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**What Kind of Country?**

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## WHAT KIND OF COUNTRY?

What kind of country has New Zealand been? What kind of country could we become?

These are only in part economic questions, although we are told economic issues rank highest in people's voting decisions in our three-yearly elections. Some of us, however, would also want to emphasise attributes like individual freedom, social tolerance, a sense of responsibility for others - particularly the less well-off - personal and family values and other dimensions of a civil society. I want to say more about some of these things as I go along.

The economic dimension is actually the most straightforward, although it has been hard for many to come to terms with.

I heard a nice illustration of this point recently on Radio Pacific. Alan Dick, the host of a talkback programme, had just come across the latest World Bank per capita income figures. He was staggered to discover that whereas average annual per capita incomes in New Zealand stand at around NZ\$23,500, the equivalent figure for Switzerland is now NZ\$60,500 and Finland, Japan, Sweden, Norway, Germany, Denmark and the United States all have per capita incomes of over NZ\$40,000.

What those figures show is that New Zealand, which was on a par with the leading countries as recently as the 1950s, now enjoys a material living standard only a little more than half that of the top group, and under 40 percent of Switzerland's. Average per capita incomes in Japan, whose economy was devastated in the last war, are almost exactly double ours, and those of Singapore and Hongkong, both wretchedly poor third world countries as recently as the 1960s, are now at our level.

Comparisons are imprecise, and material living standards are not everything, but apart perhaps from well-off deep greens, not many people are uninterested in a rise in pay. However, what is interesting for my purposes today is not the economic story those figures tell. That story has been tediously familiar to many New Zealanders from at least the early 1960s, despite the efforts of some former politicians and some economists to obfuscate it. What is interesting is that even as intelligent and well-informed a person as Alan Dick was taken aback by them. It helps explain why many people have still not understood that New Zealand was heading towards a very unattractive future, and why we have had to undertake the changes of the last 8 years.

What kind of country could we become, economically speaking? The answer to that question is that is up to us to decide. The examples of Switzerland, Finland, Singapore and Hongkong tell us that the fault is not in our stars but in ourselves that we became underlings. They are all small, resource-poor economies. They have prospered because they have managed their affairs in a hard-headed and intelligent way.

Today there is no longer any real mystery or debate about how to achieve economic success. For many years people continued to argue that state planning and control was as efficient as free markets and private enterprise. Today the debate is much more settled. The prizes go to open, competitive, private enterprise economies that live within their means. For all their differences, this is the important lesson to draw from the success of Switzerland, Finland, Singapore and Hongkong and many other

countries. Find a successful country and by and large you will find low trade barriers, low inflation, modest government expenditure and taxation, a limited state role in owning and regulating industry, flexible labour markets and rigorous and competitive education. Where some of these elements are not present, they usually lead to trouble over the longer run.

We are remote from other societies, and we have not been well-served by media which have brought home current realities to ordinary citizens. Evidence abounds on how we cling to romantic notions long after they have been shattered elsewhere. A recent opinion poll published in the *National Business Review* had Sweden at the top of a list of countries that New Zealanders think would be a good model to follow. Few people who know Sweden well would hold that view today, including the Swedes themselves who rejected the so-called Swedish model in last year's elections. Sweden grew rich up to the late 1960s by following the kind of policies which New Zealand has been belatedly adopting. It has stagnated since under the weight of cradle-to-grave welfare policies, economic interventionism and high taxes, and is now in serious economic difficulty. Eastern European reformers who went to look at the so-called Swedish 'third way' as a possible model for them concluded it was the fastest way to the third world.

What kind of country we become will depend on whether we absorb such lessons correctly, and act and vote on them. Some optimists would put their hope in the younger generations learning from their overseas experiences in a world that is increasingly borderless, and rejecting the influences of the depression, the war and the protection-all-round policies of that era. I am not so sure that the dividing line is as simple as that. Let me illustrate why with two examples.

The first is from a superannuitant in Hawera who wrote this letter to *The Dominion* earlier in the year.

"... many people do not seem to appreciate the difficulties and problems we 'oldies' had to put up with during the past 30 or 40 years...

We did not have time to manage our multifarious duties, so we handed control of our political parties to the unions...

We also had to endure the family benefit, free dental treatment for our children, free kindergartens, supplementary minimum prices, subsidised fertiliser, subsidised television licences and telephones, free health, free hospitals, free medicine.

It was most distressing and tiresome.

We did not have time to supervise the discipline and education of our children so we handed that responsibility to Dr Beeby and his playway system of education, and we have been playing with education ever since.

Some of my fellow superannuitants say we are entitled to our superannuation as a right because we have paid for it through taxation. What rubbish!

We borrowed most of the money to pay for all these privileges (sic) that we voted for and now we still want to present the bill to the next generation..."

A far cry, you might think, from Mr George Drain and some other elements of the grey power lobby.

My counter-example is a pair of articles by Jan Corbett, one the classy stable of writers in *Metro* magazine which has done so much to raise the standards of journalism in New Zealand in recent years. In August last year, an essay *Gloom, Doom and Zoom* carried the explanation below the title: "At 28, disillusioned and frustrated, Jan Corbett left New Zealand, perhaps never to return." National's landslide, she said, signified a return to boringness. She lamented the welfare and labour reforms. But it turns out in an article *London Lament*, written on her return in the June edition of *Metro*, that the grass was not greener on the other side, although she adds that in Britain: "Luckily the National Health Service has been untouched by New Right ideology and doctors visits are still free." The sad thing to me was not the double dose of disillusionment by a talented writer, but the failure to notice that the British health system is currently being restructured along lines very similar to those being followed here.

Nevertheless travel normally opens the mind, and I cling to the hope that in New Zealand's race against time, travel and global communications will help New Zealanders understand more about the world of work and business and the standards of civilised society. When I was in Brussels in the early 1970s helping to fight the good fight for access to European Community markets, we had a programme to bring Europeans here to understand New Zealand agriculture and the economy. I thought in those days that we ought to have a reverse programme under which we blew half a year's GDP to let all of us here in New Zealand see how the rest of the world worked. Even the most everyday events help us reflect on our experiences. Probably most of us would pause for thought, for example, on discovering that all the taxi drivers in Munich own Mercedes.

One mind-opening experience for me was visiting East Germany, Czechoslovakia and Hungary two years ago. I wanted to see these countries as they were after 40 years of socialist planning and before their transformation into an unknown future - whether a Hongkong future or a pre-1990s Latin American one being the great unanswered question.

Much of what I saw I expected - the problems of backward industry, decaying infrastructure and some of the worst pollution on earth. But it is a relatively simple - if massively expensive - task to replace physical capital. You can put a bulldozer through a Trabant factory and start again, just as West German car makers are doing right now.

What I came to appreciate is a far more difficult problem for those countries is what is in people's minds. The gigantic task they face is effectively to replace the stock of human capital, built up over a generation or more, that is totally ill-equipped for democratic politics and a market economy.

The fact that the schools and universities are full of marxists and central planners, and that subjects like basic accounting don't exist, is only part of the problem. That too can be rectified over time with western textbooks and teachers. The really difficult part is the mindsets and attitudes arising from years of socialist indoctrination. Does any of this sound familiar?

For many, the first reaction is one of utter disillusionment:

"I worked all my life for it. I believed in a socialist state. And now it is gone. It means nothing, all my life has been wasted. What I could have done with that life."

The parallel for us is the tragedy of decent, hard-working New Zealanders who spent their lives giving their best to inefficient state-owned enterprises or highly protected manufacturing industries. Because of our warped policies, these industries or large parts of them contributed nothing of any social value. In many SOEs the work could have been done by half or a third of the people employed in them. Many of those who worked in these artificial activities wasted their lives - they might as well have been employed digging holes and filling them in again.

It is not hard to see the enormity of the attitudinal shift involved. The Catholic theologian Michael Novak tells the story of the Englishman, the Frenchman and the Russian given one last wish and one day in which to realise it. The Englishman's wish is for a walk in woods with his setter. The Frenchman's wish is for a night in Paris with his mistress. The Russian's wish is to see his neighbour's barn burn down.

The whole paralysing mythology of socialism - the envy complex, the lack of respect for private property and private information, the attachment to public ownership, the distaste for profits, the belief that the rich are rich because the poor are poor, the idea that markets accentuate inequality, the notion that rewards can be separated from effort - all these will haunt the ex-communist countries for many years to come. You see in the popular press some glimmers of understanding among ordinary people:

"The whole mistake was that we were brought up with the word 'equality'. The main idea of equality should be of opportunity. People are not created equal. Some people can run faster than others."

But for many, the acceptance that their most important belief systems have been bankrupt will be hard, and will be the major obstacle to the transition to free, market-oriented economic systems.

Are we, in reality, very much different? Travel in Eastern Europe sharpens one's understanding of the problems governments have had in bringing about a much smaller revolution in this country. Many of the same myths feature in the national belief systems. Many people think of markets and competition as being about some Darwinian struggle in which only the fittest survive, yet markets are basically a mechanism for achieving voluntary cooperation. Unlike political transactions, they do not involve coercion. No trades take place unless both parties gain. As Novak puts it:

"... markets bring people together to make their own decisions, on their own terms, in an environment in which each has incentive to woo others' consent. Markets bustle; they bring people out of isolation; they instruct, lure and challenge. Markets aim at mutual consent and work best when two happy partners conclude their transaction with a smile and cherish the wish to do business together on another day."

Why do people seem so sour in socialist societies? Why do they so seldom smile? The reason is that when the state is responsible for satisfying all needs, everyone becomes dependent and alienated, rewards become detached from service, and

monopoly suppliers take the attitude that customers can lump it or leave it. You don't have to travel on Aeroflot to see what I mean. Just compare Air New Zealand today with what it was 5 years ago.

Again, despite overwhelming evidence to the contrary, there is a deep attachment to the myth that freer, competitive economies accentuate inequality - that they have a more uneven distribution of income than countries with interventionist policies. Most of the open, fast-growing Asian economies which have put the emphasis on wealth creation rather than redistribution have achieved a remarkably even distribution of income. The former Nobel Laureate, George Stigler, has summarised the evidence by saying:

"In plain historical fact, the inequality in the distribution of income has been diminishing, and the diminution has been due to market forces even more than to government forces. It is also worth noting that a modern market economy has a less unequal income distribution than either centrally directed or unindustrialised economies."

A major factor for worsening the income distribution is unemployment, which is usually the result of misguided intervention in labour markets. The income distribution record of the Asian countries owes much to their achievement of high employment levels.

What are the transmission belts for these corrosive myths? One such is some elements in the church which have leapt on to the poverty bandwagon and entered the secular political debate. The issue here is not their sincerity, although while insincerity is always a vice, sincerity is not always a virtue. The point is that feel-good emotionalism is not enough. A general benevolence towards the world is not a substitute for clear thought and expertise when dealing with highly complex matters of fact. When church representatives elect to debate economic policy, their views need to be tested against the same standards of logic and evidence as those of any other participants in the debate.

Another source of myths is the education system. I take as my example here a speech by educationalist Jack Shallcrass to the recent School Trustees Association conference. As reported in the *Listener*, he told the conference that:

"... the capitalist model ... suffered from several 'disabling dilemmas' - e.g. it exalts growth, but the 'planet may already have reached its tolerance for the consequences of unchecked growth'. Similarly, work was a primary value of capitalism, but the modern economy required fewer and fewer people to keep it functioning."

As a consequence, according to Mr Shallcrass:

"... education required 'a new myth': it was time to level with our kids and disabuse them of the idea that they'd be rewarded with jobs. That was tooth fairy stuff, said Jack."

The speech was described as electrifying. It was indeed shocking to hear propositions being put forward that went out with the Luddites in serious economic discourse. It is fallacious to suggest that full employment is unachievable. The economic problem is one of scarcity: we have too few resources, including labour, to

fulfil people's needs. There is work to be done everywhere, and a well-functioning economy matches up labour supply and demand on terms that result in everyone being employed. Successful economies like Switzerland and Japan have maintained virtually full employment. Indeed the looming problem in Japan is labour shortages.

It is equally unscientific to paint doomsday visions of the planet. In many respects, environmental trends have been improving, especially in the market economies. Apocalyptic notions such as the fear that the world would run out of food and resources, or that we would have a new ice age, have proven to be as baseless as earlier worries that London would be buried under horse manure. The problem of global warming, if indeed there is one, is 'relatively modest', according to the World Bank. Why do people scare kids witless with such nonsense? The latest doom-mongering event was the Rio conference. As one magazine put it, "What has the earth done to deserve a summit?"

Issues such as these can be resolved on the basis of logic and facts, and ultimately they will be. What is more disturbing is that for some in the education debate, logic and facts do not appear to matter. It is unreal, for example, to hear people saying that state schools could not handle their own employment contracts when private schools down the road have done so for as long as they have existed. It is bizarre to hear the argument that the length of the school year does not matter, as though cutting it to, say, one week would leave education standards unchanged. And can one take seriously the idea that there should be no regard for performance in teacher pay, with the implication that we should pay all teachers the same, as in the former Soviet Union?

Even worse is the propensity to abuse and a lynch mob mentality in some education circles. What kind of country is it where education union audiences jeer at ministers of education, unions blacklist schools, and schools use children to distribute union messages? What kind of role models are such people presenting? What kind of attitudes are they passing on to children - about things like openness to ideas, courtesy towards others, personal morality? Ordinary teachers are not like this in their staffrooms. Why do competent and dedicated teachers put up with a politicised element that disfigures the profession?

We have seen similar lows in political life recently with Winston Peters' allegations about business influence on politics. The confusion of the man was evident from his opening quotation from Adam Smith:

"Men of the same trade seldom meet together for merriment and enjoyment but the conversation turns into a conspiracy against the public."

Smith's answer to that problem was the open, competitive economy, and no organisation has been more supportive of that philosophy than the Business Roundtable. We have championed the dismantling of monopoly privileges and the moves from protection-all-round to competition-all-round. We have applied Smith's argument for the primacy of consumer over producer interests in every field we have touched, from industry protection to union monopolies to education. I have found it an extraordinary experience to have been associated with a business organisation which has consistently, through immensely difficult economic times, adhered to those principles and avoided self-serving lobbying. I know of no other business organisation in the world that has stayed committed to promoting long-term national

interests in this way. Nor am I aware of any other country where the relationship between business and politics is as free from corruption as New Zealand.

It is a sign of sickness in society when some politicians feel able to make baseless allegations for their own political ends. There is reason for deep concern about some cultural traits still present in the New Zealand psyche.

- What kind of country is it, for example, where international business success is not rated as one of the highest forms of achievement, where the chattering classes appear to despise the sector that keeps a million New Zealanders in work, and where schools do not see it as their job to teach business values?
- What kind of country is it where it is a risk to be a tall poppy, and where peer group pressure sometimes positively discourages children from educational achievement?
- What kind of country is it where journalists describe cabinet ministers as New Zealand's most hated women, or the prime minister as a potato head?
- What kind of country is it where a radio announcer, Pam Corkery, can begin an interview with John Crook, one of the most capable executives in Telecom, with the words "With a name like that, you're working in the right place." Or where Kim Hill can direct 6 out of 16 questions to Roderick Deane's bonus arrangements in a Morning Report interview with him about the electricity shortages facing the nation.
- What kind of country is it where the term 'americanisation' seems to be regarded as a hate-word by some senior politicians - referring to the country founded by the world's poor, still the preferred land of opportunity for most migrants today, and arguably for all its faults still the most successful large society on earth?
- What kind of country is it that cannot have an informed public discussion about issues which are debated rationally and objectively elsewhere, such as nuclear power? Where callers tell a national talkback host to not even talk about the subject?

Like Jan Corbett, I sometimes despair about New Zealand, though perhaps not for the same reasons. What sustains me, as Disraeli - or was it Gladstone? - said about the Hyde Park murders, is the regular discovery that the resources of civilisation are not yet at an end. To every action, or at least many of them, we have seen an equal and opposite reaction.

- In the darkest days of Muldoonism, voters elected a reforming government, whose work has been carried on despite great political unpopularity. New Zealanders can take pride in what they have achieved. It has evoked a great deal of admiration around the world, and laid the foundation for a much more positive future.
- Business leaders like Sir Ron Trotter and Douglas Myers and farming leaders like Sir Peter Elworthy, Brian Chamberlin and Owen Jennings emerged to support an end to state subsidies and protection, despite the traumatic consequences for their sectors during the transition.

- Newspaper editorials and senior journalists were unanimous in concluding Winston Peters had produced no evidence of improper business influence on politics, and in condemning his lowering of political standards.
- In recent years writers like Agnes-Mary Brooke and Bruce Logan have appeared to join formerly lone figures like John Graham and Karl Stead in exposing some disturbing features of New Zealand education. Carroll du Chateau has done similar work in *Metro*, most recently on cultural engineering in nursing education. Rosemary McLeod in an exceptional article in *North and South* recently posed the great unexamined question: has the welfare state in its existing form actually worked?
- Many media commentators have criticised the fall in national radio standards. Marcia Russell has observed that "Morning Report and National Radio current affairs sound like an exclusive club of people who know ever so much more about what's going on than we do." A thinking person's alternative has appeared in the form of the BBC World Service.
- Sky Television now brings us programmes like Larry King Live and Crossfire which enable New Zealanders to see what an intelligent current affairs programme is like - how top interviewers treat guests with respect - and can contrast this with the bear pit of Counterpoint.
- The power crisis has shown that old values of community and self-restraint are still alive, with leadership being exercised as much by the new commercial power suppliers and industry as by the government.
- Groups within the church have dissociated themselves from the more politicised elements whose reaction to hard times has largely taken the form of asking for more government welfare and taxation - policies which would make the problem worse and diminish further the church's role. As one church leader recently wrote:

"We certainly share some of your reservations about the public utterances of kindred Church and social service agencies who do not seem to have appreciated that the country has a very big overdraft at the moment. Certainly, some people are hurting very badly but I think it is also fair to say that the community has responded magnificently. We have been amazed at individual and group offers to assist so that anyone who is really up against it seems to be able to get some kind of assistance to help them on the way. We see this as a very positive sign of the community supporting each other. We also believe it is a great opportunity for Churches to show that their faith has a practical caring side to it."

Contrast that view with a statement in a recent article by Bruce Jesson: "We have become an introverted society with little generosity of spirit." Is this the view of ordinary citizens, or of a section of the literati?

What kind of country could New Zealand be? There is certainly no reason why we should remain an underling. The lessons of economic success are relatively simple,

and we are applying many of them. Research is also throwing new light on the basis of individual success. According to Michael Novak, the evidence suggests that:

"Those who do the following three simple things are unlikely to stay long in poverty:

- complete high school
- get married and stay married
- stay employed at a job, any job, even at first at the minimum wage."

I sense there is a new mood of realism abroad. University Vice-Chancellors tell me that despite the yelps from student politicians, most students know the country is in difficulties and they know it is fair that they should pay a share of their education costs. Young people are leaving the education system keen to set up their own businesses. More people are doing an honest day's work. An overseas visitor saw a watersider running on the job. Convinced that this was a world first, he promptly bought shares in the port company.

(Of course, he could have been misled. It could have been a call of nature rather than a surge of productivity. Life is full of ambiguities, isn't it?)

I am proud that the organisation I work for is regarded as having had some influence on where New Zealand has been heading. Some wish we would drop dead; others regard us as "the country's most prestigious and objective economic think tank." Ultimately it probably falls to business to bear the main burden of defending the market economy and private enterprise. It must do so in the face of accusations that the market promotes greed and selfishness, a conviction which is perhaps the greatest intellectual obstacle to the spread of economic success. Is your local service station owner, chemist or electrician greedy or selfish? The beauty of a competitive market is that the more they are concerned to improve their material welfare, the harder they have to work to serve your needs as consumers. Life was different when obtaining government favours was the easiest way in town to make money.

Where criticism of the market system is articulated, it is usually by those who believe that they know what is good for people better than other people know for themselves, and they want the power to run other people's lives. Because such people want to impose statist ideas on everyone else, they cannot accept an organisation like the Business Roundtable that promotes freedom and choice.

Where the criticism is not articulated, it takes the form of paranoia. As Simon Upton said in a recent column:

"Could it be that some of these people are too lazy to argue the case. Could it be that slogans and labels are an easier way to catch public attention than to front with the facts?"

It is frustrating that another aspect of our national culture is the habit of playing the man rather than the ball. However, when all your critics can come up with is invective or a string of meaningless cliches instead of reasoned argument, you know you're well on the way to winning the debate.

I have long been a believer in the power of ideas, and in the wisdom of the experience of ordinary people. It was ideas, not tanks, that breached the Berlin wall

and the Iron Curtain. I am optimistic, though I am not certain, that good ideas are driving out bad in New Zealand, at least in the economic domain. We are going with the international tide. I believe more people will be convinced of the benefits over time.

If I am wrong, and if the electorate demands that governments revert to sleepwalking or backtrack, then another generation of falling relative living standards is ahead of us. Better-off people would still survive, many by leaving New Zealand, but the old, the unskilled and the immobile would face the consequences.

Our successors do not deserve that kind of country. We let them down if we do not demand higher standards of our business people, our politicians, our news media and our educators. We used to believe that 'she'll be right', but we found to our cost we were wrong. Can we make the cultural changes? In a country that has so much going for it, think what a difference a culture of enterprise, excellence, tolerance, respect and success would make.