

## DEMOCRACY IN RETREAT?

### *Assessing New Zealand's political experiments*

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IT IS A GREAT HONOUR to be invited to give the inaugural Stout Lecture and it is also a great pleasure to return to the University that first risked employing me as a lecturer in political science more than 30 years ago. I am pleased, too, to be among so many old friends, many of them fellow survivors from that far-off era. Just how far-off can be underlined by recalling that, when I arrived in Wellington, Keith Holyoake was Prime Minister and, indeed, had another election still to win. Robert Muldoon was a fresh-faced Minister of Finance, basking in the success of decimal currency and brandishing his fiscal scalpel. He attacked the large number of students studying anthropology in the universities and questioned state spending on the arts. The threatened intelligentsia coined the term 'Muldoonism' to refer to the values of the cost accountant intruding into matters supposedly exempt from financial scrutiny. One of my new colleagues, who was close to the National Party, assured me that Muldoon was not trusted by the caucus and would never be

party leader. Political scientists, of course, were never very good at predictions, though not markedly worse than meteorologists, seismologists or economists. Muldoon, as we know, went on to become National party leader and then Prime Minister. His interventionist style of economic management became the point of departure for much of the restructuring that followed. In the process, the concept of 'Muldoonism' was reminded. It now implies outmoded policies of state control of the economy and is often mentioned in the same breath as state socialism or, even, Stalinism. Meanwhile, the earlier, forgotten Muldoonism, signifying the values of the cost accountant, has gone on to flourish to an extent far beyond anything its namesake could have imagined. The focus of this lecture will be on the last decade and a half, the post-Muldoon years. But an excursus into history may remind us of the importance of underlying continuities that are so often overlooked by reformers keen to exaggerate the extent of their radicalism and the

novelty of their prescriptions. At the same time, recalling the unpredictability of politics underlines the complexity of our subject and the tentativeness of our conclusions. The past may look more straightforward than the future but only because the choices have all been made and the patterns can now be imposed. It did not follow simpler rules.

During the last nearly 15 years, since the election of the Lange government in 1984, New Zealand has undergone a remarkable set of institutional changes, economic, political and social. All are interrelated, though they emerged at different times and in response to different problems. In this lecture, I intend to concentrate on two changes, or sets of changes, to political institutions: the restructuring of the state sector and the transformation of the electoral system. The question I will pose, though not satisfactorily answer, is how successful these particular changes have been in enhancing the democratic accountability of New Zealand governments. It has

become fashionable among commentators to label these changes as 'experiments', a term of some significance which appeals to a long-standing tradition in New Zealand's political culture. State experiments suggest the idea of New Zealand as a 'social laboratory', daringly pioneering important social advances which will later become adopted by the more sluggish and conservative countries of the old world. It is almost a century since Pember Reeves published his account of Australasian innovations in industrial arbitration under the title of *State Experiments in Australia and New Zealand*. It was Reeves himself who became anointed by historians of the left as the founding father of intellectual radicalism in New Zealand politics. Direct personal links can be traced between academic purveyors of this tradition, such as Keith Sinclair and Robert Chapman, and leading members of the Lange Labour government, notably Roger Douglas and Michael Bassett. Ministers in that government, who had lived through the one-term disappointments of the Nash and Kirk/Rowling governments, were determined to make a radical mark on history like that of the Liberals of the 1890s and Labour of the 1930s.

More important than these individual influences and motivations is the broader tradition of experiment on which they drew and which sustained them and their supporters through periods of risk and uncertainty. New Zealand has a proud history of social and political innovation and New Zealand

policy-makers considering bold and untried initiatives can readily cast themselves in the familiar, if challenging, role of world pace-setters. As citizens of a small country distant from the centres of world power and mass media preoccupation, New Zealanders crave international attention and recognition. That the world should sit up and take notice of what is being done here provides the ultimate authentication of our existence. Hence the attraction of the concept of experimenting which suggests a wider audience. New Zealand is trying new things out not just for itself but for the world at large. It is the world's laboratory, providing evidence for foreigners of radical and progressive solutions to common problems.

In recent years, there have certainly been plenty of foreign observers keen to comment on New Zealand's experiments. Most of their judgments, of course, have relied heavily on the views of those New Zealanders they have talked to. One of the corollaries of New Zealand's peripheral position on the world stage is that most foreign visitors arrive unencumbered with substantial prior knowledge of the country. They are blank slates waiting to be filled in with the opinions of those locals to whom they are directed by their professional links and ideological predispositions. Visiting economists talk to Treasury; trade unionists and left-wing politicians call on the CTU and the Alliance; sceptical social scientists head for the university. Few are surprised or disappointed by what they find. Returning home,

they publish reports to serve their domestic purposes. Living in Australia, one observes the effects of these supposed 'fact-finding' forays over to New Zealand. New Zealand is regularly quoted as a clinching example on both sides of a number of policy arguments, such as the value of purchaser/provider splits, workplace deregulation and currently, of course, the infamous GST. Back in New Zealand, too, the reports of foreign observers may have considerable weight, being the views of local informants now transformed into those of Overseas Experts. Headlines such as 'OECD backs calls for further government reforms' or 'US professor questions government direction' provide valuable propaganda for local interests. Harnessing the opinion of overseas experts is a well-established part of domestic political debate.

The two sets of changes under consideration this evening have attracted their full share of overseas interest, though not usually together. Most attention has been on the state sector changes which have been in progress for more than a decade and which have been widely endorsed as at the 'cutting edge' (some would say 'chopping block') of public sector reform. But the more recent radical change to the electoral system from First past the Post to MMP has also been under scrutiny, most recently from a delegation from the UK Commission on Voting Systems. However, in making assessments of these experiments, we will do best to back our own judgement and not give too much weight to overseas opinion

which is usually so derivative.

Though both the state sector reforms and electoral reforms are both radical innovations and international pace-setters, they are not part of the same reforming movement. State restructuring had its origins within sections of the bureaucracy supported by sympathetic ministers first in Labour and then in National. The earliest moves, to corporatise and then privatise state trading enterprises, were partly in response to economic imperatives to reduce government expenditure and debt and were enthusiastically supported by grateful beneficiaries in the private sector. Restructuring of the remaining public sector, however, particularly of the core public service departments, was largely an internal preoccupation of bureaucrats and ministers. It was of little direct concern to the wider voting public and certainly not initiated in response to any public demand, actual or perceived. By contrast, change to the electoral system was a broadly popular initiative, forced upon political and business elite against their will. If anything, electoral change was a reaction against state restructuring, at least against the blitzkrieg methods by which such restructuring was brought about. Though radical in its substance, electoral reform was essentially reactionary in intention, an attempted counter-revolution against the policy-making elites.

Yet different though their origins may be, both sets of reforms are worth considering together, if only because both shared at least one common objective, that of making

government more accountable to the people. It is this objective of improved accountability which provides the main focus of my remarks this evening. Accountability is a complex concept, implying a relationship of superior and subordinate or, in the fashionable jargon of economics and public choice, a relationship of principal and agent. Accountability refers to the duty of subordinate agents to answer to, and take direction from, their principals or superiors. Modern systems of democratic government are grounded in the ultimate sovereignty of the people. Governments are the agents of the people who are their principals, and governments are therefore accountable to the people as their agents. This public accountability of governments is achieved through a number of different constitutional relationships, including that of elected politicians to electors, public servants to ministers, ministers and public servants to parliament, government agencies to the courts, and so on.

The two sets of reforms have been aimed at different sectors of government and different links in the accountability chain: state sector reform was focused on the accountability of bureaucrats, to both ministers and Parliament, while electoral reform was meant to make ministers and politicians generally more accountable to the public. But both movements shared the aim of making government as a whole more accountable to the people. In this sense, both can be seen as attempts to improve New Zealand's democracy by enhancing the power of voters to call their agents to account. We will

concentrate on two main channels: the control of ministers over the public service and the role of Parliament as a conduit between voters and politicians.

In the case of the state sector reforms, improved public accountability was part of a larger and, in some ways, contrary agenda. The main thrust of the so-called new public management has been, wherever possible, to replace monopolistic state control with competitive markets. The result, in the first place, has been a considerable shrinking in the scope of government activity and thus a reduction in the scope of democratic control. Functions that were previously conducted by public agencies under political direction have been progressively corporatised and privatised. The interests of the public, it is argued, are better served by private companies seeking to maximise their own returns unconstrained by the distorting influence of political intervention. Whatever the ultimate benefits to citizens as consumers, such restructuring has certainly reduced the sphere of elected governments. In that sense, it has reduced the democratic capacity of citizens as voters to influence collective decisions. At the same time, the politicians' room for manoeuvre within this shrinking sphere of government has been significantly reduced by financial deregulation and by the growing need to placate international financial markets. Admittedly, the extent of this change and the effect of financial deregulation can be exaggerated. The policy of New Zealand governments has always been, to some extent, hostage to worldwide economic

conditions. The room for manoeuvre still remaining for national governments is often understated by powerful special interests wishing to cloak their own favoured options in the guise of an inevitable globalisation. None the less, compared with, say, the 1970s, national policy-making certainly takes place within increasingly circumscribed limits. Moreover, while the internationalisation of national economies is a worldwide phenomenon, successive New Zealand governments have embraced this trend with more enthusiasm than most. Whatever the economic benefits and costs of such internationalisation, one political consequence at least is clear: reduction in national autonomy produces a reduction in democratic control. While most governments have faced similar limitations to their autonomy in recent years, the democratic loss in New Zealand has been particularly severe.

In the first place, then, the attempt to improve the accountability of government needs to be seen within the context of a significantly reduced state sector. Within this remaining state sector, the approach to accountability in this restructuring process has been curiously ambivalent. On the one hand, there has clearly been an intention to assert ministerial control over the public service. The reformers were strongly influenced by theories of bureaucratic capture. That is, they were persuaded that the former system had allowed career public servants to usurp the controlling prerogative of elected politicians. There was therefore a need to reassert the democratic primacy of elected governments by strengthen-

ing the accountability of public servants to their ministers. Much of the reforms were aimed in this direction, particularly changes to the relationship between ministers and department heads.

At the same time, however, the reformers had a deep-seated suspicion of what they saw as the undue influence of politicians. The need to seek re-election drove politicians into preferring short-term interests over long-term ones and into local or personal ones over the public interest. Ways therefore needed to be sought to constrain the influence of democratically responsive politicians over public policy. It was this anti-political attitude which had helped to drive the process of corporatisation and privatisation. It also led to the policy of disaggregation whereby significant areas of government activity were separated from direct ministerial control and located in more or less independent crown entities. Public accountability of these was to be achieved through a system of published agreements or contracts which had the effect of limiting the right of governments to interfere in the day to day running of the organisations. Contracts, too, were introduced between ministers and department heads, with similar distancing intent, appearing to give department heads more discretion over day-to-day administration. Thus, if the capacity of elected politicians to control the bureaucracy is a key link in the chain of democratic accountability, the reforms appear intended both to strengthen and to weaken this aspect of it.

The practical effect of these competing tendencies can only be assessed by examining the actual behaviour of politicians and public servants. One key relationship is that of ministers and department heads, or chief executives as they are now known. Under the democratic chain of accountability, ministers are expected to be in charge of their departments, and departmental heads are required to be accountable to them. Under the new system this relationship has been articulated in terms of ministers determining their desired objectives or outcomes and heads of departments accepting responsibility to provide agreed outputs purchased by the ministers. Heads of department have been placed on limited term contracts and are subject to annual reviews of performance. At the same time, the government's corporate management process, introduced in 1994, links department heads more explicitly into the government's overall strategy through the structure of Strategic Result Areas and Key Result Areas.

The new system is not without its drawbacks, particularly in the compliance costs involved in the detailed specification of departmental outputs and the complex requirements for regular reporting and monitoring. None the less, there can be little doubt that governments are more firmly in charge of the core public service than they were twenty years ago and that the political accountability of the core public service has thereby been enhanced. This has surprised a number of observers,

myself included, who criticised the new system on two broad grounds, that it was intellectually flawed and politically dangerous.

Certainly the intellectual framework on which the system is based, the structure of specified outcomes sought by ministers and specified outputs purchased from departments, is hopelessly naive. It attempts to reduce the complex process of government to a simple matter of ends chosen by politicians and means provided by public servants. Elementary political science teaches us that policy-making is an incremental process involving constant compromise between conflicting and shifting values. Objectives cannot be clearly specified in advance. Political scientists know, too, that the respective roles of minister and public servants cannot be clearly distinguished, that both are involved in setting policy and both have a say in how it is carried out. The relationship is more a partnership, though one in which the minister has the final say. A structure of government based on the denial of such elementary truths seemed yet another example of the ignorant arrogance of economists straying into a field too complex for their simple minds. The system, we thought, was surely destined to fail.

We were wrong, however, though not in our criticisms of the system's logic. The mistake was in thinking that practitioners would need to take the logic literally. We underestimated the capacity of common sense and professionalism to work around impracticable dogma. The structure of outcomes and outputs, of purchaser and

provider, has not prevented department heads and ministers from working as closely as before; nor has the need to specify outputs in advance prevented departments from reacting flexibly to unforeseen contingencies. The categories have proved sufficiently broad and porous to cover whatever the demands of politicians and the experience of public servants deem appropriate. Indeed, as the business management literature has recognised for some time, the setting of corporate objectives does not find its benefits in its ostensible purpose, in the supposed fixing of unambiguous goals. Rather it serves the more modest, but no less valuable, role of identifying common values and general purposes. Above all, it is the very process of objective setting, rather than the specific outcomes of such a process, that is all-important. Ministers are now required regularly to discuss their plans with their chief executives and they in turn discuss them with their subordinates. Even more important, the strategic planning process requires consultation across the whole of government and reinforces the politicians' control over the public service agenda. These new formal structures of communication and coordination are perhaps the main reason why the accountability of public servants to ministers has been increased.

The second fear expressed by critics was that the new system would be politically dangerous because it would weaken traditional responsibility of ministers for their departments. Certainly, the pure theory of outcomes and outputs

appears to confine ministers to responsibility for setting outcomes and purchasing outputs, while it attributes to chief executives the responsibility for delivering the outputs. In theory, therefore, it should be chief executives, not ministers, who are called to account for actions taken or omitted by themselves or members of their departments. Indeed, part of the original rationale was to reduce what was seen as undue ministerial interference in the day-to-day operations of departments. In this respect, the new structure of relations between ministers and chief executives of core departments belonged to the broader anti-political strategy of reducing the sphere of political influence, as happened with state-owned enterprises and other government agencies. An arms-length relationship with ministers would, in the view of some champions of reform, improve efficiency and reduce the supposedly distorting effects of political interference. Conversely, critics of the reforms, including myself, argued that reduction in political interference would lead to a similar result in the democratic accountability of public servants to Parliament and the electorate.

In the event, fears that politicians would avoid all responsibility for departmental decisions have proved exaggerated. Such fears founded on deep-seated expectations of the public as well as on the survival instincts of both politicians and public servants. Certainly, some departmental heads have become less anonymous than in the past and more willing to face media scrutiny.

Ministers, however, have not been able to avoid taking vicarious responsibility for their portfolios in the traditional way demanded by the conventions of ministerial responsibility. This concept is regularly misrepresented as requiring ministers to resign in all cases of maladministration. Long experience has convinced me that patient academic analysis of the concept has no power to prevail over the self-serving rhetoric of opposition politicians, backed by the cynical ignorance of journalists. Be that as it may, the actual conventions of the concept, that ministers front up for their departments and ensure that appropriate remedies are taken when faults come to light, are still strongly entrenched. As was revealed at the time of the Cave Creek tragedy, the public are simply not prepared to let ministers off the hook when things go wrong. The attempt to separate politicians from administrative responsibility tends to break down in times of crisis, as it has done in other similar jurisdictions overseas, such as the United Kingdom.

If the public expect politicians to carry the can, most public servants are happy to hand the can to them. Public service anonymity has long been seen as part of the professional standards of a politically neutral public service. In general, the attempt to distinguish clearly between the role of ministers and departmental public servants has not led to as much reduction in ministerial responsibility as was feared by critics or, indeed, as was hoped for by some of the reformers. Nor, as suggested earlier, is this to be regretted. Ministerial intervention

in departments, so-called political interference, is in fact the life-blood of democratic control and a vital means by which the opinions of the public can affect government decisions. This assumption is strongly grounded in the political expectations of all interested parties, including ministers, public servants, members of the public and the media. Long-standing conventions in the political culture are not easily overridden.

Similar expectations have also extended beyond the core public service to those arms-length public agencies which have been removed from direct ministerial control, as for example in health and science. Here, the anti-political thrust of some of the reformers was even more evident. Arms-length constitutional relationships made it easier to confine the role of ministers to the setting of general objectives, leaving the day to day decisions to administrators charged with meeting these objectives. The relationships between governments, purchasing institutions and providing enterprises are governed by contracts. These contracts in theory, provide transparency and therefore accountability to the structure as a whole. However, the mere fact of transparency, that is publicity of information, is not in itself sufficient to guarantee accountability to the public. It implies not only giving an account but also accepting direction. For it to be effective there must also be clear mechanisms by which members of the public or their elected representatives can use such information to impose remedies or new directions on the public officials concerned. Reforms that

were explicitly designed to reduce the influence of such political pressure could hardly be said to have enhanced political accountability. They might increase the efficiency of service provision and even improve its quality, but at the expense of political accountability not because of it. At times of crisis, for instance in the health service, serious cracks have appeared in the chain of accountability when the public has demanded action and ministers have been unable to deliver.

Again, however, we should not underestimate the capacity of common sense and professionalism to circumvent the formality of institutional separation. Formal contracts are constantly supplemented by informal contacts and shared values. Indeed, New Zealand's experiment with a highly disaggregated public sector linked by contractual agreements has only been saved from serious failure and total public rejection because of the persistence of previous values and practices largely ignored by the system's proponents. For instance, a complex structure of competing institutions linked by contractual arrangements has the potential to create intolerable problems of coordination and accountability. Fortunately, however, these difficulties are minimised by the small scale of New Zealand's policy elite. Thanks to Wellington's famous village atmosphere, everyone bumps into everyone else at lunchtime on Lambton Quay or at the airport on the way home. Moreover, the administrators' universal fear of causing political embarrassment to themselves or of earning public

rebuke from ministers means that the demands of the politicians are frequently anticipated without being openly articulated. In a government system and political culture so efficient at internal adjustment, often unspoken, the attempt to insulate administrative decisions from political pressures was always going to be difficult, for which we may be thankful.

This dependence of the state sector reforms on local values and experience raises a wider point about the international applicability of New Zealand's experiments. During the 1990s, the New Zealand model has been peddled round the world by enthusiastic and well-paid former politicians and public servants. Official blessings have been offered by international agencies such as the OECD and the World Bank and converts have been won as far afield as Mongolia. More recently, however, recognition is beginning to dawn that the system is not for indiscriminate export. Breaking a public sector into separate units linked by contracts will only work in certain conditions which are rare internationally. There needs to be a public service skilled at informal coordination and one sufficiently honest to resist the new temptations to corruption offered by a structure of private tendering and contracts.

After relations between ministers and the public service, the other key arena of public accountability I want to discuss is Parliament. It is to Parliament that governments are required to answer for their actions and it is through Parliament that the voters exercise their main influence

over governments. The state sector reforms gave a prominent place to Parliament as the constitutional authority for approving public expenditure and therefore as the ultimate purchaser of public services. The new specification of departmental outputs offers Parliament and its committees significantly more detailed information than before and should, in theory, have improved the quality of parliamentary scrutiny through the annual estimates and reporting procedures. Electoral reform, too, was intended to restore to Parliament a more prominent role in policy-making by diminishing the chances of single-party majority government. Governments, it was hoped, would be forced into more open discussion about policy and would thus be subject to more public scrutiny.

Some of these expectations have certainly been fulfilled. Coalition government, and now minority government, have increased the level of open discussion, argument and negotiation about major matters of policy. The public's awareness of policy-making has been increased and so too their indirect influence over policy. The process began with the 1993 Parliament which was marked by an unusual degree of government consultation and party fluidity as MPs positioned themselves for the new system. Parliament's Standing Orders underwent a comprehensive overhaul and the capacity of the executive to dominate Parliament's agenda was significantly curtailed. In addition, the Fiscal Responsibility Act 1994 has required governments to be

much more transparent in their financial projections. The Act may not have produced the degree of fiscal restraint originally sought by some of its architects. But governments are now constrained in their capacity to fudge the country's fiscal position. Public debates about taxation and expenditure over the last three years have been conducted on the basis of much more reliable and more widely available figures. In so far as the public is now in a better position to judge the competing fiscal priorities offered by different political parties, the accountability of politicians has been enhanced. The voters too are less likely to lose ultimate control over the agenda of governments through the previously familiar device of the post-election crisis. There is now less excuse for an incoming government to open the books, throw up its collective hands in horror, and declare that all previous commitments must be abandoned in the interests of fiscal constraint. Paradoxically, Ruth Richardson, by championing the Fiscal Responsibility Act, deprived future finance ministers of the conditions on which she, and Roger Douglas before her, had depended for implementing their radical reforms.

Of course, the reforms have not produced the degree of parliamentary independence that some had hoped for. In spite of the greatly increased level of administrative detail available to parliamentary committees, the effectiveness of committee scrutiny continues to be hampered by lack of time and resources and by the partisan

priorities of MPs. Those who had hoped for an end to opposition and adversarialism and for more consensus across all political parties have been disappointed. But such hopes were always unrealistic and based on a model of Parliament that is inappropriate for a modern system of parliamentary party government. Expectations of parliamentary independence and consensus were perhaps unduly raised by the experience of the 1993, pre-MMP Parliament. In retrospect, this appears to have been as much a unique period of tentative transition between two systems as a harbinger of the future. Since 1996, there has been a resurgence of more accustomed practices of confrontation.

This is not necessarily to be regretted. Vigorous political opposition and adversarialism should be seen as the lifeblood of politics not its poison. The ceaseless efforts of political opponents to embarrass and unseat the government is what helps to guarantee that government decisions come into the open for public testing and scrutiny. A more realistic goal, and one that the new system has more or less achieved, is that major policy directions would not be taken without public discussion and without the support of a reasonably large section of the electorate. It is this general congruence between government action and public opinion that was for many decades guaranteed by political conventions of populist consultation. New Zealanders had no major difficulty with adversarialism and two-party competition so long as parties stayed close to public expectations and competed for the

electoral centre. It was the breaching of those conventions in the period 1985 to 1991 and the voters' determination to re-constrain their governments within previous populist limits that led so many voters to support the new system. MMP seems set to satisfy this aim of reasserting the previous populist conventions. The post-election process of negotiation over a coalition, drawn out though it may have been, did bring many issues out into the open and remained a more constraining document than the normal manifesto of the past, at least while the coalition survived. To this we should add the significantly more representative nature of the MMP Parliament, particularly in so far it includes for the first time a truly proportionate number of Maori MPs. In general, then, MMP has done much to restore and enhance the accountability of politicians to the electorate.

The biggest failure of MMP in 1996 was its inability to provide what New Zealanders have always expected of their electoral system, and which First Past the Post provides so well, namely a means of getting rid of an unpopular government. The main blame must be sheeted home to Winston Peters and his New Zealand First Party. Survey research has confirmed that a majority of New Zealand First voters preferred an anti-National coalition and expected their party to support one. The failure of Peters and his party to keep faith with these expectations through blatant personal opportunism was unforgivable and, indeed, will not be forgiven. Such behaviour was

politically irrational, in terms of the long-term future of the party, and was therefore unforeseen by rational analysts, among whom must be included members of the Royal Commission. We all assumed that, because voters would want to know and depend on the likely coalition intentions of each party, parties would have an incentive to provide such indications and to stick by them. In the event, the fate of New Zealand First merely confirms the wisdom of such advice which will no doubt be followed by all parties in the next election.

With the collapse of New Zealand First, we appear to be witnessing the re-establishment of two-party politics with two major parties competing for government, one left-of centre and the other right-of-centre. This may encourage thoughts of returning to the former, First Past the Post electoral system which generated the two-party system in the first place. Certainly, there are plenty of powerful people who would like to see the former system restored. The last two years have been a trying time for supporters of the change as their often unreal expectations have been confronted by the unedifying antics of some of the participants who have brought the system into disrepute. It has been a good time to be out of the country and to be away from the regular drip-feed of embarrassing incidents relayed by gleeful journalists keen to disparage the new system. Political journalists, by and large, prefer the old, simpler system where power was more concentrated and they knew who had it. They have not been among



the new system's supporters and have done much, consciously and unconsciously, to undermine it. At the same time, it must be admitted that journalists have had plenty of embarrassing material to work with as new, inexperienced MPs stumble and old ones try to learn new tricks. No doubt much of this can be put down to transitional problems but they are taking time to work through.

In the meantime, the electoral system, once subject to change, has become part of the contestable electoral agenda. Thirty years ago, when I first came to Wellington to lecture, the country faced a crisis in the balance of payments and people were criticising the ineffectual response of the government. Nobody thought of blaming the electoral system. Today, when the economy is once again in crisis, people can blame not only the ineffectual response of the government but also the electoral system itself. Such conflict about the basic rules of the political game, though inevitable in the short term, can only serve to destabilise politics generally. It is to be hoped that the next election will sufficiently entrench the new system that another major change is ruled out. At least, it should be clear that those pressing for a return to First Past the Post are not seeking a return to New Zealand's traditional patterns of populist, democratic government. They have in mind the system as it operated in the late 1980s and early 1990s, an elective dictatorship bent on radical change with minimum accountability and consultation. MMP may be reflecting a basic

bipolar division in New Zealand politics and the return of two-party alternation. But it will do so with the valuable supplementation that the two major centrist parties are now flanked by minor parties to keep them honest. Neither major party is likely to have a majority in its own right and each will require the support of others to govern. In this respect, MMP in operation may be reflecting underlying continuities in New Zealand's political culture – alternating major parties of the centre-right and centre left under pressure not to stray too far from public opinion. Those who have sought a return to the type of consultative politics with which Keith Holyoake or Norman Kirk or even Robert Muldoon were familiar will be well advised to stick with MMP.

Not that the system is beyond improvement. Apart from the necessary adaptation of politicians and voters, which was bound to take a little time, there are a number of mechanical changes that are worth making. I will mention two, both of which I think would have been supported by the Royal Commission if we had reconvened. The first is ending the waiver of the 5% threshold for parties that win electorate seats. The supposed rationale for the waiver, adopted from Germany, is that any party with sufficient support to win an electorate, should be entitled to its share of list seats, even if it has not secured 5% of the total nationwide vote. The rationale is weak and outmoded, being based on giving electorate seats a value which is inconsistent with the party proportional principles of MMP. More

important, as was demonstrated here in Wellington Central, it can encourage tactical voting which is perverse and potentially unfair. Secondly, I would strongly support moves to require list MPs who resign from their parties to leave Parliament as well. They have no authentic standing as independent MPs. Not that electorate MPs who resign from their parties have much credibility (though they have slightly more under MMP than under First Past the Post). It is to be hoped that there will be opportunity to introduce these and possibly other minor improvements before the stampede to overthrow the system as a whole.

One other, less immediate issue is at least worth raising, that of voter turnout. The number of voters who exercise their right is an important measure of political accountability because it determines the degree of attention that politicians and the political system generally give to the voters' preferences. If significant sections of the electorate do not exercise their vote then their interests can be safely ignored, particularly when they clash with those who vote in large numbers. There is a worldwide trend in developed countries for turnout levels to decline. World leader in this trend, as in so many others, is the United States where turnout in presidential elections has fallen well below 50%. The US political agenda has become dominated by the voting minority, drawn disproportionately from those who are wealthier and older. By world standards, New Zealand has always had very high levels of voter

turnout. But it has not been exempt from the worldwide decline. This was halted in the last two elections, presumably because of heightened interest in the election system itself and also because, under MMP, the number of supposedly 'wasted' votes is reduced. But such effects are probably temporary and gradual decline may reassert itself. Advice from Australia is always unwelcome in New Zealand and I hesitate to mention the institution of compulsory voting which is as entrenched across the Tasman as voluntary voting is here. But New Zealanders who care about democratic participation and the effectiveness of political accountability will, I suspect, be increasingly drawn to compulsory voting as a means of reducing the growing inequality. The longer this issue is left off the political agenda, the harder its introduction will become. As turnout declines, the more difference compulsory voting would make to the outcome of elections and the more vested interests will be ranged against it. Better to start thinking about it now.

So much for the future. Returning to the theme of assessing New Zealand's experiments, the main general conclusion is one of caution about drawing general conclusions.

Local historical experience and political culture are crucial to understanding both the reasons for the changes and their effects. Attempts to export the so-called New Zealand model of institutional change will fail if they are insensitive to local conditions. Confining ourselves to effects within New Zealand, the assessment of New Zealand's experiments to date is that, in some respects they have succeeded in asserting the public's democratic right to call its governments to account. New Zealand ends the 1990s with its public service more tightly under political control and its politicians more responsive to public opinion than when the decade began. In that sense, accountability and democracy may be said to have been enhanced. At the same time, we need to remember the broader, contrary trends of globalisation mentioned earlier. These reforms have taken place within a context in which governments have surrendered some of their power to govern and political communities have less capacity to control their destinies. Democracy is in general retreat worldwide. In such circumstances, what is at issue is the extent and speed of loss. New Zealand governments have, in some

respects, been eager to hasten this trend, most notably in their willingness to divest themselves of state assets and to distance public agencies from ministerial direction. On the other hand, certain elements in New Zealand's democratic political culture have been remarkably resilient, notably the public's concern to hold politicians to account and the public servants' willingness to accept political direction. While the scope of government may have shrunk, the extent of popular influence within the state's remaining orbit has, in some important respects, been enhanced. At the very least, the retreat of democracy has been fiercely contested and is certainly not a rout. ☞

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