

Stout Centre forum

BOOK REVIEW

A consolidation phase of the revolution

The New Zealand Experiment: A Model for World Structural Adjustment?

Jane Kelsey, Auckland University Press, \$39.95.

Reviewed by Brian Easton

EARLY IN *The New Zealand Experiment*, Jane Kelsey writes about a 1993 colloquium sponsored by the Washington-based Institute of International Economics. Its convenor, John Williamson, is reported as suggesting that societies have a natural tendency to become sclerotic and their flexibility declines, a reference to Mancur Olson's *The Rise and Decline of Nations: Economic Growth, Stagflation and Social Rigidities*. Kelsey continues Williamson's analysis that:

[w]hen a major crisis occurs within an existing system it creates new initiatives for actors who until then have been prevented from taking the initiative. Where a crisis does not occur 'naturally', it might make sense to provoke one to induce reform. The most effective time for the reform is to act in the honeymoon stage immediately after taking power, when the need for, and costs of, reform can be blamed on previous governments. ... Structural adjustment is likely to be easier where the opposition can be discredited and disrupted, or repressed. Successful implementation ... also requires a team of technocrats who have a common, coherent views of what needs to be done and who command the instruments of executive power. They need a leader with a vision of history who is unconcerned with the political or personal fallout from radical and popular reform, and who preferably will be a technopol.

I have quoted Kelsey at length, because this is a brief summary of the thesis she is exploring: a group of technocrats (those "who advocate organization and management of the country's industrial resources by technical experts for the good (*sic*) of the community") and technopols ("technocrats who have assumed a position of political responsibility") seize an opportunity

to implement a favoured program, broadly independent of the peoples wishes. Much of the book is a carefully documented account of how they did so in New Zealand politically and in terms of particular policies, plus an evaluation of the outcomes.

Kelsey does not examine in detail the thesis that New Zealand society was sclerotic and inflexible. It is easy to argue that it was, although Olson's own argument is far from compelling. (Incidentally Olson was hardly mentioned in New Zealand before about 1986, even though as Kelsey and Williamson imply, he offers one of the best theoretical justifications for a revolution in 1984 reforms, although not necessarily for the way they evolved). The issue is not trivial, because we may wonder whether the current society is any less sclerotic

than its predecessor. The inability of the system to grasp the failure of the 1991 health reforms, and provide an alternative, suggests an inflexibility parallel to that of the Muldoon years.

The Institute of International Economics favours a particular policy program, euphemistically called

"structural reform" which at minimum is the abandoning of border protection and assistance, and the following consequential policies. But this reduces the Williamson analysis to pleading for a particular policy. Parallel instances of communist, fascist, and anti-colonial revolutions, to which the quote from Kelsey could apply (with only minor alterations) would be dismissed. No doubt the Institute of International Economics wishes to distance itself from such regimes, just as Stalin wanted to distance himself from Hitler – and vice versa. But from a not too medium distance the authoritarian similarities are evident enough (as Kelsey underlines in her chapter on the democratic deficit). It is worth recalling that Lenin, Franco, and Pol Pot – to name but a few revolutionary leaders – all believed that they were acting for the good of the wider community. So were the technocrats and technopols of the New Zealand experiment. It is not sufficient to claim that what distinguishes Roger Douglas from Lenin or Ruth Richardson from Pol Pot or our technocrats from



those who designed the concentration camps, is they had better intentions or better theories. How do we understand "better"?

If the test of better theories is better outcomes, Kelsey shows in her chapters on the economic, social, democratic, and cultural deficits, that the reformers can hardly claim retrospectively theirs was better, other than by distorting the reality of both the statistics and the everyday lives of the people. They forget an ineluctable law of revolutions is that while the successful revolutionaries may prosper, this is no indication whatsoever of the fortunes of the populace.

The revolutionaries' lacuna is they have no Jane Kelsey, no one to write a convincing account of what happened from their perspective. Roger Douglas' last book looked as though it was designed by a drunk or dyslexic typesetter, Richard Prebble's is littered with anecdotes he swears are true but which I have heard related with equally sincerity in many other countries, while David Lange's writings suggest he was out of the country between 1984 and 1990. Everyone may be waiting for technopol Roger Kerr, but he is yet to prove he is capable of writing something more substantial than a speech to a receptive audience. His avoidance thus far of numerous critical issues – how to explain the 1987 sharemarket crash, how to explain that members of the Business Roundtable were incarcerated for fraud, how to explain the poor economic performance, how to justify the anti-democratic elements of the reforms, and so on – suggests he is not unaware of the deep difficulties involved in any comprehensive account from the reformer's perspective.

Kelsey has kept detailed records of events over the years, although for my taste she is overly dependent upon newspaper sources rather than primary sources. This, her third, book contains a wealth of detail, which prompt or enhance the memory. The sequence of books has a further role of reminding us the experiment has moved on.

The latest emphasizes that we are in a consolidation phase of the revolution. Many readers may find this the most novel notion of the book, for too many resistors still think the reforms are in their early state. They are not: the experiment has now been underway for more than 12 years. Moreover, the reformers have been very successful in maintaining their hegemony and that of their policies. This is partly a consequence of the repression of alternative view and dissent, as recommended by the Institute of International Economics. But it also suggests that there is some sort of validity

in the reforms, at least in terms of that which they overthrew.

Kelsey assesses the promises and the outcomes from the perspective of ordinary people, with a Rawlesian bias towards those on the margin. The failure of the rhetoric of reform tells us something about the relevance to the political economy of those outcomes – about the relevance of ordinary people. Like so many other twentieth century revolutions, the New Zealand revolution seems to be more about power than prosperity. What is needed is a theory of the reforms and that which went before, which does not simply reject the reformers' account but incorporates it into a comprehensive one. That is why the dissenters so desperately need a coherent defence of the reforms, rather than the inadequate ones which rely on authority rather than intellect.

Kelsey's chapter on alternatives, which received the most criticism in the reviews of the first edition, has not been changed in the second. The reviewers were, it would appear, disappointed because having read such stirring material for 347 pages they expected a equally stirring alternative in the last 24 pages (excluding the appendices where, incidentally, the clumsily named "manual for counter-technopols" is worth being read, photocopied, and put up on the noticeboard). Kelsey has another agenda. Perhaps she has doubts about great schemes of reforms, perhaps she is less confident of knowing what is "good" for the people. In any case, her alternatives are about grass (and flax) roots strategies which build up from the actions of individual people to lead to the new society. (The revised edition's epilogue see some of these activities evolving, although I am cautious as to whether this is the new growth of a genuine spring, rather than the same hardy plants of the winter.) It is inherent in such a strategy that no one can direct or predict it, only encourage and foster it.

However if, as Kelsey appears to believe, the state is an effective means of a society pursuing some of its social objectives, any alternative has to include the state playing a constructive role. The irony is that 'reformers' who claim to scale down the power of the state have used its centralised power to pursue their goals; while 'dissenters' who wish to resist their changes have only voluntary collective actions to assist them.

One looks forward to Kelsey's next book. The indications are that she has moved on, using the IIE model and the New Zealand experience to tell an international story. Hopefully, it will devote more space to effective alternative strategies.