

Working with David: Inside the Lange Cabinet. By Michael Bassett. Hachette Livre, Auckland, 2008. 596pp. NZ price: \$59.99. ISBN 978-1-86971-094-1.

THE SCHOLARLY LITERATURE ON THE DAVID LANGE CABINET, if we exempt writing done at the time or soon after, remains sparse. The edited collection *For the Record: Lange and the 4th Labour Government* (2005) is the proceedings of a conference which was designed primarily to capture the recollections of participants. Monographs on a number of government institutions do not delve deeply into the political story. Simon Sheppard's *Broken Circle* (1999) looked at Labour Party–Labour government relations and is extensively cited by Bassett.

Bassett was a minister in the Cabinet about which he writes so the book is both memoir and history — in this it bears comparison with Bassett's earlier *The Third Labour Government: A Personal History* (1976) which drew largely on notes he took during caucus meetings of that 1972–75 government. But it is no accident that the more recent book is idiomatically titled. At its heart is the story of Lange's political career, which to Bassett is a meteor 'that filled the sky for a relatively short time then careered into a darkness of ill-health, alcohol and political make-believe' (p.10). That is a vivid, compelling metaphor; it is also an argument, *the* argument of the book, about why the fourth Labour government fell apart.

The book covers Lange's entire political career, indeed his entire life as the first chapters explore a family history which linked Bassett and Lange. But the core of the book is not Lange's early life nor his rise to power but his fall. Bassett has a finely honed grasp of flaws in Lange's personality which in his view led to that fall — his short attention span, his unwillingness to suffer fools gladly, his wish to avoid conflict or criticism and his liking for admiration and adulation, which Bassett thinks led him to take up motor racing when politics ceased to be so rewarding.

And behind Lange Bassett sees Margaret Pope, his speechwriter, confidant, lover and ultimately his second wife. It is Pope's claimed role in shaping Lange's thinking in the fallout with Finance Minister Roger Douglas over the guaranteed minimum family income (GMFI) and flat tax proposals in late 1987 and early 1988 that both gains most attention and which to Bassett led inexorably to Douglas's departure from the Cabinet at the end of 1988: 'Although it had taken eighteen months of hard work, Lange and Pope had finally toppled one of the pillars of the Fourth Labour Government' (p.457). It is no surprise then that in the penultimate page of the book Bassett describes Pope as 'the biggest single factor in the collapse of David Lange's government' (p.552).

This argument can be evaluated from a number of perspectives. The circumstantial evidence for Pope's influence on Lange is compelling, but the problem for any writer is that circumstantial is mostly what it is. Bassett's source material for the book as a whole is his own notes, plus interviews of participants — fellow Cabinet ministers, journalists, press sources and a certain amount of documentation, particularly of policy issues. Little of this material bears directly on the Pope–Lange relationship. Occasional speculation or revelation in the press provides arguments against as well as for the hypothesis. Pope evidently was not interviewed by Bassett — hardly surprising perhaps. But nor seemingly was anyone else from Lange's office save Ross Vintiner, who left early in 1988, and who appears to have been explicit about Pope playing a political role in only one instance.

But even if we accept that Pope played an important role there is an asymmetry in the argument. The fallout was between Lange and Douglas but Douglas's personality is not subject to the same scrutiny as Lange's; nor is Bevan Burgess, Douglas's influential press secretary, subject to the same scrutiny as Pope. Douglas's *strategies* are on occasion discussed and there is reference to the Douglas 'leak and lock-in' strategy for building up

support for his policies, but there is no engagement with Sheppard's argument that the two men were equally culpable for what happened to the government. The reader is presented with a picture of a conflict between a neurotic, even psychotic, leader — 'Caligula' is one of Bassett's terms for Lange in 1988 (p.435) — and a rational, pragmatic Minister of Finance.

What about differences of policy and ideology? Of Lange's reaction to the 'flat tax' proposal of December 1987 Bassett writes 'some thought Lange ideologically opposed to what Douglas suggested. Yet, one can search his autobiography and his statements around January and February 1988 in vain for any clear indication of ideological concern about the flat tax and GMFI ... Lange wasn't an ideologue. He came from a Labour background but his was essentially an intuitive, pragmatic mind' (p.355). That argument works if the fallout over the GMFI and the flat tax is presented as essentially a technical exercise which need not have torn the government apart in the fashion that it did — Lange 'wasn't the only one among the Cabinet who felt uneasy about big cuts in personal income tax for high earners, but the rest of us wanted to see how things might balance out' (pp.355–6). It also works if significant ideological statements by Lange — notably his speeches of March and June 1988 to Massey University and the National Press Club respectively, in which he argued a role for the continued public provision of health, education and social welfare — are either dismissed or treated as Pope's work. And it also works if critics of the government's policy — notably the Labour Party headquarters, some trade unionists and Jim Anderton — are regarded as representing no one but themselves, in contrast to the democratically elected and accountable government. But the argument overlooks the existence of significant elements in Cabinet — let alone in the wider Labour movement — that had reservations about the Douglas approach. These included both new recruits to Cabinet — notably Michael Cullen and Helen Clark — and the longer-serving Geoffrey Palmer, David Caygill, Russell Marshall and Mike Moore. Bassett tends to present their disagreements with Douglas in terms of personality, too. Thus Clark is 'ambitious to pick up [Lange's] caucus support when the time for his departure arrived' (p.445). When Caygill torpedoed the Gibbs report on health reforms Bassett speculatively attributes his actions to Lange's influence and reports other ministers linking it to Caygill's (unsuccessful) candidacy for the Labour Party executive at the time, rather than any ideological or policy differences with Douglas on Caygill's part. Mike Moore's pursuit of a Scandinavian-style social compact with the trade unions is mentioned but not explored as an alternative to the Douglas strategy.

Moreover, the GMFI/flat tax proposals had their own ideological kin. As early as late 1986 Douglas had asked Treasury to talk to the departments of health and social welfare about undertaking fundamental policy reviews and there was discussion about the scope for commercialization in the health and education sectors. Douglas himself reckoned that it was his presentation of budget options in April 1987, one of which included a very low flat tax rate (15% is most often mentioned), that probably marked the beginning of the breakdown of the relationship with Lange. Bassett does not discuss the Treasury's post-election briefing for 1987 which also viewed health, education and social welfare as services provided in a market economy and questioned the ability of state-provided health, schooling and social assistance to meet equity, let alone efficiency, goals.

Finally, there is the broader historical context of the argument. Bassett argues that the government was an extraordinarily talented one that accomplished some extraordinary things, and it is difficult to argue with that. But the 'extraordinariness' needs more analysis. How *did* such a government take shape within a Labour movement? How viable was a government which pursued policies taking it further and further away from that movement? Bassett sees that evolution as logical; he quotes his own electorate

organization as being ‘interested in new ways of tackling the serious economic problems that had shown up in the seventies and early eighties’ (p.417). But there proved to be so many ‘new ways’. How was it that the personnel of this one government produced over the next decade leaders of no fewer than five political parties (ACT, United Future, Labour, NewLabour, Alliance) spanning the ideological spectrum?

Working with David is both memoir and history. The memoir makes absorbing reading; the history has provided the most detailed account yet of the workings of the fourth Labour government. It has also advanced an interpretation; it is now the turn of other historians to respond to that interpretation and to propose other, more compelling ones.

MALCOLM MCKINNON

Victoria University of Wellington

We Won, You Lost, Eat That: A Political History of Tax in New Zealand Since 1840. By Paul Goldsmith. David Ling, Auckland, 2008, 384pp. NZ price: \$39.99. ISBN 978-1-877378-22-5.

WE WON, YOU LOST, EAT THAT is both an enjoyable historical account and a plea for low and proportional income taxation in New Zealand. It turns out that Paul Goldsmith’s wish, like that of today’s ACT Party, is more about low taxes than about flat taxes, given his discontent with the increased levels of ‘redistribution’ that supposedly continued to take place despite an almost flat income tax scale being introduced in 1988. The low flat tax wish will not be fulfilled, as Goldsmith acknowledges, although the opportunistic Roger Douglas came close in the 1980s. With a proportional electoral system from 1996, and a voting population that Goldsmith suggests has more ‘takers’ than ‘givers’, further fiscal reforms in the direction he advocates are not electorally viable. Right-wing parties, to get elected today, must acquiesce to social democratic politics.

The ‘redistributive rot’ began, almost by accident, with the imposition of a graduated scale of death duties by Daniel Pollen’s administration in 1875. Before that, the main argument had been between indirect taxes on imports and direct taxes on wealth. The popular guiding principle had been that the best tax was a tax that someone else paid. In the early years Maori paid a substantial proportion of customs duties. Direct taxes, on the other hand, had the effect of exempting Maori. Further, direct taxes of any form invariably had exemptions for the relatively poor majority.

One of the key passions of the late nineteenth century that Goldsmith outlines was the demand for graduated land taxes to capture the ‘unearned increment’ in rising land values. While New Zealand had many followers of Henry George, Goldsmith wisely underplays George’s influence on fiscal thought in New Zealand, while emphasizing the arguments of John Stuart Mill with respect to the influence of public progress on private land values. The graduated income tax, which would soon become the predominant form of direct tax, was introduced by Ballance in 1891 as an almost incidental by-product of the land tax to which the newly elected Liberals were committed. Like many taxes — including ‘green taxes’, to which Goldsmith is sympathetic — the land tax had multiple objectives. While revenue was the primary objective, some forms of tax-avoiding behaviour were also desirable; in this case the subdivision of large estates into smaller farm units.

Customs duties, and indirect taxes in general, tended to be regressive (disproportionately paid by the poor). They would be less regressive in the twentieth century, however, with the advent of the motor car. An uneasy balance was reached by the later nineteenth century. A mixture of regressive indirect taxes and progressive direct taxes would make the overall incidence of tax roughly proportional. Someone with ten times more wealth would pay approximately ten times more tax. Yet, through tinkering with graduated