

# Reflections on *Not In Narrow Seas: The Economic History of Aotearoa New Zealand*

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This book by Brian Easton is a true magnum opus. It takes an extremely long-term view, moving from the geological formation of the land millions of years ago, forward to its social and economic transformation today. What holds the narrative together is the economic lens applied by the author, as he takes us through social change, economic development, cultural diversification, revealing trends, shocks, stability, and uncertainty.

Producing this work has involved the author acting in different modes: Part One ‘Beginnings’ takes a geological, climatic and anthropological approach; Parts Two and Three on ‘Settlement’ and ‘The Pastoral Economy’ involve more traditional historical research and analysis; Part Four on ‘Post-War Prosperity and Change’ also reflects the author’s own lived experience; Part Five ‘Rogernomics’ is a result of a battle he has lived and fought; and Part Six ‘Ongoing’ is more scientifically-speculative.

The Epilogue contains 16 themes [see above]—propositions that the author sees as capturing the differences in his political economy approach. I will focus on just one of these, a cut through the complexity of the arguments, namely Number 10: “There has been a constant tension between market direction and central direction”. This question of what should be delivered by the market and what by the government is a constant theme through the history of most countries, particularly over the last century with the challenge of socialism versus capitalism, and it has engaged many economists. New Zealand has not escaped this tension. I will examine it under half a dozen headings:

- (i) Social Objectives: Are social objectives effectively being set from the top-down or the bottom-up? Chapter 39 on the ‘Social State’ and chapter 40 on ‘Diversity and Choice’ give an account of how a focus on economic survival before the 20<sup>th</sup> century transformed to economic growth with evolving social objectives from the 1930s to the 1970s, and a particular focus on GDP and productivity in 1980s, a trend now moderated by the attention to well-being.
- (ii) The Application of Power: Is economic control centralised or devolved and fragmented? The book takes us (in chapter 53 ‘Popular Democracy’) from iwi-based governance through provincial government to national government, but reflecting that in more recent years there have been diverse trends in centralisation of controls (for example, see the continuing swing of health policy between central and devolved control.)
- (iii) Economic Allocation: Does this mean central direction or market pricing? Chapter 5 on ‘Māori Meet the Market’, chapter 23 on ‘The Great Depression’, and chapter 42 on ‘The Great Inflation’ take the reader from iwi-based direction to Western markets in the 1880s through the socialism/capitalism debates of the 1930s, the (Sutch) planning of the 1950s, to the Washington Consensus of the market-based 1980s.
- (iv) Market Control: What about the tension between free markets and intervention? Chapter 41 on ‘Majoritarian Muldoon’ takes us through the evolution of macroeconomic policy from Keynesian and sometimes mercantilist policies of the 1960–70s to the freer market focus of economic policy in the 1980s–90s.

- (v) Governance of Regulation: How does the tension between the different arms of government impact political economy? Chapter 52 on ‘The Hollow Society’ throws up the tension between politicians (for example, Robert Muldoon), the executive (for example, the New Zealand Treasury), semi-autonomous Crown entities (for example, the Reserve Bank or the Commerce Commission), and the courts—a battleground over competition policies, resource management and macroeconomics policies.
- (vi) Workings of Regulation: What about the policy tension between discretion and rules? Chapter 47, ‘Implementing More Market’, contains a story of how until the 1970s exchange rates, tariffs, prices and wages, and other market regulation was all subject to significant political direction; a decade later the Fiscal Responsibility Act, the Taylor Rule in monetary policy, and Free Trade Agreements had embedded semi-autonomous working rules that reduced such discretion.
- (vii) I have examined just one of Easton’s themes to provide a cut into the book. The conclusions of this particular theme are that the tension between market direction and central direction in the New Zealand economy has varied over time, and as it has moved, it has led to different socio-economic outcomes. There has been a trend to more decentralised price-driven allocation through market institutions, but to see this as a linear process would be to miss the complexity of the arguments and the richness of the work.