

### **Free Market Experiments in the Laboratory of Democracy: The Long Decade of Policy Reform in New Zealand**

Christine Cheyne, Mike O'Brien and Michael Belgrave, *Social Policy in Aotearoa New Zealand: A Critical Introduction* (Auckland: Oxford University Press, 1997)

Brian Easton, *The Commercialisation of New Zealand* (Auckland: Auckland University Press, 1997)

Paul Dalziel and Ralph Lattimore, *The New Zealand Macroeconomy: A Briefing on the Reforms* (Auckland: Oxford University Press, 1996)

RC Mascarenhas, *Government and the Economy in New Zealand* (Bethesda, Maryland: Austin and Winfield 1996)

Raymond Miller (ed.) *New Zealand Politics in Transition* (Auckland: Oxford University Press, 1997)

Geoffrey Palmer and Michael Palmer, *Bridled Power: New Zealand Government Under MMP* (Auckland, Oxford University Press, 1997)

After the Great Depression, states and social groups pursued what Karl Polanyi called 'social protection'. Most people identify social protection with the formal welfare state of tax-funded transfers and publicly provided (or at least funded) services. But for Polanyi the issue at hand at the end of the long 19th century was the pervasive influence wielded by the market on all aspects of social life. The welfare state resocialised economic and life risks that previously had once been borne by solidaristic communities (if at all, and frankly often badly), but which the corrosive workings of the market had transformed into individual risks. Markets destroyed the fabric of the solidaristic communities that the profoundly conservative Polanyi rather admired. Markets also expanded the range of economic risks impinging on individuals, making daily survival and generational reproduction dependent on transactions in the market. The formal welfare state resocialised many of these risks, shifting not the *incidence* of risk but certainly much of the economic *cost* of risk from those experiencing

those risks.

But a moat of informal welfare surrounded and penetrated the formal welfare state, amplifying, supplementing and sometimes entirely supplanting the effects of the formal welfare state. This informal welfare state shielded workers and firms, wages and profits, from market forces. The informal welfare state largely resided in the service sector, of which the public sector comprised the largest part. There reigned implicit or explicit practices of lifetime employment at wages only nominally connected to productivity. State regulation and/or ownership of broad swathes of the service sector shielded firms and workers from market pressures, risks and consequences. It is New Zealand's great distinction to serve as a laboratory for what happens when the post-World War II systems of informal protection are completely removed and firms, workers and society are thoroughly exposed to the market. As at the turn of the century, the untrammelled operation of the market brought with it the breakdown of established communities, a concomitant fragmentation of identity, and thus finally new social pathologies.

The six books here all reflect and document in different ways this destruction of the informal welfare state, and the subsequent fragmentation of identity, community and social welfare in New Zealand. Ironically, they all also demonstrate how the market in New Zealand shapes even intellectual activity, for the small domestic market for books on New Zealand means that much academic publishing is done as textbooks. All the books here save Easton's are texts, and while Easton's book was written for a general audience it derives from a class taught at the University of Auckland.

Raymond Miller's edited collection, *New Zealand Politics in Transition*, reflects the fragmentation of New Zealand society, politics and culture quite concretely. The earliest incarnation of this standard politics text in my possession is the 1985 Hyam Gold collection, *New Zealand Politics in Perspective*, which runs to 29 chapters. Miller's version, by contrast, contains no fewer than 41 chapters, with new sections on policy areas (the definition of which is also fragmenting as market pressures push

policy-makers in different directions), and with at least three chapters each on the effects of MMP, Maori and Waitangi treaty politics, and theories of the state. Clearly the transition is from a well-defined redistributive politics of left versus right, translated (often inadequately) through a single-member district, Westminster majority legislature to a heterogeneous collection of groups for whom the definition of both identity and interest is part of the political project, and in which successful projects can find political expression under MMP. Miller's collection is partly shaped by this fusion of identity and interest, for all the chapters on parties are written by partisans. The chapters are uniformly high in quality but the sheer quantity of chapters, even in a book running over 440 pages, means that chapters are necessarily short, stinting empirical content for perspective or vice versa. And while Miller's introduction stresses that individual authors were given free rein, the short chapters mean that even authors with quite distinctive voices, like Bruce Jesson, are muffled. Readers of this journal with a specific interest in public administration reform would do better reading more direct studies of those reforms, like the collections edited by Jonathon Boston or the Palmer and Palmer book reviewed below; what they gain here is a panoptic overview of the politics and institutions in which administration and administrators function.

Dalziel and Lattimore's review of the macroeconomics of the reforms is a more coherent text, presented in the only unifying language left in the wake of the reforms: economics. It too descends from an earlier text, *A Briefing on the New Zealand Macroeconomy 1960–1990*. Written respectively by an opponent and a supporter of the changes of the long decade, the book presents a dry and balanced overview of the causes, sequencing and consequences of change. The book is worthwhile for its charts and tables alone. With comprehensive coverage of 67 different macroeconomic variables from 1960 to 1995, some on a quarterly basis, even the casual financial journalist from America has no excuse for ignorance of the long-term trends in New Zealand. Dalziel and Lattimore's careful analysis might even permit the more adventure-some to penetrate the political rhetoric surrounding the reforms. They make a strong case that there was no alternative to change, given the long-term deterioration of

New Zealand's ability to export and the rising real cost of borrowing overseas. But because they necessarily skirt the politics of change, they are more reticent in claiming that there was no alternative to the kinds of changes wrought first by Labour and then by National. This reticence might reflect a truce between two authors with diverging political views, but I suspect it also reflects the effects of economists' strong preferences for keeping the state out of the market.

Like Dalziel and Lattimore, Easton in *Commercialisation* presents a fairly coherent argument, perhaps because Easton also is an economist. Like the former two, Easton locates his analysis of current policy in the problems generated by the mixture of poor policy decisions and deteriorating external economic environment New Zealand faced. But unlike the other two, Easton turns sharply in the direction of both politics and social theory, laying out a discerning analysis of the politics behind the introduction of market pressures, and then tracing the effects of markets in six major policy areas spanning social policy and administration. Much like the 19th century German sociologist Georg Simmel, Easton decries the pervasive effort to measure the value of everything in money terms that animated the reforms. Unlike Simmel, who saw this as a psychological problem, as a problem for the formation of identity and human values, Easton also sees this a problem for public administration outside of narrowly commercial areas. Focusing on cost-effectiveness and measuring everything with money can blind policy-makers to the real policy challenges they face, he argues. The elimination of the values associated with the concept of *service publique* inevitably leads to a deterioration in service provision, to 'inefficiency, disaster, chaos and retreat' (p.243). The great strengths of Easton's book are his careful use of economic tools and language to assess what the introduction of markets really means for the public service culture and for service to the public, and the outline of an alternative vision.

That general public appears to have been significantly less reticent about expressing its problems with the policies generated by Labour and National, and while they didn't successfully propose alternatives to those policies, they did rebel against the consequences of the rollback of the state under both administrations. As

Geoffrey Palmer had written in his 1979 *Unbridled Power* (again, a lineal ancestor for this book), the combination of first past the post elections in single-member districts and a single-chamber parliament gave New Zealand the closest thing in the OECD to an elected dictatorship. Two referenda in the early 1990s bound the parliament to change the electoral system from single-member districts (as in the UK and USA) to the mixed-member proportional (MMP) system found in Germany. Under New Zealand's version of MMP half of the seats are still determined by first past the post single-member districts, but the other half are parcelled out to parties capturing at least 5 percent of votes, so that they essentially end up with seats equivalent to their share of the total national vote. The 1996 election was run under the new system, generating five significant parties and New Zealand's first coalition government since the 1930s. Geoffrey and Matthew Palmer's *Bridled Power* explores what MMP means for the workings of government. In short, they predict a much more fragmented, contentious and divided system of cabinet government, including the possibility that non-governing majorities might pass legislation over the heads of a formally governing minority party. As all this has really occurred in other proportional representation (PR) systems, like Denmark's, this speculation is not idle. However, their suggestion that public servants will face more direct scrutiny and pressure from opposition parliamentarians does not find much support in other countries with PR. The book's strongest point is its comprehensive coverage of what could and should happen given this profound change in electoral law. Its understandable weakness is its provisionality. After the book was written the parties in the governing coalition did not behave as observers of other PR systems might have predicted and MMP itself has been revived as an issue.

RC Mascarenhas's *Government and the Economy in Australia and New Zealand* also looks at policy-making through an institutional lens. Mascarenhas shows that economic policy has always been driven by political imperatives, but that these imperatives vary from policy area to policy area. Mascarenhas takes pains to dispel the notion that the Australian and New Zealand states are weak, pointing to the sector and issue specific strengths of each. In contrast to the

public choice model of the state which explicitly underlay New Zealand Treasury's view during the height of the reforms, Mascarenhas presents states with some ability to repel rent seekers and autonomously shape the economy. For Mascarenhas, the danger in the long decade of policy reform lies in a crippling of the state's capacity to gather and use information in the policy process. Mascarenhas thus echoes some of Easton's concerns.

Cheyne, O'Brien and Belgrave's *Social Policy* also picks up some of Easton's concerns. Like Miller's collection, this book is a primer for undergraduates. Unlike Miller's it sacrifices much discussion of the specifics of social policy in Aotearoa for rather lengthy chapters on the various social groups which find themselves the object of social policy, the perspectives that these different groups bring to social policy as they try to become subjects, and the perspectives of other groups trying to restructure or defend social policy. This enables *Social Policy* to elaborate the enormous shifts in the purpose and structure of social policy since 1984. But in this sense *Social Policy* also reflects the fragmentation of identity and community typical of modernity, and typical of the fragmentation of identity to which Weber pointed. The budding social workers it addresses will find few certainties. Everything, including the very definition of poverty, is now contested. The only certainty is that not only are the poor always with us, but that there are also many more of them.

#### *Build It and They Will Come*

In 1989 the movie *Field of Dreams* opened in the USA. Superficially a simple tale about America's simple faith in baseball, it depicted an Iowan farmer who abandons his cornfields to build a baseball field. 'If you build it', he hears, 'they will come'. 'They' are some great and not so great baseball players of the past. Significantly, all have made some sacrifice to ensure the viability of the present the farmer lives in. *Field of Dreams* is about the organic continuity of the past, present and future, about the sacrifices that bind communities together, about the dreams and ideals that unify and identify communities.

New Zealand's leap into an economy, polity and society organised around almost purely market principles has been driven by a similar

simple and unifying faith prevalent among the proponents of reform. Build a perfect market, the thinking goes, and they — investors — will come. Build a perfect market economy and it — growth — will come. Ironically this dream has proven socially divisive, fragmenting the community and economic security the depression generation of New Zealanders built and bequeathed to the current generation. Rightly or wrongly, this leap is a profound rejection of the past, symbolised most vividly in the shift to MMP.

Is any of this new? Not at all. I started with the Great Depression, because very similar phenomena at the end of the 19th century spawned a literature that addressed issues very similar to those these six books address today: Weber on the pervasive spread of means–ends rationality and status differentiation — read:

privileged access to different kinds of property rights — in a market economy; Marx on exploitation, uneven development and the dynamics of the market and accumulation; Simmel on the substitution of monetary means for substantive ends and the redefinition of life and personality in monetary terms.

Build it and they will come. Indeed. What these six books about New Zealand show and reflect is that building the market insures that modernity comes. And while modernity is about markets, as Weber, Marx, Simmel and Durkheim noted markets and modernity both come with costs.

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