

JUDGMENT DAY FOR MMP

Government has an immense influence on people's lives. How citizens elect their parliamentary representatives and governments is of vital importance.

The present mixed member proportional (MMP) system was introduced for the 1996 election following a Royal Commission and two referenda. It replaced the long-standing first-past-the-post (FPP) system.

Sufficient time has passed to judge MMP. Voters will have the opportunity to do so in a referendum to be held on 26 November with the general election.

The importance of the referendum for the future prosperity of the country arguably dwarfs the outcome of the general election. The referendum will be held when the risks to global prosperity are the gravest since the Great Depression.

The muted effort to prepare voters for the referendum and the absence of a vigorous public debate on the choices that voters will be asked to make is a real concern.

Our political leaders should be fronting an intelligent debate on the referendum. They are saying as little as possible for fear of offending possible future coalition partners.

Politicians should follow the example of David Cameron and Nick Clegg. They supported different options in Britain's recent referendum when a proposal to replace FFP was overwhelmingly rejected.

Voters will first be asked, "Should New Zealand keep the Mixed Member Proportional (MMP) voting system?"

A second question will ask, "If New Zealand were to change to another voting system, which voting system would you choose?" All voters will be

invited to select one of the following systems: FPP, preferential voting (PV), the single transferable vote (STV), or supplementary member (SM).

The Electoral Commission will undertake a review of some aspects of the MMP system (for example the 5 percent threshold and the ratio of constituency seats to list seats) in 2012 if at least 50 percent of valid votes cast are in favour of keeping MMP.

The terms of reference for that review, which are prescribed in the Electoral Referendum Act 2010, exclude an examination of the number of members of parliament (a lower number is an attractive feature of FPP) and Maori representation.

The next parliament would decide the process to be followed if there is a vote for change.

The Electoral Commission states that a second referendum would be held at the 2014 election and, if another electoral system were preferred to MMP, it would be introduced for the 2017 election. This timetable should be re-examined, particularly in view of the rise in global economic threats.

The basic test of an electoral system is whether it makes for a sound and prospering democracy. No system is perfect. The advantages and disadvantages of each system, as it would apply in practice, need to be weighed up.

In the balance of this article I will outline my assessment of the impact on the country's economic performance of MMP. My next article will focus on the political and constitutional implications of MMP.

MMP produces weak governments without strong mandates. It makes fragile minority governments more common and gives small parties disproportionate influence. They are usually beholden to special interest groups. Decision making is slow and compromised by the deal-making necessary to obtain a majority. The overall outcome is low quality policies.

These characteristics of MMP are fatal obstacles in a small country that must remain nimble in the face of substantial global threats. Sometimes

minority governments can occur under Westminster systems, as in Australia and the United Kingdom at present, but such outcomes are the exception rather than the rule.

MMP was imposed on Germany after World War II because the allies wanted weak government after the Nazi era. When the Royal Commission recommended in favour of MMP in 1986, Germany looked to many people to be a successful country economically. This view was mistaken.

Germany rose from the ashes of World War II to become a prosperous nation due to the free-market policies associated particularly with economic minister Ludwig Erhard. MMP did not greatly hamper his economic strategy initially but special interest groups evolved, eventually choking effective government. Germany, with a broken welfare state, is now one of 'the sick men of Europe' and is likely to remain bedridden for a long time.

Besides New Zealand and Bolivia, no other nation has adopted MMP.

Under MMP political parties make deals at the expense of the taxpayer. The first coalition agreement between National and New Zealand First, which entailed a planned \$5 billion spend-up, set the pattern that has applied after every election.

Economic research suggests that government spending is around 5 percent of GDP higher in countries with proportional representation systems. High spending and taxation are a drag on growth.

Much evidence confirms New Zealand's economic performance is weaker and government has expanded substantially since MMP was introduced.

The country faces greater economic risks than at any time since 1984 as a consequence of the global financial crisis and the decline in the quality of our policies. Decisive action is required. Retaining MMP would complicate the ability of the government to respond appropriately, especially if the global environment turns out worse than expected. The country risks serious policy paralysis with MMP.

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