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The Fire Economy: New Zealand's Reckoning

Jane Kelsey, Bridget Williams Books, 2015

Reviewed by Grant Duncan

JANE KELSEY HAS rigorously and critically examined neoliberal policy and politics in Aotearoa and globally for more than two decades. She has provided us with a well-researched documentation of neoliberalism, and she has consistently advocated for alternatives. Her latest book gives a post global financial crisis 'reckoning', based on recent questioning of neoliberal orthodoxy as it faces the volatility of an excessively financialised economy. She challenges the timidity of politicians (on both sides) who act with denial and complacency, who fail to insulate the people of Aotearoa from future economic turmoil, and who thus fail to restore the

state's legitimate role in social protection. She shows how neoliberal policy-settings have become 'embedded' through legal and economic disciplines that constrain democratic decision-making that may otherwise take a 'progressive' direction. But she also argues cogently that these constraints can and should be unwound.

While I endorse her overall aims, Kelsey's framing of neoliberalism as 'embedded' (and hence resisting all challengers) means that she may underestimate the extent of change that has actually occurred in public-management and policy-making thought and practice in Wellington. Consequently, she risks over-estimating the importance of reforming the law that currently governs our public sector. Some important and (dare I say) 'embedded' social-democratic institutions, such as universal superannuation and public health and education, have survived the neoliberal onslaught. Hence there remains much of substance upon which to restore 'progressive' social policy.

Kelsey's account is firmly fixed upon the Anglo-American neoliberal model but we now seemingly also need to consider the rise of Chinese and other non-western economic powers. So, for instance, we can agree that Aotearoa should do more to insulate itself from the volatility of global capital, yet we cannot stop the economic tsunami that is slowly emerging from China. The July 2015 Chinese stock-market crash is an early warning. An estimated \$US27 trillion dollars of pent-up savings will seek profitable investments elsewhere in the world, as the PRC's capital controls get loosened. Aotearoa can expect more volatility as the balance of global economic power continues to shift eastwards. And Beijing is hardly a bastion of western liberalism, let alone neoliberalism.

One important message of Jane Kelsey's book is that finance should support economic goals, not dominate them as it does today. It should be servant, rather than master. The finance sector should willingly accept a social responsibility to yield to sound regulation in the interests of stability and economic security. One would have to be in deep denial to assert that the current economic order produces the fullest possible social wellbeing, or that it has brought benefits to all sections of our society.

Nonetheless, Kelsey cites a survey that suggests that the majority of people in Aotearoa 'have internalised the ethos of

neoliberalism'.¹ Most have been bullied intellectually into believing the stories about scarcity and unaffordability. No matter how much they may like the idea of progressive policies, they have learned to be afraid of how 'the markets' would react and to accept that social wellbeing is somehow not 'good for the economy'. As Kelsey puts it, a transformation of policy-making away from financialisation and towards social goals would require, especially in a democracy, both political leadership and 'an urgency in people's demands for change'.² The people of Aotearoa and their elected leaders are a long way from that at present though. This book is one important contribution, however, towards changing popular and political beliefs and goals. Jane Kelsey's work is always a welcome antidote to the free-marketeters and their cheerleaders. The present text adds to her already impressive scholarly record.

1 Jane Kelsey, *The FIRE Economy*, Wellington 2015, p. 249.

2 *Ibid.*, p. 244.

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