969: 15; King 2003: 279). Stung by the result Ward resigned as Prime Minister and the Liberals', backed by three Labour members who had been helped into the House by Reform votes, formed a government under the Minister of Agriculture, Thomas Mackenzie (Gardner 1961: 23, 1969: 15; King 2003: 279). The Mackenzie ministry was short lived however, it collapsed in July 1912 when four Liberal members voted against Mackenzie in a motion

of no confidence (Bassett 1982: 13; Gardner 1969: 1516; King 2003: 279). The motion was carried by 41 votes to 33, the Liberals were out and Massey's farmers took charge (see Fairburn 1990: 185-210; King 2003: 304-323).

### **Massey's Cossacks**

As Fairburn argues most historical writing on the Reform government has stressed its conservatism. The Reform era has been framed as a period of decline, a precipitous plunge in the otherwise upward arc of progress (1990: 185-186). Massey himself has long been dismissed as an arch-conservative, 'the ultimate Tory bastard' (Patterson 2011: 50), a cultural and political reactionary, 'tainted by association with racism, sectarian bigotry and irrational hostility to organised labour' (Watson and Paterson 2011: 15). While there have been a number of recent attempts to rescue Massey's legacy and that of the Reform Party more generally (Fairburn 1990; Farland 2008; Watson and Paterson 2011), Massey is still perhaps remembered more for his role in putting down the industrial disputes of 1912 and 1913 than for anything else. Upon assuming office, the Reform government were immediately beset by two of the most acrimonious industrial disputes in New Zealand's history. Massey's response to the 1912 Waihi miner's strike and the 1913 waterfront and general strikes during his earliest days in office cemented for him a reputation that lasted well beyond his 13 years as Prime Minister.

In 1912 and 1913 New Zealand came closer to open class war than at any other time in its history. Massey, 'able, vigorous and extremely antagonistic to strikers' (Belich 2001: 90), responded to the strikes in a way that 'poisoned relations between town and country and helped polarise politics in New Zealand for a generation' (Gustafson in King 2003: 312). In the months just before Massey's Reform Party entered office, gold miners affiliated with the New Zealand Federation of Labour had

gone on strike in Waihi in protest at the formation of a breakaway union (Gustafson 1980: 59; King 2003: 310; Olssen 1988: 197; Simpson 1976: 38). The Liberal government, preoccupied with a leadership struggle and a no-confidence crisis and 'struggling towards its fall' (Belich 2001: 90), failed to act decisively. By the time Reform assumed office in July there was, King notes, 'considerable disorder in Waihi' caused by conflict between workers affiliated with the Federation of Labour and those affiliated with the breakaway union (2003: 311).

In one of his first acts as Prime Minister, Massey decided to 'unleash the new Commissioner of Police on Waihi' (Belich 2001: 90). The new Commissioner John Cullen was, Hill notes, overtly anti-union (1995: 283). His subordinates knew him as 'Czar Cullen' and as Belich puts it, 'he was inclined towards harsh policing' (2001: 90). In response to the deteriorating situation in Waihi, Cullen ordered 'strong and muscular' reinforcements to be dispatched to Waihi from a number of centres around the country (Gustafson 1980: 62; Olssen 1988: 155). Cullen himself arrived in Waihi on 7 September with 12 more constables and began arresting striking miners for such crimes as whistling the Red Flag (Belich 2001: 90; Olssen 1988: 155). The mine company, realising it had a sympathetic government behind it, assembled a number of strike breakers and reopened the mine. Waihi erupted in to a series of riots and battles between strikers and strike breakers (Belich 2001: 90). The Police did little to prevent violence against strikers and Cullen even brought about confrontations to ensure the strikers were 'thoroughly cowed' (ibid). As Gustafson notes, such was Cullen's role in the violence at Waihi that the Minister for Justice felt compelled to order his Police Commissioner to show less partiality in the dispute (1980: 62-63).

The violence came to a head on Tuesday 12 November when a large group of strike breakers marched on the union hall. The Police, Belich notes, 'were doing a strangely poor job of crowd



control' that day and failed to prevent the strike breakers from storming the hall (2001: 91). Shots were fired and a police constable and one strike breaker were slightly wounded. An enraged mob of police and vigilantes caught one striker, Frederick George Evans, and beat, kicked and clubbed him to within an inch of his life (Belich 2001: 91; Simpson 1976: 39; Gustafson 1980: 62). Evans lay unconscious on the floor of a police cell for more than an hour before he was taken to hospital, he died the following day from 'a massive blow to the back of his head' (Belich 2001: 91). In the days that followed, 'with the veneer of state neutrality wearing precariously thin' (Belich 2001: 91), Cullen ordered the remaining strikers to leave Waihi. Those who refused to leave were hunted down, beaten and delivered to the railway station (Gustafson 1980: 62). The strike breakers embarked upon a 'campaign of terror' (King 2003: 31; Olssen 1988: 163) and between 1,000 and 1,800 strikers and their families were driven from the town (Belich 2001: 91). With that, the strike was over.

The events at Waihi had shown that Massey's government was perfectly willing to use the full force of the state against the Federation of Labour. 'There is rare agreement among historians that the federationists were the victims of a government determined to destroy its class enemies' (Hill 1995: 304). The Federation of Labour was left bloody but unbowed by defeat at Waihi (Simpson 1976: 39). Almost immediately after the end of the Waihi strike the New Zealand Federation of Labour invited trade unions from all around the country to attend a unity conference in January 1913 (Gustafson 1980: 67). The intention was to create a unified labour movement which could resist the forces of state and capital in any future conflict (ibid; Hill 1995: 304). The conference brought together moderate unskilled unions, craft unions, arbitration unions as well as more radical elements and was at the time the largest unionist assembly ever held in Australasia (Belich 2001: 92). 391 delegates representing 247 organisations and more than 61,000 workers attended (Belich 2001: 92; Gustafson 1980: 67; Hill 1995: 304; King 2003: 311; Olssen 1988: 171; Simpson 1976: 39; Sutch 1969: 165). The conference established two new bodies – the United Federation of Labour, standing for trade union

action and the Social Democrat Party, an early forerunner of the Labour Party (Belich 2001: 92; Gustafson 1980: 67; Hill 1995: 304; Olssen 1988: 171; Simpson 1976: 39; Sutch 1969: 165).

As Belich notes, employers, farmers and urban middle class groups 'could see a militant working class expanding and hardening before their very eyes' (2001: 92). Leading employers decided to strike at the heart of the movement before it had time to consolidate. The government agreed with employers that the time was ripe to finally smash the Federation of Labour (Hill 1995: 304-305). On 13 October 1913 Wellington shipwrights struck against a wage cut. Wellington watersiders held a 30 minute stop work meeting to discuss support for the shipwright's action. Upon returning to the job they found themselves locked out. As King, Fairburn and Sutch all contend, the lock out was a deliberate tactic to force a confrontation (2003: 311; 1990: 198; 1969: 165). It worked. 'The strike fever spread like a huge epidemic wave. The great strike was on' (Belich 2001: 92). The United Federation of Labour declared a general strike and urged the locked out watersiders to occupy the wharves. When, on 24 October, the Union Shipping Company attempted to process ships at the wharf with 'scab' labour, the wharfies broke through the gates and invaded the wharf (Simpson 1976: 39). There were sympathetic strikes in all ports; the workers were temporarily in charge (ibid).

The effects of the strike were felt by the dairy industry almost immediately. As Philpott notes the strike delayed shipments of butter and cheese. The result of the watersider's strike of 1913:

was a huge accumulation of both butter and cheese in the available storage accommodation throughout the dominion. The general position had a bad effect on the marketing of a considerable quantity of our dairy produce for the 1912-1913 season, as it caused a shortage and then a glut on the Home market, and this undoubtedly

resulted in less money coming into the dominion than would have otherwise been the case (1937: 141).

Somewhat unsurprisingly many dairy farmers responded enthusiastically when Massey approached the New Zealand Farmers Union about the availability of men to provide 'scab' labour on the wharves and to act as special police constables to help put down the strike.

In his biography of Massey, Scholefield notes that in 1913 the Prime Minister was faced with the gravest labour crisis in the history of New Zealand. 'Strong measures' Scholefield continues 'were necessary to prevent the business of the country being brought to a standstill' (Scholefield 1925: 23). The strongest of all possible measures available to the government was to use the military to put down the strike. To this end, Massey managed to persuade the Governor General, Lord Liverpool to use the Royal New Zealand Artillery as police. The officers and men of two Royal Navy Warships, HMS *Pyramus* and HMS *Psyche*, were placed at the government's disposal (Belich 2001: 92; Gustafson 1980: 76; Olssen 1988: 182). Colonial troops with loaded rifles and fixed bayonets landed on Wellington's wharves and artillery was trained on Auckland (Belich 2001: 92; Olssen 1988: 182; Simpson 1976: 40; Sutch 1969: 165-166).

When news of the situation reached Colonel Edward Heard, the acting commander of the military, he hurried to Wellington to plead with the government not to involve the military. Heard, who had seen the effects of using the military in civil affairs during service in Ireland, 'protested in the strongest possible terms and begged that the Royal New Zealand Artillery not be called out' (Hill 1995: 306; see also Olssen 1988: 182). As he put it in a statement at the time, 'if the soldiers come out they do not come out as police, as some people seem to think, simply to look on. They come out as soldiers with rifles, ball cartridges and bayonets, and they come to shoot' (*Grey River Argus* 1913: 7). Massey

argued back that there was no choice but to use the military given the inadequate size of the regular police force (Hill 1995: 306; Olssen 1988: 182), which numbered less than a thousand at the time (Gustafson 1980: 76). Searching for a solution Heard suggested the government raise a force of 'special mounted constables' from rural areas. Specials had, Hill notes, proven effective in crushing industrial unrest in Britain (1995: 306). The government agreed and the military started hastily recruiting specials, most were young farmers (Gustafson 1980: 76; King 2003: 311; Simpson 1976: 39; Sutch 1969: 165). Some foot specials were also recruited from among the urban middle class via various gentlemen's clubs and athletics organisations (Hill 1995: 307; Olssen 1988: 183).

Although the police had to at least pretend at impartiality specials could, Hill contends, be relied on to 'crack the heads' of their enemies (1995: 307). The first mounted specials, 'Massey's Cossacks' as they came to be known, arrived in Wellington on 30 October 1913 (Belich 2001: 92; Hill 1995: 307; Olssen 1988: 183). When, on the same day, some foot specials were sworn in at the town hall, the inevitable happened. 'Some swaggering and long baton swinging by men with new found powers led to one of them being chased by an angry crowd into Whitcombe and Tombs' bookstore' (Hill 1995: 308-309; see also Belich 2001: 87). One regular policeman was severely injured trying to protect him from his adversaries before the shop's management restored order by presenting firearms to the crowd (Belich 2001: 87; Hill 1995: 309). 'The ensuing destruction of property on Lambton Quay had never been witnessed in Wellington before' (Hill 1995: 308). In the days that followed Wellington witnessed various *mêlées*, baton charges, riots and small gun battles (Belich 2001: 94). There were frequent clashes and the strikers and their supporters fared poorly (Simpson 1976: 39). By 8 November there were ten thousand men on strike, two thousand mounted specials paraded through Wellington and three thousand were in Auckland (Simpson 1976: 39-40).

One of 'Massey's Cossacks' was James Patterson, a pioneer of the Taranaki dairy industry. Patterson began dairy farming around 1890 in the small South Taranaki township of Manaia (Belich 2001: 147; Pickmere 1990: 113). Patterson's dairying interests expanded rapidly throughout Taranaki and beyond and, at the time of his death, Patterson owned 35 farms milking 4,000 cows. Patterson received little by way of formal education; he left school to go to sea at the age of 8 or 9 (Pickmere: 1990: 67). He was, Belich contends, 'ignorant, bigoted and politically conservative' (2001: 147). When, in 1886, the great Taranaki chief Titokowaru led a peaceful occupation of contested farm land near Manaia, Patterson was among a large group of local settlers who armed themselves with stock whips and clubs and rode to 'Hastie's farm' to 'pitch the Maoris into the road' (*Wanganui Chronicle* 20 July 1886: 2; see also Belich 2001: 147; Pickmere 1990; 2014).

When the watersider's strike started to impact shipments of butter and cheese, Patterson, a staunch supporter of Massey's reform government, was only too happy to go to Wellington and lend a hand. As part of a contingent of between 40 and 50 Taranaki volunteers, Patterson boarded a train at Hawera bound for the capital. Such was the level of hostility between town and country at the time that when the train stopped in Feilding on the way to Wellington, workers from the local flax mill stoned the carriages (Pickmere 1990: 149). The Farmers arrived in Wellington spoiling for a fight. As Belich notes, Patterson rode to riot with Massey's Cossacks in 1913 and 'assailed what he called the 'brutes and riff-raff' with his huge club, the 'Olive Branch', on the streets of Wellington' (2001: 148; see also Pickmere 1990: 149-150). As Patterson himself put it in a postcard to his wife, 'my club The Olive Branch...is a well-known weapon in our camp. Had occasion to use it coming home last evening. Fancy some of the brutes will have sore heads this morning' (quoted in Pickmere 1990: 150). When he wasn't clubbing striking workers, Patterson spent his time in Wellington loading butter and cheese aboard the *Athenic* (Pickmere 1990: 150).

The dairy farmers of the Waikato also took issue with the interruption to shipping. As Hill notes the Farmer's Union, which drew its support from the same 'social stratum as Massey's Reform Party, had long been promising that it was ready to mobilise rural labour for whatever needed to be done to win the war against organised labour' (1995: 315). As Olssen puts it, 'dairy farmers in the Waikato, angry that their butter and cheese might be rotting on the wharves, began volunteering'... 'The whole Waikato was soon gripped in the fervour of prosecuting a righteous crusade to preserve social order and the butter stocks' (1988: 191).

In meetings across Waikato dairy farmers agreed to support the Farmers Union and contribute men to help break the strike at Auckland. Farmers of the Waipā district for example, argued that it 'is a matter of vital interest to the dairy industry that there should be no dislocation of shipping facilities at this juncture, and if the worst fears are realised it is anticipated ample free labour would be forthcoming to work the boats' (Field and Stowers 2014: 44). Over 300 men from Waipā rode to Auckland to serve as special police constables (Field and Stowers 2014: 45). Hundreds of others travelled to Auckland as 'free labour' to work the wharves. 'Special trains travelled north at night, passing quietly through Huntly with lights out, hoping not to disturb sympathising miners within the town' (ibid). Once in Auckland the mounted specials, armed with long batons, were put to work protecting the 'free labour' working the wharves. The mobilisation of 'scab' labour under the protection of specials was enough to break the strike at Auckland (Hill 1995: 316). Direct extra economic force was used to restore 'the ordinary of things' of capital accumulation. After the strike crumbled the Prime Minister gave Waikato dairy farmers medals for strike breaking (Sutch 1969: 167). The Waipā contingent was honoured with a picnic at Ruakura and 'Farmer Bill' Massey presented the men with special constabulary medals (Field and Stowers 2014: 45).

## **The First World War and the influenza pandemic**

In 1913 workers hoping to share in the growing prosperity of the Dominion managed, for a short time at least, to slow the flow of butter and cheese out of New Zealand. The following year, with the outbreak of the First World War, the flow of butter and cheese from the country hastened substantially. As Massey himself put it, 'while the cause of the upward movement cannot but be regretted, the outstanding fact remains that the great inflow of funds in exchange for our exports has brought abundant prosperity to the farming industry, and through it to the country as a whole' (in Philpott 1937: 146).

Following the assassination of Archduke Franz Ferdinand of Austria by a Yugoslav nationalist in Sarajevo in June 1914, a system of alliances and mobilisations brought two sets of European powers into conflict. The British, French and Russian Empires or allies were pitted against the German and Austro-Hungarian Empires or Central Powers. Many other nations were also involved. As Hobsbawm argues, 'the First World War involved *all* major powers and indeed all European states except Spain, the Netherlands, the three Scandinavian countries and Switzerland' (1994: 23 emphasis in original). From outside Europe, Japan and later the United States joined on the side of the allies and the Ottoman Empire joined with the Central Powers (Belich 2001: 95). Indian soldiers were sent to Europe and the Middle East, large numbers of Chinese labourers toiled alongside the British and French armies in Europe and African soldiers fought in the French army (Hobsbawm 1994: 23).

Britain's dominions, New Zealand included, were brought into the war on 4 August 1914 when King George V declared that Britain and the British Empire were at war with the Central Powers. The following day, Massey announced to the nation that New Zealand was to enter the war, placing 'all we are and all we have' at the disposal of Britain (Scholefield 1925: 24; Farland 2008: 177). As

McKinnon contends, that New Zealand should follow Britain into war was accepted by most New Zealanders. New Zealand was a British Colony. Most New Zealanders were of British ancestry and many had relatives in England, Ireland, Scotland or Wales. 'New Zealanders were a different people – colonials – but they were Briton's too', their loyalty 'went without saying' (McKinnon 1990: 237-238). In addition to Imperial sentiment Massey's government was influenced by the fact that the nation's prosperity rested on the British market and the need to keep the sea trade routes open (King 2003: 294).

The earliest and most obvious effect of the war on agriculture in New Zealand was a spike in price and demand for New Zealand protein products in the British market. In the initial months at least, war was good for farmers who enjoyed high prices (McKinnon 1990: 239). Ward notes that market prices for dairy goods in the United Kingdom 'were firming all the time' (1975: 35). The war interrupted shipments of butter and cheese from other sources such as Denmark and Siberia and a severe drought in Australia further reduced supplies. 'Market conditions had thus moved heavily in favour of the seller and prices for butter and cheese moved accordingly' (ibid).

Strong demand for New Zealand agricultural produce was maintained throughout the war years by Imperial requisition. What came to be known as 'the Commandeer', began in 1915 when the Imperial government, faced with a protein shortage, asked the New Zealand government to arrange purchase at fixed prices of certain products (Philpott 1937: 149; Sutch 1969: 199; Ward 1975: 35). As Sutch puts it, 'from the production year of 1915-16, for five seasons, the British government bought New Zealand's wool, dairy produce, frozen meat, and some other products at good prices (1969: 199). The prices were however, not quite good enough for some. The Imperial War Office called on the New Zealand government to secure purchase of 6,000 tons of cheese at an offered price of 6½d per



pound. The Massey government consulted representatives of the dairy industry and were advised that the offer fell too far short of the market rate. A number of factories had already negotiated contracts for sales at up to 7<sup>3</sup>/<sub>8</sub>d per pound and the 6<sup>1</sup>/<sub>2</sub>d per pound on offer was actually below the average price for the previous season (Ward 1975: 34). The Massey government supported the view of the dairy industry and made a counter offer to supply at 7d per pound. The Imperial authorities rejected the offer and withdrew the commission to buy (ibid).

Dairy prices continued to rise and Britain's protein shortage continued to worsen. The Imperial government were forced back to the negotiating table. 'In the last week of October 1916 the Imperial government renewed negotiations and offered to buy 15,000 tons of cheese at 7<sup>1</sup>/<sub>4</sub>d per pound f.o.b. and authorised the New Zealand government to requisition this amount' (Ward 1975: 25). This transaction purchased for the Imperial government one third of the total output of New Zealand cheese factories (Philpott 1937: 149). Ward argues that the Imperial Commandeer led to bitterness and dissatisfaction among dairy producers over the question of price levels (1975: 35). For David Nathan, founder of the dried milk industry in New Zealand and to whom we shall return, the Imperial Commandeer was bad for business and would in fact cost producers significant sums of money (Ward 1975: 35). Massey who had promised 'all that we are and all that we have' to the Imperial government was left in the unenviable position of having to manage the wilder expectations of his dairying constituents.

The following season the British government required the whole output of cheese production. As both Philpott and Ward note, by an Order-in-Council dated 16 January 1917, the entire output of cheese available for export was, in effect, requisitioned by the British authorities (Philpott 1937: 150; Ward 1975: 35; see also Farland 2008: 283). The price was fixed at 9<sup>1</sup>/<sub>2</sub>d per pound for first grade

cheese and 9½d per pound for second grade (Farland 2008: 283; Philpott 1937: 150). The Order-in-Council included a provision for the cancellation of all other contracts regardless of whether the price was above or below 9½d per pound. Some producers had to walk away from contracts of supply at as much as 10½d per pound. Not surprisingly perhaps, what was at the time the largest ever delegation of dairy farmers descended on Wellington later that year to meet with Massey. An editorial in *NZ Dairyman* captured the mood of the delegates, 'the figures show that through having his produce commandeered instead of being sold on the open market, the New Zealand dairy man has provided the British consumer with cheap cheese, and has given close on a million pounds for the privilege' (*NZ Dairyman* 1917: 31).

After meeting with his dairying constituents, Massey agreed to take a tougher stance when negotiating the terms and conditions of the next season's Commandeer. The government established a committee to negotiate with the Imperial authorities. In the end, the Imperial government agreed to take the entire output of the 1917/1918 season at the higher rate of 10d per pound, a price regarded by many in the dairy industry as satisfactory (Ward 1975: 36). As Ward argues however, not everyone was satisfied by the terms and conditions of the 1917/1918 Commandeer under which producers were required to meet the costs of storage and insurance. A conference report from the National Dairy Association makes plain that group's dissatisfaction with the terms and conditions of the Commandeer. 'The price paid as a value may be regarded as satisfactory, but it is considerably minimised by the heavy charges paid for storage and premiums incurred on account of insurance' (NDA 1918: 8). Elsewhere the report questioned if any profit would be available and noted that the price fell well short of 'real market value' (*ibid*; see also Ward 1976: 37). There were then, clearly defined limits to the imperial sentiment of certain New Zealand dairy producers.

In addition to butter and cheese the First World War also created a considerable spike in demand for dried or powdered milk which was, at the time, a relatively new product on the market. Various chemists and manufacturers had been experimenting with the idea of preserving milk by drying or canning it since the middle of the nineteenth century. Initially at least, the search for an effective means with which to preserve milk was driven by the problems of supplying fresh milk to rapidly urbanising areas of Britain. As Davenport-Hine and Slinn put it, the milk supplied to Britain's growing towns was 'often dirty, lacking freshness, kept from going sour by the addition of preservatives, contaminated by faecal matter at the farm, by dust on its journey to the retailer, and by flies while exposed in bowls on the shop counter of a general dealer' (1992: 18). At the same time there was a marked downturn in breast feeding both among working class women, toiling in greater numbers in the factories of industrialising Britain, and middle and upper class women who were disinclined to feed their babies breast milk (Davenport-Hine and Slinn 1992: 17). Preserving milk by somehow drying or canning it would also solve a perennial problem for the dairy industry, that of skimmed milk. After whole milk is separated, only the cream is used for making butter. The leftover skimmed milk was thought fit only for pigs.

In 1856 the first process for condensing milk was patented in the United States. Ten years later the Anglo-Swiss Condensed Milk Company (later Nestlé) began operations in Switzerland (Davenport-Hine and Slinn 1992: 17). While experiments with canning milk were starting to pay dividends and attract investment, attempts to manufacture milk powder were not successful before the end of the nineteenth century and consequently there were few financiers prepared to sink money into such a venture (ibid; Millen 1997: 25). Throughout the 1890s there were many attempts to develop a dried milk product that would retain all the milk solids and become soluble when mixed with water. In New Zealand the first sample of dried milk powder was made by David Nathan, eldest son of Joseph Nathan and heir to his father's business, Joseph Nathan & Co. Nathan junior produced the milk

powder at his family's Makino butter factory and exhibited it at the Manawatu A&P show hoping to persuade farmers of the products potential (Davenport-Hine 1992: 19; Millen 1997: 26). While nothing further came from their first foray into milk drying, members of the Nathan family remained convinced that the dried milk business was a potential goldmine.

In 1903 Maurice Nathan, David's younger, London based brother made a routine call at Debenham's Department Store, one of his families suppliers. While there he was shown a sample of milk powder made under a high temperature process for drying milk known as the Just-Hatmaker method. This new process had been developed by two New York dairy farmers, John Just and Roy Bent who had sold the foreign patent rights to another American, James Robertson Hatmaker (Davenport-Hine and Slinn 1992: 19; Millen 1997: 25). In the months that followed the Nathans negotiated the rights to manufacture milk powder in New Zealand, and in 1904 Hatmaker's engineer, John Merrett, was dispatched to New Zealand to supervise the construction of a purpose built drying plant at Bunnythorpe near Palmerston North.

Production of dried milk at the Bunnythorpe plant began during the 1904/1905 dairy season. Initially many dairy farmers were sceptical about dried milk as a viable alternative to butter and cheese and took some convincing about the potential of this new product. Gradually however more and more farmers were won over and production slowly increased. The Nathans chose the brand Defiance for the milk powder and the Bunnythorpe plant became the Defiance Dried Milk Factory. In early January 1906 fire destroyed the factory. Despite the setback the Nathans decided to push on with milk powder production and the Bunnythorpe factory was immediately rebuilt (Millen 1997: 33-35). All went smoothly for the next few months then, on 22 July, the people of Bunnythorpe were woken by two loud explosions. A headline in *The Feilding Star* the following day read 'Gelignite Outrage at

Bunnythorpe: Attempt to Destroy the Dried Milk Factory' (*Feilding Star* 1906:2). In the days that followed the Police arrested John Gillies, proprietor of a rival dairy factory in Bunnythorpe who had been haemorrhaging suppliers to the new venture. As Millen puts it, the arrest of John Gillies caused outrage in the district, 'especially when it was revealed that John Gillies may not only have caused the explosion at the factory, but may have also been responsible for the fire the previous January' (1997: 35).

Not only were dairy producers hesitant to embrace the new venture, consumers too resisted the new product. New Zealand consumers had no need for dried milk as fresh milk was in plentiful supply. The British market was a somewhat more promising proposition. There had been some positive publicity in the U.K. about the benefits of dried milk as a safe food for infants, especially as it was free from tuberculosis, typhoid and other infections commonly carried in cow's milk (Millen 1997: 39). In 1906 the Nathans decided to re-launch the product, which was at the time marketed as Defiance Milk Powder for infants and invalids, under a new name and actively target their product to the infant food market. They initially tried to trademark the name 'Lacto' but were refused by the trademarks office (Davenport-Hine and Slinn 1992: 27; Millen 1997: 38). Someone then suggested the Greek for milk, galactin, as in galaxy (Millen 1997: 39-40). 'By a process of trial and error the Nathans arrived at Glaxo which was acceptable both to them and to the registrar. The name Glaxo was registered in London on 27 October 1906' (Millen 1997:40).

The Glaxo brand was advertised in the British market from 1908 onwards as 'Glaxo: the food that builds bonny babies'. Advertisements featuring the brand and slogan appeared in New Zealand sometime later (Millen 1997: 40). The company actively sought endorsements from medical practitioners as a central strategy for marketing their product. In 1910 Truby King, founder of the

Plunket Society, moral evangelist, eugenicist, racist and opponent of education for girls (Belich 2001: 163; Stace 2008), toured the Bunnythorpe factory and was 'quite enthusiastic over Glaxo' (Millen 1997: 40). The following year in Britain, a gastroenteritis epidemic brought on by contaminated fresh milk killed nearly 3,000 babies in London alone. Health authorities began to actively promote the use of dried milk. The Public Health departments of various British municipalities adopted Glaxo as an infant food and promoted its use as a supplement or substitute for breast milk (Davenport-Hine and Slinn 1992: 44).

As mentioned above, the First World War created a considerable spike in demand for dried milk and the Glaxo business expanded rapidly during the war years. The war stimulated demand for the product as an easily transportable, non-perishable alternative to milk for feeding the hundreds of thousands of troops fighting in the war (Millen 1997: 48). As Philpott notes, the Imperial government purchased much of the Glaxo powder produced during the war for use principally as a substitute for fresh milk. The prices paid for powdered milk were considerably higher than those fetched by butter and cheese and consequently once hesitant dairy farmers gave the dried milk industry their liberal support (1937: 152). Glaxo responded to the spike in demand by rapidly expanding production and by the end of the war four large factories were processing many thousands of litres of milk daily. In addition to the plant at Bunnythorpe, Glaxo factories were opened at Te Aroha, Matamata and Matangi in the Waikato (Davenport-Hine and Slinn 1992: 39; Millen 1997: 50-51). As the war dragged on however more and more young men were called up to replace those killed and wounded, and despite the fact that dairying was protected as an essential industry, milk powder production was threatened by a massive shortage of skilled labour.

The effects of the labour shortage were not limited to the production of dried milk. As Philpott shows, the entire agricultural industry in New Zealand was beset by acute problems arising from a shortage of labour. The production of butter, cheese and milk powder, which depended on skilled labour, suffered most of all (1937: 147). The rapid pace at which production increased during the war only served to exacerbate the problem, quality inevitably suffered. 'Every branch of the dairy industry was affected in some way or another – production on farms, storage, transport and marketing – throwing tremendous labour and responsibility on the workers in the industry, from the dairy-farmer to the administrator' (Philpott 1937: 147). That agricultural production was beset by such a shortage of labour is hardly surprising given the extent of New Zealand's contribution to the war. More than 100,000 men, about 9 per cent of the entire population, over forty per cent of all men of military age, equivalent at the time to ten million Americans, were sent to war (Belich 2001: 96; King 2003: 302). Of the nearly 58,000 wounded, 17,000 were killed. Farming was protected as an essential industry and the rural sector was slightly underrepresented in the ranks (Belich 2001: 103). Yet, as King notes, in small towns and villages as well as in the cities war memorials were erected to list the fallen. 'Scarcely a surname was not represented, and some small communities lost their entire crop of young manhood, some families all their sons' (2003: 302).

The spoils of war were few and long in coming. The only immediate reward for New Zealand's efforts in the war seems, Belich argues, to have been the Influenza pandemic of 1918 (Belich 2001: 113). During the war the Prime Minister, William Massey, together with his main rival and coalition partner Sir Joseph Ward, made two extended trips to the U.K. and Europe to attend various Imperial conferences and visit troops (Harper 2011: 87). The pair returned from the second of these trips on 12 October 1918 aboard the RMS *Niagara*, thought by many to be the source of the virus in New Zealand (Rice 2005: 184-201). Massey was, Belich notes, 'bearing news of imminent victory and, possibly, the viral vectors of the world's worst pandemic since the Black Plague (2001: 113). The

influenza pandemic of 1918 killed around 25 million people worldwide and about 8,600 people in New Zealand (ibid).

By way of international comparison the death rate in New Zealand, at 5.5-5.8 per 1,000, was not particularly high (Belich 2001: 113; Rice 2005: 17). Certain groups however fared much worse than others. Māori were seven times more likely to die than Pākehā. There were an estimated 2,160 Māori deaths from a total population of around 51,000, a death rate of 42.3 per 1,000 (Rice 2005: 159). Among the Pākehā victims of the epidemic were a disproportionate number of working age males (Belich 2001: 113; Rice 2005: 222). For Rice the excess of male deaths over female is largely attributable to the demands of paid work. Many working age males felt obliged to continue to work no matter how wretched they felt, for those that did take time off there was a powerful incentive to return to work too soon and risk a relapse. The vast majority of 'breadwinners' in 1918 were male and this alone, Rice contends, explains the higher male mortality rate (Rice 2005: 225). Dairy farmers were at a particularly high risk of collapse or relapse because of the need to milk cows twice daily (ibid).

As Philpott argues, the 1918-1919 dairy season was a difficult one. The influenza epidemic disrupted the dairy industry considerably (1937: 154). On many farms and in many dairy factories work came to a complete standstill. The 1918-1919 season was also a bad one climatically, being unusually cold and wet. In the Taranaki region a large number of dairy cows perished due to a lack of feed in winter and early spring. Surviving stock were in a very poor condition and produced a low yield of milk (Philpott 1937: 154). Although the Imperial Commandeer was to continue until July 1920 for cheese and March 1921 for butter (Farland 2008: 282), farmers knew that they faced the prospect of renewed



competition from rival suppliers in Denmark, the Netherlands, Canada and Argentina at some time in the future.

Farmers were also facing a decline in productivity. As Macdonald argues, increased production in the pre-war years was achieved by the rapid expansion of sown pastures at a rate sufficient to offset a marked decline in the carrying capacity of the grasslands (1982: 3). 'After an initial period of high fertility derived from animal droppings on previously unploughed tussock land, and from 'the burn' in former bush areas, there was a steady downward trend in productivity' (ibid). At the same time the government was coming under increasing pressure to open up more land for settlement by returning soldiers. Massey was powerless to resist the near universal chorus that New Zealand be made 'a land fit for heroes to live in' (Gardner 1969: 24). Massey built branch railways out into ever more marginal lands in the hope that it would raise more Reform voters and more dairy cows, but the rail lines grew as much grass as did the paddocks (ibid). The prospects for the dairy industry in 1919 were, on the face of it, bleak.

### **Imperialism in the Pacific: Massey's gift to the farmers of New Zealand**

There was however another, brighter side to New Zealand agriculture crystallising in 1919, a source of cheap fertiliser at just the time when existing farms were becoming less fertile and increasingly marginal lands were required for settlement (Gardner 1969: 25; Philpott 1937: 10). 'Perhaps Massey's greatest gift to New Zealand's farming was a share in the phosphate rich Nauru Island, a former German Pacific possession...Nauru phosphate transformed thin pastures on light soil, and these better grasslands sown during Massey's term of office were to be the secure foundation of a new and wider future for New Zealand' (Gardner 1969: 25).

Massey had been seeking new supplies of phosphate for his farming constituents since before the war. Owing in large part to the efforts of Bernard Aston, a young soil scientist with the Department of Agriculture, farmers in New Zealand were increasingly aware of the need to manage their soils. In a number of prominent articles in *The Journal of Agriculture* Aston stressed the importance of intensive fertiliser use for the success of agriculture (Macdonald 1982: 3). In July 1914, Aston travelled to London where he met with New Zealand's High Commissioner, the former Prime Minister and Minister for Agriculture Thomas Mackenzie (Macdonald 1982: 4). Mackenzie was so taken with Aston that he contacted Massey, the man who had ousted him as Prime Minister two years prior, and urged him to engage Aston's services in preparing a report on the prices and availability of phosphate from various sources. Massey agreed. In his report, Aston showed that fertiliser costs in New Zealand were excessive. In buying imported preparations, New Zealand farmers were paying for expensive additives such as potash and nitrogen that were not necessarily required (Macdonald 1982: 5). Aston also revealed that the cheapest quotations for phosphates he had been able to obtain came from the Pacific Phosphate Company that sourced its phosphates from both Ocean Island (Banaba) and its central Pacific neighbour, Nauru.

In September of 1914, not long after the outbreak of war, the Secretary for Agriculture F. S. Pope received a report on the Pacific Phosphate Company from the Bank of New Zealand and he immediately wrote to Massey:

The Pacific Phosphate Company obtains supplies not only from Ocean Island, which is I believe a British possession, but also from Nauru or Pleasant Island, which appears to belong to Germany...It has been suggested to me that you might take some action in the direction of securing a[n] interest for New Zealand in the island of Nauru at the conclusion of the present war with Germany (in Macdonald 1982: 4).

Massey scribbled 'noted' in the margins of the correspondence which, Macdonald contends, became something of an understatement in light of subsequent developments (Macdonald 1982: 4). From this time onwards Massey was determined to secure Nauruan phosphates for New Zealand farmers. Throughout the war Massey lobbied the Imperial authorities to this end. In 1916, when in London for the Imperial Conference, Massey seized the opportunity to press upon the Imperial authorities the importance of Nauru to the New Zealand economy. London promised to consider New Zealand's views at the appropriate moment and the matter rested until the following year when rising fertiliser prices brought the matter to the fore of farmer's minds (Macdonald 1982: 7).

At its annual conference in August 1917, the Farmer's Union resolved to lobby the government to gain control of guano islands, in order to reduce the high price of fertiliser (Macdonald 1982: 6). In the months that followed branches of the Union from around the country lobbied the government to annex Nauru after the war and thus secure access to cheap phosphate. When Massey arrived in Versailles after the War he joined Australian Prime Minister William Hughes in lobbying the Secretary of State for the Colonies, Lord Milner for a stake in Nauru. In the end it was decided that Nauru would become a League of Nations Mandate jointly administered by Australia, Britain and New Zealand. Nauru's phosphate would be shared between the mandate partners. Australia and Britain each received a 42 per cent share of the phosphate rights and New Zealand received a 16 per cent stake (Macdonald 1982: 10; 1988: 14). As King notes the agreement gave New Zealand access to enormous quantities of cheap phosphate, for decades after Nauru was plundered of guano and rock phosphate without regard for the welfare of the Island's inhabitants or indeed for the Nauruan environment (King 2003: 436; see also Weeramantry 1992). Here mechanisms of primitive accumulation were used to systematically dispossess Nauruans of phosphate and with it their social, economic and environmental well-being. I will return to the social and environmental impact of phosphate mining in Nauru in chapter seven below.

Even before the League of Nations granted Australia, Britain and New Zealand official mandate of Nauru on December 17, 1920 the three mandatory powers signed the Nauru Island Agreement of 1919, which not only gave them exclusive entitlement to Nauruan phosphate, but also the right to purchase the mineral at cost price, well below the market rate (Anghie 1993: 451; Gowdy and McDaniel 1999: 334; McDaniel and Gowdy 2000: 44; Nazzal 2005: 4; Viviani 1970: 43; Weeramantry 1992: 11). Nauru remained under this mandate until the Second World War when the island was occupied by the Japanese (Anghie 1993: 452; Nazzal 2005: 4; Viviani 1970). Following the War and the collapse of the League of Nations and with it the mandate system, administration of the island came under a United Nations trusteeship which was once again carried out by the three mandate nations (Anghie 1993: 452; Gowdy and McDaniel 1999: 334; Nazzal 2005: 5; Weeramantry 1992: 9-10). Throughout the mandate and trusteeship period, from 1919 until Nauruan independence in 1968, approximately 34 million tons of phosphate, with a market value of around 300 million Australian dollars, was mined out of Nauru (Gowdy and McDaniel 1999: 334; McDaniel and Gowdy 2000: 44; Nazzal 2005: 5; Weeramantry 1992: 11). As we will see in chapter 7, Nauru received only a tiny fraction of the proceeds from the sale of phosphate.

Nauruan phosphate was key to the so-called 'grasslands revolution', an enormous increase in farm productivity driven by science and technology that began in the 1920s, accelerated substantially after the introduction of aerial top-dressing in 1949 and lasted until about 1972 (Belich 2001: 248; King 2003: 436; Brooking et al. 2002: 170). The grasslands revolution involved a combination of bush clearance, the introduction of more vigorous pasture such as ryegrass and white clover, the use of heavy stocking to create urine and dung showers, and the use of bird droppings, Nauruan guano processed into superphosphate and distributed over the land (Belich 2001: 248-249; King 2003: 436; Brooking et al. 2002: 170-171). The end result, as Brooking et al. show, was the conversion of 51 per cent of New Zealand's surface area to pasture by the 1970s. A figure far in excess of the international

average of 37 per cent (2002: 171), and one that would have been substantially higher save for the alpine spine of the South Island (King 2003: 436). King argues that the grasslands revolution, together with this country's temperate climate that allows for year round stocking was key to the high levels of meat, wool, butter and cheese production that gave New Zealanders a standard of living from the 1920s to the 1970s that ranked between the fifth and third highest in the world (King 2003: 436; see also Brooking et al. 2002: 170-171).

The impact of Nauruan phosphate on the dairy industry in New Zealand was massive and was felt almost immediately. As Philpott notes the 1920s were marked by the rapid expansion of the dairy industry. '1920 to 1929 were years of great activity in the industry, and of great prosperity for our dairy farmers' (1937: 187). Sinclair too, notes a great expansion of dairying in the 1920s as superphosphate fertilisers and other new technologies such as tractors and electric motors improved the yield of butter fat per cow (Sinclair 1969: 245). Similarly for Belich, the interwar years were marked by significant increases in production:

The number of dairy cows climbed from about 700,000 in 1919 to 1,700,000 in 1939.

The yield of butterfat per cow increased about a third. Together, these two factors massively expanded the dairy industry between the wars. Waikato and other hinterlands of Auckland joined Taranaki as leading dairying regions (Belich 2001: 249).

### **Absolute control**

Massey remained Prime Minister until his death in 1925. His final gift to dairy farmers came with passing of the Dairy-produce Export Control Act that allowed for the creation of a state-sponsored dairy produce control board to handle the handling, distribution and marketing of New Zealand dairy produce. After the end of the Imperial Commandeer, marketing of New Zealand produce was once

again left to private interests, whose haphazard approach and profit imperative contrasted with the efficiency of the war years (Gardner 1969: 26). Sheep farmers demanded Massey's assistance in establishing a state sponsored produce board to control the marketing of meat. Massey obliged and the first meeting of the meat board was held on 14 March 1922 (ibid; Ward 1975: 50). As Stephens puts it the establishment of the meat board was epoch making, in that it recognized that public economic welfare would be promoted by state interference in the market (1936: 768). The dairy industry soon followed this lead. On 14 September 1922 at a general meeting of dairy producers held in Wellington a large majority of attendees voted for a control board (Philpott 1937: 270; Ward 1975: 50). 'The Government now acceded to the industry's request and drafted legislation accordingly' (Ward 1975: 51). Massey, who had come into politics so firmly opposed to state socialism, was more than happy to use the levers of state power to improve the fortunes of his farming constituents – although he was at pains to point out that there was 'no taint of socialism' in his interventions into the market (Gardner 1969: 26).

The Dairy-produce Industry Control Act passed through both Houses on 28 August 1923. The Act provided for the establishment of a Dairy Control Board of twelve members and invested in it the full authority over the handling, pooling, storage, shipment, sale, disposal, advertising and insurance of all dairy produce for export (Philpott 1937: 271-272; Sutch 1932: 61; Ward 1975: 54-55). For a short time the Dairy Board exercised absolute control over all dairy produce exported to Great Britain and North America (Sutch 1932: 61). Australia passed similar legislation in 1924, the Dairy Product Export Control Act established a control board with responsibility for the overseas marketing of Australian dairy produce (ABS 2004: 449).

The New Zealand Act also introduced a system of price fixing which together with the Board's policy of 'absolute and total control' aroused intense opposition from British business and marketing interests on the grounds that it infringed free trade (Warr 1988: 156). London based merchants organised an unofficial boycott of dairy produce imported by the Dairy Board, opting instead for alternative sources of supply (Philpott 1937: 273; Sutch 1932: 61; Ward 1975: 69). Opposition to price fixing on the part of British interests coupled with dissatisfaction on the part of New Zealand producers lead the Dairy Board to abandon its attempt to dictate the price of New Zealand dairy produce after just one season (Sutch 1932: 61). Other aspects of the Act were retained. As Philpott notes the Dairy Board continued to operate but the word 'control' no longer applied to its activities and was subsequently dropped from the Board's title (Philpott 1937: 274; see also Ward 1975: 73).

During its years in office the Massey led Reform government operated the levers of state power with none of the subtlety of the previous Liberal administration. Faced with the bitter labour disputes of 1912 and 1913 Massey used the organs of the state to dispossess workers of their rights, the Reform government's response to these disputes involved a level of direct repression scarcely seen in the history of New Zealand and represents a clear-cut case of 'direct extra-economic force' being used to re-establish the conditions necessary to continued capital accumulation (Marx 1976: 899).

Additionally, Massey's efforts to secure New Zealand a stake in Nauru would pave the way for the systematic dispossession of Nauruan phosphates in the decades that followed, a process that is detailed in chapter seven below. Massey is also remembered in New Zealand for his conservatism and his hostility to state socialism, except of course when it benefited his farming constituents. The establishment of the Dairy Board involved a level of direct state control over the export of dairy produce that is difficult to reconcile with Massey's avowed politics. Indeed as Moran et al. have producer boards such as the Dairy Board serve as 'a potent limitation to the full penetration of capital into agriculture' (1996: 162).

## Chapter 6: Bust and Boom (1927-1939)

### Introduction

In the final years of Massey's time in government the Dairy Board and other producer boards largely confined themselves to promotional activities, to reducing seasonal fluctuations in produce and to attaining more favourable freight and insurance rates (Moran et al. 1996: 162). Government control of the export of primary produce became increasingly comprehensive in the 1930s as depression forced successive governments to try their hand at intervening in the economy in the interests of a much broader section of the New Zealand population. This chapter chronicles New Zealand's experience of the Great Depression. It begins with the section *Hard Times* (pp 150-155), which describes the economic difficulties which contributed to depression and highlights the severe impact of it on the people of New Zealand. This is followed by *The Government responds* (pp 156-164) which details the various political responses to the depression taken by successive United and United-Reform governments which ranged from 'borrow and spend' to miserly austerity measures. The section titled *First Labour* (pp 164-170) deals with the election of New Zealand's first Labour government which fundamentally altered the political, social and economic direction of the country for much of the twentieth century. Chapter six recounts Labour's many interventions into the economy including the system of guaranteed prices for dairy produce, which sought both to shield farmers from the vicissitudes of the market and guarantee to all other New Zealanders the means with which to share in the bounty of the land. The final section in chapter six, *Negotiating the fixed price* (pp 170-175), details the on-going dissatisfaction of many dairy farmers with the guaranteed prices on offer from the government.

The dominant theme in chapter six is somewhat different to that of earlier chapters, together with chapter seven it describes a period in New Zealand's history when the state acted to shield New



Zealanders from the vagaries of the market. From the mid-1930s until the 1970s stable growth allowed for the continued accumulation of capital without much need for the kinds of direct extra-economic force described by Marx in *Capital* volume one. Throughout the mid-twentieth century primitive accumulation ceased to be a prominent strategy of accumulation within New Zealand, although, as we will see in chapter seven, prosperity in New Zealand rested to a great degree on the dispossession of Nauruan phosphate.

### **Hard times**

In the years immediately following the failed experiment with absolute control and price fixing, interests within the New Zealand dairy industry concentrated on steady expansion (Ward 1975: 75). Starting in 1927/1928 and lasting for three successive seasons, favourable or extremely favourable climatic conditions coupled with the increasing use of phosphate based fertilisers contributed to a significant increase in production (Philpott 1937: 179-185; Ward 1975: 75). Sutch notes that New Zealand's grass crop increased enormously in the period, especially with the application of phosphate to what was once marginal land such as that in the Waikato (1969: 215). Correspondingly for Simpson, 'in 1931 the land was carrying a million more cattle than in 1921, half a million more dairy cows than in 1929' (1976: 83). Yet even as production was rapidly expanding, signs of impending economic difficulties were becoming increasingly apparent (Philpott 1937: 187; Sutch 1969: 215; Ward 1975: 76).

Starting in the 1928/1929 season, New Zealand producers began to both seek out new markets and increase their share in existing non-British markets so as to relieve pressure placed on the British market by the rise in production. Exports of New Zealand butter to Australia doubled to 3,000 tons in 1928/1929. Australian producers reacted strongly however and the Australian government moved to

increase tariffs on New Zealand butter (Ward 1975: 75). For a short time Canada, with comparatively low tariffs on butter, became an attractive market for New Zealand producers. Exports to that country rose from 3,000 tons in 1926/1927 to 21,000 tons in 1929/1930. On 29 October 1929 the New York Stock exchange crashed. When, in response, the United States government raised tariffs on imports, Canadian producers responded by agitating for higher tariffs on New Zealand butter (Ward 1975: 75). The Canadian government increased tariffs from October 1930. The New Zealand dairy industry was left with no option other than to compete for market share in the comparatively free British market. As Belich puts it, 'many countries sought to shield their internal economies by imposing tariffs on imports of raw materials. Countries dependent on the export of primary produce rushed to the one remaining free market, Britain, and prices plummeted' (2001: 254).

The stage was now set for the slide into the Great Depression (Ward 1975: 76). In Britain imports of butter increased dramatically from 306,000 tons in 1928 to 403,500 tons in 1931 (*ibid*). At the same time however economic conditions in the United Kingdom were dire. As Sutch notes, as a result of the rapidly developing Depression, many in Britain were living on reduced wages and millions were unemployed. The result was a rapid fall in prices (1969: 25). Britain was simply unable to afford what New Zealand had to offer (Simpson 1975: 83). Dairy prices halved. The approximate pay out for butter and cheese fell from 1s 6d and 1s 8¼d per pound respectively in 1925, to 9d and 10d in 1933 (Duncan 1933: 224). The fall in prices was most rapid in 1930-1931. Indeed the total value of New Zealand exports fell in two years by 40 per cent and prices continued to fall (King 2003: 345; see also Simpson 1975: 83; Sutch 1969: 215).

The collapse of agricultural prices under the weight of supply from New Zealand, Canada, Australia and elsewhere impacted severely on the fortunes of British dairy producers. Britain, while aware of

the increasingly urgent and anxious voices from its Dominions had also to react to the outcry of its own agricultural producers (Ward 1975: 78). To this end on 4 February 1932 the British government introduced the Import Duties Act, imposing a ten per cent duty on all imported dairy produce even that produced within the Dominions. Not surprisingly New Zealand producers strenuously opposed the Act.

The issues were debated at the Ottawa Imperial conference in 1932. At the conference New Zealand joined with the other Dominions in pressing the Imperial authorities to exempt Empire produced cheese and butter from any protective tariffs. Ward notes that the deliberations at Ottawa resulted in Britain making it very clear that its market was finite and that exempting the Dominions from regulation while placing restrictions on 'foreign' dairy produce was not viable (Ward 1975: 79). In his speech to the conference the then Chancellor of the Exchequer Neville Chamberlain made plain the U.K.'s position:

...if we are to restore stability of price and confidence in the future of the market for the great primary commodities, we must look for some means of regulating supplies in such a way that they shall not be from time to time completely out of relation to the absorbing capacity of their markets...to form a stable working scheme it is obviously necessary that all the main sources of supply – home, Empire or foreign – must be brought into the plan (Chamberlain 1932: 145).

The magnitude of this shift in British trade policy was not lost on *The Times*. Under a headline that read 'Laissez Faire doomed' a correspondent for *The Times* wrote of the policy shift in terms of revolutionary change, 'one of the most conspicuous changes of the past year has been the dramatic end of the British attitude of laissez faire' (*The Times* 1932:15). As Belich notes from about the time

of the Ottawa conference onward Britain, once willing to absorb as much as 87 per cent of New Zealand's exports, became increasingly less generous in this regard (Belich 2001: 247). New Zealand's Minister for Finance at the time, Gordon Coates warned that the British market for New Zealand products may have reached saturation point (Belich 2001: 247; Brown 1997: 42).

Faced with the loss of market share in Britain, New Zealand dairy producers looked elsewhere for potential new markets. A report by the New Zealand Dairy Commission presented to Parliament in 1934 explores the potential for increased trade with India, Ceylon (Sri Lanka), Burma (Myanmar), British Malaya (Malaysia and Singapore), the Dutch East Indies (Indonesia), Hong Kong, China, Japan, Siam (Thailand) and the Philippine Islands (the Philippines) (N.Z. Dairy Commission 1934: 38-39). Somewhat presciently the report noted a very large demand for preserved and condensed milk in 'the East'. In the words of the report's authors, 'a substantial field is open to the New Zealand manufacturer or exporter provided price and quality of product are competitive' (N.Z. Dairy Industry Commission 1934: 40). The Dairy Board was somewhat more cautious in its outlook for future expansion into 'Eastern' markets. In its 9th annual report, the Dairy Board noted that increased trade with the East would require a substantial reduction in prices, risking a price war with producers in Australia (NZDB 1933: 21; Ward 1975: 82). As we will see in what follows, in more recent decades producers in New Zealand have relied on on-going intensification to drive prices down in order to gain market share in 'the East'.

In New Zealand the effects of Depression were increasingly severe, unemployment assumed serious proportions and shortages of necessities were evident in many homes (Ward 1975: 78). 23,000 people registered as unemployed in February 1931, by June that number had risen to 51,000. 'From that point on, regardless of government policies – and possibly because of them – the number of

jobless continued to rise' (King 2003: 346). Whilst questions remain as to the comparative severity of the Depression in New Zealand (Belich 2001: 254-255), the unemployment rate soared. Indeed as King puts it, 'It is probable that, at the height of the Depression, the actual number of unemployed was over 100,000, or around 40 per cent of the male workforce' (King 2003: 346; see also Simpson 1976: 83; Sutch 1969: 218).

Living conditions in New Zealand during the depression deteriorated sharply. For Simpson, 'the depression was a grey and ill-defined monster, an unspeakable disaster' that 'cast a long shadow, a blight on everything it touched' (1984: 12). Similarly for Sutch, the human costs of depression were impossible to count. 'There is no doubt that thousands of people suffered from something approaching starvation during those years' (1969: 221). As Belich notes, a survey of primary school children in poorer areas of Christchurch found a substantial number of children suffering from malnutrition (Belich 2001: 256; see also Sutch 1969: 221-222). In 1934, Simpson notes, seven out of ten children in Auckland primary schools had physical defects, many suffering the effects of malnutrition and some quite literally slowly starving to death (1976: 84). The effects of malnutrition stayed with many long after the Depression abated. Both Simpson and Sutch note that doctors in the Army Medical Corps examining young men for military service in 1940 were able to attribute the large numbers medically unfit for service directly to malnutrition suffered during the Depression (Simpson 1976: 84; Sutch 1969: 221). Sutch notes that at the Auckland City Mission Christmas camp in 1932, some children refused roast meat because they had never eaten it before, one child refused an orange because she thought it was medicine and a number of 9 and 10 year old children reported never having tasted butter (Sutch 1969: 221). This malnutrition was set against the backdrop of a steadily expanding dairy industry and a significant increase in production owing to the wider use of Nauruan phosphates.

Children suffered in other ways too. Large numbers of children went without adequate clothing (Belich 2001: 256; Simpson 1976: 84; Sutch 1969: 221-222). Government austerity measures meant that in 1932 no school dental nurses were trained, there was insufficient fuel to heat classrooms in winter, state grants to kindergartens and public libraries were withdrawn, class sizes increased, assistants were withdrawn from large primary school classes, children under six were excluded from school and two of four teacher training colleges were closed (Simpson 1976: 84; Sutch 1969: 223). The birth rate fell; marriage rates declined; more people left the country than arrived in it (Sutch 1969: 217). The Depression also had an impact on abortion rates. 'Abortions increased, as parents could not face another mouth to feed. One estimate implies an induced abortion rate of about one in five pregnancies' (Belich 2001: 256).

Belich highlights the impact of depression on consumption, noting that even the consumption of staple foods dropped significantly during the depression. 'Per capita consumption of beef and pork fell by 30 per cent...the purchase of potatoes, the cheapest food of all, fell by a third' (Belich 2001: 255). Consumption of luxury items also declined sharply. Annual per capita consumption of ice cream dropped from eight to three pints. Beer consumption fell by 30 per cent, consumption of wine and spirits halved (ibid). Even spending on luxury items by high-income groups declined sharply. Imports of coffee and brandy halved between 1929 and 1933 and imports of motor cars and cigars fell by 80 per cent (ibid). Not only was there an impact on demand, supply too declined during the depression. As Sutch notes mass unemployment meant fewer goods being made in the factories. The goods available for consumption by the public fell by 27 per cent (1969: 217-218).

## The government responds

As Belich notes government reaction to the Depression largely reinforced the sense of despair (2001: 256). The country had entered the Depression with an ageing and ailing Sir Joseph Ward leading a minority United government formed out of the remnants of the Liberal Party. At the 1928 election, support for the incumbent and long dominant Reform Party fell sharply and they took just 28 of 80 seats in the house. The United Party took 27 seats but was able to form a government with the backing of four independent Liberal M.P.s and the Labour Party, which took 19 seats (Bassett 1993: 268; King 2003: 322).

Ward, '72 years old and disintegrating from the effects of diabetes' (King 2003: 322), took office on 10 December 1928, 22 years after he had first held the position. A major factor in securing office for Ward was his promise to borrow £70 million in a single year to solve the country's economic difficulties (Bassett 1993: 266; King 2003: 322; Simpson 1976: 86). Ward told a packed town hall in Auckland that he would use the sum to help settle more people on the land and to finance the extension of the country's long distance rail network (Bassett 1993: 266). What would easily have been New Zealand's most lavish election promise to that date, appears however to have been a mistake, the result of Ward's failing eyesight. Ward most likely misread his notes and promised £70 million instead of the much more realistic figure of £7 million (Bassett 1993: 266; Hawke 1985: 146; King 2003: 322; Simpson 1976: 86).

United's campaign officials soon recovered from their initial shock at Ward's gaffe and decided to allow a degree of ambiguity in the public mind (Bassett 1993: 266). The strategy paid off, the extravagant figure captured the imagination of a public bit increasingly hard by depression and secured for Ward enough votes to hobble together a government. Ward also attracted crucial

support from farming interests. Farmers had turned against the Reform Party for failing to provide ever more ample credit facilities (Sutch 1969: 210). Ward's accidental election offer, to borrow and spend £70 million, won the support of those hoping to share in the results of the expenditure. Right-wing business interests and farmers, including dairy farming interests in the Waikato, helped to secure for Ward enough Members of Parliament to form a government (ibid).

Ward's premiership quickly descended into farce (Bassett 2014: para.31; King 2003: 322). Ward, himself a former bankrupt, was unable to halt the slide into depression. 'Ward cracked hearty and optimistic as of old but very little of the £70 million was, or could be, borrowed' (Bassett 2014: para.31; see also King 2003: 322). The New Zealand economy deteriorated steadily throughout 1929 and 1930 as the effects of the global Depression sank in. The Government was seemingly helpless in the face of spiralling unemployment. It was not borrowing nor was it moving toward establishing an unemployment insurance scheme both of which were key election promises (Bassett 1993: 276) Ward, increasingly unwell left governance to his two deputies, E. A. Ransom and George Forbes as well as to his son, Vincent Ward (Bassett 1993: 275; King 2003: 322). By September 1929, Ward was described as being 'in the last stages of decrepitude' (Bassett 1993: 275), he was finally persuaded to step down in May 1930, he died three months later. Ward was replaced by his lieutenant, the Minister for Agriculture George Forbes.

George Forbes is not remembered as one of New Zealand's finest Prime Ministers. He was, King notes, perhaps the country's most improbable leader, 'a bull necked farmer from Cheviot who had captained the Canterbury Rugby team' (King 2003: 344; see also Sinclair 1969: 255). As Simpson puts it, nobody seeing George Forbes for the first time would have ever thought of him as a potential future premier. 'If ever there was a man' Simpson continues, 'who was bone from the neck up it was



George Forbes' (Simpson 1976: 86). Doubts about Forbes' intelligence and ability to take initiatives were widespread (Bassett 1995: 175; Belich 2001: 256; King 2003: 344). His colleague, the future Prime Minister and Governor General, Keith Holyoake said of Forbes that the only reason he had graduated from Lyttleton Primary School was that the school had burned down (King 2003: 344). In the somewhat more charitable words of his biographer, W.J. Gardner, Forbes was an amiable man but one unsuited to the office of Prime Minister, particularly during a time of national crisis (Gardner 2012: para.17). Similarly for King, when he assumed office in May 1930, Forbes was quite simply 'the wrong man in the wrong place at the wrong time' (2003: 344).

Forbes, who had also taken on the Finance portfolio, could see only one way out of the Depression and that was to balance the budget by cutting costs. Public works expenditure was slashed. Staffing levels were reduced to such an extent that not enough staff were retained to adequately maintain existing works (King 2003: 345; Sutch 1969: 217). The few staff that were kept on were laid off and then rehired on reduced relief rates (Simpson 1976: 86). Old age pensions were cut, family allowances scrapped. Forbes also announced a ten per cent cut in wages for all public servants, and empowered the Arbitration Court to act to lower wages and remove the legal protection on award rates (Gardner 2012: para.10; King 2003: 345; Simpson 1976: 86-87). The net result of government cuts was unemployment for thousands and reduced purchasing power for others (King 2003: 345).

When Forbes was out of the country attending the Ottawa Imperial conference the government passed the Unemployment Act which promised long overdue relief payments to registered unemployed. When Forbes returned from Ottawa, however, he announced that there would be no pay without work. In order to receive relief the unemployed, regardless of their skills or former occupations, would have to participate in menial make-work schemes often located far away from

the towns and cities (King 2003: 346; Simpson 1986: 86-87). Simpson notes the absurd lengths to which the attitude of no pay without work was carried. In one case men in a public works camp were engaged in shifting rubbish from place to place because the person in charge could not think of anything else to have the men do but had been instructed that they must work for their relief payments. In another case a Christchurch woman had to wheel her disabled husband to a worksite some miles outside the city so that he could be said to be reporting for work. That he was incapable of any physical labour apparently mattered not at all (Simpson 1976: 87).

Forbes retrenchment policies alienated the Labour Party which in turn withdrew its support for the Government. In September 1931 Forbes told an all-party political conference that the country needed a grand coalition in order to navigate the difficult terrain of depression. Labour declined to support United but the Reform Party agreed to enter into coalition (Gardner 2012: para.11-12; King 2003: 345; Simpson 1976: 86-87). The coalition took 51 seats at the 1931 general election to the Labour Party's 24 (King 2003: 346). As Olssen notes, while retrenchment had already contributed greatly to the ranks of the unemployed before the election, after the coalition came to power retrenchment gathered pace.

Relief rates were again cut, the Government proposed camps for the unemployed, and civil servants suffered a second 10% wage cut. Pensions were also cut for the old and for returned servicemen, including the disabled. The Government also proposed to abolish compulsory arbitration in order to allow private sector wage levels to be forced down. In this ugly context a number of Hospital Boards, notably Otago's, refused any form of relief over the Christmas holiday period (Olssen 1990: 213).

While Forbes remained Prime Minister in the United-Reform coalition, the 'much more able' Deputy Prime Minister, Gordon Coates leader of Reform was the real leader of the country' (Belich 2001: 256; see also Bassett 1995: 175). Comparing Forbes and Coates, Bassett writes that theirs was scarcely a matching of equals. 'Coates was as eye catching as Forbes was personally insignificant...Coates enjoyed the challenge of hard physical and mental work; Forbes preferred a slower pace...Coates grappled with the Great Depression, often burning the midnight oil...Forbes usually went to the movie theatre across the road from Parliament Buildings two nights a week' (Bassett 195: 175).

Coates, as the most prominent personality in the coalition government attracted a good deal of public contempt, becoming perhaps 'the most hated man in the country' (Belich 2001: 257; see also Bassett 1995: 180; King 2003: 348). There were persistent rumours that Coates was drinking heavily and that he had dismissed a deputation of unemployed workers with words to the effect that, as far as he was concerned, they could 'eat grass' (Bassett 1995: 180; King 2003: 348; Olssen 1990: 216; Simpson 1976: 90). Bassett (1995), King (2003) and Simpson (1976) have all dismissed the 'eat grass' story as untrue. For Simpson it was the result of a misinterpretation. Coates had in fact told the deputation of unemployed workers that as long as there was pasture available, food would be produced and no one would starve (Simpson 1976: 90). For Bassett, the heartlessness of the 'eat grass' comment was totally out of character with Coates who was personally generous toward people in distress (1995: 180; see also Simpson 1976: 89-90). Bassett contends that Coates, struck by the contradictory situation that people were going without food in a country that produced it in abundance, may have said words to the effect that it was a shame that people could not eat grass (Bassett 1995: 210). Nevertheless the story gained considerable attention at the time and it was widely believed to be true. Bassett notes that the late historian, Sir Keith Sinclair's father believed it

to be true and that several participants in an Auckland University oral history project believed Coates to have said it (Bassett 1993: 300n).

In the decades since the Depression a number of scholars have sought to rescue Coates reputation. As Belich puts it, Coates has received a much better press from posterity, 'including the least likely of hagiographers, left-wing historians J. C. Beaglehole and W. B. Sutch' (2001: 257). Simpson contends that Coates' poor reputation was deliberately fostered by the future National Party leader Sidney Holland who was 'intent on blackening Coates name so that the odium of Depression would attach to the man and not the party (1976: 89-90). Coates was, Simpson continues, a remarkably misjudged figure who knew what was needed to end the Depression but was prevented from acting accordingly by the myopia of others in his own party (1976: 89-90). Olssen notes that Coates' innovative attempts to grapple with the Depression were only recognised decades after the Depression had ended (1990: 216).

Coates was, Belich argues, certainly more able, humane and likeable than Depression era folklore allowed (2001: 257). Initially as Minister for Works and minister with responsibility for unemployment and later, from January 1933, as Minister for Finance Coates attempted a number of increasingly imaginative, even radical measures to try and address the problems of depression (Bassett 1995: 193-212; Belich 2001: 257; King 2003: 353; Olssen 1990: 216; Simpson 1976: 90-91 Sutch 1969: 228-229). Amongst Coates' many measures were: various work relief schemes for the unemployed, such as the Small Farms (Relief for Unemployment) Bill aimed to put workers on the land; attempts to prevent foreclosures on farm mortgages; the devaluation of the New Zealand Pound, which improved farm receipts; and the establishment of the Reserve Bank, a public/private central bank which took control of currency and money supply from the six trading banks (Bassett

1995: 204; Belich 2001: 257; King 2003: 353; Sutch 1969: 229). Coates also established a 'brains trust', a group of left-wing economists including William Sutch, Richard Campbell and Horace Belshaw to give alternative advice to that on offer from the Treasury (King 2003: 353; see also Bassett 1995: 208-209). This so-called 'brains trust' was responsible for the creation of Mortgage Corporation of New Zealand that would allow farmers to refinance their loans at lower rates (King 2003: 353). Critics from Coates' right argued that the government was becoming too deeply involved in the market (Bassett 1995: 210). When Coates and his 'brains trust' turned their attention to the dairy industry the right-wing of the Reform Party became somewhat more exercised.

In response to the Dairy Industry Commission, established in April 1934 to try and find solutions for the seemingly intractable problems faced by the dairy industry, the government passed the Agriculture (Emergency Powers) Act (Bassett 1995: 210; Ward 1975: 89). The Act provided for the reorganization of the Dairy Board. Its membership was restructured and three of the Board's seven members would henceforth be Government nominees. The three government nominees would form a commission with sweeping powers. The commission was given authority to 'regulate and control production of dairy produce in New Zealand and the handling, marketing, transport and distribution of dairy produce intended for consumption in New Zealand' (Ward 1975: 89). It could, for example, decide that butter made in the North could not be sold in the South (*Auckland Star* 1934: 6). It was a step too far for William Goodfellow, managing director of the NZCDC. 'A bill that could keep his Anchor butter out of Wellington, where it was currently enjoying success, touched Goodfellow on the raw' (Bassett 1995: 210). Goodfellow, whose company owned shares in New Zealand Newspapers of which he was also a director, took aim at the Minister for Finance and his 'brains trust' (ibid). He labelled Campbell and Sutch 'two Americanised economists...[who] seem to want to outbid Stalin and Roosevelt' (Bassett 1995: 211). Elsewhere Goodfellow mused on the government's 'obnoxious dictatorship' in the dairy industry (*Auckland Star* 1934a: 3), and posited that the

government's policy 'makes the state much more authoritarian' (*Auckland Star* 1934: 6). As King notes, Coates erstwhile political allies were increasingly suspicious of the people in Coates 'brains trust' and appalled at what they regarded as his excessive interventionism (2003: 353).

Belich notes that whilst Coates was not without merit, 'historians may have swung the pendulum too far back in his favour' (2001: 257). Of his myriad of interventions, Belich continues, only the establishment of the Reserve Bank could be counted as a success and even that 'did nothing immediate for the jobless, the impoverished or the marginal' (Belich 2001: 257). Coates mortgage relief package and the devaluation of the New Zealand pound may have helped some farmers, but they did nothing for the tens of thousands of unemployed workers (*ibid*). Coates relief schemes were far from generous; he intended them to be miserly and not just for obvious fiscal reasons. Coates believed that improved remuneration and better working conditions would act as a disincentive, preventing workers from finding better jobs elsewhere. 'Yet there *were* no jobs' (Belich 2001: 257 emphasis in original). There was no unemployment benefit or dole outside the relief work schemes until 1934, after five long years of much greater hardship than was necessary (Belich 2001: 257; Olszen 1990: 216).

Coates was, Belich writes, almost as keen on retrenching his way out of depression as his predecessor as Finance Minister, Downie Stewart had been (2001: 257). The meat ration for cats in government offices was cut by ten per cent (*ibid*). 'One man, Bill Richards, recently a father (and deaf from a baton blow on Cuba Street), received a lecture on the need for self-control. For good measure he and his wife were told to get rid of their canary' (Olszen 1990: 215; see also Belich 2001: 257). As Belich notes, Coates budget for 1934/1935 which returned a surplus of £1.6 million, 'must have rubbed salt into the wounds of the canary free unemployed' (Belich 2001: 257). In July of 1937,

long after he had been replaced as Minister for Finance, Coates told the Auckland branch of the Junior National League that if he had his time over again, he would try to avoid some of the hardship caused by his depression policies (Bassett 1995: 243; Belich 2001: 257).

As King puts it, 'the only thing that would 'solve' the Depression and the problems it brought, of course, was the recovery of export prices. And by 1935 that was well under way and the number of unemployed was already dropping' (King 2003: 353; see also Hawke 1985: 136; Simpson 1976: 91). The recovery was, King continues, too late in coming to save the coalition government which had exhausted the patience and confidence of too many New Zealand voters (King 2003: 353). At the general election of 1935 New Zealand elected its first Labour government. It was a landslide in terms of seats in the House; Labour took 53 seats to the coalition's 19, but a more limited victory in terms of votes, Labour took 46.1 per cent to the coalition's 32.9 per cent (Bassett 1995: 229; Belich 2001: 261).

### **First Labour**

For Belich, it is hard for us today to visualise just how bold a move the election of first Labour would have seemed to the electorate at the time. The Labour Party, which had only severed its ties to the Communist Party in 1925, unashamedly preached radical socialism. Several of the party's leaders had been jailed for sedition in 1913 (Belich 2001: 259). The new government was soon recognised as the most left-wing in the world outside the Soviet Union (ibid). 'Hullo Comrade' became a popular greeting in the larger towns and particularly adventurous souls wore red (Bassett 1995: 229; Belich 2001: 259). As Olssen puts it, 'in some societies people waged war to effect the sort of change that occurred' (1990: 220). For Belich (2001), King (2003), Simpson (1976) and Sutch (1969) however the

Labour Party that took office in 1935 was a very different political party to the one that had emerged out of bitter industrial disputes two decades earlier.

From 1933, following the death of the party's 'fire-brand orator' (King 2003: 354), the 'dour and doctrinaire' Harry Holland (Belich 2001: 259), the New Zealand Labour Party was led by the much more benign, 'flexible and likeable' figure of Michael Joseph Savage (Belich 2001: 259; see also King 2003: 354). As King notes, while Savage's socialist credentials were impeccable, his demeanour 'disarmed the paranoia of those who were not socialist' (2003: 354). He was, Belich notes, 'the very face of a mild and benign populism'... 'his friendly face and manner could not be mistaken for an enemy of populism' (Belich 2001: 260). While Peter Fraser and Walter Nash were the real sources of policy making power in the Labour Party, it suited the Labour caucus to have Savage as the public face of the party, 'being everybody's favourite bachelor uncle' (King 2003: 354).

It wasn't just the leadership of the Labour Party that had changed. The party had also significantly moderated its policy platform. King argues that by the time of the 1935 election, the Labour Party no longer wanted to smash capitalism, as it had in the wake of the acrimonious industrial disputes two decades prior. Rather, it wanted to make capitalism work better. As Brown notes, Labour's policy was increasingly focussed on reviving, modifying and reorganising capitalism, not replacing it (1962: 151). The Labour Party Election Manifesto for 1935 captured the new spirit of the party. 'The objective of the Labour Party is to utilise to the maximum degree the wonderful resources of the Dominion' (New Zealand Labour Party 1935: 1). Labour was, King notes, promising a benign socialist millennium to match its benign new leader (King 2003:354).



Having captured office the new Labour government moved with haste (King 2003: 355; Olssen 1990: 221). 'Labour's immediate measures, in 1935-36, were quick and generous. Five year olds went back to school; teachers colleges reopened...cuts to wages were restored in public and private sectors alike' (Belich 2001: 261; see also Brown 1962: 182; Olssen 1990: 221; Sutch 1969: 233). Workers on the various relief schemes, previously subject to differing rates of pay dependent upon whether the recipient was in the city, a town, or in rural or 'Māori' areas, were henceforth paid a standardised award rate (Belich 2001: 261; see also Olssen 1990: 221). A big public works scheme absorbed some unemployment and all remaining unemployed and relief workers were issued a Christmas bonus and given a week's paid holiday. Working hours were reduced from 44 to 40 hours a week and the minimum wage was re-introduced (Belich 2001: 261; King 2003: 355-356; Olssen 1990: 221). Old age pensions were restored and increased (King 2003: 355; Sutch 1969: 233). Conditions in factories, shops and offices were improved. Nobody under the age of 16 could be employed without a certificate from the Department of Labour and moves were made to stop the practice of 'sweating' which had surfaced during the depression (Sutch 1969: 234).

The Reserve Bank was nationalised (Brown 1962: 182; King 2003: 355; Olssen 1990: 221; Sutch 1969: 233). Secondary education was made free for all. A state-owned broadcasting service was established and parliamentary proceedings were broadcast for the first time (King 2003: 355; Olssen 1990: 221). The Industrial Arbitration and Conciliation legislation was amended to restore compulsory arbitration and union membership was made compulsory (Belich 2001: 262; Brown 1962: 183; King 2003: 356; Olssen 1990: 221; Sutch 1969: 234-235). A housing scheme was established with the goal of providing every New Zealander with what the Minister for Finance, Walter Nash, called 'a home fit for a cabinet minister' (King 2003: 356; Olssen 1990: 221; Sutch 1969: 238-239). 'More startling still' Olssen writes, 'the Reserve Bank was instructed to provide interest free credit to finance the housing scheme' (1990: 221; see also Sutch 1969: 238-239).

What were perhaps Labour's most important measures only emerged fully after the party's re-election at the 1938 general election (Brown 1962: 184-185). The Social Security Act of 1938 together with a series of economic measures such as guaranteed prices and the imposition of exchange and import controls established the socio-economic framework for the next 40 years. Labour put in place a 'corporatist' system of sectoral integration and socio-economic security that survived political change until 1984 (Belich 2001: 263).

The Social Security Act passed by Parliament in September 1938 was, King argues, the Labour government's crowning achievement (2003: 357). The Act delivered a means-tested pension at age 60 and universal superannuation at age 65 (Belich 2001: 261-262; King 2003: 357). The Act also established unemployment; disability and widows benefits available to all who needed them with the limited initial exception of Māori (Belich 2001: 261; McClure 1998: 111-112). McClure notes that despite Labour's promise to put Māori and Pākehā on an equal footing, the Social Security Act of 1938 failed to bring immediate equal benefits to Māori. Section 72 (2) of the Act allowed a Social Security Commission to reduce benefit rates if payments were 'not necessary for the maintenance of the beneficiary'. The Social Security Department used this provision in discriminatory assessments of benefit levels for Māori beneficiaries (McClure 1998: 112). The Social Security Act of 1938 also went some way toward establishing a universal free healthcare. As Belich puts it, 'a wide range of free health care was made available to all, needy or not' (2001: 262).

Labour's immediate solution to the myriad of problems facing the dairy industry was a system of guaranteed prices. As Philpott notes, one of the Labour's most important election promises was a system of state guaranteed prices to primary producers, particularly dairy farmers (1937: 202; see also Belich 2001: 262). The policy, advocated by Walter Nash as early as 1927 (Sinclair 1976: 97) was

included as part of Labour's 1931 election manifesto and was incorporated into the party's policy framework at its 1933 conference (Brown 1962: 149; Philpott 1937: 202). Savage announced the scheme in his party's policy statement, 'The Case for Labour', in the run up to the 1935 election and later the same year the Minister for Finance, and architect of the guaranteed prices scheme, Walter Nash detailed and advocated the policy in a pamphlet titled *Guaranteed Prices: Why and how* (Nash 1935).

Labour's guaranteed price scheme was, ostensibly at least, designed to provide hard-pressed dairy farmers with both a measure of certainty and a reasonable standard of living (Sutch 1969: 233). The first foundation of Labour's policy was: 'to ensure the payment to the farmer of a price for his production that would cover all of his working expenses (including minimum wages for his employees) and to secure to the farmer an income in accordance with the skill, energy and experience used by him in producing the commodity' (Nash 1935: 5). The policy was however, underpinned by a second equally important foundation: that guaranteed prices to farmers could not be achieved unless all other workers also received adequate remuneration enabling them to purchase, at fixed prices, 'what they require of the commodities produced by the farmers' (ibid).

In making the case for guaranteed prices, Nash shows that guaranteed price schemes were already commonplace in many other countries: in Japan for rice; in Denmark, Estonia, the Netherlands, Finland, Latvia, and Sweden for butter; in the U.S.A. for tobacco; in Great Britain for milk, hops, bacon, potatoes and wheat; in Australia for sugar cane; and in the Irish Free State for wheat and dairy (Nash 1935: 10-11). Nash went on to dispense with the argument that lower commodity prices were the result of overproduction. For Nash, a 'correct understanding' of the problem of overproduction rests on the definition of terms, 'if overproduction means the production of

commodities in excess of the quantity that can be profitably marketed under the existing system, then there has been much overproduction; but if overproduction is defined as the production of commodities in excess of the quantities required to maintain a reasonable standard of living then there has never been overproduction' (Nash 1935: 17). Nash finishes the pamphlet with an appendix titled *Starvation in New Zealand* listing statements by various eminent medical authorities regarding widespread malnutrition among children in New Zealand, and a question: are these conditions justifiable in a Christian country wonderfully endowed by God? (Nash 1935: 20-21). It appears to have been a convincing argument. The Primary Products Marketing Act passed through the House in May 1936 and guaranteed prices became law (Philpott 1937: 203; Ward 1975: 95).

The guaranteed prices legislation was ultimately intended to embrace all primary products but initially only extended to butter and cheese, which accounted for around 40 per cent of New Zealand's export earnings at the time (Ward 1975: 95; see also Philpott 1937: 203). The Primary Products Marketing Act of 1936 provided for the purchase, by the government, of all butter and cheese intended for export. The government would henceforth also take on full responsibility for marketing New Zealand dairy produce in the country and abroad (Philpott 1937: 203; Ward 1975: 95-97; Yerex 1989: 102-103). The Act established a Primary Products Marketing Department which assumed all authority previously vested in the Dairy Board (Ward 1975: 95). Prices would be determined at or before the beginning of each season. For the first year of the Act's operation, from 1 August 1936 until 31 July 1937, prices would be fixed at the average price for the previous eight to ten years (Philpott 1937: 257; Ward 1975: 76). In subsequent years the prices would be fixed such that any efficient dairy producer should, in normal conditions, 'be assured of a sufficient net return from his business to enable him to maintain himself and his family in a reasonable state of comfort' (Philpott 1937: 255-259; see also Ward 1975: 96). Annual guaranteed prices would be determined by the authorities after careful consideration of the following matters: prices fixed for dairy produce in

previous seasons; public interest in maintaining a stable and efficient dairy industry; the costs of efficient production; the general standard of living of farmers in comparison with the general standard of living throughout New Zealand; marketing and administrative costs; and any other matters deemed relevant (Philpott 1937: 257-258; Ward 1975: 95-96).

As Ward notes while the wording of the Act contained the seeds for later dissension, it was a clear invitation for farmers, haunted by the Depression, to forget the market and battle for their standard of living within the New Zealand community (Ward 1975: 96). Initially at least, although somewhat weary of the socialisation of their industry, many farmers welcomed the idea of a fixed price for their produce (Ward 1975: 95; Yerex 1989: 102). As has been mentioned above, the dairy price for the 1936-37 season was to be fixed at the average price for the previous eight to ten years. The government agreed to pay 13.04d per lb for butterfat. The pay-out was higher than that expected and it 'soothed the troubled farming world for a time' (Sinclair 1976: 130). Starting the very next season however, with the onset of more favourable economic conditions various dairying interests began to question the principles with which, and the mechanisms whereby, the guaranteed price was fixed (Ward 1975: 99).

### **Negotiating the fixed price**

The government established an advisory committee of ten to advise on the price to be paid for the 1937-38 season. The committee was chaired by George Duncan, an experienced dairy administrator, and included two representatives of the Dairy Board. The committee also included a number of public servants including the economist Dr William Sutch as secretary (Sinclair 1976: 128). The stage was, Ward notes, now set for the opening exchanges in what would become an annual haggle

between farmers and government on the basis of fixing the price (Ward 1975: 96; see also Hawke 1985: 244; Yerex 1989: 105).

Farmers agitated for higher prices for their produce. Dairy industry interests argued that other aspects of Labour's policy platform, such as the introduction of award rates, were increasing costs on farms and that the price paid to farmers should accurately reflect the new conditions. Delegates at the 1937 Dominion Dairy Conference were unanimous in their opposition to the price offered for the 1937-38 season. As one delegate put it at the time:

The government said prior to last election that they were going to put the dairy farmer in a better position than ever they were, but that had not happened. The dairy farmer's wife and family were still in the milk sheds...the guaranteed price was too low and it was not market value (*Akaroa Mail and Banks Peninsula Advertiser* 1937: 4).

This was, Ward notes, prelude to what would prove to be a long battle on farm costs and on relativities between conditions in the towns and country (1975: 100).

When it came to negotiating the fixed price for the 1937-38 season the government's advisory committee could not agree unanimously on a price. Dairy Board representatives on the committee dissented from the majority position and recommended a significantly higher price. The government fixed the price in accordance with the majority position. When it became clear during the season that trading profits were improving and that the government's dairy industry accounts would be running a surplus farmers, who had been more than happy with a fixed price the previous season when government accounts were in deficit, began vociferously demanding that the surplus be paid to them (Sinclair 1976: 168). Colin Clark, the celebrated Cambridge economist who was visiting New Zealand at the time and had recently concluded that New Zealand dairy farmers enjoyed the highest

standard of living in the world wrote to Nash; 'I doubt if anywhere in the world will be found such an insatiable lust for money as in the bosom of the New Zealand farmer' (Clark 1938).

In response to the mounting criticism among farmers of the government's guaranteed price system Nash agreed to a retrospective additional pay out for the season's butterfat of ½d per pound. The price paid for the 1937-38 season therefore ended up close to what was recommended by the Dairy Board's representatives on the committee. Farmers were satisfied with the price and it appeared, albeit very briefly, that the price fixing scheme worked well for all concerned (Yerex 1989: 103). Nash certainly thought so. In the 1937 annual report for the Primary Products Marketing Department Nash wrote that 'the payment of guaranteed prices for butter and cheese has given dairy farmers stability and security by protecting them from the effects of fluctuations in market prices' (Primary Products Marketing Department 1937: 11).

When it entered into negotiations to set the price for the 1938-39 season the government was careful to avoid the conflict over price that had been a feature of negotiations the previous season. To this end the government appointed a smaller advisory committee of seven members which unanimously recommended a large price increase (Sinclair 1976: 168). The price the committee recommended would have resulted in a £2.8 million deficit for the government. Nash, who believed that enemies of his guaranteed price system had sought to wreck it by recommending such a high price, did not accept the recommendation. Nash announced a significantly lower price; farmers were furious and never forgave him (Sinclair 1976: 168-169; see also Ward 1975: 103; Yerex 1989: 103).

The advisory committee had based its calculations of farm costs on its measure of an 'average efficient dairy farm', a 50 cow herd averaging 240lb butterfat and using 2.087 adult male labour

units. When adjusted for a two person farm this resulted in an 11,500lb output of butterfat (Ward 1975: 103). Nash based his assessment of farm costs on a farm of 48 cows averaging 250lb of butterfat per cow and employing two adult male labour units with an output of 12,000lb (ibid). Nash adjusted the committee's recommendations accordingly; the reduction amounted to 0.870d per pound of butter fat (Ward 1975: 103; Yerex 1989: 103). As Ward argues while few questioned the government's right to accept or reject the committee's findings, interfering with the carefully assessed and advised standards was unforgivable in the eyes of the industry. 'As easily remembered as the date 1066 in English history, the figure 0.870d lb butterfat became a catch cry of discontent to the now cost conscious dairy farmers, and that figure was to stick in their minds for many years' (Ward 1975: 103; see also Yerex 1989: 103).

As Yerex notes, the dairy industry, which had had such faith in Nash until then, suddenly became his harshest critic (1989: 103). The Dominion Dairy Conference of 1939 was marked by acrimonious exchanges between Nash and various dairy industry delegates. An editorial in the *Akaroa Mail* for Tuesday, 30 May 1939 captured the mood of many attending the conference. The author argued that the determining factor in fixing the guaranteed price was not the cost of production or the farmer's standard of living as Nash had promised, but rather Nash, who claimed to be setting the price in the interest of stability, was failing to do so by not paying the farmers a higher price. 'With all his economic planning Mr Nash is further from economic stability than he was on the day he took office as Minister of Marketing' ... 'There is not one single policy in Labour's programme which can be said to truly aim at economic stability' (*Akaroa Mail* 1939: 2).

What might have come of this confrontation between the dairy industry and the Minister is not known however. On 3 September 1939 Michael Joseph Savage announced that New Zealand would



follow Britain into war and the marketing conditions for New Zealand dairy produce changed dramatically. The British government became the sole purchaser of imported foodstuffs and the Primary Products Marketing Department became responsible for bulk purchase and shipment (Ward 1975: 109; Warr 1988: 159; Yerex 1989: 104).

The Labour government's decision to follow Britain into war was supported by the great majority of New Zealanders (Belich 2001: 271; King 2003: 390-391). Labour, which included four Ministers jailed for opposing conscription during the First World War, had adopted a much more pro-British stance since their election to office (King 2003: 390). Savage had declared that New Zealand's interests aligned closely with England's in terms of trade, economics, defence and culture and had grown fond of repeating the mantra that 'When Britain is in trouble, New Zealand is in trouble (ibid). As Belich notes, the Labour government had long opposed the appeasement of fascism and recognised that genuine New Zealand interests were at stake. 'These interests extended beyond the defence of New Zealand to the survival of the British Market and the British Naval power that protected the protein bridge' (Belich 2001: 271). Rational considerations of strategic interest notwithstanding, Belich continues, New Zealand's decision to declare war on Germany was underpinned by the belief that New Zealand was British (ibid). Germany, King argues, had to be defeated and Britain secured before civilisation, and New Zealand's principal export market, could be considered safe (2003: 406; see also Belich 2001: 287).

In response to depression successive governments in New Zealand experimented with a range of possible solutions from austerity, to pragmatic interventionism. When none of these proved effective in returning the New Zealand economy to growth, voters in New Zealand took the radical step of electing the country's first Labour government, a decision that would have a dramatic impact

on the social, political and economic direction of New Zealand for much of the twentieth century. The Labour governments of 1935-1949 used the powers of the state ensure a more equitable social distribution of the fruits of export-oriented agricultural production (Armstrong 1978: 301). Not all interests were uniformly content with Labour's reforms, dairy farmers wasted no time in agitating for a greater share in New Zealand's prosperity. As we will see in chapter seven that follows however, the Second World War provided the perfect crucible in which to crystallise opinion on the benefits of a planned economy.

## Chapter 7: Summer's Bounty (1939-1969)

### Introduction

The previous chapter showed how Depression forced governments in New Zealand to take a more active role in piloting the New Zealand economy, during the Second World War direct intervention in the economy became an even more pressing concern. The Labour government implemented a range of economic controls that insulated the economy from the pressures of war and ensured that all New Zealanders shared in the war effort. Labour's response to depression and then war established a socio-economic framework that delivered stable growth in the post-war era and remained largely intact until the neoliberal reforms of the 1980s. Chapter seven tells the story of New Zealand's post-war golden age, an era characterised by persistent growth and a comparatively high degree of socio-economic security. It begins with a section titled *The war economy* (pp 177-183) which details Labour's wartime economic interventions and examines the impact of the war on the dairy industry in terms of an interruption to the supply of fertiliser and a marked fall in the availability of labour power. *Maintaining productivity* (pp 183-189) describes how a combination of mechanisation and other labour-saving processes allowed for the maintenance of dairy production throughout the war. *The golden age* (pp 189-197) chronicles wide-ranging governmental intervention in the dairy sector and in the economy more generally in the post-war years which helped to give New Zealanders a standard of living that was among the highest in the world. One key factor in New Zealand's post-war prosperity was Nauruan phosphate; the section titled *Pleasant Island* (pp 198-203) surveys the social, environmental and economic impact of phosphate mining on Nauru.

Like chapter six, chapter seven tells of a period in New Zealand's history when primitive accumulation is not a major strategy of accumulation within New Zealand. The protective policies of successive governments delivered a comparatively high level of socio-economic security in New

Zealand throughout the mid-twentieth century. Primitive accumulation was however crucial to New Zealand's post-war prosperity, the predatory dispossession of Nauruan phosphate, which so scarred that land and its people, was crucial to New Zealand's increasing agricultural productivity in the post-war era.

### **The war economy**

At the outbreak of war the British Government enacted special wartime control measures to ensure an uninterrupted food supply. The British Ministry of Food, which became the exclusive buyer of imported dairy produce entered into direct negotiations with representatives of the New Zealand government for the supply of surplus dairy produce (Warr 1988: 159). Initially the bulk purchase scheme was based upon annually negotiated contracts between representatives of the two governments with the prices determined by the costs of production in New Zealand (Warr 1988: 159). Basing the price for dairy produce on the costs of production in New Zealand and not on the market price was contentious. As Ward puts it, 'from New Zealand's economic position the charging of low prices, based on New Zealand's lower costs was a distinct disadvantage' (Ward 1975: 123). For Yerex, one part of the problem was that the New Zealand dairy industry was too efficient. 'When it came to negotiating prices with the British, the costs of production in this country resulted in a lower price than other countries were paid' (1989: 104).

Another part of the problem lay in the success of New Zealand's Economic Stabilisation Emergency Regulations that came into force on 15 December 1942. These regulations provided for the establishment of a commission of three tasked with promoting the economic stability of the country. The Economic Stabilisation Commission was comprised of an improbable mix of personalities: the Secretary of the Treasury, Bernard Ashwin; the Chairman of the NZCDC, William Marshall; and the

President of the Federation of Labour and former founding member of the Communist Party of New Zealand, Fintan Patrick Walsh (Ward 1975: 116; Baker 1965: 300). The Commission wielded unprecedented control over the economy during the war and after before it was disestablished in 1950.

The central concern for the Economic Stabilisation Commission was to maintain prices and wage levels for the duration of the war. As Baker puts it, the Commission had to 'evolve a stabilisation scheme which would embrace wages, costs and prices; a scheme which would stand firm in spite of inflationary influences, but which would remove many of those influences; and above all, a scheme which would help to ensure equity in the sacrifices which must necessarily be made by all sections of the community' (Baker 1965: 286). From the outset of the war the Minister of Finance, Walter Nash had obtained the agreement of all interests not to raise prices or wages. In the early stages of the war the dairy industry for example had agreed with the government not to seek an increase in prices from Britain (Ward 1975: 108).

Nevertheless prices for some goods did trend upwards, the combined result of wartime supply difficulties, an increase in the overall level of demand due to the Government's increased war expenditure, and by unavoidable cost increases such as the rise in costs of imports of fuel and certain foodstuffs. As a central part of its stabilisation measures, the Government initiated a war time pricing index to stabilise the prices of certain goods including flour, butter, bread, eggs, coal, gas, tea and sugar (Sutch 1969: 253; see also Baker 1965: 299-300; Belich 2001: 294). The government also introduced a system of rationing which on the one hand meant that more New Zealand produce would find its way onto the British market and on the other hand ensured that that

all New Zealander's shared equally in certain scarce goods: petrol, tea and sugar as well as butter, meat, cheese and cream (Belich 2001: 294; see also Baker 465-472; Sutch 1969: 253).

In order to combat inflation, the Economic Stabilisation Commission employed a variety of techniques including: subsidies, standardisation, simplification, zoning, rationalisation, government importation and selling below cost, partial cost absorption by traders, and loading the increased costs of essential items onto the price of non-essential goods (Baker 1965: 301). Additionally the Labour government actively encouraged savings in order to keep money out of circulation and thus limit demand for scarce goods and reduce the potential dangers of inflation (Sutch 1969: 253). Increased domestic savings also meant that the government could borrow internally from the public obviating the need for external borrowing, which also served to combat inflation (Hawke 1985: 169).

The Labour government also greatly increased taxes, which at once helped pay for the war effort and at the same time kept yet more money out of circulation, restricting demand and further curtailing inflationary pressure (Hawke 1985: 170; Sutch 1969: 253). In the years between 1938/39 and 1944/45, direct taxation increased by between 241 and 246 per cent (Belich 2001: 294; Hawke 1985: 170). The War contributed markedly to the doubling of state expenditure as a percentage of gross domestic product, from 14 to 28 per cent in the years separating the 1920s and 1949 (Belich 2001: 294). As Ward argues, the Economic Stabilisation Commission became a successful if elastic defence against inflation. Costs were held in New Zealand to a greater extent than in most other countries (1975: 116). As Walsh puts it, 'wartime inflation was much lower in New Zealand than in Australia, the United States or in Britain, and New Zealand met the cost of the war without adding to its overseas debt' (Walsh 2014: para.9). Stabilisation was, Baker concurs, 'outstanding as a war time economic achievement' (1965: 298).

If anything, Ward notes, from the perspective of the dairy industry at least, wartime stabilisation probably worked a little too well. Prices were held in check but the impact of stabilisation in terms of trade and lend-lease arrangements was mostly detrimental to the New Zealand dairy producer (Ward 1975: 116; Baker 1965: 378-379). Prices were kept from rising but production costs increased. Higher labour costs associated with increased production meant reduced margins for producers and this was something that certain sections of the New Zealand dairy industry were only too quick to point out. At the 1943 Dominion Dairy Conference William Marshall, Economic Stabilisation Commissioner and president of the NZCDC, was lambasted by industry figures to his right for failing to pay dairy farmers what they regarded as an adequate price for their produce. Perhaps forgetting the industry's earlier stated commitment not to seek any profit from the war, Sinclair, spokesperson for the free market faction of the industry told the conference that while 'there was nothing personal against Mr Marshall...he would cut the throat of his best friend if he tried to put it over the dairy farmer' (Dominion Dairy Conference Proceedings 1943: 16).

The 'temporary lull' between industry and government on the subject of pricing appeared to be over (Ward 1975: 119-128). The major sticking point between industry and government remained the labour reward to be paid as part of the guaranteed price. As war continued both the British and New Zealand governments appealed for an all-out drive toward maximum production. In the Dairy Board's view, if maximum production was to be achieved then fair wages and adequate labour rewards had to be available on dairy farms. This was not possible, the Dairy Board argued, within the current government pricing framework (Ward 1975: 123). There were Belich notes, rumours to the effect that certain New Zealand sectors preferred profiteering to self-sacrifice (2001: 292).

Baker argues that New Zealand's most important contribution to the allied war effort was the produce from the country's farms. 'For a time, when British food supplies were at their lowest ebb, extra food production became more urgent than the strengthening of New Zealand's fighting forces' (Baker 1965: 181). Similarly for Ross, given that New Zealand farmers were considered to be among the most efficient in the world, the best use of New Zealand's labour power seemed to be the production of food and materials. Yet the country was still duty bound to engage as few people as possible in farming in order to free up labour power for the armed forces (Ross 1954: 295-296). Throughout the war, Ross notes, New Zealand producers were largely able to maintain production in spite of a number of significant challenges including massive labour shortages, a shortage of fertilisers and a decline in the size of the national dairy herd (Ross 1954: 266).

Though not immediate, war had a dramatic impact on the use of fertilisers on farms in New Zealand. As discussed in chapter 5, Massey had secured for New Zealand a share in Nauru Island phosphate at the end of the previous war. The practise of topdressing farms with fertiliser had become increasingly widespread ever since. By the time that war began, nearly 25 per cent of all New Zealand's pastures were top-dressed annually. Indeed the comparatively high carrying capacity of New Zealand pastures is largely attributable to the regular topdressing of superphosphate made from Nauru Island rock phosphate mixed with sulphur sourced from the United States and, until the war, Japan and Italy (Baker 1965: 195; Ross 1954: 286). For the two seasons immediately preceding the war, fertiliser usage was well over 600,000 tons per year. As war looked increasingly likely authorities in New Zealand took precautions against the interruption of supply, 80,000 tons of rock phosphate was stockpiled (Baker 1965: 196). When war began there was no immediate break in supply and in the first two years of the war the use of fertilisers actually increased quite considerably, to nearly 700,000 tons in 1940-41, 14 per cent up on 1938-39 (ibid).



Starting in 1940 however war began to disrupt the supply of fertiliser and usage dropped significantly. In November of that year the German warships *Komet* and *Orion* sunk five merchant phosphate ships and shelled Nauru's main phosphate mining areas as well as the island's oil depot and the ship loading cantilever (Baker 1965: 196; Belich 2001: 281; Ross 1954: 286). In December the following year, having recently entered the war, Japanese forces bombed the wireless station on Nauru and in August 1942 Japanese forces occupied the island (Baker 1965: 196; Belich 2001: 281; Ross 1954: 286). Usage of fertiliser in New Zealand fell dramatically, down to 500,000 tons in 1941-42, 360,000 tons in 1942-43 and 285,000 tons in 1943-44 (Baker 1965: 196). As Baker puts it, this was well down on pre-war usage, rationing became necessary and falls in output were expected to follow (*ibid*).

Also stoking fears of an approaching decline in agricultural output was a marked fall in the amount of labour power available to work on farms. The census taken in 1936 revealed that there were approximately 144,000 men and 6,000 women engaged in farm work on New Zealand's 85,000 farms (Ross 1954: 293). The Second World War led to massive labour shortages across all industries in New Zealand. As Sutch notes, after three years of war New Zealand had withdrawn 151,000 men and 3,000 women into the armed forces. To replace these 12,000 older men had come back into work alongside 17,000 former unemployed as well as a natural increase of 18,000 men and 6,000 women. An additional 36,000 of those 'not normally employed', such as married women, were also drawn into the labour force yet the country remained 65,000 short of the labour force as it was before the outbreak of war (Sutch 1969: 251). Put differently, nearly 155,000 men and women were drawn into the armed forces from an active working population of a little over 500,000, as shown in the 1936 census. As Ross puts it, a very substantial portion of the labour force had thus been withdrawn from civilian employment (Ross 1954: 294). Against this backdrop the country was expected to increase production for war to the absolute maximum (*ibid*). As Baker notes, while the

numbers of people engaged in farming fell across all sectors, by far the greatest fall in numbers of workers engaged in agricultural production was in those engaged in dairy farming (Baker 1965: 191). Some 75,000 people were involved in dairying in the pre-war period and by 1951 this had fallen to just 46,000. 'Dairy farming thus accounted for 29,000 of the 31,000 men who moved out of farming in the 15 years between 1936 and 1951' (ibid).

### **Maintaining productivity**

It was widely assumed that primary production in general and dairy production in particular could not be maintained for the duration of the war with the loss of so much labour and with the rapid decline in fertiliser usage. Yet, as Belich notes, the war years brought a modest overall increase in agricultural production which was impressive given the decline in labour and other difficulties (2001: 292; see also Baker 1965: 219). Dairy production held up despite losing a huge amount of labour power, meat production increased by 14 per cent and the production of wool increased dramatically (ibid). Ross notes that dairy output varied seasonally during the war. Output in the 1940-41 season rose to a peak of 472 million pounds of butterfat, but fell to 368 million pounds in 1945-46. For the four seasons immediately prior to the outbreak of war the average output was 432 million pounds falling to an average of 419 million pounds for the eight seasons from 1939-1947 (Ross 1954: 265). It was a very modest decline and one, Ross argues, was largely attributable to better than average output in the pre-war years and to a couple of bad seasons climatically during the war period, 1943-44 and 1945-46 (ibid; see also Baker 1965: 202-203; Ward 1975: 129). 'Had these two seasons been more normal', Ross continues, 'there is a definite possibility that butterfat production would not have fallen, despite a reduction in cow numbers and a restriction in pasture top-dressing' (1954: 266). For Ross then, it was a surprise that dairy production did not decline more sharply given shortages of fertiliser and labour power and the reduction of cow numbers (ibid; see also Baker 1965: 196).

With regard the declining use of fertiliser, Ross argues that the reason the feared falls in output did not eventuate was that there was an accumulated residuum of fertiliser left in the soil after earlier applications. 'Although no tests could be done because of the shortage of skilled men to do the work, it was believed that superphosphate that had been applied earlier had a residual effect that maintained soil fertility until such times as heavier applications were possible' (Ross 1954: 266; see also Baker 1965: 196). As both Baker and Ross note the loss of labour power on farms did not have the feared consequences in terms of declining production either (Baker 1965: 187-195; Ross 1954: 266; see also Ward 1975: 114). This was due to a combination of several factors including mechanisation, a greater reliance on family labour, the end of the practice of hand stripping after mechanical milking and special 'manpower' assistance to farmers (Baker 1965: 187-195; Ross 1954: 266; Ward 1975: 114).

The Second World War came during a period of increasing mechanisation on farms. In 1930 there were 3,900 tractors in use on farms in New Zealand. By 1939 that figure had increased to 9,639. Over the course of the war the number of tractors doubled to 18,940 in 1946 (Baker 1965: 187; Ross 1954: 289). The number of electric motors in use on farms in the country underwent a corresponding surge in the same period. From 16,000 in 1930 to 51,000 in 1939 and nearly 77,000 by 1946 (Baker 1965: 188). Milking machines too grew in number substantially from 20,000 in 1930 to 31,500 in 1946 (ibid). Combine harvesters grew rapidly in number too, from very few in the pre-war period to 1,313 in 1946, by which time over 80 per cent of the country's wheat crop was harvested by machines (Ross 1954: 289).

Much of the new machinery that made the rapid mechanisation of agriculture possible during the war came from the United States. Under the provisions of Lend-Lease (1941) the United States

government made available substantial quantities of agricultural equipment in exchange for produce delivered to U.S. forces stationed in New Zealand or the Pacific (Baker 1965: 424; Ross 1954: 289). In the early years of the war, from 1939-1941, the importation of farm equipment from overseas sources was largely maintained. By 1942 however there was a marked decline in imports of essential farm machinery: mowers, harvesters, separators and tractors (Ross 1954: 289). This decline was due to a dwindling in sources of supply as many countries shifted ever more production toward the needs of the armed forces. At the same time shipping facilities almost disappeared, what few ships did operate did so under constant threat of molestation by German or Japanese raiders. In 1942 the United States government offered to supply New Zealand with whatever farm machinery and implements were necessary to maintain, and wherever possible increase, production (Ross 1954: 289; see also Baker 1965: 424). Large amounts of farm equipment were imported in the years 1943-45 including more than 7,500 tractors, nearly 5,000 mowers and 3,000 mechanical cream separators (Ross 1954: 290). Without this assistance from the United States government, Ross contends, New Zealand's farmers could not have hoped to maintain production so successfully with the large numbers of men lost from farming to the armed services and other occupations (ibid).

Also important in this regard was a sharp decline in the practise of hand stripping after machine milking. Hand stripping, the manual removal of residual milk from the udder after machine milking, had long been considered essential to the efficient use of milking machines (Baker 1965: 190; Phillips 1987: 317; Ross 1954: 269; Ward 1975: 114). Questions about the necessity of hand stripping after milking had surfaced in the United States in the early 1930s (see Wallis et al. 1932: 163-170; Wilson and Cannon 1934: 331-338). Many U.S. dairy farmers were opposed to the practise of hand stripping on the grounds that it was inconvenient, time consuming and produced precious little extra milk. As Wallis et al. put it, 'the returns from the milk obtained by stripping, following the use of a machine are small in proportion to the extra time and inconvenience involved in doing the stripping' (1932:

163). Wilson and Cannon found that hand stripping required an additional 1.57 minutes per cow per day for minimal extra return (1934: 331-338). Many dairy farmers in the U.S. simply discontinued hand stripping with little, if indeed any, negative effect on production (Wallis et al. 1932: 163; Wilson and Cannon 1934: 331).

In New Zealand the practise of hand stripping remained widespread until the war when labour shortages occasioned a reassessment of milking management practices (Phillips 1987: 317). In its annual report, published in 1941, the New Zealand Dairy Board made reference to 'the increasing tendency to abandon the practise of stripping after machine milking' (NZDB 1941: 14). In November and December 1941, a survey of 28 dairy herds in which hand stripping had been abandoned for various reasons found that significant labour savings could be made with little if any losses in production (Baker 1965: 190-191; Phillips 1987: 317; Ward et al. 1942). A further study of 266 dairy herds not hand stripped after milking done during the 1943/44 season showed similar results, a very minor reduction in butterfat production per cow offset by significant labour savings (Baker 1965: 192; Phillips 1987: 317). The practise of eliminating hand stripping continued to spread throughout the war greatly reducing the labour requirements of dairy farms. Indeed as Baker puts it, abandoning hand stripping 'may well have been the most important influence leading to the reduction of labour farm labour requirements' (Baker 1965: 190). Similarly for Ward, the move away from hand stripping was 'one of the greatest single boons to reduced labour requirements in the milking shed' (1975: 114).

As previously discussed, in the years before the war and in response to depression the first Labour government established a socio-economic architecture that remained largely in place for much of the next five decades. As Belich puts it, first Labour introduced a system of sectoral integration and

socio-economic security that survived political change until 1984 (2001: 263). War too played an important part in establishing the socio-economic basis of the post-war era. For the duration of the war and beyond various sectors had to work in concert. The net result was a managed economy that functioned in the face of severe adversity. With regard agriculture, the result was an increase in output despite the difficulties mentioned above. As Baker notes in the years between 1938-39 and 1944-45 the volume of total farm output grew by 13 per cent.

This increase was achieved with a declining labour force on farms, and in spite of shortages of fertilisers and other farm requirements. It was made possible by improved methods and a continuation of the trend towards the mechanisation of farming. In all circumstances, the war time increase, equivalent to a rate of 2.1 per cent, compares not unfavourably with the long-term average of 2¼ per cent (Baker 1965: 219).

Wartime economic management helped to build consensus around the idea of a managed or even controlled economy. As Hawke puts it, during the war years officials and politicians in New Zealand as in other countries absorbed the lessons of Keynesian economics, that fiscal policy could be used to balance aggregate supply and demand in the economy as a whole (1985: 173). As a result of first depression and then war there was, Hawke notes, a much more general willingness to build a controlled economy (ibid). Similarly for Belich, in response to depression and then war first Labour had refurbished the internal system of New Zealand to emphasise socio-economic security, sectoral integration and insulation through the agency of a growing state (2001: 298).

The immediate aftermath of the war in New Zealand was marked largely by a continuation of the status quo. War time economic measures remained in place for some years after the war's end (Sutch 1969: 258). Rationing, wartime pricing controls and the bulk purchase of New Zealand dairy

produce by the British government all extended beyond the war (Baker 1965: 575; Warr 1988: 160). In 1949 amid widespread public resentment at the continuation of wartime constraints, New Zealand went to the polls. Belich notes that the persistence of rationing, shortages of consumer goods and other wartime controls all undermined Labour's support. At the 1949 election first Labour were replaced by first National, led by Sidney Holland (Belich 2001: 298). The National Party, founded in May 1936 through the merger of the United and Reform parties, took 46 seats to Labour's 34 (Gustafson 1990: 275; 1986: 55-56). National remained in power for much of the next three and a half decades, holding office for 29 out of the next 35 years (King 2003: 412; Gustafson 1986: 56; 1990: 276).

In the lead up to the election National campaigned on a platform of major change. National promised an end to the controlled economy, to sectoral harmony and to big government. 'The economy was going to be freed up, the warfare state was to be wound back' (Belich 2001: 299). National Party rhetoric stressed private and individual freedom, initiative, enterprise, responsibility and a more meritocratic system of rewards (Gustafson 1990: 276). National's platform of fewer controls and more freedom appealed to a public grown increasingly weary of wartime austerity. Yet National's victory in the 1949 election owed at least as much to the party's decision to retain first Labour's social security system and commitment to full employment as it did to the promise of freedom.

National made it abundantly clear that if elected it would not attempt to undo any of Labour's great welfare reforms (Olszen 1990: 234). Holland and his party promised that social security and full employment would be maintained. New Zealanders could keep their cherished welfare state (Gustafson 1990: 276). Sinclair argues that National, having accepted the task of administering the

welfare state and maintaining full employment made no fundamental changes in the structure of New Zealand life (1969: 292). For Belich, having assumed office in 1949 National placed its free enterprise ideology and hostility to the mega-state 'quietly on the shelf' (2001: 307). Throughout the 1950s and 1960s state spending as a percentage of GDP not only remained close to the 1949 level of 28 per cent, but even increased to a small degree (ibid).

National did gradually start to deregulate aspects of the economy in the early 1950s. Rationing of various commodities such as petrol and butter was ended, import controls were relaxed, the market was left to determine prices for land, houses and property, home ownership was encouraged, state houses were to be sold to tenants and cheap mortgages were made available (Gustafson 1986: 65; 1990: 278). As Belich notes however, National's program of deregulation appeared and disappeared in the early 1950s. The government's efforts to implement their philosophies had a 'token or temporary quality' (2001: 306). Social security and the controlled economy were not touched. 'Like Labour's socialism, National's free capitalist enterprise became largely empty rhetoric'... 'the parties took turns at piloting the ship of sectoral harmony, which survived until 1984' (ibid).

### **The golden age**

The 1950s and 1960s in New Zealand has variously been described as the nation's golden age, an 'Arcadian state...built on butterfat' (Joseph 1949: 12), or rather, the most boring time and place on earth (Belich 2001: 307; Olssen 1990: 234). As Belich notes, economic perceptions of the period are similarly contested. Most commentators have seen the post-war years as a time of plenty, a dissenting minority however have argued that the roots of the economic problems of the 1970s and 1980s lay in disappointing growth and in the failure to diversify during the post-war years (Belich 2001: 307). This latter group of commentators have tended to stress the narrowness of the New



Zealand economy, especially during the 1950s, and the on-going dependence on a very small number of products and just one market (ibid). Gustafson, for example, argues that while New Zealand was ready for economic change after the Second World War, much of the development and growth that took place was very much along traditional lines: 'export oriented farming for wool, meat, butter and cheese; a heavily protected manufacturing sector; and a service sector largely funded by taxation' (Gustafson 1990: 280). Tellingly, W. B. Sutch's history of New Zealand contains a chapter on agricultural production entitled *The More it Changes, the More It Is the Same* (Sutch 1969).

In the initial post-war period at least, there was cause for on-going confidence in New Zealand's traditional export economy. The Korean War (1950-1953) fuelled a spike in demand for agricultural produce, particularly wool, which led to unusually high incomes for New Zealand producers (Belich 2001: 308; Gustafson 1990: 280; Hawke 1985: 179). The bulk-purchase agreement with Britain was set to expire in 1954, but in 1952 a New Zealand delegation successfully negotiated duty-free access for New Zealand meat to the British market in an agreement that lasted until 1967, a similar arrangement for dairy produce was concluded in 1957 (Gustafson 1990: 280; Ward 1975: 280). In April 1957, a trade delegation headed by the Minister for Agriculture and future Prime Minister, Keith Holyoake travelled to London to arrange a revision of the Ottawa Agreement between New Zealand and Britain. The delegation, which included representatives of the Manufacturers Federation, Federated Farmers, and the Meat, Dairy, Apple and Pear Marketing Boards, was successful in amending the Ottawa Agreement. 'This was amended to provide extended and assured duty-free entry for dairy products for a ten year period from 1957, with a two year roll-over period from 1965' (Ward 1975: 175).

As Gustafson argues these guaranteed markets together with the Korean War wool bonanza were sources of continued optimism for New Zealand's traditional products and thus delayed economic reforms (1990: 280). Such optimism underpinned a renewed push towards increased agricultural production, stage three of the so-called grasslands revolution (Belich 2001: 308; Gustafson 1990: 280; see also Brooking et al. 2002: 169-182). Increased production was to be driven by the development of marginal lands, by the formation of new farms, the placement of 10,000 ex-servicemen on the land, and greater productivity through aerial top-dressing and spraying, mechanization, stock improvement and better farm management (Belich 2001: 308; Gustafson 1990: 280; Simpson 1976: 138; Sutch 1969: 328).

Between 1948 and 1966 farm production in New Zealand grew dramatically, dairy production grew by half and wool, mutton and beef production roughly doubled (Belich 2001: 308; Simpson 1976: 138; Sutch 1969: 326-330). While some new land was brought into production and some new farms created, neither the number of farms nor their acreage grew dramatically (Belich 2001: 308). Indeed as Evans shows, in 1919 the acreage occupied by farming in New Zealand stood at 43.3 million acres, by 1966 it had grown only slightly reaching 44 million acres. For Evans, while this increase is minor, the increase in the carrying capacity of the land over the same was nothing short of fantastic (Evans 1969: 218). The real driving force behind higher output on farms lay in the increased mechanisation, rationalisation and technological sophistication of agricultural production in New Zealand (Belich 2001: 308; Simpson 1976: 138; Sutch 1969: 328). Correspondingly Evans notes that the massive expansion of farm productivity during the middle decades of the twentieth century was made possible by a combination of factors including aerial topdressing and manurial practise, pasture research and agricultural science and education (1969: 218). Nauruan phosphate was also crucial to New Zealand's agricultural productivity in the post-war period.

The processes of mechanisation and electrification begun in the interwar years and accelerated by the Second World War were completed in the post-war period (Belich 2001: 308). As Belich notes new types of milking shed, the arrival of milk tankers and improved roads all helped increase the size of the average dairy herd to about 120 (2001: 308). The first use of milk tankers in New Zealand was initiated by the Wellington City Corporation Milk Department in 1947 (Warr 1988: 144). Tankers were also used by the NZCDC in the late 1940s to transport buttermilk between factories in the Waikato and by Lactose Ltd to transport ice-cream from Manurewa to Auckland (ibid). The first use of tankers to collect whole milk from farm suppliers was begun by the NZCDC in Waitoa in 1950. By 1953 all of the 550 farms supplying the Waitoa milk powder factory were using the new tanker collection system (Warr 1988: 145). 'Whole milk tanker collection was begun in 1955 in the Manawatu and in Taranaki a year later. The adoption of tanker collection progressed slowly and steadily until a period of increasingly rapid and widespread growth in the late 1950s and 1960s' (ibid).

A major factor underpinning increased productivity on farms in post-war New Zealand was the adoption of the practise of aerial topdressing. The idea of using aircraft for the application of fertiliser was first floated by a Hunterville farmer, John Lambert in 1926 (McLauchlan 2006: 115). The idea was dismissed as impracticable at the time due to the nature of the aircraft then available. In the late 1930s, a Public Works pilot, A. A. Pritchard, successfully sowed lupin seed from the air. This lead to experiments with spreading fertiliser using aircraft but they were interrupted by the war (McLauchlan 2006: 115; see also Evans 1969: 204). As Sutch notes, one result of the Second World War was an abundance of skilled New Zealand pilots and cheap, light-weight, war-surplus aircraft (1969: 328). In 1948 the Soil Conservation and River Control Council became interested in the practicability of aerial topdressing for improving hill pastures and to combat soil erosion (Evans 1969: 205; McLauchlan 2006: 115). At the Council's behest, full-scale trials were conducted by the

Royal New Zealand Air Force in dropping fertiliser and seed from the air. The following year the first 5,000 tons of superphosphate 'flared out over farmland' (McLauchlan 2006: 115; see also Evans 1969: 205).

Spectacular progress followed. There was a rapid increase in the carrying capacity of the land throughout the 1950s and 1960s. Landing strips became increasingly common on farms in New Zealand and by the 1960s more than half of the fertiliser used in this country was dropped by aircraft (Galbreath 1998: 73; Sutch 1969: 328). The number of operators engaged in agricultural aviation grew from nine in 1949 to 69 in 1959, the number of aircraft used increased from 12 to 269 in the same period (Evans 1969: 205; McLauchlan 2006: 115). Initially Tiger Moths and surplus World War Two aircraft were used but gradually specialist aircraft were developed. By the mid-1960s when a total of 13.1 million acres were being topdressed, 9.2 million acres were topdressed from the air (Evans 1969: 205). 'By the mid-1970s well over one million tons of fertilisers were applied annually from the skies' (McLauchlan 2006: 115).

Aircraft also proved useful in the war on mammalian pests. As Belich notes, 'the state-led war against the Germans and Japanese was replaced by a state-led war on rabbits' (2001: 208-309). A Rabbit Destruction Council was established in 1947. Possums lost their protected status the same year. Airplanes and later helicopters were integral in dropping poisons to control these pests. From the mid-1960s helicopters were also used in deer hunting. In New Zealand deer too were treated as pests. The government placed a bounty on the animal. Helicopters were used to drop hunters into remote areas. Aircraft were also used to sow optimal strains of clover and grasses and to drop fencing supplies and, after the switch to helicopters, also workers into inaccessible backcountry areas. In agricultural aviation, New Zealand became a world leader (Sutch 1969: 328).

Aircraft were also used to spray millions of litres of insecticides, fungicides and weed killers (McLauchlan 2006: 115). Despite on-going concerns raised by a dissenting minority of scientists, insecticides such as lead arsenate, Lindane and DDT were mixed with superphosphate fertiliser and sprayed on to New Zealand pastures (Galbreath 1988: 95). Throughout the 1940s and 1950s the Department of Scientific and Industrial Research (DSIR) had sought solutions to the problems posed by soil dwelling insects that fed on the roots and leaves of pasture plants. David Miller, who had been appointed the first permanent government entomologist back in 1916, identified two species of insect that he believed posed the greatest entomological threat to New Zealand's pastoral industries (Galbreath 1988: 93). Grass-grubs, the larvae of small scarab beetles and *Porina*, the caterpillars of several species of hepialid moth were thought to be undermining the industries upon which the country's prosperity depended (ibid). As Miller puts it, these pests were 'striking...at the pastures of the Dominion upon which our prosperity depends' (Miller 1945: 55).

Experiments in the late 1940s and early 1950s confirmed that applying Lindane or DDT mixed with superphosphate was an effective and cheap means of controlling both *Porina* and grass-grub (Galbreath 1998: 96). In 1952 experiments were conducted by the DSIR, in collaboration with the Dairy Research Institute in Palmerston North, to test if DDT or Lindane would affect the taste of milk. The insecticides were applied to test pastures and dairy stock were grazed on them. Scientists were then given the unenviable task of tasting the resulting milk, cream and butter. They were 'reassured' by the results:

Provided the recommendations on insecticide application are followed, there was no noticeable taste or 'taint' in the dairy products. Only if the recommendations were ignored and the insecticide-superphosphate mix was applied to wet or long pasture did the insecticide reach a level where they could actually taste it. But the scientists

considered that such levels, if they occurred, would be safely diluted by the mixing of milk from many farms at dairy factories (Galbreath 1998: 96).

In the end DDT was chosen over the less widely available, more expensive and unpleasant smelling Lindane. Topdressing aircraft dropped DDT mixed with superphosphate in large quantities, 1,200 tons a year by 1961, throughout the 1950s and 1960s (Brooking et al. 2002: 180; Galbreath 1998: 98). Various questions lingered about the safety of DDT, about the potential effect of DDT on exports and about the possibilities of DDT resistant insects. These however, seemed of only academic concern when set against the evident success of DDT-superphosphate in controlling grass-grub and Porina. 'Clearly the pasture pest problem had been solved. Miller congratulated his scientists for finding the answer, resulting in the saving to the New Zealand farmers of £15,000,000...an economic achievement more spectacular than any other entomological success in the Dominion' (Galbreath 1998: 97).

This kind of state-led scientific advisory and research work played an important role in post-war New Zealand. As Sutch notes a large part of the increased agricultural production in the post-war period is directly attributable to the collaborative work of the Department of Agriculture, the DSIR and the several agricultural Producer Boards (1969: 328). Similarly for Smallfield, former Director-General of Agriculture and one of those responsible for coining the term 'grasslands revolution', the dramatic increase in production during the middle decades of the twentieth century was a result of 'the combined and sustained efforts of farmers, research and advisory services, marketing boards, merchants and successive governments' (Smallfield 1970: 97; Brooking et al. 2002: 169-170). The state and the agricultural sector worked in concert, delivering stable growth, and with it prosperity to the country as a whole.

Government intervention in scientific research and advisory work was part of a much wider pattern of governmental involvement in the export economy. Traditional government activities such as herd testing for bovine tuberculosis and pest eradication were continued and from the 1950s onward, a growing number of agricultural production inputs were subsidised. Phosphatic fertilisers and lime were subsidised from the mid-1950s (Hawke 1985: 248). Starting in the 1960s direct input subsidies for farmers proliferated (ibid; Belich 2001: 311). Transport costs for fertiliser were subsidised in the 1960s. From 1969 onward weed killers and pesticides were subsidised. Parasite drenches and aerial topdressing followed in the 1970s. There were favourable tax rules and concessional interest rates (Hawke 1985: 248; Belich 2001: 311). Throughout the 1970s the exchange rate was manipulated so as to maintain the incomes of exporters. In the post-war era the notion of agriculture as private enterprise could not be sustained. 'Farming leaders often claimed the allegedly meritorious status of private enterprise for the whole agricultural sector, but that was political rhetoric rather than careful analysis' (Hawke 1985: 244).

As Belich and Sutch both note, there was a certain amount of export diversification in post-war New Zealand. With direct and indirect state assistance some traditional export products found their way onto new markets and a small number of new products were developed (Belich 2001: 309; Sutch 1969: 329). In 1958 the second Labour government placed a new emphasis on the need for further processing of New Zealand raw materials and for the development of industry more widely (Armstrong 1978: 301; Sinclair 1976: 346; Sutch 1969: 329). In the 1950s and 1960s there was an expansion of local wool processing. More and more New Zealand wool was made locally into carpets, carpet-yarn, wool-tops, hand- and machine-knitting yarn and blankets (Belich 2001: 309; Sutch 1969: 329). Dairy too was diversified. 'The dairy industry, thanks to the Dairy Board, has diversified the basic milk-product into various types of cheese, milk-powder, ghee, edible casein, frozen cream, butter oil (Sutch 1969: 329). As Belich notes casein and milk-powder, the third arm of

dairy exports, first exceeded £10 million in the 1950s and overtook cheese the following decade.

‘Casein sold in America and Japan; milk-powder in southern Asia’ (2001: 309).

For Sutch, each of New Zealand’s primary industries were reacting to the growing realisation that the British market could no longer absorb all of New Zealand’s increasing agricultural production (1969: 329). As Belich argues however, these new products and markets supplemented rather than replaced the traditional British market. ‘In 1950, Britain took 66 per cent of New Zealand’s exports. In 1965-66, it still took over half. By 1970, Britain took only 36 per cent of New Zealand’s exports. But it was still by far the leading market, taking more than twice the percentage of number two, the United States, and it was particularly important to the leading industry: protein’ (Belich 2001: 309). The nominal value of New Zealand’s exports to Britain continued to grow until 1972-73. Growth was fastest from 1945-1954 and slowed thereafter, yet from 1955-1972 Britain remained a stable market for New Zealand exports (Belich 2001: 310).

Historians have variously referred to the post-war period, in the developed world at least, as a golden age (Hobsbawm 1994: 257-286), as a period of thirty glorious years (Fourastié 1979), or as an age of golden weather (Belich 2001: 297-321), that shone brightly against the previous and subsequent decades of crisis (Hobsbawm 1994: 258). In New Zealand the post-war years were indeed a time substantial economic growth, a long, if somewhat slow, boom proportionately larger than that experienced in comparable countries (Belich 2001: 308). As Hawke puts it, there is no doubt that the post-war economy grew at a rate that compares favourably with any other period in New Zealand’s history.



## Pleasant Island

As mentioned above Nauruan phosphate was crucial to the increase in farm productivity in the post-war era. Between 1922 and 1966 New Zealand received more than 9 million tons of rock phosphate from Nauru. Shipments were initially modest; 38,250 tons were shipped to New Zealand in 1922, but increased steadily. New Zealand received more than 100,000 tons (121,610) for the first time in 1932 and more than 200,000 tons (258,950) for the first time in 1939 (Viviani 1970: 186-187). No phosphate was produced on Nauru between 1941 and 1947 but shipments resumed quickly after the Second World War. In 1952 New Zealand received 469,122 tons of phosphate from Nauru (Commonwealth of Australia 1952: 53), and the figure topped 500,000 tons (505,550) in 1965 (Commonwealth of Australia 1965: 87). Despite its mandated 16 per cent stake in Nauru's phosphate New Zealand routinely received a much higher percentage of the island's phosphate exports, in excess of 25 per cent most years between 1922 and 1966 and well over 40 per cent in 1941 and 1952 (Commonwealth of Australia 1952: 53; Viviani 1970: 186-187).

Dairy farms were not the sole destination for Nauruan phosphate during New Zealand's 'grasslands revolution'. Sheep and beef farms too were top-dressed with phosphatic fertilisers and the carrying capacity of hill pastures suitable for sheep increased considerably owing to the application of superphosphate (Levy 1951). Dairy farms do however require significantly more fertiliser than other land uses because dairying involves intensive grazing and requires nutrient rich pasture growth (Statistics New Zealand 2006: 3). Further, Levy notes that soil quality in New Zealand's dairying heartlands of Waikato and Taranaki was such that superphosphate was essential to the development of productive pastures. In Waikato, Levy notes 'the development of grasslands to their present position, with still greater promise is almost entirely the result of using phosphates' (1951: 19). In Taranaki too development was made possible by the introduction of superphosphate (Levy 1951: 20).

Waikato, long home to the greatest concentration of dairy cattle in New Zealand is also historically New Zealand's heaviest user of fertilisers (Statistics New Zealand 2006: 4). Throughout the post-war era the South Auckland land district, made up of what is now the Waikato region and parts of the Bay of Plenty, used much higher concentrations of superphosphate than other regions (Department of Statistics 1952; 1953; 1960; 1963; 1966). Of the 11,283,175 cwt (573,211,754 kg) of artificial fertiliser top-dressed in New Zealand in 1952 for example, 4,509,092 cwt (229,072,449 kg) were applied to pastures in the South Auckland land district, home also to the largest number of dairy cattle by a significant margin (Department of Statistics 1952: 36-38). Correspondingly in 1965, of the 11,295,636 acres of grasslands top-dressed with artificial fertiliser more than 3,000,000 (3,068,586) of those acres were in the South Auckland land district, more than twice as many as in any other land district and nearly as much as the entire South Island where sheep farming was dominant (Department of Statistics 1966: 44-45). Dairying played a major role in stoking demand for Nauruan phosphate.

As Weeramantry notes Nauru received only a small fraction of the sale proceeds of the island's phosphate, which was considerably less than the phosphate would have reached on the international market (1992: 11). Between 1922 and 1966 the total cost value of the phosphate exported from Nauru was £59,367,947 for which Nauru received just £4,196,277 (Viviani 1970: 186-187; Weeramantry 1992: 367). The £55 million gap between the sale proceeds of Nauruan phosphate and the royalties paid to Nauru has never been accounted for (Weeramantry 1992: 366). On the subject of the scant royalties paid to Nauruans for their phosphate, Professor A.H. Charteris of Sydney University had this to say: 'the remuneration is small perhaps in the eyes of a civilised man in view of the immense value of the product in the Commonwealth, but it is not small to a child of nature who lives on coconuts and fish and sunshine' (Charteris 1924: 151).

More significant even than the large gap between the sale proceeds and the royalties paid to Nauru were the losses suffered as a result of selling phosphate to mandate nations at the cost price, and not the market rate. Weeramantry compares prices paid for Nauruan phosphate with those paid for phosphate produced on Mākatea. Phosphate from Mākatea, part of the Tuamotu Archipelago in French Polynesia, is of comparable quality to that produced on Nauru. Prices paid for Mākatean phosphate, which was sold at the market rate, were consistently higher than those paid for Nauruan phosphate, the price paid for Mākatean phosphate was often more than double that paid for Nauruan and was more than three times as high in the mid-1950s (Weeramantry 1992: 370). By paying just a small fraction of the cost price for Nauruan phosphate instead of the full market rate, mandate nations deprived Nauru of much needed revenue. Weeramantry estimates the total revenue loss to Nauru as a result of selling phosphates at cost price to be £167,648,200 (1992:369).

Phosphate mining devastated the Nauruan environment. As Nazzal puts it, 'Nauru's insides were literally ripped out' (2005: 6; see also Manner et al. 1984). Much of Nauru's phosphate was located in the inner 80 per cent of the island, on an elevated plateau known as Topside (Gowdy and McDaniel 1999: 334; McDaniel and Gowdy 2000: 42). Phosphate mining on Nauru involves the removal of vegetation, the scraping off of topsoil and contaminated phosphate to expose purer phosphate deposits nestled among the islands ancient coral skeleton (Gowdy and McDaniel 1999: 334; McDaniel and Gowdy 2000: 42; Manner et al. 1984: 1456). Trees and other plant refuse are burned and the topsoil and contaminated phosphate are not replaced but rather stockpiled for future use (Manner et al. 1984: 1456; Gowdy and McDaniel 1999: 334). The phosphate deposits, found between coral-limestone pinnacles are extracted by powerful diggers which dramatically alter the local topography leaving columns of coral and uneven depressions between them (Gowdy and McDaniel 1999: 334; Manner et al. 1984: 1456). The mined out areas, where relief varies between 4 and 8 metres from 'pillar to pit' (Nazzal 2005: 6; see also Manner et al. 1984: 1457), are 'inaccessible

to people and totally unusable for habitation, crops, or anything else that might benefit the people of Nauru' (Gowdy and McDaniel 1999: 334).

Much of the endemic biodiversity that inhabited Topside is lost and more is endangered (Gowdy and McDaniel 1999: 334; Manner et al. 1984), the vegetation loss has also impacted on the microclimate of Topside. 'Natural forest microclimates have been transformed into new microclimates with increased sunlight and lower humidity, resulting in greatly altered patterns of vegetation' (Weeramantry 1992: 31; see also Gowdy and McDaniel 1999: 334). The Nauruan interior has become hotter, and the rising hot air over Topside has prevented rain clouds settling over Nauru leading to frequent droughts (Nazzal 2005: 6). Nauru, once known as Pleasant Island has been completely transformed by phosphate mining into a scarred, dusty and barren wasteland (Anghie 1993: 446; Nazzal 2005: 6). The social impact of phosphate mining on Nauru is no less devastating.

The social impact of phosphate mining on the people of Nauru is a familiar story of colonial impact and the marginalisation of indigenous people, culture and life ways. Weeramantry notes the displacement of the subsistence economy with a cash economy and with it, a growing demand for manufactured goods and imported foods, the latter of which ranked high among local preferences displacing traditional foods (Weeramantry 1992: 28; see also Gowdy and McDaniel 1999: 344; Nazzal 2005: 6). Over time imported foods came to be seen as superior to the traditional Nauruan diet of fish, coconut, pandanus fruit, pawpaw, breadfruit, beach almonds and noddy birds (Gowdy and McDaniel 1999: 334; McDaniel and Gowdy 2000; Weeramantry 1992:31). The mining out of Topside removed it as a source of food; traditional Nauruan staples were replaced with salty and fatty canned foods (Nazzal 2005:6; Weeramantry 1992: 31), and with the growing population even freshwater had to be imported (Gowdy and McDaniel 1999: 334). As Weeramantry notes under the

influence of the phosphate industry the Nauruan diet changed substantially, which has adversely affected the health of the population (Weeramantry 1992: 31). 'Life expectancy at birth for males in the early 1980s was 49 years, substantially less than that of other Pacific islands'...'nearly 30% of those over 25 and about 50% of those over 50 have diabetes'...'very high rates of heart disease and hypertension have also been reported' (Gowdy and McDaniel 1999: 334).

Phosphate mining devastated Nauruan society and all but destroyed the Nauruan environment. Nauruan phosphates were essential to the growth in farm productivity in the post-war period and were crucial to the expansion of the dairy sector in particular. Due in large part to the steadily increasing application of Nauruan phosphates to pastures New Zealanders in the post war era enjoyed living standards that were the envy of the world. Yet not all was well with the New Zealand economy during the so-called golden age.

Agriculture became a smaller component of the overall New Zealand economy in the post-war years (Hawke 1985: 231; see also Belich 2001: 311). The primary industries, overwhelmingly agriculture, employed a little over a quarter of the labour force in 1938, but only about one eighth in 1970 (Hawke 1985: 231). The proportion of national income derived from agriculture also declined from about 30 per cent of national income in 1938-39 to about 13 per cent in the mid-1970s (ibid; Belich 2001: 310). The fall in agriculture's share in national income was largely the result of relative price movements. Put simply, prices paid for inputs grew more quickly than prices received for agricultural produce. As Belich puts it, 'farmers found their costs trebling while their returns only doubled' (2001: 310). Similarly for Evans, while prices for New Zealand exports may have 'soared to heights hitherto undreamed of', prices for import goods grew at a faster rate, raising the spectre of increasing inflation (1969: 219).

Writing in 1969, Evans concludes that the future trading prospects for New Zealand were far from rosy. The placement of tariffs and quotas on New Zealand produce in some markets and the apparent inability of the British market to absorb increasing production left New Zealand producers with few options but to pursue markets elsewhere (1969: 219). Furthermore, Britain's intention to enter the EEC cast shadows over the future prospects of New Zealand's traditional protein market (ibid). As Sutch argues, while New Zealand's agricultural sector did attempt to diversify in the post-war years the country failed to adequately consider the wide-ranging changes in farming that might be necessary if Britain joined the EEC and substantially reduced imports of New Zealand meat and dairy (1969: 329-330). Belich notes that the diversification that did occur was directed toward less entrenched and less secure markets, 'Southern Asia could not pay as much for its milk powder as Britain could for its butter' (2001: 310). Somewhat more unsettled conditions looked set to end the thirty year period of golden weather.

## Chapter 8: Happy Ever After in the Market Place (1960s-1984)

### Introduction

Britain's decision to join the EEC, announced in 1961, forced successive governments in New Zealand to question New Zealand's role as a specialist exporter of foodstuffs to Britain, both Labour and National came to recognise the need to use the state to diversify and strengthen the local industrial sector (Armstrong 1978: 301-302). This chapter chronicles Britain's decision to join the EEC and the impact that it had on New Zealand's export economy and on the dairy sector in particular. *The European Economic Community* (pp 205-209) details the establishment of the EEC in post-war Europe and Britain's surprise decision to join it. It also details New Zealand's frantic search for new markets and for new products to take to those markets. New Zealand's efforts at diversification were however outstripped by a wide-ranging diplomatic campaign aimed at preserving New Zealand's access to the British market. The section titled *The quest for on-going access to the British market* (pp 209-216) tells the story of this largely unsuccessful campaign and of the significant role played in it by the Prime Minister Rob Muldoon (1975-1984). Muldoon's election amid the collapse of the post-war boom is covered in the section titled *The end of the golden weather* (pp 216-219). The final section in this chapter, *The last hurrah: Muldoon vs the free market* (pp 219-229) details the Muldoon government's various attempts to resist market reforms that were increasingly posited as the only path back to prosperity during the late 1970s and early 1980s. This section details Muldoon's decision to increase state support for agriculture and to embark on a number of 'Think Big' infrastructure projects aimed at shielding New Zealand from the uncertainties of international energy markets.

This chapter sets the scene for the wide-ranging neoliberal reforms of the 1980s and 1990s, a period marked by the resurgence of primitive accumulation as a central mechanism of capital accumulation

within New Zealand. It surveys New Zealand's declining economic fortunes in the 1970s when much of the capitalist world was faced with diminishing capital accumulation, wage stagnation and rising unemployment (Duménil and Lévy 2004; 2004a; Harvey 2003; 2005; 2010). Neoliberalism emerges at this time to re-impose 'the ordinary run of things'. Muldoon stood firm against the rising tide of market fundamentalism yet, as we will see in the chapters that follow, both he, and the political and economic consensus that held primitive accumulation in check for fifty years, were swept away on a rainy day in July 1984.

### **The European Economic Community**

Simmering tensions between the U.S.A and the Soviet Union in post-war Europe lead to the creation of a number of institutions and arrangements including NATO and the Warsaw Pact, The European Free Trade Association (EFTA) and eventually the EEC. As Hobsbawm notes, the situation in Western Europe in 1946/47 seemed so tense that Washington felt that the development of a strong European economy was a top priority (1994: 240). The American vision for Europe was one of a single, federal union modelled on the U.S.A. in both its political structure and in its commitment to free enterprise, free trade and free markets (ibid).

This vision for the new Europe did not appeal to either the British, who held to a view of themselves as a world power, or to the French, who were weary of their old adversary and hoped for a strong France and weak, partitioned Germany (Hobsbawm 1994: 240). For Washington however, an adequately restored Europe that would protect against Soviet expansion would require a strong Germany (Hobsbawm 1994: 240-241). 'The French therefore proposed their own version of European Union, the European Coal and Steel Community (1950) which developed into the EEC or Common Market (1957), later simply the European Community and, from 1993, European Union'



(Hobsbawm 1994: 241). It was Hobsbawm notes, an entirely unprecedented form of political organization (1994: 239). When it was initially formed by the Treaty of Rome in 1957, the EEC comprised six states: France, the German Federal Republic, Italy, the Netherlands, Belgium and Luxembourg (Belich 2001: 431; Hobsbawm 1994: 239).

Britain, still reliant on the Commonwealth but nevertheless weary of the EEC responded by forming EFTA in 1960. EFTA was a trade-bloc alternative to the EEC initially comprising Austria, Denmark, Norway, Portugal, Sweden, Switzerland and the United Kingdom. EFTA left Europe divided between the 'inner six' of the EEC and an outer seven and did not prove an immediate success (Brown 1997: 44). A year after EFTA was formed Britain announced for the first time that it intended to enter the EEC. In mid-July 1961 the Conservative Government, led by Harold Macmillan decided to apply for full membership of the EEC (Steinnes 1998: 61). It was Steinnes notes, an unexpected and somewhat surprising break with well-established patterns of British post-war policy (ibid). The decision was met with shock and dismay in New Zealand (Brown 1998: 45; Sinclair 1969: 311). The British Secretary of State for the Commonwealth, Duncan Sandys was dispatched to New Zealand and Australia to explain Britain's decision (Brown 1997: 45; Lodge 1982: 16; Robertson and Singleton 2000: 156-157; Ward 1975: 190). While here, Sandys gave his assurance that Britain would not feel able to join the EEC unless New Zealand's vital interests were secured and that the British government would seek special arrangements for New Zealand producers (Belich 2001: 433-434; Brown 1997: 45; Lodge 1982: 16; Robertson and Singleton 2000: 156-163; Ward 1975: 190).

Britain's first attempt to join the EEC was frustrated by the French. The French President, Charles de Gaulle, vetoed Britain's application on the grounds that British entry would both allow for greater US influence and do damage to the British Commonwealth, which de Gaulle regarded as an important

bulwark against Communist expansion (Steinnes 1998: 67). Britain's second attempt to join the EEC, launched by the Harold Wilson led Labour government in May 1967, was similarly thwarted by de Gaulle who had 'refused to alter his well-known stand' (Heath 1969: 41). This time around the French President acted before negotiations had even begun. As Schenk argues, de Gaulle believed that the Americans had too much influence over Britain. De Gaulle held firm to his view that Britain was a Trojan horse, 'preparing to deliver the EEC to American domination' (Schenk 2002: 366). For Belich it was almost as though de Gaulle was a New Zealand agent (2001: 431). Robertson and Singleton note that toasts were drunk to de Gaulle, saviour of the nation, at the annual conferences of the New Zealand Association of Economists throughout the 1960s (2000: 162n). Nevertheless, the writing was already on the wall. Britain's third attempt to join the EEC was launched by the Conservatives led by Edward Heath in 1969. This third application was ultimately successful, helped to no end by de Gaulle's resignation the same year. Brown argues that de Gaulle's opposition to British entry into the Common Market effectively gave New Zealand a decade's breathing space with which to diversify the country's export trade in both products and markets (1997: 45; 1999: 23).

The need for New Zealand to find new markets and new products to take to those markets became increasingly pressing (Warr 1988: 162). In addition to the traditional wool market in Britain, new markets for carpet wool were found in Eastern Europe and the United States (Hawke 1985: 222). The United States also became an increasingly important market for New Zealand beef (ibid; Brown 1998: 45). New Zealand beef and mutton were also exported to Japan following the signing of a commercial treaty between the two countries in 1958 (Brown 1998: 45; Hawke 1985: 222; Robertson and Singleton 2000: 6). Starting in the 1970s New Zealand found additional new markets in the Middle East, which after 1974 became both an important source of oil and a potential market for meat and dairy (Gustafson 2000: 221). Exports to the Middle East grew from just under \$9 million to just over \$440 million in the period 1973-1981 (ibid). In 1974 the Labour government signed a

trade agreement with Iran; by the end of the 1970s Iran had become the sixth largest market for New Zealand exports, taking large quantities of lamb, wool, milk powder and cheese (Brown 1998: 45). At about the same time New Zealand established new dairy markets in Chile, Mexico and Peru (ibid; Warr 1988: 164). Dried butter milk and skim milk powder were key to this expansion into Latin America and this was part of a wider push toward diversification, the development of dairy products other than butter and cheese (Hawke 1985: 222; Warr 1988: 164). Australia too lost its major market when Britain joined the EEC. Australian producers found important new markets in Hong Kong, Japan and Saudi Arabia (ABS 2004: 449).

By the mid-1960s, Ward notes, milk powder and casein were exported from New Zealand in such large quantities that they could no longer be dismissed as mere by-products. Production had increased to such an extent that the export sales of casein and milk powder combined were approaching the export value of cheese (1975: 201). The production of skim milk powder reached 137,500 tons by the end of 1966/67 up from just 41,800 tons five years prior (Ward 1975: 203). Casein production too grew rapidly, from 35,400 tons in 1961/62 to 53,000 tons in 1965/66 (ibid). Production of casein declined after that however, as the New Zealand dairy industry sought to divert more and more production toward skim milk powder owing to its greater profitability (ibid). As Warr notes, skim milk powder is a remarkably versatile product. 'It could add finish to livestock feed, nutrition to confection and beverages, plumpness to sausages and crustiness to bread' (1988: 164). Total exports of spray-dried skim milk powder continued to surge with major markets in Japan, the Middle East, Latin America and the Caribbean (ibid).

There was also demand for New Zealand protein in Southeast Asia. The New Zealand dairy industry sought to supply both the raw materials and the processing technology to emerging markets in that

region. Sweetened condensed milk was a key product in these markets, made from New Zealand milk powder combined with tropical cane sugar. New Zealand's first processing plant opened in Singapore in 1961. Others soon followed in Hong Kong, the Philippines and Thailand as well as in Mauritius and the West Indies (Ward 1975: 207-208; Warr 1988: 164).

As Warr notes, efforts toward diversification were accompanied by a massive diplomatic offensive aimed at fostering a favourable climate of opinion within the EEC toward on-going access to the British Market for New Zealand dairy products (Warr 1988: 165). Indeed as Belich argues, New Zealand spent considerably less time adapting to the new reality of Britain as part of the EEC than it did resisting or evading it. Starting in 1961 and lasting for nearly three decades, New Zealand conducted an intense political and diplomatic campaign aimed at preserving the protein bridge to Britain, the major economic basis of the country since the 1880s (Belich 2001: 433).

### **The quest for on-going access to the British market**

The major strategy employed by New Zealand negotiators in their discussions with the British and the Europeans was to emphasise weakness, dependency and vulnerability (Belich 2001: 433; Lodge 1982: 2). As Lodge argues, New Zealand protected its interest not through large-scale market diversification but by portraying itself as a 'politically and militarily weak' (Lodge 1982: 1). New Zealand representatives frequently played up the idea of weakness, that New Zealand was small and vulnerable and faced 'economic disaster' if its interests were not protected (ibid). Negotiators also evoked sentiment by stressing New Zealand's wartime contribution. The 'we died for you in two world wars' argument became a major element in the psychological argument for continued access for New Zealand produce to the British market (Belich 2001: 433; Lodge 1982: 10). Appeals to affinity and familial connection were also rehearsed; the 'we are your kith and kin' argument played

an important subsidiary role in presenting New Zealand's case to the British (Belich 2001: 433; Lodge 1982: 10). As both Belich and Lodge note this tactic of emphasising weakness, dependency and vulnerability and appealing to the British conscience was surprisingly successful (Belich 2001: 433; Lodge 1982: 2). New Zealand's campaign for special arrangements might have verged on the pathetic but, initially at least, it worked (Belich 2001: 434).

Intense political and diplomatic activity on New Zealand's part succeeded in securing special arrangements (Ward 1975: 226). When Britain finally succeeded in negotiating entry into the EEC in 1971 New Zealand interests were protected by Protocol 18, the Luxembourg Protocol, which gave access rights to New Zealand butter and cheese to the British market for a period of five years until the end of 1977 (Belich 2001: 434; Brown 1998: 46; Ward 1975: 226). Provision was also made for a review in 1975 to establish the basis of trade after 1977 (Ward 1975: 227). The New Zealand government touted the agreement as a major concession and highly satisfactory (Lodge 1982: 54). Although the list of exports New Zealand wanted safeguarded had been substantially curtailed, 'from butter, cheese, casein, beef, sheepmeat (principally lamb), apples and pears in 1961; to butter, cheese and sheepmeat in 1967; to butter and cheese in 1972; and finally by 1977, to butter alone' (Brown 1999: 23).

Protocol 18 provided New Zealand producers with some assurance of on-going access to the British market. There were two features of the agreement however that caused the New Zealand dairy industry significant concern. First, the end to New Zealand's near 100 year old cheese trade with Britain, New Zealand cheese access would be phased out after 1977 and all subsequent negotiations would only include butter (Brown 1998: 46; 1999: 23; Lodge 1982: 54; Ward 1975: 227). Secondly, the pricing provisions of the agreement were problematic from the perspective of New Zealand

producers. Prices were to be fixed at a low base rate with no allowance made for exchange fluctuations or cost increases (Lodge 1982: 55; Ward 1975: 227). These concerns notwithstanding, the then National Prime Minister, Keith Holyoake, told Parliament on 23 June 1971 that the arrangement was the best that could have been secured and that, 'the package as a whole represented a substantial concession to the New Zealand request for special arrangements' (Holyoake 1971: 1167). Opposition politicians were less enthusiastic however. The leader of the Opposition, Norman Kirk, dismissed the Luxembourg agreement as 'not satisfactory for New Zealand's needs or purposes' (Kirk 1971: 1170).

Ward's history of the New Zealand dairy industry, *A Command of Cooperatives*, was published in 1975 at which time the future status of New Zealand's special arrangement with the EEC was being renegotiated. As Ward puts it, whether or not New Zealand's special position could be maintained after 1977 remained to be decided. While the Luxembourg agreement had given the New Zealand dairy industry valuable breathing room with which to set about expansion into other markets, the British market remained vital to New Zealand's interests. The Common Agricultural Policy (CAP) of the EEC hung, like the sword of Damocles, over the New Zealand dairy industry (Ward 1975: 221).

The fate of New Zealand's dairy exports to Britain post 1977 was reviewed at the Dublin EEC Summit in March 1975. At the Summit it was decided the New Zealand should not be 'deprived of outlets essential to it' (Brown 1998: 46; 1999: 25). Access to the British butter market, New Zealand's only substantial outlet for butter, was to be maintained after 1977 (Lodge 1982: 126; Ward 1975: 228). The deal would initially cover the period 1978-80 and would, it was hoped, provide requisite time for New Zealand to further diversify its export sector and come more fully to terms with the reality of the EEC (Lodge 1982: 126). Provision was made, however, for an additional review of the situation in

1978 so that the EEC could consider the possibility of a further continuation of the arrangement beyond 1980. This last provision left one commentator, Juliet Lodge, astonished. 'The unmistakable implication of this was that the Commission, if not individual EC member governments felt that, as far as could be predicted in 1975, it was highly likely that New Zealand would require... special access to the British market for specified quantities of butter *after 1980*' (Lodge 1982: 126 emphasis in original).

The Dublin Summit also restored the possibility of a renewed cheese trade with Britain and the EEC (Brown 1998: 47; Lodge 1982: 131-132; Ward 1976: 228). The Commission reviewing Protocol 18 decided that New Zealand cheese could not be denied access to EEC markets provided that normal CAP regulations were observed (Lodge 1982: 132). In 1980 New Zealand secured a modest quota for 9,500 tons of cheese to the European market (Brown 1999: 47). It was a timely return, the same period saw a marked decline in butter consumption in Britain, down from 470,000 tons in 1975 to 311,000 a decade later (Brown 1998: 47). It was part of a wider global trend as increasingly health conscious consumers turned to margarine. As Belich notes New Zealand dairy exporters have long had nightmares about margarine. 'It was not a huge threat,' however, 'until the post-war period, when some fool discovered the fact that its polyunsaturated fat did less damage to arteries than butter' (2001: 432).

New Zealand's campaign for on-going access to the British market received something of a boost in the mid to late 1970s with the election of Robert Muldoon in New Zealand (1975) and later Margaret Thatcher in the United Kingdom (1979). Belich argues that the campaign to continue special arrangements after 1977 'developed a certain robustness under Muldoon who demanded better British privileges rather than begged for them' (Belich 2001: 434). Together with the Minister for

Foreign Affairs, Brian Talboys, Muldoon worked hard to retain New Zealand access to the EEC. Both stressed New Zealand's close relations to Europe in general and Britain in particular when making the case for on-going access (Gustafson 2000: 220).

Access to the British market was negotiated in a series of three to five year cycles from 1977-93: 1978-80, 1981-83, 1984-88, 1989-92 and a one year term in 1993 (Brown 1999: 25). Each subsequent cycle was subject to EEC 'degressivity'. The tonnage of butter was reduced from 125,000 tons in 1978 to 51,380 tons in 1993 (ibid; see also Lodge 1982: 145-153). While Talboys reluctantly accepted the principle of degressivity, Muldoon fought degressivity with characteristic obstinance. In an article published in *The Times* of London on 6 January 1983 titled 'Can Ties of Blood Survive These Selfish Policies?' Muldoon rehearsed a version of the 'kith and kin' argument when he appealed directly to the British people for on-going access. 'Our peoples are too similar and our shared experience too long' Muldoon wrote, 'for a rift to easily open'. 'The greatest concern I have now' Muldoon continues, 'is the possibility that what we do hold in common may be eroded' (Muldoon 1983: 10).

In the same article Muldoon also had an attempt at rekindling the wartime contribution argument. 'That our attitudes remain essentially alike was never made more plain to me than in observing the reaction of the New Zealand people to Britain's sternest test in recent years, the Argentine invasion of the Falklands. We were no less unanimous than you in our reaction to the invasion' (Muldoon 1983: 10). It was not the first time Muldoon had tried this line of reasoning. In the midst of the Falklands War, Muldoon wrote another article for *The Times*, this one titled 'Why We Stand with Our Mother Country'. In it, Muldoon invoked Michael Joseph Savage's immortal 'Where Britain goes, we go' to contextualise New Zealand's decision to break off diplomatic ties with Argentina (Muldoon



1982: 14). Muldoon goes on to argue that New Zealanders see the Falkland Islands as British territory and the islanders as both fellow subjects of the Queen and as family and that as such, 'New Zealand will back Britain all the way' (ibid). As both Brown and Gustafson argue however, Muldoon's motivations for supporting Britain were somewhat less lofty (Brown 1999: 28; Gustafson 2000: 324). Gustafson notes that the New Zealand Department for Foreign Affairs were against becoming involved in the conflict and thought the British 'silly' in their reaction to the conflict in the Falklands. 'When they told Muldoon this at a briefing, the Foreign Affairs officials were savaged by the Prime Minister who told them that they did not appreciate the importance of keeping the British on side if New Zealand was to continue having access to the European Community for New Zealand's butter' (Gustafson 2000: 324).

At a particularly delicate moment in the War, following the sinking of the *HMS Sheffield*, Muldoon asked Cabinet to approve the deployment of a New Zealand frigate to assist by freeing up an equivalent Royal Navy ship for service in the Falklands (Brown 1999: 28; Gustafson 2000: 324). Muldoon also considered sending an Air Force Orion or the SAS to the Falklands instead (Gustafson 2000: 324). Muldoon announced the frigate gesture whilst on a visit to London. As Gustafson argues, while Muldoon genuinely wanted to ally New Zealand with Britain on the Falklands issue, he also had other matters in mind. 'He was also aware that by supporting Thatcher and Britain at a low point in the conflict he would cement his relationship with Thatcher and give New Zealand credit with the British government and public that could be useful in future negotiations with the European Community over continued access for New Zealand's primary exports (Gustafson 2000: 324). Similarly for Brown, Muldoon's support for Britain over the Falklands issue was 'sentiment plus self-interest'. At that time New Zealand officials were at a critical stage in negotiations for butter access post-1983 (Brown 1999: 28).

New Zealand's campaign for continued access to the EEC was supported by British Governments, both Labour and Conservative, throughout the 1970s and into the 1980s (Brown 1998: 48). While both sides of the British political divide supported New Zealand efforts, the campaign for continued access had a particularly sympathetic supporter in Margaret Thatcher, Prime Minister of Britain from 1979 (Belich 2001: 434). Thatcher was, for a time at least, the strongest supporter of New Zealand in her cabinet (Brown 1999: 28). Muldoon gives an account of Thatcher's support for New Zealand in the country's on-going negotiations with the EEC for access of New Zealand lamb. When Muldoon met with Thatcher and the British Minister for Agriculture, Peter Walker in September 1979, Walker raised issues around the practicability of on-going access to the British market. Thatcher reportedly responded by telling Walker that she was not prepared 'to see New Zealand lamb priced off the British housewife's table. She wants it and she is going to get it' (Thatcher in Muldoon 1981: 91). For Muldoon, it was testament to Thatcher's character that, 'in spite of holding high political office, she still knows what it means to shop for your food and cook it at home for your husband and family' (Muldoon 1981: 91).

New Zealand's long campaign for continued access to European markets, supported by successive British governments is often portrayed as highly effective. As Nixon and Yeabsley put it in the *Encyclopaedia of New Zealand* for example, New Zealand's campaign was a trade policy coup. 'A country of less than 3 million people negotiated concessions (in the form of access quota rights to the British and European markets) from a powerful group of countries with a population of over 200 million' (2012: 4). Similarly for Bruce Brown, New Zealand's deputy High Commissioner in London from 1981 to 1984, the campaign for access was 'the most significant New Zealand diplomatic achievement since World War II' (Brown 1997: 50). As Belich argues however, New Zealand had sought permanent and substantial concessions but was only granted temporary and digressive ones (2001: 434). 'A process that saw Britain's share of New Zealand's exports drop from over 50 to 7 per

cent in 25 years can hardly be acclaimed as a trading triumph' (ibid). Furthermore the negotiations involved an expansive political and diplomatic effort that might very well have been better directed at finding new markets and building new relationships (ibid; Brown 1999: 27). New markets and relationships that might prove crucial in pulling New Zealand out of the crises of the 1970s.

### **The end of the golden weather**

Many commentators agree that 1974 marks a watershed in New Zealand's economic history, the end of the post-war golden age and the start of an altogether gloomier period (Roper 1997: 5; Belich 2001: 396-397). Starting in 1974, Roper argues, the New Zealand economy entered a period marked by: 'economic stagnation, high inflation, declining profitability, insufficient and poorly allocated levels of productive investment, historically low terms of trade, recurrent balance of payment deficits, increasing public and private indebtedness, the cessation of real wage growth, the highest unemployment since the 1930s, and the most widespread and intense strike activity experienced since the 1951 waterfront dispute' (Roper 1997: 4).

Orthodox explanations of the collapse of the post-war long boom have tended to stress the impact of external shocks on the New Zealand economy, Britain's accession to the EEC in 1973 on one hand, and the first OPEC oil shock, also in 1973, on the other (Roper 1997: 5). In 1973, partly in response to U.S. support for Israel in the Arab-Israeli war of that year, OPEC quadrupled the price of oil by cutting production and imposing embargoes (Brown 1999: 41-42; Hobsbawm 1994: 437-474). Oil had remained cheap and the market stable for much of the post-war era (Brown 1999: 42). Indeed as Hobsbawm argues 'one of the reasons why the golden age was golden was that a barrel of Saudi oil averaged less than \$2 throughout the entire period from 1950-1973' (Hobsbawm 1994: 262). In real terms the price of oil had actually been falling since the Second World War (Hobsbawm 1994: 473).

When OPEC quadrupled prices the result was oil shortages and increased costs resulting in inflation in countries around the world. At much the same time the commodity price boom of the early 1970s (December 1971 – October 1973) collapsed, the combined effect of the oil shock and the collapse of the commodity boom in New Zealand was dramatic. Import prices rose relative to export prices and the terms of trade fell (Roper 1997: 5). Belich notes that New Zealand's terms of trade fell by 40 per cent in the mid-1970s, a similar decline to that during the Great Depression (2001: 397).

Reflecting on the period, Bassett notes a prevailing uneasiness in society at large. An uneasiness born of economic downturn and evidenced by tightening bank credit, sliding share prices, rapidly falling meat and wool prices and portents from overseas of worse to come (1976: 142). Similarly for Gustafson, in the mid-1970s many people sensed that something was wrong with New Zealand's economy and there was a widespread mood for change despite considerable uncertainty as to what exactly should be done (2000: 169). Bassett, Labour MP for Waitemata at the time, surveyed the economic situation leading up to the 1975 general election and it makes for sobering reading.

Unemployment stood at 3,453 by 21 February [1975]. Many had to be put on to special work provided by the Ministry of Labour, other government departments and local authorities. Manufacturers were anticipating a figure of 12,000 unemployed by mid-winter. Nothing seemed able to check the rate of inflation either. The Campaign Against Rising Prices estimated that for a family of four, the average weekly grocery bill had risen from \$35 to \$42 in only six months. Transport costs increased as well: petrol was raised by a further 10 cents per gallon (Bassett 1976: 208).

Farmers' incomes fell dramatically and that had an impact on the wider agricultural services industry. Topdressing and stock haulage declined sharply. In January 1975 a group of economists recommended the government pump \$100 million into agriculture in order to solve the short term

liquidity problems faced by farmers and to safeguard the long-term productivity of the sector (ibid).

Amid this economic gloom the country went to the polls.

In the lead-up to the 1975 general election most commentators predicted a Labour victory. Labour had won a large majority in 1972 winning 53 seats to National's 32 (Gustafson 1986a: 118). It was widely believed that it would take at least two elections for National to erode Labour's majority (Belich 2001: 395). The third Labour government was led by Norman Kirk, 'huge, humane, intelligent...a new Mickey Savage' (Belich 2001: 395), 'vigorous', 'dynamic' and 'statesmanlike...an eloquent rhetorician' (King 2003: 462). As a foil to Kirk's strengths National had had to turn to the 'tough and ruthless' Robert Muldoon as leader (Gustafson 1986a: 118). Against Norman Kirk, himself a 'brutal debater', Muldoon's bellicose style seemed appropriate (Belich 2001: 395; Gustafson 1986a: 118; King 2003: 462). Kirk died in office in 1974 and was succeeded by Bill Rowling who was altogether quieter, more tentative and less charismatic. Against Rowling Muldoon's aggressiveness seemed 'unnecessary and even offensive' (Gustafson 1986a: 118).

Muldoon did not limit his hostility to the Prime Minister but made frequent verbal, and in one case also physical, assaults on anyone who crossed his path including Labour MPs, journalists, 'Polynesian over-stayers', unionists, 'trendy lefties' and 'ivory tower academics' (Gustafson 1986a: 118). As Moon argues however whilst Muldoon's caustic leadership caused some New Zealanders to back the Citizens for Rowling Campaign, in the minds of supportive audiences Muldoon was a redeemer (Moon 1999: ii), and these supportive audiences were increasingly 'huge and enthusiastic' (Gustafson 1986a: 118). The Kirk/Rowling led third Labour government, elected by a landslide in 1972, was dumped at the 1975 election by an equally large majority (Belich 2001: 395; King 2003:

463). National took 48 per cent of the vote and won 55 seats to Labour's 32. It was at the time National's largest ever parliamentary majority (Gustafson 1986a: 118).

Aside from the personality and character of Muldoon himself the only issue at the 1975 election was what Muldoon repeatedly referred to as 'New Zealand's shattered economy' (Gustafson 1986a: 120; 2000). As David Harvey argues in the mid-1970s there were two poles of opinion on how best to respond to the recession, by deepening state control and regulation of the economy through corporatist strategies on the one hand or by liberating corporate and business power and re-establishing market 'freedoms' on the other (2005: 12-13). Muldoon initially flirted with the latter before plunging headlong into the former. In the lead up to the 1975 election Muldoon had attacked Labour's 'borrow and hope' approach which raised expectations that he would move to deregulate the economy after the election (Gustafson 1986a: 129; 2000: 242). In response to the strains placed on the New Zealand economy by the world recession, high oil prices and reduced exports to Britain, many expected Muldoon to radically restructure the economy (Gustafson 1986a: 129). However Muldoon chose not to adhere to the radical free market reforms that would later be associated with Thatcher and Reagan, opting instead for increasingly complex ad hoc intervention in the economy, a sharp increase in state support for the agricultural sector and eventually large scale 'Think Big' industrial development projects aimed at developing New Zealand's energy resources and using them to create export or import-substitution based industries (Belich 2001: 400-401; Gustafson 1986a: 129-130; 2000: 243).

### **The last hurrah: Muldoon vs the free market**

In his first term as Prime Minister, Muldoon took tentative steps away from the path of increased state control and regulation (Belich 2001: 400; see also Kelsey 1995: 24). There was some cautious

deregulation of the economy in 1976 and 1977, and a brief but vigorous experiment with austerity during the same period. Under the previous Labour government state spending had increased sharply from just below 30 per cent of GNP to above 40 per cent (Belich 2001: 400; Gustafson 2000: 238). In the months that followed the election, Muldoon moved to rein in government spending and address Treasury's forecasts of a 15 per cent inflation rate, a \$1.2 billion budget deficit and a \$650 million balance of payments deficit (Gustafson 2000: 245).

He [Muldoon] removed subsidies on milk, bread, eggs and butter; raised electricity prices 45 per cent, rail fares 64 per cent and postal and telegram charges 100 per cent; and increased the tax on beer and spirits. He removed most interest rate controls in an effort to reduce distortions in the finance market and to encourage savings; closed some branch railway lines; froze state service staffing levels; restrained public works; and in May 1976 imposed a year-long wage and salary freeze (Gustafson 2000: 245).

These reforms, in particular the partial liberalisation of the financial sector and the removal of interest rate controls, represented a step toward the deregulated free market position advocated by Treasury and the Reserve Bank (Gustafson 2000: 245).

Muldoon was however, no neoliberal. This limited and temporary experiment with the free market notwithstanding in almost every other respect Muldoon's economic management remained well within the clearly defined parameters of Keynesian orthodoxy. In his 1985 book on the New Zealand economy Muldoon makes his position abundantly clear. 'No country in the world operates a totally free market economy...any country which today allowed its economy to run completely free would get the worst of all worlds and go downhill very rapidly' (Muldoon 1985: 7). Sinclair argues that Muldoon, Minister for Finance as well as Prime Minister, was in fact the biggest interventionist in New Zealand's history (1990: 359).

As mentioned briefly above, two major areas of intervention during Muldoon's years as Prime Minister were the traditional grasslands farming sector on the one hand and, in the wake of the second oil shock in 1979, the ambitious and expensive 'Think Big' development programmes (Sinclair 1990: 359; see also Belich 2001: 401; Gustafson 2000: 262-289). In the run up to the 1976 budget Muldoon was advised by the then National Party president, George Chapman that the party wished to see substantial support for agriculture in the coming budget (Gustafson 2000: 247). Chapman told Muldoon that increased support for the farming sector would signal the party's belief that the path out of recession should be through increased exports (ibid). As Belich notes however, the Muldoon government, like Labour before them, were seeking to encourage farmers to maintain and even increase production of goods that were becoming increasingly difficult to sell profitably (2001: 400).

Despite knowing that it was unsustainable long-term, Muldoon chose to compensate farmers and increase their production for export and their incomes through the usual mix of subsidies and incentives, cheap loans and tax breaks (Belich 2001: 400; Brooking 2004: 144; Gustafson 2000: 247; Sinclair 1990: 358). As Sinclair puts it, millions of dollars of taxpayers' money were handed out to farmers (1990: 358). In the 1976 budget the Muldoon government introduced the Livestock Incentive Scheme. The purpose of the scheme was to encourage an increase in livestock numbers. It was administered by the Rural Bank and offered a mix of low interest loans, reductions of loan principal, and tax rebates to farmers who met certain livestock expansion targets (Gustafson 2000: 247; Tyler and Lattimore 1990: 66). The same year the New Zealand Meat Producers Board introduced a buffer-fund price stabilisation scheme to join schemes already in place for wool and dairy. These schemes, financed by the Reserve Bank at a concessional interest rate of 1 per cent, were expected to reduce variability in farm prices and incomes, reduce the cyclical impact of agricultural prices on the New Zealand economy, expand output and maintain an adequate level of income for New Zealand producers (Griffith and Martin 1988: ix; Tyler and Lattimore 1990: 66).



In the 1978 budget Muldoon announced the Supplementary Minimum Price (SMP) scheme (Belich 2001: 400), aimed at the restoration of prosperity to the countryside (Brooking 2004: 144). The SMP scheme set guaranteed prices for New Zealand pastoral products. Floor prices were set by the government for sheep meat, beef, wool and dairy at the beginning of each season, and if these prices were not met on international markets the government made up the difference (Bremer and Brooking 1993: 124; Harrington 2005: 20; Tyler and Lattimore 1990: 66). The SMP scheme was a direct subsidy to farmers and was funded through general taxation. Payments were made to farmers through the various Producer Boards. The SMP scheme was not dissimilar to the support system central to the EEC's CAP and was designed to both give farmers more reasonable returns on their investments and labour as well as to give them confidence to increase production (Gustafson 2000: 248).

Also announced in the 1978 budget was the Land Development Encouragement Loan scheme or LDEL which offered farmers cash grants to increase production (Gustafson 2000: 248; Bremer and Brooking 1993: 124). The LDEL scheme, funded and administered by the Rural Banking and Finance Corporation gave farmers interest free loans and rebates on principal if certain land development targets were met (Harrington 2005: 20; Tyler and Lattimore 1990: 66). Other measures to protect farmers followed. There were low interest loans for farm purchase, fertiliser subsidies, tax rebates for drainage, roading and depreciation and the scrapping of a raft of government charges (Gustafson 2000: 248; Harrington 2005: 20).

Certain factions within National's core constituency became increasingly concerned at the long term effects of Muldoon's interventionism. Many farmers came to view Muldoon's subsidies and incentives as 'unsatisfactory', 'a poor alternative to a freeing up of the economy' and to 'the

devaluation of the New Zealand dollar' (Gustafson 2000: 247-248). Farmers became increasingly 'frustrated and annoyed at being made in effect welfare beneficiaries because the government was not prepared to risk the cost of dismantling protection and devaluing the currency' (Gustafson 2000: 248). The situation worsened in the period from 1979 to 1981, a period that Tyler and Lattimore contend was a major turning point for agriculture in New Zealand (1990: 66). That period was marked by a sharp deterioration in New Zealand's terms of trade as world food surpluses grew (ibid), and the price of oil trebled in the aftermath of the Iranian Revolution (Hobsbawm 1994: 473). Muldoon's response was to use SMPs and stabilisation schemes to try and shelter farmers from falling world prices. At much the same time Muldoon's objective of supporting agriculture and increasing exports became increasingly important due to the need for foreign exchange to finance 'Think Big' development projects (Tyler and Lattimore 1990: 66-67).

At the 1978 election the Labour Party received more votes than National. Owing to uneven geographical spread however, National won more seats and Muldoon was returned as Prime Minister (Electoral Commission 2013; Belich 2001: 395). At the time of the election, Muldoon came under increasing pressure to abandon his big-spending approach and restructure the economy. In September 1978, two months before the election, the Economic Monitoring Group to the New Zealand Planning Council urged Muldoon to restructure the economy in order to address the effects of New Zealand's declining terms of trade (Gustafson 2000: 267). Early the following year the same body advised the Government to liberalise import controls. It was one part of a chorus of similar advice given to the government from the OECD, the Reserve Bank and Treasury (ibid; see also Bassett 1998: 352-375). Muldoon also faced significant pressure from within his own party. His interventionist and protectionist policy agenda was challenged by more right-wing, market orientated MPs such as Derek Quigley, later founder of the Act Party (ibid; Gustafson 1986: 147).

The pressure on Muldoon was part of a much wider international shift through which neoclassical free market views were supplanting the entrenched Keynesian orthodoxy (Gustafson 2000: 268). The IMF, an organisation which more than any other is associated with these emerging market orientated ideas, sent a mission to New Zealand in 1979 to study New Zealand's exchange rate. In the report that followed, the IMF warned that the Muldoon government would have to implement 'significant policy changes' and that these would have to take place as soon as possible lest 'draconian measures' become inevitable (Gustafson 2000: 269; Broome and Seabrooke 2006: 7-8). Muldoon declined the IMF's advice, and that of the OECD, the Reserve Bank, Treasury and many of his own Cabinet and Caucus colleagues who had come to favour the greater use of market forces and the deregulation of the finance and labour markets (Gustafson 2000: 270). Instead Muldoon had opted for a raft of taxpayer subsidised major investment projects in energy-related industries known as 'Think Big' (Belich 2001: 401; Brooking 2004: 146; Gustafson 2000: 270; King 2003: 486). As Hugh Templeton, Associate Minister of Finance in Muldoon's government notes, Muldoon ignored the advice of all of those arguing for a more open market economy and stayed with intensified interventionism (Templeton 1995: 117; see also Bassett 1998: 352).

At the 1981 election, at which Labour again secured a greater percentage of the vote but fewer seats than the National Party, Muldoon campaigned on his 'Think Big' growth strategy that was designed to foster greater self-sufficiency in energy, significantly expand manufacturing so as to diversify the New Zealand economy and soak up growing unemployment (Brooking 2004: 146; Gustafson 2000: 277; King 2003: 486). 'The idea', Belich writes, 'was that Think Big would halve New Zealand's petrol imports, dig the New Zealand economy out of its 1970s hole and directly and indirectly create 410,000 jobs' (2001: 401).

The second oil shock had convinced Muldoon, and several of his inner-circle of Ministers, of the need to utilise New Zealand's considerable energy reserves to ensure security of supply. The price of oil had trebled from \$12 a barrel to \$35 and had added \$730 million to the country's fuel bill (Templeton 1995: 123). Muldoon and his colleagues believed that if New Zealand was going to end its dependence on foreign oil it would have to rely on its own efforts. As Templeton, Associate put it:

For Muldoon, and indeed for all the ministers and officials involved, the fulcrum for these efforts lay in the giant Maui gas field off Taranaki. Its sheer size made it possible to establish long term strategies for energy independence. Our task was to develop a whole new sector in the New Zealand economy (1995: 123).

Muldoon and his colleagues had been eyeing the Maui gas field for quite some time. At the government's behest a Liquid Fuels Trust Board was established in 1978. It was chaired by Colin Maiden, Vice-Chancellor of the University of Auckland and former head of research at General Motors (Bassett 1998: 359; Gustafson 2000: 280; Templeton 1995: 124). Maiden advocated using the comparatively cheap and yet unused gas from Maui to make liquid fuels and insulate the New Zealand economy against future shocks. His team had been exploring a wide range of possibilities for using Maui gas including the production of methanol and synthetic petrol (Bassett 1998: 360-361; Gustafson 280-282; Templeton 1995: 124). They had even been looking at utilising lignite for petrol and trees for ethanol (Templeton 1995: 124). Natural gas can also be processed into nitrogenous fertiliser and, as we will see in the chapters that follow, nitrogen based fertilisers made from Taranaki gas have played a vital role in underpinning New Zealand's recent dairying boom.

In June 1980, the Muldoon government announced plans to begin production of methanol and synthetic petrol. The government entered into partnerships with Alberta Gas for the production of methanol at a new plant in Waitara and with Mobil for the production of synthetic petrol at Motonui

(Templeton 1995: 124; Gustafson 2000: 282). In September 1980, Muldoon announced the government's ambitious liquid fuels policy, the target was for 50 per cent self-sufficiency by 1987 (Templeton 1995: 125).

Muldoon's Think Big programme went well beyond intervention in the economy, it involved state funded and state led development not seen in New Zealand since the late nineteenth century.

It was a determined and very ambitious strategy in which the government would provide the vision, leadership and much of the venture capital to move the country away from its vulnerable over reliance on a commodity based economy...Muldoon's attempt to build energy projects, plant more forests, expand farming and foster more manufacturing was not just an economic policy but also a conscious attempt to create a secure and self-sufficient nation (Gustafson 2000: 286-287).

Muldoon's experiment in increased state spending and intensified interventionism was never going to be universally applauded, particularly given the ascending political and economic consensus of the time. The post-war Keynesian orthodoxy was unravelling and ideas around the supposed benefits of an open 'free' market economy were increasingly prevalent. As Templeton notes these ideas had been gaining traction within the National Party for some time. In Muldoon's Cabinet the free market faction was led by Derek Quigley.

In June 1982, buoyed by the arrival in caucus of like-minded members Ruth Richardson, Simon Upton and John Banks, Quigley chanced his arm and challenged Muldoon directly. Quigley used his speech to the annual conference of the Young Nationals to attack the government's Think Big programme, which he contended, the New Zealand public neither understood nor supported. In his speech Quigley rehearsed text-book new right arguments against Muldoon's interventionist policies.

He attacked what he saw as the negative influence of excessive government regulation and intervention in the economy, arguing instead that the government should take a more passive role in the economy and look for ways to encourage private enterprise (Gustafson 2000: 336; 1986a: 147; Muldoon 1986: 146-147; Templeton 1995: 174-175). Quigley's speech echoed the views of not only the free marketeers in the National Cabinet but also those of conservatives outside Parliament who had come to regard Muldoon as a 'socialist interventionist' or 'the best leader Labour never had' (Gustafson 1986: 147).

Muldoon was not only subjected to attacks from the free market faction in his own party. In August 1983, Bob Jones, a wealthy Wellington property developer and speculator, and one-time friend, supporter and admirer of Muldoon's, launched the New Zealand Party (Bassett 1998: 369-370; Belich 2001: 509; Gustafson 2000: 340; 1986a: 149; Kelsey 1995: 1995: 26). Jones, who had lost a substantial amount of money through Muldoon's Income Tax Amendment Act, announced his intention to stand as an independent in the Wellington electorate of Ōhāriu (Gustafson 1986: 149; Templeton 1995: 212-213). The prime objective of Jones' New Zealand Party was to defeat the Muldoon government. New Zealand Party policy, Sinclair notes, 'stressed personal freedom; it advocated laissez faire capitalism and denounced government interventionism in the economy. It emphasised education and opposed all defence expenditure' (1990: 359). As Kelsey argues the New Zealand Party's anti-state, pro-market platform 'confused the traditional left-right configuration of Labour and National by condemning the welfare state and economic interventionism while endorsing a nuclear-free New Zealand and attacking Muldoon's authoritarianism' (1995: 26).

The New Zealand Party also provided an acceptable alternative to National for many farmers who had become increasingly disillusioned with Muldoon but were nevertheless disinclined to vote

Labour (Gustafson 2000: 342). As Kelsey argues, the traditionally conservative farming sector provided strong and sustained support for the radical restructuring of the New Zealand economy (1995: 78). Federated Farmers, long adherents to the principles of *laissez-faire*, had abandoned their free market, non-interventionist position in the 1970s in favour of a version of guaranteed prices that squared with Muldoon's interventionism (Bremer and Brooking 1993: 124). In the early 1980s however, Federated Farmers shifted their position back to the economic liberalism that had been the Federation's official philosophy before the 1970s (ibid; Kelsey 1995: 78). As Bremer and Brooking argue 'this change of approach created tensions between Federated Farmers and the Muldoon government' (1993: 125).

Increasingly, Federated Farmers leaders indicated to Muldoon that his paternalistic protection and subsidising of agriculture was not what they wanted (Gustafson 2000: 342). Muldoon, frustrated with the criticisms levelled at him by Federated Farmers and also by the Manufacturer's Association over his refusal to deregulate the economy, wrote letters to the heads of both bodies warning them that they risked becoming his 'natural enemies'. It was, Gustafson contends, an astounding move for Muldoon to threaten the leaders of two key sectors, manufacturing and agriculture, traditionally so closely aligned with the National Party and it illustrated the very great extent to which Muldoon had alienated himself from the traditional support base of his party (2000: 342). Muldoon was increasingly isolated and his isolation was largely of his own making (Gustafson 2000: 362).

By 1984 Muldoon's cabinet was in complete disarray. Amid the 'murk, smoke and anguish' Muldoon's enemies, both 'inside as well as outside the citadel of power, gathered for the kill' (Templeton 1995: 212). The endgame was played out in the depth of winter 1984. On 13 June the House met to debate a Private Members Bill on the anti-nuclear issue (Gustafson 2000: 370; 1986a:

153; Templeton 1995: 218). The Bill was ultimately defeated in Parliament by a vote of 40-39, but not before Marilyn Waring and Mike Minogue went against assurances to the contrary and crossed the floor to vote with Labour. The following day Muldoon refused Waring a speaking slot to talk on the issue and when Labour offered her an opposition slot, her National Party colleagues did all they could to cut her out of the debate (Gustafson 2000: 370). Incensed, Waring informed Muldoon that National could no longer rely on her vote (Gustafson 1986a: 153). On the night of 14 June, after a long and heated confrontation with Waring, that at times verged on 'drunken megalomania' Muldoon, clearly showing the effects of drink and also of illness, surprised everyone by calling a snap election (Bassett 1998: 372; Belich 2001: 405; King 2003: 486; Gustafson 2000: 370-374; 1986a: 153; Templeton 1995: 219). The election was set for July 14, Bastille Day, it was a fitting date given the revolution that would follow.



## Chapter 9: The Neoliberal Revolution (1984-2001)

### Introduction

As mentioned in chapter two above, recent decades have been marked by a renewed interest in the processes through which formerly unowned, communally owned or state owned natural resources, lands, things and ideas are captured and enclosed and brought into the cycle of capital accumulation. This renewed interest reflects a large-scale reorganisation of the accumulation process, underway globally since the mid-1970s, which is characterised by the restoration and proliferation of enclosure as a central strategy of accumulation (Midnight Notes 1990: 3).

Neoliberalism is one name given to this process, it signifies the return of conditions that prevailed at the dawn of capitalism, the resurgence of primitive accumulation to create and recreate the conditions necessary to capital accumulation.

This chapter chronicles the re-emergence of primitive accumulation as a key accumulation strategy in New Zealand. It begins on Bastille Day in 1984. The section titled *Shock therapy* (pp 231-235) starts with the election of New Zealand's fourth Labour government and details the wide-ranging neoliberal reforms implemented by that government. Agriculture was among the first targets of the reform process. *Cold turkey* (pp 236-244) tells the story of the sudden and systematic withdrawal of state support for agriculture and the intense burst of pain experienced by farmers up and down the country that followed, hundreds of farmers were forced off the land as a direct result of Labour's reforms.

As mentioned in chapter two, some authors have argued that cooperatives and producer marketing boards act as 'a potent limitation to the full penetration of capital into agriculture' (Moran et al.

1996a: 162; see also Moran et al. 1993: Curtis 1999: 2001). As such the Dairy board came under sustained deregulatory pressure in the 1980s; this is detailed in the section titled *Neoliberalism and the dairy board* (pp 244-251). *Land use changes: From sheep to dairy* (pp 251-254) describes radical land use changes that resulted from the deregulation of agriculture, the conversion of vast tracts of land from wool to dairy production and the expansion of the industry into areas such as Canterbury and Otago long thought unsuitable for profitable dairying. The final section of chapter nine, *And then there was one* (pp 255-258) details the emergence of Fonterra, the world's largest exporter of dairy produce and New Zealand's largest company.

### **Shock therapy**

From the moment the snap election was announced a Labour victory was the only possible outcome. For Jesson, such was the extent of anti-Muldoon feeling in the electorate at the time that the only surprising thing about the Bastille Day election was the size of Labour's majority, which should have been bigger (2005: 141). Similarly for Belich, in calling the snap election Muldoon gifted victory to the Labour Party (2001: 405). Gustafson too argues that there was no hope for National at the 1984 election. 'Too many interest groups were solidly, openly and actively against the government in general and Muldoon in particular: financiers, teachers, speculators, public servants, trade unionists, kiwifruit farmers, the women's groups, the anti-nuclear movement, many church people' (1986a: 154).

The brief, month long, election campaign was a bruising affair for the National Party. When Muldoon announced the election his party had yet to fully develop its policy. National Party candidates had to campaign for the most part on their record for the previous eight and a half years in office. Against which both Labour and the New Zealand Party were able to present a wealth of specific policy

proposals (Gustafson 2000: 377; 1986a: 153). Additionally, National's advertising campaign for the 1984 election was 'astonishingly inept' (Jesson 2005: 141). As Gustafson notes, the party's hastily assembled advertising was appalling and was typified by a full page newspaper advertisement that consisted of an unflattering photo of Muldoon with a caption that read 'who needs this man?' (Gustafson 2000: 377). The advertisement was so bad that the leader of the opposition, David Lange, assumed it was funded by the Labour Party. He allegedly contacted the head of his campaign team, Simon Walker, and chided him for wasting party funds on advertising when the election was a foregone conclusion (ibid).

On July 14 1984, a bleak mid-winters day when it poured with rain, a record 95 per cent of eligible voters braved the weather and made their way to polling places to cast their votes. Overwhelmingly, they voted for change (Bassett 1998: 274). As Templeton puts it 'the electorate's summary justice was harsh and accurate. The electoral tide swung aside Muldoon's one seat majority of 1981 and sent a bewildered National into the wilderness' (1995: 220). That day, Bastille Day, the guillotine fell not only on Muldoon and his government but also on the system of sectoral integration and socio-economic security that had remained largely intact since it was forged in the furnaces of depression and war. National slumped to the lowest share of the vote in the party's history, taking just 36 per cent compared to 43 per cent for Labour and 12 per cent for Bob Jones' New Zealand Party (Bassett 1998: 375; Gustafson 2000: 382). National held on to just 39 seats compared to Labour's 56 (Bassett 1998: 375; Gustafson 2000: 382; Templeton 1995: 220). Although it took just 12 per cent of the vote nationwide and won no seats, Bob Jones' New Zealand Party achieved its prime objective of unseating Muldoon (Sinclair 1990: 259).

As Bassett, himself a minister in the incoming Labour government puts it, 'the new government had a majority of 17 seats and the youngest set of ministers since the 1850s' (1998: 375). In the months and years that followed the election, the fourth Labour government fundamentally altered the course of social, economic and political life in New Zealand with a set of policies that, much like the youthfulness of the new ministers, more closely resembled those of the mid-nineteenth century than any other period in the country's history.

Labour had barely begun celebrating its election victory when it discovered a sting in Muldoon's tail (Belich 2001: 405). In the lead up to the election and in anticipation of a sizeable devaluation of the New Zealand dollar in the event of a Labour victory, a major exchange crisis was taking shape as a result of a speculative run on the New Zealand dollar (Gustafson 2000: 386). Hundreds of millions of dollars fled the country to other currencies as investors looked to profit by buying back in after devaluation (Belich 2001: 405; Gustafson 2000: 386). Both Treasury and the Reserve Bank urged Muldoon to announce an immediate and significant devaluation. Muldoon not only refused but also instructed officials not to raise the issue of devaluation with him again until after the election (Gustafson 2000: 386-388). In the days that followed the election, Muldoon was instructed by Lange and by a chorus of officials from Treasury and the Reserve bank to devalue by 20 per cent immediately as a final act of office (Belich 2001: 405).

Muldoon, duty bound to do as the incoming government instructed, breached constitutional practise and refused Lange's instructions on devaluation (Belich 2001: 405; Templeton 1995: 221). It was, Richardson argues, Muldoon's last and least edifying act as Prime Minister (1995: 35). 'There had', Russell notes, 'never been anything like it in the history of New Zealand politics' (Russell 1996: 65). After a couple of hectic days, during which Muldoon's senior colleagues approached the

Governor General about the possibility of removing him, the out-going Prime Minister regained his constitutional poise and capitulated, but not before speculators had lined themselves up for a 20 per cent profit (Templeton 1995: 221; see also Belich 2001: 405; Gustafson 2000: 392).

Kelsey argues that the rush of speculators money out of the country created a liquidity crisis and generated a sense of economic emergency which opened the way for the economic fundamentalists in Treasury and the Reserve Bank, together with their fellow travellers in the incoming Labour government and various lobbyists in the corporate sector, to implement the strategy that they had been working on for years (1995: 27). Similarly for Russell, the financial crisis surrounding the general election spurred the Labour government on to decisive action. 'Caucus and cabinet were persuaded to put their own particular concerns aside and deal with the most urgent item on the agenda. There was an economy to fix first. It created an atmosphere of unity in adversity' (1996: 75). Belich too argues that the post-election currency crisis generated a sense of urgency in the first months of fourth Labour's first term which facilitated reform at a pace and on a scale that might, in different circumstances, have proven more difficult. (2001: 405). Correspondingly for Gustafson, the exchange rate crisis 'bequeathed to the incoming Labour government a legacy which made it easier than it would otherwise have been for Douglas [Finance Minister Roger Douglas] to unleash his radical free market revolution' (2000: 395).

Until Lange replaced him in 1988 Roger Douglas dominated the fourth Labour government (Belich 2001: 405; Bollard 1994: 89; Jesson 1989: 58; King 2003: 487). Yet, Bollard argues, he was not a strong traditional politician. 'He was a poor speaker and a poor debater and was without a traditional support base' (Bollard 1994: 89). 'Even his mother' Belich contends, 'would concede that, as a public speaker, Douglas was charisma free' (2001: 405). For support, Douglas was given two key

associate Ministers of Finance, Richard Prebble and David Caygill, ranked fifth and seventh in cabinet and each holding additional major ministerial portfolios (Easton 1997: 74). Together with Douglas they came to be known as the 'Troika' and, Easton argues, for much of Lange's premiership there were in effect three Ministers for Finance (ibid). Together, Bollard argues, they were a most effective trio (1994: 89).

The fundamental principles of the Troika's policy mix became known as Rogernomics and involved the reduction and reorganisation of the state sector, the deregulation of the economy, and a comprehensive commitment to the free market (Belich 2001: 406). Easton argues that the Troika was able to implement its radical reform project through a policy approach with similarities to blitzkrieg in warfare. 'In each case the lightning strike involved a policy goal radically different from the existing configuration, to be attained in a short period, following a surprise announcement and a very rapid implementation' (Easton 1997: 80; see also Kelsey 1995: 33). Brooking notes that 'they [the Troika] deliberately moved so fast that their opponents and the voting public had no chance of catching up' (Brooking 2004: 153). Similarly for Kelsey, the pace of reform was such that critics and opponents were always on the defensive and left debating last week's reforms (1995: 33). As Sinclair puts it, Douglas and his financial assistants tackled their task with the evangelical fervour of born-again capitalists. 'The years 1984-87 saw numerous and rapid changes which amounted to a revolution of the Right' (Sinclair 1990: 362).

During its first term in office, fourth Labour set about dismantling the complex framework of protections that had shielded New Zealanders from the full brunt of market relations for fifty years. Primitive accumulation, which had long ceased to be a prominent within New Zealand, resurfaced in the 1980s to re-establish the conditions necessary for capital accumulation.

## **Cold turkey: The removal of state support for agriculture**

The first sector to be hit by the Rogernomics blitzkrieg was Agriculture (Belich 2001: 406; Bollard 1994: 83; Brooking 2004: 152; Kelsey 1995: 95; Russell 1996: 101). Economic policy in New Zealand has, Kelsey notes, long reflected the central role agriculture plays in the country's economy (1995: 95). In 1984 60 per cent of exports and 17 per cent of GDP were attributable to agriculture (Evans 1987: 102; Kelsey 1995: 95). Since as far back as the 1880s, successive New Zealand governments fostered export agricultural production through a range of increasingly comprehensive interventions including protectionism, subsidies and tax concessions. Prior to the deregulatory blitzkrieg, New Zealand's package of agricultural interventions included: input subsidies such as fertiliser subsidies, interest rate concessions, irrigation and electricity subsidies; production subsidies; development schemes including livestock incentive schemes and land development loans; state ownership of the Rural Bank and Finance Corporation; producer board legislation for meat, dairy, apples and pears; and government led research and services by such bodies as MAF and the DSIR (Clope 1989: 36; Cloke and Le Heron 1994: 112). Starting with his first budget in 1984, and continuing throughout his first term as Finance Minister, Douglas systematically dismantled New Zealand's package of agricultural interventions. Bremer and Brooking note that agriculture 'bore the brunt' of Douglas's reforms, 'it virtually went cold turkey on all forms of support, such as subsidies, tax concessions and concessionary finance' (1993: 125). In the months and years that followed the 1984 election, the Rogernomics juggernaut exposed the New Zealand agricultural sector to the full blast of global market competition.

In the 1984 budget, Douglas announced 'swift and radical' agricultural policy changes (Clope 1989: 38; Cloke and Le Heron 1994: 113; Russell 1996: 101). Subsidies on fertiliser and pesticides were to be phased out, Rural Bank and Finance Corporation interest rates were raised to market levels, irrigation and water supply subsidies were lowered, the Farm Vendor Finance scheme was ended,

and partial cost recovery was introduced for services provided by MAF including inspection, animal health, quarantine and advisory services (Cloke 1989: 38; Cloke and Le Heron 1994: 113; Kelsey 1995: 95; Tyler and Lattimore 1990: 67).

Further changes were announced in December 1985. Land development expenditure tax concessions were phased out and the livestock standard value system was replaced with a market valuation system (Cloke 1989: 38; Cloke and Le Heron 1994: 114; Tyler and Lattimore 1990: 67). At the same time two separate income tax concessions, the S129 Income Tax Act (ten year claw back) and the S188 Income Tax Act (\$10,000 loss limitation) were repealed (Cloke 1989: 38; Cloke and Le Heron 1994: 114). The program of reform continued in 1986. That year the Government announced the end of the producer board stabilisation accounts at the Reserve Bank (Tyler and Lattimore 1990: 68), New Zealand's producer boards would no longer have access to concessional finance (Kelsey 1995: 96; Britton et al. 1992: 24).

By 1986, Russell notes, the New Zealand farming sector was feeling the pain (1996: 101). One of the most significant fears among farmers was that the policy changes would have a negative impact on their net incomes and indeed incomes trended downward (Cloke 1989: 41). In the immediate wake of reform farm incomes and farm values fell. During fourth Labour's first term, farmer's net incomes declined by a third (Belich 2001: 406). As farmer's net incomes declined, they had to adjust their farming practices so as to reduce expenditure and increase efficiency (Cloke 1989: 42). Many farmers were forced to reduce their spending on fertiliser, repairs and maintenance. While this brought expenditure down in the short term, the consequences of continued under-spending in these areas were reduced carrying capacity and therefore declining production (ibid). Fertiliser



usage in 1986 and 1987 was half that of the average for the previous five years, and a third of usage throughout the 1970s (ibid).

Farmers' adjustments to the reforms resulted in 'lower stock numbers, below maintenance input levels, especially in use of fertilizer, lower levels of output, lower net farm incomes, weak cash flow and an accumulation of debt, and a continual fall in land values causing an erosion of equity' (Clope 1989: 43). Reduced spending on farm inputs had flow on effects on agricultural services and other associated industries. Cartage, stock and station firms and fertiliser application were all seriously affected (Taylor et al. 1987: 6). The overall economic downturn seriously affected rural communities around the country and in some areas the decline in spending was by as much as 40 per cent (ibid).

Clope and Le Heron argue that farms with high debt-to-equity ratios were particularly hard hit. Farmers had to reschedule debt, further reduce inputs and stock numbers and make do with existing farm machinery, rather than buying new, in order to avoid foreclosure (1994: 117). Similarly for Kelsey, many farmers who had invested heavily at inflated land prices or borrowed to expand production during the SMP-driven boom were left over exposed. 'As interest rates rose, farmers reduced on-farm expenditure on fertiliser and maintenance and cut stock numbers to service the debt' (1995: 95). Bremer and Brooking too note that government policy reversals put increased pressure on farmers with high debt-to-equity ratios. Farmers were left uncertain how to make ends meet and determine their own futures (Bremer and Brooking 1993: 126).

Many farmers were facing the very real prospect of being forced off the land through mortgagee sale. In February 1987, the General Manager of the Rural Bank and Finance Corporation noted that in the year from January 1986, the Bank had experienced an increase in accounts in arrears from

3,182 (worth \$7.5 million) to 5,481 (worth \$23.2 million). A very substantial number of farmers had debts close to, or exceeding, their assets, and were at significant risk (Taylor et al. 1987: 6).

5,000 farms (10% of all farms over 20 ha) had applied for debt restructuring, with 150 (12% of those dealt with) being refused to date. By the end of March [1987] the rate of refusals had increased substantially. There had then been 6,133 applications, of which 2,174 had been processed. Of these 449 (21%) were declined, with around two thirds being refused because they were unviable (Taylor et al. 1987: 6).

There was widespread agreement that the so-called 'farm crisis' would push farmers off the land, although there was disagreement about the numbers of farmers that would likely be lose their farms. The Minister of Agriculture, Colin Moyle suggested in 1986 that about 2,500 farmers would lose their farms. This figure was rebuffed by Lange who suggested the number would be closer to 8,000. John Falloon, opposition spokesperson for agriculture thought that as many as 10,500 farmers would be forced from their farms (Clove 1989: 43). While in the end, Lange and Falloon's predictions would prove to be overblown; many farmers were indeed dispossessed of their lands by the market forces unleashed by Douglas, for a time at least medium-scale family farming appeared to be in real danger.

The impact of restructuring on farming families was, Russell contends, felt first by women, many of whom returned to paid employment in order to help service mounting debt. A lot of their wages went directly to the banks, and in some cases women were told that if they paid all of their wages straight to the bank then they might avoid being sold up that week (1996: 102). Many farming mortgages were secured by a lien held over stock which was used ruthlessly to force farmers to yield all income directly to creditors, including the earnings of the wives who had returned to work. Some families were left without income for food (Russell 1996: 105).

Russell offers the example of Mary McNaught of Hunterville, to illustrate the human cost of Rogernomics on farming families. McNaught lived with her husband and four children on a hill country farm which had remained in her husband's family since 1914. In 1978 they were advised by the Rural Bank and Finance Corporation to borrow in order to take over a neighbouring property. They did so and were left saddled with a huge mortgage. In 1984 interest rates on the mortgage increased from 5 per cent to 14 per cent (Russell 1996: 103).

They were forced to sell the farm at a mortgagee sale. Mary remembers it now as being like a death. Her husband was devastated. People would cross the road to avoid talking to them because no one knew what to say. Mary had to hold everyone together; console her husband, his parents, their children and also become the main breadwinner (Russell 1996: 103).

It was, Russell continues, not an isolated case. Throughout fourth Labour's first term in office the combination of increasing interest rates and a collapse in prices pushed many farmers to the wall. It was a wide-spread and intense burst of pain felt by many farming families as well as the wider rural community (Russell 1996: 103). 'Land prices fell by up to 40 and 50 per cent and farmers who had borrowed, at government urging, to develop land got caught without subsidies to do the developing. Many had to leave their farms' (ibid).

The situation for much of the agricultural sector was dire, the combination of low land prices together with the removal of support and the negative effects of macroeconomic policies resulted in depression (Rayner 1990: 23). Cloke and Le Heron stress however that not all farming interests were united in opposition to the reforms (1994: 115; see also Cloke 1989: 40). Farming opinion on the reforms was divided along clearly defined lines of self-interest. Smaller and heavily indebted farmers quite rightly feared that the removal of state support would radically reduce their livelihoods, while

other farmers were ideologically opposed to the concept of subsidy and regulation (Cloke 1989: 40; Cloke and Le Heron 1994: 115). 'Some of the more capitalized elements in agri-business and the agricultural service sector recognised in deregulation an opportunity to gain commercial ascendancy in the new leaner agricultural industry in New Zealand' (Cloke 1989: 40; see also Cloke and Le Heron 1994: 115).

As mentioned above, in the early 1980s Federated Farmers retreated from advocating continued interventionism and returned to a position of economic liberalism (Bremer and Brooking 1993: 125). During the run up to the 1984 election Federated Farmers had pressed for deregulation and the subsequent program of reform was, for the most part, welcomed by them (Cloke and Le Heron 1994: 115). As the reforms began to bite hard, internal divisions developed within Federated Farmers over its response to the policy changes (Cloke 1989: 40), particularly with regard to the uneven impacts of the changes (Cloke and Le Heron 1994: 115). The then president of the organisation, Peter Elworthy, himself an adherent to free market ideology (Bremer and Brooking 1993: 125), expressed concern only that the harsh treatment meted out to farmers had not been equally extended to all other sectors (Russell 1996: 101).

Many members of Federated Farmers opposed the reforms strenuously however and a number of branches and divisions joined in protest against the government's measures (see Barry 2002). The leadership of Federated Farmers remained committed to economic liberalism at the 1987 election despite the hardship of many of their own members and despite predictions that upwards of 8,000 farms might fail. The authors of a report published by Federated Farmers marking twenty years since the reforms acknowledge that in 1987, around the time of the election, 'falling commodity prices and increasing on-farm costs served to depress incomes and to exacerbate the debt problems of

many farmers' and that 'the price of land which had risen to artificially high levels because of farm subsidies, plummeted' (Federated Farmers 2005: 3). In this light, Bremer and Brooking argue that the willingness of Federated Farmers to continue supporting the reforms at the 1987 election and beyond was remarkable (1993: 126). Many farmers felt embittered by the role played by Federated Farmers in the rural restructuring (Russell 1996: 104).

Such was the immediate impact of the reforms on the agricultural sector in New Zealand that a great number of policy makers and commentators, including Roger Douglas, were coming to see New Zealand's traditional agriculture as a 'sunset industry' (Bremer and Brooking 1993: 221; Kelsey 1995: 95). Evans predicted the decline of traditional pastoral agriculture in New Zealand and a shift away from family farming toward large scale corporate agri-business (Evans 1987; see also Kelsey 1995: 95). Farms became fewer and larger and were increasingly run by entrepreneurial business people. Large-scale agri-business started to emerge (Kelsey 1995: 96). 'By 1995 the most prominent of these, 28 per cent overseas owned Apple Fields Ltd, held 660 acres of apple orchards and 33 dairy farms' (ibid). There was also a concomitant increase in the size of the 'viable' family farm. 'In the 1950s 500 ewes or 50 dairy cows could provide a reasonable living for a family. In the 1990s a viable family unit requires closer to 2,000 ewes or 200 cows' (Bremer and Brooking 1993: 116).

The agricultural sector survived the Rogernomics onslaught but not without undergoing radical structural change (Kelsey 1995: 95). For Taylor et al. the 'farm crisis' could best be viewed as a phase of rapid change in the social structure of agriculture (1987: 6). The authors point to the United States, where Reagan's reforms were yielding similar results as an indication of the nature of the changes taking place in New Zealand. In the Reagan-era United States the total number of farms was declining and there was a shift away from middle sized farms typical of family farming toward larger

corporate owned farms. 'Ownership and farm labour are being separated, with corporate units, tenancy and sharecropping increasing. Control of agriculture is shifting to the investment-financial sector and businesses providing agricultural infrastructure' (Taylor et al. 1987: 6-7). Rural sociologists in the mid-1980s believed family farming and associated rural communities to be under existential threat (Taylor et al. 1987). For Taylor et al., trends similar to those underway in the U.S. were also in evidence in the local context (ibid).

The more dire predictions of the decline of family farming did not eventuate however. Exactly how many farmers lost their farms as a result of Rogernomics is not known (Wallace 2014a). Federated Farmers estimate that around 800 farmers were forced off the land (Federated Farmers 2005: 3), while, Wallace contends, many others were 'encouraged' and 'assisted' off the land by the banks (Wallace 2014a). Family farming survived however, as we saw in chapter two, Marx and later Kautsky identified a tendency in capitalist agriculture toward both concentration and fragmentation, and while the corporatisation of farming in New Zealand cost many farmers dearly others survived, many by converting to dairy.

Douglas's removal of supports and subsidies not only dispossessed New Zealand farmers of various rights and protections built up over a hundred years, it also left them totally exposed to the chill winds of the market. Many farmers, particularly smaller-scale farmers were dispossessed of their lands by the market forces unleashed by the fourth Labour government in the 1980s. This was not the violent separation of people from their land detailed elsewhere in this thesis but rather the dull compulsion of market processes. The end result for the dispossessed was no less devastating however. Depression was rife among farmers as many sunk under a sea of rising debt and shrinking incomes (Wallace 2014: 13). There was a sharp spike in suicides in New Zealand from 334 in 1983 to

498 in 1987 and while there is no reliable evidence that all of this increase was among struggling farmers, the New Zealand Provincial Support Group knew of 52 farmers who committed suicide in one year alone (Wallace 2014: 20-21).

### **Neoliberalism and the Dairy Board**

Once agricultural production had been liberalised processing and marketing through the various producer boards came under sustained attack from Treasury and the Business Roundtable (Kelsey 1995: 96). Similarly for Curtis, the various producer boards and the farmer control they engendered came under attack from proponents of 'economic rationalism' (2001: 31). 'The New Zealand Business Roundtable, the New Zealand Treasury and even the World Trade Organisation provided extended analysis purporting the advantages of unleashing the market' (Curtis 1999: 501). These groups strenuously advocated market solutions to the perceived inefficiencies of state ownership or control (Moran et al.: 1996a 167). As Moran et al. argue many in the Business Roundtable were supremely well placed to benefit personally from the corporatisation and privatisation of state agencies through being directors of companies that purchased significant share holdings in privatised businesses (ibid).

New Zealand's producer boards were established in order to strengthen local producer's positions in international markets (Kelsey 1995: 96; Moran et al. 1996a: 162; Sinclair 1998: 5). They were gradually incorporated into the formal regulatory apparatus of the state and were granted 'single desk' statutory monopoly powers (Kelsey 1995: 96; Sinclair 1998: 5). These powers include product acquisition, export licensing, the setting of standards and the imposition of compulsory levies (Treasury 1984: 303). As Moran et al. argue the producer boards help shield family farmers from the full costs of market relations, reduce competition between farmers, allow farmers control over their

industries and protect against the full penetration of capital in agriculture (1996a) they were then, plum targets for the agents of capital.

By the 1980s, Kelsey notes, the various producer boards controlled around 80 per cent of all agricultural and horticultural exports (1995: 96). Treasury attacked the producer boards on the grounds that market competition should be actively encouraged (ibid; Treasury 1984: 303). Further, Treasury argued, limiting the number of exporters or imposing quality or other restrictions could 'erode export performance by discouraging initiative' and 'other forms of innovation' (1984: 303). As mentioned above, the producer board's access to concessional finance had been phased out in the 1986 budget (Britton et al. 1992: 24; Kelsey 1995: 96). Additional pressure continued to be heaped upon the boards to become more corporatized, to review their ownership structures, lift their monopoly, open up to competition and stop charging compulsory levies (Kelsey 1995: 96). 'The Business Roundtable made constant attacks on the boards. Renegade producers ran orchestrated campaigns, led by Roundtable Company Apple Fields. Gradually the boards' powers weakened and some fell' (ibid).

The Dairy Board responded to these pressures by adopting a fully international orientation and emerged in the 1990s as a major corporate player in international dairy markets (Britton et al. 1992: 24; Dobson 1990: 541; Le Heron and Pawson 1996: 31-32; Le Heron et al. 1989: 401-404). 'This corporation [NZDB], marketing in over 100 countries, operating more than 40 marketing and manufacturing companies abroad employing in excess of 1,500 staff and single desk seller of New Zealand's dairy export tonnage, has emerged from the 1980s as the world's largest dairy exporter, ranking ahead of Nestles and Kraft' (Britton et al. 1992: 24). The role of the NZDB increasingly involved not only the marketing and distribution of New Zealand dairy produce, but also the packing,



recombination, manufacture and development of dairy products from milk sourced outside New Zealand (ibid; Le Heron et al. 1989).

The removal of concessionary finance to New Zealand's producer boards forced the Dairy Board to commercialise its financial base (Britton et al. 1992: 24). Changes to the Dairy Board Act in 1988 released the Board from Government accountability, freed it to make its own financial decisions, and clarified the role of the Board on behalf of New Zealand dairy producers (ibid). The Dairy Board Amendment Act of 1988 also gave the Board the powers, rights and privileges of a 'natural person', which lent it a far greater capacity for independent decision making and a financial flexibility similar to public companies (Dairy Board Amendment Act 1988; Zwart and Moore 1990: 257). The NZDB registered a finance company in the Cayman Islands to fund its offshore acquisitions and negotiate financial facilities when needed (Britton et al. 1992: 24).

The New Zealand Dairy Board, established by 'Farmer Bill' Massey in 1923 on the basis that public economic welfare could be promoted through state intervention in the market, emerged from the reforms of the 1980s as a largely independent and major multinational food corporation (Dobson 1990: 541). The NZDB did, however, retain one substantial and valuable piece of state assistance, the statutory authority to serve as New Zealand's single exporter of manufactured dairy products (Dobson 1990: 541-542). The NZDB, Dobson notes, stripped of subsidies and most other forms of assistance by fourth Labour, was operating in the 1990s in markets for dairy products where government export subsidies and other interventions remained commonplace. The statutory authority of the NZDB lent it the scale necessary to compete with the foreign dairy multinationals such as Kraft and Nestle (NZDB 1988: 7).

The fact that international dairy markets remained subject to various forms of government intervention, all manner of subsidies, tariffs and quotas, long after New Zealand had removed such supports, requires explanation. While the neoliberal reforms in New Zealand were indeed part of a much broader international shift toward market orthodoxy, the reform agenda in this country has been labelled the most comprehensive, ambitious and radical to be enacted anywhere in the developed world (Kelsey 1995: 7-8). What Kelsey calls 'the New Zealand Experiment' exposed this country to the full impact of international market forces to a much greater extent than most other comparable countries. Similarly for Larner of all the countries in the OECD New Zealand embraced neoliberalism with the most enthusiasm (1996: 2), such that, Kelsey notes, New Zealand has been hailed by the World Bank, the Economist and assorted other champions of the free market as a model for the rest of the world to follow.

The neoliberal reforms in New Zealand are particularly noteworthy insofar as the deregulatory changes were applied unequivocally to agriculture. 'New Zealand has taken state deregulation and trade liberalization much farther than most democratic societies and is one of only a few nations to have applied such policies unambiguously to food production' (Campbell and Coombes 1999: 303). In many other countries agricultural production was so intertwined with state support as to be regarded as immune to the deregulatory process. New Zealand went well beyond any other country in the OECD in deregulating agricultural production. Indeed as a report by New Zealand's Parliamentary Commissioner for the Environment (PCE) shows, 'the level of governmental support for farming in New Zealand has remained the lowest in the OECD since the agricultural reforms in the mid-1980s' (PCE 2004: 59). Direct governmental support for farmers in New Zealand declined from a record 30 per cent of farm receipts in the mid-1980s to just two per cent in 2002-04, while the average in the rest of the OECD remained at 30 per cent (OECD 2008: 413). Agricultural production in New Zealand became fully incorporated into the global economy to such an extent

that farmers in New Zealand were left in a unique position among developed countries in that they are totally exposed to world market forces (PCE 2004: 59; see also Jay 2007: 269). This exposure to the winds of the global market coupled with intense competition from subsidised producers elsewhere has driven trends toward more intensive farming practices and the corporatization and consolidation of the New Zealand dairy industry.

The New Zealand Dairy Board, unsupported by government subsidies and most other forms of assistance and trading in markets where agriculture and government had not been uncoupled to any great extent found itself faced with quotas, monopoly importers, market regulation, cyclical surpluses, subsidised competition and cartels (NZDB 1988: 6). Similarly for Stringer et al., the Dairy Board encountered an international dairy market which remains one of the most heavily regulated agricultural markets with a complex network of domestic and international trade barriers (2008: 192). In this context the NZDB was viewed by many in the industry as the optimum means with which to guarantee good prices and market share.

Against this devoted neoliberals, such as those in Treasury and the Business Roundtable, argued that monopoly exporting would lead to bureaucratic inefficiencies. Bates for example takes issue with the idea that the Dairy Board should retain single seller authority because international dairy markets remain subject to all manner of subsidies and protectionist interventions and that the international dairy market is not a 'fair place' (1997: 2). For Bates, just because other countries distort the international dairy market with interventions, it does not follow that New Zealand should also adopt restrictive and distortive policies (1997: 21). The New Zealand Dairy Board's export monopoly, Bates contends, serves as a barrier to the penetration of foreign capital into the New Zealand dairy industry and as such hinders its development (ibid; see also Dobson 1998: 10; Ohlsson

2004: 23). The export monopoly suppresses innovation and prevents the formation of international alliances. 'The Dairy Board's export monopoly is thus an anachronism. It does not serve any legitimate objective that cannot be achieved at less cost by other means' (Bates 1997: 22; see also Dobson 1998: 10).

Unfortunately for Bates, and like-minded individuals in the Treasury and the Business Roundtable, the great majority of stakeholders in the industry did not agree (Curtis 1999: 501). From the perspective of many farmers, Willis argues, the threat to the old government marketing boards and their post 1980s monopoly retaining successors was probably the most significant challenge facing New Zealand farming in the 1990s. Willis notes the extreme pressure heaped on the dairy industry by the political right throughout the 1990s to abolish the export monopoly and the fundamentally alter the cooperative structure of the industry by allowing non-farmers (and foreign companies) to buy shares (Willis 2001: 64). Most farmers however, Willis notes, 'remain convinced that the single seller status allows the Board to compete successfully in the global market' (ibid). Curtis too notes that the majority of farmers were sceptical about the promised benefits of deregulation (Curtis 1999: 501). Similarly for Dobson, the vast majority of New Zealand's dairy farmers disagreed about the need for change. In a survey carried out in the mid-1990s, 89 per cent of the farmers asked, responded that the NZDB should control all exports of New Zealand dairy produce (Dobson 1998: 10; see also Moran et al. 1996a).

Willis notes that it was not just Treasury and the Business Roundtable that opposed the Dairy Board's export monopoly. The fourth National government (1990-1999) that replaced fourth Labour in 1990 were also opposed to monopoly selling (Willis 2001: 64; see also Dobson 1998: 10; Ohlsson 2004: 23). Among the most vocal of National's members on this issue was the one time Finance

Minister, Ruth Richardson. Richardson argues that the producer boards stifle potentially advantageous competition and 'have seriously discouraged new ideas and new investment in agriculture' (1995: 201). For Richardson farmer opposition to competitive exporting was born out of a misunderstanding of the nature of market forces. Richardson argues that many farmers fear unfettered competition as they believe that it might lead to them being ripped off by processing and marketing industries down the line. It is, Richardson concludes, 'a view of the market one expects from the Council of Trade Unions or a left-wing academic but not from New Zealand farmers' (1995: 202).

Other interests too opposed the single seller status of the New Zealand Dairy Board. Willis notes that the export monopoly was criticised by overseas dairy lobbies on the grounds that it amounted to backdoor government assistance (2001: 64). There was pressure also from the World Trade Organisation (WTO) to abolish the export monopoly (Ohlsson 2004: 22-23). As Curtis argues, New Zealand's entry into the WTO saw international pressures added to local criticisms of producer boards. 'The combination of the two may well, Curtis continues, 'be decisive in annihilating the boards and any vestiges of farmer control' (2001: 31). Richardson argues that in the mid-1990s, the case for reform was so strong that it was a surprise that it had not already happened. Richardson points to two major factors preventing reform. On the one hand the producer boards were extremely effective lobbyists and on the other hand so many New Zealand farmers had supported the producer boards for such a long time that National, as the farmer's party, remained reluctant to introduce reform (1995: 203).

For Willis however the endurance of the Dairy Board's export monopoly lay not in its strengths as a lobby group but rather in its considerable strengths as a marketing organisation.

The New Zealand Dairy Board has been one of the most successful marketing organisations in New Zealand's history and most farmers are loath to pass over those benefits for some ideological reasons and short-term possible gains. Under the guardianship of the Dairy Board, New Zealand's share of world export markets has increased from 22 per cent in 1994 to 33 per cent in 1997, and dairy products are now New Zealand's largest single export group with 21 per cent of all exports in 1997. It is instructive that in the meat and wool industries, there is no single-seller organisation and both of these industries are in difficulty with examples of competing exporters muddying the waters in crucial markets (Willis 2001: 64).

The marketing successes of the New Zealand Dairy Board reflects a wider trend toward higher returns for dairy produce and diminished returns for the other mainstay of the New Zealand export economy, wool. The removal of subsidies in 1984, and declining real wool prices ever since, led to a marked decline in sheep numbers in New Zealand. The total number of sheep peaked in 1982 at 70.3 million, by 2011 that figure had fallen by 56 per cent to 31.1 million (Statistics New Zealand 2011). As recently as 1967, wool accounted for a quarter of all exports, by 2011 however, that had fallen to just 1.6 per cent (ibid). A large number of farmers made the switch from sheep to dairy.

### **Land use changes: From sheep to dairy**

Willis notes that one of the principal effects of the removal of government support for agriculture was to 'free up market forces and instigate quite large changes in land use' (2001: 56). Similarly for Journeaux, the economic reforms of the 1980s and 1990s and the resultant impacts of farm profitability contributed to a major shift in land use in New Zealand (Journeaux 1996). The removal of subsidies for sheep farmers in 1984 saw large areas of hill-country become uneconomic to farm. Between 1983 and 1993 the number of sheep farms declined by nearly thirty five per cent and the

land devoted to sheep farming declined by 32.2 per cent (Willis 2001: 57-58). The number of dairy farms increased by 6.2 per cent over the same period and there was a 21.9 per cent increase in the area of land devoted to dairying (Willis 2001: 57). In 1983 the national dairy herd numbered 3.1 million head of stock rising to 3.6 million in 1993 (ibid). Over the same period, 1983/84 to 1993/94, the average size of a dairy herd increased from 139 to 188 and the average number of cows per hectare increased from 2.13 to 2.44 (LIC/Dairy NZ 2011: 7). Willis notes a significant regional aspect to these changes with dairy cattle numbers growing most quickly outside the traditional dairying heartlands of Waikato and Taranaki. Dairy cattle numbers trebled in Southland and the Hawke's Bay as well as in areas long thought unsuitable for dairying such as Canterbury and Otago (Willis 2001: 58).

The principal reason behind the conversion to dairying lay in its relative profitability when compared to static or declining returns for meat and wool (Journeaux 1996: 5; Willis 2001: 58). Also important was the fact that dairying provides a solid monthly cash flow, important given the context of deregulation in which borrowing costs were high and budgeting difficult (Willis 2001: 58; 2004: 84). Willis notes that estimates as to the exact magnitude of the conversion to dairying that followed deregulation vary. 'Certainly in the mid-1990s it was proceeding at a hectic pace with the Meat and Wool Board's Economic Service showing 299 farms converted in the 1994/95 season and a further 226 conversions ready for the 1995/96 season' (Willis 2001: 58). Willis notes that many of the conversions were on marginal hilly and dry land not traditionally associated with profitable dairying (ibid). Further, much of this expansion was fuelled by wealthy North Island farmers who sold up expensive but comparatively small North Island farms in order to finance new dairying ventures in the South Island where land was substantially cheaper (ibid). Much of this expansion of dairying into the South Island in the 1990s was into irrigation dependent low rainfall areas of Canterbury and Otago. For Willis, this expansion into dry South Island regions more closely resembles the

experiences of the Australian dairy industry where battles over water rights and opposition from environmental groups is commonplace (ibid).

For Willis, the conversion to dairying has had mixed effects, bringing both benefits and stresses to the regions affected (2001: 58; 2004: 84-86). Dairy farming is capital intensive. The average dairy farm has an asset worth of well over \$1 million (Willis 2004: 84). Conversion to dairying typically involves the subdivision of property, the construction of dairy sheds costing well in excess of \$100,000, the installation of an effluent disposal system and other capital investment (Willis 2001: 59). Initially at least, this investment had a positive flow-on effect on the economies of such regions as Taranaki, Southland and Canterbury (ibid). The labour intensive nature of dairying, Willis continues, brought some families into erstwhile declining rural regions and has prevented the closure of some rural schools (ibid). The trend was however toward larger farms and most traditional dairying areas have experienced a net loss of farming people (Willis 2004: 86). In the thirty years leading up to 2001, the number of dairy suppliers in New Zealand declined by 52.8 per cent, from 29,445 in 1971 to 13,892 in 2001 (ibid). This has, Willis contends, impacted adversely on rural services and on the social and recreational life of dairying communities.

Conversions to dairying and the rapid expansion of the industry more generally following the removal of government support for agriculture brought a number of problems and stresses to rural areas. One cluster of problems surrounds the environmental impact of increasingly intensive dairy farming. Such concerns will be explored in more depth in the following chapter but briefly, increased fertiliser application together with effluent runoff has led to the eutrophication of waterways and a build-up of nitrate levels in some soils (Boothroyd et al. 2000; Davies-Colley et al. 2001; Jay 2007 Willis 2004: 59). Another cluster of problems, specific to conversions in dry areas of the South Island,



surrounds water rights. As Willis notes 'this obstacle has been overcome by irrigation with water rights granted by regional councils, often in wet years and in the absence of any reasonable hydrological data. When droughts have then occurred the viability of these dairying enterprises has then been called into question' (2001: 59). This issue of access to irrigation, of particular concern in the Canterbury region will also be explored in greater depth in the following chapter.

In the years between 1986 and 1996 the net farm profit for dairy farmers increased by 181 per cent (Willis 2001: 29). The New Zealand Dairy Board had been enormously successful in marketing the country's dairy produce but had nevertheless come under growing pressure to reorganise along corporate lines and to abolish its export monopoly. Increased profits and the associated expansion and intensification of the industry throughout the 1990s only added to the pressure as various interests sought to enter the industry and claim a share of the profits.

By the end of the 1990s, Willis notes, the Dairy Board itself had come to the view that change was probably inevitable (2001: 64). At that time the Dairy Board was revamping its structure and organisation to meet impending competition. The plan at the time was for the Dairy Board to turn itself into a fully-fledged company which would seek to retain single-seller status voluntarily through the acquiescence of the various dairy manufacturers (ibid). The two major producer cooperatives, Kiwi Co-operative Dairies based in Taranaki and the Waikato/Bay of Plenty based New Zealand Dairy Group, which together accounted at the time for more than 80 per cent of total production, announced that they would merge if the single seller export monopoly was abolished (Willis 2001: 64).

## **And then there was one: The emergence of Fonterra**

The number of cooperative dairy companies in New Zealand had long been falling. Improvements in transportation and advances in large-scale processing technologies drove a long trend toward consolidation. Amalgamations and mergers were a common feature of the New Zealand dairying landscape for much of the twentieth century (Ward 1975: 210; Gray and Le Heron 2010: 5). Ohlsson notes that in 1935 there were over 400 dairy cooperatives in New Zealand, by 1960 that number had fallen to 180 (2004: 6). Ward charts a similar decline in the number of dairy factories. In 1960 there were 107 butter factories and 160 cheese factories in this country. By 1970 the numbers had fallen to 67 and 85 respectively (Ward 1975: 210).

Richards and Richards trace the process of merger and amalgamation in Taranaki through which more than 90 dairy cooperatives consolidated into increasingly large and ever fewer operations. A process which lead, in 1992, to the merger of the only two remaining Taranaki based cooperatives Kiwi Dairies and Moa-Nui Co-operative Dairies thus forming Kiwi Co-operative Dairies, the Taranaki based giant mentioned above (Richards and Richards 1995). Crawshaw traces a similar process of consolidation and amalgamation on the West Coast through which more than 30 dairying co-operatives were gradually absorbed into the Westland Co-operative Dairy Company (Crawshaw 2004: 8). Similar processes were underway in the other dairying regions of New Zealand (NZDG 2001: 22-23; Ward 1975).

In the Waikato the major cooperative was the NZCDC. The expansion of the NZCDC was held in check, to some extent, by the persistence of a number of small, independent and 'feisty' cooperatives clustered around Te Awamutu (NZDG 2001: 21). As Ward has put it many of the smaller Waikato cooperatives remained wary of the actions of the 'big octopus', the NZCDC, and when plans

for amalgamation were floated could be depended on for 'mildly abusive, semi political grass roots' opposition (1975: 222). Nevertheless amalgamations continued. In 1990 the NZCDC absorbed many of its independent subsidiaries to become the New Zealand Dairy Group (NZDG), effectively a single, regional company for the Waikato (NZDG 2001: 30).

At the start of the 1990s there were 19 cooperatives operating in New Zealand. By 1996 that number had fallen to 14 (Trechter et al. 2003: 4). That year the National government passed the Dairy Board Amendment Act, which transferred the assets of the New Zealand Dairy Board to the remaining cooperatives. As a NZDG report notes, the Act completed the industry's long transition from state marketing, to industry marketing with state support, to industry marketing, to commercial ownership in readiness for deregulation (NZDG 2001: 35).

Further amalgamations in 1996 reduced the number of dairying cooperatives to just 12 (Evans 2004: 12; Trechter et al. 2003: 4). The few remaining cooperatives were fighting for scale so as to be better placed to compete if, or rather when, the Dairy Board's export monopoly was removed. In 1999 further mergers left New Zealand with just four cooperatives two large, Kiwi and the New Zealand Dairy Group based in Taranaki and Waikato respectively and two small, Tatua Co-operative Dairy Company based in the Matamata-Piako district of Waikato and the Westland Cooperative Dairy Company based in Hokitika (Ohlsson 2004: 7; Evans 2004: 12; Trechter et al. 2003: 5; Willis 2004: 83). Of the remaining four Kiwi and NZDG were overwhelmingly dominant and effectively operated a duopoly (Evans 2004: 9-10). Between them Kiwi and NZDG accounted for 95 per cent of production and together they owned 96 per cent of the Dairy Board's assets (Ohlsson 2004: 7).

In the 1998 budget the Government announced that all producer boards, including the NZDB, would have to provide the government with plans for deregulation (MAF 2001: 2). The dairy industry responded the following year with a proposal to merge the remaining cooperatives with the Dairy Board, the working name for the proposed new entity was MergerCo. Owing to the potential impact of any such merger to the national economy the proposal was first subject to scrutiny by the Commerce Commission, a government institution tasked with ensuring that market structures and practices are consistent with competition. The Commission rejected the proposal, judging it unacceptable under the Commerce Act of 1986 (Evans 2004: 9; NZDG 2001: 36; Ohlsson 2004: 8).

Despite the failure of the initial proposal NZDG and Kiwi continued private merger discussions into the year 2000. Negotiations stalled in March of that year however as parochial rivalries prevented the two major cooperatives from reaching a consensus (Ohlsson 2004: 8; Trechter et al. 2003: 4). Negotiations began again in December 2000, and shortly afterwards Kiwi and NZDG announced that they intended to merge, effective from 1 June 2001, the start of the next milking season. The new company, which was to incorporate the two major cooperatives as well as the Dairy Board, was given the preliminary name Global Dairy Company (Ohlsson 2004: 8; see also Willis 2004: 83). Tatua and Westland opted to remain independent of the proposed company (Ohlsson 2004: 7; Willis 2004: 83).

When the Global Dairy merger proposal was presented to the Government in December 2000, industry representatives asked the government to help the proposal circumvent the Commerce Commission as it was felt that the new proposals would most likely fail to gain the Commission's approval (MAF 2001: 2). On 9 April 2001, the Prime Minister Helen Clark and Minister for Agriculture Jim Sutton announced that the merger proposal had been accepted by cabinet and that

it would be exempted from Commerce Commission scrutiny (MAF 2001: 3; Evans 2004: 12; Ohlsson 2004: 5). In so doing the Labour government continued in the long tradition of intervening in the market on behalf of the dairy industry. The proposals were then subject to a vote by farmers. In the run up to the vote supporters of the proposed merger claimed that the creation of Global Dairy Company would put a million extra dollars a day into the pockets of farmers. The merger would also save \$120 million annually from reducing duplicated facilities and add \$70 million in annual revenue enhancements and productivity improvements (MAF 2001: 1). In order to pass the proposal needed the support of 75 per cent of farmers (MAF 2001: 2). When votes were counted in July 2001, 84 per cent of the farmer shareholders involved voted to accept the merger of the dairy board with the New Zealand dairy Group and Kiwi Co-operative Dairies (Evans 2004: 11; Ohlsson 2004: 9). The new company, which became Fonterra Co-operative Group, was formed in October 2001 (Evans 2004: 11; Ohlsson 2004: 9; Trechter et al. 2003: 4).

## Chapter 10: The Fat of the Land (2001-2014)

### Introduction

The neoliberal reform process of the 1980s and 1990s in New Zealand removed many of the protections that had shielded agricultural producers in New Zealand throughout much of the twentieth century. Some farmers were forced off the land yet others survived, many by converting to dairy. The neoliberal era has been marked by the rapid growth of the dairy sector in New Zealand and by the rise of Fonterra as a global leader in the export of commodity dairy produce, it has also been characterised by the resurgence of primitive accumulation as a prominent strategy of accumulation. Chapter ten posits primitive accumulation as integral to the economic success of the New Zealand dairy industry in recent years. The capture and enclosure of the freshwater commons in Canterbury and the Hawke's Bay and the systematic despoliation of freshwater ecosystems throughout the country are clear, contemporary examples of primitive accumulation.

The first section in chapter ten, *The New Zealand advantage: Lowest-cost production* (pp 260-264), details the rise of Fonterra as a global dairy giant: its myriad collaborations, partnerships and acquisitions; and its strategies for maintaining and growing its presence in international markets. *The dairy boom* (pp 264-268) describes the on-going expansion and intensification of dairying in New Zealand, recent years have been marked by a huge surge in the number of dairy cattle, a sharp rise in the size of dairy herds and an enormous increase in the amount of nitrogenous fertiliser applied to dairy pastures. The catastrophic environmental consequences of this expansion and intensification are considered in the section titled *Intensive agriculture and the environment* (pp 268-278). The section titled *The age of grasping opportunism: Primitive accumulation and the freshwater commons* (pp 278-286) details the role of the current National government in facilitating the enclosure of freshwater resources, the extraordinary lengths that the government is prepared to go in order to

implement its agenda, and the frequent accusations of cronyism and conflict of interest that have resulted. The final section in chapter ten, *PKE and the New Zealand dairy industry* (pp 286-293), examines the increasingly widespread use of PKE as a supplementary feed on New Zealand dairy farms, the role of the New Zealand dairy industry in stimulating demand for oil palm agriculture and the catastrophic impact of oil palm agriculture on biodiversity and on indigenous people in Malaysia and Indonesia. Here too mechanisms of primitive accumulation are playing a crucial part.

### **The New Zealand advantage: Lowest-cost production**

Fonterra emerged in October 2001 with over 13,000 farmer shareholders producing 96 per cent of New Zealand's raw milk (Evans 2004: 13; Goldberg and Porraz 2002: 1; Ohlsson 2004: 25; Trechter et al. 2003: 4). Almost all of Fonterra's milk is processed into dairy products and exported to markets around the globe (Evans 2004: 13). Fonterra is New Zealand's largest company, contributing seven per cent of GDP and 20 per cent of export revenue (Goldberg and Porraz 2002: 1; Grey and Le Heron 2010: 4; Evans 2004: 13; Stringer et al. 2008: 189; Trechter et al. 2003: 4). In 2002, Fonterra employed 20,000 people worldwide, marketed more than a billion tons of milk solids to consumers in 140 countries and achieved US\$6.6 billion in revenue (Goldberg and Porraz 2002: 1). Fonterra was, at the time, the fourth largest dairy company in the world in terms of sales, the second largest in terms of the volume of milk processed and the world's largest exporter of dairy products (Evans 2004: 13; Goldberg and Porraz 2002: 1).

Stringer et al. argue that one of the major challenges facing Fonterra in its early years was how to maintain consistent supply to customers in a seasonal industry, where year round demand for product could not be easily met by farmers in New Zealand, who produce milk for nine months a year (2008: 269). If Fonterra was going to be a global leader in the international dairy trade, the

company would have to find a way to source sufficient milk to satisfy demand for the full 12 months of the year (ibid). Fonterra took to sourcing milk internationally and entered into a number of partnerships and joint ventures with foreign dairy companies (Stringer et al. 2008: 194).

These partnerships allow Fonterra to gain access to new markets and strengthen its position as a global leader in the dairy industry. These partnerships and joint ventures such as an alliance with Nestlé in the Americas, a joint venture with Arla Foods in Europe, and a partnership with Britannia Industries in India also provided Fonterra with growth opportunities, ways to develop new capacities and skills and a source of funding (Goldberg and Porraz 2002: 1; Nilsson and Ohlsson 2007: 56; Ohlsson 2004: 26). These strategic partnerships also offered Fonterra market presence in protected markets where demand has long been met by local supply (Stringer et al. 2008: 195).

In 2002, Fonterra unveiled a new corporate strategy, seven strategic themes that would help the company reach its potential (Atkinson 2002; Ohlsson 2004: 26; Ohlsson and Nilsson 2007: 55). The first of Fonterra's strategic themes was for the company to be 'the lowest cost supplier of commodity dairy products' (Atkinson 2002; Ohlsson 2004: 26; Ohlsson and Nilsson 2007: 55). At that time, Ohlsson notes, Fonterra considered its position as the lowest cost supplier to be its most competitive advantage (2004: 26). Jay too notes that low-cost production owing to New Zealand's favourable climate and year round grass growth was considered to be the key competitive advantage (2007: 268). Fonterra leaders, Jay continues, saw efficient, low-cost production of commodity products together with the development of customer focussed dairy ingredients as key to the company's international competitiveness (2007: 269).



Low-cost production is essential for Fonterra given the markets that the company targets. Stringer et al. note that the world's most valuable dairy markets are Europe, North America and Japan all of which are protected by quotas and tariffs (2008: 192). 'The New Zealand dairy industry faces excessive tariff barriers in these developed markets; for example, tariffs in Japan and Switzerland for some dairy products are as high as 360 per cent and 800 per cent respectively (ibid). Before the company existed in name Fonterra's first chair, John Roadley, put paid to the idea that it would be able to capture high-end markets. 'The idea that, all of a sudden, we could take by storm the high-value consumer markets of North America, Japan and Europe is sadly a pipedream' (Roadley 2001). Instead, Fonterra set its sights on lower-value markets where demand for milk powder was growing steadily such as in South and East Asia, the Middle East and North Africa, Eastern Europe and Latin America (ibid).

In recent decades Australia has also targeted markets in Asia and the Middle East. The Philippines and Saudi Arabia are the second and third largest markets for Australian dairy produce respectively. Australia also exports large quantities of dairy products to Singapore, Indonesia, Malaysia and Taiwan. Australia's largest market for dairy is however Japan and the majority of this trade is comprised of value-added products such as cheese and curd (ABS 2004: 453).

Targeting lower-value markets was in fact the seventh of Fonterra's strategic themes, which challenged Fonterra to 'develop integrated strategies for the four key regional markets in China, Eastern Europe, India and the economic grouping of Chile, Brazil and Argentina (Fonterra 2003: 2). According to Baldwin, Fonterra's new seven pronged corporate strategy was far from novel, the dairy industry had been saying the same things for many years, industry leaders had recognised the threats to and limitations of their business since the mid-1990s (Baldwin 2002). In actual fact,

however, the main thrust of Fonterra's 'new' strategy, to sell low-cost dairy products in lower-value markets such as those in Asia and in Latin America while trying to capture a bigger share of the value-added market had been considered by the leaders of the New Zealand dairy industry since much further back than the 1990s.

As mentioned in chapter 6, in the early 1930s and in response to the British government's decision to limit imports of New Zealand primary produce, a Dairy Industry Commission was established to report on the state of the industry and to explore the practicability of establishing new markets (Ward 1975: 84). The Commission's report, tabled on 15 October 1934, explored the potential of markets in Asia, Latin America and the Caribbean (NZ Dairy Commission 1934: 38; see also Ward 1976: 82). The Dairy Board also explored the possibility of increasing trade with Asia and concluded that trade could indeed grow provided prices were reduced sufficiently (Ward 1976: 82).

Targeting these markets has then long been a strategy considered by the New Zealand Dairy Industry, and one that has dramatically impacted on the scale and intensity of dairy farming in recent decades. Jay and Morad note that more than three quarters of New Zealand dairy production is exported in the form of bulk commodities such as milk powder and casein and that two thirds of the country's dairy production is exported to middle-income countries in Asia, Central and South America and elsewhere (Jay and Morad 2007: 473). The Ministry for Primary Industries notes that developing countries are the destination for 72 per cent on New Zealand dairy exports (MPI 2013a). 'Exclusionary trade practices by North American and European countries and the importance of such middle income countries for two thirds of export income, mean that the industry is constrained to maintain a strategy of low cost production' (Jay and Morad 2007: 473). This has driven a trend toward the expansion and intensification of dairying operations in New Zealand. The Parliamentary

Commissioner for the Environment argues that New Zealand farmers exposure to world markets and competition from subsidised producers elsewhere has placed an enormous pressure on them to farm more intensively and this increasingly intensive production has serious and wide-ranging environmental consequences (PCE 2004: 81).

### **The dairy boom**

The recent, rapid expansion of dairying in New Zealand pre-dates the formation of Fonterra but results from the same forces and processes that lead to the mega-merger, the expansion and intensification of the New Zealand dairy sector is an on-going response to the neoliberal reforms of the last three decades (Journeaux 1996; Willis 2001; 2004). The total number of dairy cattle in New Zealand in 1983/84, before subsidies were removed, was just over 3.1 million, of which 2.4 million were cows or heifers one year old or older in calf or in milk (MPI 2013b). By 1990 the number of dairy cattle being milked had risen to over 2.7 million and the total dairy herd numbered more than 3.4 million. Over the course of the two decades that followed dairy production in New Zealand increased by 77 per cent, 'from three million dairy cattle in 1989 to six million dairy cattle in 2009' (MPI 2013a). When Fonterra was formed in 2001, there were 3,692,703 million cows or heifers in calf or in milk and the total dairy herd numbered about five million. Ten years later more than 4.5 million cows were in production and the total dairy herd was more than six million (Statistics New Zealand 2012: 2; MPI 2013a).

The intensification of dairying in New Zealand has involved more than just an explosion in the number of dairy cattle. The average herd size has also grown dramatically. In 1983/84 the average size of a dairy herd in New Zealand was 139 cows. When Fonterra came in to being in 2001, the average size of a dairy herd had risen to 271 (LIC/Dairy NZ 2013: 7). Over the course of the decade

that followed the average herd size continued to grow and in 2012/13 the average herd size reached 403 (LIC/Dairy NZ 2013: 7). There has also been a trend toward much larger herds, particularly in the Canterbury region. In 2012/13, 3,128 herds (26 per cent) had 500 or more cows, 1,268 herds (11 per cent) had 750 or more cows, and 548 (five per cent) had 1,000 cows or more (LIC/Dairy NZ 2012/2013).

The majority of dairy herds, 75 per cent, are located in the North Island where the average herd size is 332 cows (LIC/Dairy NZ 2013: 13). South Island dairy herds account for just 25 per cent of the national total yet contain 38.2 per cent of all cows (ibid). The average herd size in the South Island is 614 cows and in the Canterbury region the average herd size is significantly larger still. The average size of a dairy herd in North Canterbury is 791 cows and in South Canterbury it is 786 cows (LIC/NZ Dairy 2013: 14). The North Island region with the largest average herd size is Hawke's Bay with 673 cows (ibid).

The amount of land used for dairying also grew steadily. In 1983/84 just over one million hectares, excluding run-off, were used for dairying. The total land used for dairying increased throughout the 1990s, passed 1.4 million hectares around the time Fonterra was created and reached 1,677,395 hectares by 2012/13 (LIC/Dairy NZ 2013: 7). The average stocking rate also increased over this period, from 2.13 cows per hectare in 1983/84 to 2.63 cows per hectare in 2001/2002 to 2.85 cows per hectare in 2012/13 (ibid). Stocking rates are on average higher in the South Island (2.85 cows per hectare) than in the North Island (2.76 cows per hectare). In North and South Canterbury stocking rates are highest, 3.59 cows per hectare and 3.45 cows per hectare respectively (LIC/Dairy NZ 2013: 14). The size of the average dairy farm also grew over the same period, from 65 hectares in 1983/84 to 103 hectares in 2001/02 and 141 hectares in 2012/13 (ibid).

The average dairy herd produced 21,618 kilograms of milk solids in 1983/84, 48,137 kg of milk solids in 2001/02 and 78,948 kg of milk solids in 2012/13 (LIC/Dairy NZ 2013: 8). The average milk fat per cow also increased steadily in recent decades, from 154 kg per cow in 1983/84 to 175 kg per cow in 2001/02 and 196 kg per cow in 2012/13 (ibid). The average litres of milk per herd also increased dramatically, records began in 1992/93 when the average herd produced 554,040 litres of milk per season. By the time of the Fonterra merger that had nearly doubled to 996,904 litres per season. In the 2012/13 dairy season the average herd produced 1,587,980 litres of milk (LIC/Dairy New Zealand 2013: 8). The same period has also been marked by a significant drop in the overall number of dairy herds in New Zealand which suggests a trend toward amalgamation of farms and expansion by individual farmers (PCE 2004: 36). In the 1983/84 dairy season, 15,932 herds were milked in New Zealand that declined to 13,649 by 2001/02 and down to 11,891 in 2012/13 (LIC/Dairy NZ 2013: 8). In 2001 Fonterra had over 13,000 farmer shareholders (Ohlsson 2004: 25). Two years later in 2003 Fonterra had 12,300 members (Trechter et al. 2003: 4). According to Fonterra the cooperative currently has 10,500 farmer shareholders (Fonterra 2013).

The Australian dairy industry has gone through a corresponding period of intensification and amalgamation in recent decades. According to the Australian Bureau of Statistics in 2004 the industry produced 83 per cent more milk than it did 15 years earlier. There were 37 per cent fewer dairying operations and herd sizes had increased by 92 per cent (ABS 2004: 451).

The use of synthetic fertilisers based on fossil fuels on dairy farms has increased dramatically in recent decades (PCE 2004: 36). Total energy input into the average New Zealand dairy farm has doubled over the last twenty years mostly due to increased nitrogen fertiliser usage' (ibid). Dairy farms use significantly more fertiliser than any other land use type (Statistics NZ 2006: 3). Between

1986 and 2002 total fertiliser application increased from 1.9 million tons to 4.3 million. This increase is attributed to the shift to dairy (Statistics NZ 2006: 4). The use of nitrogenous fertiliser in particular has soared in the period marked by the intensification and expansion of dairying (PCE 2004: 43). MacLeod and Moller note a rapid increase of nitrogenous fertiliser application since 1990, non-nitrogenous fertiliser also increased having dropped significantly during the 1980s when subsidies were removed (2006: 208).

The application of nitrogenous fertiliser allows for increases in productivity and profitability on dairy farms. Nitrogenous fertiliser provides extra feed for dairy cattle year-round which allows farmers to increase stocking rates, calve earlier and make more high-quality silage, which extends lactation (PCE 2004: 92). 'As dairying has become more intensive over the last decade and stocking rates have increased, nitrogen fertiliser has been increasingly added to pasture to supplement nitrogen provided by clover, and provide increased grass growth so as to produce more milk' (ibid).

The PCE notes that 'the *intensity* of nitrogen fertiliser use, that is the amount of fertiliser applied *per hectare* in New Zealand has also increased' (2004: 43 emphasis in original). The application of urea, the fertiliser with the highest concentration of quick release nitrogen, increased by 162 per cent between 1996 and 2002 (PCE 2004: 37; see also MacLeod and Moller 2006: 203). In 2002 the dairy sector applied 207,805 tons of urea (Statistics NZ 2002). By 2007 the amount of urea applied by the dairy industry had increased to 281,189 tons (Statistics NZ 2007). In the year ending 30 June 2012 the application of urea on New Zealand dairy farms had increased to 359,909 tons (Statistics NZ 2012a).

Mike Joy notes that nitrogenous fertiliser usage increased by a staggering 770 per cent in the years between 1990 and 2004. Most of the nitrogen fertiliser spread on New Zealand dairy farms is made from fossil fuels sourced from the Taranaki gas fields, and much of it ends up in the country's lakes and rivers and in the sea (Joy 2011a). The massive increase in nitrogenous fertiliser application, and the rapid expansion and intensification of the dairy industry more generally, have had a catastrophic impact on the environment and on biodiversity (Joy 2011). The environmental consequences of intensive dairy farming include the pollution of surface and groundwater from effluent and the runoff of excess fertiliser, the destruction of wetlands and lowland forests for the expansion of existing and development of new dairy farms, indirect damage to freshwater and estuarine habitats through contamination and nutrient pollution of surface and groundwater, significant biodiversity loss, soil erosion, soil contamination, damage to the structure of soils and greenhouse gas emissions (Jay and Morad 2007: 472; MfE 1997; PCE 2004). The degradation of New Zealand's natural environment for the private gain of those with an interest in the dairy industry is a clear, contemporary example of primitive accumulation. New Zealanders now, and in the future, are being dispossessed of irreplaceable natural resources crucial to the on-going prosperity of the country as a whole.

### **Intensive dairying and the environment**

In New Zealand cows are raised out-doors year-round, as such much of their waste is excreted on to pasture where it filters into groundwater, streams, lakes and wetlands (Jay 2007: 267). In addition to pollution, Jay continues, 'New Zealand agriculture in general and dairying in particular have caused an almost total loss of native plants and animals over large areas. For example, in the Waikato region, which supports a third of the national dairy herd, low land native forest has been reduced to 18% of its former extent in the 160 years since the beginning of European settlement' (ibid). Correspondingly for Joy, one can drive for an hour in almost any direction from cities such as

Palmerston North or Christchurch and not see a single naturally occurring plant or animal (Joy 2011; 2011a).

The environmental consequences of intensive dairy production have, Jay notes, created a groundswell of scientific and public concern about the issue that dates back beyond the formation of Fonterra (2007: 271). Studies by White (1982) and Wilcock (1986) in the 1980s foreshadow a much more vigorous engagement with the environmental consequences of intensive dairy production that really began in the 1990s. In 1993 MAF and the MfE jointly commissioned a report into the state of New Zealand's freshwater resources. It was the first time a comprehensive study looked into the quality of New Zealand's freshwater resources in relation to agricultural production.

The report found that lowland river reaches were in poor condition, with high concentrations of nitrogen and phosphorous, low dissolved oxygen levels and high counts of faecal coliform, a mammalian intestinal bacteria (Smith et al. 1993: 1; see also Blackett and Le Heron 2008: 76). Excessive concentrations of dissolved inorganic nitrogen and/or dissolved reactive phosphorous were leading to eutrophication, enhanced phytoplankton growth in response to elevated nutrient levels (Smith et al. 1993: vii).

These affect the recreational value of the watercourse and their suitability for abstraction for water supply, irrigation and industrial use. Base flows are often turbid, thereby impairing the aesthetic value of these watercourses. However the most widespread problem is faecal contamination. Many lowland rivers may often be unsuitable for contact recreation (Smith et al. 1993: vii).



The authors of the report go on to note that a major re-evaluation of farming systems and practices is necessary and that the acceptability of certain farming systems and practices to wider society might be called in to question (Smith et al. 1993).

In 1997, the Ministry for the Environment published a report into the state of New Zealand's environment. The report found that water quality in low land streams and rivers was declining largely due to increased pollution from intensive dairying. Animal waste and nitrogenous fertilisers were washing into surface water and leaching in to groundwater (MfE 1997: 10-11). The report also notes the potentially large scale of the problem. At the time the total amount of livestock excreta in New Zealand was equal to that of 150 million people. 'Only a fraction of this enters waterways but that is still a significant amount when concentrated in the lower parts of many catchments' (ibid). The report found some waterways were unsafe for swimming, and water quality in some intensive dairying areas to be badly polluted (ibid). In the years separating the 1993 MAF report on freshwater quality and the 1997 MfE State of the Environment report the total number of dairy cattle in New Zealand increased from 3,550,140 to well over four million, the exact number is not recorded as no Agricultural Production Survey was conducted in 1997 (MPI 2013b). By 1999 the number had risen to 4,316,409 (ibid). That year the MfE published another report expressing concern over the extent and effect of dairy farm effluent on surface water and groundwater (MfE 1999; see also Jay 2007: 271).

Dairy farm effluent includes faeces, urine, wash down water as well as storm water, spilled milk, soil and feed residue, detergents and other chemicals containing nutrients, organic matter, harmful pathogens, sediments and toxins that are all potential contaminants (MfE 1999: 2). The MfE report outlines the effects of these various contaminants when discharged in to surface water or on to

land. The discharge of effluent to surface water has a range of severe environmental impacts. 'Sediment in effluent can affect the colour, clarity and temperature of waterways adversely affecting aquatic ecosystems. Sediment can smother water plants and reduce light penetration impacting on photosynthesis' and reducing 'the capacity of the aquatic ecosystem to support fish such as trout and whitebait' (MfE 1999: 3).

The organic matter in dairy effluent consumes oxygen when it breaks down, starving native plant and animal life in the waterway of necessary oxygen. Organic matter in effluent can also cause the growth of bacterial and fungal slimes which can raise the PH level in water ways killing sensitive plants and animals. Nitrogen in its ammonia form is also highly toxic to fish and aquatic animals. Micro-organisms in effluent can make water unsafe for drinking and for recreational use (MfE 1999: 3). The discharge of effluent into waterways is also highly offensive to people and can adversely affect their relationship with the waterways (MfE 1999: 3).

The effects of discharges of effluent on land are potentially starker still. If applied in a manner that exceeds the soils absorption capacity, discharges of effluent can create adverse effects including runoff into surface water, penetration of the surface soil layer and contamination of groundwater and deterioration of the soil structure (MfE 1999: 3).

Compared with the certain, immediate and reversible effects of discharges to surface water, groundwater contamination from discharge to land is relatively uncertain, long term and irreversible. Nitrate leaching from agricultural soils (from urine, FDE, clover-based pastures, and nitrogen fertilisers) is regarded as the greatest contamination threat to groundwater (MfE 1999: 3).

Also in 1999 Guy Salmon, a notable New Zealand environmentalist, published articles highly critical of the dairy industry, New Zealand's largest polluter. The articles titled *New Zealand's biggest polluter gears up for more: is dairy intensification sustainable?* And *How dairying destroyed the Waikakahi* both appeared in the June 1999 edition of *Maruia Pacific*, the organ of the Maruia Society, a prominent environmental lobby group. Together, Jay notes, the articles were a 'blistering attack' on the New Zealand dairy industry (Jay 2007: 271).

Salmon takes aim at an industry he sees as bent on expansion and intensification without regard for environmental outcomes. The New Zealand dairy industry, Salmon argues, gives farmers strong incentives to increase production, but can only off-load the extra volume by selling into lower-value markets in developing countries and by undercutting global competitors on price (Salmon 1999: 4).

For farmers, survival depends on relentlessly squeezing more milk production out of the land, cutting costs and resisting environmental measures. The bottom line is that this huge industry is exploiting this country, using it as a polluted, low-cost growing platform for its aggressive expansion into overseas commodity markets (Salmon 1999: 4).

Salmon notes high concentrations of microbial pathogens, including cryptosporidium, giardia, salmonella and campylobacter in the lower reaches of the Waikato River. Most of which can be attributed to runoff from Dairy farms (Salmon 1999: 4). Further, of the 100 sites monitored by Environment Waikato, only 34 are suitable for swimming. 'The rest, especially streams in areas that are intensively farmed – are too turbid and loaded with bacteria to be safe' (ibid). In addition to microbial contamination, Salmon notes the impact of intensive dairying on stream biodiversity in the Waikato region. The on-going loss of streamside vegetation and wetland habitats and the siltation of streams were severely impacting on biodiversity. The Waikato River's total whitebait catch, for

example, declined from an average of 46 tons between 1931 and 1950 to just 10.7 tons in 1999 (Salmon 1999: 4-5).

Salmon also notes a growing threat of toxic nitrate contamination of groundwater. In the Hamilton-Mangaouna area at the time nitrate levels exceeded safe limits for human drinking water in nearly half of all wells sampled, and 70 per cent of wells had passed the half way mark to dangerous levels. Elevated levels of nitrate in drinking water can cause blue baby syndrome, hypertension and stomach cancers (Salmon 1999: 5). 'The problems of intensive dairy production are not', Salmon concludes, 'confined to the Waikato. Similar degradation occurs elsewhere wherever there is intensive dairying. The effects are most dramatic in parts of the South Island where large-scale dairy conversions are replacing relatively low impact sheep farming activities' (ibid).

In the companion piece to this article mentioned above, Salmon examines the impact of intensive dairy farming on the Waikākahi Stream in South Canterbury. The entire catchment for the Waikākahi, named for its abundance of fresh water mussels (Kākahi), had been converted to intensive dairying in the decade since 1990. The impact was severe.

Only a few years ago, the Waikakahi Stream was as perfect as a stream can be – cool, clear, spring-fed, gravel-bottomed, shaded with tussocks, flax and native shrubs, still supporting some valuable wetlands, and still abundant with fish and waterfowl. Today it is turbid, heavy with silt, nutrient enriched, and thick with faecal coliforms. The streamside vegetation has been replaced with grass and stock trampled mud, the wetlands have been drained, and sections of the stream have been channelized (Salmon 1999a).

One solution to stream contamination is riparian management. Riparian management refers to the practise of fencing off buffer strips along stream sides and, where possible, planting the strips with shrubby vegetation. Salmon finds the path to effective riparian management blocked by perverse economic incentives which are generating expansion, intensification and over production (1999a).

New Zealand, Salmon argues, suffers enormously from the dairy industry's perverse strategy of targeting high-volume low-value commodity markets where the onus is on the industry to maintain its lowest cost position.

Its [the dairy industry's] core business is in developing countries, selling an ever increasing volume of milk powder to people who can't afford refrigerators. In such markets the imperative is to keep the price as low as possible. That imperative translates back to dictate the industry's strategy at home – cutting costs, squeezing the land harder, putting off any environmental expenditure for as long as it possibly can. Given these realities, it is most unlikely that that the dairy industry will fund riparian management and other environmental improvements unless it is forced to do so (Salmon 1999: 6).

For Salmon, writing when the Fonterra mega-merger was floated but far from finalised, environmentalists had an important part to play in shaping the would-be company lest it become 'the greatest ever threat to New Zealand's environment' (Salmon 1999: 7).

Fonterra was launched in October 2001. Earlier that year, in March 2001, the New Zealand Fish and Game Council (Fish and Game), a nationwide non-profit organisation representing the interests of anglers and hunters, issued a press release accusing the dairy industry of polluting waterways and 'selfishly destroy[ing] the community's water resources' (Fish and Game 2001: 1; Blackett 2004: 1).

The move drew strenuous opposition from Federated Farmers, dairy companies, regional councils and many farmers (Blackett 2004: 1). Fish and Game's 'dirty dairy' campaign insinuated that dairy farmers and the industry more generally were degrading natural water resources for profit (Blackett and Le Heron 2008: 76; see also TVNZ 2001). For Federated Farmers however, Fish and Game were clearly 'out of control' (TVNZ 2001).

To the dairy companies the dirty dairying debate represented a threat to the clean green image of New Zealand food production, which was a crucial marketing mechanism (Blackett and Le Heron 2008: 77). 'Fish and Game were accused of committing economic treason by putting the export industry at risk' (ibid). In 2001, the Ministry for the Environment estimated the marketing value of the clean and green image to the New Zealand dairy industry at between \$241 million and \$569 million (MfE 2001: 5-9). There was then, a very real risk of a significant economic impact if the clean green image was reframed as 'filthy and brown' as suggested by Fish and Game (Blackett and Le Heron 2008: 77; see also Blackett 2004: 5).

In 2002, and in response to the growing cry of 'dirty dairying', Fonterra entered into discussions with the Ministry of Agriculture and Fisheries, the Ministry for the Environment and Environment Waikato (Jay 2007: 271). Out of that process emerged the Dairying and Clean Streams Accord that was subsequently signed into being in late May 2003 (Blackett and Le Heron 2008: 82; Jay 2007: 271). The purpose of the Accord was to reduce the impacts of dairying on the quality of New Zealand's freshwater environments (Fonterra et al. 2003: 1). The Accord set a number of industry goals and performance targets and established a timeframe for these targets to be met. The Accord was however voluntary; there was no compulsion for dairy producers to comply with the Accord.

Progress toward the Accord's targets is recorded through a series of annual reports known as 'Snapshot Reports'. The stated purpose of the snapshots is to provide an 'open and transparent snapshot of the efforts, successes and challenges of implementing the Accord' (MfE 2004: 2). In actual fact, however, the snapshot reports have documented the alarming extent to which many dairy farmers have consistently failed to comply with the Accord. The 2004/2005 Snapshot for example showed high levels of non-compliance in certain dairying regions, 36 per cent non-compliance in Hawke's Bay, 47.6 per cent in Canterbury, 57 per cent in Waikato, 66 per cent in Northland and 90.6 per cent non-compliance in the Tasman region (MfE 2006: 4).

The 2005/2006 Snapshot also found significant cause for concern with regard to farmer compliance with the terms of the Accord (MfE 2007: 1). The Accord had established an immediate target of 100 per cent compliance. In 2005/2006 just 67 per cent of producers complied with the Accord. Rates of significant non-compliance had risen significantly to average about ten per cent. In 2007/2008 the dairy industry still fell well short of the 100 per cent compliance target for dairy effluent treatment and disposal. Only 70 per cent of farms complied with the Accord (MfE 2009: 4). The level of significant non-compliance averaged at 11 per cent (ibid).

In 2008, five years after the Accord took effect, Fish and Game together with the Royal Forest and Bird Protection Society offered an independent review of progress toward the Accord's targets. It found that the Dairying and Clean Streams Accord had failed to achieve its goal of reducing the impact of dairying on New Zealand freshwater resources. 'Where it has been monitored, water quality in dairying areas has generally continued to fall during the five years of the Accord's operation' (Deans and Hackwell 2008: 4).

Also in 2008 Professor David Hamilton, Chair of Lakes Management at Waikato University, drew attention to the severe environmental impacts of intensive dairying (Hamilton 2008). 'The levels of intensification of Dairy, through increased numbers of cows per hectare and use of water and fertilisers are placing severe demands on New Zealand's natural resources, some of which were being used unsustainably' (Hamilton 2008: para.3). Hamilton's strongest criticisms were saved however for the expansion of dairying operations into arid areas, such as those on the East Coast of the South Island where intensive dairying was only possible through massive irrigation schemes. 'Enormous pivot irrigation schemes were denuding the landscape of any trees, and placed extreme demands on water and power. At around 10,000 litres of water used per cow per day for many of the irrigated schemes it is obvious that there simply is not enough water to go around as the industry keeps expanding' (Hamilton 2008: para.13-14). I will return to the expansion of the industry into Canterbury below.

Mike Joy offers a correspondingly stark assessment of the cumulative environmental impacts of intensifying dairy production. 2,788 species, that is 35 per cent of all native species, are now listed as threatened. An additional 4,000 species are listed as data deficient, if more funding were available it is likely that the number of species listed as threatened would double (Joy 2011; 2011a).

More than half of all bird, fresh water fish and reptile species are listed as threatened, more than 80 per cent of vascular plants and marine invertebrates are threatened as are all terrestrial mammals and frogs, a quarter of marine fish species and one third of fresh water invertebrates (Joy 2011a). 68 per cent of all identified ecosystems are now classed as threatened, 90 per cent of the country's wetlands are gone. Nearly all river quality monitoring sites show a worsening trend in most parameters over the last 20 years (ibid). Most lowland rivers fail to meet standards for bathing, in



many instances because faecal contamination levels are too high (ibid). 'Almost half the lakes in the country are classed as polluted by excess nutrients and many are overrun by invasive fish species. Most harbours and estuaries are so choked with sediment from land-use change that only one remains where iconic oceanic fish like snapper can still breed' (ibid).

Health Ministry figures, Joy continues, show that between 18,000 and 30,000 people contract waterborne diseases in New Zealand each year and that E-Coli levels in 50 of the 70 'best' waterways in Waikato exceeds contact recreation levels (Joy 2011a). Worse, Joy notes elsewhere, the environmental devastation has not stopped with the realisation that the damage being done is irreversible, rather, it has gathered pace (2011), and the fifth National government has continued to play a central role in facilitating the ongoing growth and expansion of the dairy industry through the dispossession of New Zealand's freshwater commons, particularly in Canterbury and increasingly also Hawke's Bay.

### **The age of grasping opportunism: Primitive accumulation and the freshwater commons**

As discussed in chapter nine, recent decades have been marked by a steady expansion of capital intensive dairying operations into the low rainfall, irrigation dependent South Island regions of Canterbury and Otago (Grey and Le Heron 2010: 6; Willis 2004: 86; 2001: 59). The obstacle to farming in these regions is overcome by large-scale irrigation schemes with water rights granted by regional authorities (Willis 2001: 59). In 2008 a MAF Pastoral Monitoring Report noted a high level of interest in further expanding dairying operations in the Canterbury region (MAF 2008). That year the fifth National government led by Prime Minister John Key was formed with support from United Future, the Māori Party and the Act Party. The incoming National led government would play an instrumental role in facilitating the expansion of intensive dairy farming in to the Canterbury Plains.

It would also play a lead role in undermining democracy and smoothing the transfer of New Zealand's freshwater resources into private hands.

In the days before the 2008 election, the President of Federated Farmers, Don Nicholson, released a 'wish list' of policies that the lobby group hoped would be adopted by the incoming government after the election. On the top of Federated Farmer's agenda was water. A week before the election Nicholson told the *National Business Review* that the three main priorities for the new government were fiscal restraint, to make sure water storage for irrigation was on the list of infrastructure projects to be supported, and to exempt farm animals from the country's Emissions Trading Scheme (NBR 2008; 2008a). Nicholson went on to criticise 'myopic' environmental policy setting and called for 'sensible' policies around infrastructure, research and development, property rights and water (NBR 2008). 'Farming' Nicholson concludes, 'is the best bet to economic performance and well-being of all New Zealanders' (ibid). The Federated Farmer's position found sympathetic ears in the National Party. David Carter, then the National Party's agriculture spokesperson and soon-to-be Minister for Agriculture, welcomed the Federated Farmers manifesto, noting its proximity to National Party policy. 'Agriculture', Carter told the *National Business Review*, 'is the backbone of the New Zealand economy'...'our approaches are highly complementary' (NBR 2008a).

The incoming government wasted little time in implementing its agenda. Central among fifth National strategies for economic growth was a commitment to 'unlocking resources'. The incoming government was going to look closely at 'regulations that may be preventing natural resources from being used productively' (Key 2010). Among the resources National was seeking to unlock were oil, minerals held in the protected Schedule Four Conservation Estate and freshwater in the Canterbury region (ibid), home to around 70 per cent of the New Zealand's total freshwater resources (Creech

et al. 2010: i). In his opening statement to Parliament in 2010 the Prime Minister John Key signalled his government's intention to irrigate the Canterbury Plains and facilitate the expansion of intensive dairy farming in the region. The government, Key states, would 'take action to remove particular regulatory roadblocks to water storage and irrigation in Canterbury (Key 2010). Among the roadblocks to which the Prime Minister was referring were the fourteen democratically elected councillors at Environment Canterbury (ECan), the regional body responsible for processing resource consents to use Canterbury's freshwater resources.

During the 2007/2008 financial year, ECan processed just 29 per cent of resource consents within the statutory timeframes established by the RMA (Creech et al. 2010: 25). ECan was unable to process the huge number of resource consent applications for a number of reasons, including the sheer number of applications, the complex nature of the applications and also a prevailing attitude at ECan that good environmental outcomes are more important than output (Creech et al. 2010: 25). Between July 2002 and June 2008, the number of consent applications had increased by 79 per cent from 2,106 to 3,763 per year. This increase was driven largely by a massive boom in dairy farming leading to large-scale rural development based on irrigation (Creech et al. 2010: 27). As Creech et al. argue ECan had adopted a 'laudable' attitude that their role was to seek quality environmental outcomes (ibid). However laudable, this attitude did not square with the interests of a central government bent on 'unlocking resources' and enclosing Canterbury's freshwater resources for the private benefit of dairying interests.

In 2009 the Minister for the Environment Nick Smith and the Minister for Local Government Rodney Hide commissioned an investigation into ECan. The investigation was headed by former National Party Deputy Prime Minister Wyatt Creech. The resulting report found that ECan had failed to

efficiently and effectively manage the regions freshwater resources which impacted not only on the region but on the country as a whole (Creech et al. 2010ii; Espiner 2010). The scale and nature of the competing demands for freshwater in the Canterbury region were, Creech et al. note, significantly greater than those faced by other regional authorities around the country and were of much greater significance to the nation's well-being (2010: i).

In order to safeguard the well-being of the nation, the authors of the report proposed further expansion and intensification of dairy farming in the Canterbury region. Creech et al. note Canterbury's large and growing share of the dairy trade. 'The region has experienced the greatest increase in the number of dairy cows since 2002, growing by 239,000 cows (an increase of 60.5% of Canterbury's herd) between 2002 and 2008' (2010: 5). There is, the authors contend, still significant scope for future agricultural development in the Canterbury region provided the water resource is competently managed (ibid). The review group found a 'gap' between 'what needs to be done' to appropriately manage the region's freshwater resources and 'ECan's capability to do so' (Creech et al. 2010: i).

In order to address what they perceived of as the failure of ECan to adequately manage the region's fresh water resources the review group urged 'comprehensive and rapid intervention on the part of central government to protect and enhance both regional and national well-being' (Creech et al. 2010: i). The Creech report recommended that the existing, democratically elected ECan board be replaced by a commission for three years until fresh elections were held in 2013 (Creech et al. 2010: 68; Espiner 2010). As an article in *The Press* at the time noted, that would mean Cantabrians would be denied a vote for their regional councillors at the 2010 local body elections (Espiner 2010). The review group also recommended that the government establish, under its own Act of Parliament, a

new Canterbury Regional Water Authority to assume all water related responsibilities in the Canterbury region. The new authority would be governed by a board jointly appointed by the Minister for the Environment and the Minister for Local Government (Creech et al. 2010: iii; Espiner 2010).

Opposition parties were outraged. The co-leader of the Green Party, Russell Norman told *The Press* that ECan was paying the price for standing up to the dairy industry and refusing consents. 'Everyone now has a clear message, if you stand up to protect water you're going to be taken out' (Espiner 2010: para.15). Norman also questioned the suitability of Wyatt Creech, whose Matamata-based dairy firm was twice prosecuted for contaminating Waikato farmland and rivers, to chair the review group. 'Wyatt Creech is a director of Open Country Cheese which has convictions for dirty dairying. So why put him in charge of a review of the regulator of the dairy industry?' (Espiner 2010: para.16). In the months that followed it was revealed the brother of Nick Smith, the Minister for the Environment who commissioned the Creech report and would ultimately 'sack' the ECan board, was being prosecuted by ECan for discharging wastewater in a protected zone. Smith however, could see no conflict of interest.

Wyatt Creech told *The Press* that the review group he headed was 'very conscious' of the wider implications of removing an elected body but that 'given the large gap between the region's needs and ECan's performance and capability, we think that our recommendations are the only prudent course of action the government can take' (Espiner 2010: para.9). The Prime Minister too noted the gravity of the situation; Key sounded a note of caution over dismissing an entire elected council but nevertheless said he wanted swift action to rectify faults with ECan uncovered in the Creech Report (Gorman and Watkins 2010). Nick Smith told *The Press* that the decision was necessary. Fresh water

was to New Zealand what oil was to Saudi Arabia. 'It is at the core of our competitive advantage and also our clean, green brand and with Canterbury having over half of the irrigated water in New Zealand and over half of the water that is stored for renewable electricity it is critical that we manage it in a far more competent way' (Gorman and Watkins 2010: para.27). On 30 March 2010, Smith and Minister for Local Government Rodney Hide announced the sacking of ECan's 14 elected councillors (TVNZ 2010). In their place the government installed a group of six commissioners to be handpicked by the government in the weeks that followed (ibid).

One year after the ECan board was removed the body made public its consent processing figures for the year ending July 2011. ECan had processed more than 92 per cent of the 1,725 resource consent applications within statutory timeframes. Nick Smith told the *Timaru Herald* that the performance was a 'huge improvement' (*Timaru Herald* 2011). Indeed such was the turnaround that Smith backed away from the promise to restore democracy in Canterbury in 2013 (*Timaru Herald* 2011).

In 2012 the National government announced that the ECan commissioners would remain in place until at least until at least 2016. The Prime Minister John Key said at the time that the work of the commissioners was far from complete. He told *The Press* that while the government wanted to return to democracy 'in the end the primary factor was that we thought there needed to be a successful outcome and the job wasn't done yet' (Young and Cairns 2012: para.5). The Prime Minister said he had confidence in the people of Christchurch to pick the right people, but that keeping the commissioners would deliver the best results for Canterbury (Young and Cairns 2012). In announcing the further suspension of democracy in Canterbury, Local Government Minister David Carter and Minister for the Environment Amy Adams promised a ministerial review of ECan's governance arrangements in 2014 (ibid). Adams and Carter also heaped praise on the commissioners

and stressed the importance of effective freshwater management to the economic growth potential of the Canterbury region (ibid). Perhaps unsurprisingly both Carter and Adams have significant agricultural interests in the Canterbury region.

For New Zealand's Human Rights Commission the government's decision to axe fresh elections for ECan until at least 2016 was a breach of the government's commitment to democracy (Young 2012). Chief Human Rights Commissioner David Rutherford hit out at the government during a Local Government and Environment Select Committee meeting in November 2012. 'Our view continues to be that the undemocratic way in which the original legislation was introduced, and its continuance, is simply wrong from a human rights perspective' (Young 2012: para.4). Further the Bill breached some of the international commitments to human rights that the government has made (Young 2012). The National government however remained unmoved.

In October 2012, *The Press* reported on the motivation of National in extending the suspension of democracy in Canterbury. The release of confidential documents under the Official Information Act (OIA) revealed that 'the government suspended democracy and restricted legal action in Canterbury to protect an agricultural boom potentially worth more than \$5 billion to the New Zealand Economy' (Young 2012a: para.2). The government feared a return to democracy might derail their plans to implement massive irrigation schemes. The National government, together with large irrigation firms, aimed to almost double the 450,000ha of irrigated land in the Canterbury region (Young 2012a). The Government extended the suspension of democracy in Canterbury to restrict legal challenges against their irrigation plans and to prevent opponents from reverting to appealing to the Environment Court (ibid).

The National government's support for large-scale irrigation schemes extends beyond Canterbury. National has also supported the Ruataniwha dam project in Hawke's Bay, a \$600 million dam and irrigation scheme that would create a reservoir capable of storing 91 million cubic metres of water and which could potentially irrigate 25,000 hectares of land in central Hawke's Bay (Fowler 2014; see also Bennett 2013; HBRIC 2014: 2). The Ruataniwha dam project is a central plank in the fifth National government's Business Growth Agenda mentioned in the introduction which seeks to increase the value of exports to GDP by 40 per cent by 2025. Much like the irrigation schemes in the Canterbury region the Ruataniwha project has been mired by allegations of inappropriate government tampering. The Conservation Minister Nick Smith, no stranger to accusations of cronyism, has been accused of suppressing a Department of Conservation report which raised concerns about the project (Bennett 2013), it also emerged that concerns initially raised by the Ministry for Primary Industries were subsequently removed from that Ministry's submission on the project (ibid).

Accusations of cronyism and conflict of interest have continued to be levelled at the fifth National government. In 2014, the Justice Minister, Judith Collins and the Minister for Environment, Amy Adams, both of whom have extensive interests in the New Zealand dairy industry, have been subjected to a raft of such allegations. In both cases, which came to light in March 2014, sitting National MPs were accused of using their influence as politicians in order to further their own interests or the interests of their close friends and associates. Judith Collins was accused of breaching the rules on conflict of interest for promoting Oravida, a dairy exporting company of which Collins' husband is a director, while on an official visit to China in 2013 (Trevitt 2014).



Accusations of cronyism were also levelled at Amy Adams in March 2014, when it was reported that Adams stood to benefit personally and substantially from a number of decisions around the irrigation of the Canterbury Plains that she, as Minister, may have had some influence over (Stewart 2014). While it was subsequently revealed that Adams' had, in fact, declared a pecuniary interest in the Central Plains Water scheme and had removed herself from discussions on the matter, she and her husband nevertheless remained supremely well placed to benefit from the irrigation schemes proposed for the Canterbury region (Strongman 2014). It would appear then that the spirit of grasping opportunism that characterised the growth of the dairy industry in the middle decades of the nineteenth century is resurgent today some century and a half later.

### **PKE and the New Zealand dairy industry**

The recent push toward intensification has also been marked by a rapid surge in the use of PKE as a supplementary feed on New Zealand dairy farms and in this too primitive accumulation is playing a decisive role, Malaysia and Indonesia are being dispossessed of endemic biodiversity and millions of indigenous people and local communities are being stripped of their means of subsistence.

PKE is a co-product made when oil is mechanically extracted from the kernel of the West African oil palm *Elaeis guineensis* (Dias 2010: 22; MPI 2013c: 7). The fruit of the oil palm is made up of an outer mesocarp and an inner nut containing the kernel. Palm oil is extracted from the mesocarp and palm kernel oil is extracted from the kernel of the nut (Dias 2010: 22). There are two processes typically used to extract oil from the kernel, mechanical screw pressing and solvent extraction (ibid; DairyNZ 2008: 1). The solids left after oil is mechanically rendered from the kernel are known as PKE or palm kernel cake, while the leftovers of the solvent extraction process is known as palm kernel meal (Dias 2010: 22). The majority of palm kernel feed used on New Zealand dairy farms is PKE which has about

eight per cent residual oil compared to two per cent residual oil in palm kernel meal (DairyNZ 2008: 1; Dias 2010: 22). PKE comes in the form of a dry gritty meal that has a soapy smell and low palatability; it does however have reasonable levels of energy and protein and is comparatively cheap (Dairy NZ 2008: 1).

In New Zealand palm kernel feed was first used on dairy farms in 2000 (Dias 201: 23). Just over 5,000 tonnes of PKE were imported in 2000/2001 (Carlton 2011: 4; Dias 2010: 23), since then imports have risen very rapidly to 800,000 tonnes in 2008 (Dias 2010: 23) and 1,590,825 tonnes in 2012/2013 (MPI 2013c: 8). According to Statistics New Zealand 2,012,807 tonnes of palm oil cake were imported to New Zealand in 2014 (Statistics NZ 2015). Most of the palm kernel feed imported to New Zealand comes from Indonesia (43.4 per cent in 2012/2013) and Malaysia (49.1 per cent in 2012/2013) with small, additional quantities from the Solomon Islands and Papua New Guinea (MPI 2013c: 8; 2013d: 7). Approximately 40 per cent of all PKE produced in Malaysia is exported to New Zealand (MPI 2013d: 7) and a significant portion of that produced in Indonesia is also exported to New Zealand (MPI 2013c: 8). Indeed New Zealand imports between a quarter and a third of the total global trade in palm kernel feed (Greenpeace 2009: 2; 2010: 1; 2010a: 1). 6.1 million metric tonnes of palm kernel feed were exported in 2012/2013 (USDA 2015: 7) of which New Zealand took more than 1.5 million tonnes (MPI 2013c: 8; 2013d: 7).

Dairying interests in New Zealand including Dairy NZ, Fonterra and Federated Farmers maintain that PKE is merely a waste by-product of palm oil production and not the main reason oil palm is harvested (Fonterra 2014b; Federated Farmers 2012; DairyNZ 2008). Federated Farmers argue that 98.8 per cent of the value in palm oil production is derived from the oil and products directly related to the oil. 'Any economic value of the byproduct PKE to plantation growers can only be measured at

around one percent' (Federated Farmers 2012: 1). Further, Federated Farmers claim that using PKE is, in fact, recycling a waste product that might otherwise be burnt or left to rot and as such PKE production 'does not drive destruction of Borneo's rainforests and habitat loss' (2012: 1). For critics however the demand for PKE only adds fuel to the already rapidly growing demand for oil palm production. Greenpeace, for example, argue that PKE is not just a waste by-product but a lucrative part of the palm oil industry (2009: 3). Certainly the Malaysian Palm Oil Board sees PKE in this way. 'PKC [palm kernel cake/expeller] is also an important product from the oil palm industry that generates substantial export earnings for Malaysia' (Ahmad Borhan et al. 2005: 1; see also Greenpeace 2009).

Greenpeace contend that PKE actually represents 12-15 per cent of the value of palm products and note that the trade price has increased more quickly than that of palm oil (2009: 3; 2010: 5). According to IJM Plantations Berhad, a leading Malaysian conglomerate involved in oil palm production in both Malaysia and Indonesia, the average selling price for palm kernel expeller has more than tripled in recent years, increasing from 157 Malaysian Ringgit a tonne in 2005 to 504 Malaysian Ringgit a tonne in 2014 (IJM 2009: 9; 2014: 7). Over the same period the average selling price for palm kernel oil has increased much more modestly from 2,255 Malaysian Ringgit a tonne in 2005 to 2,867 Malaysian Ringgit a tonne in 2014 (IJM 2009: 9; 2014: 7). In 2000, the first year that PKE was used as a feed on New Zealand dairy farms the cost of the small quantity of oil cake imported to New Zealand was \$623,884. In 2005 importers paid \$21,007,420 for the 188,561 tonnes of oil cake imported into New Zealand (Statistics NZ 2015). Since then costs and quantities have increased dramatically. For the 1,396,314 tonnes of oil cake imported in 2010, Fonterra is estimated to have paid over \$252 million (Greenpeace 2010a: 1; Statistics NZ 2015). In 2014 the cost of the more than two million tonnes of oil cake imported into New Zealand was \$491,251,485 (Statistics NZ 2015), a significant sum by any measure.

Due to the growing demand for palm kernel oil, crude palm oil and increasingly also PKE, oil palm is now one of the world's most rapidly expanding equatorial crops (Fitzherbert et al. 2008: 538; Koh and Wilcove 2008: 60; Wilcove and Koh 2010: 1000). Global oil palm production is increasing by 9 per cent every year (Fitzherbert et al. 2008: 538). The total global land area under oil palm cultivation quadrupled from 3.1 million hectares in 1961 to 13.9 million hectares in 2007 (Koh and Wilcove 2008: 60; Wilcove and Koh 2010: 1000). Demand, and with it production, has continued to expand rapidly and in 2010 16 million hectares, or around one tenth of the world's permanent cropland, were under oil palm production worldwide (FAO 2015).

Oil palm is grown in areas naturally home to moist tropical forest which is 'the most biologically diverse terrestrial ecosystem on earth' (Fitzherbert et al. 2008: 538). Indonesia and Malaysia are the two largest producers of oil palm in the world, 5.7 million hectares in Indonesia and 4.1 million hectares in Malaysia were used for oil palm production in 2010 (FAO 2015). Together Indonesia and Malaysia also contain 80 per cent of Southeast Asia's remaining primary forest, home to numerous endemic and rare species and subject to some of the fastest global rates of deforestation (Fitzherbert et al. 2008: 538; Koh and Wilcove 2008: 60). Wilcove and Koh contend that oil palm production is the greatest immediate threat to biodiversity in Southeast Asia due to the extent to which rainforests are being turned over to oil palm production and the magnitude of the biodiversity losses associated with the process (Wilcove and Koh 2010: 1000; see also Fitzherbert et al. 2008: 538).

Fitzherbert et al. estimate that at least 1 million hectares of primary rainforest in Malaysia and up to 3 million hectares in Indonesia have been directly lost to palm production in recent decades (2008: 539). Koh and Wilcove argue that between 1990 and 2005, 55-59 per cent of oil palm expansion in

Malaysia and at least 56 per cent in Indonesia occurred at the expense of forests (2008: 60). Further Wilcove and Koh note that 94 per cent of the total deforestation of secondary forests (forests selectively logged) in Malaysia was driven by oil palm expansion. These selectively logged secondary forests retain or can recover a significant proportion of their original biodiversity, by contrast, oil palm plantations are almost entirely devoid of forest dwelling species (2010: 1000; Fitzherbert et al. 2008: 540). Further the authors note that the species lost are not just a random subset of those inhabiting primary forests but rather included those of highest conservation concern (ibid). Endangered and critically endangered species such as the orang-utan and Sumatran tiger are among those threatened by the expansion of oil palm production (Linkie et al. 2008; Ancrenaz et al. 2008).

The expansion of oil palm agriculture is also disrupting the lives of millions of people who rely on the land for subsistence (Colchester et al. 2006; Cotula et al. 2008: 40; Fortin 2011: 4; Wilcove and Koh 2010: 1001). As Cotula et al. put it palm oil production in Indonesia 'has been accompanied by a history of repression and coercion' and the 'loss of land rights' (2008: 40). Colchester et al. note that the Department of Agriculture in Indonesia has identified an additional 27 million acres of 'unproductive forestland' that could be offered to investors for conversion into oil palm plantations (2006: 25; see also Fortin 2011: 4). These 'unproductive forestlands' are areas of secondary forest degraded by logging, cultivation or other activities (Colchester et al. 2006: 25). As Fortin argues however the terms 'unproductive', 'idle' and 'under-utilised' are highly contested, such lands not only retain much of their original biodiversity they also play an essential role in the livelihoods of the poor (Fortin 2011: 4; see also Cotula et al. 2008). 'In Indonesia it has long since been established that such 'state' or 'public' lands provide livelihoods to millions of cultivators and forest dwellers under a variety of tenurial relations, be they individual or collective, 'customary or otherwise' (Fortin 2011: 4). In much the same way as Māori were dispossessed of 'idle' land by European settlers bent on pastoral farming in the nineteenth century, so too are indigenous people in Indonesia being

separated from their land and with it their means of subsistence to make way for oil palm agriculture. In contemporary Indonesia too, force is playing an important but not exclusive role.

In Indonesia mechanisms of primitive accumulation have stripped indigenous people and local communities of their productive assets resulting in conflict and contestation, numerous deaths and hundreds of injuries (Vidal 2013; see also Magdoff 2013). In 2012 alone the Indonesian National Human Rights Commission reported 5,000 human rights violations linked to deforestation by corporations (Ibid). As Vidal puts it 'the presence of palm oil plantations has spawned a new poverty and is triggering a crisis of landlessness and hunger. Human rights violations keep occurring around natural resources in the country and intimidation, forced evictions and torture are common' (Vidal 2013: para.3; see also Magdoff 2013: 7). For Magdoff oil palm expansion in Indonesia is a clear example of a twenty-first century land grab, a process he refers to as accumulation by rural dispossession (2013), for Vidal the process amounts to 'a new corporate colonialism' (2013: para.9).

As McCarthy (2010), Rist et al. (2010) and Wilcove and Koh (2010) note however, oil palm agriculture has also improved the lives of some poor rural communities in Malaysia and Indonesia. Many large scale oil palm producers provide their workers with salaries, housing, medical care and schooling (Wilcove and Koh 2010: 1001). In Indonesia many smallholders have been assisted into oil palm production via various government led development schemes (McCarthy 2010; see also Rist et al. 2010: 1011). For Rist et al. oil palm appears to be an attractive new income opportunity for small-scale Indonesian farmers, 2.4 million hectares or around one third of the area currently under oil palm production in Indonesia is cultivated by smallholders and much of the expected future expansion of production will occur due to smallholder uptake (Rist et al. 2010: 1011).

As McCarthy notes however the development of oil palm production has produced highly uneven results. While state-led development initiatives have helped many small holders into the palm oil industry with favourable results, many others have been excluded altogether or have been included on such adverse terms that they are eventually forced off their lands and left to exist as casual wage labourers (McCarthy 2010: 826; see also Fortin 2011). Similarly for Fortin, while the World Bank and various bodies representing large-scale agricultural interests trumpet the role of agribusiness in reducing poverty, critics draw attention to issues of dispossession, food insecurity, the loss of livelihoods and increased rural poverty (2011: 3). According to the international peasant advocacy group La Via Campesina, the social and ecological impacts of agrofuel development are devastating.

Monoculture and industrial agriculture, whether for agrofuel or any other production, are destroying land, forests, water and biodiversity. They drive family farmers, men and women, off the land. It is estimated five million farmers have been expelled from their land to create space for monocultures in Indonesia (La Via Campesina 2008: para.4; see also Fortin 2011: 3).

As McCarthy puts it, 'while agricultural intensification and integration into global markets may heighten profits and productivity for some, such changes may squeeze many off the land creating wealth for some while generating and perpetuating poverty for others' (McCarthy 2010: 825).

The rapid development of oil palm agriculture in Malaysia and Indonesia in recent decades driven by a surging demand for palm oil, palm kernel oil and increasingly also PKE is then, an entirely familiar process through which abundant wealth is concentrated in the hands of privileged producers while many others are deprived of their land and with it any independent means of production or subsistence. At the same time the conversion of vast tracts of primary and secondary forest to oil

palm plantations is having a devastating impact on flora and fauna in Southeast Asia's remaining tropical forests, dispossessing the world of some of its richest and rarest biodiversity.



## 11: Conclusion

The story of the New Zealand dairy industry that this thesis tells ends in much the same way as it begins, with the dispossession of previously un-owned or communally owned natural resources for private gain. In the early and mid-nineteenth century this involved the violent expropriation of communally owned Māori land and the conversion of that land into pasture. Contemporary manifestations of primitive accumulation, including the degradation of freshwater resources across the country and the enclosure of the freshwater commons in Canterbury and Hawke's Bay, might not involve the direct violence of their nineteenth century antecedent but are nevertheless devastating in their effects. Freshwater resources such as the Rakaia and Waimakariri rivers in Canterbury, long a source of food and a place of play, discovery and reflection for all, are being dammed, diverted and reticulated to serve the interests of those with a stake in intensive farming operations and dairying in particular. At the same time enormous quantities of effluent and nitrogenous fertilisers are running-off into rivers and streams and leaching into groundwater rendering much of New Zealand's freshwater commons unfit for any purpose other than intensive agriculture.

This thesis has shown that primitive accumulation has been a persistent feature of the growth and development of the New Zealand dairy industry throughout its two hundred year history, and as such it is a timely addition to the existing historical literature on the industry. This thesis adds an important and otherwise absent, critical dimension to writing on the growth and development of what is now this country's largest industry. It chronicles an otherwise untold history of dispossession and details the enormous social and environmental costs and consequences associated with the development of the New Zealand dairy industry.

This thesis also contributes to a rich, flourishing and diverse literature that uses Marx's theory of primitive accumulation to explain the processes through which various natural resources, lands, things, people and ideas are captured, enclosed and brought into the cycle of capital accumulation. As discussed in chapter two, Marx establishes his theory of primitive accumulation in the closing pages of *Capital* volume one and the concept has since been subject to differing interpretations, the literature that has followed from it is varied, rich with debate and marked by a number of important theoretical tensions. One such tension centres on the extent to which the mechanisms of primitive accumulation recede with the maturing of capitalist relations. Marx held that the violence that characterised the transition to the capitalist mode of production would lessen as the capitalist system developed (1976). Other writers have demonstrated that primitive accumulation remains central to capitalism throughout its history (see for example de Angelis 2001; Federici 2004; Hardt and Negri 2009; Harvey 2003; 2005; 2010; Midnight Notes 1990). As we have seen above primitive accumulation has featured throughout the history of the New Zealand dairy industry. It was a particularly prevalent strategy of accumulation during the period of colonisation in the nineteenth and early twentieth centuries and has resurfaced as a prevalent strategy of accumulation in the neoliberal era that began in New Zealand in 1984. During the middle decades of the twentieth century however, primitive accumulation ceased to be prevalent within New Zealand. Successive governments shielded the New Zealand economy through various subsidies, supports and tariffs and by fostering and supporting cooperatives, family farms and producer boards.

Another theoretical tension that has emerged in the literature on primitive accumulation more recently concerns the question as to who carries out primitive accumulation and why? (Hall 2012). Hall finds two poles in this debate represented in the work of de Angelis and Webber. In de Angelis's work, Hall argues, the enclosing actor is most often capital itself (2012: 1196). Further Hall notes that much of the contemporary literature on primitive accumulation joins de Angelis in giving agency to

capital or argues that primitive accumulation is carried out by the state (2012: 1196). By contrast Webber argues that, in contemporary China at least, many peasants opt to dispossess themselves of their productive assets and enter the labour market as workers (2008; 2008a; Hall 2012: 1196). Webber also argues that 'primitive accumulation in rural China is driven by local conditions' and not 'by the overarching concerns of capital in general' (Webber 2008a: 396; see also Hall 2012: 396). Webber's work gives an important insight into the processes of primitive accumulation underway in contemporary China. In New Zealand however the state has long played a decisive role in carrying out and facilitating primitive accumulation in the service of interested parties. This was true in the nineteenth century when the forces of the state were mobilised to effect the separation of Māori from their lands and open up the country to would-be pastoral farmers. It is equally true today when the current government is removing democratic obstacles to the enclosure of freshwater resources in the Canterbury region for the private gain of those with a stake in the dairy industry.

A third important debate in the contemporary literature on primitive accumulation centres on whether primitive accumulation always involves violence and coercion or whether it can also be instigated by market processes (Hall 2012: 1198). The poles of this debate too are represented in the works of de Angelis and Webber (Hall 2012: 1198-1199; see also Webber 2008: 309). Hall argues that de Angelis gives the impression that primitive accumulation is essentially an exercise in violence (2012: 1199), similarly for Webber, de Angelis claims that primitive accumulation principally involves force (Webber 2008: 309). As such de Angelis's work remains close to the account of primitive accumulation given by Marx in part eight of *Capital* volume one, in which 'conquest, enslavement, robbery, murder, in short, force play the greatest part' (Marx 1976: 874; Hall 2012: 1198). By contrast Webber argues that market processes too can generate primitive accumulation (Webber 2008; 2008a; Hall 2012: 1199). In his work on primitive accumulation in contemporary China, Webber argues that the market is the principal institution through which people are

separated from their productive assets (2008a: 396). For Webber not all, but most of the people who enter the labour market in China do so voluntarily, their allegiance to the labour market 'is purchased rather than compelled' (Webber 2008a: 405). Poverty and inequality and not force are driving rural Chinese people off the land and into the labour market (Webber 2008a: 396).

In the history of primitive accumulation that this thesis highlights direct violence and force have featured prominently but not exclusively. The mechanisms of primitive accumulation mobilised in the service of the New Zealand dairy industry over the past two hundred years have involved a variety of means, both violent and otherwise. As we have seen in the chapters above, the violent dispossession of Māori land eventually gave way to the indirect violence of the Native Land Court and later to the Liberal's land-buying programme. The net result for Māori remained the same no matter what mechanism of dispossession was employed; Māori were divorced from their land and with it from any means of production or subsistence independent of capitalism. With sufficient land secured, the dairy industry grew rapidly throughout the late nineteenth and early twentieth centuries. Successive governments played an increasingly active role in facilitating the flow of dairy exports out of the country. In 1913, the outward flow of butter and cheese was slowed by striking waterside workers, hoping to share in the growing prosperity of the country. Here again 'direct extra-economic force' was required to restore 'the ordinary run of things' (Marx 1976: 899; de Angelis 2001: 15-16). The Prime Minister, William Massey, mustered together the forces of the state and reactionary elements from within his farming constituency, to ride to the cities, put down the strike and restore the flow of dairy goods out of the country.

The ongoing prosperity of dairy farmers in New Zealand owes much to Massey. Not only was he prepared to use state violence against striking workers in order to further the interests of his

supporters, he also played a key role in securing for New Zealand a sizeable stake in the phosphate rich island of Nauru. Nauruan phosphate was central to the growth and development of the dairy industry in New Zealand until Nauru gained independence in 1968. For much of the mid-twentieth century, the New Zealand dairy industry delivered stable rates of growth and contributed to the overall prosperity of the country. As Hilferding argues however and as detailed in chapter two, comparatively peaceful and prosperous conditions in advanced capitalist countries are often assured by violent acts of dispossession in undeveloped capitalist countries (Hilferding 1981), and indeed New Zealand's post-war prosperity was, in large part, driven by the dispossession of Nauruan phosphate and the systematic degradation of the Nauruan environment.

Peace and prosperity in the post-war period was also maintained by a broad political consensus that actually began to emerge in the interventionist policies of the first Liberal government. The Liberal's vision for New Zealand was one of a bountiful agrarian society. Despite their name, the Liberals were more than happy to operate the levers of state power in order to bring about their vision for the country. They advocated a comprehensive role for central government in regulating the economy in the interests of a more equal social order. As discussed in chapter four, the results of the Liberals interventionism were varied. On the one hand, the Liberal's land-buying program helped many small farmers on to the land and the provisioning of cheap credit enabled them to stay there. On the other hand however, the land buying program accelerated the processes of primitive accumulation; it was underwritten by the dispossession of Māori land and under the Liberals Māori were systematically stripped of an additional 3.1 million acres. This was not the violent dispossession of the mid-nineteenth century but rather dispossession hidden behind 'a show of justice' (Brooking 1992: 87-88; Ward 1973). The Liberals also passed a number of acts of parliament including the establishment of the Department of Agriculture aimed at enhancing the power of the state to regulate the industry in the interest of wider public health and safety concerns.

Aspects of the Liberal's interventionism survived that government's demise and the conservative, Massey-led Reform government that followed also recognised that state intervention in markets could promote broader economic welfare. Despite vigorous protestations to the contrary, Massey too, was happy to intervene in the economy when it suited him and his farming constituents. Beyond mustering the forces of the state to suppress dissent and securing for New Zealand the right to pillage and plunder in the Pacific, Massey was also behind interventionist and protectionist legislation aimed at shielding the New Zealand dairy industry from the vicissitudes of international markets. It was Massey the arch conservative, long-time advocate of *laissez-faire* and protector of the sanctity of private property that passed the Dairy Produce Industry Control Act, that established the Dairy Control Board and vested in it, for a short time at least, 'absolute and total control'.

Various Liberal and Reform government flirtations with interventionism notwithstanding, these nascent political ideas really began to take meaningful shape in the wake of the Great Depression, particularly in the policies of the first Labour government. Labour's reforms were fast and far-reaching and, as we saw in chapter six, fundamentally altered the social, economic and political direction of the country and put in place a comprehensive framework of protective legislation that, for fifty years at least, largely shielded New Zealand society from the ravages of primitive accumulation.

Labour sought to shield the dairy industry from the uncertainties of the market with a system of guaranteed prices. This scheme, brainchild of Finance Minister Walter Nash, offered farmers and their families the certainty and security of an income adequate to a life of reasonable comfort. The architects of the guaranteed prices scheme recognised that it would only be sustainable if all other workers too were adequately rewarded, such that they might share in the bounty of the land.

Farmers were initially receptive to the scheme, but interests in the industry soon took to agitating for higher prices. Contest between government and the industry over annual dairy prices became a constant until the remnants of the guaranteed prices scheme, together with all other forms of state support, were swept away by the Rogernomics juggernaut in the mid-1980s.

War too had a crucial role to play in establishing the socio-economic framework that would generate prosperity throughout the mid twentieth century. The Second World War proved an ideal crucible in which to crystalize public opinion about the virtues of a planned economy. As a result of first depression and then war, political and economic ideas about the benefits of state intervention in the economy that had been developing since as far back as the 1890s, were forged into a durable consensus that would survive the change of governments until 1984.

In the decades that followed the war, state and industry worked hand in hand to maximise productivity and successive governments remained committed to social security and a planned economy meaning that the fruits of that productivity were comparatively evenly distributed. State and industry collaboration led, among other things, to the widespread and rapid adoption of aerial top-dressing which allowed for the increasingly extensive application of superphosphate over arable New Zealand land. As discussed in chapter seven, the state also took a leading role in research and development and government organs such as the DSIR played a central role in enabling increased productivity during the post-war era. It was precisely this state and industry collaboration, underpinned of course by cheap and plentiful Nauruan phosphate that delivered to New Zealand standards of living among the highest in the world (King 2003: 436; Brooking et al. 2002: 170-171).

By the early 1970s this picture was beginning to darken. The first OPEC oil shock, the collapse of post-war commodity prices and Britain's decision to join the EEC all contributed to a sharp economic downturn. New Zealand's terms of trade declined by 40 per cent. This was not a situation unique to New Zealand, rather as Jones notes this was part of a 'broader unravelling of the Fordist regime of accumulation' (2012: 96). As Duménil and Lévy (2004; 2004a) and Harvey (2003; 2005; 2010) show, across much of the developed and developing capitalist world, the 1970s were marked by diminishing capital accumulation, wage stagnation and rising unemployment, all of which contributed to sharp decline in the relative wealth of economic elites (Duménil and Lévy 2004a). Neoliberalism, long relegated to the margins of political and economic thought emerges at this time as a reaction to this deteriorating situation as elites moved to protect themselves against 'political and economic oblivion' (Harvey 2005: 15).

In New Zealand, as detailed in chapter eight the lone figure of Robert Muldoon stood defiantly against the rising tide of market fundamentalism. Muldoon opted to try and spend the country out of recession by increasing direct input subsidies for the pastoral farming sector on the one hand, and through ambitious 'Think Big' energy projects aimed at protecting New Zealand from the uncertainties of global energy markets on the other. Muldoon was unable to stem the rising neoliberal tide and he, and the political and economic consensus that had held primitive accumulation largely in check for fifty years, were swept away on a rainy day in July 1984. The rest, as it is said, is history.

The so-called neoliberal revolution that followed, the 'momentous shift toward greater social inequality and the restoration of economic power to the upper class' (Harvey 2005: 26), is nothing other than the restoration and proliferation of primitive accumulation as a central mechanism of



capital accumulation. In the last three decades primitive accumulation has resurfaced as a persistent and central lever of accumulation and one that has driven the massive expansion and intensification of the dairy industry in recent years with all the attendant and spiralling social and environmental consequences.

In 2014 the dairy industry remains the country's largest. According to the most recent forecasts dairy will contribute \$16.69 billion to the New Zealand Economy in the current season, up 19.5 per cent on forecasts from 2013 (MPI 2014: 6). Growing demand for dairy exports in emerging markets, particularly those in Asia has continued to drive expansion and intensification. Milk production in New Zealand is expected to increase by 6.7 per cent in the current season owing both to an increase in the total size of the national dairy herd and to an increase in per-cow production (ibid). As has been established in chapters nine and ten, greater per-cow production is largely input driven and results from increased application of nitrogenous fertilisers and the use of supplements such as PKE to augment feed requirements during periods of low grass growth, both of which have calamitous environmental impacts for New Zealand (Joy 2011; 2011a), as well as for Indonesia and Malaysia (Koh and Wilcove 2008; Wilcove and Koh 2010).

The fifth National government, much like its predecessor and indeed all successive governments since 1984, seems more than happy to not only stand by while the mechanisms of primitive accumulation separate New Zealanders from their freshwater resources, environmental integrity and endemic biodiversity, but also to actively intervene in order to facilitate the dispossession. At the same time however the calamitous ecological impact of intensive dairying in New Zealand has generated an increasingly wide ranging and vociferous backlash against the industry which has been articulated in different ways and at different times by various iwi groups, environmental and leisure

organisations and political parties. The dirty dairying campaign, led by Fish and Game New Zealand, has proven successful in drawing attention to the environmental costs of intensive dairying but has been unable to affect anything other than superficial change. The toothless Clean Streams and Dairying Accord 2003 has failed to protect New Zealand's freshwater resources and water quality in dairying areas has continued to decline. A recent publication by the Parliamentary Commissioner for the Environment paints a bleak and damning picture of the future if significant change is not forthcoming. 'It is' the Commissioner concludes, 'inevitable that without significantly more intervention we will continue to see ongoing deterioration in water quality in many catchments across the country, particularly in Canterbury and Southland' (PCE 2013: 5). For the Commissioner, New Zealand is faced with a classic economy versus environment dilemma. Increased dairy production will only continue to cause serious environmental impacts whereas increased regulation, protection and mitigation would have adverse economic effects. On this I take a different view, one to which I will return below.

Beset by growing public concern about the environmental consequences of on-going expansion and intensification in New Zealand on the one hand and by a desire to capitalise on high dairy prices on the other, industry interests have sought for solutions to this dilemma. One possible solution has been to off-shore milk production to developing countries in Asia and Latin America, and by extension off-shore the environmental costs of intensive dairy farming. As detailed in chapter ten, Fonterra operates a number of joint ventures and partnerships around the world enabling it to source milk year round and giving it presence in otherwise protected markets. Fonterra also operates a growing network of dairy farms in Asia and Latin America, and indeed the development of offshore dairy farms, particularly in China, is one of Fonterra's current strategic themes (Fonterra 2014a).

In China, Fonterra currently operates large-scale dairy farms in Tangshan and Yutian in Hebei Province (Fonterra 2014). Additional farms are under construction, when complete these farms will each milk 15,000 cows, and produce around 150 million litres of milk each year. The operation in Hebei, once complete, will be Fonterra's first dairy hub in China. Other hubs, each milking 16,000 cows, are set to follow as Fonterra expands its presence into the plains east of Beijing (ibid; Hornby and Lee 2012). Fonterra also collects 25,000 litres of milk each day from a network of 4,000 small farms in Sri Lanka. In addition the company has plans to develop a number of model dairy farms to train local farmers in 'best practise' methods of dairy farming (Fonterra 2014). Fonterra also operates two dairy farms in Chile through its local subsidiary Soprole, in which it retains a 99.6 per cent share (Trevitt 2013). In addition Fonterra is developing a pilot farm in Brazil which will eventually be home to 2,500 dairy cows grown from embryos exported from New Zealand (ibid).

Fonterra's recent expansion into Asia and Latin America gives it scope to externalise the environmental externalities of intensive dairy production thus placating increasingly vocal and widespread opposition to the relentless expansion and intensification of the industry with all its attendant environmental consequences within New Zealand. Fonterra trades on an imagery of cows grazing in rich pastures set against the backdrop of a pristine natural environment. It is an imagery increasingly at odds with the realities of intensive dairying, realities highlighted by the on-going decline of freshwater ecosystems which has prompted commentators to talk of an unfolding environmental and biodiversity catastrophe (Joy 2011; 2011a), or to reframe the 'clean and green' image as 'filthy and brown' (Blackett and Le Heron 2008: 77).

As Blackett and Le Heron argue, food production has, in recent decades, 'come under increasing scrutiny from a public concerned over food safety and the social and environmental externalities of

food production systems' (2008: 77). Fonterra has been rocked by a number of recent food-safety issues and scares, including the 2008 melamine scandal, in which milk formula produced by Sanlu, a Fonterra subsidiary in China, was contaminated with melamine leaving six children dead and hundreds of others critically ill (Adams 2014; *The National Business Review* 2013). In September 2012, Fonterra tests found traces of the agricultural chemical dicyandiamide in some dairy products prompting a voluntary suspension of sales, in the wake of the scandal the Wall Street Journal ran an article questioning the safety of New Zealand milk (*The Wall Street Journal* 2013; *NBR* 2013). In the most recent scare, a Fonterra whey protein concentrate tested positive for clostridium botulinum, a strain of bacteria that can cause botulism. Subsequent testing found that the risk of botulism had never existed but not before Fonterra suffered significant reputational damage (*NBR* 2013; Rutherford 2014).

In light of both these serious food safety scares on the one hand and the mounting evidence of increasingly serious environmental degradation on the other, the New Zealand dairy industry is left in a delicate position. The risks to Fonterra and the industry more widely if the 'clean green' image is further damaged are significant. A 2001 Ministry for the Environment study found that if New Zealand's environment was perceived as degraded consumers in certain key markets would purchase 54 per cent fewer dairy goods (MfE 2001: 4).

Off-shoring production to Asia and Latin America might well provide Fonterra with solutions to this problem. As concern over the on-going expansion and intensification of dairying operations in New Zealand continues to mount, together with a broader public concern with environmental matters more generally and a growing anxiety over food safety, so too does the likelihood of more stringent regulation. A stricter regulatory apparatus in New Zealand might mean that Fonterra is unable to

maintain its cherished position as the lowest cost supplier of commodity dairy products, at least not with milk sourced from New Zealand. Increased production off-shore might help Fonterra to continue supplying lower-value markets with cheap protein while production in New Zealand is geared more towards higher-end value-added markets, and indeed capturing more of the value-added market with milk produced in New Zealand is another of Fonterra's current strategic themes (Fonterra 2014a).

Fonterra and the New Zealand industry more widely certainly seem keen to publicise a renewed commitment to protecting freshwater ecosystems. The Sustainable Dairying Water Accord (2013) which replaced the Dairying and Clean Streams Accord (2003) promises to 'lift the game' of the industry with regard to environmental protection and acknowledges that the industry must be seen to work for all New Zealanders. The latter is a point to which I will return below.

I want now to briefly return to the point made by the Parliamentary Commissioner for the Environment, about New Zealand being faced by a classic economy versus environment dilemma. Here the Commissioner rehearses the idea that the on-going expansion and intensification of the dairy sector in New Zealand is beneficial to the economy but injurious to the environment, and indeed there was a time in this country when increased agricultural production added to the prosperity of the country as a whole. As this thesis has demonstrated, the mid-twentieth century was a time in which the New Zealand dairy industry played an important role in delivering to New Zealanders standards of living among the highest in the world. Then, a complex social and economic framework was in place that fostered and supported the industry in the interests of the country as a whole. This framework also served to prevent the worst aspects of primitive accumulation taking place within New Zealand, although the systematic despoliation of the Nauruan environment will

forever cast a dark shadow over that so-called golden-age. In more recent decades however, the spoils of the dairy industry have accrued in ever fewer hands, thirty years of neoliberal orthodoxy have produced fast-growing inequalities in New Zealand and the country now ranks among the most unequal within the OECD (OECD 2011).

The prominent American Sociologist Saskia Sassen has recently referred to contemporary versions of primitive accumulation in terms of 'a savage sorting of winners and losers' (2010), and indeed in New Zealand, where these mechanisms of accumulation have been so enthusiastically embraced for three long decades, primitive accumulation has produced a small number of winners and a growing number of losers. A decreasing number of dairy farmers, agri-business and agricultural service industry interests have done exceedingly well out of the relentless drive to expand and intensify dairy production in New Zealand. On the other side however, neoliberal restructuring forced many dairying families off the land and the massive expansion of the industry that has followed is having a calamitous impact on New Zealand's freshwater commons. Resources belonging to all New Zealanders, present and future, are being systematically degraded for the short term benefit of those with a stake in the industry. Moreover, while forecasts estimate that dairy will contribute nearly \$17 billion to the local economy in 2013/2014, hundreds of thousands of children in New Zealand are growing up in poverty.

Recent research suggests 285,000 children; or rather 27 per cent of all children in New Zealand are living in poverty (Craig et al. 2013: 14; Dale et al. 2014: 3). For Māori and Pacific children the figures are starker still, around 34 per cent of Māori and Pacific children were living in poverty in the years 2010-2012 (Craig et al. 2013: 14). A recent study by the Child Poverty Action Group has found that many of these children have their lifelong health and education compromised and that for three out

of five of these children poverty persists for more than seven years or rather for most of their formative years (Dale et al. 2014: 3). Craig et al. note the serious and spiralling implications of poverty on health and wellbeing. The negative health outcomes associated with child poverty include: 'low birth weight; infant mortality and Sudden Unexpected Death in Infancy; poorer mental health and cognitive development; and higher rates of hospital admissions for infectious and respiratory diseases which are often associated with living in crowded household conditions' (Craig et al. 2013: 61).

In 1935, and in the midst of the Great Depression, medical authorities in New Zealand were faced with similar conditions. Then, substantial numbers of children were found to be suffering from the effects of malnutrition and some were quite literally starving to death (Simpson 1976: 84; Sutch 1969: 221-222). The backdrop of this appalling human suffering then, as now, was a steadily expanding export dairy industry and increased production owing to the increased use of inputs. Also in 1935, and as mentioned above, the incoming Minister of Finance, Walter Nash published a pamphlet outlining his party's plans for the dairy industry. In an appendix to it, titled Starvation in New Zealand, Nash gathers together statements from various eminent medical authorities of the day cataloguing widespread malnutrition in children. Nash finishes by questioning the justifiability of these conditions in 'a Christian country wonderfully endowed by god' (1935: 20-21). Nash's language belongs to a different time, one removed from our more secular and pluralistic present, but the idea behind it, that here in this rich land of bountiful abundance no one need go without, remains both powerful and urgent.

The Sustainable Dairying: Water Accord 2013 that brings together most of the major players in the New Zealand dairy industry, promises a 'refreshed strategy for sustainable dairy farming' and, as

mentioned above, argues that dairy farming needs to be seen to work for all New Zealanders (Dairy NZ 2013). Given the mounting evidence of inequality, hardship and suffering in contemporary New Zealand, and given the enormous environmental costs and consequences of the industry both in this country and beyond, this proposed strategy takes on an urgency and importance that far surpasses the vague and non-committal assurances of industry interests. For two centuries the mechanisms of primitive accumulation have underpinned the growth and development of the New Zealand dairy industry and for two centuries these mechanisms have produced enormous social and environmental harms including: the alienation of Māori from their land; the dispossession of Nauruan phosphates and the destruction of the Nauruan environment; the degradation, destruction and dispossession of the freshwater commons in New Zealand; and the clearance of Indonesian and Malaysian rainforests for the production of palm oil and the co-product PKE. If the dairy industry is to work for all New Zealanders, as Dairy NZ apparently intend, then these mechanisms of primitive accumulation together with all their attendant environmental and social harms must be relegated to the past, replaced with a new and critical concern for the interests of all New Zealanders present and future, their cherished and declining natural environment and no less cherished environments elsewhere.

The future of the New Zealand dairy industry need not resemble the past. As the experience of the mid-twentieth century demonstrates governments, when faced with difficult circumstances, can act to protect against the ravages of primitive accumulation and bring about more equitable outcomes for society as a whole. Today New Zealand is faced with a number of challenges, including worsening social inequality and an unfolding environmental catastrophe, for which the dairy industry is directly culpable. Finding durable solutions to these challenges will likely involve a level of direct governmental intervention incompatible with the logic of neoliberalism that has held sway in New Zealand for 30 long years and through which dispossession has become an increasingly prevalent



strategy of accumulation. Through careful economic management and robust protective legislation, future governments of New Zealand might protect the natural environment and endemic biodiversity for all New Zealanders, present and future, and harness the dairy industry such that all New Zealanders are able to share in the bounty of the land.

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