

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

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Studying history helps us to understand the present—how did we get to where we are today? In this sense, Brian’s book reads to me as an attempt to answer the question: where on earth did Rogernomics come from? Was it an organic, logical product of the past course of New Zealand society and economy or was it a temporary and ultimately unsustainable ideological capture of the state in what Bruce Jesson (cited by Brian on p. 99 of his book)¹ called a “hollow society” lacking checks and balances?

Start at the beginning with Brian’s comment that “*government preceded European mass settlement*. In other former colonies such as the United States, settlement began 150 years before a federal government was formed. *This meant that American society produced deeply rooted social institutions with which the state had to negotiate or contend. New Zealand, by contrast, was a ‘hollow society’, without independent entities to mediate between the government and individuals*” (p. 14, emphasis added). On p. 99 Brian does add the rather fundamental qualification that “Māori society had a similar organic evolution” to the American colonies, and Chapters 2 to 5 remind us that for several centuries prior to the establishment of British rule, the Māori economy and society had been developing “deeply rooted social institutions” with which the [Pākehā-run] state after 1840 had to “negotiate or contend”. First there was negotiation in the path to the Treaty; later there was contention as the state became the agent of alienation of the resource base of large parts of the Māori economy.

Chapter 8 describes the newly-installed state after 1840. While not an outgrowth of the preceding centuries of Māori development, nor was it for the first decade a settler creation (though it later became a creature of the settlers). It was an outside, alien construct that initially stood apart from the mass of the governed population and gained a culturally-connected mass base only as settler numbers swelled and the settler population became strong enough to establish responsible government, enabling the British Government to devolve revenue-raising tasks to the settlers—see George Grey’s transition described on pp.118-19. The parallel Māori experiment in self-government (the Kingitanga) was excluded, not incorporated, and survived to the end of the century only on the political margin.

Looking both backward and forward from 1840, some reflections

Looking *back* through the history of Britain itself, one encounters two instances where an outside power, lacking an indigenous base of its own, imposed a new governing order on the local population: the first century AD with the Romans, and 1066 with the Normans—the latter alluded to on p. 92 where Brian notes the different approaches of Saxons and Normans to the power of the state over land. Neither of those events was the forerunner of a settler colony: only a few Romans and Normans actually settled in Britain, so that the relationship between rulers and ruled was more akin to Britain’s nineteenth-century colonisation of India or Africa than its establishment of settler colonies in the temperate zones.

On p. 81 Brian makes that distinction between a “subject colony” and a “settlement colony” [note that this is not the same as the distinction between exploitation and settlement], and on p. 95 portrays Hobson as wanting to set up the first, not the second—the Roman/Norman model. But—not for the last time in Aotearoa New Zealand—the government was quickly outflanked

by the market (on that occasion, opportunistic speculators organising shiploads of migrants), as described in Chapter 9. The ‘subject colony’ model, in which Māori leaders and institutions would surely have played a central role, was dead on arrival.

Looking *forward* from 1840, after starting as an alien transplant following the Treaty signing, government quite quickly—by the mid-late 1850s—became an organic expression of white settler society. By the 1930s, as a new Pākehā national consciousness took root and flourished, the state became a pragmatic embodiment of the great interest groups that had consolidated in the post-colonial settler state. That led to what Jim McAloon calls the “postwar political settlement”,² epitomised by the 1972 Royal Commission of Social Security and the 1967 Woodhouse Royal Commission described in chapter 26; and by the health service, education and social housing programmes described in Chapter 27. The political and economic apogee of settler welfare capitalism is described in Chapters 31–35 and 39–41. Although the postwar settlement persisted until the radical break of 1984, the stresses building up within it—especially after the 1966 terms-of-trade shock – are recounted in several of the chapters in Part IV.

The arrival of Pasifika, and re-emergence of Māori, as political and economic players (Chapters 36 and 37) meant that the settler envelope had to be reworked to accommodate them, while the tightened balance of payments constraint meant that by the late 1970s and early 1980s policymakers faced again the issue addressed by the 1933 Economic Committee (p. 256): how to “spread the loss resulting from the depression more evenly over the community”. That 1930s issue of sharing around farmers’ losses had switched to sharing out farmers’ rents in the 1950s and 1960s until the wool price collapse; but then the burden of farmer losses had again to be allocated. The settler state needed either some externally-funded escape from the trap of a stalled staple export sector, or some new way of arranging the local economy and society. None of those gathering stresses in the post-war settlement, though, nor the sharper vested-interest cleavages of the Muldoon era, logically entailed Rogernomics. Brian on pp. 478-80 introduces the term “modernisation” to refer to progressive policy shifts that resolve imbalances and clear the path for economic success, and he suggests that Muldoon’s central shortcoming was to allow entrenched interests to block modernisation in that sense, causing “sclerosis” in the body politic. He argues on p. 485 that “without modernisation the economy and society stagnates; if it stagnates too long the tensions between the institutions and reality become politically explosive; in this case they led to the revolution of Rogernomics.”

Which brings me to Part V and that basic question: where did Rogernomics come from? Brian opens Chapter 46 with a distinction between a more-market modernisation strategy and a neoliberal one which he defines as “the role of unconstrained markets [being] maximised” (p. 487) under an anti-state agenda (p. 488):

The distinction between the two philosophies of more-market and neoliberalism lies in the role of government. The first has some trust in the government, and sees the market as the means by which the government or the community operating through it can effectively regulate the economy. Neoliberalism in its American political form of right-libertarianism deeply distrusts the state and sees the ‘free’ market as the alternative, prioritising property rights over personal welfare.

Moderate more-market, Brian suggests, would have been the correct response to the 1970s sclerosis and the worsened external situation. Neoliberalism was not. Interestingly, he suggests that the 1984 advice from Treasury and the Reserve Bank was “more-market but not neoliberal” (p. 488)—an issue deserving more discussion than I can offer here. The Labour

Party certainly was not neoliberal—nor was the general public. But as theme eleven in the epilogue rightly notes (p. 642) “New Zealand Governments may not reflect the people’s preferences”.

So Rogernomics came from somewhere other than the general political environment, or any policy *imperative* flowing from the economic conjuncture following the wool price collapse of the 1960s. In Brian’s account it boiled down to five individual strong-minded officials and three (later five) Cabinet ministers (pp. 488-89 and 507), showing that “a powerful few could rule the country virtually without constraint” (p. 489), and casting some doubt on theme thirteen in the epilogue (p. 643) “a nation’s history is not dominated by great men and women”. Basically his story is that Rogernomics was extreme, top-down, and sought to destroy rather than reframe the settler society’s “ambiguous relationship with their government” (p. 495). Its failure to deliver on its promises of greater growth and general prosperity was because of that extremism.

But Brian argues that “little of its extreme version stuck” (p. 492), which seems to me out of sync with chapters 48–51 which are very much about things that “stuck”, and indicate that much of the lasting social and economic damage to the social fabric flowed from the extremist philosophy rather than the underlying more-market thrust. (He also argues (p. 588) that it’s “too soon to tell” what the long-term outcome of Rogernomics will be, which is a rather generous kick for touch.)

The COVID experience certainly confirms that the neoliberal project failed to produce “a fundamental change in New Zealand’s culture” (p. 495) of strong dependence on the state: “Even if there had been a miraculous outbreak of affluence as a result of the neoliberal policies, New Zealanders would hardly have abandoned their demands for more government spending and government aid.”

When Brian says of Rogernomics (p. 15) that it was “a deep and self-inflicted wound in the economy unique in our history”, I found myself thinking that the Northland, Taranaki, Waikato and Bay of Plenty Māori experience of the 1840s, 1850s and 1860s should probably be added. The New Zealand Wars and Rogernomics really form the natural bookends of Brian’s narrative, with the nascent, then ascendant, then stalled, settler state in between. Jesson’s “hollowness”—the gap between state and society—was not a constant. It narrowed progressively from the 1850s through to the 1970s before breaking out again in the 1980s. (The question whether a new narrowing of the gap is currently underway is implicitly the issue underlying Part VI of the book.)

None of this is intended as a criticism of the book. The book stands squarely in the tradition of mainstream New Zealand historical writing over the past century, and New Zealand over that period has been unequivocally one of the world’s settler economies, so that a focus on economics as generally understood means inevitably that the settler economy is in the forefront. And plenty of the book does take us into Māori society and economy—chapters 2–5, 13, 30, 36 and 57. But that architecture is revealing—Māori matters require separate treatment. My own excursions into New Zealand history have had the same general character: a focus on the settler economy with a sidebar on the Māori one, until New Zealand evolved out of the mid-twentieth-century integrationist vision and into the Treaty-partnership characterisation of our national identity.³

So most of the book is written, inescapably I guess, from within the perspective of the white settler economy and culture. When in the introduction Brian quotes Curnow speaking of “a land of settlers with never a soul at home”, and reflects on “cultural cringe”, these are experiences located within Pākehā settler society and consciousness. When pages 242 and 259-60 review the great cultural surge of the 1930s that laid the foundation for the new national self-consciousness, it’s about white-settler poets, authors and artists, as is Peter Fraser’s cultural expansion of the 1940s (Chapter 25, p. 269).

Brian ends the book on an optimistic note about the hollow society. In the 1980s, he says (p. 547) “so many institutions were beholden to the government that they could not convey the people’s opposition to the government nor restrain its excesses.” His chapter 52 goes on to recount the weakness of local government, the courts, the labour movement, science, the universities, the media, voluntary agencies, public intellectuals, and the arts community, none of which were able effectively to check the single-minded neoliberals in power. “This is now changing” he says; I hope he is right. And MMP he categorises in Chapter 53 as “a popular revolt” (p. 557) which has stopped elected dictatorship in its tracks. Again, I hope he is right. (He was of course writing before the 2020 election outcome).

But is there a missing link still? The hollow-society explanation for Rogernomics relies on a gap or disconnect between government and the wider public that puts them out of touch on opposite sides of key policy issues, or places insufficient checks on exercise of its powers by the state. As to the second of these, Brian’s description of the stalemate amongst the great interest groups during the Muldoon years emphasises the strength, rather than weakness, of (admittedly informal) checks on the state’s power that provided, as he later acknowledges, one of the key justifications for the take-no-prisoners approach of Roger Douglas. And as to the first, some of the most savage parts of the neoliberal programme have strong roots in the undergrowth of settler society. Reading about the Employment Contracts Act of 1991 one recalls the May 1932 legislation described on p. 249 that freed employers from compulsory arbitration and allowed them to make take-it-or-leave-it offers—and an entire century of debate over labour market institutions in which the continually frustrated project of a significant number of employers was to break the unions and bring in unrestrained wage bargaining. Reading about the 1972 McCarthy Royal Commission on Social Security, one is reminded how unexpectedly radical it was as a break from longstanding punitive public attitudes to welfare catalogued by Frank Castles—attitudes that resurfaced in Ruth Richardson’s *Mother of Budgets* and have sustained its approach politically ever since, adding in three-strikes along the way.⁴ Reading about the late-1980s state-sector privatisation on p. 510 one recalls the nineteenth-century Auckland business community’s quest for speculative profits from the Waikato lands confiscated after the war, described in Chapter 16—in a way Alan Gibbs, Graham Hart, Michael Fay and David Richwhite bear an uncanny resemblance to Thomas Russell, Logan Campbell and Josiah Firth (Chapter 16). Rogernomics was surely more than just the personal views of a few individuals at the apex of government: it was also an eruption of the frustrated ambitions of business and financial interests who had felt themselves shackled by the chains of the post-war settlement welfare state.

¹ All page references in this note are to Brian Easton, *Not in Narrow Seas: the Economic History of Aotearoa New Zealand* (Wellington: Victoria University of Wellington Press, 2020). The phrase “hollow society” can be found in Bruce Jesson, *Only Their Purpose is Mad: the Money Men Take Over New Zealand* (Palmerston North: Dunmore Press, 1999).

² Jim McAloon, *Judgements of All Kinds: Economic Policy-making in New Zealand 1945-1984* (Wellington: Victoria University Press, 2013).

³ Geoff Bertram, “The New Zealand Economy, 1900-2000”, in G. Byrnes ed. *The New Oxford History of New Zealand* (Melbourne: Oxford University Press, 2009).

⁴ See F. G. Castles, *The Working Class and Welfare: Reflections on the Political Development of the Welfare State in Australia and New Zealand, 1890–1980* (Wellington and Sydney: Allen & Unwin, 1985).