

*Judgements of all kinds: economic policy-making in New Zealand 1945-1984*

By Jim McAloon

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Reviewed by Geoff Bertram

This book uses documents held by Archives New Zealand to flesh out what has been long known from published sources about New Zealand policymaking and official policy advice in the four decades after the Second World War. The focus of the primary research is on Treasury and the Cabinet Economic Committee, with some material also from the former Industries and Commerce Department and rather little from the Reserve Bank. There are few surprises and no really striking new revelations, confirming my impression that the level of transparency in official thinking and attitudes was generally high, and that officials' thinking was in tune with the general public's understanding of economic issues.

Having emerged from the archives with no headline-grabbing novelties, and with the 1984 terminal date for his primary research set by the 25-year rule, McAloon will have been faced with the difficulty of how to frame his book to make it relevant to contemporary readers, in a country which has been run for three decades since 1984 under a set of economic doctrines and assumptions that differ radically from the mindset of previous generations of officials and ministers. His solution is an awkward one that does not quite come off: seven chapters of detailed chronological treatment of the New Zealand economy's problems and policy responses from the 1920s to the early 1980s, sandwiched between opening and closing chapters that are almost entirely a critique of the post-1984 policy regime. The result is two separate and incomplete projects, tied together by the hope that detailed exposition of the pre-1984 policy "settlement" will suffice to illuminate the inadequacy of the post-1984 neoliberal dismissal of everything that had gone before.

The two projects are incomplete for opposite reasons. The pre-1984 history has been left without a proper synthesis that might have provided a clearly-articulated conceptual framework to bring into sharp focus the essentials of the mid-century settler economy. Meantime, McAloon's frontal assault on the post-1984 architects of Rogernomics lacks proper grounding in detailed evidence from official documents and the detail of historical events. McAloon is frustrated by the post-1984 generation's wilful forgetting of what previous generations knew and did, and by their tendency to sum up the postwar era with cheap and inaccurate slogans about "Polish shipyards" and "xenophobic Keynesianism". But a better way of dealing with that frustration would have been to forego the angry polemics of Chapters 1 and 9, and instead to have devoted those chapters to teasing out exactly what can be learned from the detail of policy discourse and economic performance in the pre-neoliberal era.

The book's basic themes, McAloon declares in his preface (p.10), are two: "the postwar settlement and "a settler economy in transition". The first of these is code for the long-running bipartisan political acceptance of central elements in the social and economic policy package put in place by the First Labour Government (1935-49). The second is code for a small primary-commodity-producing economy on the periphery of the world system, facing the continual problem of how to sustain and increase living standards that had historically been at the top end of the world income distribution, but which were continually threatened by the prospect of weakening of the growth locomotive provided by the country's staple exports of meat, wool, and dairy products.

Neither of these themes receives the thorough synthesis and analysis needed to keep all the detail of Chapters 2-8 in clear focus. The exact nature of the “settler economy” is never addressed in depth; on the contrary, an intuitive understanding of the model on the part of the reader seems to be taken for granted. Similarly, the nature of the postwar settlement is largely left to speak for itself through the historical detail, leaving rather unclear the reasons for its collapse – though McAloon seems to assign much of the blame to the excesses of the Muldoon regime as well as to its quest for “a decisive breakout from the staples trap” (p.175).

By letting official advice speak for itself through extensive quotations, without effectively providing a perspective on it, McAloon perpetuates the myth of the “fragility” of the settler economy (p.110) – a myth that seems, to this reader at least, to miss the key point that continuity and solid foundations were central characteristics of the New Zealand economy and economic policy throughout the period, and provided the glue that held the postwar settlement together. Officials and ministers were in the business of using quantitative policy tools to protect a balance of payments that was continually threatened by rising living standards and the associated growth in consumer demand for imports under a fixed exchange rate. Their advice often has an air of desperation, reflecting their awareness of the unpopularity of austerity measures to restrain popular consumption aspirations as the price of keeping the economy back from the abyss of overseas borrowing. But one should not confuse stressed officials with a stressed economy. The policy tools were there, and they were used with skill, and to good effect, to preserve full employment and egalitarian social policy in a growing economy subject to a foreign exchange constraint. Import controls, price controls, credit rationing, capital controls, foreign exchange control, centrally-fixed award wages and the like get a bad press from neoclassically-minded economists, but they were standard policy devices used worldwide in the post-Depression era, and McAloon’s book shows that they successfully served their purpose in their time.

Consciously having to address the foreign-exchange constraint also meant that officials and quasi-official think-tanks throughout the postwar era were eagerly exploring options for diversifying production and exports, and they made significant progress in that direction before their programme was swept away in the policy blitz after 1984.

It is ironic that the pre-1984 era to which Belich’s label of “recolonisation” is attached – and accepted by McAloon (p.15) – turns out in the course of Chapters 4-8 to have been a period of consistently high focus on the risks of overdependence on staple exports, and creative thinking about alternatives. In contrast, the post-Rogernomics decades have been a period when structuralist thinking about the macro-economy has virtually died out, while the market dynamics of comparative advantage have been left unchecked to drive New Zealand back to deindustrialisation and extreme reliance on dairy exports to a few key markets (especially China). McAloon’s judgment that by the 1970s “the traditional settler economy had gone” (p.171) may have been premature.

There are, in short, several themes that could have been distilled from the archival detail, but which here tend to be swamped by it. There are nevertheless a number of real strengths in the book – in particular chapters 2 and 3 on the 1930s and 1940s, which provide an outstanding introduction to the policies of the First Labour Government and the problems of operating within the sterling era as sterling went into decline.

The detailed endnoting is wide-ranging and useful, though at one point the two Hollands, Sidney and Harry, seem to be confused with one another (notes 6 and 7 to p.80), and note 111 to chapter 5 condenses the 1948 relationship of Ireland to India into obscurity.