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**Not a Fair Go:  
A History and Analysis  
of  
Social Credit's Struggle for Success  
in  
New Zealand's Electoral System**

A thesis  
submitted in fulfilment  
of the requirements  
of  
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by  
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## **Abstract**

This thesis is an examination of the main issues Social Credit contended with while trying to succeed in New Zealand politics. Its historical and political analysis is in the context of the electoral system.

The first section argues for and describes the changing electoral context and outlines how this created difficulties for Social Credit. It concludes that the movement faced very adverse electoral periods for third parties. The second part examines founder Major C.H. Douglas's Social Credit vision and charts Social Credit's political adaptations from its New Zealand beginnings to the time Bruce Beetham took over as leader in 1972. It challenges the myths that Social Credit could not change without ceasing to be Social Credit and that its economics were unworkable.

In the third section the centrality of Beetham's leadership to Social Credit success is explored by looking at his life, personality, beliefs and vision for the movement. It concludes that he believed in Social Credit and that his drive and dedication were essential to Social Credit's revival. Then the thesis follows Social Credit's electoral progress from 1972 to 1981. It examines the impact from its own activities and other political actors and circumstances. This includes effects from organisational changes, the effect of growing and changing membership and the sources of its votes.

The fifth part outlines the factors that put Social Credit into permanent decline after 1981. These include the Clyde dam issue, the emerging New Zealand party, the 1984 snap election and the failure to revitalise the party. Finally, it examines Social Credit influence on the electoral system itself, particularly in regard to the move to proportional representation. Here its existence and size mattered more than direct action.

The contribution of this thesis is, firstly, in challenging the usual roles assigned to third parties. Second, it outlines the characteristics of different electoral periods. Third, it examines the nature of Social Credit in a more positive way. Fourth, it looks at the electoral elements that shaped Social Credit's successes and failures. Finally, it shows the effects of professionalisation on a typical party branch.

## **Acknowledgments**

I am particularly grateful to Dr Alan Simpson for agreeing to be my supervisor and for the generous time he has put in. He has been very encouraging in his comments and has helped me over difficulties in structure when I had trouble seeing the wood for the trees. He is unerring in spotting something that does not flow, is unclear or has a serious omission. Sessions with him have always been friendly, enjoyable and helpful.

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## Abbreviations

AGM	Annual General Meeting
CER	Closer Economic Relations
DL	Democratic Labour
EEC	European Economic Community
ERC	Electoral Reform Coalition
FPP	First Past the Post (Simple Majority)
MMP	Mixed Member Proportional
MP	Member of Parliament
NRB	National Research Bureau
RDM	Real Democracy Movement
PR	Proportional Representation
STV	Single Transferable Vote

## Chapter One

### Introduction

The 1981 election campaign was not confined to the period between announcing the election date and polling day. Arguably, it was one of the longest in modern New Zealand political history and was certainly so for the Social Credit Political League. In varying degrees, it had been campaigning since September 1980 when the League's local East Coast Bays by-election campaign became a nationwide one after winning the seat.

The result was bolstered by opinion polls, which put Social Credit level with Labour on 30% by the end of the year. It was unprecedented that 'an electoral dog pound for strays', as political scientist Austin Mitchell put it in 1969,<sup>1</sup> long regarded in political circles as a bunch of 'funny money' cranks should suddenly become a serious contender. This incredulity came from a long held idea that under a two-party first past the post (FPP) system a third party could only have a limited role.

However, it could be argued that it was not limited. In 1972, after becoming Social Credit leader, Bruce Beetham suggested that the League would reach the Treasury Benches by 1981. He based this view on the fact that Labour took 27 years to become the government from its formation as a third party.<sup>2</sup> By 1981 it could be said that Social Credit was an unsuccessful third party as it had existed for 28 years with only two parliamentary seats to show for it while Labour had just become the Opposition 28 years after its formation in 1904.<sup>3</sup> This assumed that the electoral system presented the same opportunity for third parties throughout and implied that Social Credit failure came from lack of appropriate effort.

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<sup>1</sup> Austin Mitchell, *Politics and People in New Zealand* (Christchurch: Whitcombe and Tombs, 1969), p.220.

<sup>2</sup> Spiro Zavos, *Crusade* (Wellington: INL Print, 1981), p. 32. Beetham considered that the Labour party began in 1908.

<sup>3</sup> The technical formation of the Labour party in 1916 was an exercise in unity rather than beginning a new party. A Labour party contesting elections independently from the Liberals was initially formed in 1904.

Assuming the basis for electoral success to be the same throughout New Zealand's electoral history was also a common view but the process of election changed markedly over seventy years. To compare it with Labour is simplistic. Certainly it did progress from a third party to a governing one and is the only one to have done so. However, Labour had a unique set of favourable political circumstances and was helped by an electoral system that, at the time, was far friendlier to third parties. Social Credit did not have these significant advantages. It had to operate in a quite different way than Labour did to succeed and compensating for these differences markedly reduces the gap between the two.

The main premise of this thesis is that Social Credit was the most successful modern third party in New Zealand under the two-party FPP electoral system prevailing after 1935. Its success should not simply be measured in terms of electoral seats gained but by a whole range of measures.<sup>4</sup> This would include positive ones such as party organisation, leadership, fundraising and publicity as well as countering negative ones such as the electoral system and access to media. Too often third parties have been in the position of Alice and the Red Queen, having to run as fast as they can just to stay where they are and run even faster if they want to get somewhere.<sup>5</sup> This thesis considers such a range of positive and negative factors and analyses how successful Social Credit was in this context.

Comprehensively detailing the whole history of Social Credit in New Zealand is beyond the scope of this thesis, so it focuses on several aspects. First, it covers the changing electoral context Social Credit worked in and argues that it initially operated in the electoral period most disadvantageous to third parties. Its revival under Beetham occurred in a period where electoral success was possible but very difficult.

Second, it examines the nature of the movement itself and charts its adaptations to cope with changing electoral and political circumstances to the time Beetham took over as leader.<sup>6</sup> Third, it explores the centrality of

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<sup>4</sup> The author is indebted to his supervisor Dr. Alan Simpson for this phrase.

<sup>5</sup> Lewis Carroll, *Alice's Adventures in Wonderland and Through the Looking Glass* (London: Oxford University Press, 1971), p. 145.

<sup>6</sup> It does not take Raymond Miller's view that Social Credit was several different parties. Raymond Miller, 'Social Credit, An Analysis of New Zealand's Perennial Third Party'



Beetham's leadership to Social Credit success by looking at his life, personality and beliefs. This includes his vision for the movement and whether he really was a Social Crediter.

Fourth, the thesis follows Social Credit's electoral progress from 1972 to 1981 and examines the successes and failures of its own activities and the impact of other political actors. This includes necessary structural changes to its organisation and reworking Social Credit ideas into viable policy. Fifth, it outlines the main factors that put Social Credit into permanent decline after 1981. Within these sections are three important themes: the impact of a growing and changing membership, internal mistakes that made Social Credit's political life harder, and, one that may seem surprising, the effect of the Boundaries Commission on its ability to win and hold seats. Finally, it examines Social Credit influence on the electoral system, arguing that a significant legacy was its contribution to the major shift to proportional representation. Arguably this section more properly belongs in the electoral context chapter but is placed last so the thesis ends on a positive note.

This thesis is both history and analysis. Raymond Miller has already written a comprehensive study on Social Credit. While overlap exists, this thesis covers areas in detail that he has not and revisits some from a different point of view. Therefore its structure is more thematic and only loosely chronological. It aims to particularly provide more understanding of Social Credit as a political movement and third party, and the general struggles of third parties in New Zealand's FPP electoral context but also to stimulate further study on electoral system changes and its historical periods.

The thesis begins by analysing the electoral context in which Social Credit operated.

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(unpublished PhD thesis, Auckland University, 1987), pp. 14, 421. Instead it argues that the movement changed to meet electoral and political challenges without ceasing to be Social Credit.



## Chapter Two

### Electoral Context

The main part of this chapter charts the changes in the electoral system since Westminster style politics began in New Zealand in 1853 and examines its effect on third party prospects. It divides electoral history into periods and examines each period's characteristics so that it is clear what chances third parties had to gain support and a foothold in parliament. Intertwined with this is consideration of the arguments for a homogenous electoral history and only a limited role for third parties. Other factors considered are the general nature of New Zealand voters and the size of the electorate. A second smaller section outlines Social Credit's experience on the difficulty of maintaining winning support in seats due to frequently changing boundaries.

#### 2.1 Hurdles Third Parties Face

A third party has many hurdles to overcome on the way to winning representation and political influence. It has to organise, find candidates, be led well and develop policies with effective ways to communicate them. Its programme and message must strike a chord in the electorate so that people will vote for the party.

Unless a country uses a proportional system, a major hurdle a third party faces is the electoral system itself. Over fifty years ago Maurice Duverger put forward a principle that using the plurality method (FPP) correlates to a dominant two-party system because of its mechanical and psychological effects. The mechanical effect is how votes translate into seats and the psychological effect is the impact of system mechanics on how electors cast votes.<sup>1</sup> Under FPP both worked against third parties. As it was hard for third parties to win seats, electors did not vote for them because they could not win seats, an electoral double whammy. This was certainly true in New Zealand, yet despite this Labour as a third party eventually achieved

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<sup>1</sup> Rod Hague and Martin Harrop, *Comparative Government and Politics: An Introduction (7th ed.)* (Basingstoke: Palgrave, 2007), p. 192.

major party status in the early 1930s and is still one today. So, could Social Credit have achieved another breakthrough and was it from its own party failings that it did not?

In 1973, historian Judith Bassett noted the plurality effect. Thus third parties

serve to express the discontent of groups which feel neglected by the major parties. They are usually shortlived because the major parties normally respond...by trying to pacify the discontented group and to win back their lost supporters. Only if one of the major parties proves too rigid to accommodate to a third party threat can the third party find room to grow. The two-party system, therefore, depends on the infinite flexibility of the two parties. It is further reinforced in New Zealand by the first-past-the-post election system which carries with it the fear that a vote for a third party will not merely be 'wasted' but will act against a voter's intention to change the government.<sup>2</sup>

Her view had unstated assumptions. Voters would only switch parties in a two-party system if the other party were deemed worth voting for. She assumed that it was and ignored the possibility of choosing a different candidate simply to gain a better MP. Bassett implied that major party neglect of a group will be expressed in third party protest but non-voting was also an option. She did not consider that a two-party system might become so dominant that a third party cannot grow even with major party inflexibility. Because a third party became a major one Bassett just assumed that it could happen again. Under this lies a further assumption that once a two-party system developed in New Zealand, it remained essentially the same throughout the twentieth century.

### 2.1.1 Electoral Systems in New Zealand

Three main electoral systems have operated over New Zealand's political history since 1853. First, the provincial system dominated New Zealand politics. Although this was abolished in 1876, a recognisable two-party system did not emerge until 1890. New Zealand used the first past the post simple majority method from 1853 until 1996.<sup>3</sup> Then it was replaced by a proportional system—Mixed Member Proportional (MMP), a hybrid of a purely list

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<sup>2</sup> Judith Bassett, 'Third Parties: Prophets in the Wilderness', *New Zealand Today Part 7* (Wellington: Paul Hamlyn, 1973) p. 190.

proportional system and FPP. This produced the third and completely different electoral system for electing politicians.

The second major system, a two-party one under FPP spanning the elections from 1890 to 1993, can be viewed as a homogenous period. Both Beetham and Bassett took this approach but this was mistaken as the system evolved markedly from its beginning. Three sub-periods existed each possessing quite different characteristics. 1890 changed a no-party system to a two-party one but 1935 marked a second change. Bassett's historical survey ends in 1972 without acknowledging the 1935 one and can be forgiven for missing another that had only just occurred with the 1972 election. These periods arose from the changing interaction of four components shaping the electoral system.

The clear difference in the political system before and after 1890 with FPP used throughout shows that a voting method, although providing a significant shape to an electoral system, is only one component.<sup>4</sup> Two other significant components were how political organisations presented themselves to the electorate and how electors responded. Each affected the other's behaviour. The focus of provincial government was candidates with personal and community standing willing to champion regional concerns. So parliament was made up of Independents arranged in regional groups with emphasis on the calibre of the candidate.<sup>5</sup>

Political parties began a trend that shifted from candidate quality to party affiliation. Certainly able candidates did better but in safe seats an incompetent one would still win. Party organisation evolved from isolated local effort to centralised mass parties with electorate branches and went from open to closed selection methods. Electing the right candidate became electing the right party.

Underlying these three components is a fourth: political communication. This progressively widened its focus in New Zealand. In the nineteenth century, communities were so isolated that the political process was localised and the provincial system pragmatically recognised this. Local

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<sup>3</sup> Apart from the Second Ballot system used between 1908 and 1913.

<sup>4</sup> It is often mistaken for the whole thing.

newspapers were the most common transmitters of information. As communities linked up, newspapers emerged to cover wider areas without replacing local papers but New Zealand never produced any with national circulations. Radio, the first nationwide medium, began in the 1930s followed by television thirty years later and now supplemented by the internet. Mass communication significantly shapes voter behaviour and the last mass modifier came in the 1970s from regularly published opinion polls.

Consequently, the emphasis shifted from local electorate contests to national campaigns. The sum of individual electorate results initially determined the shape of parliament but the perception of how well a party performed nationally later determined voting in local electorates. This shift was largely complete by 1935 and the mass party predominated thereafter. So, the long evolution of the two-party system meant that the electoral system in 1890 was quite different from the one in the 1940s and different again in the 1980s. Prospects for third parties and Independents were not the same in each period as the essential shift was from a loose two-party system to a very rigid one with a different voter response.

### 2.1.2 The Flexible Two-party Period

Three historical periods are identifiable and show up clearly in the election results. The first began in 1890 and finished in 1935. By then embryonic major party organisations were highly organised mass parties. The focus had also moved from purely local electorate contests to nationwide shifts in votes and from loose groups of independent and party MPs to complete party tickets.

Initially parties did not consider it necessary to contest every seat. Some were omitted due to party weakness, others due to the futility of contesting another party's strongholds, and the remainder for tactical reasons.<sup>6</sup> This gave third party candidates and Independents room to be elected. Continued, though diminishing, emphasis on candidate calibre and

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<sup>5</sup> Despite the introduction of party, this continued to be reflected in official election results. Party designations were unrecorded until 1957.

<sup>6</sup> The most extreme example was Dunedin North in 1919. Only two third party candidates contested it. Liberals used the Labour candidate as a surrogate while Reform supported Independent Labour.

the fact that individual electorate contests were divorced from how well major parties performed nationwide also helped their prospects. Fluidity in the two-party system during this time enables it to be called *the flexible two-party period*. Independents gained seats although true Independents were rare. Most had varying affinities to a major party or Labour.<sup>7</sup> Allegiances were also fluid as MPs moved in and out of party identification.<sup>8</sup>

Third parties existed. Labour was the most prominent but there was also the Country party and the 1935 Democrats.<sup>9</sup> The former two plus Independents won significant representation from a relatively large but fluctuating third party vote. Local factors could cause electorates to go against the general voting trend but this lessened as media and mass party organisation became more prevalent. Parliament ceased to be the aggregate of individual electorate contests.

The electoral cycle also differed. A modern major party usually stays in office from two to four terms before defeat but the Liberals had seven consecutive terms followed by Reform on five.<sup>10</sup> The Liberal party continually increased its vote share from 1896 to 1908 and Reform also did in 1922 and 1925 after a 1919 low. Thus earlier governments were more popular in their latter periods of office whereas modern governments decline from growing tiredness of a stale administration. Since both Liberal and Reform governments then suffered a major loss at the next election, the pattern was sustained electorate loyalty followed by sharp rejection rather than continual erosion of support.

New Zealand had not yet reached a solid two-party system and government longevity was due in part to Opposition party weakness. The Opposition took nearly two decades from 1890 to accept the party system and go from a loose collection of like-minded MPs to a fully-fledged party. Once

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<sup>7</sup> Three famous Independents of this time, C.E. Statham, Charles Wilkinson and Harry Atmore were originally major party MPs.

<sup>8</sup> For example, Fred 'Rainbow' Pirani, MP for Palmerston from 1893 to 1902 was first a Liberal, then Independent, and finally an Oppositionist. J.O. Wilson, *New Zealand Parliamentary Record: 1840-1984* (Wellington: Government Printer, 1985), p. 227. Political scientist Barry Gustafson credits him with six party labels. Barry Gustafson, *Labour's Path to Political Independence* (Auckland: Auckland University Press, 1980), p. 144.

<sup>9</sup> Prohibitionists also stood but they were not a political party as such. They usually only appeared to ensure a contest in electorates where the sitting member would otherwise be unopposed so that a local liquor poll was held.

<sup>10</sup> Twenty-one and sixteen years respectively.

the Reform party formed in 1909, three years later they were the government. In the 1920s there were three parties. Reform was the biggest while the Liberals and Labour vied to be the main opposition. The 1928 election gave all three equal strength. If the Depression had not produced a coalition between the two anti-Labour parties, this three-way situation may have gone on for another one or two elections. This returned politics to two parties in 1931 and the system was almost complete. However, the 1935 election was the last flexible one.

### 2.1.3 The Rigid Two-party Period

Depression anger bled coalition votes to third parties and Independents as well as Labour. Six candidates outside the major parties were elected on a sizeable third party vote. Without this, 1935 might have been the first election in the new period, which ran from 1938 to 1972. Successful Independents disappeared and, indeed, not many such candidates stood at all. Few third parties contested elections until Social Credit became a permanent third force.<sup>11</sup> Major parties contested every seat even where prospects were hopeless and nobody withdrew for tactical reasons. This permanently reduced third party voting and some third parties only lasted a single election. The familiar electoral cycle where a party was elected and suffered continual support erosion until defeated was now established. With the minor party vote generally less than ten percent, there was little room for a third party to gain a parliamentary foothold. This can be regarded as *the rigid two-party period*.

1935 was a marker rather than a rigid cut off point. The Democrat party straddled the divide. It displayed the characteristics of a third party in a rigid two-party system except that their vote distribution reached into the 25 to 35% range as would be expected in a more flexible system<sup>12</sup> and, despite a strong campaign fund, did not contest every electorate. Independents continued after this election but of the six elected only two survived in 1938.<sup>13</sup> National did not

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<sup>11</sup> Democratic Labour and two other small parties stood in 1943.

<sup>12</sup> 10% of the Democrat vote was in this range compared to 3% or less for subsequent third parties on debut.

<sup>13</sup> Three were defeated and one retired. The residual third party vote in 1938 was 4%, much of it going to the remaining Independents.



oppose Charles Wilkinson in Egmont and Nelson's Harry Atmore had no Labour candidate against him in 1938 or 1943,<sup>14</sup> the last time party candidates withdrew for tactical reasons.<sup>15</sup>

The electoral cycle under this system began with a government defeat. Then the new government was confirmed in office with a steady or bigger mandate. Both Labour in 1938 and National in 1951 went up<sup>16</sup> and National in 1963 had a slight loss. After that voters turned away from both major parties to third parties as in 1943, 1954 and 1966. Successive elections saw a shift back to the main parties. It was a question of whether to give the ruling party a last term accompanied by a third party squeeze. If the answer was 'yes' as in 1946 and 1969, the governing party gained another term before a new cycle put the Opposition in. The answer was 'no' in 1957 and Labour came to power, truncating that cycle. Unfortunately, its small majority was insufficient to start a new one and Labour's 1958 'Black' budget upset voters so much that 1960 began a new cycle with National.

Third parties could appear and gather support as in 1943 and 1954 but, as voter turnout remained high anyway, electors were happy to vote for main parties in their absence. Social Credit did not disappear in 1957 as the 1943 parties did and this produced a new dynamic. Support for the party stayed in the 7-9 % range except for higher protest peaks.

New Zealand now had a stable two-party system with a regular electoral cycle. Social Credit was a release valve for those unhappy with the two main parties and had enduring support from those supposedly few wholeheartedly embracing its tenets. Bassett saw it this way and Austin Mitchell's infamous dog pound comment<sup>17</sup> presumed an enduring role for the party on this basis. Both also presumed a small protest vote whose size fluctuated with the electoral cycle but constant in the long run. This was

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<sup>14</sup> Atmore only survived by 100 votes in 1943.

<sup>15</sup> 1943 was also the last election that sitting MPs were re-elected unopposed. This occurred in just over half the elections in the flexible period. In 1943 two National MPs were serving in the armed forces overseas and could not campaign so their seats were unopposed by agreement between the major parties.

<sup>16</sup> Labour's seats were the same but its share of the vote went up 10%.

<sup>17</sup> '[D]iscontented electors are neither an overwhelming force nor a source of permanent recruits... Thus the League becomes in one respect an electoral dog pound for strays.' Austin Mitchell, *Politics and People in New Zealand* (Christchurch: Whitcombe and Tombs, 1969), p.220.

insufficient to make Social Credit a major force but those moving into protest matched those moving out, allowing it to persist. Waikato University's David McCraw argued that Social Credit's sole political function was a 'holding pen for protest voters' when the government was most unpopular and before the main Opposition party became a viable alternative again. As the main Opposition regained credibility it 'strip[ped] Social Credit of a major proportion of its protest "fat" '. Thus it was a clearinghouse for transferring votes between the main parties.<sup>18</sup>

This poor outlook for third parties left National and Labour holding a permanent monopoly on parliamentary seats. A third party could possibly win one temporarily in the favourable part of the electoral cycle. By this reasoning, a third party had to concentrate enough of the protest wave that peaked every twelve years or so in some local electorate to win it.<sup>19</sup> This explained Vern Cracknell's 1966 Hobson win and Beetham's later victory in Rangitikei.

#### 2.1.4 The Rigid Two-party Period with Fragmentation

However, governments began wrestling with intractable economic problems as New Zealand ceased being Britain's South Pacific farm and living standards slid. Electoral stability was upset with 1970s oil shocks, high inflation, rising unemployment and fears in the export and farming sectors. The electoral system did not become more flexible as nationwide party support was still reflected in individual electorates but, with more willingness to punish governing parties for perceived failure, the response to the main parties changed. This period began in 1972 and lasted until the introduction of MMP in 1996.

The main outcome was a long-term increase in third party voting. While potentially good news for a strong third party, proliferation of other third parties and minor candidates accompanied it. Despite most polling poorly and

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<sup>18</sup> David McCraw, 'Social Credit's Role in the New Zealand Party System', *Political Science Vol. 31 No. 1* (1979), pp. 55-57.

<sup>19</sup> Bassett, *New Zealand Today Part 7*, p. 195.

losing their deposits,<sup>20</sup> they feature in election results from 1972 onwards. Advantages from increased voting were offset by third party splitting and reduced the likelihood of parliamentary representation. Social Credit had to compete with other 'dog pounds' for protest votes. The challenge for third parties was not in detaching votes from the main parties but in maximising their share. When governments changed the new winning party usually gained the same amount but the defeated party lost an increasing share of its support to third parties. This period can be referred to as *the rigid two-party period with fragmentation*.<sup>21</sup> The electoral cycle still had support eroding from the ruling party to the Opposition but with violent swings as the new reaction from the electorate produced a disturbed pattern.

Again 1972 was not a fixed point but a marker. There was a small increase in minor candidates in 1969 as Cliff Emeny's small Country party put up candidates and other third parties were mooted.<sup>22</sup> Based on the previous electoral cycle political commentators expected a close race between National and Labour. Against the cycle, most predicted a National win but some backed a close Labour victory like 1957. Its magnitude surprised everyone with the largest shift in seats since 1935. Voter swing was also larger than normal but not excessively and Labour's landslide was attributed to the vagaries of the two-party system. With such a secure majority, Labour was expected to remain in power for several terms but this was derived from the old cycle.<sup>23</sup> Nobody, including Bassett, realised the system had changed and this was the new context for Social Credit's revival.<sup>24</sup>

Therefore comparing Social Credit's progress as a third party with Labour's was not valid even though they both operated in a two-party system under FPP. Labour's unique and unrepeatable set of favourable political

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<sup>20</sup> This deposit had been eroded over time and was no longer a serious disincentive to standing. A large increase may have significantly reduced extraneous candidates. See the Appendix.

<sup>21</sup> The author is grateful to American political scientist Pippa Norris for this definition.

<sup>22</sup> Including a South Island party and a Women's party. A Liberal party appeared in 1963 but only for that election and failed to discomfit Social Credit.

<sup>23</sup> Had Norman Kirk stayed alive Labour may have been re-elected with a vastly reduced majority.

<sup>24</sup> Fragmentation exhibited itself in one interesting way. Dumping sitting members did not happen often but was accepted as a democratic decision. From 1969 some deselected MPs ran as Independents and in 1978 National also faced several Alternative National candidates. Social Credit's internal problems produced the breakaway New Democrat party in 1972.

circumstances were not there for Social Credit. Labour had the flexibility in the system left over from the non-party period that allowed third party candidates to be elected and was considerably helped by the Second Ballot system operating from 1908 to 1913 under which it gained its first six seats, a far more proportionate system than FPP. When FPP was reintroduced Labour held its seats through electoral accommodation with the Liberal party despite contesting the 1914 election as two separate parties. World War One produced a main party coalition that left Labour as the only effective Opposition. This gave it enough voter support in 1919 to survive independently in an FPP environment.<sup>25</sup> When it then stalled on a quarter of the vote for a decade, continued electoral flexibility gave Labour an enduring parliamentary foothold of ten to twenty seats throughout that time. Coalition between its main party rivals and an unparalleled Depression then enabled Labour to proceed rapidly to power.

Labour progress would have been considerably more difficult in the rigid period and perhaps no better than Social Credit's. Raymond Miller correctly concluded that Social Credit was initially constrained by the electoral cycle of the rigid period and relied heavily on protest votes.<sup>26</sup> Social Credit's later history was in the fragmented period when the third party vote trend went up, although with wild fluctuations. Miller's analysis concluded well before the huge third party vote in 1993. Had the Alliance or New Zealand First united the third party vote as well as Social Credit did in 1981, third party representation would have been between ten and seventeen seats instead of four.<sup>27</sup> This also implied that had Social Credit held its poll rating of early 1981 (30-31%), its goal of six or more seats was realistic.

### 2.1.5 Other Electoral Factors

Social Credit was not the only third party to gain high support only to see it ebb away by Election Day. The New Zealand party peaked at 18% in early

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<sup>25</sup> For a full account of Labour in this period, see Barry Gustafson, *Labour's Path to Political Independence*, (Auckland: Auckland University Press, 1980).

<sup>26</sup> Miller, pp. 434, 437.

<sup>27</sup> This range is based on seats won by combining Alliance and New Zealand First votes (ten seats) and the whole third party vote united behind a single candidate (seventeen seats).

1984 and saw its support slide to 12.3% on July 14. In 1992 the Alliance had 32% in the opinion polls but only received 18.3% in 1993.<sup>28</sup> New Zealand First support sharply rose to 28% in the polls during early 1996 then steadily declined to 13.4%. Furthermore, during the initial MMP campaign in 1996, voters could have transformed either the Alliance or New Zealand First into the main Opposition as they both had equal support with Labour at its beginning. Yet the electorate returned to Labour. The Greens often gained 11% in opinion polls during MMP campaigns but always fell back to the 5 to 7% of voters that consistently supported them. Therefore New Zealand voters are conservative.<sup>29</sup> Many who consider voting for a third party change their minds when it comes to the ballot box. Increasing discontent with the two major parties expressed itself in third party voting but replacing one of them or giving a third party serious representation was not taken in any of four offers.<sup>30</sup> Conservative voting works against third parties.

A final general factor making it hard for third parties in New Zealand under FPP was a small number of parliamentary seats. A large population and parliament as in Britain gives a critical mass of seats. This allows local factors to predominate in some electorates because each is insignificant enough to ignore nationwide trends. This provides slightly more flexibility in a rigid two-party system and enhances third party or Independent chances to win a small number of discontented electorates in each election by successfully tapping into local concerns.<sup>31</sup>

New Zealand lacked critical mass. Therefore there were not enough locally discontented electorates to sustain an enduring third party foothold in parliament. Social Credit was organised enough to successfully exploit those few that arose in the late 1970s and early 1980s but only won four seats in

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<sup>28</sup> The decline was partly due to competition with New Zealand First for the third party vote.

<sup>29</sup> It is not peculiar to New Zealand. The British Social Democrat party, formed in 1981, had initial opinion poll support to govern and again in 1982 from combined support with its Liberal allies. Support dropped to 25.4% in the 1983 election. A similar effect occurred when the Liberals won the 1962 Orpington by-election. Opinion poll support soared to 30%, fractionally ahead of each main party but declined to 11.3% in the 1964 election.

<sup>30</sup> Social Credit in 1981, the Alliance in 1993, and the Alliance or New Zealand First in 1996. Arguably, the electorate accepted the 1993 offer but this failed because two strong third parties split the vote. New Zealand First also siphoned off enough third party vote to prevent the Alliance winning the Selwyn by-election in 1994.

<sup>31</sup> The British Liberals survived under FPP in the United Kingdom by winning small numbers of such discontented electorates, which varied from election to election.

total. Holding only two at a time proved insufficient to maintain a constant presence in parliament especially when its vote dropped below 10%. Lack of critical mass in seats was a factor in Social Credit maintaining only a short-term presence in parliament.

Social and other structures in the United Kingdom also give major regional variations. Nationalist parties developed in Scotland and Wales and eventually won seats. Despite jokes about South Island separatism and Auckland being another country, there were no significant regional differences or social heterogeneity under FPP to spark similar parties in New Zealand.<sup>32</sup>

## 2.2 Social Credit and the Representation Commission

Adding to its problems in holding seats, Social Credit had difficulties with the Representation Commission over disadvantageous new boundaries.

In the 1970s and 80s the Representation Commission was an independent eight member quasi-judicial body of senior public servants. Not being government appointed meant they were, in theory, politically impartial in boundary redistributions. Creating electoral districts with equal populations was the overriding principle but existing electoral boundaries, community of interest, communication links and topography were also taken into account. It attempted to meet these latter criteria within the framework of equality<sup>33</sup> but electorates could not vary from the population quota by more than five percent, so accommodating natural communities of interest were limited in practice. Significant public objections to proposed boundaries were only considered if they did not extensively disrupt other electorates. An impartial process meant that party political advantages in some seats should be balanced by losses in others<sup>34</sup> but Social Credit only had one or two. Adverse boundaries could jeopardise its hold on them.

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<sup>32</sup> Except for the Country party, a 1920s farmer's party in the Waikato and north of Auckland. It did not become a wider rural party but regional strength gained it a seat from 1928 to 1938.

<sup>33</sup> Alan McRobie and Nigel S. Roberts, *Election '78: The 1977 Electoral Redistribution and the 1978 General Election in New Zealand* (Dunedin: John McIndoe, 1978), p. 24.

<sup>34</sup> Alan McRobie, 'The Electoral System and the 1978 Election', in Howard R. Penniman (ed.), *New Zealand at the Polls: The General Election of 1978* (Washington DC: American Enterprise Institute, 1980), pp.75-78.

Furthermore, the Representation Commission evolved in the rigid electoral system. Its composition and terms of reference were governed by an entrenched section in the 1956 Electoral Act that had two parties as its underlying basis. Hence two 'unofficial' members were appointed, one for the government and one for the Opposition. Their intended role was merely to ensure that the redistributive process was fair, impartial and lawful but they participated at all stages and attempted to gain advantage for their political parties. Social Credit, as a third party, had no say in these appointments or direct involvement in the process.

The quorum of four included the 'unofficial' party members, and this gave them significant influence in Commission decisions unavailable to Social Credit.<sup>35</sup> Alan McRobie's comment that advantages gained for main parties tended to cancel one another out reflects the two-party assumption.<sup>36</sup> Unofficial members might influence decisions that politically cancelled one another out for National and Labour but still be detrimental to Social Credit.<sup>37</sup>

A simple way of resolving this was to have the Opposition Commission member also represent Social Credit and after the 1981 election he was formally obliged to do so.<sup>38</sup> As a Labour party appointee, he was unlikely to support Social Credit advantage where it clashed with Labour's. It was an impossible conflict of interest. Beetham recommended an additional 'unofficial' member to represent third parties but this was not adopted.<sup>39</sup>

### 2.2.1 Boundary Effects

Social Credit was concerned that the electoral redistribution in 1982 should not adversely affect its two seats or ability to win more. In the top of the North Island Social Credit's electoral strength was uniformly strong and proposed changes to Bay of Islands improved its prospects but by making it harder to

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<sup>35</sup> McRobie in Penniman, pp.66, 75, 76.

<sup>36</sup> Alan McRobie, 'The Politics of Electoral Redistribution' in Stephen Levine (ed.), *Politics in New Zealand: A Reader* (Sydney: George Allen and Unwin, 1978), p.265.

<sup>37</sup> Sometimes redistributions did help Social Credit in less obvious ways. The 1972 one helped Beetham by shifting the weak Sir Roy Jack into Rangitikei and the 1977 one created selection difficulties for National in the by-election.

<sup>38</sup> Alan McRobie, *New Zealand Electoral Atlas* (Wellington: GP Books, 1989), p.123.

<sup>39</sup> A single member representing all third parties could have similar conflicts of interest.

win Kaipara.<sup>40</sup> In Auckland, East Coast Bays had to be reduced. As Social Credit voting strength was at both ends it had to accept that some support would be lost.<sup>41</sup> In Pakuranga, the fear was that Edgewater, favouring Social Credit, would be removed and replaced with National leaning areas from Howick instead of evenly shrinking the electorate along its southern border. Indeed draft boundaries proposed putting Edgewater into Panmure despite the Tamaki Estuary topographical barrier separating them.<sup>42</sup> Final boundaries showed more balance with only some of Edgewater put into Otara instead and including less of Howick.<sup>43</sup> While not making Pakuranga impossible to win it was still a serious disadvantage.

Rangitikei, however, was drastically altered and Beetham's Marton stronghold put into neighbouring Waitotara.<sup>44</sup> This attracted a flurry of objections about natural community interest from Marton,<sup>45</sup> and strong protest from Beetham and Social Credit.<sup>46</sup> The Commission justified its decision by saying it tried various configurations for centre-west North Island electorates and all had unsatisfactory features. This bland response implied that possible alternatives could have included Marton but it stayed in Waitotara and Beetham blamed this for his loss in 1984. 'National had tried everything...in the previous two elections and had been unable to take the seat... [B]oundary changes were all that was left.'<sup>47</sup> His campaign manager, Don Hoggard, agreed. 'The boundary changes cost him the seat'<sup>48</sup> but did they?

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<sup>40</sup> In Kaipara National's majority went from 1029 to 1491 and in Bay of Islands from 864 to 466, an overall disadvantage to Social Credit of 63. Alan McRobie, *Election '84* (Christchurch: MC Enterprises, 1984), pp. 24, 32, 49; Clifford Norton, *New Zealand Parliamentary Election Results: 1946-1987* (Wellington: Political Science Department, Victoria University of Wellington, 1988), pp. 199, 218.

<sup>41</sup> *New Zealand Herald*, November 17, 1982, section 1, p. 20. Putting Sunnynook in the Glenfield electorate potentially enhanced Labour's chances by enticing back former Labour voters. This would not occur with the northern end in Albany.

<sup>42</sup> *New Zealand Herald*, November 13, 1982, section 1, p. 12.

<sup>43</sup> McRobie, *New Zealand Electoral Atlas*, p.124. National's paper majority increased from 783 to 1240. In East Coast Bays Social Credit's majority fell from 758 to 272. McRobie, *Election '84*, pp. 49, 70; Norton, pp. 258, 307.

<sup>44</sup> Initially Social Credit's president, Stefan Lipa, cautiously accepted the changes as it strengthened Social Credit's position in Waitotara. *New Zealand Herald*, November 27, 1982, section 1, p. 12. However, it was not strengthened to a win and did so at the cost of jeopardising the hold on Rangitikei that Beetham had so carefully built up.

<sup>45</sup> Including the local National party. *New Zealand Herald*, November 23, 1982, section 1, p. 24.

<sup>46</sup> *The Dominion*, July 10, 1984, p.17.

<sup>47</sup> *Daily News*, July 16, 1984, p.5.

<sup>48</sup> *New Zealand Times*, July 15, 1984, p.3.



Rangitikei has existed from 1853 and originally included Marton, Bulls, Hunterville, Taihape and Waiouru. All have appeared in other electorates since 1881 but Marton (with Bulls) was only temporarily shifted south into Manawatu from 1896 to 1911. Otherwise Marton was always part of Rangitikei until 1982.<sup>49</sup> In a choice between Bulls and Marton, Bulls was usually transferred.<sup>50</sup> The 1982 redistribution departed significantly from usual practice by including Bulls and excluding Marton.<sup>51</sup> It is hard to believe a solution did not exist that included Marton in line with historical precedent. In this light the Commission's justification seems particularly lame and its decision open to accusations of political motivation. If Bulls had been excluded instead, as well as National leaning areas that were newly included like Rongotea, Beetham would have held on.<sup>52</sup>

Legally, the commission did nothing wrong but for the four main changes detrimental to Social Credit in 1984 it was compensated only in Bay of Islands. This is hardly a balance of gain and loss. The Commission significantly weakened Social Credit progress towards a permanent parliamentary foothold, particularly in Rangitikei where a fairly safe Social Credit seat became marginal.<sup>53</sup> This reduced Social Credit prospects to hold it and spurred greater National efforts to win it. The 'basic insecurity of tenure which is accepted as a cost of being a parliamentarian can be greatly magnified as a result of an electoral redistribution over which the MP has absolutely no control'<sup>54</sup> applied with a vengeance to Beetham in 1984. If part of a politician's existence is defined as serving a community, then Beetham suffered by putting the part he served best into a neighbouring electorate.<sup>55</sup>

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<sup>49</sup> Hunterville was reintroduced from 1938 until 1987 and Taihape in 1954. Feilding became part of it in 1946 apart from 1972 to 1978 where it was a principal town in Ruahine.

<sup>50</sup> To Foxton from 1881 to 1887, Manawatu from 1919 to 1946, and Patea (later renamed Waimarino) from 1957 to 1972, forerunner of Waitotara.

<sup>51</sup> For changes to Rangitikei, see McRobie, *New Zealand Electoral Atlas*, p.28 and every fourth page to p. 122.

<sup>52</sup> Even leaving Marton's Social Credit majority of 200 in Waitotara unchanged. As Beetham's personal majority in Marton was 800 in 1981, a personal vote for Beetham would have given Social Credit a margin at least twice this. In 1984 Bulls gave National a margin of 200 and Rongotea, 100. See E.9, *The General Election of 1984*, pp. 73, 101.

<sup>53</sup> Beetham's paper majority fell from 2376 to 469. While National's paper majority fell in Waitotara from 2784 to 1238, this still was an overall disadvantage of 361 to Social Credit. McRobie, *Election '84*, pp. 79, 102; Norton, pp. 330, 381.

<sup>54</sup> McRobie in Levine, p.266.

<sup>55</sup> McRobie and Roberts, *Election '78*, p. 26. This is no longer acceptable under MMP where the party vote determines MP numbers in parliament. Electorate contests are now about

He could have switched to Waitotara but this would be seen as political opportunism without guaranteed success. Besides, Waitotara had a strong Social Credit candidate already and to swap would have been messy. The Commission put Beetham into a political cleft stick.

Changes were not politically neutral in Pakuranga and East Coast Bays either. Shifting concentrated Social Credit support into other electorates did not improve its chances in them but encouraged former party allegiances to reform. Neutrality was harder in East Coast Bays because of where Social Credit support lay but Pakuranga could have been treated neutrally. Third party prospects of winning and holding seats was difficult enough under FPP, especially one lacking critical mass, without the Commission making an already unlevel playing field far worse than necessary. It is hard to escape the impression of political bias when the 1984 boundaries were more favourable to Labour but less favourable for Social Credit in its top three seats.<sup>56</sup>

Unfavourability continued in the next boundary changes. In 1986 Knapp's East Coast Bays majority again fell and Neil Morrison's already small Pakuranga majority slashed but these were small reductions compared to 1984. Beetham, though, had to overcome an increased National majority in his 1987 Rangitikei re-election attempt and Marton remained in Waitotara,<sup>57</sup> which made his job harder. Boundary changes also contributed to Knapp's defeat in 1987 although they made little difference elsewhere.

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finding the best representative. Thus community of interest should be a more important principle than strict equality of population.

<sup>56</sup> T. Verdon, 'Boundaries Leak See Labour Hopes Running High', *New Zealand Herald*, October 2, 1982, section 1, p. 6.

<sup>57</sup> McRobie, *New Zealand Electoral Atlas*, p. 126. Knapp's paper majority fell from 2020 to 1908 and Morrison's from 172 to 44. National's majority in Rangitikei rose from 504 to 836 and in Waitotara from 3314 to 3435. The party's other rural hopeful Coromandel also saw a rise. Only in Wanganui was the effect neutral. Colin James with Alan McRobie, *The Election Book* (Wellington: Allen and Unwin/Port Nicholson Press, 1987), pp. 98, 100, 119, 124, 135, 136; Norton, pp. 218, 239, 307, 330, 381, 385.

## Chapter Three

### Establishment and Revival

Despite the strictures of the two-party electoral system affecting a third party's vote, its own nature and interaction with voters is also important. This chapter examines Social Credit's nature and development as a political movement from its first appearance in the 1930s. It charts the issues that caused Social Credit to become a party in the 1950s and its development to 1972 when it nearly disintegrated. Then it examines the movement's revival under Beetham. The final section concentrates on problems caused by the influx of new members in the late 1970s and early 1980s.

### 3 The Progress of Social Credit

#### 3.1 The Initial Nature of Social Credit

In its political development Social Credit went through several phases. When it began in New Zealand it was closer to a popular social movement. Major Douglas's Social Credit ideas were debated and accepted with Social Credit Associations springing up all over the country in the early 1930s, with interest concentrated in Northland, Bay of Plenty, Waikato and Taranaki.<sup>1</sup>

Ideas that took root were not just monetary reform ones although these had great attraction to solve Depression problems. Social Credit was a wider philosophy.<sup>2</sup> Major Clifford Hugh Douglas, a British army engineer, initially wandered into the economic realm because he wondered why a nation could

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<sup>1</sup> Miller, p. 21.

<sup>2</sup> Critics focus on the A + B theorem which stated that the cost of an item (A + B) could not be bought with the money paid out in wages and salaries (A) and therefore a monetary gap existed that had to be filled by other means. The trouble with attacking this single formula was that it did not take into account all the components in Douglas's economic, social and philosophical vision. See, for example, M.J.S. Nestor, *Monetary Reform and the Reformers* (Wellington: Whitcomb and Tombs, 1956), pp. 11-13; A.J. Danks, *What Everyone Should Know About Social Credit* (Christchurch: Caxton Press, 1955), pp. 9-26. See also, Michael Sheppard, *Social Credit Inside and Out* (Dunedin: Caveman Publications, 1981), p. 63.

achieve full production in war and not in peace.<sup>3</sup> Later he came to consider the questions of poverty amidst plenty, why technological advance should increase unemployment rather than leisure, and what constituted an effective economic system in modern industrial and agricultural democracies.<sup>4</sup>

Douglas hoped that Social Credit would become a popular social movement in capitalist democracies with its philosophy and monetary ideas adopted by their governments regardless of which party held power. Social Credit was to transcend politics and this is why he disapproved of it being turned into a party programme. Ballot box politics was not democratic, as individuals were more important than the state. The state's true role was to empower individuals to achieve what they desired, to facilitate provision of basic necessities and to promote voluntary adoption of a good social code. In practice a government should regularly consult elector groups to deliver what the people wanted. Douglas regarded this as real democracy.

Technical experts would administer Social Credit, which could be interpreted to mean he advocated a technocratic government. However, Douglas took a wide view. Such experts did not have to belong to the government but could work with it. Douglas looked for governance that incorporated his ideas. Social Credit was a fresh look at the ends of an economy in capitalist democracies designed to be reformatory rather than revolutionary. It examined what people wanted in their lives and altered the economic system so that it happened.<sup>5</sup> Therefore it was not a transformation to a different type of society. Social Credit was not a socialist, communist or even Labour driven society and not fascist either but highly individualistic. This is clearly seen in its later political organisation and by the many different interpretations of Douglas and how Social Credit would work in practice. Douglas himself only claimed to be a guide outlining a vision. He did not give his work the status of unvarying principle and how it operated successfully was to be delegated to those interested in fleshing out the details.<sup>6</sup>

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<sup>3</sup> Zavos, p. 52. For a brief Douglas answer to this question, see C.H. Douglas, *Social Credit* (London: Eyre and Spottiswoode, 1937), pp.15, 16.

<sup>4</sup> Douglas, *Social Credit*, pp. 108-128.

<sup>5</sup> See New Zealand Social Credit Association (ed.), *Addresses by C.H. Douglas* (Waiuku: W.J. Deed Printing, 1993), pp. 47-66. For a lengthy outline of Douglas philosophy, see Douglas, *Social Credit*, pp. 4-74.

<sup>6</sup> See, for example, *Addresses*, pp. 59-63, 75, 78, 79.

Douglas Social Credit was a contender to replace the deficient *laissez faire* boom and bust economics but capitalist democracies worldwide ultimately adopted Keynesian economics rather than another alternative. This smoothed the economy through deficit spending thus avoiding the extremes of the boom-bust cycle and ‘primed the pump’ to kick-start ailing economies.<sup>7</sup> Its emphasis on full employment worked extremely well in New Zealand until the mid-1970s.<sup>8</sup> To Douglas full employment was not the point of a modern economy, as facilitating job provision conflicted with industry mechanisation. Increasing production markedly through labour saving devices also meant increased unemployment. The point of an economy was to utilise mechanisation to produce what people needed with minimum effort and facilitate distribution of goods and services to everyone. Therefore he wanted to corporatise national economies and make every citizen a shareholder. This solved the problems of unemployment and poverty amidst plenty. Citizens could contribute to society in a wider sense by pursuing interests from extended leisure without having to spend most of their time in grinding work for the bare necessities because everyone would receive a partial or completely independent income through a national dividend.<sup>9</sup>

In this form the idea has merit if it could be suitably realised but, in some speeches, Douglas mixed it in with his monetary reform ideas. In this version, the government issues the national dividend to make up the A + B theorem gap between costs and prices to provide missing purchasing power

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<sup>7</sup> In his time, Keynes was as unorthodox as Douglas. Keynes was active in the waning British Liberal party and his economic ideas were behind the 1928 ‘Yellow Book’, *Britain’s Industrial Future*. The party used them in its programme, ‘We Can Conquer Unemployment’, and thereby hoped to sweep back into power in the 1929 election. G.R. Searle, *The Liberal Party: Triumph and Disintegration, 1886-1929* (Basingstoke: Macmillan, 1992), pp. 158, 159. It was highly criticised, despite being the only policy of substance and the Liberals failed. David Powell, *British Politics, 1910-35: The Crisis of the Party System* (London: Routledge, 2004), pp. 151-153. The Depression forced governments to consider Keynes anew. With U.S. support his ideas and those of his U.S. counterpart, White, were widely adopted. The main difference was that Keynes advocated a tightly managed economy—possibly to avoid the type of economic meltdown that occurred in 2009—while White wanted a more liberal system like Douglas. Chris Brown, *Understanding International Relations* (Basingstoke: MacMillan, 1997), p. 160. The economics worked and the liberal version became financial orthodoxy for the next forty years. William D. Rubenstein, *Twentieth Century Britain: A Political History* (Basingstoke: Palgrave Macmillan, 2003), p. 165.

<sup>8</sup> Unemployment was frequently below 1,000.

<sup>9</sup> Douglas, *Social Credit*, pp. 108, 109, 112. *Addresses*, pp. 15, 27, 28, 33. A wider view of employment would incorporate new categories into a modern economy, giving them economic value. Keynesian economics does not preclude this, so the two economic ideas are not as far apart as it might first appear.

to buy all the goods available.<sup>10</sup> Many Social Crediters adopted this interpretation. Conventional critics assumed it meant printing money, which is inflationary. Douglas admitted that purchasing power could be increased this way but with temporary effect because of inflation, which was effectively a tax on savings. He made this point many times so, to him, Social Credit did not mean simply printing money.<sup>11</sup>

### 3.2 Social Credit as Influential Pressure Group

These broad Douglas ideas were espoused in New Zealand Social Credit of the early 1930s. While failing to achieve the lofty ambition of a popular social movement powerful enough to shape governments, it certainly was a strong pressure group outside the party process. The Labour party seemed interested in monetary reform along Douglas lines and gained much support in rural areas from its monetary policy for farmers with the guaranteed price and ideas for insulating the economy against overseas influences. Talk of establishing a National Credit Authority and other monetary reforms seemed like Social Credit.<sup>12</sup>

Gordon Coates, leader of the Reform party, believed in hindsight that Social Credit swayed up to 200,000 votes for Labour.<sup>13</sup> John A. Lee, Labour party propagandist, strategist and MP in 1935, considered that it was 'the corridor' by which tens of thousands of voters came to Labour.<sup>14</sup> Social Crediters gave Labour time to reform the monetary system along Douglas lines but not without criticism.<sup>15</sup> Despite being a significant vote conduit Social Credit was not influential enough to ensure that Labour carried out Douglas ideas *in toto* or even give Labour's monetary policy a Douglas shape.

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<sup>10</sup> See *Addresses*, pp. 27-29.

<sup>11</sup> Critics claim that it is effectively the same but, in simply reiterating this rather than demonstrating how, they are guilty of presenting an assumption as a conclusion, which does not prove anything. For Douglas on the difference between Social Credit and inflation, see *Addresses*, pp. 12, 13, 26.

<sup>12</sup> Miller, p. 17.

<sup>13</sup> Barry Gustafson, *The First 50 Years: A History of the New Zealand National Party* (Auckland: Reed Methuen, 1986), p. 4.

<sup>14</sup> Keith Sinclair, *Walter Nash* (Dunedin: Auckland University Press, 1977), p.116.

<sup>15</sup> For details, see Miller, pp.47-55.

Initially influenced by Social Credit, Labour certainly was a party of monetary reform that righted the economy and allowed the birth of comprehensive social welfare in New Zealand. However, division arose between those who favoured a cautious Keynesian approach once the main economic problems were solved and those wishing to further extend monetary reform. Caution won, as the Labour government became increasingly reluctant to travel further on the reform road, disappointing its own monetary reformers. Most of them were excluded from cabinet, creating ongoing friction within the party.<sup>16</sup> Monetary reformers in the Labour caucus became an increasingly marginalised group of 'dissidents' led by John A. Lee. Social Credit regarded him more a Douglas Crediter than a socialist.<sup>17</sup> Lee himself was proud to be a monetary reformer, a 'genuine social creditor', but stressed that he was not a 'mystical Douglas Social Credit' one.<sup>18</sup>

Social Credit advocates already existed in parliament.<sup>19</sup> Raymond Miller identifies several other MPs who were Social Crediters<sup>20</sup> and the broad strategy of influencing political parties did not prevent individual Social Crediters from standing as parliamentary candidates.<sup>21</sup> Social Credit in Australia contested elections and Alberta elected a Social Credit government

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<sup>16</sup> For a detailed account, see Sinclair, pp.123-132, 158, 159, 170-174, 190-197; Barry Gustafson, *From the Cradle to the Grave* (Auckland: Reed Methuen, 1986), pp.185, 186, 198-201; Erik Olssen, *John A. Lee* (Dunedin: University of Otago Press, 1977), pp.81-84, 112-125, 131-143.

<sup>17</sup> Olssen, p.114.

<sup>18</sup> John A. Lee, *Simple on a Soapbox* (Auckland: Collins, 1963), p. 133. Lee's charge of mysticism arose from Douglas's writing style lending itself to wide interpretation. Expounded ideas seemed like articles of faith rather than obviously lucid or straightforward principles.

<sup>19</sup> Most notably Captain H.M. Rushworth, Country party leader and only MP from 1928 to 1938 and this party is the only one that fully accepted Social Credit ideas. Clive Tidmarsh, 'Puny Political Infant Now a Purposeful Adult', *New Zealand Herald*, September 23, 1981, section 1, p. 6. Its three candidates in 1935 were Social Crediters. Miller, p. 15.

<sup>20</sup> Including Harry Atmore and A.C.A. Sexton, vice president of the Social Credit Associations. Miller, p. 26. Charlie Barrell, Labour candidate for Hamilton in 1935 (and subsequently MP until 1943) was elected president of the Hamilton Social Credit Association. Tidmarsh, *New Zealand Herald*, September 23, 1981, section 1, p. 6; Miller, pp. 31, 32.

<sup>21</sup> In keeping with the philosophy against direct political action, they received little Association help. Miller, pp.25, 26. As well as Sexton, an Independent Country party candidate, national president of the Social Credit Associations, Colonel S.J.E. Closey stood in Manawatu and J.E. Colechin stood in Riccarton, both as Independents. A monetary reform candidate also stood in Kaipara. F.C. Jordan stood as a Liberal in Parnell and D.C Davie, a leading Social Crediter in the South Island, stood for Labour in Hurunui. Miller, pp. 18, 25, 68, 69.

in 1935.<sup>22</sup> Major Douglas further muddied the apolitical waters by offering to be political adviser to the Alberta government.<sup>23</sup>

Downgraded in voter and party eyes from a social movement to a pressure group after 1935, Social Credit's influence became more limited. Members hoped for cracks in the new economic orthodoxy and this presented a dilemma. Did they continue to criticise and educate until a popular Social Credit movement was reignited or turn it into a political programme and demonstrate its viability that way? This dilemma presaged the next phase where conflicting ideas led to uncertain action. Many Douglas followers forgot the visionary aspect, elevating his ideas into inviolate principles. Later Social Credit leader Bruce Beetham called them purists.<sup>24</sup> However, Douglas's elliptical writing style and assumption that readers understood the substance and context of his points as well as he did made much of it obscure and ambiguous. Therefore exactly what his finer detail meant became the source of lengthy debate and dispute among Association members.

There was also the question of what to do with the Douglas vision. Purists wanted to implement his ideas exactly as they thought he would but other Social Crediters recognised that Douglas prescribed nothing but empirically described economic conditions of the time, leaving them free to transform his theory into appropriate practice for current circumstances. Beetham called them pragmatists.<sup>25</sup> Classifying Social Crediters into two broad categories was an oversimplification. Beetham admitted that a wide range of opinions existed within each category as well as thinkers promoting hybrid synthesis.<sup>26</sup> Both groups believed in open and public discourse

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<sup>22</sup> Miller, p. 15.

<sup>23</sup> Zavos, p. 59.

<sup>24</sup> B.C. Beetham, 'Room at the Top: A Micro-analysis of the Intra-party Politics of the New Zealand Social Credit Political League, November 1969-May 1970', unpublished M. Phil. thesis, University of Waikato, 1972, p. 25.

<sup>25</sup> Douglas himself was a pragmatist. For examples, see *Addresses*, pp. 74, 75, 81.

<sup>26</sup> Beetham, 'Room at the Top', pp. 64-66. Douglas claimed to be a modernist scientific thinker and rejected some classical ideas such as people deserving their station in life, especially the poor and unemployed. Douglas argued that they were not there from moral fault but because the monetary system needed overhauling to cope with modern society. Therefore moral stigma attached to unemployment benefits meant they were given grudgingly because they were not morally free entitlements like superannuation. Douglas, *Social Credit*, pp. 110-117, 122. Purists did not accept Hegelian synthesis as pragmatists did. A synthesis of Douglas theory and outside economic concepts, orthodox or otherwise, to successfully address modern problems was therefore not Social Credit to purists. It could be argued, then, that their thinking was more classical and out of step with Douglas.



consistent with Douglas individualism. Such conflicts spilled over into the political movement. It may have been fine in a freethinking education group but blurred the focus of a lobby group and was unsuited to a political organisation where outsiders saw only petty squabbling without resolution.

Endless debate over ends and means became a permanent feature of Social Credit.<sup>27</sup> Early pragmatists realised that regaining social movement status was unlikely. Dwindling influence as a pressure group meant continually declining interest in Social Credit. Therefore, as early as 1937 there were calls for a political party. At the January Social Credit Conference unsuccessful attempts were made to form one or endorse Social Credit candidates for the next election. A similar call in 1940 added a third option of an alliance with John A. Lee's Democratic Labour (DL).<sup>28</sup>

### 3.2.1 Phase One: Uncertain Political Action

Despite the non-political stance, the Social Credit Advisory Board appointed Australian Social Credit political activist John H. Hogan as National Organiser in 1941. This was not to form a political party but to revive Social Credit as a lobby group for the expected election that year. The January 1942 Social Credit Conference resolved to set up a separate political organisation, the Real Democracy Movement (RDM).<sup>29</sup> Adopting this as a political party name flew in the face of Douglas's concept of Real Democracy but was readily recognisable as a Social Credit based party to those familiar with his ideas.<sup>30</sup>

Going political seemed fine in practice but not in theory and created a deep-seated resentment from violating perceived fundamental principles.

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<sup>27</sup> Douglas disliked this kind of unresolved debate and insisted on working out the ends first, then coming to unity on the means. See *Addresses*, pp. 60, 61, 64, 65.

<sup>28</sup> Miller, pp. 50, 53. Suitable electoral accommodation could not be reached with Lee. Miller, p. 54.

<sup>29</sup> For a fuller exposition of this period see Miller, pp. 54-61. For analysis of the 1943 election, see J.R.S. Daniels, 'The General Election of 1943' (unpublished MA thesis, Victoria University of Wellington, 1961).

<sup>30</sup> Social Crediters distrusted and rejected the modern system of government because they saw it as basically undemocratic instead of accepting and working with it. This could be considered excessively paranoid. However, such mistrust is at the heart of democratic theory, which maintains that government should be limited and controlled and also emphasises individualism, a central Social Credit ideal. Keith Ovenden, 'Reaffirming the Anglo-American Democratic Ideal', in J. Stephen Hoadley (ed.), *Improving New Zealand's Democracy*

Contradictory actions arose in Social Credit's highly individualistic culture as realism clashed with idealism. Hogan seemed to fall foul of this. His full time National Organiser position ceased in late 1942 for financial reasons.<sup>31</sup> Raymond Miller rightly observed that this deprived the RDM of its best political asset. It contested the 1943 election but, as Miller concluded, it was a half-hearted political campaign.<sup>32</sup> Only eighteen candidates stood, most in competition with Lee's candidates, and most fared badly by comparison. Two deposits were retained to offset the failure as a sign of what might have been achieved with a proper campaign.<sup>33</sup> Two candidates also achieved a solid second place including Hogan in Walter Nash's Hutt electorate, showing that he had leadership and charisma much needed by Social Credit, but, with no attempt to build on this in 1946, Hogan faded from the political scene.<sup>34</sup>

The RDM experience illustrated the ambivalence that continued to feature in Social Credit political activity. Resparking a broad social movement was beyond them and lobbying was ineffectual as neither major party was interested in Social Credit monetary reform but having to turn to their own political programme instead was a distasteful necessity adopted without enthusiasm.<sup>35</sup> Hampering political effort by ineffective action made it more

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(Auckland: New Zealand Foundation for Peace Studies, 1979), pp. 18, 23. Social Credit in Beetham's time worked with the system as a pragmatic reality but still did not accept it.

<sup>31</sup> Miller hints at these other underlying reasons but he indicates that the boost Hogan gave to Social Credit in members and finances was to lobby in an anticipated 1941 election. Miller, pp. 56, 57. This waned when it was deferred, so funds may simply have dried up.

<sup>32</sup> Miller, p. 61.

<sup>33</sup> The RDM saved deposits in Hutt and Wanganui and were only three votes short of another in Southern Maori. Miller stated that the RDM lost all its deposits and performed abysmally. Miller, p. 61. But the top votes for candidates outside the main parties were: Harry Atmore (Independent, unopposed by Labour) 50.8%, P. te H. Jones (Independent Labour) 28.5%, Nicolaus (Independent) 23.9%, John A. Lee (DL) 23.3%, J.H. Hogan (RDM) 22.5%, W.E. Barnard (Independent, sympathetic to Lee and unopposed by DL ) 22.0%, P.M. Stewart (Independent) 18.3%, J.P. Tiako-Barrett (RDM) 16.5%, C. Scrimgeour (Independent, sympathetic to Lee and unopposed by DL ) 15.2%, O.R. Marks (RDM) 12.8%, D. Cresswell (DL) 12.0%, Frame (DL) 11.3%. All others took less than 10%. Thus in the top twelve third party results the RDM had the same number as Lee's party (three) and Hogan polled nearly the same vote as John A. Lee. The RDM also outpolled another third party, the People's Movement, by 50% despite the latter having a third more candidates.

<sup>34</sup> Miller had Hogan standing as an Independent in 1943. Miller, p. 57 (footnote 136). However, the *New Zealand Herald* recorded him as one of the eighteen RDM candidates. In the Auckland University's New Zealand Election Studies 1943 election results summary it is noted that their candidates stood as Independents on behalf of the Movement, and this clears up the confusion. See <[http://www.nzes.org/exec/getdata/NZ\\_elections\\_1905-43.xls](http://www.nzes.org/exec/getdata/NZ_elections_1905-43.xls)> retrieved on January 28, 2008.

<sup>35</sup> Though influence was dwindling, a Social Credit element persisted in the Labour caucus and a larger element in the wider party into the late 1940s pushing for state control of credit. It forced Labour to nationalise the Bank of New Zealand in 1945. Michael Bassett and Michael

likely to fail, thus reinforcing the futility of such action and psychologically preserving adherence to perceived basic Social Credit principles.<sup>36</sup> This ambivalence created tension throughout Social Credit's political history, plaguing its attempts to set up a well run political machine and creating problems for its leaders.

### 3.2.2 Phase Two: Amateur Political Party

Judith Bassett noted that attempted influence on National in 1949 in light of its election slogan to 'make the Pound go further' met with a disappointing lack of interest.<sup>37</sup> Social Credit's pressure role was without result so made the decision to go political again in 1953. This was Social Credit's next phase: amateurish political party. Despite controversy, debate and long gestation,<sup>38</sup> a political arm was set up with an organisation separate from the Associations. Opponents in the movement maintained that Social Credit

would gradually but inevitably assume the characteristics of a political party...[T]he life cycle of any movement follows a predictable pattern: first the concept; then the need for power; this demands an organisation, which in turn demands money and members; new members flow in without any real knowledge of the concept; and, finally, as they rise in influence the concept gradually dies...[T]o maintain the purity of the idea, therefore, members were required to restrain their political ambitions, resist the temptation to centralise or bureaucratise power, and concentrate their energies on creating an enlightened elite rather than a mass movement.<sup>39</sup>

This was an issue when Bruce Beetham took over although the Social Credit political elite remained true to its ideals. Dissident Social Crediters argued that the League had departed from Douglas and did so well before

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King, *Tomorrow Comes the Song: A Life of Peter Fraser* (Auckland: Penguin, 2000), pp. 276, 277. Even in 1974 Labour Prime Minister Norman Kirk thought that the government should control credit. Margaret Hayward, *Diary of the Kirk Years* (Wellington: Cape Catley/A.H. and A.W. Reed, 1981), p. 245.

<sup>36</sup> See, for example, Miller, p. 72.

<sup>37</sup> Bassett, *New Zealand Today Part 7*, p. 194. See also Zavos, p. 73.

<sup>38</sup> A political arm was proposed before each election in 1949 and 1951, and in 1952. It was always rejected. Miller, pp. 69-71.

<sup>39</sup> Miller, p. 73. This is part of Miller's argument and he sought to show it in the later political movement. Systematically educating new members as a condition of advancement would have avoided this problem if a suitable programme could have been agreed on. A written test for candidates on their Social Credit knowledge was dropped in 1954. Miller, p. 105.

Beetham.<sup>40</sup> But the concept was dying anyway as the movement waned, so going political was a last attempt to preserve and revive Social Credit. A British Columbia Social Credit party won power in 1952<sup>41</sup> and Alberta's Social Credit government was still strong. Social Credit was growing there politically and likely to succeed in New Zealand too.

The political arm elected prominent businessman, Wilfrid Owen as president and his strong Christchurch group dominated the executive.<sup>42</sup> There was no leader as such and Owen used heavy persuasion to establish leader and deputy positions but they were to be reconsidered after the election.<sup>43</sup> One important principle established was the independence of Social Credit MPs to vote in the House as they pleased except on monetary policy.<sup>44</sup> This never varied even under Beetham. Because of non-party emphasis, it was a Social Credit Political League but, nonetheless, a party in effect. As a businessman, Owen appreciated the concept of corporate New Zealand and the National Dividend. Unfortunately, in an era of virtually full unemployment, emphasis was forced onto the alternate interpretation of filling the Douglas 'gap' apart from a government profit and loss account.<sup>45</sup>

Social Credit amateurishness was shown in several ways. First, there was only monetary policy without an attempt to turn Social Credit philosophy into other policy except in a vague incoherent manner.<sup>46</sup> Second, Christchurch domination of Social Credit meant the main electoral organisation and thrust came from there. So the 1954 campaign did best in the South Island rather than in Social Credit's traditionally strong North Island areas.<sup>47</sup> Third, the League felt obliged to contest every seat to prove political legitimacy, putting

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<sup>40</sup> But Douglas was interested in an apolitical mass movement and, by shifting focus to an enlightened elite, purist opponents had already departed from a Douglas Social Credit view.

<sup>41</sup> Miller, pp. 69, 81, 90-92.

<sup>42</sup> Interestingly, the Christchurch group threatened to revive a Liberal party in the absence of a Social Credit one. Miller, p. 70, 71.

<sup>43</sup> Miller, pp. 104, 108.

<sup>44</sup> Miller, pp. 77, 111.

<sup>45</sup> Miller, p. 110.

<sup>46</sup> Miller, pp. 94-96. Miller claimed that Social Credit's maxim underlying its policy was that anything socially and economically desirable is financially possible and described it as optimistic. See Miller, pp. 96, 97. In fact the maxim was that anything socially desirable and physically possible should be made financially possible.

<sup>47</sup> Overall the League gained more from National than Labour but this hid cross currents. In South Island urban seats Social Credit drew equally from both parties and allowed National to keep some of its 1951 gains. The main examples are Christchurch Central, Dunedin Central,

great strain on organisation, finances and led to accepting anyone who would stand.<sup>48</sup> Fourth, Social Crediters expected their message would gain overwhelming support as the voters saw the rightness of it. They did not think to counter the efforts of the other parties. Fifth, despite winning the largest third party vote on debut in New Zealand,<sup>49</sup> Social Crediters expected to sweep into power as in Alberta and British Columbia with confident predictions of winning every seat. This meant they were disappointed with their achievement.<sup>50</sup> The attitude that success came solely from their own effort resulted in a persistent inward focus without learning successful organisation or strategy from other parties or understanding how the electoral system worked. Finally, there was no united nationwide campaign. Most candidates fought their own local battles and personally financed them. Many were in debt and the League had exhausted its resources.<sup>51</sup>

Social Credit did not disappear from politics like most third parties but continued low election results combined with its amateur approach produced a culture that locked this in. Local organisations became resigned to not winning and were little more than Social Credit political clubs satisfying the social and meagre political needs of members.

However, National worried about League support and set up a Royal Commission in 1955 to look into monetary, banking and credit systems, including Social Credit's. The League squandered this opportunity by approaching it in its usual individualistic style. Owen took a holiday during the Commission's sitting without coordinating a unified approach to League presentations.<sup>52</sup> Consequently it received a confused and contradictory opinion of Social Credit monetary policy as League witnesses gave their own version.<sup>53</sup> The Commission condemned its monetary theories and two rebuttals of Social Credit were published based on Commission findings, one by Canterbury University economist, A.J. Danks, and the other by National's

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Mornington, Lyttelton and St. Kilda. National retained the latter two. For details of the move to a political party and the 1954 election, see Miller, pp. 67-79, 90, 91, 102-114.

<sup>48</sup> Miller, pp. 105, 106. One nomination was not lodged in time.

<sup>49</sup> Its 11.1% was not exceeded until 1984 when the New Zealand party gained 12.3%.

<sup>50</sup> Miller, p. 113.

<sup>51</sup> Miller, pp. 118, 121.

<sup>52</sup> Miller, pp. 118, 138, 139.

<sup>53</sup> See, for example, M.J.S. Nestor, *Monetary Reform and the Reformers* (Wellington: Whitcomb and Tombs, 1956), p. 11.

Chief research Officer, M.J.S. Nestor.<sup>54</sup> For National the Commission demonstrated that Social Credit's money was well and truly funny.<sup>55</sup> All that was needed thereafter was a reminder followed by ridicule.<sup>56</sup> One finding Social Credit attempted to resolve was how debt free money was cancelled<sup>57</sup> but debate on it was still going strong when Beetham joined the movement.

### 3.2.3 1957 Fallout

In 1957 Social Credit's support dropped. Some of its 1954 vote was indeed a temporary holding pen in transferring votes from National to Labour.<sup>58</sup> Social Credit was hardest hit in the South Island, especially in urban areas, as its support returned to Labour. National criticised the poor vote of Social Credit's leading figures, concluding that it was a spent force.<sup>59</sup> National cleverly compared votes for Social Credit to the overwhelming votes against but made League performance seem much worse than it really was. Social Credit kept nearly two-thirds of its 1954 vote and many examples were from South Island or North Island urban seats where even the 1954 vote was weak. It had held its own in rural seats and increased in some Northland, Waikato and Taranaki ones. Thus National dismissed the potential threat in its heartland.

Social Credit's reaction was to blame its leadership and the 'unorthodoxy' of the Christchurch group. Again Social Credit looked inward for a scapegoat. However, it punished the most vibrant part of its organisation for seemingly right reasons but, like National, misunderstood what had happened. It took two years for discontent to reach a head but it had surfaced before the 1957 election. It was expressed as criticism of Owen and demands for power to be redistributed from Christchurch to the North.<sup>60</sup> The 1957

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<sup>54</sup> Gustafson, *The First 50 Years*, p. 67; A.J. Danks, *What Everyone Should Know About Social Credit* (Christchurch: Caxton Press, 1955); M.J.S. Nestor, *Monetary Reform and the Reformers* (Wellington: Whitcomb and Tombs, 1956).

<sup>55</sup> The two main findings of the Commission were that Social Credit would be chronically inflationary and require the abolition of private property ownership. Miller, p. 140.

<sup>56</sup> This backfired in the 1981 campaign. See Chapter Five.

<sup>57</sup> Miller, pp. 142-144.

<sup>58</sup> David McCraw, 'Do Governments Always Lose, and Oppositions Never Win, Elections in New Zealand', *Political Science Vol 33 No 1* (1981), p.87; McCraw, *Political Science Vol. 31 No. 1*, p. 56.

<sup>59</sup> *Freedom*, Vol. 15 no. 3, December 4, 1957, p. 1.

<sup>60</sup> Miller, pp. 145, 146.

decline was really due to lack of resources and political inexperience. Social Credit did not identify its prior natural constituency, attempt to hold the one it gained in 1954 or target new voters.<sup>61</sup> Adverse publicity from the Royal Commission was not countered,<sup>62</sup> internal wrangling continued, and new policies were not developed to interest voters.<sup>63</sup>

In 1958 only two of the Christchurch group were elected to the Executive.<sup>64</sup> At the 1959 Conference Owen prepared a statement on credit cancellation and made its acceptance a question of confidence in his leadership rather than agreeing to form a Technical Committee to deal with it. In the uproar the positions of leader and deputy were suspended until the issue could be resolved amicably.<sup>65</sup> It was the end of the Christchurch group and Owen joined the National party.<sup>66</sup> Dominion Secretary-Organiser, C.W. Elvidge, was now effectively leader and did form a Technical Committee to handle thorny theoretical questions. He was responsible for Social Credit's next important leader, Vern Cracknell, joining the League in 1959. By 1962 Cracknell was president and became leader in 1963.<sup>67</sup>

Leader and deputy positions were revived in 1960 but only for the election. Non-entity P.H. Matthews was leader and J.B. O'Brien was deputy.<sup>68</sup> The League public relations consultant advised it to make broad policies and emphasise benefits, not technicalities. Consequently, Social Credit went from 6% to 9% during the campaign according to Gallup polls of September,

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<sup>61</sup> Miller, pp. 154, 155. A public relations firm was hired to address these issues.

<sup>62</sup> Miller, p. 125; R.S. Milne, *Political Parties in New Zealand* (London: Oxford University Press, 1966), pp. 299, 300.

<sup>63</sup> Selection wrangles resulted in Independent Social Credit candidates for Marsden, St. Kilda and Northern Maori. Raymond Miller drew attention to Marsden but incorrectly labelled W.R. Vallance as the 1954 Social Credit candidate. Miller, p. 147. Vallance stood as Independent National in 1954 and Eva Hill for Social Credit. When Vallance was selected instead of the eccentric Hill in 1957, she stood as Independent Social Credit. J.E. Colechin mentioned two Independent Social Credit candidates. He attributed Social Credit's poor performance to being a new political force but also acknowledged no proper canvassing organisation to identify voter support. He noted lack of interest from the electorate but claimed it reflected a general lack of interest. J.E. Colechin, 'The General Election of 1957, The Social Credit Campaign', *Political Science Vol 10 No.1* (1958), pp. 41, 45-50. In fact there was keen interest but only in the close contest between National and Labour.

<sup>64</sup> Miller, p. 159.

<sup>65</sup> Miller, pp. 162-164.

<sup>66</sup> Owen rejoined the League when John O'Brien became leader in 1970 but went with O'Brien's New Democrats. His 288 vote in Tauranga was the fourth highest total (and seventh highest percentage) for that party.

<sup>67</sup> Miller, pp. 169, 170.

<sup>68</sup> Miller, pp. 170, 171.

October and November 1960.<sup>69</sup> National emphasised the wasted vote and claimed that National monetary policy was the same as Social Credit's, the latter backed up by Owen but this failed to detach its campaign gains. In a quiet campaign where Social Credit attracted little attention, only Social Credit gained, especially in Hobson.<sup>70</sup> Cracknell increased his vote by nearly 2,000, completely eclipsing the efforts of the leader and deputy.

### 3.2.4 Phase Three: Semi-professional Party

Cracknell became leader and his attempt to turn Social Credit into a professional political organisation was half successful. So Social Credit entered its third phase: a semi-professional party. Under Owen the whole Christchurch group controlled Social Credit's direction. Cracknell directed it by his own perception of how Douglas's ideas needed to be politically expressed. He possessed great leverage as an accountant and respectable local body politician to counter the League's extremist image on monetary matters<sup>71</sup> and he was the most likely candidate to win a parliamentary seat. Under Cracknell the League gained a central administrative structure and a disciplined political organisation with a team emphasis replacing individualism.<sup>72</sup> In 1964 the leader and deputy positions were made permanent.

Cracknell believed in incrementalism: a slow thorough building of an electoral organisation, a steadily expanding political programme by adopting new but consistent policies and increasing voter support in strong electorates until they were won. This was not government in a single bound but an extended campaign over several elections. League researcher, S.L. Dickson

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<sup>69</sup> Douglas also suggested emphasising benefits, as it was the expert's job to work out technical details once it was decided what was wanted. *Addresses*, pp. 60, 61, 76, 78, 79.

<sup>70</sup> R.M. Chapman, W.K. Jackson and A.V. Mitchell, *New Zealand Politics in Action: The 1960 General Election* (London: Oxford University Press), pp. 86, 87, 90, 96, 97, 101, 102, 108. David McCraw classified this as an Abstaining election since Labour's vote went mostly to non-voting and National's vote went up more than Social Credit's except in 'farming' seats where National increased more than the non-vote. David McCraw, 'A Classification of New Zealand Elections', *Political Science Vol. 33 No. 2* (1981), p. 167. However, this does not take into account relative party positions before the campaign. Without organisational and leadership difficulties, Social Credit may not have started so low. At a 1957 starting point, a 3% gain would have put them near their 1954 figure and a better jumping off point for 1963.

<sup>71</sup> He was like Jeanette Fitzsimons, the former Greens co-leader, who was a mild and reasonable expositor of Green values. Thus it was harder to see them as wild eco-extremists.

<sup>72</sup> See Miller, pp. 183-185.



indicated that Social Credit growth tended to take over the support of the second party in an electorate whether National or Labour.<sup>73</sup>

Raymond Miller's picture of Cracknell as a cautious conservative opposed to Douglasism is overdrawn.<sup>74</sup> Miller attributed to Cracknell the views about the evils of monopolistic corporate capitalism and moneylenders and the virtues and importance of small enterprise capitalism instead of seeing them as outgrowths of Social Credit money ideas and importance of the individual. Social Credit retained and emphasised these ideas under Beetham.<sup>75</sup> Certainly Cracknell was cautious. In the debate on whether debt-free credits were automatically cancelled, Cracknell sided with those who believed they were not. Thus huge amounts of debt free money was inflationary so Reserve Bank credit creation needed to be judicious, modest and, in the first instance, linked to recovery methods such as advances to local and central government functions. Purists considered it anti-Douglas as they believed in automatic credit cancellation. However, this was a technical detail needing to be solved by a Douglas expert because of two contradictory ideas coming from the same theory. Cracknell was not anti-Douglas on this issue and neither were the many Social Crediters who agreed with him.

The League was prepared to follow Cracknell as long as he was successful and he was more successful than Owen and the Christchurch group. In 1963 the League vote was slightly less than that of 1960 but building a professional organisation had barely begun.<sup>76</sup> Nonetheless, in the Cracknell years Social Credit made the best of limited opportunities. Cracknell was an able and personable leader. The organisation expanded to half the number of Labour branches. Its 7000 members nearly equalled Labour and were involved in active fundraising, a later League strength. The *Social Credit*

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<sup>73</sup> S.L. Dickson, 'Social Credit and Class Voting in New Zealand', *Political Science Vol 21 No. 1* (1969), pp. 36-38.

<sup>74</sup> Miller, pp. 189-191.

<sup>75</sup> For example, see the Social Credit Manifesto 1981, pp. 40, 41, 90, 91.

<sup>76</sup> Extra factors affected Social Credit's vote in 1963. First, the League failed to nominate candidates in four seats, costing it about 3,500 votes thus proving Cracknell's point about organisation. Second, its successful 1960 Eastern Maori candidate switched to National and this alone cost 2,000 votes. Third, a revived Liberal party contested 23 seats. Social Credit still improved its vote in 60% of seats where Liberals stood, including Invercargill where the Liberal leader pushed it into fourth place. Assuming that Social Credit picked up most of the Liberal's 10,000 votes, it would have taken 9%, a 0.4% increase instead of a 0.7% decrease. Allowing for these factors means that Social Credit slightly bettered its performance in 1963.

*Guardian* was the monthly communication organ. It began advertising between elections, a more continuous publicity process. The League's harvest came in late 1966, a surprising campaign development.<sup>77</sup> Improving the organisation certainly helped Social Credit to its largest vote but a peak protest election was also a major component. Social Credit had not acknowledged the protest nature of its support and never attempted to measure its fluctuations.

Austin Mitchell argued that Social Credit became a protest party against National in the countryside, giving it an opportunity in Hobson, a seat with 'long-standing discontents'.<sup>78</sup> It concentrated resources there in 1966 and Cracknell spent most of his time in the seat. He was well respected with local body experience that helped offset adverse factors. Despite the wasted vote argument not applying, over 40% of Cracknell's 1963 voters did not support him in 1966.<sup>79</sup> Volatility notwithstanding, trends in the Hobson vote challenged a myth. Social Credit permanently kept 20% from National's 1954 vote but subsequently only increased its further share by 10% or less (5% of the overall vote). Although this share was vital as non-voting was low and even,<sup>80</sup> Social Credit largely won by collapsing the Labour vote. Thus Social Credit was not an alternative to National but to Labour and S.L. Dickson's contention that Social Credit took over the Opposition party vote was true in Hobson.

In 1966 it collapsed Hobson's Labour vote to a degree only matched later in Rangitikei and Kaipara. Residual Labour support in other rural seats was stubbornly higher but Labour was particularly weak in Hobson. It went from twelve branches in 1954 to none in 1961 and only one was active after 1958. Activists thought that Labour should withdraw in 1960 to give Cracknell

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<sup>77</sup> Mitchell, pp. 155-157.

<sup>78</sup> Mitchell, p. 155. This claim, shared by Judith Bassett, is wrong. See Bassett, *New Zealand Today Part 7*, p. 194. Bay of Islands/Hobson was a typical conservative rural seat electing Liberal, Reform and National MPs. It was one of many discontented rural electorates electing non-conservative MPs in the Depression. Only twice was it untypically discontented: when it elected an Independent in 1922 (who supported the government anyway and was Reform's successful candidate in 1925; see W.J. Gardner, 'W.F. Massey in Power, 1912-1925', *Political Science Vol.13 No. 2* (Sept 1961), pp. 24, 29, 30) and when it elected Cracknell in 1966. Instead discontent lay with the Opposition party. It switched from Liberal to Independent to Country party to Labour to Social Credit to Labour to New Zealand First and back to Labour. It also had flirtations with the New Zealand party, the Alliance and the Greens. Until 1990, this electorate was the only one that elected an MP from every represented party.

<sup>79</sup> Miller, p. 205.

<sup>80</sup> See Norton, p. 246.

a clear run against the new National candidate Logan Sloane.<sup>81</sup> This certainly would have given Cracknell the seat then and he was only robbed of it on special votes in 1963.<sup>82</sup> Unlike the rest of the country National voters were motivated to vote in Hobson in 1966, as reflected in a high turnout, but its 100 vote gain in 1966 was offset by further Labour collapse. Many withered Labour branches stayed that way in the rest of the Auckland region but reformed in Hobson in the late 1960s after supporters realised Cracknell was not a *de facto* Labour MP.<sup>83</sup> Sloane was not a popular MP and this also gave a small impetus to Cracknell until it was discovered that he was no better.

Thus many factors, several beyond Social Credit control, came together to win Hobson. Even Labour failure to withdraw its candidate and Cracknell's narrow 1963 loss may have helped in a sense. Had he been elected in 1960, Cracknell's inadequacies as MP might have prevented him becoming leader thus stopping Social Credit's professionalisation. Success in 1963 may have hampered the 1966 advance or, if not, Social Credit might have been embarrassed by gaining its best vote while losing its sole MP.

### 3.2.5 The Failure of Cracknell and Incrementalism

In line with incrementalism and backed with polling data, researcher Dickson predicted that the 1966 surge was not a one off but would increase in 1969.<sup>84</sup> In June 1969 the National Research Bureau (NRB) had Social Credit on 17.6% support but it steadily declined thereafter and Social Credit's 1969 campaign was considered a disaster. Cracknell lost his seat and Social Credit's vote dropped to 9%. Bruce Beetham thought that the two main problems were lack of aggressive campaigning and serious television advertising. He estimated that Social Credit lost 2% from a poor campaign.

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<sup>81</sup> Barry Gustafson, 'Labour's Lost Legions: The Second Labour Government 1957-60 and Grassroots Party Membership in the Auckland Region', *New Zealand Journal of History* Vol. 10. No. 2 (October 1976), pp. 154, 155.

<sup>82</sup> In seats where Social Credit was strong, more people voted for it on the day or switched during the campaign than originally planned to and so the League usually lost ground on special votes. The Greens had the opposite problem.

<sup>83</sup> Gustafson, *New Zealand Journal of History* Vol. 10. No. 2, pp. 155, 156. This made it harder for Social Credit to collapse the Labour vote as much in Bay of Islands in 1978 and 1981, Hobson's successor seat.

<sup>84</sup> Dickson, *Political Science* Vol 21 No. 1, p. 39. For polling figures, see the Appendix.

The League ignored Dickson's 1967 warning that it was not holding its 1966 support or winning young voters, and needed more Labour votes.<sup>85</sup>

Social Credit was also subject to third party electoral disadvantages beyond its control. 1969 was a squeeze election with voters deciding between giving National a fourth term or electing Labour.<sup>86</sup> Social Credit would have been hard pressed to maintain its 1966 vote let alone increase it especially as, once again, it made no attempt to cement gains in place well before the election. Gaining Labour voters would be even more difficult. David McCraw's 'holding pen' and 'clearing house' argument<sup>87</sup> held true for Social Credit in 1969 with only an estimated 11% vote even with a good campaign.<sup>88</sup>

Cracknell's performance in the House did leave much to be desired.<sup>89</sup> Miller pointed out that he was temperamentally unsuited for parliamentary life and the League gave him no guidance about his role there or how to carry it out effectively.<sup>90</sup> His solitary existence was exacerbated by Standing Orders catering only for two parties, which made it easier to override and ignore outsiders. Cracknell's maiden speech was bumped for urgency on Muldoon's first 'mini budget' and he had no one to second motions or support bills.

David McLaren, Labour's first MP, was also a solitary member. Despite solid prior local body experience and second ballot advantages McLaren was not re-elected.<sup>91</sup> Cracknell's Social Credit predecessor, H.M. Rushworth, was also uncertain in the House, voting mostly with the government.<sup>92</sup> He was, however, a popular MP and kept his seat. Cracknell would have done better in a small parliamentary team but Social Credit did not possess this luxury. The solid, respectable face of Social Credit was unable to be a charismatic firebrand at the same time.

Television coverage first became important in the 1966 election. Other media ignored Social Credit in previous elections but television 'discovered'

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<sup>85</sup> Beetham, 'Room at the Top', pp. 11, 37, 39, 40, 42.

<sup>86</sup> David McCraw describes 1969 as a Normalising election where votes returned to the main parties after going to third parties and non-voting in 1966. McCraw, *Political Science Vol. 33 No. 2*, pp. 169, 170.

<sup>87</sup> McCraw, *Political Science Vol. 31 No. 1*, pp. 55-57. See also Chapter Two.

<sup>88</sup> Beetham, 'Room at the Top', p. 42. This assumed that Social Credit held its own during the campaign as opinion polls gave it 11% in mid-November. Beetham, 'Room at the Top', p. 39.

<sup>89</sup> See Miller's comparison of Cracknell and two other new backbenchers. Miller, pp. 212-214.

<sup>90</sup> Miller, p. 215.

<sup>91</sup> Gustafson, *Labour's Path to Political Independence*, pp. 40, 41, 151.

<sup>92</sup> Bassett, *New Zealand Today Part 7*, p. 192.

Social Credit and its leader, which made an impact on voters.<sup>93</sup> By 1969 Cracknell was no longer a novelty and his amateur performance became detrimental but the League failed him and itself by not using television and other campaign publicity in better ways. Despite Cracknell's political liabilities the League had to use him, as he was their leader and sole MP but it made no attempt to offset his weak points and showed that Social Credit was not fully professional yet. The aftermath of 1969 was not handled well but Cracknell believed that he was still the only person who could take Social Credit forward. His refusal to stand down or take another role made matters worse but, like Beetham later, he saw no one better to succeed him.

The 1970 Conference blamed Cracknell's non-aggressive stance in the House and during the campaign for the loss. It accused him of not taking advice and favouring League administration at the expense of effective political action. Blaming Cracknell for League failings was the familiar superficial response and would happen to Beetham sixteen years later. Cracknell did not help his cause by insisting that Conference elect him and his favoured candidates to executive office as a team. Conference rejected this ultimatum and John O'Brien replaced him as leader. Cracknell, like Owen before him, acrimoniously left Social Credit. Beetham wanted Social Credit to make peace with Cracknell as he feared he would join National and stand in Hobson as their candidate or as an Independent.<sup>94</sup> Some National MPs observed that if Cracknell had joined National instead of Social Credit he would have been a cabinet minister in the 1970s. Similar comments were made about Beetham ten years later. The clear implication was that competent Social Crediters were misguided and in the wrong party.<sup>95</sup>

### 3.2.6 An Aborted Fourth Phase: The O'Brien Blunder

After the fallout from 1969, Social Credit finally grew into a fully professional party but took nearly a decade to achieve it. A new, charismatic leader and a greater political emphasis, including spokespeople, a shadow cabinet,

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<sup>93</sup> Mitchell, pp. 159, 160.

<sup>94</sup> Beetham, 'Room at the Top', pp. 161, 182, 270, 276, 279. Cracknell did neither.

<sup>95</sup> Beetham, 'Room at the Top', p. 276.

alternate budgets and measured publicity releases, were good steps.<sup>96</sup> However, events cast doubt on whether John O'Brien was the right person despite his charisma and fresh ideas. Journalist Spiro Zavos thought that O'Brien was a vibrant leader determined to preach a pure Social Credit message. Pragmatists had to hold their nerve and let him hang himself.<sup>97</sup> Raymond Miller said that O'Brien led an unstable coalition of orthodox Social Crediters and younger members swept up in liberal political causes he espoused. The battle was between purists who followed O'Brien into the New Democrats and pragmatic Cracknellites remaining active in Social Credit.<sup>98</sup>

Beetham considered O'Brien a mixture of purist and pragmatist initially but he shifted into the purist camp. The League executive understood O'Brien's loose cannon tendencies yet believed his aggressive political stance was needed. From O'Brien's assurances to submit his ideas to the executive, it believed his energy could be controlled positively to advance the League again but O'Brien avoided executive control.<sup>99</sup> Beetham did not agree with O'Brien's view that the League's problems came from an administrative brake on political action. He thought that the unresolved purist/pragmatist debate was tearing the heart out of the League but most Social Crediters were a mixture of both, so it ought to have been flexible enough to compromise.<sup>100</sup>

O'Brien did not resolve that debate but joined wider political debate with anti-EEC and anti-nuclear testing policies. It may have been a good idea but O'Brien approached it as if he already had an influential party rather than still building one and Social Credit efforts were regarded as a nuisance. Fresh tensions arose within the League as O'Brien increasingly went his own way and could not be controlled. He acted as though he already had a sizeable parliamentary group that could dictate policy apart from the League.

Executive belief that it could control O'Brien was too optimistic. He waited ten years to become leader and wanted to counter Cracknell

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<sup>96</sup> Beetham considered this to be the beginnings of proper party discipline for the League. Beetham, 'Room at the Top', p. 158.

<sup>97</sup> Zavos, pp. 88, 89, 91; Beetham, 'Room at the Top', pp. 191, 192.

<sup>98</sup> Miller, p. 239. This is an oversimplification. For example, Martin Spratt, New Democrat candidate for Grey Lynn was pragmatic and not a purist.

<sup>99</sup> Beetham, 'Room at the Top', pp. 6, 7, 52, 53, 150, 157, 158.

<sup>100</sup> Beetham, 'Room at the Top', pp. 65, 66. George Bryant, later League president, echoed this view. George Bryant, *George: The Secrets of an Ordinary Kiwi* (Auckland: Day Star Publications Trust, 2006), p. 57.

incrementalism quickly but did so to excess. O'Brien whole-heartedly believed in what he was doing but was like a runaway train. Beetham thought that a better balance would have come from allowing O'Brien's 'fire-eating' political style under Cracknell's continued leadership<sup>101</sup> but doubts about the effectiveness of O'Brien's style should have acted as a warning. For example, O'Brien was a good but not exceptional parliamentary candidate and his performance worsened as time went on.<sup>102</sup>

From 1953 to 1972 Social Credit had four leaders, none of whom resigned willingly and only one without fuss. Owen and Cracknell presented the League with ultimatums: Owen on monetary doctrine and Cracknell on his executive 'ticket'. In fairness, both men were forced into that position to some extent. The League refused to accept Owen's updated version of monetary ideas as legitimate Social Credit so he made it a matter of confidence. Cracknell's reforms were criticised on the same basis. However, the real problem was Cracknell's ineffective style proven by how easily Conference politically outmanoeuvred him on the leadership issue. Had Cracknell been elected leader first, he might have reluctantly accepted executive members outside his 'ticket' but the presidency was deliberately decided first. After his nominee failed, Cracknell had to give up the leadership. By insisting on his team or nothing, Cracknell violated Social Credit's principles of democracy and individuality and, ironically, ensured that there was no leadership contest.

Owen's departure caused fewer problems than Cracknell's as he was not replaced. This was not an option in 1969. Caught between a choice of solidly respectable but dull or charismatic but unstable, the League did not have an immediate dynamic third alternative. Social Credit had to live with misgivings about O'Brien's shortcomings and try to compensate for them because of his charisma and the ease by which he became leader.

Eighteen months later O'Brien's political initiatives to revitalise the League had not reversed further decline.<sup>103</sup> His autocratic actions created more internal strains. The League president had resigned twice in three years.

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<sup>101</sup> Beetham, 'Room at the Top', pp. 278, 279.

<sup>102</sup> He stood in Manawatu from 1957 to 1969. Although his vote was above average, it peaked in 1960 and 1963 (relatively) and always rose and fell with the League vote. Norton, p. 265. O'Brien's political style won him a better vote than other Manawatu Social Credit candidates but he did not progress as Cracknell, Beetham or later deputy leader, Jeremy Dwyer, did.

Shadow spokesmen resigned or O'Brien sacked them and in early 1972 some candidates also resigned.<sup>104</sup> In late 1971 Bruce Beetham, Les Hunter and George Bryant met to debate forming a new party along updated Social Credit lines but decided against it.<sup>105</sup> The 1972 Conference became another showdown, the second in two years. O'Brien planned to set up his own party if he did not get his own way. He thought the membership backed him, expecting most of them to defect to his New Democrat party. When most did not, O'Brien still fielded candidates for all but one electorate and the party persisted into 1973.<sup>106</sup>

Only three weeks before Conference, League president Dr. W.A. Evans resigned and the Dominion Council elected Beetham president. He allowed his name to go forward as a nominee for leader to fill a constitutional gap since O'Brien and his deputy Tom Weal had also resigned three weeks earlier.<sup>107</sup> When an O'Brien walkout was imminent, Beetham approached Les Hunter about the leadership. Hunter did not want it so Beetham was elected unopposed the next day because he was the only nominee.<sup>108</sup>

### 3.3 Rebuilding the Party

#### 3.3.1 Survival

After the 1972 Conference debacle Social Credit had to rebuild or fade away. Many commentators predicted the latter and even prominent figures in the League thought that O'Brien had destroyed the movement.<sup>109</sup> Only six months

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<sup>103</sup> A mid-1971 opinion poll put Social Credit support at 6%. Miller, p. 259.

<sup>104</sup> Miller, pp. 262, 263, 265. This included Les Hunter (finance) and George Bryant (youth) who were fired. G. Constable (social welfare) resigned. Dwyer resigned as a candidate. Beetham considered resigning but did not.

<sup>105</sup> Bryant, *George*, p. 59; George Bryant, *Beetham* (Palmerston North: Dunmore Press, 1981), p. 30.

<sup>106</sup> Miller, p. 269, 270. 60 people attended the inaugural meeting of the New Democrats held immediately after Conference, pp. 271, 272. Bryant indicated that a third of the delegates left. Bryant, *George*, p. 59.

<sup>107</sup> Bryant, *Beetham*, pp. 32, 33. There is some confusion about whether they did resign then. See Miller, pp. 266-268.

<sup>108</sup> Bryant, *Beetham*, p. 34.

<sup>109</sup> Bryant, *George*, p. 58.



from an election Social Credit had 3% in opinion polls<sup>110</sup> with competition from the emerging Values party and the small Liberal Reform party threatening support in some rural strongholds. Nobody knew how much damage O'Brien's New Democrats would do to Social Credit's traditional vote or its organisation. Beetham appeared to have become leader to preside over its demise.<sup>111</sup>

Social Credit's first task was to survive and still be New Zealand's third party after the election. One favourable factor was that those whom Beetham trusted in the organisational nucleus around which he intended to rebuild were all relatively young. Beetham himself was only 36, the youngest leader of all the parties except Values. Donald Bethune, 44, active in the Waikato became League president. Alan Patterson-Kane, 26, from Auckland was vice-president and later became the highly efficient chairman of the powerful Ways, Means and Membership Committee. George Bryant, 34, became League publicist responsible for party manifestos and expounding Social Credit's general philosophy. Others who became important leaders later were Jeremy Dwyer, 24 in 1972, and Stefan Lipa. One of the most important, Les Hunter, 44, was League and pragmatist theoretician responsible for updating Douglas and producing financial policy.<sup>112</sup>

Social Credit's 1972 campaign emphasised Beetham's youthfulness.<sup>113</sup> Unlike Cracknell in 1969 he was articulate and telegenic, coming across powerfully on that medium. He was the type of leader Social Credit wanted and needed, combining Cracknell's sensible thoughtfulness and respectability without his indifferent style and O'Brien's dynamic charisma without his rashness or instability. Commentators Ian Templeton and Keith Eunice did not write off the League 'because it has shown in the past that it can bounce back from near-extinction'. Unresolved economic issues left room for Social

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<sup>110</sup> Brian Edwards (ed.), *Right Out* (Wellington: A.H. and A.W. Reed, 1973), pp. 72, 190; Robert Chapman, *Marginals '72* Auckland: Heinemann Educational Books, 1972), p. 39.

<sup>111</sup> A *New Zealand Herald* editorial commented, 'Electorally, the New Zealand Social Credit Political League must be counted a spent force. Within 12 months (sic), it has repudiated two successive leaders. The last of them, Mr O'Brien...compounds the disarray by formally creating a splinter group.' Quoted in Ian Templeton and Keith Eunice, *In the Balance: Election '72* (Dunedin: John McIndoe, 1972), p. 83.

<sup>112</sup> Miller, pp. 295-297; *Target '81* (1980), p. 3. Miller also includes John Body who was responsible for managing the 1972 campaign and later oversaw branch organisation in Auckland, particularly West Region, and helped Social Credit keep a high profile there.

<sup>113</sup> For an example, see Jim Eagles and Colin James, *The Making of a New Zealand Prime Minister* (Wellington: Cheshire Publishing, 1973), opposite p. 136.

Credit's monetary 'panaceas' to attract new followers and under Beetham with a dynamic campaign it could rally strongly. They noted that Beetham attacked Labour as he recognised that Social Credit needed to displace Labour eventually to become the Opposition.<sup>114</sup> With a fresh team behind him Beetham made sufficient impact to win the 7% that Hunter thought the League would be lucky to get.<sup>115</sup> Beetham and his team maintained Social Credit's position as New Zealand's leading third party. The New Democrats and Liberal Reform were minimal electoral threats. Values was a more serious contender particularly with growing appeal. Its strength in urban seats, particularly the four metropolitan areas, displaced Social Credit for third place in 13 of them, some quite strongly.

Labour won a landslide victory in 1972. Political scientists and commentators predicted a close contest and some thought National might hold on again. The result was expected to be 45-42 but to whom was uncertain.<sup>116</sup> The 23 seat win was an FPP distortion with a relatively small swing producing a large majority. 'Labour's victory in *seats* gave the party an illusion of depth in *popular votes* which it did not possess'.<sup>117</sup> Enough 1969 Social Credit voters are thought to have gone to Labour in some seats it needed to win. Although this helped make Labour vulnerable in fourteen seats, National was even more vulnerable in seven of its own. So Labour would rule until at least 1978 unless they blundered or had terrible luck.<sup>118</sup>

However, the electoral system and cycle had changed.<sup>119</sup> Voters began to base support on performance instead of loyalty and changed main parties more rapidly or did not vote for them at all. This fourth new electoral cycle since 1935 was not as smooth or predictable as the previous three. It took several elections to clearly see these changes but third parties had a growing vote not seen in forty years.

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<sup>114</sup> Templeton and Eunice, *In the Balance*, pp. 84-86.

<sup>115</sup> Eagles and James, p. 127. It was higher than the 5% predicted by Templeton and Eunice. Templeton and Eunice, *In the Balance*, p. 85.

<sup>116</sup> Edwards, pp. 185, 186; Templeton and Eunice, *In the Balance*, p. 98. This clearly contradicted the next step of the electoral cycle, which indicated a government defeat.

<sup>117</sup> Stephen Levine and Juliet Lodge, *The New Zealand General Election of 1975* (Wellington: Price Milburn, 1976), p. 7 (emphasis in the original).

<sup>118</sup> Eagles and James, pp. 209, 210, 212, 213. Seats that former Social Credit votes helped to win were Awarua, Otago Central and Whangarei.

<sup>119</sup> See Chapter Two for a full description.

Social Credit now had to work out its prospects and strategy. It had to refocus its aim to become the main Opposition by displacing Labour. Instead the League concentrated on positioning itself to maximise support and put much effort into a comprehensive policy. Its 1975 manifesto contained at least a third more of expanded policy that the League hoped would be a vote winner and boost membership. Miller estimated that Social Credit's membership was under 2,000 by 1975, up from the 700 in 1972 but nowhere near the 20,000 targeted for.<sup>120</sup> Miller claimed that Social Credit filched many of its other policies from other parties as it was only unique in its financial ideas.<sup>121</sup> However, it would be more true to say that the Social Credit Executive spent the time between 1972 and 1975 working out what Social Credit philosophy looked like as a coherent modern political programme.<sup>122</sup> The financial policy was always only a means to desired social ends and clearly stated as such in the manifesto.<sup>123</sup>

Although the new leaders and executive provided revitalised direction and effort, the same was not true of the members at large. From extreme demoralisation most seemed content to let Beetham fight for Social Credit. After so many setbacks how could he achieve anything different? Reorganising and reviving electorate branches only really began in 1976.<sup>124</sup>

Meanwhile Social Credit still had to fight the 1975 election. Opinion polls in the first half of 1975 had Social Credit support lower than 1972 on 5%, level or slightly behind Values. After July Social Credit regained the lead, because Values fell away slightly, and slowly improved over September and during the campaign but ended with its third worst electoral performance.<sup>125</sup> 7.4% of the vote disappointingly failed as an advance but Social Credit found some consolation. Values advance was slight and it did not displace Social

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<sup>120</sup> Miller, pp. 279, 317, 318. Stephen Levine gave 2,000 members for 1972 and 8,000 for 1975. Stephen Levine, *The New Zealand Political System* (Sydney: George Allen and Unwin, 1979), p. 77. Colin James had 5,400. Colin C. James, 'Social Credit and the Values Party', in Howard R. Penniman (ed.), *New Zealand at the Polls: The General Election of 1978* (Washington DC: American Enterprise Institute, 1980), p. 156. Miller's figures seem too low and Levine's too high but together give an indicative range.

<sup>121</sup> Miller, p. 308.

<sup>122</sup> James in Penniman, p. 153. See also Bryant, *George*, pp. 59, 60.

<sup>123</sup> *The New Dimension*, Social Credit Policy '75, pp. 4, 24. It appears that the League could not win. It was criticised in the early days for only having a financial policy. When it developed others it was accused of stealing them.

<sup>124</sup> Bryant, *Beetham*, p. 51.

Credit as New Zealand's third party.<sup>126</sup> While Values remained strong in urban areas, it was not simply a matter of Values taking from Social Credit because another factor was the destination of deserting Labour voters. National took 62% of them but Social Credit picked up 20% to Values' 15%.<sup>127</sup> Social Credit gained fewer former Labour votes in urban areas where Values maintained or increased support because Values replaced its 1972 National leaning middle class votes with Labour leaning ones.<sup>128</sup> Values overtook Social Credit in thirty seats, twenty-eight of them urban, but interplay between them was more complex. Social Credit increased its vote in sixteen other seats to keep ahead of Values and even in many seats where Values pushed it into fourth. Despite this improvement Social Credit's vote declined further from 1972 in thirty-one seats including four rural ones where it might have been expected to do better. So Social Credit improved in some urban and provincial seats and not others. It failed to advance significantly in rural areas but held firm in the face of a massive swing to National. Beetham increased his own vote by over half in Rangitikei, the only seat to swing away from National and Social Credit's sole victory prospect in 1978.

Social Credit's more liberal policies were not rewarded with support from the newly eligible or younger voter. In a survey it only gained 6.9% of newly eligible voters compared to 17.5% for Values.<sup>129</sup> Some policies such as homosexual law reform or the right to abortion did not sit well with Social Credit's philosophy based on Christian morality and many members and candidates were uncomfortable with them but others like environmental concerns and ethnic rights were not problematic.<sup>130</sup> Liberal policy was not properly integrated into Social Credit's vision. In this instance Miller was right in saying it was a blatant and disjointed attempt to gain votes.

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<sup>125</sup> Penniman, p. 171. See also the Appendix.

<sup>126</sup> Levine and Lodge, p. 33. Social Credit gained 0.7% more of the vote, an increase of 12%. Values went from 2% to 5.2%, over a 250% increase. While it seems a significant advance, Values only contested half the seats in 1972 with an average vote of 3.91%. Thus it really only increased its vote by about 1.25% or one third more but this is still roughly three times as much as Social Credit.

<sup>127</sup> Stephen Levine and Alan Robinson, *The New Zealand Voter: A Survey of Public Opinion and Electoral Behaviour* (Wellington: Price Milburn, 1976), p. 149.

<sup>128</sup> James in Penniman, p. 166.

<sup>129</sup> Levine and Robinson, p. 149. 12% of newly eligible voters were committed Values voters compared to only 2% for Social Credit. Levine and Robinson, p. 148.

### 3.3.2 Reorganisation and a Lucky By-election

However, the League's policy efforts had clarified its political position and direction but it was still wedded to a decentralised semi-professional organisation.<sup>131</sup> Main publicist George Bryant took action. He convened a think tank a month before Social Credit's 1976 Conference to analyse its lack of progress. Then he sprung a background paper on delegates entitled: 'Wanted! The New Zealand Social Credit Political League, Dead or Alive'. The booklet's twenty-eight recommendations for action were debated and adopted. First came the need for viable electorate branches. Twenty-six of them were completely inactive and another twenty-five were only semi-active. Then came increased membership—his target was 10,000, professional fundraising, trained and active canvassers, a new and effective image, and integrated and coordinated organisation from the Dominion Council and the political executive down to regional groupings and electorate branches.

Initially Beetham was furious but the shock treatment worked. Bryant was running for the League presidency and he thought his tactics might have worked against him but he was still elected. Goals for the first twelve months included making ten branches election ready, restarting ten dead ones and organising a petition on proportional representation. The political executive included Beetham, Bryant, deputy leader Hunter, Nevern McConachy, Lipa who succeeded Bryant as president, and former leader Cracknell. Dwyer joined them in 1977 when he replaced Hunter as deputy leader.<sup>132</sup> Paid organisers were put in the four top seats eighteen months before the 1978 election. McConachy and Lipa toured branches to convince them to set membership and fundraising targets. The overall target was a 16% vote and at least one seat in 1978 rising to 22% and enough seats to hold the balance of power in 1981. Social Credit reintroduced a mid-term publicity campaign from September to November 1977 because they realised that third parties lost momentum by vanishing off the media radar and this gained 200 new

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<sup>130</sup> James in Penniman, p. 153. While Social Credit voiced environmental concerns, Values was strongly seen as their natural home.

<sup>131</sup> James in Penniman, p. 155.

members.<sup>133</sup> Thus development began of Social Credit's best organisational machine, one to rival that of the main parties.

Opinion polls showed increased Social Credit popularity. By the end of 1976 it was on 9% but stuck there throughout 1977. This was only the same as 1969 and hardly the huge breakthrough looked for. The only bright spot was that Values, very close behind Social Credit in mid-1976, fell back to 5%.<sup>134</sup> Then came the death of Sir Roy Jack, Rangitikei's MP, on Christmas Day 1977. The by-election timing was perfect, coming on the heels of the publicity campaign. Rangitikei was Social Credit's prime target and the League had already been working on it for eighteen months with top organiser Henry Raynel appointed full-time in mid-1977. Membership was about 1,000 and Beetham had toured the electorate in October.<sup>135</sup>

Factors beyond Social Credit's control also worked in its favour. Rising freezing-works costs and export trading woes reducing farm incomes made a farmer protest vote against National more likely.<sup>136</sup> National also had selection problems. Neighbouring Ruahine was abolished by the 1977 boundary changes and with Jack's planned retirement, its MP, Les Gandar was selected to contest it. However, the by-election had to be held on the old boundaries and he could not be selected without another by-election in his own seat. This could have been resolved by selecting him for Manawatu and choosing a strong and permanent Rangitikei candidate but a temporary one was decided on for fear that any other action would show Beetham was a threat.<sup>137</sup> This clumsy arrangement made Beetham the strongest contender by far, especially as he had given up the Hamilton mayoralty two months earlier, so he was already a full-time candidate. National and Labour colluded

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<sup>132</sup> Bryant, *George*, pp. 71-73.

<sup>133</sup> James in Penniman, p. 156. This was originally a Cracknell innovation. See Chapter Three above.

<sup>134</sup> Penniman, p. 171. See also the Appendix.

<sup>135</sup> James in Penniman, p. 156; Miller, pp. 334, 335.

<sup>136</sup> Farmer belief that National gave in to the unions added to the protest. Barry Gustafson, *His Way: A Biography of Robert Muldoon* (Auckland: Auckland University Press, 2000), pp. 248, 256, 257.

<sup>137</sup> McRobie in Penniman, pp.82, 83. National party president George Chapman held open the Manawatu selection so that the expected winner of Rangitikei could then nominate for it leaving the way clear for Gandar. George Chapman, *The Years of Lightning* (Wellington: A.H. and A.W. Reed, 1980), p. 160. This suited National rather than Rangitikei. Ruth Richardson later claimed that she could have held the seat against Beetham if her 1974 selection

to ensure that National retained the seat, a tactic seen as ganging up on the underdog to preserve major party monopoly in parliament. Their strategy did not work and Beetham won the seat comfortably.

### 3.3.3 Organising for the 1978 Election

Even if Beetham had not won, publicity surrounding the by-election gave Social Credit more support. In January 1978, a month before the by-election, media publicity increased opinion poll support for the League by almost 50%—from 9% to 13%—and in March Social Credit's rating was at 22%. Support more than doubled in four months but it slid back to 16% in September.<sup>138</sup> The pattern is worthy of note. Social Credit took more from Labour than National, a result confirmed by its own canvassers. When the League was at 22%, Labour had declined to 31%. Labour bounced back but not to its 1977 heights. National was not expected to lose as it was about as far ahead of Labour as it had been in 1975 four months from the election. Nevertheless Social Credit took encouragement from the polls despite the mid-year slide. Its loyalty rate for retaining 1975 voters was above 80%, one in five new voters were intending to vote for it and it had the largest slice of the 1975 non-vote now intending to vote.<sup>139</sup> This was something not achieved before. Characteristically, Beetham now raised the vote target to 20%. At the August Conference Social Credit set new seat targets: to retain Rangitikei and win Bay of Islands, Kaipara and Hastings.

Targeting Hastings was a test of Social Credit's emphasis on building up an electorate organisation to a winning position. Hastings had a very good candidate, deputy leader Dwyer, and a good branch with a strong organiser and growing membership. It was not a seat of traditional strength as it was only 78th out of 87 seats in 1972 with about half the average Social Credit vote. When Dwyer first contested it in 1975 he raised it to 21st with an above average 8.9% vote. Furthermore it was a long time marginal. This made it a

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challenge to Jack had been successful. Ruth Richardson, *Making a Difference* (Christchurch: Shoal Bay Press, 1995), p. 20.

<sup>138</sup> NRB poll results taken from Penniman, p. 171. The Heylen poll put Social Credit on a maximum of 18.4% around the same time but showed the same trends. Miller, p. 344.

<sup>139</sup> Bryant, *Beetham*, p. 126.

long shot and, in a television political broadcast the night before the 1978 election when Beetham boldly announced that Dwyer would join him in parliament, his body language clearly showed that he thought so too. Dwyer did not win but he split the vote, taking 26%. Hastings was now 10th out of 92 for Social Credit and Dwyer was in a strong position to win in 1981. Hastings and Rangitikei demonstrated that with strong candidates and organisations third parties could do well even under an adverse electoral system.

Bryant estimated that Social Credit went into the 1978 election with 15,000 members but the \$300,000 target for funds was \$100,000 short and hampered its campaign effort. Beetham had to hold Rangitikei on its new boundaries that excluded former support and included much of the old Ruahine electorate where Social Credit was weak.<sup>140</sup> He was also up against Education Minister Les Gandar, a more formidable opponent. Even factoring the increased by-election support into the new boundaries left him 600 votes worse off than in 1975.<sup>141</sup>

Social Credit's campaign slogan was 'Give Us a Fair Go', asking for a huge protest against the main parties to put it in parliament with several seats. It took the definition of protest beyond the narrow concept of a wasted vote, suggesting that continued support of failed main parties was the true waste and hoped to gain from both of them. A Heylen poll showed Social Credit at 19.5% during the campaign. This suggested that voters normally supporting Labour thought of going for the League instead. Many went back to Labour to try to oust National but the League picked up National votes to replace them.<sup>142</sup> National voters either voted Social Credit in protest or, in several rural seats, stayed home. Consequently Social Credit had less support in Labour seats and was relatively strong in National ones. It threatened to win several<sup>143</sup> but could realistically take only one Labour seat, Hastings. This support configuration caused problems for Social Credit later.

Nonetheless three years of organisational shake up and benefits from the Rangitikei by-election took it from its third lowest election result to its highest. Despite voter cross currents the League gained 16.1% of the vote, its

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<sup>140</sup> James in Penniman, p. 158.

<sup>141</sup> *Target '81* (1980), p. 39. See also McRobie and Roberts, *Election '78*, p. 60.

<sup>142</sup> James in Penniman, p. 160.



original target, and totally eclipsed Values, which lost half its support. Social Credit beat it everywhere and Values maintained its vote only in a handful of seats.<sup>144</sup> The League was second in eleven seats<sup>145</sup> and better positioned to win more than in 1966. Social Credit had at least a quarter of the vote in twelve seats and could possibly win half a dozen or more of them whereas it only could win two at best after 1966. And Beetham held Rangitikei easily. Despite boundary changes and National's Education Minister, he doubled his majority with nearly 53% of the vote. Compared to the by-election it was an anti-climax.<sup>146</sup> In its four target seats Social Credit advanced least in the Bay of Islands because of a weaker and lesser known local candidate but all four seats were possible successes for 1981.

Beetham and his team had successfully rebuilt the League. It was no longer a disreputable 'funny money' party and voters now considered it a serious alternative. All Social Credit needed was a reasonable number of seats in parliament but this was to prove hard to achieve. Branch organisations staying ineffective in many electorates were part of the reason.

### 3.4 New Blood and the Old Guard

While the main area of dispute in Social Credit can be portrayed as an endless battle between purists and pragmatists, this was of more concern to the movement's political elites and became less of an issue as Social Credit was rebuilt. Undoubtedly some members would have worried about how well the modern League conformed to the Douglas ideal but by 1981 the problem in branches was not doctrinal purity but how established members coped with the influx of new members.

In 1975 the League executive authorised an Australian fund-raising company, Compton and Associates, to survey its members nationwide. Its

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<sup>143</sup> Most notably Kaipara, Bay of Islands, Hauraki, Tauranga, Waitotara and Whangarei.

<sup>144</sup> Values came closest to beating Social Credit in Porirua where its vote held up from 1975. It also held up in Eden, Fendalton, Island Bay, Wellington Central, and was relatively high in Remuera. Ironically, Values only increased its vote (but not its percentage) in Rangitikei.

<sup>145</sup> Bay of Islands, Hauraki, Kaimai, Kaipara, Matamata, Taranaki, Tauranga, Waipa, Waitotara, Northern Maori and Western Maori.

<sup>146</sup> Bryant, *Beetham*, p. 102. Social Credit essentially had to re-fight the by-election. Its aim to modestly increase Beetham's majority by 200 assumed Labour support at the by-election level and a small National increase. See *Target '81* (1980), p. 39.

report revealed that members suffered from 'failure' syndrome. Most had a small party mentality and some did not want Social Credit to become big for fear of losing their influence.<sup>147</sup> Most branches resigned themselves to a permanently small vote percentage and only organised to find a candidate and wage a token campaign. Therefore most electorates came a poor third and second was beyond them, let alone a win. Stuart Dickson's analysis for 1969 using an 18% nationwide vote only gave Social Credit two wins and seven second placings.<sup>148</sup> At least 90% of local electorate organisations, then, had no real winning prospects.

As Michael Sheppard experienced in Dunedin North, a newcomer could achieve a vital and active role at branch level very quickly, and even rise rapidly in the national organisation. Sheppard was offered the branch presidency on the way to his first meeting and was then selected as electorate candidate.<sup>149</sup> After Social Credit's initial South Island success in 1954, branches languished especially after 1972. With serious reorganisation only occurring from 1976 it was not surprising that weak South Island branches in 1978 latched onto anyone who showed keenness and Dunedin North was typical.<sup>150</sup> Sheppard also noted that

folk who carried the Sacred torch for so many years were...decent, humble and softly-spoken individuals whose very humility and consideration for others made them unsuitable for the rough and tumble of successful politics...[T]he rise in Sacred's popularity has been matched by a progressive supplanting, and indeed forcing out, of this "Old Guard" by newcomers of a very different political outlook.<sup>151</sup>

Tension between newcomers and the Old Guard was not due to ruthless replacement as Sheppard claimed. Newcomers were not defeatist like older members and wanted to build branches up for a possibility to win. Older members in some electorates had kept the organisation ticking along. Membership was tiny and branches active but only tokenly political. Apart from election year campaigns, time was spent maintaining organisational

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<sup>147</sup> Bryant, *Beetham*, p. 51.

<sup>148</sup> Dickson, *Political Science Vol 21 No. 1*, p. 39.

<sup>149</sup> Michael Sheppard, *Social Credit Inside and Out* (Dunedin: Caveman Press, 1981), pp. 12-16.

<sup>150</sup> The three Dunedin city branches had only a combined membership of 150 out of 21,000 nationwide by 1980. *Target '81* (1980), p. 29.

<sup>151</sup> Sheppard, p. 17.

forms and fundraising with perhaps a newsletter. New members were welcome but not actively sought. Social Credit information was available but lacked a hard sell. Branches operated as political clubs whose value to members was primarily social.

Between 1978 and 1981 a marked increase in interest in Social Credit resulted in new members across the board. The 1977 mid-term advertising brought in more but, apart from electorates like Hastings with several hundred active members by the 1978 election, many electorates had less than twenty and some were only semi-active. Targets were set and even the weakest Category 4 electorates were asked to achieve one hundred members by the end of 1979.<sup>152</sup> This influx of new blood swamped old members many of whom could not run a professional electorate organisation and saw nothing wrong with amateur ways. Naturally they occupied the important positions and wanted to keep them for their social status. Newcomers with fresh organisational vision wanted to see capable people in branch positions and were often frustrated by the Old Guard's refusal to change or step down. Not all the Old Guard were incompetent or refused to embrace positive change but many had seen Social Credit through the lean times and became aggrieved at being replaced once it gathered support. They did not themselves as below par and gained sympathy as their social network and status was disrupted. Many liked being big fish in a small pond and were dismayed as it grew larger and more professional.

#### 3.4.1 Illustrating the Difficulties

Eden Social Credit is a good example of the processes and problems involved. As a Category 4 electorate, its membership nearly doubled between mid-1980 and mid-1981.<sup>153</sup> Prior to that Social Credit ambled along, organised by the same few people over many years. Its below average electoral support

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<sup>152</sup> *Target '81* (1980), p. 24. This target was revised to 150 members by August 1981 and 200 by election day. *Target '81* (1981), p. 13.

<sup>153</sup> From 79 to 154. *Target '81* (1980), p. 27; *Target '81* (1981), p. 16.

rose and fell with Social Credit's nationwide fortunes. Having more than trebled its 1975 total in 1978,<sup>154</sup> Eden then gained a new infusion of members.

Eden selected its candidate early and this created the first tension between the Old Guard and new members. Branch president Arthur Drabble put his name forward as did newer member Alan Scott, by far the better candidate. Scott only won narrowly, showing that significant branch numbers considered loyalty to ambitious long-standing members above obvious political ability.<sup>155</sup> Drabble was an excellent fundraiser<sup>156</sup> and reasonable president most of the time but a liability as a candidate. Had he been chosen, making headway in the seat would have been severely hampered.<sup>157</sup>

Scott took his responsibility seriously as team leader in the branch,<sup>158</sup> gathering around him a group committed to significant political progress that operated outside normal branch channels to some extent. Thus two overlapping processes existed, an amalgam of professional and amateur with Scott as the main driving force. Most official branch positions continued under traditional tenure but a newcomer became campaign manager and chaired meetings in the president's absence.<sup>159</sup> Scott's dual process was a pragmatic attempt to keep older members happy and occupied while he by-passed them where necessary to get things done. The Old Guard resented it as they had less control over affairs while the new blood wanted older members in lesser positions more suited to ability and thought many of them were dead wood. Tensions arose over branch organisation and how political activities should be funded rather than doctrinal issues. Social Credit monetary ideas were widely

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<sup>154</sup> From its lowest 2.6% to 9.2%.

<sup>155</sup> It was done in 1980 and the Old Guard possibly held the selection early to enhance Drabble's chances before new members became fully active and swamped his core support.

<sup>156</sup> Candidate's Report to Social Credit Eden Branch AGM, February 11, 1981, p. 2. Copy in author's possession.

<sup>157</sup> As president, he took a two month holiday in the middle of election year and is likely to have done the same as candidate. See N.Z. Social Credit Eden Branch meeting minutes from March to June 1981. Copies in author's possession.

<sup>158</sup> See *Target '81* (1980), p. 24.

<sup>159</sup> *N.Z. Social Credit Political League Eden Branch Newsletter*, April 1981, p. 1. Of twelve executive positions, newcomers held three only because none of the Old Guard contested them. In an election between an old hand and newcomer for Treasurer, the old hand won but the newcomer was subsequently elected unopposed as branch fundraiser. Minutes of the N.Z. Social Credit Political League Eden Branch AGM, February 11, 1981, copy in author's possession. Scott, newcomer and candidate, was automatically on the executive. One new and one old hand were co-opted; neither were necessary. Minutes of the N.Z. Social Credit Political League Eden Branch meeting, February 25, 1981, copy in author's possession. Thus the fifteen member branch committee had five newcomers.

discussed and non-compulsory evenings on Douglas's theories held for interested new members.

Prior to Scott's involvement the weakest points were publicity and membership recruitment<sup>160</sup> and sub-committees proposed ideas to improve it. Most older members saw no need for the extra activity and only reluctantly adopted them without intending to be actively involved. Some allowed new ideas and were wholehearted if successful but critical if not. One idea was to set up a sub-branch in May 1981 to stimulate member involvement. It was the first time the branch had enough members for one but none of the five vice presidents wanted to run it.<sup>161</sup> Without solid executive backing the sub-branch failed and put in permanent recess in October. Scott castigated the vice presidents for their lack of involvement.<sup>162</sup> While no further sub-branches were set up, there was agreement between older and newer members that in principle they could be.<sup>163</sup>

A new member proposed a political survey. Small membership numbers made it impossible to effectively canvass the electorate, so a letterbox poll was conducted during June 1981 offering a prize draw for voter response to important issues with an invitation to join Social Credit and donate to the campaign. Erroneously believed to be self-funding, the initiative gave invaluable publicity, eliciting comment in local newspapers, the *New Zealand Herald*, *Auckland Star* and even the *National Business Review*.<sup>164</sup> National and Labour accused Eden Social Credit of treating but this

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<sup>160</sup> Long time Eden Social Credit stalwart Hugh Webber had Social Credit information in his Balmoral shop but did not prominently display or regularly replenish it. When the author enquired about membership in early 1980, he had nothing to give him. Instead of providing people to contact, he asked him to come back. This amateurishness was offputting. Alan Scott later told the author that this was fairly typical of how the branch was run.

<sup>161</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, April 8, 1981, p. 2; Candidate's letter to Eden Valley Social Credit Sub-Branch Committee, May 18, 1981, copies in author's possession; *N.Z. Social Credit Political League Eden Branch Newsletter*, May 1981, p. 1. Having five vice presidents, one as an honorary position to accommodate Webber, and sending four delegates to West Region meetings shows that the Old Guard still treated Eden Social Credit as a political club. Minutes of the N.Z. Social Credit Political League Eden Branch, June 10, 1981, p. 2. Copy in author's possession. The new 1982 executive reduced vice presidents to two and sent only one delegate to West Region meetings. *N.Z. Social Credit Political League Eden Branch Newsletter*, March 1981, p. 1.

<sup>162</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, September 9, 1981, p. 2 and October 14, 1981, p. 2. Copies in author's possession.

<sup>163</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, August 12, 1981, p. 1. Copy in author's possession.

<sup>164</sup> *National Business Review*, August 3, 1981, p. 37.

outrageous reaction only generated more publicity. Voter support and electorate issues were identified and thirty new members gained. The Old Guard ignored these benefits and complained about cost, making the fundraising sub-committee responsible for overspending despite increased donations more than covering the excess and earlier accepting that the printing budget was a low estimate. The survey proposer personally carried the prize cost but thought it would have achieved more with extra time and publicity. He was reimbursed later that year. The last opposition came with a suggested refusal to pay half the printing costs outstanding. This needed the Chairman's ruling to ensure payment.<sup>165</sup>

Stung by the political survey, the Old Guard balked at a large publicity and fundraising dinner to be held at Auckland Teacher's Training College. Despite earlier authorising arrangements, they criticised the fundraising sub-committee for doing so and called a special meeting. The sub-committee's actions were upheld by one vote but a motion that the branch bore costs was lost by one. Both motions came from newer members and each group bloc voted. The deadlock broke only when an executive member agreed to underwrite expenses.<sup>166</sup> The function succeeded and the branch profited only because the underwriter also agreed to donate proceeds. Old Guard caution could have lost much needed funds and publicity.

With increased activity, the burden on executive members was greater. The long serving secretary complained about the extra work and became a bottleneck. When it was explained that this was inevitable in a growing branch, she responded by taking longer or ignoring tasks altogether and only did what she considered important.<sup>167</sup> Complaints did not improve her performance nor did she resign.<sup>168</sup>

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<sup>165</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, April 8, 1981, p. 1, June 10, 1981, p. 1, July 8, 1981, p. 2, September 9, 1981, p. 2 and October 14, 1981, p. 2. Copies in author's possession.

<sup>166</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, June 10, 1981 and Branch Special Committee Meeting, June 14, 1981, pp. 1, 3. Copy in author's possession. Voting differences were caused by abstentions.

<sup>167</sup> She refused to type the survey results and failed to produce most sub-committee and sub-branch reports that were infrequent anyway. Branch minutes suffered from omitted discussion points. She coped by sometimes typing up meeting minutes in batches. Some increased workload came from unnecessary Old Guard calls for special meetings.

<sup>168</sup> Most complaints came from newer members and she felt they were unwarranted.

Despite these strains Eden branch continued to raise funds, attract members and work towards its finest election campaign effort<sup>169</sup> but continued tension was obvious between the two groups. Tim Leitch drew attention to it.

As a new member attracted by your promotional survey...I might be deterred by obvious internal divisions... Presently there appears (sic) to be two factions...the senior element (the old guard as it were) who have been giving Social Credit dedicated support for many years...[and] a newer, younger and very energetic element... Neither element has wholeheartedly accepted the other. Of the senior element...[d]oes this...new interest not show the success of your effort?... [C]hannel this new energy... It may be that this will be in...different ways than you visualise... To the younger element...immediate acceptance of your new ideas cannot be expected... Reasoned promotion...accompanied by... demonstration of their success will allow...the fullest co-operation of everyone. You will also receive...guidance from experienced hands... [Like] the natural analogy of family...which involves growing pains and the need to adapt to change...a measure of tolerance and acceptance is necessary for any working relationship to achieve success.<sup>170</sup>

Leitch was right but he was unaware of ongoing stubborn opposition from many of the 'older element' who refused to adapt and infighting continued, sapping energy better spent on campaigning. Alan Scott obliquely criticised them in a circular letter, 'Aussie Malcolm [Eden's MP] was...saying that there is no sign of a Social Credit organisation in Eden...but he can get away with it because there is some truth in it.'<sup>171</sup> Sick of criticism, Election Day Organiser, Martin Spratt, offered his resignation in September followed by that of the Treasurer when it was accepted.<sup>172</sup>

The 1982 AGM completely changed the executive. Leitch was elected branch president and only two old hands survived onto the slim ten member

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<sup>169</sup> Alan Scott took 16.1% of the vote and Eden moved from 22<sup>nd</sup> out of 22 Auckland electorates to 19<sup>th</sup> and from 82<sup>nd</sup> out of 92 to 60<sup>th</sup> for Social Credit nationwide. *N.Z. Social Credit Political League Eden Branch Newsletter*, March 1982, p. 3.

<sup>170</sup> T.P. Leitch, Address to Eden Social Credit Branch meeting, n.d. [22 July 1981], copy in author's possession.

<sup>171</sup> Letter from Alan Scott to Eden Social Credit Committee members, October 14, 1981, copy in author's possession.

<sup>172</sup> Minutes of the N.Z. Social Credit Political League Eden Branch meeting, September 9, 1981, p. 1, and October 14, 1981, p. 1. Copies in author's possession. Both were old hands but Spratt wanted change and growth. He stood in Grey Lynn for the New Democrats in 1972 polling a paltry 63 votes. When asked about it he merely said it did not pay to be a rebel. He continued to work for the branch. Campaign manager, Phil Ker, nearly resigned. The branch would have lost a trained economist able to explain Social Credit ideas in economic terms.

committee.<sup>173</sup> The former secretary was particularly upset and took it personally. Being secretary was a large part of her social life, and her rejection created resentment in the Old Guard who thought newcomers unfairly pushed her out. Recent members thought they had been patient for long enough over marginal competence and clear obstruction of branch progress. The Old Guard in Eden was hardly the Michael Sheppard picture of humility and consideration for others.

Failing to keep new members after 1981 was not always from waning interest. Eden Social Credit's excellent new secretary was subsequently lost through a job transfer,<sup>174</sup> candidate Scott moved to Franklin for a teaching position, and there were other comings and goings<sup>175</sup> but the branch remained vibrant until the 1984 election. Social Credit's decline was disastrous in Eden where its vote slumped to 2.5%.<sup>176</sup> After that Old Guard remnants resumed control and Arthur Drabble was selected as Democrat candidate in 1987. It seemed harmless enough as there was no chance of winning regardless of the candidate but Eden was still deemed to be marginal. Drabble appeared on a television election special to speak for Democrat policy. His abysmal performance did not win votes and he only got 1.8%.<sup>177</sup>

Eden Social Credit's experience in 1984 reflects the party's later nationwide experience. While new members were maintained and politically active, the 1984 reverse meant they departed or became inactive in many electorates. Vote decline in most places was not as savage as Eden's and in stronger electorates like Waitotara where it was relatively slight the effect was delayed until 1987. Success in attracting a new type of member and professional way of conducting branch politics destroyed the old Social Credit amateur political clubs but new members' political impatience meant they

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<sup>173</sup> *N.Z. Social Credit Political League Eden Branch Newsletter*, March 1982, p. 2. Spratt was one and the other was a woman who occasionally volunteered to be West Region delegate.

<sup>174</sup> See *N.Z. Social Credit Political League Eden Branch Newsletter*, July 1982, p. 2.

<sup>175</sup> See, for example, *Socreden: Eden Branch Newsletter*, December 1982, p. 2 and May, 1983, p. 2.

<sup>176</sup> Candidate Ken Harris stood in Otahuhu in 1978 and 1981, gaining reasonable votes.

<sup>177</sup> Despite only having half the time as National or Labour to answer each question (90 seconds), he usually failed to use it all and clearly embarrassed branch members in the audience. It is a measure of Democrat desperation in 1990 that he became Onehunga candidate. He took less than half his 1987 vote (0.8%), coming bottom of the poll. Even the breakaway Social Credit party out polled him.



lacked the will to ride out electoral setbacks. Social Credit had trouble retaining them after 1984.

In one sense, then, Social Credit was ruined by its own success. However, even had the old way of doing things persisted, Social Credit would not have survived. Its death may have been more prolonged but the political landscape had changed. Even where the Old Guard regained branch control, a permanent protest vote for its candidates no longer existed. There were other and better third party choices. Although Social Credit's branch professionalism ultimately failed, and despite tension created between the Old Guard and new blood, its attempt was the only option.

### 3.5 Conclusion

Social Credit's nature as a visionary philosophy enabled it to adapt to changing political circumstances. When it failed as a popular movement and then as a pressure group, it needed to contest elections as a party or fade away. The League was fortunate to be able to learn its political lessons slowly as the electoral system gave it enough continued votes to go through the process of transforming itself from an amateur party to a fully professional one. This had to percolate from the top down to electorate branch organisations which could no longer be run as amateur 'political clubs' for members as there was no longer a guaranteed supply of voters to sustain them. After 1978, when Social Credit seemed poised to make long awaited progress, resistance to change from older members was the final block to complete professionalisation but operating as a professional organisation at every level was the only chance for a breakthrough.

The next chapter discusses the centrality of Beetham's leadership to Social Credit success and the one after that looks at its breakthrough attempt.



## Chapter Four

### Bruce Beetham

Bruce Beetham was crucial to Social Credit's revival. This chapter covers his involvement with Social Credit from the time he first joined to his last political days. It charts his leadership years in Social Credit's reascendency, his time in parliament, his leadership during party decline, and what happened after he was replaced. It also examines his beliefs, motivation and drive, including the vexed question of whether he really accepted Social Credit philosophy.

#### 4.1 Early Involvement

Bruce Beetham was clearly Social Credit's most successful leader. He led the League until it became a party in 1982 but was leader of its successor the Democrats for less than a year when Neil Morrison replaced him. In all he was leader for fourteen years, far longer than anyone else.<sup>1</sup> He took over at Social Credit's lowest point, turned it into a professional party and led it to the highest support for any third party since 1935.

In Beetham, Social Credit finally found the leader they needed. He was solid and respectable like Vern Cracknell but also had charisma and political ability like John O'Brien without the instability, although there were complaints that he was equally as autocratic at times.<sup>2</sup> A frequent question throughout his career asked what he was doing in Social Credit at all.<sup>3</sup> Beetham's personal popularity far outstripped the League's until 1978. It only waned after that and his Rangitikei vote was always well above Social Credit's average. Like Cracknell before him, National claimed that Beetham could have become a Cabinet minister if he had joined them.<sup>4</sup>

So why did he join the League and persist with it? Beetham told the story many times.<sup>5</sup> Initially Beetham claimed not to be very interested in

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<sup>1</sup> Vern Cracknell was leader for six years from 1963 to 1969 and Wilfred Owen for five years from 1953 to 1958.

<sup>2</sup> *N.Z. Listener*, April 25, 1981, p. 36; Bryant, *Beetham*, p. 37; Miller, pp. 431, 432.

<sup>3</sup> See, for example, Zavos, p. 144 and Bryant, *Beetham*, p. 49.

<sup>4</sup> Zavos, p. 144.

<sup>5</sup> Bryant, *Beetham*, pp. 13-34; Zavros, pp. 135-151; Miller, 280-287.

politics. Because he grew up in a Labour household, he voted Labour twice but also voted National and described himself as a swinging voter.<sup>6</sup> He lived in Hamilton and worked as a history lecturer at Hamilton Teachers College. This was a comfortable but increasingly unchallenging life and, despite his theoretical background in politics, he was not a member of a political party let alone one like Social Credit.<sup>7</sup> Prior to the 1969 elections a group of students wanted an unbiased article on Social Credit for the student newspaper. Beetham helped research it and became interested in League ideas. The turning point for him came in a heated discussion with two university economics lecturers. He took the Social Credit point of view and, after three weeks of debate, argued himself into Social Credit. This whetted his political appetite but he thoroughly researched the League's beliefs, policies and prospects before joining shortly before the election but, from the questions he asked at election meetings, it seemed he was already convinced.<sup>8</sup>

Beetham's rise in Social Credit was meteoric. Little more than two and a half years after joining he was leader, a year faster than Cracknell. Their paths were similar in that they impressed the organisation with their abilities. Beetham was prized for his analysis and suggestions for organisational change. While Cracknell was an able man, the League needed to be more politically aggressive. Therefore Beetham cautiously supported O'Brien as leader although well aware that he was too individualistic and volatile.<sup>9</sup>

He was active in the Waikato Region and went to the 1970 Conference as a delegate. Later that year he convened the Research Committee and made extensive submissions to the Technical Committee. Reluctantly he allowed his name to go forward as one of four League vice presidents in 1971 and was elected. But Social Credit was falling apart around him. Rejecting the idea of a new party, as he wanted one that was monetarily reformist, Beetham chose to work from within and this helped him.<sup>10</sup> Without the strains the League was under, he was unlikely to have become president then leader so early as he was the only one left with strong recognised ability who wanted

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<sup>6</sup> Zavos, p. 140; Bryant, *Beetham*, p. 19. He may have told it this way to place himself in the centre.

<sup>7</sup> Zavos, pp. 142, 143.

<sup>8</sup> Bryant, *Beetham*, pp. 19, 20.

<sup>9</sup> Beetham, 'Room at the Top', pp. 6, 11.

the positions. If O'Brien had not self destructed there would have been no opportunity until at least 1973 and only if the League had performed badly in the 1972 election. Social Credit's performance was not critical for Beetham. As long as he clawed back enough support for Social Credit to survive and have something to build on, his position was secure.

Beetham's political career was something of an enigma. Once the tinderbox of political interest ignited, he threw himself wholeheartedly into it. Social Credit thrived under his leadership even though it took four more years to begin proper professionalisation and forging the League into a major party ultimately failed. Yet Beetham claimed that he was not politically ambitious. If he were, he said, he would have joined a main party and, once elected Mayor of Hamilton, would not have given it up for the uncertainty of a parliamentary seat. With Social Credit on 30% in opinion polls at the beginning of 1981, Beetham becoming Prime Minister seemed on the political horizon but he still did not see himself in the role. Instead he regarded himself as the League's John the Baptist, paving the way for the one to come.<sup>11</sup>

Beetham broadly believed in Social Credit principles. He thought they were flexible enough to cope with changed political circumstances and could be clothed in modern political policies. Douglas's empirical economic descriptions could be updated for modern economic conditions. Keynesian economics radically altered economic approaches in western capitalist democracies so the landscape was quite different to that prior to the Depression. Keynes took economics part of the way but some of Douglas's analysis still remained valid and needed translating into modern economic policy to complete the journey. Part of Beetham's task as he saw it was for the League to do this. He also wanted to make Social Credit into a well-organised dynamic political group capable of attracting committed new members and an increasing share of voter support.<sup>12</sup>

Both tasks were feasible and irresistibly appealed to his motivation and drive. It was not the normal and safe route to satisfy political ambition but working his way through the ranks of a major party or in local politics did not

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<sup>10</sup> Bryant, *Beetham*, pp. 25, 27, 29, 30.

<sup>11</sup> Zavos, pp. 144, 145; Bryant, *Beetham*, p. 80; *N.Z. Listener*, April 25, 1981, p. 34.

<sup>12</sup> Some of these themes are outlined in his thesis, 'Room at the Top.'

provide the sufficient challenge that Social Credit did and to take it on he had to believe in it. In that sense, then, Beetham was not politically ambitious and meant what he said. However, attempting to revive a seemingly moribund political group shows political ambition of the first order. He was undoubtedly proud of the way he turned Social Credit around and often pointed to taking the League from 1% in the polls to 30% as a measure of his success.<sup>13</sup> His team gave him invaluable support and he never claimed to have done it on his own. Nonetheless under his leadership political goals of membership, fundraising and building an effective party organisation had largely been met so that by 1981 Social Credit could lay claim to possessing the most effective political machine in the country.<sup>14</sup>

Beetham was dynamic, youthful and telegenic, an asset to any party. He set goals for the party and raised them as soon as he thought they could be exceeded. The pressure on him was enormous. He had to lead a party without the normal resources available to main parties, to work towards his own election, keep the League in the public eye without a parliamentary platform and ensure that updated Social Credit became a coherent policy platform attractive to voters. Once in parliament he alone carried the aspirations of over a quarter of a million voters in an arena largely hostile to the views he represented and a system not geared to cope with third parties, all with one researcher and secretary. He had electorate duties to perform and, as a political drawcard, was in demand for interviews and for speaking. This escalated after East Coast Bays where every Social Credit branch wanted him to speak to help boost their chances in the 1981 election. For much of the time from the end of 1980 to the election he was a more popular choice for Prime Minister than the Labour leader. His opinion was sought on a range of topics, much of it defending Social Credit views from sceptical questioning. A lesser man would have crumbled under such a burden or given it away. Beetham thrived on it and added to his already numerous responsibilities by running for the Hamilton mayoralty in 1976 because he was

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<sup>13</sup> See for example *NZ Listener*, April 25, 1981, p. 37; *Star Weekender*, December 20, 1980, p. 5. The tale grew in the telling. When Beetham became leader Social Credit's poll rating was 3% between May and September 1972. Beetham noted after the election that the League gained 7% instead of the 2-3% support indicated by polls. Edwards, *Right Out*, pp. 74, 190. In 1980 and thereafter it was 1%.

determined to gain political experience through the opportunities presented to him. Even so, with the burdens of political life and a crumbling marriage, he almost had a nervous breakdown in 1978<sup>15</sup> and had a heart attack in December 1982<sup>16</sup> that was kept quiet by League officials.

#### 4.2 Beetham's Character and Beliefs

The last assault on his political reputation both within the League and outside was that he did not really believe in Social Credit at all but used it as a pragmatic vehicle for political power. This view presented Social Credit ideas as nonsense and implied that Beetham recognised them as such. How else could it be explained that a sensible and capable man was wedded to such a movement? By 1981 his main complaint was that despite his many utterances he was still not taken seriously. In an interview he said:

And do you think that all the accumulated statements over nine years, that all the speeches I've made, the thousands upon thousands of words that I've uttered, the thousands of words that have been printed, that all of it is dreams and visions? Nothing concrete?...[P]oliticians shouldn't have visions...have ideals? Therefore politicians should be pragmatic seekers after power? They should just fiddle with the system in an effort to make it better?...A lot of people think I'm a realist and I think I'm a realist...a mixture of an idealist and a pragmatic and practical politician.<sup>17</sup>

This summed up his position: a pragmatic idealist. From this he believed a consensus position could be built up on contentious issues such as his compromise position on the Springbok tour by allowing the team to come but not holding test matches if it was not chosen solely on ability.<sup>18</sup> This led to the charge that he was vague, trying to be all things to all people to win their votes<sup>19</sup> because he insisted on occupying a reasoned middle position and following the old Social Credit idea of determining what voters wanted and governing to give it to them. Beetham was socially conservative on moral issues and he later publicly opposed his own party's policy on liberalising

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<sup>14</sup> Miller, p. 357.

<sup>15</sup> Bryant, *Beetham*, p. 107.

<sup>16</sup> Miller, p. 391.

<sup>17</sup> *NZ Listener*, April 25, 1981, pp. 35-37.

<sup>18</sup> Bryant, *Beetham*, p. 40.

abortion and homosexuality.<sup>20</sup> If he were simply a power seeker then the pragmatic approach would have been to keep silent on these matters.

There were similarities between Beetham and Prime Minister Rob Muldoon. Both were intelligent, and driven with little interest outside politics. While Beetham was not aggressive or divisive, neither he nor Muldoon suffered fools gladly and both could be mistakenly described as transactional leaders rather than moral ones but for different reasons. A moral leader is one seeking to inspire change by appealing to unselfish values and redefines aspirations and needs in a way that provokes action, thus taking a long-term view of change. A transactional leader manages the status quo and bargains for votes by appealing to short-term needs and wants with strategies to match. Immediate goals are more important than a long-term vision and votes are sought to gain and hold power. Transactional leaders are political managers and manipulate public opinion.<sup>21</sup>

Beetham could fit into either definition depending on which side of his character was focussed on. If it was the idealist then Beetham was a moral leader taking a long view and wanting to see Social Credit ideas become reality.<sup>22</sup> This readily explains his insistence on not wanting power for its own sake and apparent willingness to pass the leadership on once his usefulness was up; not the talk of a transactional leader. If the focus was on his pragmatism he seemed to have a transactional style but this assumes that he was there to use Social Credit for his own power ends and turned it into something completely different. Restructuring the League was done to make Social Credit ideas relevant to modern voters and for an effective organisation. This looks transactional but was simply a practical means to the visionary end. Beetham led this change extremely well but to make it transactional means that his protestations about not desiring power for its own sake were hypocritical and cynically self-serving.<sup>23</sup> However, his point that if he really

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<sup>19</sup> See Tom Scott's humorous take on it. Tom Scott, *Ten Years Inside* (Christchurch: Whitcoulls Publishers, 1985), pp. 88, 89.

<sup>20</sup> Bryant, *Beetham*, p. 99. See also the *New Zealand Herald*, July 4, 1984, section 1, p. 3.

<sup>21</sup> Barry Gustafson, *His Way: A Biography of Robert Muldoon* (Auckland: Auckland University Press, 2000), p. 4. These definitions are based on the work of James McGregor Burns.

<sup>22</sup> Spiro Zavos takes this view in his book on Social Credit, *Crusade*.

<sup>23</sup> Miller's thesis takes this view but he had to explain Beetham's later stance against diluting Social Credit as a reversion to a traditionalist position. As a moral leader his position is entirely consistent.



wanted political power for its own sake he would have joined a major party or remained mayor of Hamilton demolished this idea. He had a Social Credit vision far greater than just tinkering with the system and a medium to long-term plan to achieve it. This gave him a moral leadership style.

Dianne Davis analysed Beetham's political operational code and identified 28 core beliefs. Social Credit concepts were embedded in many of them although some were based on the difficulty of third party existence and progress under FPP.<sup>24</sup> Hence politics was a lonely existence and he had to find support wherever he could. This included conciliation and cooperation with political opponents. He was a political optimist tempered with realism. Political risk could be reduced through adequate preparation but Beetham overdid this risk averse approach. Party leaders had to be good at strategy and tactics but his long deliberations failed to capitalise on immediate situations because his timing arose from careful planning more than instinct. These beliefs were clearly reflected in effective Social Credit organisation. Whether he brought the beliefs to the organisation or derived them from it is less clear but it was part of his nature to be deliberative rather than spontaneous, and conciliation and cooperation were hallmarks of his parliamentary approach.

The impact of Social Credit is seen in his belief that a new humanitarian society was needed to replace socialism and economic control by a financial elite. The party system had produced executive rule and a toothless parliament, which tapped into the old Social Credit distrust of party. Financial reform was essential to successful politics and New Zealand's internal structures needed altering to divert money into production rather than speculation, a prescient statement in the light of the 1987 sharemarket crash. From this came bilateral trade agreements based on a type of barter with countries unable to trade by conventional means. Beetham's most direct acknowledgment of Social Credit was the reiteration that what was physically possible and socially and environmentally desirable, ought to be financially feasible and money should be only a mechanism. Beetham's sole change was adding an environmentally friendly aspect.

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<sup>24</sup> Dianne R. Davis, 'The "Operational Code" of Bruce Craig Beetham', *Political Science Vol. 32 No. 1* (1980), pp. 1-17. This section is based on her findings.

While his belief in humanitarianism originated with his parent's acceptance of Savage's first Labour government, Beetham linked it to Social Credit monetary reform as Labour had abandoned that when it was now most needed. Beetham accepted the non-political basis of Social Credit philosophy by implying that had Labour retained it there would be no need for his efforts. He further emphasised this in stating that if the other parties adopted practical Social Credit policies he would depart from politics. The context was that politicians implemented ideas, not just wielded power and political leadership inspired and united the people in common goals. This was a moral leadership stance and long standing Social Credit idea. Beetham believed that a single person's ability to profoundly influence history was overrated. Aware of his own abilities and image, he regarded them as a League asset and not for his own personal advantage.

John Henderson analysed the leadership of Muldoon and Rowling on active-passive, positive-negative scales and it is a shame he did not include Beetham for contrast.<sup>25</sup> While some of Beetham's statements can be construed as the passive-negative attribute of the reluctant politician, he was only initially reluctant. His non-aggressive consensus style suggests a passive-positive orientation but he was also an achiever who made rational and altruistic decisions not based on personal need. He knew exactly what he wanted to do and this made him more an active-positive leader.<sup>26</sup> Although Beetham was realist enough to accept that he might not achieve his aims, setbacks did not deter him and he never stopped trying.

Beetham did not assume he was destined for high office in the League, happy to serve in any useful capacity. He never lobbied for leadership. Even when it was likely that he would become leader he deferred to Les Hunter and to his electorate committee. Only when Hunter did not want it and after seeking committee agreement did he let his name go forward. He also did not assume he was candidate material. The Rangitikei committee headhunted him and it took twelve months to persuade him, as he thought the electorate was

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<sup>25</sup> It was another example of how third parties were ignored even in academic studies.

<sup>26</sup> Gustafson, *His Way*, p. 11. See also John Henderson, 'Muldoon and Rowling: A Preliminary Analysis of Contrasting Personalities', *Political Science Vol. 32 No. 1* (1980), pp. 26-46.

too far from Hamilton. In turn they wondered if leading Social Credit would hamper him being an effective electorate MP.<sup>27</sup>

Tension between the two roles may have later contributed to his defeat but his reluctance to be a candidate prevented him building an electoral base where he was better known. A Hamilton seat or a nearby rural choice of Waikato, Piako or Coromandel might have given Beetham a better personal following with a winning cushion in a close fight. Initially his fame as leader helped him in Rangitikei along with a run of extraordinary political luck. Boundary changes gave him a relatively weak opponent in Sir Roy Jack and he was ready to take advantage of the by-election brought about by Jack's death. National helped by putting up a temporary and, therefore, continued weak opponent. Once Beetham became their MP Rangitikei voters were only too happy to keep him and in retrospect the 1978 election outcome was a foregone conclusion.

#### 4.3 Beetham in Parliament

Beetham's good fortune continued after he entered parliament. His election as underdog against the main party giants brought welcome publicity for Social Credit and an opportunity to capitalise on it. Far more at ease in parliament than Cracknell, Beetham was determined to make an impact. He faced the same isolation but drew on Cracknell's experience. Standing Orders presumed a two-party system and, like Cracknell, Beetham had to rely on someone from the main parties to second any motion he put forward and even if successful could be subsequently ignored. Party whips granted leave to speak, arranged speaking order in debates and approved bill introduction, questions and notices of motion. These procedures developed at a time of third party absence from the House. Beetham's presence was awkward, creating procedural difficulties when speakers were called. He did not suffer the indignity of having his maiden speech deferred, as Cracknell's was, but members continually castigated him for reading his speeches. Beetham wanted to be on the Standing Orders Committee to make changes and his

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<sup>27</sup> Bryant, *Beetham*, pp. 33, 34.

exclusion made him call parliament a 'cosy two-party club'.<sup>28</sup> However, he was not isolated for long. Soon after the 1978 Session began, Island Bay's MP J.G. O'Brien joined him. O'Brien resigned from Labour after being deselected for his seat and, when National MP Gavin Downie was similarly dumped as Pakuranga candidate later that year, there were three of them.<sup>29</sup> This made parliamentary life more tolerable. Beetham was better off than Cracknell too in not having to share an office or a secretary but his status as a third party leader went unrecognised and he had to fight for a front row bench.<sup>30</sup>

Although parliamentary procedure hampered him, Beetham did not feel muzzled and after some adjustment he was accommodated. The main issue was that he was not part of government or Opposition so neither wanted to give way for him. A motion to make him an additional member of Select Committees lapsed but the government forced through a motion so that he replaced an Opposition member on the Statutes Revision Committee. Beetham circumvented reliance on Labour for speaking rights by persistently insisting that he be recognised directly by the speaker. His record for the 1978 Session was 26 notices of motion, 30 questions to Ministers (plus 15 supplementary ones), 25 speeches and five Private Members' Bills. One was pure Social Credit in seeking to vest money creation with the Crown including a New Zealand Balance Sheet to equate the money supply with total goods and services. It also included providing trading credits for exchange with willing trading partners. Another Bill sought third party representation on the Representation Commission for all parties gaining more than 5% of the vote.<sup>31</sup> None of his Bills made headway but he was far more effective in the House than Cracknell.

O'Brien and Downie contested the 1978 election as Independents but failed to retain their seats and Beetham was again alone in the House until Matt Rata resigned from Labour during the 1979 Session. With his backing Beetham moved that an MP be allowed to make motions without a seconder.

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<sup>28</sup> John E. Martin, *The House: New Zealand's House of Representatives, 1854-2004* (Palmerston North: Dunmore Press, 2004), pp. 221, 264, 284, 286; Bryant, *Beetham*, pp. 110, 111.

<sup>29</sup> Martin, p. 285; Bryant, *Beetham*, p. 111.

<sup>30</sup> Bryant, *Beetham*, pp. 112, 149. Muldoon wanted Beetham treated as an ordinary Opposition backbencher and not a party leader but partially relented later. Gustafson, *His Way*, p. 257.

In the division the main parties combined to defeat it.<sup>32</sup> Beetham was alone again after Rata was defeated in his by-election bid in June 1980 but only until September when Garry Knapp joined him as Social Credit's second MP. Procedural life then became much easier and Beetham no longer carried the Social Credit burden on his own, either in the House or privately, as he remarried in December 1980. However, the toll it took was noticeable.

In the 1975 campaign...he was a bouncing, blond-haired history lecturer-cum-politician. But six more years of one-man-banding has greyed the hair, and put...bags under once sparkling blue eyes.<sup>33</sup>

#### 4.4 Balance of Responsibility and the Clyde Dam

He was keen to see a number of Social Credit MPs in the House. They would hold the 'balance of responsibility' if neither main party won outright and use it to restore decision making to parliament by voting on issues according to merit. Beetham preferred that term to 'balance of power', as it was a responsible use of voter trust and not a blatant grab for power.<sup>34</sup> Social Credit was not forming a coalition with either main party and its MPs would abstain in confidence votes.<sup>35</sup> He took Rob Muldoon to task for threatening another election after three months if Social Credit held the balance by saying that National did not have the constitutional right to do so and this showed abuse of power instead of democratic responsibility.<sup>36</sup> The 1981 result frustrated Beetham's hope and a larger team might have brought a better balance in the debate over the Clyde dam proposal.

Beetham's justification in switching from being against Clyde to supporting it was that the government would get the dam anyway one way or another. Social Credit's agreement gave extra benefits for the people of Otago

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<sup>31</sup> Bryant, *Beetham*, pp. 115-117, 120, 121.

<sup>32</sup> Bryant, *Beetham*, p. 150.

<sup>33</sup> *New Zealand Times*, November 8, 1981, p. 6

<sup>34</sup> *New Zealand Times*, November 8, 1981, p. 6; Bruce Beetham, 'A New Society', in George Bryant (ed.), *A New Society: What the Socreds Want* (Palmerston North: Orion Publishing, 1972), pp. 17, 18. Beetham used the term 'balance of power' in 1972 and adopted the new term later although it did appear in Social Credit writings at the time. See New Zealand Social Credit Political League, *The Little Green Socred Book* (Palmerston North: Orion Publishing, 1972), p. 29.

<sup>35</sup> *Social Credit Guardian*, April 1982, p. 3.

and protection of employment affecting 600 families. Consideration for people took precedence over preserving the law and he was prepared to put confidence in his leadership on the line over his decision.<sup>37</sup> Fortunately for Beetham nobody challenged him and the Clyde decision was an uncharacteristic political blunder. He tried to partially retrieve it by attempting a strong Social Credit challenge in Otago in 1984, including spending time in the South Island as part of the election campaign.<sup>38</sup> While the party gained a comparatively respectable vote there it was not a seat winner and Beetham should have used his time elsewhere.

The League debated a name change at the same time as the Clyde controversy. Beetham wanted one well before he became leader because of negative associations the Social Credit name had to voters. Now that it was respectable the need was less and, although he outlined reasons for change and suggested possible alternatives, mainly to stop Labour using them, it was a lukewarm push. The strongest point he made was dropping the 'League' part because of implied association with the anti-Semitic League of Rights.<sup>39</sup> When the issue came up again in 1985 Beetham was strongly in favour of the Democrat name provided that Social Credit principles and monetary reform were preserved through creating a Social Credit Institute. He regretted not making the change in 1982.<sup>40</sup> Party president Lipa opposed change as it removed a unique point of difference from other parties<sup>41</sup> and Beetham later agreed with him.

Social Credit stipulated that MPs agree only on monetary policy and were theoretically free on how they voted on anything else. Beetham and Knapp differed on many issues especially moral ones but also on political reform.<sup>42</sup> Beetham, for example, was anti-abortion but Knapp held a more

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<sup>36</sup> *Social Credit Guardian*, April 1981, pp. 1, 3.

<sup>37</sup> *Social Credit Guardian*, August 1982, pp. 4, 6-8, 11.

<sup>38</sup> Judith Fyfe and Hugo Manson, *The Gamble: The Campaign Diary of the Challengers* (Auckland: Australia and New Zealand Book Company, 1984), p. 139.

<sup>39</sup> *Social Credit Guardian*, July 1982, pp. 1, 6, 7. He suggested Social Democrat to stop Labour from adopting it and the New Zealand party. If the latter had been adopted it would have prevented Bob Jones using it in 1984.

<sup>40</sup> *Social Credit Guardian*, March-April 1985, p. 6.

<sup>41</sup> *Social Credit Guardian*, March-April 1985, p. 8.

<sup>42</sup> See Stella Daniell, 'Reform of the New Zealand Political System: How Likely is it?', *Political Science Vol. 35 No. 2* (1983), pp. 151-189 for the political reform differences.

liberal view.<sup>43</sup> Despite this they worked well together in parliament and voted as a unit.<sup>44</sup> After 1981 National only had a majority of one over Labour and Social Credit combined and Beetham attacked the practice of pairing where government members were 'paired' with Labour members who abstained from voting in divisions in their absence. He saw it as an artificial means of preserving National's single party government and continuing executive control. Labour was passing up an opportunity to return decision making to parliament. His attack was seen as misguided.<sup>45</sup>

Beetham and Knapp initially abstained on questions of confidence but after National duped them on the Clyde decision they actively voted against the government. With several National MPs willing to cross the floor on various issues parliament gained the potential to make some decisions despite pairing. This was enhanced when two Labour MPs, John Kirk and Brian MacDonell, went Independent in 1983. They formed an alliance with Beetham and Knapp and were called the 'Gang of Four'. However, Kirk and MacDonell supported National in votes of confidence. On other issues the government was sometimes defeated and sometimes saved.<sup>46</sup> The 'Gang of Four' ended when only Knapp remained undefeated in 1984.

#### 4.5 Last Days

After the 1984 snap election, although Beetham had been leader for 12 years, he was held in such high regard that the party still wanted him as leader despite losing Rangitikei. In theory not having an electorate should have made his job easier but the loss of a parliamentary platform was a blow. Changing the party name to Democrat did not rescue it from electoral doldrums and

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<sup>43</sup> Their opposing views happily corresponded with electorate views. Frank Gill's archconservative anti-abortion stance contributed to his unpopularity in an upwardly mobile socially liberal electorate and was a significant factor in Knapp's victory in East Coast Bays.

<sup>44</sup> Bryant, *Beetham*, p. 146.

<sup>45</sup> Martin, p. 294. Martin was one who thought Beetham was misguided.

<sup>46</sup> Youth rates of pay were rejected when two National MPs, Social Credit and Kirk voted against. Three National MPs voted against interest rate controls in Muldoon's Finance Bill but the 'Gang of Four' voted for them. Two National MPs and Social Credit voted for Labour's Nuclear Free New Zealand Bill but the two ex-Labour MPs defeated it. Martin, pp. 295, 296. Social Credit confidence abstentions were derisively known as the 'billiard room retreat' because they went there to avoid voting. Martin, p. 363, footnote 174. The 'Gang of Four' title

Beetham was asked to step down. This was Social Credit's old tactic of blaming its leader for its woes. Beetham was indirectly accused of damaging the party by opposing a move to a catch-all party in 1982 although this was hardly a unilateral decision on his part.

Beetham conformed to history by refusing to step down. This seemed like clinging to power for power's sake but when Beetham looked around with his John the Baptist eyes he saw no suitable Messiah to replace him. Jeremy Dwyer had long gone and Beetham thought that Knapp had scant regard for Social Credit philosophy and monetary ideas. Knapp's behaviour in threatening to resign his seat if the party did not change to suit him or if Beetham did not go demonstrated unwillingness to patiently work in the party for long-term change. No one else of suitable mana existed although it was clear that the Democrats were considering Neil Morrison. However, Beetham's squabble over the leadership cost him credibility.<sup>47</sup>

His magic had deserted him. He no longer appealed to the electorate as in his heyday and it was no longer a matter of persisting and rebuilding under his leadership as his failed attempt to launch a renewed Social Credit party in 1990 showed. Beetham had been leader for fourteen years, outlasting three National leaders and two Labour ones.<sup>48</sup> The Democrats still respected him by not putting up candidates against him or his wife Beverley even though he did not seek electoral accommodation with them. Unlike Cracknell, Beetham did allow the leadership contest to go to a vote. After his defeat he stayed with the party and attempted to win back Rangitikei. Morrison paid him tribute just before the 1987 election and Beetham said he had no intention of quitting<sup>49</sup> but eventually followed the O'Brien route in forming his own breakaway party with as little success.

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referred to the name given to the leaders of Britain's Social Democrat party who formed it by breaking away from the British Labour party.

<sup>47</sup> Colin James with Alan McRobie, *The Election Book* (Wellington: Allen and Unwin/Port Nicholson Press, 1987), pp. 82, 86. Morrison was Democrat leader in the House and had his own column in the Guardian newspaper. See for example, *Social Credit Guardian*, March-April 1985, p. 10.

<sup>48</sup> He outlasted National's John Marshall, Robert Muldoon and Jim McLay, and Labour's Norman Kirk and Bill Rowling.

<sup>49</sup> *New Zealand Herald*, August 14, 1987, section 1, p. 8; *Dominion Sunday Times*, August 16, 1987, p. 17.



It was a sad end to a remarkable career. Beetham's drive and singlemindedness took Social Credit from an electoral dog pound to effective political machine. Without him it would have descended back to an amateur political club destined to slowly wither. He could not quite give Social Credit the push needed for enduring parliamentary success but he did ensure that it and he had a place in New Zealand political history and he helped transform the face of third party politics. A reporter described his main quality. 'There's that feel of slight fanaticism about him which is really only dedication taken to the degree that most of us wouldn't countenance in our own lives.' His ex-wife Raewyn said, 'He's an unusual man. He really is. There are very few men who are totally dedicated. He always has been.' The reporter captured Beetham's own words:

I also have a vision of what is possible in the country,...a conviction about the way it can be achieved, and a burning desire...to make a significant contribution towards the achievement of that objective. I would like, when I've had my three score years and ten, to look back and say: "I helped achieve some major or significant reform in the history of New Zealand or, at the very least, I tried; I gave it everything I had."<sup>50</sup>

Beetham's last political act shortly before he died was entirely in this vein, a final but unsuccessful attempt to win back Rangitikei as an Independent in the 1996 election.

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<sup>50</sup> Warwick Roger, 'Dedication, Chemistry and a Tempered Pride', *Star Weekender*, December 20, 1980, p. 5.



## Chapter Five

### Trying for a Breakthrough

This chapter examines the years from 1978 to 1981, the most successful for Social Credit, in three parts. The first covers the League's efforts to capitalise on its 1978 success. It charts Social Credit's by-election efforts and further organisational refinements. An analysis is also made of attacks on Social Credit monetary ideas in New Zealand and Canada and the myths that grew up around them. The second outlines internal Social Credit choices that made success harder to achieve. The final section examines the structure of Social Credit support leading up to the 1981 election and analyses the outcome to see why the expected breakthrough did not occur.

#### 5.1 Working Towards the 1981 Election

##### 5.1.1 Targets and By-elections

After the 1978 election Social Credit built on its successful formula. The Beetham-Dwyer Foundation was set up to raise a million dollars for the 1981 election and had 60% of it by August 1980.<sup>1</sup> Jeremy Dwyer became full time League organiser in 1979 after Hastings branch organiser Chris Gedge turned it down. Stefan Lipa became its first full time president later that year. *Target '81*, a campaign strategy book published in 1979, designated target seats arranged in four categories, promoted networking through regional groups and building up weak branches while further growing strong ones. It outlined fundraising methods, Beetham-Dwyer financial targets, regional levies and local efforts. This built on the *Target '78* programme and was revised in 1980 and 1981 incorporating updated membership, funds and targets. A thousand members per electorate were considered necessary to win and fewer made it doubtful.<sup>2</sup> The League now set its sights on 26% of the vote and projected

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<sup>1</sup> *Target '81* (1980), pp. 18-20.

<sup>2</sup> *Target '81* (1980), pp. 24, 38.

percentages were given for each electorate.<sup>3</sup> Reports on by-elections were run highlighting success and glossing over failure. The last edition reported comprehensively on the East Coast Bays by-election with similar emphasis.<sup>4</sup>

Social Credit's first test was the Christchurch Central by-election. Until Rangitikei, it had performed indifferently in by-elections without contesting them all. Social Credit decided to displace National the same way it displaced Labour in National seats and this required a strong candidate. Terry Heffernan had performed well in Sydenham and replaced the League's 1978 Christchurch Central candidate who was pressured to stand aside. Deputy leader Dwyer oversaw the campaign and a team of 100 canvassed a third of the electorate, uncovering 1,000 Social Credit voters. Social Credit courted protest votes and tapped into South Island interests. This effort pushed National into third place.<sup>5</sup>

Geoff Skene, who examined this by-election, observed that Social Credit gained working class voters and National ones switched to Social Credit instead of Labour. However, turnout of only 38% indicated a huge non-vote rather than a groundswell to Social Credit. He concluded that the League had learned to contest by-elections more effectively and that major party attachments were weak as the main parties only ran a token campaign. If they failed to actively retain voter loyalty, however, Social Credit could do better. He noted that Social Credit was unlikely to replicate this at a general election as it pooled resources from ten electorates and good candidates like Heffernan were hard to come by.<sup>6</sup> However, electorates within regions pooled their resources in the 1981 election for publicity and other common activities, thus partly replicating the effect.

There was no steady rise for Social Credit after the 1978 election. The *New Zealand Herald* NRB poll showed an initial increase to 22% but this drifted down to 19%. After the Christchurch Central by-election there was a

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<sup>3</sup> *Target '81* (1980), pp. 26-29; *Target '81* (1981), pp. 16, 17. This target was set before the East Coast Bays by-election.

<sup>4</sup> *Target '81* (1980), pp. 37-39, 45-47; *Target '81* (1981), pp. 6-11.

<sup>5</sup> Social Credit gained 18.4% to National's 17.1% but was well behind Labour on 64.2%. *Target '81* (1980), pp. 45, 46. For a detailed analysis of this by-election, see Geoff Skene, 'Social Credit and the Christchurch Central By-Election', *Political Science Vol. 32 No. 2* (1980), pp. 128-141.

<sup>6</sup> Skene, *Political Science Vol. 32 No. 2*, pp. 140, 141.

recovery to 21% but by mid-1980 it was back to 19%.<sup>7</sup> The Heylen poll showed a similar pattern<sup>8</sup> and it was like that after 1975. Social Credit planned another mid-term publicity campaign to attract new members. Although official membership stood at 21,000 by August 1980, Lipa admitted at Conference that 12,000 was the true figure, 3,000 down on the previous election.<sup>9</sup> A new drive was needed.

National helped at this point by appointing Minister Frank Gill ambassador to Washington, creating a by-election in East Coast Bays. Gill was unpopular and one of several National MPs opposed by National Alternative candidates in 1978.<sup>10</sup> With a strong showing by Social Credit's personable candidate, Garry Knapp, Gill won with only a third of the vote.<sup>11</sup> This electorate was thirteenth on Social Credit's priority list but ripe for a win if it could take most of the National Alternative vote and some of Labour's.<sup>12</sup> Knapp's campaign committee wanted him in at least such a strong second place that he could win in 1981. There were similarities to Rangitikei. Top organiser Henry Raynel moved near East Coast Bays after that by-election for family reasons and was already working on a winning organisation by 1981. The electorate was split into five zones with fundraising and membership drives in each sub-branch. Again Social Credit was more ready than the other parties and brought in organisers from around the country.<sup>13</sup>

The organising committee was Raynel, local Ray Wilkins, and Trevor Barnard seconded from Eden. Other organisers came from Hastings, Kaipara, Hauraki, Rangitikei, Wellington, and the South Island. They developed a two-pronged approach: visibility and canvassing, saturating the electorate with billboards, flyers, meetings, car parades and flags to show that the League was everywhere. Knapp towed around a broken down car with 'NZ the way

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<sup>7</sup> See, for example, the January NRB poll published in the *New Zealand Herald*, February 16, 1981, section 1, p.1. See also the Appendix.

<sup>8</sup> League support was around 18% throughout 1979, rose to 23% after the by-election, then was 16-20% in the first half of 1980. Figures from the October 1980 Heylen poll.

<sup>9</sup> *Target '81* (1980), p. 29; Miller, pp. 353, 354.

<sup>10</sup> East Coast Bays polled highest for them at 16.6%.

<sup>11</sup> Knapp won 20% and Gill took 5,000 less than his 1975 vote.

<sup>12</sup> *Target '81* (1980), p. 34. Gilbert James, Social Credit's Onehunga president pointed out to his boss, who lived in the electorate and had voted National Alternative, that the two votes together would have been enough to defeat Gill in 1978. Conversation with author, August 1980.

<sup>13</sup> *National Business Review*, August 3, 1981, p. 40.

you've got it' printed on the side to represent the economy under National. East Coast Bays was completely canvassed to identify firm Social Credit voters. Possibles and probables were worked on a second time. Their effort culminated in 500 election day workers including 170 telephonists, 200 cars for transport and 80 scrutineers.<sup>14</sup>

Social Credit realised it was onto something big when Knapp gathered a crowd of over 900 at his campaign opening on August 4<sup>15</sup> but National and the media ignored it. Labour failed to discredit the League with a pamphlet outlining Major Douglas's later anti-Semitic views.<sup>16</sup> National expected free market candidate Don Brash to bring back disaffected supporters yet Prime Minister Rob Muldoon announced a 25% increase in harbour bridge tolls five days before the by-election that swayed further National voters to switch. The National Alternative vote did not return and Social Credit also gained a third of Labour's 1978 vote.<sup>17</sup> Social Credit's planned strong second became a win and another MP in the House. Knapp introduced a Private Member's Bill to abolish the tolls five weeks after he was elected to underscore the discontent. It was not passed as the government voted against it.<sup>18</sup>

National blamed Muldoon's abrasive style. The defeat caused simmering discontent in the party to boil over, leading to an attempt to oust Muldoon in October. The Prime Minister defused it and it failed because deputy leader Talboys was not ambitious for the top job.<sup>19</sup> This very public disarray had little effect on National's support. The Heylen poll taken a month after the by-election recorded a 10% jump for Social Credit but Labour support plummeted instead. The November NRB poll put the League on 31%

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<sup>14</sup> *Target '81* (1981), pp. 8-10. Raymond Miller identified 430 workers including 120 on phones and 200 transporters compared to National's 80. Miller, p. 357.

<sup>15</sup> *Target '81* (1981), p. 7. Social Credit claimed it was a record for a New Zealand by-election.

<sup>16</sup> Miller, p. 360.

<sup>17</sup> *National Business Review*, August 3, 1981, p. 40. Radio coverage reported booth results in candidate alphabetical order, which just happened to be National, Labour then Social Credit. When the first six booth total was announced, it seemed that Social Credit had come third until the figure was heard.

<sup>18</sup> *Social Credit Guardian*, November 1980, p. 12.

<sup>19</sup> Stephen Levine and Alan McRobie, *From Muldoon to Lange: New Zealand Elections in the 1980s* (Christchurch: MC Enterprises, 2002), pp. 18-22.

to Labour's 30%.<sup>20</sup> This provoked a Labour leadership crisis and on December 12 Bill Rowling survived David Lange's challenge by one vote.<sup>21</sup>

Thanks to National calling an unnecessary by-election, the pattern of increased Social Credit support of three years earlier repeated itself at a higher level. An explosion of media interest following it gave the League a concentrated dose of publicity. Social Credit was now a serious contender and speculation on how many seats it could win kept publicity going. Initially media attention was favourable but gradually became critical. The main parties launched attacks as they realised the Social Credit threat was too big to ignore and neither wanted it to keep its new gains.

### 5.1.2 Attacks on Social Credit Monetary Ideas

Frequent demands were for explanation of Social Credit financial policies. Beetham wanted to avoid ceaseless and confusing debate that might provoke damaging internal arguments. He believed that focussing on benefits rather than mechanisms was what voters needed to hear—selling the sizzle rather than the steak, in Raynel terms—but he was not averse to expounding detail. However, this put him in a cleft stick. If he refused to explain the mechanics on the sound basis that National or Labour financial policies did not require a detailed lecture on economics, the media took him to task. If he tried to explain at length it became too complicated and he was asked to simply explain the benefits.<sup>22</sup> From this arose added accusations that Social Credit had no real financial policies or no idea how to implement them and that a 'pure' form of Social Credit existed from which Beetham and his team had departed because of electoral expediency.<sup>23</sup>

National published a pamphlet on 'The Myth of Social Credit'<sup>24</sup> as attacks on Social Credit's monetary policy intensified. The pamphlet claimed that Social Credit was the same as printing money—'Socred's magic printing press'—and therefore was inflationary. Reference to the 1956 Commission

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<sup>20</sup> Heylen's November poll had Social Credit at 25.3% but Labour was still low on 32.2%.

<sup>21</sup> *New Zealand Herald*, December 13, 1981, section 1, p.1.

<sup>22</sup> *NZ Listener*, April 25, 1981, p. 35.

<sup>23</sup> Miller's thesis takes this view.

<sup>24</sup> Miller, p. 368.

disproving Social Credit was made without exhibiting its findings and ridicule used. Everybody knew that Social Credit was ‘funny money’ so there was no need to show why. Although Social Credit did not acquit itself well in 1956, a document known as the Kelliher Report later analysed the Commission’s findings. It was widely circulated to Social Credit members prior to the 1981 election and used to counter some of the criticisms.<sup>25</sup>

National’s often inaccurate interpretation of Social Credit policy was emotive and sarcastic instead of factual and rational, and backfired in several ways. First, a new generation of voters, unaware of the Commission’s findings, did not automatically accept that Social Credit was ‘funny money’ promoted by a group of cranks. Ridicule meant that Social Credit seriously threatened National. Second, if National could not accurately rebut Social Credit policies, maybe they were valid after all and, moreover, raised questions about what was inaccurate in National’s own policy. Third, it gave continued attention to the League.

An article in the *New Zealand Economist* described such tactics as ‘the anti-Social Credit myth’ which was:

that Social Credit policy depends upon the propagation of something called “funny money” which is always and necessarily hyper-inflationary ...[and]...the presumption that uninformed and fallacious reasoning about the monetary system is not to be found except in Social Credit arguments.<sup>26</sup>

It discovered that Social Credit had monetary policy in line with its philosophy of protecting small business and the individual, the antithesis of National’s ‘think big’ policy. However, it dismissed the Social Credit idea of faults in the current monetary system and its Keynesian description of the policy gave ammunition to those who thought that what Beetham offered was not really Social Credit.<sup>27</sup> Yet it answered the common criticism that no economist accepted Social Credit ideas. Economists were already in the League. Eden Social Credit’s campaign manager, Phil Ker, for example, taught economics at

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<sup>25</sup> Sir Henry Kelliher, *Monetary Policy* (n.p., May 1966). Copy in author’s possession.

<sup>26</sup> John Zanetti and David Sheppard, ‘Keynes Will Win on 28 November’, *The New Zealand Economist*, November 1981, p. 7. A series of three articles on Social Credit monetary ideas in the *National Business Review* from August 17 to August 31 by W.E. Christie illustrates this point perfectly.

<sup>27</sup> Zanetti and Sheppard, pp. 6, 7.



Auckland Technical Institute<sup>28</sup> and happily explained financial policy in simple economic terms at campaign meetings.<sup>29</sup>

Another attack implied that Social Credit was uncertain in its monetary policy. In a *New Zealand Herald* interview, finance spokesman Les Hunter said that he did not know exactly how Social Credit was going to implement a tax expenditure policy. This was interpreted to mean that he had no idea what he was doing and having several options was seen as a bad thing.<sup>30</sup> The League plan to reduce inflation through inflation proof bonds re-lent at low interest was not attacked as a drain on treasury funds but as proof that Social Crediters did not understand inflation or the monetary system. The policy was a short-term solution to attract people to invest and bring inflation down quickly. Payments were to be a mixture of tax incentives and interest and the bonds had a minimum two-year term. Funds would be diverted into production and not consumption, further reducing inflationary pressure. Extra production would offset some of the cost. The League was perfectly well aware that if it did not work within three years it would be abandoned. Les Hunter pointed out that National already had inflation proof bonds, which Labour proposed to stop, yet only Social Credit's scheme was criticised.<sup>31</sup>

### 5.1.3 The Canadian Experience

Debate also centred on whether Social Credit had really been tried in Canada. The premises were that either it had not worked or the Canadian federal government constitutionally prevented it in provincial Alberta and British Columbia. These 'Social Credit' governments, then, were really Conservative or another party in disguise. Beetham and Nevern McConachy, the Campaign Committee convenor and Kaipara candidate went to British Columbia in early 1980 to foster greater links between the two Social Credit groups and learn

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<sup>28</sup> Now Auckland University of Technology.

<sup>29</sup> Renowned economist Brian Easton also thought that Social Credit could work and Beetham quoted him but the counterargument was that it could only work by creating undesirable bureaucracy. Zavos, p. 22.

<sup>30</sup> *New Zealand Herald*, November 26, 1981, section 1, p. 24.

<sup>31</sup> *Social Credit Guardian*, September-October 1981, p. 2; 'Socred Firmly Committed to Financial Reform', *New Zealand Herald*, March 28, 1981, section 1, p. 6. To be fair Labour's main concern was the cost of on-lending at only 3%.

more successful campaign strategies. They discovered that Social Credit was re-elected in 1975 by emphasising its four core principles.<sup>32</sup> These were that:

the individual is the most important factor in organised society..., democratic government in organised society is to secure for the people the results they want from the management of their public affairs..., [plus] security within freedom [as m]aterial security alone is not enough, [and] whatever is physically possible and desirable and morally right should be made financially possible.

To this was added the aims of responsible open government, hearing the voice of small business, and a sustainable economy.<sup>33</sup> Apart from the latter aims, these were all Douglas ideas. New Zealand Social Credit also added concern for small business to its policy but it was a natural outgrowth of emphasis on the individual and opposing monopolistic, soulless corporations. The executive director of Social Credit in British Columbia, Hugh Harris reiterated these principles when he visited New Zealand in early 1981 and added a non-Keynesian idea by stating that a government should not run large fiscal deficits.<sup>34</sup>

Peter Wilkinson, a National MP in danger of losing his Kaipara seat to Social Credit went to both Canadian provinces. He indeed sought to show they were really orthodox conservative governments following policies similar to National's. His articles and public statements therefore cannot be seen as non-partisan or objective. Wilkinson claimed that Alberta was prevented from introducing Social Credit and what they did introduce did not work, echoing both views at the same time. He did concede that a government credit agency—he called it a quasi-banking system—succeeded in forcing down interest rates and prevented foreclosures in the aftermath of the Depression, similar to the way Social Credit proposed to deal with inflation in New Zealand. Otherwise the Albertan Social Credit government was saved by prosperity gained from natural resources and the onset of World War Two.<sup>35</sup>

His main points about the British Columbia Social Credit government were likewise. It was financially orthodox, had huge natural resources and

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<sup>32</sup> *Target '81* (1980), pp. 4, 5.

<sup>33</sup> <<http://www.bcsocialcredit.bc.ca>> retrieved on November 9, 2009. Alberta's Social Credit party ran on exactly the same principles. See <<http://www.socialcredit.com/principles3.htm>> retrieved on November 9, 2009.

<sup>34</sup> *New Zealand Herald*, February 6, 1981, section 1, p. 12.

<sup>35</sup> *New Zealand Herald*, February 2, 1981, section 1, p. 14.

welcomed foreign investment. Therefore it was Social Credit in name only to attract both Liberal and Conservative voters. He doubted that Social Credit in New Zealand could claim affinity with its fiscal direction any more than National could, yet the thrust of his article was the similarities between them and National's proposals.<sup>36</sup> Beetham claimed that the British Columbia government was doing the exact opposite of Muldoon's financial policy by channelling government funds into productive enterprises and expanding the tax base. Consequently it had the highest standard of living in the world.<sup>37</sup> Graham Lea, a British Columbia New Democrat MP, went further than Wilkinson claiming that Social Credit in that province was now only a vehicle for a Liberal and Conservative party coalition who liked to 'think big' with no place for 'old-line Major Douglas Crediters'. His observation was that such Social Crediters and, by implication their beliefs, were a large proportion of New Zealand Social Credit.<sup>38</sup>

Harris denied this view. His *New Zealand Herald* article seemed to make him pro-Conservative but he did point out that the central tenet of Social Credit was to have its philosophy accepted by a government regardless of which party it was, a belief originating with Douglas. Although Social Credit was no longer Alberta's government, its principles were continued by the Progressive Conservatives.<sup>39</sup> In one Auckland meeting with Social Credit branches he reiterated that its philosophy was more than political with its focus on individual enterprise and not big business or big labour. He explained Social Credit's origins in British Columbia. By the late 1940s, despite huge natural resources, the province was bankrupt under a Liberal and Conservative coalition. W.A.C. Bennett became an Independent and looked at all parties but was impressed by the way Alberta became prosperous under Social Credit so he became a Social Credit man. After winning a landslide in 1953 Bennett devised updated fiscal policies based on Social Credit principles but not the old Douglasism of the Depression, much the same type of modernisation undertaken by Beetham and Hunter. Under these principles

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<sup>36</sup> *New Zealand Herald*, February 3, 1981, section 1, p. 16.

<sup>37</sup> *NZ Listener*, April, 25, 1981, p. 36.

<sup>38</sup> *New Zealand Herald*, March 14, 1981, section 1, p. 12. The article neglected to mention that Liberal and Conservative candidates contested elections.

<sup>39</sup> *New Zealand Herald*, February 6, 1981, section 1, p. 12.

British Columbia went from bankruptcy to prosperity. When the New Democrats based their expanded social welfare policies on this they took a huge surplus to an even larger deficit during their time in office between 1972 and 1975, a similar result to that under Labour in New Zealand.<sup>40</sup>

Richard Hockey, treasurer of British Columbia Young Socialists, explained further. In the 1930s Alberta was technically bankrupt. Social Credit offered economic expansion to benefit the people not the banking system. To this end they only borrowed for projects that paid off debt. These projects and their earnings became the people's property and the basis of the Alberta Heritage Fund used for Albertan development, an indirect form of a National Dividend allowed by the federal constitution. Much of the newly discovered oil and other natural resource earnings were channelled into it because they were publicly and not privately owned. This was so successful that the incoming Progressive Conservative government agreed not to tamper with it.<sup>41</sup> The British Columbia Social Credit government created an Investment Corporation along similar lines in 1975.<sup>42</sup>

In this light it is easy to see why Harris seemed pro-Conservative and why W.A.C. Bennett found Social Credit so attractive. Despite both provinces possessing huge natural resources, Alberta thrived under Social Credit ideas while British Columbia did not under strictly orthodox and conservative economic thinking. After the New Democrat blowout, Social Credit returned to power facing the same kind of financial problems as New Zealand. It offered no easy solutions but clearly handled them better than National did as it governed until 1991. Therefore Social Credit offered something other than just the orthodox conservative policies claimed by Wilkinson, and, unsurprisingly, he failed to mention the Heritage Fund or the Investment Corporation and how they flowed out of Social Credit philosophy.

With all the different political opinions, it is unlikely that voters gained a true picture of Social Credit in Canada. Facts emerging clearly were that

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<sup>40</sup> Notes by the author from an Auckland meeting on February 2, 1981 with Harris (n.d. [1981]). Harris claimed that a half billion surplus was turned into a three quarter billion deficit. Hockey quoting official figures gives a quarter billion surplus and a half billion deficit. *National Business Review*, August 10, 1981, p. 8.

<sup>41</sup> Richard Hockey, 'British Columbia...the Social Version', *National Business Review*, August 10, 1981, p. 8.

<sup>42</sup> *Social Credit Guardian*, March 1981, p. 5.

provincial Social Credit governments were long lived, produced positive benefits and could adapt to produce them under conditions where a full Social Credit programme was not possible. This suited Social Credit pragmatists. Naturally its political foes had to demonstrate that this was not really Social Credit. Even if this was not convincing, another angle was to show that it was yesterday's policy. Social Credit had gone in Alberta and was on its way out in British Columbia.<sup>43</sup>

This contradictory approach was also used on New Zealand Social Credit. Either it was not really Social Credit and just a naked grab for power by using the name with policies of a completely different nature<sup>44</sup> or it was an old unworkable 'pure' Douglas Social Credit but it was not allowed to be an updated Social Credit. Evidence for an old style view came from the existence of 'pure' Douglasites in the movement, ignoring the fact that Social Credit's entire history was one of adapting and updating. This was like criticising Labour for abandoning doctrinaire socialism and then claiming it was still the same because some vocal members still existed bemoaning the fact. In this respect Canadian Social Credit and the New Zealand movement had exactly the same experience. Neither was Social Credit because it was presumed that their original ideas were invalid and could not be updated. Consequently their true natures were never properly explored.<sup>45</sup>

#### 5.1.4 The Structure of Social Credit Support

If such attacks cost Social Credit support, they also kept publicity going throughout election year. However, a structural problem with its support made it susceptible to raiding, it was drawing from the wrong major party. If Social Credit had gained National support after East Coast Bays, it would have indicated voter confidence in Labour to win. Social Credit could have won rural

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<sup>43</sup> See for example A.J. Papprell's letter in the *National Business Review*, September 6, 1981, p. 8. However, British Columbia Social Credit won the next two elections with increasing majorities. See <<http://www.nodice.ca/elections/britishcolumbia/results>> retrieved November 9, 2009. National could not portray a supposedly conservative and financially orthodox 'think big' government as on its way out but Labour could.

<sup>44</sup> Raymond Miller takes this view. See Miller, p. 370.

<sup>45</sup> This is a prime example where Social Credit's maxim that good political ideas should transcend party was true. Party views obscured the political ideas instead of revealing them.

National seats if a government defeat was likely. National could not have survived a twin threat from Social Credit and Labour in its marginals.

By the end of January 1981 Social Credit's position seemed good. It was ahead of Labour in the polls, number one amongst 18 to 24 year olds, and the top party in Auckland<sup>46</sup> but this was its high point. The electoral situation gave an opportunity for Social Credit then. NRB poll figures also showed an overall 4% swing to National<sup>47</sup> but Labour had lost more ground in Auckland. This meant that National would keep all its marginals and possibly win another eight Labour seats. Even with losses to Social Credit, National could actually increase its majority.<sup>48</sup> National party analysis gave it 53 seats, Labour 35, and Social Credit four. Labour believed it could gain five National seats but worried about losing one to National and two to Social Credit.<sup>49</sup> National gloomily thought it could lose five more seats to Social Credit in the Auckland region alone.<sup>50</sup> In this volatile mix the League needed to persuade National voters that winning National seats would not imperil the government and Labour ones that Labour could not win the election. Switching back was likely to keep National in without giving Social Credit the balance of power.<sup>51</sup>

Yet the party support configuration meant that both Social Credit and Labour also had to fight a two front war. Labour had to regain lost support from Social Credit and win National seats. Social Credit had to keep Labour support, displace Labour in other National seats to win them, and take National support to win rural seats. Social Credit could not win Labour seats directly except Hastings and possibly Waitakere, so it needed to increase in

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<sup>46</sup> November 1980 NRB poll published in the *New Zealand Herald*, December 9, 1981, section 1, p. 1. Social Credit had 39% in Auckland.

<sup>47</sup> Labour had lost 10% of the vote since 1978 and National 2%.

<sup>48</sup> Seats that National could take off Labour on a 4% swing were Western Hutt, Hastings, Taupo and Lyttelton plus Onehunga, Roskill, Papatoetoe and Waitakere in Auckland. Social Credit could win eleven National seats without defeating the government, so if Social Credit won Kaipara, Bay of Islands, Hauraki and Waitotara, National would still increase its majority by four. See the electoral pendulum, *Auckland Star*, November 25, 1981, p. 24.

<sup>49</sup> R.G. Wallace, 'A Year of Imponderables Faces Parties', *New Zealand Herald*, February 21, 1981, section 1, p. 6. National's analysis gave them Onehunga, Taupo and Western Hutt but not Waitakere. Social Credit would win Bay of Islands and Kaipara from National, keep Rangitikei but lose East Coast Bays, and take Hastings from Labour. Labour thought it would win Marlborough, New Plymouth and Gisborne, and possibly Miramar and Wellington Central. It would lose Roskill to National, and Hastings and Waitakere to Social Credit.

<sup>50</sup> R.G. Wallace, 'National Faces Fight on Two Fronts', *New Zealand Herald*, December 6, 1980, section 1, p. 6. The seats were Bay of Islands, Whangarei, Kaipara, Helensville and Pakuranga. East Coast Bays would not be regained.

<sup>51</sup> Points made by the author in a report to the Eden Social Credit committee in early 1981.

Labour seats to win some in 1984. It did not want a close fight between National and Labour squeezing its own support. The dilemma for Labour voters was whether to switch to Social Credit or stay with Labour in the hope of ousting National.

In Auckland increased Social Credit support was seen even in a traditional marginal like Eden. At the beginning of the year the Labour vote seemed to collapse to 30%, allowing Social Credit an optimistic hope of second place, and in May a *New Zealand Herald* report cautiously predicted a strong National win.<sup>52</sup> Eden Social Credit thought that National's majority might go over 2000, possibly giving the League 4000 votes and a shot at winning in 1984<sup>53</sup> as a branch survey in June found up to 23% support for Social Credit.<sup>54</sup> Eden slowly moved back to marginality however and a follow-up *Herald* article in October predicted a close race.<sup>55</sup> An angry letter from Social Credit argued for a far larger National majority.<sup>56</sup> Its candidate was unhappy about having his support squeezed through a self-fulfilling prophecy but the League had the same problem nationwide. The article proved extremely accurate and National held Eden by the predicted 100 votes. Social Credit siphoned off enough Labour votes to prevent its win and this mirrored the overall election result.<sup>57</sup>

#### 5.1.5 Party Tactical Choices and Missteps

Most National marginals were provincial seats and it wooed them with the 'think big' energy projects and favourable opinion from allowing the Springbok rugby tour. It also hoped to win back East Coast Bays and made an \$80,000

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<sup>52</sup> 'Blue Flowers Bloom in Marginal Eden', *New Zealand Herald*, May 5, 1981, section 1, p. 20.

<sup>53</sup> Letter from candidate Alan Scott to Eden Social Credit Committee members, October 14, 1981, copy in author's possession. This would give National a 10% lead over Labour and 20% to Social Credit.

<sup>54</sup> *Eden Social Credit Branch Newsletter*, September 1981, p. 4.

<sup>55</sup> 'Eden Heading for a Tense Finish', *New Zealand Herald*, October 9, 1981, section 1, p. 18.

<sup>56</sup> Letter from Alan Scott to the *New Zealand Herald*, October 9, 1981, copy in author's possession.

<sup>57</sup> National finally won by 117 votes with a 1.3% swing to Labour, short of the 1.7% needed. Labour chose an openly gay candidate, which may have scared off enough voters to prevent the win. In street meetings he had defend his sexuality giving him less time to promote Labour policy. See the *Auckland Star*, November 25, 1981, p. 21 and *National Business Review*, August 3, 1981, p. 37.

attempt to defeat Beetham.<sup>58</sup> Knapp hoped that disgruntlement with National would help him hang on. He implemented the old Social Credit idea of an electors association to ascertain his electorate's wishes. From this he adopted a pro-tour stance.<sup>59</sup>

The main parties put up candidates in all electorates. Neither Social Credit nor Labour withdrew candidates in seats where their presence might give it to National. On the contrary, Labour put strong candidates and resources into some hopeless seats instead of concentrating on key marginals. One example was Beetham's seat. Unlike 1978 Labour resourced a strong candidate for almost the whole of election year with a full-time helper.<sup>60</sup> Beetham saw this as further proof of National and Labour's 'cosy two party club' maintaining its duopoly. Labour had a more attractive candidate in Kaipara too leading to Social Credit claims of a deal with National to keep the League out.<sup>61</sup> There was no direct collusion. Labour wanted to keep its last voters in strong Social Credit seats rather than see it locked into permanent tactical League support. Some influence in all electorates was essential, especially rurally, to avoid the perception that Labour was only an urban party and trigger further loss. Contesting every seat and insisting on support everywhere at an undefined acceptable level contributed to Labour's defeat.

The heady rise in the polls led to every Social Credit branch thinking it could pull off another East Coast Bays.<sup>62</sup> There was no thought of withdrawing anywhere. Many seats were unwinnable and the executive compromised by having four categories of electorate but this became meaningless when 61 seats were now category one—well up from the 21 in 1979<sup>63</sup>—and 28 were

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<sup>58</sup> *National Business Review*, November 9, 1981, p. 43; *Social Credit Guardian*, August 1981, pp. 1, 3.

<sup>59</sup> *National Business Review*, August 3, 1981, p. 40. Beetham attempted one in Rangitikei but it failed as he lacked time to put into it but he held ad hoc meetings to sound out particular issues. Bryant, *Beetham*, p. 130. Beetham was also pro-tour arguing that Muldoon had to preserve New Zealand's democratic freedom. Gustafson, *His Way*, p. 315.

<sup>60</sup> *National Business Review*, November 9, 1981, pp. 42, 43.

<sup>61</sup> *Auckland Star*, November 25, 1981, p. 21. Labour did the same in Kaimai and Tauranga to blunt Social Credit progress. See *National Business Review*, November 16, 1981, p. 35. However, Bay of Islands had a weaker candidate as the former strong 1978 one, Maurice Penney, contested the more winnable Whangarei.

<sup>62</sup> At a meeting to organise regionally coordinated campaign elements, the author asked Auckland West Region chairman, John Body, how many electorate branches could realistically win. He replied that 92 of them thought they could.

<sup>63</sup> Zavos, p. 156.



priority.<sup>64</sup> Like Labour, Social Credit's resources were stretched further than necessary but for the exact opposite reason. Social Credit success diluted its attempt to win more seats.

Social Credit could have helped by withdrawing in Labour's key marginals but there was no benefit without Labour returning the favour. Beetham offered Labour such an arrangement in 1977. Labour considered it and leader Bill Rowling met several times with Beetham. A Labour faction worked against the scheme and, when Beetham said that Labour needed an accommodation more than Social Credit did, they dropped the idea.<sup>65</sup> Rowling also secretly discussed a possible electoral alliance with Beetham several times before the 1981 election although Labour's deputy leader publicly opposed it.<sup>66</sup> Again nothing came of it. Social Credit was less interested as they were taking Labour support and this would have worked against maximising its vote but a limited accommodation would have gained both of them more seats and defeated National.

There were two other accommodation possibilities but Social Credit did not consider them despite its avowed intent to introduce co-operation into New Zealand politics instead of the normal confrontation. First, it did not attempt an alliance with Matiu Rata, former Maori Affairs minister in Kirk's third Labour government. Concerned that Labour took Maori support for granted, he formed his own party Mana Motuhake in April 1980 and also resigned from his Northern Maori seat. Beetham co-operated in parliament with Rata until his by-election defeat in June 1980.

Social Credit was never strongly organised in Maori seats<sup>67</sup> but did remarkably well there to begin with. A strong candidate came second in Eastern Maori in 1960 but he defected to National in 1963. It usually polled relatively well in Northern Maori and came second there in 1978 and in Western Maori but neither were likely wins. In the 1980 Northern Maori by-election Social Credit came a poor third behind Rata, keeping only 60% of its 1978 vote. Instead of seeing this as a reality check Social Credit dismissively

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<sup>64</sup> *Target '81* (1981), pp. 18, 22. To be fair, four electorates were top priority and another nine were allocated extra resources.

<sup>65</sup> Bryant, *Beetham*, pp. 87-93; Zavos, pp. 43, 44.

<sup>66</sup> Gustafson, *His Way*, p. 320.

<sup>67</sup> It failed to contest Western Maori in 1954 and 1963.

referred to the contest as 'a family fight between Matt Rata and the Labour Party'.<sup>68</sup> In August 1980 half the Maori seats were category two and half category three but lacked membership figures, and the rating was based on the 1978 vote. A year later all were category three except Western Maori, still without membership figures, on category four.<sup>69</sup> An alliance with Mana Motuhake, then, would have given Social Credit a vehicle into Maoridom and it could have assisted Rata's organisation instead of struggling with its own. The League failed to augment Rata's small winning chance by competing with him.

Far more serious was Social Credit not withdrawing for Nelson Independent Mel Courtney. Like Rata, Courtney fell out with Labour and left its caucus in March 1981 to sit as an Independent. In July he decided to contest Nelson. A Labour party poll put him in fourth place just behind Social Credit but this was before his declaration to stand and he believed he could win.<sup>70</sup> Nelson was predicted to stay Labour but National might possibly sneak in if Courtney siphoned off enough Labour votes. National party members thought of not putting up a candidate and supporting Courtney as he was close to National party thinking but were overruled by Dominion Headquarters. The Social Credit candidate conceded he had little hope but did not withdraw and urge supporters to back Courtney.<sup>71</sup> Admittedly Courtney's challenge seemed to be fading close to the election<sup>72</sup> but the National vote collapsed and Social Credit barely held its 1978 vote. If either had not stood a candidate, Courtney would have taken the seat off Labour.

## 5.2 Selection Problems and Carpetbagging

Social Credit also did not help itself with some internal decisions over candidates. It wanted candidates to offer themselves for a minimum of three years and for nine if successfully elected to maintain continuity.<sup>73</sup> High calibre candidates should keep standing in the same electorate to build a profile and

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<sup>68</sup> *Target '81* (1980), p. 47.

<sup>69</sup> *Target '81* (1980), p. 29; *Target '81* (1981), p. 17. The other three had a combined total of less than seventy.

<sup>70</sup> *New Zealand Herald*, August 14, 1981, section 1, p. 3.

<sup>71</sup> *National Business Review*, October 26, 1981, p. 43.

<sup>72</sup> *National Business Review*, November 23, 1981, p. 42.

<sup>73</sup> *Target '81* (1980), p. 23.

strong campaign team. Circumstances did not always allow this. The very able 1981 Eden Social Credit candidate, Alan Scott, was a teacher and electoral rules classified him as a public servant. Therefore he could not stand unless he resigned at least three months before an election. This was hard on someone with a young family and he only did it because a property developer on the committee hired him for that period. He was keen to stand for Eden again in 1984 but the only teaching position he could get quickly was at St. Stephen's College, Pukekohe and he was selected for Franklin.

Many strong candidates from 1978 wanted to stand again but two of the most charismatic ones in the South Island decided not to. Richard Connell in Awarua had polled nearly a quarter of the vote and he took his chances of winning in 1981 seriously. He withdrew rather than subject his family to the stresses of parliamentary life.<sup>74</sup> Selwyn Stevens, who polled nearly 20% in Waitaki, also withdrew to become a Christian minister. As Social Credit had not been strong in the South Island since 1954, this was a severe blow in two opportunities. Social Credit's Awarua vote increased by a meagre 0.5% in 1981 and Waitaki dropped by 6%.

Stevens' case illustrated the tension between strong Christian belief and political action. Social Credit's Christian morality attracted evangelicals who became active members. However, when the party was strong enough for full time political action, it created a re-think amongst some. Stevens decided this was a less worthy goal than a directly Christian vocation. Another was Chris 'Curly' Gedge, a good organiser in the Hastings electorate. When Beetham asked him to be his paid full time campaign manager, Gedge turned it down to be a church pastor.<sup>75</sup> Deputy leader, Dwyer took the position.<sup>76</sup> One evangelical Christian without such conflict was George Bryant, compiler of Social Credit manifestos from 1972 to 1987, twice candidate, and League president from 1976 to 1979.<sup>77</sup>

Dwyer ran foul of League morality in a different way. He withdrew his candidacy for Hastings in July 1981 for 'personal reasons'. Under this bland

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<sup>74</sup> *New Zealand Listener*, April 25, 1981, p. 38.

<sup>75</sup> Conversation with the author in January, 1979. Gedge remained active in Hastings.

<sup>76</sup> Miller, p. 348.

<sup>77</sup> Christian businessman, Peter Love, ran Omega Communications, one of the League's main advertising agencies for the 1981 campaign.

pronouncement was the fact that Dwyer had left his wife for another woman. As he was the spokesman for the family, this was considered hypocritical and pressure was put on him to stand down. The League's approach was inconsistent as Beetham's marriage had earlier broken down from political pressures and he remarried in December 1980. There was no talk of him resigning as Rangitikei MP.

It would have been better to give Dwyer another policy area and give family affairs to someone else rather than force him to withdraw.<sup>78</sup> League action cost it an excellent candidate and all chances to win Hastings, a marginal provincial electorate usually held by the governing party. Dwyer built up a large personal following and in 1978 drew votes evenly from National and Labour to come a strong third on 26%. Opinion polls prior to his withdrawal showed a genuine three-way contest that he had every chance of winning as his support was holding despite Social Credit's nationwide leakage. The partial collapse in Social Credit's vote after Dwyer's withdrawal strengthened Labour's hold in 1981, showing that lost support favoured Labour. Thus the only winnable category one Labour electorate,<sup>79</sup> there solely because of Dwyer's popularity and hard work done for him, was lost.

Whangarei was another provincial marginal and, like Hastings, Social Credit took 26% in 1978. Unlike Hastings, it was a National seat with a strong majority but the sitting member was dumped and gave an opportunity to capitalise on National's selection wrangles in a similar way to Pakuranga later on. Social Credit, however, had a selection wrangle of its own. The previous candidate, Joyce Ryan, with local body experience as Whangarei's deputy mayor wanted to stand again. Her campaign manager from 1978, Bill Fraser, with political ambitions of his own, won selection but this created unrest. The dispute came to Beetham's attention but he refused to be involved in a local democratic decision. He should have intervened and favoured Ryan who had the better chance and more local support.<sup>80</sup> Social Credit needed unity and

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<sup>78</sup> That he had been married for less than three years and sacrificed his early married life in League interests may have contributed to the breakdown. *Social Credit Guardian*, November 1980, p. 7. It was not the end of Dwyer's political career as he later became the mayor of Hastings.

<sup>79</sup> See *Target '81* (1980), pp. 27-29.

<sup>80</sup> Ryan was re-elected deputy mayor in 1980 and topped the poll again with an increased vote. *Social Credit Guardian*, November 1980, p. 9.

continuity. Fraser should have heeded the campaign committee's admonition: 'We can't afford the luxury of internal wrangles'.<sup>81</sup> The fallout was a desultory increase, barely a tenth of what Social Credit needed to win.<sup>82</sup>

Another issue was League promoted carpetbagging. Understandably the League wanted its most prominent candidates elected and have them in electorates with the best chance. Most were in category one electorates already, and helped make them that way, but four candidates in lower categories were wanted in category one. Three of them were shifted. Finance spokesman, Les Hunter, previously stood in Ruahine and Manawatu. As his was a key role, he was selected for Bay of Islands, the most winnable seat after Kaipara.<sup>83</sup>

Hunter's was the most controversial shift. Local branches preferred a local candidate and felt that Hunter was foisted on them.<sup>84</sup> Bay of Islands also had a remnant of 'Douglas purists'<sup>85</sup> who disliked what they saw as the modern watered down version of Social Credit and particularly disliked Hunter, the chief author of the revisionist position. Because of this perceived sell-out they did not heed the League's call to avoid internal disputes and put up a 'real' Social Credit candidate which hampered Hunter's chances.<sup>86</sup> Although the alternative scored a little over a hundred votes, it probably scared off at least twice that.

Many League members considered Hunter a staunch defender of Douglas and himself an effective bulwark against watering down Social Credit principles. Hunter was a Douglas 'technician' in the modern party to help translate the Social Credit vision into current circumstances. The 'purist' reaction in the north simply confused the wider party.

David Howes, industrial relations spokesman, moved to Helensville in 1981. He had stood in category three Roskill in 1978 and swapped with Chris Lynch, a far more personable candidate. Lynch took a creditable 23% in Helensville in 1978. He did not dispute the move for the good of the League

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<sup>81</sup> *Target '81* (1980), p. 17.

<sup>82</sup> Fraser took 27.5%.

<sup>83</sup> *Target '81*, (1981), p. 23.

<sup>84</sup> Eden Social Credit candidate Alan Scott thought that if Hunter was any good he ought to have won Manawatu. Scott, however, tended to regard most electorates as winnable with a strong candidate.

<sup>85</sup> Beetham's description.

but was unhappy about losing a chance to be elected himself.<sup>87</sup> Lynch would have done better in Helensville than Howes. He had a larger personal vote, perhaps enough for a close three-way race and narrow win. Both Howes and Hunter added 6% more to their electorate vote in 1981. Patricia Wojcik, another League spokeswoman, stood again in Waitakere and the continuity gave her 9%. This was a 50% increase compared to a quarter for Howes and less than 20% for Hunter. For these two the carpetbag effect cost votes.<sup>88</sup>

The only candidate for whom shifting worked was Terry Heffernan, League high flyer in Christchurch. He almost trebled Social Credit's vote in Sydenham in 1978 and doubled it in the 1979 Christchurch Central by-election. He could have gone to Waitaki or Awarua but was selected for the old Social Credit stronghold of Wanganui and took another 13.5% over 1978, a 70% increase. As in Christchurch Central, he pushed National into third place in a seat it had won only nine years earlier.

Neil Morrison chose to stay in his category three Pakuranga seat but it was eighteenth on the priority list anyway, only one behind Helensville.<sup>89</sup> Ironically, by staying put, Morrison eventually became Social Credit's fourth elected MP.

### 5.3 The 1981 Election

#### 5.3.1 Polls and Policy

Throughout election year Social Credit slid inexorably in polls from 31% to 22-23% by August.<sup>90</sup> Voters seemed convinced that voting Labour was the only way to oust National. However, the Springbok tour not only shored up National support in provincial marginals but also distracted from the economic situation. Afterwards nearly three months remained for scrutiny but National tried to turn the bitter aftermath into an ongoing law and order issue.<sup>91</sup>

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<sup>86</sup> See Miller, pp. 370-372.

<sup>87</sup> Conversation between Lynch and the author during the 1981 campaign.

<sup>88</sup> It does not explain the whole difference as Wojcik stood in a Labour seat and the other two were National so the two elections effect comes into play. This is discussed in the next part.

<sup>89</sup> *Target* '81 (1981), p. 23.

<sup>90</sup> *National Business Review*, October 19, 1981, p. 30. See also the Appendix.

<sup>91</sup> *National Business Review*, September 14, 1981, p. 9; Scott, *Ten Years Inside*, pp. 96, 97.

Beetham urged that people not be sidetracked from the deep economic problems or by National's subsequent stance.<sup>92</sup> Social Crediters were glad the tour was over and wanted to focus on more important issues.<sup>93</sup>

The annual Conference in August was a showpiece to demonstrate Social Credit's professional polish and gain publicity to reverse falling support. Columnist Tom Scott humorously observed that 'Social Credit conferences have lost, probably forever, the image of being a psychiatric ward on a four-day outing.' With Dwyer gone a new deputy leader had to be chosen and this proved to be a close race between Garry Knapp and Nevern McConachy, which Knapp won.<sup>94</sup> Social Credit put a twist on its previous campaign slogan of 'give us a go' with 'give New Zealand a go with Social Credit.'

September showed a poll rebound to 25%. Political commentator Colin James noted that this was the spring pattern for the last four years and put the League on target for 26% and to take two to six seats off National.<sup>95</sup> At the beginning of October the tide seemed to be coming back in. After East Coast Bays Social Credit spoke of a 'quiet revolution' in New Zealand politics where, after years of trying, it seemed on the verge of unprecedented breakthrough<sup>96</sup> but was this really true? In April the Heylen pollsters surveyed voter opinion differently. They suspected soft Social Credit support and their findings confirmed it. Only 15.5% of eligible voters were firmly Social Credit, a little over half those intending to vote for it. Main party support was also surprisingly as soft with only half their intended vote firmly committed. However, half of all voters were seriously considering supporting Social Credit compared to 46.5% for National and 40.5% for Labour.<sup>97</sup> The 'quiet revolution' was continuing at that stage and voter intention was volatile enough for Social Credit to potentially capture more support. Despite this possibility reasserting itself in September, by November the League was back down to 22%.

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<sup>92</sup> *Social Credit Guardian*, August 1981, p. 3.

<sup>93</sup> See, for example, *Eden Social Credit Branch Newsletter*, October 1981, p. 1. Copy in author's possession.

<sup>94</sup> Scott, *Ten Years Inside*, pp. 98, 99.

<sup>95</sup> Colin James, 'Springtime—Springboard for Sacred Bounceback', *National Business Review*, September 28, 1981, p. 34.

<sup>96</sup> T. Verdon, 'Sacred Expects Snowball at Christmas', *New Zealand Herald*, December 13, 1980, section 1, p. 6.

<sup>97</sup> Heylen Poll report, April 1981. Labour's firmly committed support was 17% of all voters and National's was 21.5%.

In response to demands for policy in understandable language<sup>98</sup> Social Credit produced a series of short policy papers and 'A Child's Guide to Wealth', an explanation of its financial policy in children's book format. The latter was then criticised for oversimplifying economic processes. It also released a full manifesto. So policy abounded for those interested but Social Credit needed to spark the election campaign. One issue that generated excited internal debate was another variation on the National Dividend based on the policy of encouraging worker shareholdings. This would provide additional income to salaries and wages and reduce industrial conflict by giving workers an incentive for companies to do well and a voice with management. When this was coupled with low interest loans for business and the creation of an industry development fund as in Alberta, it gave the opportunity to develop specialised high-tech industries with huge export earning potential. This Social Credit version of National's 'think big' policy was seen as the way for New Zealand to regain its former high standard of living but was never fleshed out for voter consideration. However, electorate organisations were as ready as they could be and, although short of the \$1 million target, there was still a general campaign budget of \$300,000 plus \$4,000 per electorate, the maximum allowed.<sup>99</sup> Membership climbed towards 30,000 but was short of the revised 45,000 target.<sup>100</sup>

### 5.3.2 1981 Campaign and Outcome

The official election campaign was regarded as dull.<sup>101</sup> Beetham fulfilled his dream to open Social Credit's campaign at the Founder's Theatre in Hamilton but that speech and his overall effort were solid rather than spectacular. A *New Zealand Herald* reporter noted that at times Beetham's audience was 'willing to be captured, but has not been finally wooed' and his biggest drawcard was that a huge Social Credit protest vote would pull the main

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<sup>98</sup> See for example, Tony Garnier and Stephen Levine, *Election '81: An End to Muldoonism?* (Auckland: Methuen, 1981), p. 98.

<sup>99</sup> *Target '81* (1981), pp. 20, 21.

<sup>100</sup> *Target '81* (1981), pp. 39, 40. Figures to mid-August. By the end of August membership was at 27,000 and another 2,000 were added in September and October. By the end of 1981 membership was at 35,000. *Social Credit Guardian*, May 1982, p. 7.

<sup>101</sup> Levine and McRobie, *From Muldoon to Lange*, p. 42.



parties back into line.<sup>102</sup> Needing a large amount of time to campaign in their own electorates to ensure re-election hampered Beetham and Knapp. Their itinerary included several days in the South Island covering areas where the League expected to do well.<sup>103</sup> In hindsight this time would have been better spent in the upper part of the North Island, particularly Northland and Auckland. Beetham also did not need as much time as he invested in his own electorate but he took National's challenge seriously and it successfully pinned him down more than he wanted.

Social Credit acknowledged that its 26% target was beyond them and estimated support at 23% but still expected to win its target seats.<sup>104</sup> Unlike the 1978 campaign when a shift back to Labour from Social Credit was compensated by a National top-up, this time it did not happen. Predictions varied from a hung parliament to a large Labour victory but many commentators thought Labour would win narrowly.<sup>105</sup> The 'two elections' theory surmised that there might be swings to and against the government in different types of seat.

The 1981 result pleased nobody. Although Social Credit increased its overall vote by 5%, it failed in its top targets. So the League emerged with only the two seats it had beforehand, a bitter disappointment. Labour also failed to become the government. It took four seats off National but lost one.<sup>106</sup> Labour's anti-tour stance and National's 'think big' projects in Taranaki and Southland with the Marsden Point refinery expansion kept it five key provincial marginals.<sup>107</sup> This allowed National to govern with the narrowest majority. Thus the electorate indicated continuing disapproval of both main parties but stopped short of a hung parliament.

Although the overall picture suggested a squeeze with voters returning to Labour and staying with National, the reality was more complicated. Fear of

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<sup>102</sup> R.G. Wallace, 'The Best Oiled Machine Tomorrow May Win Day', *New Zealand Herald*, November 27, 1981, section 1, p. 1.

<sup>103</sup> *Social Credit Guardian*, November 1981, p. 3.

<sup>104</sup> *Social Credit Guardian*, November 1981, p. 1.

<sup>105</sup> Levine and McRobie, *From Muldoon to Lange*, pp. 44, 45; *New Zealand Herald*, November 27, 1981, section 1, p. 1. Colin James cautiously backed a hung parliament on the basis that the main parties had not got the message from 1978 and voters might repeat it only more loudly but if either National or Social Credit put a foot wrong, Labour would benefit. *National Business Review*, November 2, 1981, p. 9.

<sup>106</sup> Hunua, Kapiti, Mirimar and Wellington Central were gained and Taupo lost.

<sup>107</sup> Whangarei, Gisborne, Taupo, New Plymouth and Invercargill.

losing rural seats to Social Credit in a close electoral battle kept those National voters in line. Supporters who stayed home in 1978 cast votes in 1981 in Kaipara, Bay of Islands and Hauraki; seats Social Credit counted on winning. Social Credit's vote increased in all target rural seats by 1,000 to 2,000 votes, including many National ones, but returning supporters held National's vote steady or increased it. This kept it ahead in Kaipara and Bay of Islands and denied the League two extra seats.<sup>108</sup> Labour's vote did not collapse completely because it worked hard to maintain it and this helped National to win. This also occurred in other rural hopefuls and in Tauranga.<sup>109</sup> Social Credit did not reduce the Labour vote in Bay of Islands as much as Cracknell did in the 1966 Hobson equivalent. That would have regained the seat and collapsing the Labour vote would have won other seats too.<sup>110</sup> However, tactical voting is hard to achieve especially in rural seats where Labour supporters always knew their votes were wasted. Therefore a stubborn core always voted Labour in the same way people always voted Social Credit. Long-term tactical support was equally hard to maintain, as there was a tendency for the 'protest' component to revert to a main party even when actively courted.<sup>111</sup>

At the beginning of the campaign Bay of Islands and Waipa voters intended putting Social Credit in but changed their minds by election day,<sup>112</sup>

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<sup>108</sup> Social Credit's vote in Kaipara only increased by 800 but would have been enough for victory if the National vote had remained steady.

<sup>109</sup> Waitotara, Waipa, Matamata, Waikato and Taranaki. Only in King Country was there significant Labour collapse.

<sup>110</sup> Labour took 13.5% in Bay of Islands with a stronger electorate organisation compared to 7.4% in 1966. Reducing Labour's vote to 7% would have also given the League Pakuranga, Hauraki and Tauranga.

<sup>111</sup> Social Credit success fell into several tiers: rock bottom collapse at 7-8% (Rangitikei in 1978, Kaipara in 1978 and 1981, and Hobson in 1966), significant collapse at 9-13% (East Coast Bays in 1981 and 1984, Bay of Islands, Matamata and Rangitikei in 1981, and Pakuranga in 1984), and partial collapse at 15-20% (Pakuranga, King Country, Hauraki, Waipa, Waitotara, Taranaki and Tauranga in 1981). A main party may suffer permanent loss if support has declined over a long time to very low levels (2-5%) as happened to National in the Maori seats after the 1970s but Social Credit was never able to achieve this kind of sustained pressure.

<sup>112</sup> This comes from examining special votes, which are used as a measure of those who have made up their minds early. Special votes for Bay of Islands and Waipa give a majority to Social Credit and come close to doing so for Awarua. Other cases where more intended to vote Social Credit were Albany, Helensville, Kaimai and West Coast. More Labour voters supported Social Credit on the day than were intending to in East Coast Bays, Kaipara, Pakuranga, Papakura, Waikato, Rangitikei, King Country, Taranaki, Porirua and Sydenham. In Wanganui more National supporters did so.

showing that voter volatility persisted through the campaign.<sup>113</sup> These factors prevented the breakthrough Social Credit looked for. Likewise a Social Credit increase in National-Labour marginals prevented a Labour victory. National won the two front electoral war—just, but this was not immediately obvious. On election night Labour held Gisborne and National's hold on Taupo was precarious. It seemed that Social Credit had its balance of responsibility after all but a corrected counting error let National win Gisborne and special votes put it beyond doubt. Once a judicial recount confirmed the Taupo result, National had its majority although this was challenged through an electoral petition and not resolved in National's favour until April 1982.<sup>114</sup>

### 5.3.3 Analysing the Result

The 'two elections' theory was confirmed.<sup>115</sup> There were swings to Labour where Social Credit was not expected to do well and vice versa. This ought to have been enough to defeat National but there was actually a 0.3% overall swing to the government, not from increased confidence in it but because Labour fell further. Swings to National in provincial seats offset swings against it in the cities. Only in metropolitan electorates was there a swing to Labour but too small to win. All other electorate types swung to National.<sup>116</sup>

Social Credit also had a below average swing in its top five seats, enough for it to keep Rangitikei and East Coast Bays but not win the others.<sup>117</sup> In the next twelve hopefuls its vote rise averaged 5.2% with an 8%

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<sup>113</sup> This also showed up in National-Labour marginals where the original intent was to keep National in or bring it closer to winning in Labour ones, and in a few seats the shift was the other way. Switching from National to Labour during the campaign occurred in Kapiti and Miramar (Labour wins), Eden (National hold), Wellington Central (intended Labour win), Palmerston North, Western Hutt and Yaldhurst (intended close Labour hold), and Timaru (intended National win). Seats National held because of 6-12% leads too large for Labour to erode over the campaign were Helensville, Gisborne, New Plymouth, Marlborough, Rangiora and Waitaki. Social Credit's vote was squeezed over the campaign in all of them although its vote was higher than in 1978 except in Waitaki. In Taupo Social Credit took enough from both main parties to cost Labour the seat. Voter switching in the opposite direction occurred in Hunua (intended Labour win by a bigger margin), Rotorua (intended Labour win but National hold), Manawatu, Wairarapa and Invercargill (intended closer National hold).

<sup>114</sup> *New Zealand Herald*, November 30, 1981, section 1, p. 1 and April 22, 1982, section 1, p. 3.

<sup>115</sup> *National Business Review*, December 7, 1981, p. 25; Levine and McRobie, *From Muldoon to Lange*, p. 62.

<sup>116</sup> Levine and McRobie, *From Muldoon to Lange*, p. 66.

<sup>117</sup> There was a small swing against Social Credit in the two seats it held and in Kaipara.

swing against Labour.<sup>118</sup> Social Credit also did better in safer seats. In the nine most marginal seats it only increased by 1% and in other marginals it was 2.5%. In fairly safe National and safe Labour seats it was 5.5-6.0% and in safe National seats just over 4% but it also had a huge 6.7% rise in Auckland seats. Thus Social Credit did slightly better in Labour seats but increased most in seats it could not win. This was attributed to Social Credit being untried so it was safe to register a protest vote against the main parties in these electorates.<sup>119</sup> Equally, however, because the election was seen as close, the squeeze factor occurred in marginal seats.<sup>120</sup> Therefore Social Credit kept some of its gains from Labour in seats not at risk and in Auckland.

Although 1981 became a standstill election, confirming National in office one last time, it came about from many electoral factors cancelling each other out. The Springbok tour helped National in the provinces but not in the cities. Muldoon's leadership style and policies retained and lost National votes. Splitting the anti-Muldoon vote kept him in.<sup>121</sup> Perception of Labour as a weak and non-viable alternative and National's failure to solve New Zealand's economic woes were also self-cancelling. Social Credit raiding of Labour support and its partial return helped the standstill effect. Alan McRobie considered that the mean of the Labour-National two-party swings at 0.04% to Labour was a better measure of change and confirmed that the election was a standstill one.<sup>122</sup> National voters coming out of non-voting in rural seats cancelled Social Credit gains there and the conservative nature of the New Zealand voter prevented a huge and uniform swing to give the League its hoped for breakthrough. Of those who finally opted for a main party vote, nearly a quarter seriously considered voting Social Credit during the campaign.<sup>123</sup>

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<sup>118</sup> Whangarei, Helensville, Pakuranga, Kaimai, Tauranga, Tarawera, Matamata, Waipa, King Country, Taupo, Waitotara and Hastings. With Dwyer's departure from Hastings, the Social Credit vote dropped 8%, giving a swing to Labour.

<sup>119</sup> *National Business Review*, December 7, 1981, pp. 25, 28; Levine and McRobie, *From Muldoon to Lange*, p. 99. For a complete analysis of the 1981 election, see Levine and McRobie, *From Muldoon to Lange*, pp. 61-75.

<sup>120</sup> Colin James, *The Quiet Revolution: Turbulence and Transition in Contemporary New Zealand* (Wellington: Allen & Unwin/ Port Nicholson Press, 1986), p. 122.

<sup>121</sup> Levine and McRobie, *From Muldoon to Lange*, p. 88.

<sup>122</sup> Levine and McRobie, *From Muldoon to Lange*, p. 75.

<sup>123</sup> Levine and McRobie, *From Muldoon to Lange*, p. 76.

A poll at the beginning of the campaign showed that Social Credit was seen as united, would govern in New Zealander's interests, could be trusted, had the right leadership, would unite the country and was in tune with people's aspirations. The only negative was that its economic policies would not improve the standard of living but neither would those of the main parties. The League had the most positive party image with Labour next but voters did not vote for it. National had a completely negative party image, completely out of touch with New Zealanders. Yet National was returned as government, one of the most ironic outcomes of the election.<sup>124</sup>

After the election a Social Crediter observed, 'I would not be at all surprised if Social Credit got the blame for splitting the vote and producing a "spoiler-effect" '.<sup>125</sup> Labour used this to discourage people from supporting Social Credit after 1978. But 'spoiler' results were becoming too common. Governments had been elected with less than 40% twice in a row, something last occurring in 1928 and 1919, a feature of the 1920s three party period. Historian and Labour MP, Michael Bassett immediately wrote a book about electoral politics of the time and implied that continued support for Social Credit could produce another period of three party instability. He believed that Social Credit had indeed played a spoiler role preventing Labour victories.<sup>126</sup>

Many agreed that votes for Social Credit had distorted the result but did not realise that such distortions could occur under FPP without a third party. National won more seats than Labour, not from Social Credit interference but from National's vote distribution compared to Labour's in both elections.<sup>127</sup> Although Labour polled more than National overall, votes piled up in safer seats where they did no good<sup>128</sup> and fell short in marginals it needed to win. National managed an effective spread of support that maximised its seats with fewer votes.

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<sup>124</sup> *National Business Review*, November 2, 1981, p. 30. Social Credit scored positively on six out of seven points and Labour four. National was negative on all or, at best, neutral on three.

<sup>125</sup> Jim Ketel, 'Pressure is on', Letters to the Editor, *Social Credit Guardian*, February 1982, p. 5.

<sup>126</sup> Social Credit supposedly contributed to National victories in 1954, 1960, 1966, 1978 and 1981. Michael Bassett, *Three Party Politics in New Zealand: 1911-1931* (Auckland: Historical Publications, 1982), pp. 1, 65. Despite his assertion of instability, he really demonstrates that governments of the period maintained stability even with three parties.

<sup>127</sup> National's vote profile was 45-50% in many crucial marginals while Labour's was 40-45%.

<sup>128</sup> The Maori seats were clear examples.

#### 5.3.4 Failure or Success?

Social Credit's performance has usually been labelled a failure because the criterion was a significant breakthrough in seats. McRobie noted that two seats 'were small recompense for the effort it had made, particularly when set against a 20.7% share of the total vote.' Thus it 'was grossly underrepresented in the new parliament.'<sup>129</sup> In the setting of the rigid two-party system prevailing after 1935 Social Credit was New Zealand's most successful third party. Its 1981 vote has never been bettered, nor its proportion of the third party vote. Despite Mana Motuhake, the remnant of the Values party and strong Independent bids,<sup>130</sup> Social Credit won 93% of the third party vote in a time of fragmentation. It had a presence in parliament for twelve years during a time hostile to third parties and no other third party exceeded its two seat haul.<sup>131</sup>

As well as permanently detaching around 20% of the vote from the main parties, it changed voting patterns in another way. Professor Robert Chapman saw that, once the two-party system was fully in place by 1931 and the baseline vote for each party established in each category of seat, the vote shifted in them according to the rise and fall of the party vote nationwide.<sup>132</sup> It did not apply to the Maori electorates and third parties could distort it, which could be used to track Social Credit's changing profile.<sup>133</sup> Support for the League in 1978 and 1981 had so distorted parallelism that nationwide support for the main parties was no longer reflected in seat categories but led to a 'two elections' profile instead. However, parallelism was what Social Credit needed. Les Hunter presumed that the League drew its support across the board and therefore was more uniform than either National or Labour.<sup>134</sup> Thus

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<sup>129</sup> Levine and McRobie, *From Muldoon to Lange*, p. 67.

<sup>130</sup> Mel Courtney in Nelson and Aubrey Begg in Wallace. Begg took 13.4% of the vote.

<sup>131</sup> The Alliance and New Zealand First gained two apiece in 1993 but each party leader had the advantage of defending a seat from incumbency. Social Credit won its seats from scratch.

<sup>132</sup> He called this Parallelism. For his detailed analysis of it, see Robert Chapman, 'The Response to Labour and the Question of Parallelism of Opinion, 1928-1960', in Robert Chapman and Keith Sinclair (eds.), *Studies of a Small Democracy: Essays in Honour of Willis Airey* (Auckland: Blackwood and Janet Paul, 1963), pp. 221-252.

<sup>133</sup> Chapman in Chapman and Sinclair, pp. 234, 235, 238, 239, 249-251.

<sup>134</sup> L.W. Hunter, *Better Democracy: The Case for Electoral Reform* (Tauranga: New Guardian Publishing, 1979), p.11.

a uniform swing building on previous results would have piled up votes in the few seats it needed and given the League its breakthrough. 'Protest' voting in safe seats and the squeeze factor effectively smoothed Social Credit's vote nationwide, not the type of uniformity it wanted. This raised the vote threshold to win seats and left it where it already was.<sup>135</sup>

Despite the disappointment of only two seats, Social Credit drew comfort from its second placing in eighteen seats, including four Labour ones, and a strong third in six more.<sup>136</sup> The League increased its vote in all seats but eleven,<sup>137</sup> a good springboard for 1984. Social Credit was still determined to succeed under FPP despite its disadvantages. Using Hunter's observation about the large amounts of votes needed to elect Social Credit MPs compared to National ones,<sup>138</sup> Eden candidate, Alan Scott, calculated how the number of seats for Social Credit increased rapidly as the vote percentage went above 25%.<sup>139</sup> This demonstrated that the system eventually would work in its favour but Social Credit's real challenge in the days ahead was not how to gain more votes but to hold what it had.

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<sup>135</sup> The same effect occurred for the Liberal/Social Democrat Alliance in Britain in 1983. Although it took only 2% less of the vote than British Labour, its support was more uniform. The British Labour party, having an uneven spread of votes, consequently won nine times as many seats.

<sup>136</sup> Bay of Islands, Kaipara, Pakuranga, Papakura, Hauraki, Kaimai, Tauranga, Waikato, Matamata, Waipa, King Country, Taranaki, Waitotara, Wallace, plus the Labour seats of Mangere, Wanganui, Porirua and Sydenham. Its strong third placings were in Whangarei, Albany, Helensville, Waitakere, West Coast and Otago. It only came fourth in two seats, Nelson because of Courtney and Eastern Maori. Mana Motukake came second in all the Maori seats but Social Credit pushed National into fourth place in three of them.

<sup>137</sup> Hastings, Rangitikei, Horowhenua, Waitaki, Clutha and Eastern Maori. In Kaimai, Wellington Central, Nelson, Northern Maori and Southern Maori more votes were cast but the percentage was lower.

<sup>138</sup> Hunter, *Better Democracy*, p. 1.

<sup>139</sup> Alan Scott, 'Voting Patterns Give Big Hope For More Seats', *Social Credit Guardian*, December 1982, p. 12.





## Chapter Six

### The Decline of Social Credit

This chapter charts the decline of Social Credit. The first part covers 1982 and 1983 as Social Credit struggled to maintain its progress. It includes an examination of the Clyde dam issue and how much it damaged the party. The second part is about the impact of Labour's revival, the emergence of the New Zealand party and the 1984 snap election. Included is an analysis of that election. The last part outlines Social Credit's terminal decline after 1984. It examines what happened to the party and includes a short analysis of the 1987 election. It concludes by answering why it could not recover as it had done in the past and with a brief history of events after 1987.

#### 6.1 Post 1981

Social Credit's fear after the 1981 election was Muldoon making good his threat of another early one to resolve parliamentary uncertainty.<sup>1</sup> A confidence vote in parliament should decide whether a government survived but a government could call a new election at any time.<sup>2</sup> National risked antagonising voters by having another one so soon. Labour governed successfully with only a majority of two from 1957 to 1960 but Muldoon had several backbenchers willing to cross the floor on some issues.<sup>3</sup> With Social Credit abstaining on confidence issues bolstering his majority, Muldoon did not call an early election. Social Credit said it welcomed one to increase its representation sooner but wanted to minimise a vote squeeze in the event, so it concentrated on maintaining membership levels, organisational readiness

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<sup>1</sup> See, for example letter from Eden Social Credit candidate Alan Scott to Eden Branch members, December 14, 1981. Copy in author's possession.

<sup>2</sup> *New Zealand Herald*, November 30, 1981, section 1, p. 6. Early elections had been called in Britain to resolve hung parliaments in 1910 and 1974. Several months elapsed before the next election and in 1910 the deadlock was not resolved. Rubenstein, pp. 43, 308, 309.

<sup>3</sup> Chiefly Derek Quigley, Mike Minogue and Marilyn Waring.

and quickly raising campaign funds.<sup>4</sup> As the likelihood receded, an intensive fundraising drive to raise \$2 million by 1984 was only launched at the 1982 August Conference but by the end of September \$325,000 was pledged.<sup>5</sup> Social Credit also wanted early membership and fundraising drives because both activities in an election year detracted from campaigning and might have cost it support in 1981. Both drives were to be completed by the end of 1983.<sup>6</sup>

National's economic woes continued with inflation remaining high and it introduced an unpopular wage and price freeze in June 1982 that ran until February 1984.<sup>7</sup> Social Credit criticised 'think big' for cost and viability, wanting renewable resources developed and channelled into small and medium business ventures. At the same time Beetham pledged a wise use of the balance of responsibility.<sup>8</sup> The second aluminium smelter part of 'think big' was abandoned when major consortium partner Aluisse pulled out and put in doubt the need for a high dam at Clyde. Social Credit failed to gain political traction on these issues and also opposed Closer Economic Relations with Australia but this was neither popular nor sensible.<sup>9</sup> Social Credit comments on the economy were overshadowed by the Clyde dam political blunder.

### 6.1.1 The Clyde Dam

Hydro-electric development of the Clutha River was never opposed by anyone but government plans for it were. National's 1968 proposals would have inundated all the Cromwell basin and Clutha Valley. In 1972 National favoured a low dam but it was only low compared to the previous scheme. Labour's plan of six dams in 1975 was to proceed regardless of protest. After National won in 1975 its new scheme involved one less dam by constructing a high dam at Clyde. This would save \$40 million, generate more power and be

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<sup>4</sup> *Social Credit Guardian*, April 1982, p. 3 and July 1982, p. 9. Emphasis on membership renewal came straight after the election. See *Social Credit Guardian*, December 1981, p. 4.

<sup>5</sup> *Social Credit Guardian*, October-November 1982, p. 1.

<sup>6</sup> *Social Credit Guardian*, May 1982, p. 7. This was endorsed by Eden Social Credit. Eden Social Credit Branch Newsletter, March 1982, p. 3.

<sup>7</sup> Levine and McRobie, *From Muldoon to Lange*, p. 112. It did artificially reduce inflation and removed it as a major issue for the 1984 election. See the *New Zealand Herald*, July 7, 1984, section 1, p. 12.

<sup>8</sup> *Social Credit Guardian*, April 1982, pp. 1, 3.

<sup>9</sup> See, for example, the *Social Credit Guardian*, June 1982, p. 3 and 'Socred Out of Step in CER Debate', *New Zealand Herald*, December 4, 1982, section 1, p. 5.

finished four years earlier but would flood more land. In December 1977 water rights were granted to build it but National had already begun preliminary work. Electricity forecasting showed an oversupply with a recommended delay in commissioning the dam until 1991 but the proposed second smelter at Aramoana brought the date forward to 1989. After appeals the water right was rescinded, as the dam was not needed without a smelter. National wanted the high dam anyway and prepared a parliamentary empowering act to override the decision. The government treated legal procedures as formalities to be ignored, so it effectively trampled on legal rights in a dictatorial and undemocratic manner. Labour was going to act in a similar way in 1975.<sup>10</sup>

As National MP Mike Minogue intended to vote against the act, the government had no majority. Labour, under union pressure to support the dam, proposed a low dam. One Labour MP<sup>11</sup> favoured the legislation and was amenable to pressure but Social Credit liked the low dam idea and opposed the 'gross violation of the judicial and legislative processes.'<sup>12</sup> However, Beetham and Knapp reconsidered their position and with two League spokespeople<sup>13</sup> visited the area to discuss concerns with affected locals. They then believed that the government would override the judiciary by an Order in Council if the empowering act failed. It was better for parliament to make the decision rather than the government executive and Social Credit could gain concessions from National for its support. Beetham and Knapp did not want to see 600 families unemployed if work was halted. They did want guarantees on electricity pricing and an irrigation scheme for the area, and thought that extra power from Clyde forestalled the possibility of a nuclear power plant.<sup>14</sup>

Social Credit agreed to support the dam on July 13. Dam opponents could continue with legal avenues but dam work continued, as Beetham and Knapp would support empowering legislation if needed. They wanted further concessions to satisfy Social Credit members annoyed at the policy reversal but Muldoon refused. He pressured them to continue, as they would look

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<sup>10</sup> This paragraph is a summary of Michael Bagge, 'Dams Dividing Democracy: Conflict on the Clutha River' in Tony Ballantyne and Judith A. Bennett, *Landscape/Community: Perspectives From New Zealand History* (Dunedin: University of Otago Press, 2005), pp. 117-132.

<sup>11</sup> Brian MacDonell who was later deselected for his Dunedin seat and joined Social Credit in the House as part of the 'gang of four'.

<sup>12</sup> *Social Credit Guardian*, June 1982, p. 1.

<sup>13</sup> Environmental spokeswoman Pat Wojcik and Terry Heffernan.

foolish if they backed down. The Social Credit MPs capitulated and signed what was already agreed, believing they could successfully justify it. Muldoon then publicly stated that there was nothing in the agreement the government was not already going to do. In late August the dam could not go ahead without empowering legislation which was duly passed with Social Credit support. Having been hoodwinked by Muldoon Social Credit actively opposed the government after November.<sup>15</sup>

Social Credit failed to uphold a principled position or respect for legal processes. It lost the ability to attack both main parties on the issue as Labour was equally as vulnerable on its historical dealings over Clyde. Despite attempts to smooth things over with supporters there was a backlash with resignations that were publicised and damaging. Beetham was accused of acting hastily and without wide consultation. Although he obtained Social Credit executive approval many members thought the issue should have been held over to the August Conference and decided there.<sup>16</sup> Beetham further undermined his position when he reneged on responsibly using the balance of power by voting on confidence issues.

Social Credit's attempt to maintain a principled position was unconvincing and Clyde caused political damage. However, although the League lost support, it was not the fatal blow that some commentators ascribe.<sup>17</sup> This appears to be based on the inexorable slide in the Heylen poll from mid-1982 onwards. Yet this did not begin until October, three months after Social Credit signed the agreement and over a month after the empowering act was passed.<sup>18</sup> The *New Zealand Herald* NRB poll told a different story. Social Credit had slowly slipped since the 1981 election but at the end of July in the midst of the debate support perversely went up again, undoubtedly from generated publicity.<sup>19</sup> In November Social Credit support was 18% only one point below its May rating. Beetham's rating as preferred

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<sup>14</sup> *Social Credit Guardian*, August 1982, pp. 6-8.

<sup>15</sup> Gustafson, *His Way*, pp. 331-333.

<sup>16</sup> Miller, pp. 381, 382.

<sup>17</sup> For example, Miller, pp. 382, 383. Noted historian Michael King took this view. See Michael King, *The Penguin History of New Zealand* (Auckland: Penguin, 2003), pp. 444, 445.

<sup>18</sup> See Levine and McRobie, *From Muldoon to Lange*, p. 119.

<sup>19</sup> The NRB poll was conducted from July 31 to August 4. *New Zealand Herald*, September 4, 1982, section 1, p. 1. Social Credit had 21% support. See also the Appendix.

Prime Minister did not change between May and November.<sup>20</sup> Three things that did contribute to Social Credit decline were failure to spark interest in its policy, Labour looking credible after David Lange became leader,<sup>21</sup> and the emerging New Zealand party. Social Credit also had no by-elections in winnable seats to refocus attention upon it.<sup>22</sup>

### 6.1.2 The Name Change Issue

Social Credit debated about its future internally prior to the August 1982 Conference and included possibly changing its name to gather wider support. Knapp wanted a name to reflect a wide centre catch-all party to attract prominent dissidents rejected by the main parties.<sup>23</sup> He backed the New Zealand Democrat name, also put forward by Beetham, who additionally suggested Social Democrat and the New Zealand party. Beetham keenly wanted a name change ten years earlier but was lukewarm now and Social Credit's president thought a name change removed a unique point of difference from other parties.<sup>24</sup> The membership ultimately shared this opinion and the only change was from Political League to party. However, the indicative membership poll for change had a very low turnout, showing that most members were unconcerned about the issue. Names voted on at Conference were Social Democrat, Democrat and Social Credit. There was some poll support for New Zealand party but it was not included.<sup>25</sup>

Party direction and the name should have been more widely debated and perhaps deferred to the 1983 Conference.<sup>26</sup> A more generic name implying a wider policy was adopted in 1985 but millionaire businessman Bob

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<sup>20</sup> *New Zealand Herald*, July 7, 1984, Section 1, p. 12.

<sup>21</sup> This provoked the real decline or, if one had occurred, prevented a recovery. Rowling stepped down as Labour leader at the same time the November 1982 NRB poll was released and this was the last time Social Credit support was that high. Until this time the party's loyalty figures were around 82%, which also does not show any significant erosion. *New Zealand Herald*, December 18, 1982, section 1, p. 1.

<sup>22</sup> The next by-election after East Coast Bays was not until 1985.

<sup>23</sup> Miller, p. 387. Knapp identified Derek Quingley, Roger Douglas, Len Bayliss, Tony Neary, Justice Peter Mahon and Gordon Dryden as possibilities to recruit. Considering the problems that Gordon Dryden later gave the New Zealand party and the schisms Roger Douglas caused Labour, it was perhaps as just well that he did not succeed.

<sup>24</sup> *Social Credit Guardian*, July 1982, pp. 1, 6, 7.

<sup>25</sup> *Social Credit Guardian*, August 1982, p. 1 and September 1982, p. 1.

Jones and his followers took the widest and most patriotic name, the New Zealand party. There was no doubt about their political direction and the implication that it was good for the country was always there. Social Credit using the New Zealand party name was simply an extension of the 1981 campaign slogan and this was missing from the debate. Understandably the leadership were reluctant for wider discussion through fear of creating division but this did not make the issue go away, although it could be argued that the later name change indicated a measure of desperation not existing earlier.

## 6.2 Labour, the New Zealand Party and the 1984 Snap Election

When David Lange became Labour leader in February 1983 Social Credit lost half its support, declining to 8-10%. Labour now seemed a viable alternative government and soared in the polls. Its honeymoon lasted until September when both Labour and Social Credit faced the New Zealand party, formed in August.<sup>27</sup> Social Credit had clawed back a little support but then slid to 5% after the new party emerged and was just coming up again when Muldoon called a snap election. These three blows at six monthly intervals prevented a significant recovery. Social Credit had started to woo back support when the next event lost it more and the snap election sealed its fate.

When the New Zealand party registered in the polls, Labour support dropped drastically for six months before steadily climbing again. Perversely, National trended slowly up from the 1981 election to near the end of 1983 when it also dropped sharply but was ahead of Labour until the leadership change. The New Zealand party gained rapidly between the end of 1983 and the beginning of 1984 but peaked at 18% and was dropping by April.

Bob Jones often claimed that party support was drawn from National.<sup>28</sup> While it is likely that most of its voters were formerly National, it did not follow that they would vote National in the absence of a New Zealand party alternative. In fact the New Zealand party took initial support from Labour and

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<sup>26</sup> Registration of proposed options beforehand including the New Zealand party name would have stopped Bob Jones from using it.

<sup>27</sup> The poll information for this analysis is in Levine and McRobie, *From Muldoon to Lange*, p. 119 and the *New Zealand Herald*, July 7, 1984, section 1, p. 12. See also the Appendix.

<sup>28</sup> See, for example, the *Dominion*, July 16, 1984, p. 5; *Daily News*, September 3, 1984, p. 3.

then from National. Labour followed a similar pattern to Social Credit in that its support began recovering after six months of competition with the New Zealand party. It is possible that National's support may have recovered somewhat closer to November if subject to the same pattern. The Heylen Poll showed that, indeed, National support bottomed out halfway through the campaign and was rising. Therefore, on the trends, an election in July was at the worst time for National.<sup>29</sup>

Muldoon called the snap election in mid-June and he reasoned that a campaign of only four weeks gave opposition parties little time to prepare.<sup>30</sup> Neither Social Credit nor the New Zealand party had all its candidates in place and the New Zealand party had yet to choose a deputy leader and finalise its manifesto.<sup>31</sup> Labour decided its policies in a hurry and chose Roger Douglas's free market economic ones. Labour had been leaning in this direction but it had not been debated properly in the wider party and was resisted in some quarters.<sup>32</sup> The snap election produced a party unity that was more apparent than real. An election at the normal time with prior debates over free market policies would have caused rifts in Labour that National could have exploited. Bob Jones was galvanised into action by the short time available and he later confessed that if he had to carry the burden of the party until November he might have abandoned it. National was forced to campaign on its record, as it had not yet developed new policies. On June 13 the party executive calculated that it needed at least twelve weeks to build up its organisation and planned for a November election. There was no talk of a snap election and the party at large thought a later election gave them a better chance.<sup>33</sup>

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<sup>29</sup> The National caucus opinion was that the party's position would only worsen if the election were later. Gustafson, *His Way*, p. 371. While the NRB poll seemed to support this view the Heylen one did not. Muldoon later said that National would not have lost by as much in November. *New Zealand Herald*, July 28, 1983, section 1, p. 3.

<sup>30</sup> Gustafson, *His Way*, p. 375.

<sup>31</sup> *Social Credit Guardian*, July-August 1984, pp. 1, 9; Josephine Grierson, *The Hell of It: Early Days in the New Zealand Party* (Auckland: Reed Methuen, 1985), p. 97.

<sup>32</sup> King, p. 491.

<sup>33</sup> Gustafson, *His Way*, pp. 341, 342, 368-370. Gustafson notes on p. 373 that Keith Allen's death a week after the election is likely to have precipitated an early election anyway, as he still would have been Tauranga's MP. However, a later campaign would have given more time to strengthen National's organisation and develop new policies.

## 6.2.1 The New Zealand Party

The New Zealand party began as a Bob Jones protest against the National party's policy direction. He intended standing against Ohariu National MP Hugh Templeton and hoped his intervention in a safe seat allowed Labour to win and teach National a lesson for straying from its philosophy. Many like-minded people wanted to go further and start a party to do the same thing nationwide. So it began as a negative anti-National party with Jones driving it and initially developing its ideas. Its motto, 'Freedom and Prosperity', would have fitted Social Credit and its philosophy. Many of Social Credit's principles were espoused by the New Zealand party such as individual freedom and initiative, self determination, private enterprise, private property, and economic policies leading to fewer economic controls so that businesses could thrive but the means to achieve them were quite different.<sup>34</sup> Social Credit stood for the small owner-operator 'in a world of big business, big unions and big government' but it also wanted devolution of political decision-making and individual enterprise with monetary reform to help it compete.<sup>35</sup>

The enormous task of organising a party almost caused Jones to pull out until Muldoon called it a hoax<sup>36</sup> but it was not. It became more than an anti-National protest and rapidly developed into a neo-liberal party espousing strong free market economic policies, striking a chord with a section of voters that meant it had to be taken seriously.<sup>37</sup> This potentially damaged National most as it should have already taken up this philosophy as Thatcher did in Britain but Muldoon objected to the uncaring damage this did to the ordinary citizen so he resisted it. Jones claimed that New Zealand party intervention defeated National and forced Labour into free market policies.<sup>38</sup> However, Labour's adoption of them was not determined by the New Zealand party but from election time pressure to choose an economic policy quickly.

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<sup>34</sup> Peter Aimer, 'The rise of Neo-Liberalism and Right Wing Protest Parties in Scandinavia and New Zealand: The Progress Parties and the New Zealand Party', *Political Science Vol. 40 No. 2* (1988), p. 3.

<sup>35</sup> James, *The Quiet Revolution*, pp. 112, 113.

<sup>36</sup> Grierson, pp. 4, 5.

<sup>37</sup> See, for example, Stephen Levine, 'They're in Tune With the Voters', *New Zealand Times*, January 8, 1984, p. 9.

<sup>38</sup> *New Zealand Times*, June 16, 1985, p. 3.



The New Zealand party made one major political blunder from Jones' impetuosity. Without consulting his economics committee, Jones compiled alternate budget figures to illustrate party economic policy. These contained serious errors and were discovered before publication but broadcaster Gordon Dryden used them to discredit Jones and further his own position. In the resulting public spat in May 1984 Dryden was rejected as Tamaki candidate and left the party.<sup>39</sup> Beetham pointed out the budget errors during the campaign but this did not affect New Zealand party popularity.<sup>40</sup>

### 6.2.2 The 1984 Snap Election

Exciting and fresh, the New Zealand party had huge media attention during the campaign, making it harder for Social Credit to gain publicity for its policies.<sup>41</sup> Social Credit was also conservative in its policy approach to try and win back support, so lacked bold initiatives to capture new voters' imaginations.<sup>42</sup> The snap election also caught it by surprise. Since the government survived despite active Social Credit opposition, it was expected to last until November. The party had raised \$1.5 million of its \$2 million target and its organisation was in reasonable shape to campaign. However, Social Credit had lost some of its better 1981 candidates. This left significant gaps and candidates of dubious quality came from hasty selections.<sup>43</sup>

Beetham's speeches struck a better balance between policy exposition and rousing the audience but he did not have the impact of Bob Jones and

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<sup>39</sup> Grierson, pp. 72-85. The party was glad to be rid of him, as his overreaching ambition was a liability. The aftermath would partly explain support decline in June opinion polls. See, for example, *Daily News*, June 21, 1984, p. 1.

<sup>40</sup> See, for example, *New Zealand Herald*, July 13, 1984, section 1, p. 5.

<sup>41</sup> For a summing up of media attention, see the *Dominion*, July 13, 1984, p. 4.

<sup>42</sup> Miller, pp. 391, 402; James, *The Quiet Revolution* pp. 123, 124. The worker shareholding idea found its way into the 1984 policy but was not linked to low interest business loans or a development fund. See *New Zealand Times*, July 1, 1984, p. 16.

<sup>43</sup> Nevern McConachy did not recontest Kaipara but remained head of the campaign committee. His replacement, Bill Campbell, was also strong but not as well known. David Howes did not stand again in West Auckland (Helensville's 1984 equivalent), Ross Doughty did not recontest Manawatu, and Estelle Brittain did not follow up her strong second in Porirua. Doug Conway did not contest Kaimai for a third time and his replacement Vic Haines, a former mayor of Te Kuiti and Labour candidate in the 1950s, was too old at 73. *New Zealand Herald*, July 4, 1984, section 1, p. 5. All replacements except Campbell failed abysmally.

struggled for a spark until the end of the campaign.<sup>44</sup> He spent far less time in Rangitikei and his campaign tour included several days in the South Island that would have been better invested in shoring up his own support. Knapp spent most of his time in his marginal electorate although it was much safer than it seemed.

As in 1981 National was under siege in both urban and rural seats. The New Zealand party expected to siphon off National votes, enhancing Labour victories in the cities but it wanted more than a Muldoon defeat and sought to maximise its support. Jones compared attendance figures and, as his meetings numbered thousands to Beetham's hundreds or less, concluded that Social Credit was a spent force. He attacked Beetham and Social Credit constantly as he realised that Social Credit was his main rival for disaffected National and anti-National voters.<sup>45</sup> The New Zealand party destroyed Social Credit as a third party and largely ruined its chances of more parliamentary seats.<sup>46</sup> It challenged Social Credit in areas of traditional strength and Jones claimed that the New Zealand party would win ten to twelve seats including Bay of Islands and Tauranga.<sup>47</sup>

Jones based this on party canvassing and audience size. As he had larger crowds than Muldoon and many National electorate committee and ordinary members deserted to join his party, he overestimated party support.<sup>48</sup> He complained that the press ascribed the size of his meetings solely to entertainment value and ignored the serious New Zealand party message, an

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<sup>44</sup> *New Zealand Herald*, June 29, section 1, p. 4; *New Zealand Times*, June 24, 1984, p. 19; *Dominion*, July 13, 1984, p. 4.

<sup>45</sup> Grierson, pp. 109, 114, 115, 117; Fyfe and Manson, pp. 24, 28, 48, 49, 55, 85, 98, 107, 131-133; *The Dominion*, July 13, p. 4.

<sup>46</sup> Political columnist Tom Scott showed in a cartoon that Jones' 'clowning around' had already destroyed Social Credit and posed a threat to the main parties. Scott, *Ten Years Inside*, p. 151.

<sup>47</sup> Fyfe and Manson, pp. 23, 78. He also expected to win Pakuranga but his candidate, Josephine Grierson, realised that Social Credit's effort would keep her out. Grierson, p. 97. On the eve of the election Jones claimed up to twenty seats. *New Zealand Herald*, July 13, section 1, p. 5. These were grandiose predictions similar to Social Credit's in its early days.

<sup>48</sup> Social Credit also had wholesale defections from National in rural electorates in 1981. It decimated the Otorohanga National party branch in 1981 as one example. The New Zealand party prize catch was Phillipa Muldoon, the Prime Minister's daughter-in-law. *New Zealand Herald*, June 22, 1984, section 1, p. 3.

attitude that Beetham had no sympathy for as he considered it got far more publicity than Social Credit.<sup>49</sup>

Broadcasting time was the only issue the two parties agreed on. They complained about the extra time given to National and Labour.<sup>50</sup> Otherwise they competed against each other. There was no electoral accommodation and Social Credit continued to run candidates in Maori seats, against Mel Courtney who stood again in Nelson, and against Independent Brian MacDonell in Dunedin West even though he was a party ally in parliament.<sup>51</sup>

Despite the New Zealand party and reduced support Social Credit hoped to hold its seats and win more because of much higher support in targeted seats than polls showed and pleaded for tactical voting in National seats.<sup>52</sup> In Rangitikei, Wanganui and Waitotara a Social Credit pamphlet pointed out that it had a combined vote ahead of National and Labour in 1981 and an increased vote there would put three Social Crediters in the House.<sup>53</sup> Although it seemed clear that Labour would romp home, Social Credit also hoped for the balance of power.<sup>54</sup>

### 6.2.3 Outcome and Analysis

Labour won as expected. National slumped to its lowest vote since the party began and Social Credit to its fourth lowest, failing to increase its vote anywhere except East Coast Bays. It lost less ground in target seats but only

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<sup>49</sup> *New Zealand Herald*, July 3, 1984, section 1, p. 3; Fyfe and Manson, pp. 61, 62, 64, 65. Jones added to this impression by openly admitting to outrageous statements for effect. The *Dominion*, July 13, p. 4.

<sup>50</sup> National and Labour had 115 minutes of allocated radio and television time compared to 80 minutes for Social Credit and 50 for the New Zealand party. Jones also complained about receiving less time than Social Credit. Values, contesting 29 seats, was allocated radio time in these electorates but no television time. *New Zealand Herald*, June 22, 1984, section 1, p. 3; *Daily News*, June 21, 1984, p. 3. In 1981 Social Credit had equal time with the main parties.

<sup>51</sup> John Kirk, the other member of the 'gang of four' and Sydenham MP, contested Miramar as an Independent but did no campaigning. *Daily News*, July 2, 1984, p. 4. He finished a poor fifth behind Social Credit on 43 votes.

<sup>52</sup> *New Zealand Herald*, June 25, 1984, section 1, p. 5, July 2, 1984, section 1, p. 3 and July 13, 1984, section 1, pp. 4, 13; *New Zealand Times*, June 24, 1984, p. 19. Seats it thought it could gain were Bay of Islands, Kaipara, Pakuranga, Hauraki, Tauranga, Waitotara, Wanganui and possibly Waipa.

<sup>53</sup> Social Credit Party, 'The Winning Team', n.d. [1984]. Copy in author's possession. It made a misguided appeal along similar lines in a full page advertisement. See the *New Zealand Herald*, July 13, 1984, section 1, p. 10. This expanded the seats Social Credit thought it could win to fourteen and now included Rodney, Glenfield, Tongariro and Otago.

<sup>54</sup> *Daily News*, June 21, 1984, p. 7.

in Pakuranga did National's vote fall more and allow Social Credit to prevail. Party strategist Henry Raynel had been in the electorate since February building up organisational strength and his prowess there gave him his third victory.<sup>55</sup> Beetham lost support to the New Zealand party, from voters returning to Labour who chose to believe Beetham would still win and—most seriously—from boundary changes.<sup>56</sup> He would have survived any single factor but not all three at once.

The New Zealand party claim that it ensured Labour's victory by directly taking National support masked complex shifts. The New Zealand party did best where Social Credit was weak and vice versa but in some electorates both did well, splitting the third party vote so neither could win.<sup>57</sup> Opinion polls during the campaign underestimated New Zealand party support in Ohariu and Miramar and Social Credit support in East Coast Bays. In Eden the picture showed an overwhelming lead to Labour, who still won convincingly but there was some shift to the New Zealand party. In Pakuranga both Social Credit and National claimed to be ahead from their own polling.<sup>58</sup> There was a campaign shift to third parties in these electorates but overall there was also a shift to the New Zealand party from Labour as well as National. The impact of Jones' meetings, strong party organisation and monetary resources gained it support over the campaign.

The New Zealand party appeared to perform the limited role that David McCraw previously gave Social Credit by acting as a two-step vote transfer from National to Labour. It seemed to take National votes in 1984 and pass them to Labour in 1987 in a similar way that Social Credit did in 1954 and 1957. In 1984, though, these votes were already detached from National and many of them would have gone to Labour if the New Zealand party were not there as a more natural home. Therefore it impeded the transfer instead of facilitating it and this is seen in the NRB poll showing party support at the

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<sup>55</sup> *New Zealand Herald*, June 28, 1984, section 1, p. 28 and July 16, 1984, section 1, p. 20. Once Social Credit was at full strength in Pakuranga, Raynel intended to organise other electorates but the snap election prevented it. Raynel was unsure of pulling together a winning team in just four weeks.

<sup>56</sup> *New Zealand Herald*, June 29, 1984, section 1, p. 5; *New Zealand Times*, July 15, 1984, p. 3; Fyfe and Manson, p. 169. Boundary changes alone wiped 1400 votes off his majority.

<sup>57</sup> Particularly in Bay of Islands, Kaipara and Tauranga.

<sup>58</sup> Fyfe and Manson, pp. 26, 31, 39, 60, 73; *Daily News*, June 29, 1984, p. 8; the *Dominion*, July 12, 1984, p. 1.

beginning of the campaign. National and Social Credit support did not change during the campaign but the New Zealand party increased by 5% at Labour expense and kept the third party vote high.<sup>59</sup> Social Credit might otherwise have retained most of the 40% of New Zealand party support that came from former Social Credit voters. Some tactical voting by Labour voters did occur in target Social Credit seats but was only enough to win East Coast Bays and Pakuranga.<sup>60</sup> Without the New Zealand party, Social Credit would have been stronger and thus tactical Labour voting might have been bigger.<sup>61</sup>

Alan McRobie reckoned that the impact of the New Zealand party on Labour's seat majority was minimal. National lost no seats from New Zealand party intervention apart from Pakuranga and Labour did not win that.<sup>62</sup> However, the party prevented Social Credit holding Rangitikei, winning Bay of Islands and raiding the Labour vote to possibly win Hauraki and Tauranga.<sup>63</sup> Social Credit lost its position as New Zealand's third party and beat the New Zealand party in only 15 seats, most of which were its targets. It was relegated to fourth place in 75 seats and pushed into fifth in five.<sup>64</sup> The New Zealand party won 12.3% to Social Credit's 7.6% by washing away much of Social Credit's unconsolidated electoral soil.<sup>65</sup>

Despite losing 13.1% of its 1981 vote, targeting paid off. Social Credit won two seats and came second in six more, four of them strongly.<sup>66</sup> This was a far stronger position than 1975, 1972, 1963 and 1957—the other elections where Social Credit had a similar vote. In fact it was stronger than any

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<sup>59</sup> At the campaign start Labour was on 48% and the New Zealand party on 7%. *New Zealand Herald*, July 7, 1984, section 1, p. 12. Labour won 43% in the election and the New Zealand party 12.3%. See also the Appendix.

<sup>60</sup> Again based on comparing special votes with the final result. In East Coast Bays, Pakuranga, Hauraki, Tauranga, Rangitikei and Waitotara the Labour vote fell by as much as 4% during the campaign.

<sup>61</sup> For analysis of the New Zealand party impact, see Aimer, *Political Science Vol. 40 No. 2*, pp. 1-14.

<sup>62</sup> Alan McRobie, '1984: The End of an Era', in Levine and McRobie, *From Muldoon to Lange*, pp. 134, 135.

<sup>63</sup> Winning Kaipara and Waitotara was unlikely due to a high National vote.

<sup>64</sup> Social Credit was third or better in all its target seats except Tauranga and even there took a much higher than average 16.5%. It also came third in Whangarei, King Country, Sydenham and Otago. Independents MacDonell and Courtney pushed Social Credit into fifth place in Dunedin West and Nelson (where it was only 100 votes ahead of Values). Mana Motuhake also did this in three Maori seats.

<sup>65</sup> Aimer, p. 13.

<sup>66</sup> Rangitikei, Waitotara, Wanganui and Hauraki. The other two, Bay of Islands and Kaipara could be built up again if the vote lost to the New Zealand party came back.

election apart from 1981 and 1978. Furthermore, apart from tactical and protest voting in target seats, it can be presumed that most people voted Social Credit because they believed in the party.<sup>67</sup> These positive indicators potentially gave the party something to rebuild on.

### 6.3 Terminal Decline

After the snap election Garry Knapp declared that Social Credit's lost vote was only on loan to the New Zealand party.<sup>68</sup> He wanted Beetham to stay on as leader despite losing his seat, an opinion endorsed by Neil Morrison, newly successful in Pakuranga. Knapp would be Social Credit leader in the House while Beetham stumped the country rebuilding support.<sup>69</sup> Beetham thought a party leader outside parliament lacked public credibility and he might have to step down but the decision ultimately lay with Social Credit's August Conference.<sup>70</sup> Both Social Credit MPs also wanted organisational changes including a youth arm to attract young voters and a new name.<sup>71</sup> A *New Zealand Herald* editorial commented that picking up disaffected voters required more than a name change. It needed to convince voters that its economic policies were sound or change them.<sup>72</sup>

Organisational changes made included a youth arm and a divisional structure. The name change debate was held over until 1985 but Conference was more sombre than originally intended as Muldoon's snap election prevented it being a publicity opener. It analysed the election and made plans to regroup. Beetham remained leader despite being outside parliament and a 'BCB'<sup>73</sup> fund was set up to cover his full-time costs.<sup>74</sup> However, this was an extra burden on top of normal election fundraising for the now struggling

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<sup>67</sup> The *New Zealand Herald* had this view. *New Zealand Herald*, July 16, 1984, section 1, p. 1.

<sup>68</sup> *New Zealand Herald*, July 16, 1984, section 1, p. 12. This claim was echoed by party president, Stefan Lipa. *New Zealand Herald*, July 16, 1984, section 1, p. 2.

<sup>69</sup> *The Dominion*, July 17, 1984, p. 7.

<sup>70</sup> *The Dominion*, July 16, 1984, p. 5; *New Zealand Herald*, July 16, section 1, p. 8.

<sup>71</sup> *New Zealand Herald*, August 4, 1984, section 1, p. 3.

<sup>72</sup> *New Zealand Herald*, August 6, 1984, section 1, p. 6.

<sup>73</sup> This was shorthand for Bruce Craig Beetham.

<sup>74</sup> *Social Credit Guardian*, March-April 1985, p. 2. It reached a total of \$110,000 by March 1985 and was expected to be much higher by the May target date.

party.<sup>75</sup> Beetham had only previously been fully supported for five months and to ease pressure on the party Beetham resumed part time teaching.<sup>76</sup>

Prior to Conference Beetham made an insightful observation:

The traditional voting patterns of the electorate are completely changing, and it is possible to achieve major swings, both with and sometimes against a nationwide swing. The pool of swinging voters continues to grow and grow and the strength of this group is sufficient now to make or break governments.<sup>77</sup>

Social Credit examined voting patterns and noted they had been cyclic but were now highly volatile. From this it concluded that voters could come back to the party as quickly as they had left it.<sup>78</sup> While theoretically true, Social Credit had to attract it or else it was not just 'on loan'. Social Credit's ability to recover was also threatened by the New Zealand party intention to carry on.

Bob Jones insisted that the party was here to stay and would continue making inroads into traditional National party support and then take liberal Labour votes. Social Credit was now only a parliamentary vehicle for some members because it had long abandoned its founding ideals<sup>79</sup> but Jones was attempting to position his party as the only one with political principles. The *New Zealand Herald* brutally stated that 'only blind optimists' would see Social Credit held seats as a positive endorsement of its policies rather than simply an anti-National backlash.<sup>80</sup> While there was some truth in this assertion it was not the whole picture. If Social Credit could even partially recover, it could hold them but this was unlikely if National regained its credibility and if Labour free market policies proved effective and popular.

The financial crisis caused by Muldoon's refusal to devalue immediately following the election and his determination to remain leader damaged National's popularity further but his replacement by Jim McLay at the end of November improved its position. Labour stayed as popular and

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<sup>75</sup> Miller makes this point. Miller, p. 395.

<sup>76</sup> *Dominion Sunday Times*, August 16, 1987, p. 17. He was fully supported after resigning as Hamilton mayor in October 1977 to February 1978 when he became MP.

<sup>77</sup> *Social Credit Guardian*, August 1984, p. 1.

<sup>78</sup> *Social Credit Guardian*, March-April 1985, p. 1. Its figures only noted the cycle for Social Credit votes and ignored the fact that third party voting had been high three elections in a row. It also ignored the fact that Social Credit's vote stayed low for one or two elections following a decline and preferred to emphasise the volatility factor.

<sup>79</sup> *Daily News*, September 3, 1984, p. 3.

<sup>80</sup> *New Zealand Herald*, July 16, 1984, section 1, p. 1.

New Zealand party support settled around 10%. Despite Beetham's attempts, Social Credit support returned to the pre-election level of 6%.

### 6.3.1 A Name Change and the Timaru By-election

Except that its residually strong organisation gave it two seats, Social Credit's electoral position was essentially the same as after 1969. Despite the later O'Brien debacle two things helped the League then: an influx of talented young members and a dynamic new leader. Together they revitalised Social Credit by developing a solid organisation and revamped policies based on a modern version of Social Credit ideas. This was not true after 1984. Beetham was tired and jaded without a version of his dynamic younger self to replace him. Even in his decline there was no one to better him and he knew it. Neither Knapp nor Morrison had the needed leadership spark and their performance in the House did not gain renewed interest in Social Credit ideas. Recovery failure was not on Beetham's shoulders alone.

The 1985 Conference was moved back to May to ensure one before the next election. Social Credit planned for a 1987 election but thought one might happen in 1986 and wanted the bulk of fundraising done before then.<sup>81</sup> A name change was debated and accepted mainly because Beetham abandoned his lukewarm support of 1982 and lobbied hard for it. Beetham accepted that the word *democratic* was central to Major Douglas's vision. He said that Douglas was interested in economic democracy with Social Credit as its mechanism and confusion arose from naming the car after the engine.<sup>82</sup>

Social Credit was now the New Zealand Democratic party. However, a significant minority opposed the name change including the president and campaign committee convenor, Nevern McConachy, for the same reason as before: that the party seemed to be backing away from its principles.<sup>83</sup> Beetham brokered a compromise by incorporating Social Credit tenets in the party constitution and setting up a separate Social Credit Institute to

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<sup>81</sup> *Social Credit Guardian*, March-April 1985, p. 1.

<sup>82</sup> *Social Credit Guardian*, March-April 1985, p. 6.

<sup>83</sup> *Social Credit Guardian*, March-April 1985, pp. 7, 8.



guarantee that Social Credit ideas and principles continued in the party.<sup>84</sup> This was similar to the time when the Social Credit Association uneasily co-existed with the political movement and added another arm to an already weak party. Beetham did not—or chose not to—notice the New Zealand party example that a bland name did not matter as long as its aims were clearly encapsulated in policy.

The timing and location of the Conference in Christchurch allowed delegates to help fight the Timaru by-election caused by the death of Sir Basil Arthur and Henry Raynel ran the campaign. It was the last time the Social Credit name was used. Labour was unlucky that the by-election coincided with a National opinion poll lead and lost a seat held for 57 years. Raynel's organisational magic was of little use in an electorate where Social Credit polled a poor fourth in 1984 and again competed with a buoyant New Zealand party for third party votes.<sup>85</sup>

Social Credit and the New Zealand party increased their vote but only helped National win. While this confirmed Social Credit as a still struggling third party it had a far-reaching effect on the New Zealand party. Bob Jones wanted his party to win or at least give Labour a huge majority. He was pleased with Labour's economic direction and helping it to lose a seat was not what he had in mind.<sup>86</sup> National was still not sufficiently free market for him especially as Muldoon could resume leadership. Subsequently Jones unilaterally put the party in recess. If Labour strayed from the free market path the New Zealand party would be revived to re-champion the neo-liberal cause. Carrying on now was counterproductive. The executive and membership disagreed and continued on despite Jones' departure.<sup>87</sup> New Zealand party support plummeted and the Democrats regained third party spot despite a low rating. In March 1986, on the day Jim Bolger became

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<sup>84</sup> *The Guardian*, February 1986, p. 5. Don Bethune was its inaugural president and former Eden branch president, Tim Leitch, became its secretary.

<sup>85</sup> Miller, p. 395.

<sup>86</sup> For a full analysis of voting trends in the by-election, see *NZ Listener*, July 13, 1985, p. 18. On a strong turnout both Social Credit and the New Zealand party took Labour support, some of which stayed home. National held its 1984 vote and picked up some New Zealand party support in rural areas.

<sup>87</sup> See Aimer, pp. 5, 13.

National's leader, the New Zealand party president announced a merger with it.<sup>88</sup> A remnant persisted but it was effectively the end.

### 6.3.2 Democrat Problems

The Democrats were now the only third party of note but had troubles of their own. Efforts to regain lost support came to nothing. Membership was about 6,000 and, although much higher than the 1972 total, many activists had left or become inactive.<sup>89</sup> The monthly party newspaper had always been published throughout the League period although restructured several times. In 1984 the editorial board made it a bimonthly publication but candidate advertising spreads paid for by branches in some target seats meant it stayed monthly during the election period.<sup>90</sup> In mid-1985 it ceased publication until Waitotara candidate Stuart Perry relaunched it as a thin three times a year paper in February 1986.

In October 1985 Knapp called for Beetham to step down as leader.<sup>91</sup> At a time when he should have retired to become party elder statesman Beetham still thought no one could replace him and refused. It is not clear who would have taken over had he resigned. Knapp was front runner as deputy but his own threats to resign if he did not have his own way<sup>92</sup> indicated prima donna traits undesirable in a leader—echoes of the O'Brien approach—and he abruptly resigned as deputy leader in February 1986. Morrison won the post on the first ballot.<sup>93</sup> This time Knapp had not threatened to resign beforehand and he also announced his retirement from politics after the 1987 election but larger considerations were at play. Knapp had remarried in early

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<sup>88</sup> *New Zealand Herald*, March 27, 1986, section 1, p. 1.

<sup>89</sup> Miller, pp. 393, 394.

<sup>90</sup> See, for example, *Social Credit Guardian*, May-June 1984 and July-August 1984. These enabled an August edition to be published. Thus the July-August edition was actually a July one.

<sup>91</sup> Miller, p. 395. Knapp had backing from Lipa, Morrison, McConachy and Heffernan. The call was repeated at the November Dominion Council.

<sup>92</sup> Knapp threatened to resign as deputy leader in 1985 if the name change did not happen. Miller, p. 433. Since much of the name change success came from Beetham's whole-hearted backing, Knapp's threat seems to have had negligible impact.

<sup>93</sup> *The Guardian*, May 1986, p. 1.

1985 and was about to begin a new family.<sup>94</sup> When he agreed to recontest East Coast Bays in late 1986 he mentioned the impact on his family life of being deputy. With lessened responsibility he could concentrate solely on his family and electorate. Intense lobbying emphasised his importance to continued third party presence in parliament and finally swayed him.<sup>95</sup>

While Knapp enjoyed political life and wanted responsibility and his stamp on party direction, it was not the single-minded passion it was for Beetham or even Morrison.<sup>96</sup> Knapp made a reasonable deputy but did not have party interests at heart the way Beetham did. Abandoning his nine year commitment as MP regardless of damage to the party or his own re-election shows this but he could not walk away from his political investment in the end. However, his political self-exile gave Morrison the platform to oust Beetham.

Delegate scarcity deferred the 1986 annual conference to August. There Morrison became leader on a second ballot and Alasdair Thompson, candidate for Hauraki, was elected deputy.<sup>97</sup> Compared to previous leadership battles it was tame, civilised and, for the first time, decided by vote. It still took its toll and Democratic support fell to 3%—the same as in 1972. The change had little effect and Morrison struggled to lift poll support above 4%. Initially Beetham threatened to split from the Democrats and reform a Social Credit party<sup>98</sup> but settled down to concentrate on retaking Rangitikei.<sup>99</sup>

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<sup>94</sup> Knapp had been married twice before and was separated when he became MP. *Auckland Metro*, March 1982, p. 38.

<sup>95</sup> *The Guardian*, December 1986, p. 5. This partially explains Lipa ruling himself out as candidate and the lack of Democrat activity as the selection date drew near. See *New Zealand Herald*, November 18, 1986, section 1, p. 15.

<sup>96</sup> Morrison wanted to be an MP enough to jeopardise his marriage over it. Morrison speech to Hawera Social Credit branch AGM, March 26, 1985.

<sup>97</sup> Miller, p. 397. Morrison gained 98 votes to Beetham's 75.

<sup>98</sup> At the 1986 conference Beetham particularly objected to Morrison's repudiation of the National Dividend. Miller, p. 397. Morrison was simply worried that Beetham's renewed emphasis on an A + B theorem would lead to paying the dividend to cover the gap, a mistake Douglas made. See the *Social Credit Guardian*, March-April 1985, pp. 5, 9. He was not repudiating the concept of a National Dividend to compensate citizens for an excess of unemployment caused in moving to a high tech industry base as part of a modernised integrated policy package. If that had been so, Beetham's objection was understandable as this was the only thing likely to even remotely spark public interest. However, written Democrat tenets show that the former interpretation was the accepted one. *The Guardian*, May 1987, p. 4. Miller is right that Beetham shifted his position but he was trying to reconcile earlier views with Hunter's later theories. See Miller, p. 398. This led him to the same erroneous conclusion about the purpose of the National Dividend held by many early Social Crediters. Morrison rejecting this view does not mean he stopped being a Social Crediter.

Social Credit's plan under Beetham was to win power in 1984. After 1981 this was set back to 1987. The Democrats now planned to do so by 1993 but their initial goals were more modest: 10,000 members, 10% of the vote, \$200,000 in the campaign fund and four seats.<sup>100</sup> Membership was rising and, in anticipation of an August election, the 1987 annual conference was planned for June. Members were urged to attend, as the party wanted more than 300 delegates there.<sup>101</sup>

### 6.3.3 The 1987 Election

Differences with Beetham smoothed over, the party prepared for the 1987 election. Report of an alliance with Mana Motuhake alarmed members but it was only for a joint private member's bill to include third party representation on the Boundaries Commission. Morrison thought an electoral alliance in Maori seats made sense and talks were held with Values on how to maximise third party representation in the House<sup>102</sup> but it never went beyond talks. The Democrats put up a full slate.

The party went into the election with only 3-4% support and were pleased when it went up during the campaign, if only by 1%.<sup>103</sup> It claimed to have the only sensible economic strategy but no significant group of voters seemed to be listening. Morrison was irrepressibly optimistic and said the Democrats would win five or six seats.<sup>104</sup> He was thinking of the only six seats where they remained strong. Most commentators thought none would be won, particularly on falling support, but holding East Coast Bays was possible.<sup>105</sup>

Labour was re-elected largely from a positive endorsement of Roger Douglas's free market economic policies. National recovered significantly but

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<sup>99</sup> Miller, pp. 398, 399. Beetham became involved in local politics becoming deputy mayor of Marton and deputy chair of the Wanganui Health Board. *Dominion Sunday Times*, August 16, 1987, p. 17.

<sup>100</sup> *The Guardian*, December 1986, p. 5. The seats were East Coast Bays, Pakuranga, Rangitikei and Wanganui.

<sup>101</sup> *The Guardian*, February 1987, p. 2. and May 1987, pp. 5, 6.

<sup>102</sup> *The Guardian*, February 1987, p. 3.

<sup>103</sup> *The Dominion*, August 14, 1987, p. 6.

<sup>104</sup> *New Zealand Herald*, August 14, 1987, section 1, p. 8. As well as the main target seats he included Coromandel (formerly Hauraki) and Waitotara.

<sup>105</sup> *New Zealand Herald*, August 14, 1987, section 1, p. 1; *National Business Review*, August 17, 1987, p. 8; James with McRobie, *The Election Book*, p. 82.

failed to dent Labour's majority, let alone win. The Democrats were again New Zealand's third party but in a parlous state. They won 5.7% of the vote, well up on the 4% poll rating they entered the campaign with but still their worst result. Social Credit might have obtained a similar result in 1972 without Beetham to rescue it.

The third party vote was also on a thirty year low at 8%. The remaining vote was divided among a range of parties and groups including the rump New Zealand party, Mana Motuhake, Values and a handful of relatively strong Independents. This included Independent Labour ones protesting at what Rogernomics did to the New Zealand poor.<sup>106</sup>

A positive response on Rogernomics was a last legacy of the snap election. Had National continued to the end of 1984 the 1987 election would have come after the October sharemarket collapse, making Labour's re-election considerably harder. As National espoused the same economic direction, it would have been difficult for them too, giving a critical platform for the Democrats to express an alternative economic policy. This might have regained support from newly discontented main party voters and maintained their parliamentary presence. However, with a rosy economic picture the Democrats struggled to make headway.<sup>107</sup>

They came third in most seats but Mana Motuhake presence in the Maori seats, pushed them into fourth. Independents also did the same in four other seats<sup>108</sup> and a combination of Independent and Values reduced the Democrat to fifth in Nelson.<sup>109</sup> In their six target seats they maintained a strong second except in Waitotara, a strong third, but lost ground in all except

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<sup>106</sup> Since they stood in strong Labour electorates, it did not affect the outcome.

<sup>107</sup> Keith Allen's death made an early 1984 election likely anyway and R.A. Anderson's death in Kaimai in early 1987 may have convinced Labour to go early to avoid a by-election. The 1987 election still occurring before October does not invalidate the point.

<sup>108</sup> A West Coast Independent and Labour Independents did so in Auckland Central, Pencarrow and Porirua and came close to it in Island Bay and Miramar. However, Democrats reclaimed third spot from the depleted New Zealand party candidates who stood in 31 seats and polled worse than fourth in twelve of them.

<sup>109</sup> Nevertheless he improved on his 1984 vote.

Wanganui.<sup>110</sup> Hard hit by free market policies, Wanganui Labour voters stayed home or voted Democrat in protest but not quite enough to win.<sup>111</sup>

Despite their woes the Democrats failed by only 600 votes to maintain two seats in parliament.<sup>112</sup> Their position in seats was still better than in every election before 1978 except 1966. Winning two seats in 1984 solely from an anti-National backlash seemed true but closer analysis showed that National voters were only partially keen to return to the fold. Labour voters prevented a Democrat win in East Coast Bays and even in Pakuranga by supporting their own party rather than tactically voting Democrat.<sup>113</sup> East Coast Bays showed less inclination to vote National than in 1980 and 1981 but a sharp return to National in Rangitikei meant that Beetham failed to regain it.<sup>114</sup> In Wanganui the Democrats also failed to raid the National vote which increased by 1500. Taking a mere 20% of it would have seen a Democrat victory.

Furthermore, consistent Social Credit voters since 1954 in northernmost rural seats, Bay of Islands and Kaipara, had deserted to both main parties. Neither seat was a Democrat target in 1987. So not only was former support still 'on loan' but more erosion took place in heartland areas, a serious problem for long-term Democrat prospects.

#### 6.3.4 Last Days

Beetham stated after the 1984 election that the party had been around for thirty years and would still be around in another thirty<sup>115</sup> but this was based on ability to continually bounce back after reversals. Political commentators

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<sup>110</sup> The Democrat vote dropped by 10% in Rangitikei, 8% in Waitotara, 6% in East Coast Bays, 2% in Pakuranga and only 0.6% in Coromandel. It rose by 6% in Wanganui.

<sup>111</sup> Terry Heffernan was only 27 votes behind on election night but the special votes took Labour's margin to 248. This meant that voters switched to the Democrats during the campaign. Commentators considered it a possibility but a discounted one. *National Business Review*, August 17, 1984, p. 8.

<sup>112</sup> Knapp was only 311 votes behind National in East Coast Bays.

<sup>113</sup> The same Labour vote in East Coast Bays as in any of the previous three elections would have kept Knapp in. Further squeezing the Labour vote by only 0.5% in Pakuranga would have kept Morrison in. The same effect was also seen in Coromandel, Rangitikei and Waitotara. A total Labour collapse in any of them would not have given a Democrat win but Stuart Perry would have stayed second in Waitotara.

<sup>114</sup> A pattern for third party seats was emerging that has persisted. Once a third party has lost a seat it will not win it back.

<sup>115</sup> *Daily News*, July 16, 1984, p. 5.

continued to expect it<sup>116</sup> but the reality was that members and activists were not replenished. New blood had a shorter time frame for success than the old guard and left when it was not achieved. Waitotara candidate Stuart Perry had no intention of always coming second so 1987 was a win or quit situation for him and he did not stand in 1990.<sup>117</sup>

He was not alone. Alasdair Thompson also did not stand again in Coromandel and even Morrison retreated into local body politics. George Bryant produced his last manifesto for the Democrats in 1987. Beetham left and made good his threat to form a breakaway Social Credit party. Les Hunter became inactive after 1984 and subsequently ceased to have anything to do with the party. Keen as ever on monetary reform he rewrote his treatise on the evolution of economics in 2002.<sup>118</sup> Nevern McConachy and many other stalwarts had retired. Stefan Lipa stepped down as president. Only Knapp and Heffernan were left.

In 1981 Colin James observed that New Zealand would be returning to a 'normal' two-party situation if the winner gained more than 45%.<sup>119</sup> That did not happen then or in 1984 but 1987 was the strongest two-party race since 1975. It seemed that the electorate's flirtation with third parties was over and politics had returned to 'normal'. In fact 1987 was abnormal and third party support flooded back in 1990, which resembled 1975 with two strong third parties.<sup>120</sup> National still gained more than 45% of the vote but it was the last time any main party did so.<sup>121</sup>

Bob Jones claimed that the New Zealand party 'detrified' liberal voters by detaching them from traditional ties.<sup>122</sup> This rested on the assumption that they came from National and went to Labour, a view already questioned and ignored the fact that Social Credit had detached voters from the main parties for three decades. The New Zealand party added to this process by attracting voters Social Credit had not reached but also included

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<sup>116</sup> See, for example, James with McRobie, *The Election Book*, p. 39.

<sup>117</sup> *Democrats Waitotara News*, n.d. [1987]. Copy in author's possession.

<sup>118</sup> Les Hunter, *Courage to Change: A Case for Monetary Reform* (Mount Maunganui: Harbourside Publications, 2002).

<sup>119</sup> Colin James, 'Figuring Out on Winning by Default', *National Business Review*, November 23, 1981, p. 25.

<sup>120</sup> With the Greens in Social Credit's position and NewLabour in Values'.

<sup>121</sup> National came closest in 2008 with 44.93%.

<sup>122</sup> *Daily News*, August 17, 1987, p. 9.

many that would have otherwise supported Social Credit. Knapp's comment about its support only being 'on loan' after the 1984 election really reflected his party's inability to hold them once detached. 1990 proved that a slice of the 1987 vote was only 'on loan' to the main parties who had a similar problem holding it. Third party votes returned to the new third parties with only a small portion for the Democrats and Social Credit.

Knapp's attempt to regain East Coast Bays in 1990 was unsuccessful and, like Beetham earlier, he slipped further back. Heffernan came third in a tight three-way contest for Wanganui won by National.<sup>123</sup> Beetham's breakaway party fared better than O'Brien's 1972 New Democrats even though only contesting two-thirds of the seats. It took 1% of the vote compared to the Democrats' 1.7%<sup>124</sup> but the Democrats were so much weaker than Social Credit was in 1972. Both predominantly gained fewer votes than Green and NewLabour candidates.<sup>125</sup>

NewLabour broke away from Labour wanting a return to traditional Labour policies. The Greens were a New Zealand version of European political Green movements and built to some extent from the ashes of the Values party. NewLabour leader Jim Anderton restored third party presence to parliament by retaining the seat he won as a Labour MP but saw no future in a continually split third party vote. Since his party and the Greens occupied a similar position on the political spectrum and had many compatible aims, it made sense to form an Alliance. The Greens came in reluctantly and Mana Motuhake was also included.<sup>126</sup>

Revived Social Credit disappeared again in 1991 and the Democrats only survived by joining the Alliance. There they punched well above their

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<sup>123</sup> Knapp was a poor second on 25% and Heffernan took 29%. National polled only 47.5% in East Coast Bays in a very good election for them. National won Wanganui with a vote less than Heffernan's in 1987 because the Labour vote was split with the Greens and NewLabour.

<sup>124</sup> The Democrats did not contest the Maori seats or Rangitikei and Palmerston North where the Beethams were standing. Sadly Social Credit did not return the favour for Knapp and Heffernan. Beetham's candidates beat the Democrats in 39 seats out of the 64 where they both stood (61%).

<sup>125</sup> Democrat and Social Credit vying for the same small vote pool meant that various Independent, Christian Heritage and McGillicuddy Serious candidates also often beat them.

<sup>126</sup> Matt McCarten, *Rebel in the Ranks* (Auckland: Random House, 2002), pp. 97-100. The small Liberal party formed by two breakaway National party MPs in 1991 also joined. For an analysis of how compatible the two parties were, see Raymond Miller, 'Postmaterialism and Green Party Activists in New Zealand', *Political Science Vol. 43 No. 2, December 1991*, pp. 43-66.



weight. A Democrat candidate was chosen as Alliance flag bearer in the 1992 Tamaki by-election and again in Selwyn in 1994, trouncing Labour and coming close to an upset win against National both times. Although their organisation skills and fundraising abilities were valuable to the Alliance it was clear that Social Credit ideas were not. When Winston Peters began the New Zealand First party, Heffernan defected from the Alliance and Knapp also joined him.<sup>127</sup> This was a more natural home for them than the radical 'left' despite the fact that Peters was equally uninterested in Social Credit economics. It ruined any chance Heffernan had of winning Wanganui in 1993 because of vote splitting and he later joined the National party.

The Alliance and New Zealand First won two seats apiece in 1993, the highest third party representation since 1935 and the advent of MMP gave the Democrats two MPs under the Alliance umbrella in 1996. With the Alliance break up in 2002 most of the Democrats went with Anderton's Progressive party and provided its backbone but support in the election that year was insufficient to return either Democrat. In 2005 a group of Progressive Democrats, some who had been active in Social Credit for many years, reformed a Democrats for Social Credit party although many Democrats remained with Anderton.<sup>128</sup> The new party is faithful to Social Credit principles and contested both the 2005 and 2008 elections. It still exists despite a minuscule vote<sup>129</sup> but the third party baton has well and truly passed on to other parties.

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<sup>127</sup> McCarten, pp. 111, 112, 114, 115, 145. McCarten claimed that Democrat ability in these areas was overrated (p. 102) but if none of their policy ideas were going to be adopted, their reluctance to organise or provide funds is not surprising.

<sup>128</sup> Trevor Barnard, one long-time Social Crediter remaining active and a main organiser of the 1980 East Coast Bays by-election win, stayed with Anderton.

<sup>129</sup> 0.05% in each.



## Chapter Seven

### The Legacy of Proportional Representation

Social Credit championed proportional representation (PR) for a long time. This chapter starts with how the movement came to adopt PR as a policy. Then it discusses the ongoing debate on PR versus FPP and Social Credit's contributions in the context of the 1978 and 1981 election results. Finally it examines the road to MMP, including Social Credit's failed Fair Votes campaign, and sums up the party's influence in having MMP accepted.

#### 7.1 How Social Credit Adopted PR

Most third parties promote PR in a two party system from self-interested survival. The New Zealand Labour party did so when it began. Thirty years later in 1934, realising the system now worked to its advantage, PR vanished from the manifesto and stopped being a policy concern for fifty years.

Social Credit approached this issue completely differently. Following Douglas's disapproval of ballot box politics and staying out of electoral politics altogether, it did not matter whether political representatives were elected fairly since the whole system was unjust and undemocratic. Even when the movement went political as a matter of survival, PR was not important as Social Credit expected to become government in a single bound. Only after continued election attempts locked Social Credit into permanent third party status at around 8% of the vote and no seats, was it adopted as policy.

Social Credit defined democracy as people with personal freedom able to freely elect and control their government and the economy to obtain socially desired results. Democracy was linked to changing the monetary system. Political reform meant giving electors the ability to remove representatives at any time rather than have them controlled by a party machine.<sup>1</sup> The early

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<sup>1</sup> F.D Danks and G. Hinton Knowles (eds.), *Social Credit is the Key* (Wellington: New Zealand Social Credit Association, 1946), pp. 9, 13, 15. Social Credit's democratic aspirations are close to political scientist Stephen Hoadley's outline. See J. Stephen Hoadley, 'Democracy as

League also guaranteed this for its elected candidates<sup>2</sup> and by Beetham's time it meant that MPs only had to support the monetary policy and could support other issues on merit or as guided by their electorates.

Cracknell's belief that Social Credit would prevail by gradual electoral growth and his Hobson breakthrough meant that PR was not considered. One Social Credit policy added then was creating non-party elector organisations to liaise with MPs and for them to report back to electorates after parliamentary sessions. This ensured that representatives were accountable to voters.<sup>3</sup> The 1969 electoral reversal caused Social Credit to put PR into its 1972 policy.<sup>4</sup> Social Credit also attacked the main party stranglehold on parliamentary processes for undemocratically excluding other political voices.<sup>5</sup> However, it recognised that the only realistic way to break this monopoly was to build up Social Credit so it could win sufficient seats under the present system to force change. Meanwhile Social Credit continued promoting PR and criticising FPP unfairness.<sup>6</sup>

This was considerably distant from where it started but reflected reluctant acceptance of political reality. It began as an influential apolitical pressure group and descended to an uninfluential minor party. Therefore Social Credit had to shift from ignoring electoral processes to accepting and working with them to have any success. This did not mean abandoning Social Credit ideals but submerging them in a political programme that outlined steps to achieve them<sup>7</sup> and promoting PR was one step. Entirely consistent with Social Credit philosophy respecting individual freedom, true democracy and dislike of party, it chose the single transferable vote (STV) system that emphasised candidate quality at the cost of true proportionality.<sup>8</sup>

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Approach to the Future', in J. Stephen Hoadley (ed.), *Improving New Zealand's Democracy* (Auckland: New Zealand Foundation for Peace Studies, 1979), p. 11.

<sup>2</sup> See New Zealand Social Credit Political League: Canterbury Branch, *New Zeal for New Zealanders* (Christchurch: Bullivant and Co, n.d. [1954]), pp. 4, 13, 14.

<sup>3</sup> New Zealand Social Credit Political League, 1969 Election Policy, p. 62.

<sup>4</sup> New Zealand Social Credit Political League, *Policy in Brief: Basic Policy 1972*, n. p. [p. 11].

<sup>5</sup> New Zealand Social Credit Political League, *The Little Green Socred Book* (Palmerston North: Orion Publications, 1972), p. 29.

<sup>6</sup> George Bryant (ed.), *A New Society: What the Socreds Want* (Palmerston North: Orion Publications, 1972), p. 8.

<sup>7</sup> See, for example, *The Little Green Socred Book* and *A New Society: What the Socreds Want*. They were also scattered throughout the manifestos in the relevant policy planks.

<sup>8</sup> This was specified in the full policy. New Zealand Social Credit Political League, *N.Z. for All N.Z.'ers: Election Policy 1972* (Wellington: New Century Press, 1972), p. 46.

Social Credit gained one seat in 1966 but was greatly under represented.<sup>9</sup> Since support then waned because of the electoral cycle and internal wrangling, there was no great sense of unfairness. The common and academic view had the League functioning as an outlet for protest voters unhappy with the main parties. But the electorate was far less happy with main parties in the 1970s than in the 1960s although this was not clear until 1978. In 1972 a landslide Labour government replaced a National one that lasted twelve years but was itself as comprehensively replaced just three years later. In this quest for satisfactory government, unfairness to third parties was easily overlooked despite attempts to bring it to public attention.

Third party voting averaged 10.5% during the 1950s and 1960s, once Social Credit became New Zealand's permanent third party.<sup>10</sup> It averaged 11.5% in the early 1970s, a one-percent jump in just two elections.<sup>11</sup> Now two minor parties had no voice in parliament despite an increasing vote share.<sup>12</sup>

## 7.2 The PR Debate

In 1974 Labour set up a parliamentary select committee on electoral reform so Beetham and future League president, J.S. Lipa, put forward proposals including adopting PR using STV.<sup>13</sup> After the 1975 election Beetham began a nationwide campaign for PR aiming to create New Zealand's largest petition. It was presented to parliament in August 1977 nowhere near that size. Both initiatives were ignored.<sup>14</sup> Beetham argued for PR in the book *Politics in New Zealand: A Reader* and part of his article emphasised unfairness in the 1975 result.<sup>15</sup> What really brought home the injustice of FPP to everyone was the 1978 election outcome.<sup>16</sup>

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<sup>9</sup> A proportional seat share of 14.5% would have given it eleven.

<sup>10</sup> Average of elections from 1954 to 1969.

<sup>11</sup> 10.3% in 1972 and 12.8% in 1975. As change of government elections, shifts were predominantly from one main party to the other but some support was lost in the exchange.

<sup>12</sup> Social Credit on 7.4% and Values on 5.2%.

<sup>13</sup> Bryant, *Beetham*, p. 59.

<sup>14</sup> Levine and Lodge, pp. 33, 34; Levine, *The New Zealand Political System*, p. 77, 110. Levine was unsure whether the campaign failed from public opposition, lack of interest, distrust of Social Credit or lack of resources. See also Miller, p. 328.

<sup>15</sup> Bruce C. Beetham, 'The Case for Proportional Representation', in Stephen Levine (ed.), *Politics in New Zealand: A Reader* (Auckland: George Allen and Unwin, 1978), pp. 284-287.

It began with the 1977 electoral boundary redistribution, regarded as favouring National. Party president George Chapman thought so and Labour emphasised the bias during campaigning.<sup>17</sup> The charge gained credibility when the 1978 result gave Labour a lead of 0.6% but National had 50 seats to Labour's 41.<sup>18</sup> Third party voting soared to 19.8%. Social Credit's share was 16.1%, more than twice the 1975 total and its highest vote. Yet it only retained Rangitikei without adding more seats.

Les Hunter, League parliamentary researcher immediately published a booklet to argue for PR, using the result to illustrate his points.<sup>19</sup> First, not all votes were equal as it took twenty times as many to elect a Social Credit MP and one and a quarter times as many to elect a Labour MP as it did to elect a National one. Second, the result hung on 722 'super' voters in six marginal electorates. If these had switched from National to Labour, the government would have changed and this gave them a greatly disproportionate and undemocratic influence. Third, single member electorates meant that at least 50% of the votes were wasted if more than two candidates stood. Fourth, if most seats were marginal then the government could be changed on small voter shifts. If not, then contests were decided on small numbers of marginal seats changing hands and both gave distortions.

The solution was multi-member electorates using STV to reduce vote wastage and the effect of electoral boundaries, thus producing a roughly proportional result. Hunter recommended three to nine seats per electorate and a minimum of 120 seats. Maori seats would be abolished or New

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In 1978 Values campaigned for PR with Social Credit, drawing attention to the unfair 1975 result in their manifesto.

<sup>16</sup> See, for example, Martin Holland, *Electoral Behaviour in New Zealand* (Auckland: Oxford University Press, 1992), pp. 6, 7; Howard R. Penniman (ed.), *New Zealand at the Polls: The General Election of 1978* (Washington: American Enterprise Institute, 1980), pp. 68, 69, 96-98; Levine, *The New Zealand Political System*, pp. 110-112.

<sup>17</sup> Alan McRobie, 'The Electoral System and the 1978 Election', in Penniman (ed.), *New Zealand at the Polls*, pp. 78-84. McRobie indicated that its effect in general electorates was to correct a 0.5% bias towards Labour. Only when including Maori seats was there an overall bias to National. Chapman used this to fudge the unfairness of 1978. Chapman, *The Years of Lightning*, pp.187, 188.

<sup>18</sup> National later gained Hunua from an electoral petition. When the Courts overturned the official election result based on rigorous interpretation of electoral law ignoring the clear intent of mainly Labour voters, it merely rubbed salt into the wound. For details, see Penniman, pp. 251-264.

<sup>19</sup> L.W. Hunter, *Better Democracy: The Case for Electoral Reform* (Tauranga: New Guardian Publishing, 1979). It was done so quickly that an erratum was added for the changed Hunua result.

Zealand treated as one multi-member Maori seat.<sup>20</sup> He also wanted the Representation Commission to include party representatives from National, Labour, Social Credit and one for the rest.<sup>21</sup> However, no matter how eloquently Social Credit argued for PR or changes to the Commission, major parties were not going to adopt something that removed their advantages unless the electorate forced them and there seemed no chance of that.<sup>22</sup>

With increased public interest in electoral change, a book came out in late 1979 on improving New Zealand's democracy. Taking a wide view, it pointed out how unrepresentative parliament was by age, gender, ethnicity and occupation. It suggested that government processes needed to be augmented with referendums, decentralisation with direct democracy, and industrial democracy along with a possible Bill of Rights.<sup>23</sup> Such augmentations had been Social Credit ideas since the time of Douglas. More specifically, the electoral system needed reform to give votes equal weight and increased MP numbers to curtail executive mediocrity. Political scientist Nigel Roberts argued for PR as a way to overcome both nationwide and regional unfairness. His survey, similar to Hunter's, demonstrated that overseas experience showed that PR gave stable, tolerant government with better voter representation and candidate choice despite large numbers of parties in some countries. His conclusion, like Hunter's, was that governments were stable or otherwise regardless of the voting system.<sup>24</sup>

A Social Credit survey in the Eden electorate in June 1981 showed 69% support for PR.<sup>25</sup> Even in true blue Karori 44% were in favour.<sup>26</sup> One of Social Credit's single page policy papers for the election was on electoral reform. It stated that continued election of New Zealand governments on minority votes was undemocratic and pointed out the value of PR.<sup>27</sup> Professor

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<sup>20</sup> In previous elections Social Credit policy was abolition but in 1980 it decided to retain them. *Social Credit Guardian*, November 1980, p. 2.

<sup>21</sup> Hunter, *Better Democracy*, pp. 1, 2, 10-18, 23, 24, 28, 29.

<sup>22</sup> See Levine, *The New Zealand Political System*, p. 112; McRobie in Penniman, p. 98.

<sup>23</sup> Hoadley, *Improving New Zealand's Democracy*, pp. 50-52, 70, 71, 98, 127-129, 140-142.

<sup>24</sup> Hoadley, pp. 26, 30, 31; Nigel S. Roberts, 'PR: Lessons From Abroad', in Hoadley, pp. 73-81; Hunter, *Better Democracy*, pp. 5-8.

<sup>25</sup> *N.Z. Social Credit Political League Eden Branch Newsletter*, September 1981, p. 4.

<sup>26</sup> Jeffrey Sheerin, 'The People and the System: A Second Look', *Political Science Vol 33 No 2* (1981), p. 203. Only 36% were against.

<sup>27</sup> Social Credit Policy Paper Number 7: Electoral Reform, Campaign Committee, NZSCPL, 1981.

Robert Chapman, arguing for FPP, noted that one of its strengths was a majority of voters, namely those voting for the two main parties, deciding between alternative governments by majority. A single aberration from a bad redrawing of boundaries was no reason to discard it.<sup>28</sup>

However, the 1981 election on the same 'bad' boundaries, gave the same outcome. Social Credit increased its vote to 20.7% out of a total third party vote of 22.2%. This time it held two seats but, since the League again won a seat in a by-election, it again took no more. Labour's lead over the government was only 0.2% but National held four more seats and a slim overall majority of two. Twice the second placed vote winner had come first in seats with third party voters severely under represented. This time if 263 'super' voters in four marginal electorates had switched from National to Labour the result would have been reversed.<sup>29</sup> If the system was so sensitive that altering electorate boundaries alone changed the outcome and ensured that second choice could continue winning, then Hunter's idea of multi-member electorates mitigating this made sense.<sup>30</sup>

Another interpretation of the two outcomes was that the Social Credit vote distorted the results but this was not new. Governments elected on minority votes in the rigid two-party period came about because Social Credit appeared on the political stage, so it had already permanently distorted election results.<sup>31</sup> However, governing parties usually had support over 45%. While the two main parties had around 90% of the vote and the leader formed the government, this seemed acceptable. Now the main party share was below 80% with single party governments elected with less than 40%. When Social Crediters and others pointed out that 60% of voters had voted for neither National nor Labour in 1981 to show the injustice of FPP, the rejoinder was that 80% had not voted Social Credit either.<sup>32</sup> Robert Chapman used this

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<sup>28</sup> Robert M. Chapman, 'On Democracy as Having and Exercising a Clear Choice of Government', in Hoadley, p. 86.

<sup>29</sup> Taupo, Eden, Gisborne and Helensville. See *The Social Credit Guardian*, June 1982, p. 8. Its article actually stated 915 'super' voters in six marginal electorates but this is wrong.

<sup>30</sup> Hunter, *Better Democracy*, pp. 14, 15. MMP divorced the party vote from the electorate vote so electorate boundaries are not a factor at all. STV would have reduced boundary effects but not eliminated them.

<sup>31</sup> 1890 to 1908 were majority governments except for 1896. 1911 to 1928 were all minority governments because of three parties operating. 1931 to 1951 were majority governments except for 1935 and 1943. All governments since 1951 have been minority ones.

<sup>32</sup> See, for example, the *New Zealand Herald*, December 3, 1981, section 1, p. 20.



argument with 1978 figures to indicate that PR would foist Social Credit ideas on policy and therefore 'one-sixth [of the voters] proposing to sway the other five-sixths.'<sup>33</sup> Under PR a minor party can have influence beyond its vote share<sup>34</sup> but Chapman's view implied that it would be more unfair than FPP.

However, third parties have an unfairly high vote threshold to overcome for success under FPP and where support is evenly spread across all electorates almost impossibly high. Analysing this effect by boosting Social Credit's vote in National and Labour seats, the same 1981 outcome was possible with Social Credit taking over 40% and National winning with only 28.5%.<sup>35</sup> As a third party Labour circumvented this threshold by concentrating its vote in working class urban electorates. Therefore it held a presence in parliament but with insufficient support to advance. Only when it appealed to a wider constituency in the Depression did Labour become the government. However, the uneven spread persisted and prevented it being the government later. This weakness showed up clearly in 1978 and 1981 and only changed in 1984 when new policies again attracted a wider electoral group. Had Social Credit succeeded in developing a similar seat winning sectional base, it may have had similar problems progressing to the Treasury Benches. Chapman observed that Labour stalled in the 1920s but blamed policy and not uneven vote distribution. He argued that new third parties needed the FPP gateway effect until they learned to develop sensible broad policies whereas under PR silly policy would be forced on the government despite misgivings of most voters.<sup>36</sup> Chapman assumed that third parties would not have good policy to start with. Even if this was true and they eventually developed it but voters gave them an even vote distribution, a 40% gateway was ridiculously excessive. In Labour's case as a third party, it was capriciously much lower.<sup>37</sup>

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<sup>33</sup> Chapman in Hoadley, pp. 87, 88.

<sup>34</sup> The major partner must ensure it does not.

<sup>35</sup> The FPP boundary condition vote for one party winning a bare majority is  $25.5x\%$ , where  $0 < x < 0.1$  and 'x' depends on the number of seats, how many electors are in them, and whether the majority is one or two. It assumes electorates of equal size and a steady non-vote. Where these are not equal or more than two parties run, this percentage can be smaller.

<sup>36</sup> Chapman in Hoadley, pp. 89, 90. Therefore Labour's lack of success in the next 35 years was because it had to relearn to make sensible policy as a major party or Social Credit's distortion effect meant the voters were stuck with National's 'inferior' policy.

<sup>37</sup> But Chapman also argues that a third party must capture a sectional base first to prove itself. Chapman in Hoadley, pp. 90, 91. So, therefore, a third party under FPP must start with

Further unfairness came from the 1981 reconfiguration analysis giving Labour 30%. Now National not only could win with little more than quarter of the vote but also could come third and still govern.<sup>38</sup> Could Robert Chapman consider this aberration an acceptable outcome even if only once? If the sole function of FPP was so a single governing party could do so undiverted—that is, without having to alter policy to accommodate impracticable third party ones, as Chapman inferred—then he might.<sup>39</sup> While New Zealand voters liked FPP decisiveness, a majority did not like a system that delivered seats tenuously related to voter support, ignored sizeable third parties, allowed the second largest party to govern, and had few checks on single party government executive power.

### 7.3 The Fair Votes Campaign

Social Credit's reaction appeared in the December 1981 *Guardian*. On the cover a pie graph superimposed on parliament buildings showed the proportion of votes for National, Labour and Social Credit along with the seats for each. The headline read, 'Democracy?' Inside it said:

[O]ne outcome that cannot be denied—the renewed debate of the merits of proportional representation. If the situation in 1978 did not bring any conclusive result from a similar debate, the ludicrous situation in 1981 demands that the matter be faced squarely and resolved.<sup>40</sup>

February's issue examined New Zealand political institutions and looked at PR. While observing that growing numbers of people wanted change, it acknowledged that 'the present system,...favouring the two major parties, is the one that they prefer. Making any change is not going to be easy'.<sup>41</sup> When Social Credit seemingly held the balance of power after the 1981 election

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a narrow policy, appealing to a small—but not too small—section, and then widen it. This makes no sense.

<sup>38</sup> It could be argued that none of this would actually happen. However, Alberta Social Credit won 41.1% but only four seats out of 75 in 1971. In 1993 National won a bare majority on 35.1%, the lowest support for a single party government since parties began in New Zealand. With Labour on 34.7% and the third party vote at 30.2%, it is not far from a vote configuration that would put National third and still win.

<sup>39</sup> See Chapman in Hoadley, pp. 86, 94.

<sup>40</sup> *Social Credit Guardian*, December 1981, pp. 1, 3.

<sup>41</sup> *Social Credit Guardian*, February 1982, p. 9.

Beetham wanted any Social Credit accommodation or coalition deal linked to adopting PR but nothing eventuated.<sup>42</sup>

Buoyed by an NRB poll in March 1982 showing that 54% of voters wanted an alternative to FPP and 36% favoured PR, deputy leader Knapp promised to revive a petition.<sup>43</sup> This began the Fair Votes Campaign, intended to gather sufficient signatures electorate by electorate to force the government to take notice. As preparation, PR seminars were organised for Social Credit members and the general public. Candidates ran them to help raise their profiles. Auckland's West Region held one at Epsom Teachers Training College on June 20, 1982 involving all its candidates.<sup>44</sup> An impromptu mock STV election was held treating five of the seven West Region electorates as a single multi-member electorate using the 1981 figures to show how more representative it was. Social Credit would have gained a seat from Labour.<sup>45</sup> Seminars were backed up with articles in the *Social Credit Guardian*.<sup>46</sup>

It was a good start, gaining initial publicity. Knapp's plan of breaking it down into electorate bites made it manageable. Most of the work was to be completed by Christmas and an overwhelming petition for change presented to parliament by the middle of 1983. He wanted it done quickly while the issue was large in the public mind and enthusiasm high amongst Social Crediters.

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<sup>42</sup> *New Zealand Herald*, November 30, 1981 section 1, p. 1 and December 1, 1981, section 1, p. 1. See also *National Business Review*, December 7, 1981, p. 6.

<sup>43</sup> *New Zealand Herald*, March 11, 1982, section 1, p. 3; *Social Credit Guardian*, April 1982, p. 5. Knapp doing it instead of Beetham also meant it could be seen as a new initiative and not a second try at a failed one.

<sup>44</sup> *N.Z. Social Credit Political League Eden Branch Newsletter*, June 1982, p. 1. David Shields, politics lecturer from Waikato University, was guest speaker to explain PR. The newsletter also observed that FPP was not good enough to elect the National party president.

<sup>45</sup> The electorates were Helensville, Mt. Albert, New Lynn, Te Atatu and Waitakere. STV gave Labour three seats (60%), National one (20%) and Social Credit one (20%), compared to Labour's four (80%) under FPP. This example still was too disproportionate and only gave benefits to Social Credit. It would have been better to also include multi-member examples from both National and Labour strongholds to show how proportionality could benefit everyone by redistributing some seats to all parties. As well, instead of being happy that a Social Credit MP would have been elected, Waitakere candidate, Pat Wojcik, was more concerned that the last successful place was a contest between her and the Helensville candidate. It showed STV's main weakness that good candidates from the same party could be pitted against one other.

<sup>46</sup> See, for example, *Social Credit Guardian*, February 1982, pp. 4-9, 11, 12, March 1982, p. 12 and June 1982, pp. 5-8. Most Social Crediters readily accepted PR from disappointment about 1981 although some opposed STV. For arguments against STV, see the *Social Credit Guardian*, September 1982, p. 2, and rebuttals of them in the *Social Credit Guardian*, October-November 1982, p. 2 and February 1983, p. 12.

He was right but the campaign was too rushed and competed with other priorities. With the threat of another election in early 1982 branches wanted to boost membership and raise campaign funds as quickly as possible. Larger branches made better headway with Fair Votes but smaller ones struggled. Knapp also had many other public and party demands on him, which meant he was unable to oversee the process properly. No provision was made for strong branches to help weak ones, all branches had to find their own resources individually and no nationwide advertising kept the issue in the public mind. Social Credit's own goal over the Clyde Dam diverted attention from the campaign.

Slow branches saw Knapp's reminders to finish their share as irritating and demanding, which provoked resistance. Some did remarkably well. Lyttelton and Sydenham were largely completed by February 1983 but Eden still had a substantial amount left and Hastings, a large branch, had not even begun.<sup>47</sup> With Social Credit stalled on fundraising and membership and worried about its decline in opinion polls, the Fair Votes Campaign fell further in priority as 1983 wore on. Eventually Knapp gathered what he had and presented it to parliament in early 1985. Fair Votes gained 46,000 signatures, far short of expectations and only 5,000 more than Beetham's 1974 petition. Social Credit considered that it triggered the Royal Commission on Electoral Reform<sup>48</sup> but the 1974 petition had not sparked one and it really came about from wide debate on the unfair 1978 and 1981 election results.

Fair Votes failed and wasted Social Credit time and energy. Apart from the lack of solid co-ordination and conflict with more important branch priorities it did not produce the massive groundswell of public opinion needed to succeed. It slowly ran out of steam months after it should have been abandoned and even failed as a historical marker on the road to PR.<sup>49</sup> Knapp gained far greater impact when he and twelve party members barricaded

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<sup>47</sup> *Social Credit Guardian*, February 1983, p. 11.

<sup>48</sup> *Social Credit Guardian*, March-April 1985, p. 4.

<sup>49</sup> It only appears in Raymond Miller's thesis as a policy in a list. Miller, p. 385. Beetham's original petition was mentioned in several places including an article on PR written on August 21, 2003 featured on the Green website. Green Party of Aotearoa New Zealand, 'PR - How the People Let Themselves in - Part I', retrieved from <<http://www.greens.org.nz/node/16146>> on August 16, 2009. Also see footnote 14.

themselves in one of parliament's rooms on Guy Fawkes' Day, 1988 to protest at Labour's failure to hold a PR referendum.<sup>50</sup>

#### 7.4 The Road to MMP

The 1984 election result continued to expose FPP flaws. Labour won but its 43% vote was the fourth lowest single party win since party politics began.<sup>51</sup> Third parties took 21.1%, down slightly on 1981, but still only had Social Credit's two representatives. The New Zealand party won none despite polling 12.3% to Social Credit's 7.6%. This added fuel to the debate.

Concerned about excessive executive power that the electoral and parliamentary structure gave Muldoon's government and responding to public anger about FPP unfairness, Labour promised reform if elected in 1984. A Royal Commission on electoral reform recommended PR using the MMP system when it reported back in 1986. Labour did not hold the suggested referendum at the 1987 election, provoking Knapp's parliamentary protest.

In January 1987 the Electoral Reform Coalition (ERC) began and was big enough for a conference in March. By the middle of the year it had 1,000 supporters, several patrons and a dedicated activist group. It drew from a number of parties and political persuasions including Labour, Values, Social Credit (Democrat), trade unions, and the Women's Electoral Lobby. Focussing exclusively on electoral reform, it promoted this as an issue for the election.<sup>52</sup> This was exactly what Knapp attempted with Fair Votes but, not tied to one party, its purpose was undiluted.

The ERC put pressure on Labour throughout the 1987 term but it reneged on a 1987 campaign promise for a binding referendum. National promised one concurrent with the 1993 election depending on the result of an indicative one in 1992. When this was overwhelmingly for change, the ERC campaigned successfully for PR because it effectively tapped into the

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<sup>50</sup> See Martin, p. 317; Raymond Miller, 'Minor Parties', in Hyam Gold (ed.), *New Zealand Politics in Perspective (Third Edition)* (Auckland: Longman Paul, 1992), p. 321.

<sup>51</sup> 1919, 1978 and 1981 were lower. Reform won 37% in 1919.

<sup>52</sup> Green Party of Aotearoa New Zealand, 'PR - How the People Let Themselves in - Part I', retrieved from <<http://www.greens.org.nz/node/16146>> on August 16, 2009.

groundswell for change in a way that Social Credit could not. 54% of electors voted to introduce MMP.<sup>53</sup>

Despite failed petitions Social Credit efforts were important on the road to PR. For fifteen years from 1972 the League tirelessly advocated it with other third party, academic and journalistic voices joining the chorus from time to time to keep the issue in the public ear. When Social Credit ceased to be an important third party, the ERC formed to take the cause onward to victory when the overwhelming clamour of public support finally came. Social Credit's most eloquent voice was its election results. 1978 and 1981 clearly spoke of FPP's unfairness with 1984 confirming it.

Social Credit did not manage to remould two party politics to achieve significant representation or become a major party. However, from 1978 on it helped detach 20% of voters from the main parties who became permanent supporters of minor parties.<sup>54</sup> Ultimately this distorted FPP too far for wide acceptability and unnecessary promises for reform from the two main parties trying to embarrass each other led to MMP. Even under the old system Social Credit forced change. From 1946 when the last Independent vanished from parliament third parties were absent from the House until 1978, except for Vern Cracknell's three year stint in Hobson. After 1978 National and Labour's monopoly was broken. Apart from the three years between 1987 and 1990 third parties have been represented ever since.<sup>55</sup>

Social Credit's hope of STV with its emphasis on the quality of candidates was not realised.<sup>56</sup> MMP's strong emphasis on party would have been disliked by older Social Crediters antipathetic to party systems. Nonetheless it was much superior to FPP. MMP came too late for Social Credit<sup>57</sup> but its efforts paved the way for later third parties to reach parliament.

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<sup>53</sup> For more details, see Martin, pp. 317, 318; Colin James and Alan McRobie, *Turning Point: The 1993 Election and Beyond* (Wellington: Bridget Williams Books, 1993), pp. 123-128; Jack Vowles et. al. *Proportional Representation on Trial* (Auckland: Auckland University Press, 2002), pp. 2, 3.

<sup>54</sup> The 8% third party vote in 1987 was only temporary. The average third party vote from 1978 to 1993 was 20%.

<sup>55</sup> Another 250 Democrat votes in Wanganui in 1987 would have kept it unbroken.

<sup>56</sup> STV made a late rally in the 1992 indicative referendum to be just ahead of FPP. If it had been a true run-off election in 1993, the choice would have been between MMP and STV.

<sup>57</sup> Apart from two Democrat MPs as part of the Alliance from 1996 to 2002.

## Chapter Eight

### Conclusion

The baldest judgement of Social Credit's long history in New Zealand is that it failed and all its effort essentially wasted. It barely achieved representation with only a remote chance of forming a government. To argue that it faced an extremely unfair electoral system and further argue that it achieved some minor political victories, while true, seems like looking for consolation as the movement itself often did following a disappointing election result.

#### 8.1 The Electoral System: Periods, Effects and Theories

Yet Social Credit did face an unfair system and this is important in its history. Furthermore it lasted longer and did better than any third party in New Zealand political history. Comparison with Labour's early history is invalid. Certainly Labour progressed from a third party to a governing one and is the only one to have done so but its progress happened under an electoral system far friendlier to third parties. Labour's success led to the view that third parties could succeed despite the system but underlying this was the assumption of a homogenous electoral system over time. In fact New Zealand had three different electoral periods between 1890 and 1993.

The first, between 1890 and 1935, was a flexible two-party period that allowed third party and other representation. Labour became established in this period. The second was a rigid two-party period in which it was impossible for third parties to progress due to a limited third party vote and this operated from 1935 to 1969. From 1972 to 1993, growing long-term dissatisfaction with the main parties led to a continually increasing third party vote but this tended to be split among a number of third parties. It was possible for a third party to succeed in this last rigid two-party period with fragmentation but it was still very difficult.

So Labour's incredible run of political good fortune rapidly established it a foothold in parliament between 1908 and 1919 despite internal divisions

arguably as bad any of Social Credit's.<sup>1</sup> Then the more flexible electoral system allowed Labour to maintain it for a decade when its vote stalled. After that an unparalleled Depression and coalition between its main party rivals enabled it to proceed rapidly to power. Social Credit did not have these significant advantages. Even the flexible electoral arrangements that existed between the main parties and Labour in the 1920s would have allowed Social Credit to win at least Hobson in the 1960s and an enduring foothold in parliament after 1978. This disposes of the argument that Social Credit did not succeed because it was not a good enough party. In the inflexible party system that prevailed after 1935, no third party could prevail unless it was exceptional. Social Credit almost did despite the many disadvantages arrayed against it and mounted a much stronger challenge than any other third party.

The rigid electoral system discriminated against third parties in several ways. First, it encouraged a wasted vote argument from main parties to discourage third party voters. People did not vote for third parties because they could not win and they could not win because people would not vote for them. Opinion polls only locked in this thinking. Second, general and wide voter appeal would not overcome this. Votes had to be concentrated in seats to win them. This was hard to do in New Zealand where the electorate was relatively homogenous without strong class lines and regional causes. Third, New Zealand voters were conservative by nature, making it harder to take support off the main parties. Fourth, New Zealand was too small to provide the critical mass of 500 or more seats required to make individual electorates insignificant enough for local factors to prevail over nationwide party trends thus allowing a third party to gain enough of the shifting protest seats for an enduring foothold in parliament. An additional problem unique to New Zealand was the constant alteration of boundaries to maintain equal electorates. This continually removed hard built up support in strong Social Credit seats into less winnable ones and made won seats more difficult to hold. The most blatant example was removing Marton from Rangitikei in 1984 against historical precedent.

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<sup>1</sup> This included being two parties and having breakaway groups. From 1912 to 1916 there were two Labour parties: 'United' Labour and the Social Democrats. In 1919 Labour had to face Moderate and Independent Labour candidates that cost it three seats.



Publicity was also harder for Social Credit. The media often ignores third parties. Social Credit gained wonderful coverage while it ascended in the polls in late 1980 and early 1981 and was accorded equal free election coverage time with the main parties. This did not carry through to 1984 and Social Credit was also ignored more because it was not 'new' like the New Zealand party. Thus restriction of media time because third parties were small or not continuously exciting enhanced advantages main parties already enjoyed under FPP. Main party tactics of running candidates in all electorates even hopeless ones helped keep the system rigid. This intensified as Social Credit support grew. Labour poured resources into seats where Social Credit was strong in 1981 to prevent further vote erosion. Thus Labour reduced Social Credit chances to win them and risked losing the election itself by diluting its efforts. National put up huge sums of money to win back lost seats which hampered Social Credit's election campaign by tying down its leaders to their electorates. This lessened Social Credit's likelihood of success.

Political scientists and historians, aware of these factors, postulated a limited role for third parties. Judith Bassett argued that growing third party support kept main parties flexible and responsive to the electorate. Main parties responded by changing policies and tactics, including appropriating third party ideas, to win it back. David McCraw's more limited role for third parties—particularly Social Credit—was solely one of detaching votes from a main party into a temporary reservoir before transferring them to the other. Thus third party voting was cyclical and peaked when both main parties were unpopular before ebbing again.

Most conclusions about the role of third parties are drawn from the period most hostile to third parties. The development of political science in New Zealand has been piecemeal and often focussed on the period after 1935. Thus theories on how the electoral system worked was drawn from the most rigid period when the two-party system was at its purest. Therefore, while changes are noted, no overarching framework clearly delineates electoral periods so characteristics of each period can be compared and contrasted. Third parties show the differences clearly for it is in them that periods have the most impact. Social Credit's history is valuable as it covers two different electoral periods as yet not fully charted. Furthermore its history

is not solely one of a passive victim suffering electoral effects beyond its control. Its long existence ultimately helped change the system from a disproportionate to a proportionate one.

Political science also downgraded the role of third party voter to one of protest. Thus all third party voting was explained by this single criterion and failed to take into account many other reasons for third party voting or, if acknowledged, were regarded as comparatively unimportant.<sup>2</sup>

## 8.2 Myths on the Nature of Social Credit

Social Credit began as a popular movement and not a political party. Its founder, Major C.H. Douglas had a democratic and economic vision of modern western nations based on the importance of the individual. His economic theories could be adopted by any government, which put the movement outside party politics. Douglasism was one contender to replace the failed monetary system that spawned the great Depression in the 1930s but Keynesianism was ultimately adopted. In New Zealand Social Credit had a powerful influence on the first Labour government but how many of its ideas were actually adopted is a matter of debate and generally discounted. After the 1954 election the National government took Social Credit seriously enough to convene a Royal Commission to look into it. The Commission concluded that Social Credit's monetary ideas made no economic sense and this was not helped by its lack of a unified response or coordinated effort. True to its belief in individuality Social Crediters presented their own and conflicting ideas which gave their political rivals the 'funny money' stick to beat them with. Therefore Social Credit monetary ideas were believed to have little validity at all.

From this two powerful but false myths emerged. First, a 'pure' Social Credit existed that might have worked in the Depression but was superseded by Keynesian economics and would not work in a modern economic climate. A segment within Social Credit arguing that it was still relevant and did not need updating only reinforced this view. When Bruce Beetham and his team

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<sup>2</sup> It would be interesting to know what cumulative proportion of main party support voted Social Credit and ascertain a total measure of 'protest'.

attempted to make Social Credit relevant to 1970s and 1980s economic conditions, the charge from within was that they and their followers were not Social Crediters at all. 'Purist' Social Crediters refused to accept that Douglas was a visionary outlining desirable social ends and the practical details were to be the province of 'technical experts'. Beetham believed in Social Credit and sought to be a Douglas expert by converting it into a viable political programme. The charge from without was that Beetham did not believe in Social Credit but pragmatically altered it into a winning political vehicle for political power.<sup>3</sup> This idea contradicted the idealistic side of Beetham's character and his single-minded dedication to the Social Credit cause. He frequently said there were far easier ways to achieve political power than by joining Social Credit and he frequently passed up opportunities to pragmatically exercise such power. Underlying this whole debate was the implication that Social Credit was not allowed to change and develop or else it was no longer Social Credit.

The second myth was that Social Credit economic policies were necessarily hyper-inflationary and fallacious economic arguments only applied to Social Credit ones. From this it followed that Social Credit had no good ideas at all and after a decade of leadership it vexed Beetham that after all this time his political ideas were still regarded as without substance. Political historians analysing its impact on Labour took a similar approach. Social Credit was nonsense and what Labour did in 1935 was not Social Credit but only superficially resembled it.<sup>4</sup> This attitude has largely prevented dispassionate examination of the true amount of influence Social Credit had on Labour. The monetary reformers in Labour had similar assumptions to Douglas<sup>5</sup> and the Social Credit idea that the government alone should control the supply of money and credit was accepted by Labour Prime Minister Norman Kirk as late as 1974.

These myths impinged on the later debate regarding the Canadian provincial governments of Alberta and British Columbia in four ways. They were Social Credit and failed, they were not allowed to be Social Credit and

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<sup>3</sup> Raymond Miller's PhD thesis adopts this view.

<sup>4</sup> See, for example, Sinclair, pp. 96, 104, 106.

<sup>5</sup> Sinclair, p. 104.

became something else, whether they were Social Credit or not they were on their way out, or Social Credit was a convenient political vehicle for orthodox government. The aim of these arguments was to cast doubt on Social Credit viability in New Zealand and became a prime example of how party partisan debate can obscure the true political nature of a government. Good ideas Canadian Social Credit developed independently of mainstream party ideology, such as the Albertan Heritage fund, were thereby overlooked.

### 8.3 The Evolution of Social Credit

Despite the belief that Social Credit could not evolve, the New Zealand movement underwent several adaptive phases. Initially the movement was downgraded from a popular movement to a political lobby group of decreasing effectiveness. It threatened to die out until the movement decided to contest elections but took a long time to develop into an effective political party. Here the nature of the electoral system aided it. With a guaranteed supply of discontented main party voters willing to protest vote, Social Credit had a small consistent voter base almost regardless of what it did.

Party development was in four phases: uncertain political action, amateur political party, semi-professional party, and fully professional party. The first phase arose from the conflict between the necessity of political action and principle of preserving an apolitical movement, which resulted in a half-hearted party attempt in 1943 psychologically arranged to fail. The second phase came in 1953 when Social Credit decided on serious political action but an amateur effort came from the naive expectation that simply contesting elections and putting the message to the people would gain them power in a single bound. This was quickly disabused.<sup>6</sup> Only when later leader Vern Cracknell insisted that organising to win seats would positively affect the outcome did Social Credit move into its next phase in the early 1960s. However, the movement did not examine the reality of the electoral system and the need to identify current Social Credit supporters and target new ones

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<sup>6</sup> This did have its basis in Social Credit winning power from nothing both in Alberta in 1935 and British Columbia in 1952 but the differences between those and the New Zealand situation were not examined.

with fresh policy. Thus it was only semi-professional. Cracknell's incremental idea of slowly building support over several elections also did not take account of electoral cycle reverses such as that of 1969. This was nearly Social Credit's undoing as it dumped Cracknell and went through the disastrous O'Brien period.

Nevertheless, this began its fully professional fourth phase. Without this process under Beetham's strong leadership Social Credit would have faded away during the 1970s as other third parties such as Values and the New Zealand party arose as potentially more attractive options for third party and protest voters. This had implications for the way many branches were organised. Under the discouraging rigid period they had become political clubs for Social Crediters with limited political activity as they did not expect to win but subsisted on a small and constant support level. They, too, would have faded away with the advent of more attractive third parties depleting their voter reservoir.

#### 8.4 Social Credit's Political Luck

As a party Social Credit had a great deal of political luck. It entered the political arena at a third party vote high point. While inevitable third party troughs triggered internal conflict,<sup>7</sup> it reorganised in time to catch the next wave. The 1966 wave also coincided with Labour party weakness in the Hobson seat and, combined with Cracknell's personal popularity in the electorate, was enough to win.

The most fortunate period in Social Credit history was its last. It had a dynamic, charismatic leader with vision, determination and drive to see it through and a team of talented politicians and organisers just when it needed it most. From this Social Credit built up a formidable organisation and strategy it needed to succeed in the adverse electoral system it faced. It updated its ideas and used its principles to form an attractive policy programme. The idea that such gifted people should exist in what was regarded as an axiomatically inferior political philosophy meant that either they were in the wrong party or

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<sup>7</sup> This may have deepened and prolonged the troughs.

they were using it as a vehicle to achieve something else. That they might enthusiastically accept and work for Social Credit ideals was discounted.

Social Credit planned to achieve power in several steps. First, it had to fend off other serious contenders like Values and remain the pre-eminent third party. Then it needed to build up its organisation to win seats, establish a parliamentary foothold, displace the main Opposition party and, finally, become the government. Its plan was considered audacious and provoked incredulity.<sup>8</sup> However, Social Credit attained the first three goals and briefly displaced the Opposition in the polls but it did not quite gain a permanent foothold in parliament.

It would have done no good to organise in the late 1960s as they did in the late 1970s. As political scientists correctly observed, the third party vote was not large enough for success and the intractable governing problems of unemployment, inflation and other economic woes that allowed third party voting to grow had not yet appeared. Social Credit became a seriously organised third party at the right time and succeeded in garnering the bulk of this increasing third party vote. Winning the vital by-elections of Rangitikei in 1978 and East Coast Bays in 1980 helped detach more main party support and put Social Credit's support equal to Labour's by the end of 1980.

At this point Social Credit's political luck ran out and its further success was in spite of political circumstances. Drawing support from Labour rather than National subjected the party to an electoral squeeze. Since National could still win in 1981, Social Credit chances of winning in the National seats it was strong in were blunted and prevented a needed breakthrough. It did not help itself in selection blunders and candidate withdrawals that reduced its chances in several key electorates including its only potential win in a Labour seat.<sup>9</sup> Social Credit also never entered into electoral alliances with other third parties or Independents even where this might have increased third party representation. Withdrawing for the Nelson Independent in 1981 would have increased non main party members to three.

Social Credit had transformed its electorate 'political clubs' into organisations desiring to win but this was hampered by older members who

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<sup>8</sup> See, for example, Zavos, pp. 154-162.

<sup>9</sup> Bay of Islands, Whangarei, Helensville, Hastings, Waitaki and Awarua.

did not want change or to lose their influence in a bigger organisation. Hastings was a test case to prove Social Credit's contention that a strong electorate organisation and candidate could build up voter support to win. However, if either were not sustained long enough, the attempt would fail as it did in Hastings. Organisationally the party was ready for a breakthrough in 1984 with the ability to gain more electorally attractive candidates. Falling support prevented this and effectively Social Credit was only really ready to fight the 1981 election in 1984.

Despite contrary assertions, Social Credit was not dealt a fatal blow in 1982 over the Clyde dam debacle.<sup>10</sup> The three factors that really caused its decline and prevented a significant recovery were: Labour finally became a viable alternative government, the New Zealand party was formed and took Social Credit support, and Muldoon called a snap election that caught it unprepared. All these happened consecutively in a short period so that Social Credit had insufficient time to recover lost support before losing more. Social Credit kept two seats in 1984 and the claim that it was only from continued anti-National feeling rather than positive party support overlooked the strong organisation and attractive candidates in them.

Beetham thought that the party simply needed to regroup and ride out the trough but he was no longer the dynamic leader of 1972. There was no charismatic replacement for him, neither was there a new infusion of passionate activists nor a reworking of policy to see the party through until it reignited interest. New members having replaced the old 'political club' had less stamina. When political success did not occur quickly, they left the party or became inactive. Thus Social Credit's reorganisational success helped destroy it but older members had no winning ambition. Austin Mitchell's 1969 comment that it would always endure as 'an electoral dog pound' for discontented voters was no longer true as there were now other competing 'pounds' for these voters. Electorate organisations with no ambition might take longer to fade but they would fade nonetheless. Social Credit successfully navigated three electoral cycles but the party was tired and only now held its position from concentrating effort on winnable target seats.

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<sup>10</sup> Raymond Miller and historian Michael King are two who held this view.

In 1984 when economic reform was badly needed the electorate voted for Douglasism but of the Roger free market variety rather than the Major's Social Credit one as repackaged by Beetham and his team. 1987 saw a diminished third party vote when voters temporarily returned overwhelmingly to the main parties to show approval of the new economics. Social Credit, now the Democratic party, had its last piece of political ill luck. The 1987 election was held before the disastrous sharemarket crash in October, which might have generated considerable voter discontent favourable to third parties. The Democrats were now too weak to recover and third party votes passed on to fresh emerging parties.

## 8.5 Social Credit Impact

Social Credit failed in its aims of sparking an enduring popular movement or becoming a government although it arguably had a profound influence on the direction of Labour party policy in the 1930s. In one sense its history in New Zealand is one of having 'fought the long defeat'.<sup>11</sup> Its only subsequent success lay in reinventing itself as a political party and reworking its message several times to the point of a near breakthrough into main party status in 1981 before finally fading away. Twice it presented an alternate economic vision and twice it was rejected. Unless these ideas are reformulated into a form not recognisably Social Credit there will not be a third time.<sup>12</sup> In the light of the worldwide economic crisis of 2009, Social Credit's claim that the monetary system needed fundamental reforming still has validity.

However, it did have a more profound effect on the electoral system by virtue of its longevity. Over three decades it detached 20% of the vote from the main parties, augmented by voter groups it could not reach itself such as those supporting Values and the New Zealand party, thus rescuing New Zealand from an ossified rigid two-party system most hostile to third party influence. Social Credit paved the way for the change to MMP but not by

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<sup>11</sup> J.R.R. Tolkien, *The Fellowship of the Ring* (London: George Allen and Unwin, 1970), p. 372.

<sup>12</sup> Economist Gareth Morgan's recent December 2009 idea of paying every adult in New Zealand a \$10,000 a year allowance to replace the unemployment benefit is a new version of Social Credit's National Dividend. See *N.Z. Listener*, January 30, 2010, p. 17.



directly provoking a groundswell of opinion for proportional representation. Its own direct efforts only detracted from its electoral goals but the strength of its support alone amply demonstrated the unfairness of the electoral system. Changes came too late for Social Credit and the Democrats but subsequent third parties have benefited from their endeavours. A proportionate system where third parties have input into government, provided it is not changed back to a disproportionate one, is Social Credit's enduring legacy.



## Appendix

### Some Electoral Statistics

There are many electoral statistics scattered through the body of the thesis and some tables are included here as a point of reference. The first table is a summary of election results during the rigid period (1938-1969) and the fragmented one (1972-1993).

Election	National	Labour	Socred <sup>1</sup>	Values <sup>2</sup>	Alliance <sup>3</sup>	NZ/NZF <sup>4</sup>	TTPV <sup>5</sup>
1938	40.3	55.8					3.9
1943	42.8	47.6					9.7
1946	48.4	51.3					0.3
1949	51.9	47.2					0.9
1951	54.0	45.8					0.2
1954	44.3	44.1	11.1				11.6
1957	44.2	48.3	7.2				7.5
1960	47.6	43.4	8.6				9.0
1963	47.1	43.7	7.9				9.2
1966	43.6	41.4	14.5				14.9
1969	45.2	44.2	9.1				10.6
1972	41.5	48.4	6.7	2.0			10.1
1975	47.6	39.6	7.4	5.2			12.8
1978	39.8	40.4	16.1	2.4			19.8
1981	38.8	39.0	20.7	0.2			22.2
1984	35.9	43.0	7.6	0.2		12.3	21.1
1987	44.0	48.0	5.7	0.1		0.3	8.0
1990	47.8	35.1	1.7	6.8	5.2		17.1
1993	35.1	34.7			18.2	8.4	30.2

Table A.1. Summary Election Results: 1938-1993 (% for Each Party)<sup>6</sup>

<sup>1</sup> Democrat after 1984.

<sup>2</sup> Includes the Green party in 1990.

<sup>3</sup> Includes NewLabour in 1990. The Greens and the Democrats were in the Alliance in 1993.

<sup>4</sup> New Zealand First (NZF) in 1993, otherwise New Zealand party (NZ).

<sup>5</sup> Total Third Party Vote.

<sup>6</sup> Retrieved from <<http://www.elections.org.nz/record/resultsdata/fpp-seats-won.html>> on January 9, 2009.

The next table shows the average third party vote in each FPP electoral period to show how much harder it was for third parties in the rigid era.

Period	Av. Vote (%)	Range (%)	Av. Seats won	Range
Flexible <sup>7</sup>	22.6 <sup>8</sup>	10.5 – 35.2	9.7	2 – 25
Rigid	7.1	0.2 – 14.9	0.1	0 – 1
Fragmented	17.7	8.0 – 30.2	1.3	1 – 4

Table A.2. Third Party Votes and Seats Won in Each Electoral Period<sup>9</sup>

The third table indicates the proliferation of candidates that occurred in the fragmented period compared to the rigid one.

Period	Av. CPE <sup>10</sup>	Range
Rigid	2.99	2.14 – 3.63
Fragmented	5.18	3.68 – 6.98

Table A.3. Candidates Per Electorate

The fourth table gives the increasing third party peaks.

Period	Election	Peak Vote	Period Av.
Rigid	1943	9.7	
	1954	11.6	
	1966	14.9	12.1
Fragmented	1981	22.2	
	1993	30.2	27.2

Table A.4. Third Party Peak Vote (%): 1943-1993

<sup>7</sup> From 1890 to 1935.

<sup>8</sup> Does not include the Second Ballot results of 1908 and 1911.

<sup>9</sup> Labour is treated as a third party until 1931. The non main party seats won in 1938 and 1943 (three in all) were leftovers from the flexible period and were won because one main party did not put up a candidate. Hence they are excluded from the table.

<sup>10</sup> Average number of candidates per electorate.

The last three tables are selected excerpts from the NRB polls between 1969 and 1984. This gives an overview of the changes in poll ratings for each party.

Date	National	Labour	Socred	Values
1969, Sept.	48	39	12	
Nov.	44	44	11	
<i>Election</i>	<i>45</i>	<i>44</i>	<i>9</i>	
1971, Nov.	40	51	8	
1972, Mar.	48	46	5	
May	46	50	3	
Sept.	46	49	3	
Nov.	44	45	8	
<i>Election</i>	<i>42</i>	<i>48</i>	<i>7</i>	<i>2</i>
1974, May	44	44	5	5
Nov.	44	44	7	4
1975, Mar.	46	42	6	6
May	46	43	5	6
Sept.	52	39	5	4
Nov.	46	44	6	4
<i>Election</i>	<i>48</i>	<i>40</i>	<i>7</i>	<i>5</i>
1977, Nov.	48	37	9	5
1978, Jan.	45	37	13	5
Mar.	41	31	22	5
May	40	37	16	4
July	47	36	14	3
Sept.	44	35	16	4
Nov.	44	35	17	3
<i>Election</i>	<i>40</i>	<i>40</i>	<i>16</i>	<i>3</i>

Table A.5. Excerpted NRB Poll Results (%),  
September 1969 to November 1978<sup>11</sup>

Date	National	Labour	Socred
1979, May	33	43	22
1980, May	41	38	19
Nov.	38	30	31
Jan.	38	30	31
Mar.	43	27	29
May	42	30	27
July	42	34	23
Sept.	40	34	25
Nov.	42	35	22
<i>Election</i>	39	39	21

Table A.6. NRB Poll Results (%), May 1979 to November 1981<sup>12</sup>

Date	National	Labour	Socred	NZ Party
1982, May	42	38	19	
July	39	39	21	
Nov.	41	40	18	
1983, Apr.	40	50	9	
May	41	48	10	
July	43	48	8	
Sept.	45	37	11	6
Dec.	35	38	8	18
1984, Feb.	40	36	5	18
Apr.	38	41	6	14
June	36	48	8	7
<i>Election</i>	36	43	8	12

Table A.7. NRB Poll Results (%), May 1982 to June 1984<sup>13</sup>

<sup>11</sup> Penniman, p. 171.

<sup>12</sup> *New Zealand Herald*, November 14, 1981, section 1, p. 1.

<sup>13</sup> *New Zealand Herald*, July 7, 1984, section 1, p. 12.

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