

ON THE DRY SIDE 185 NEW ZEALAND John Hyde
New Zealanders talk as men who have woken from an economic
nightmare.

Michael Fay, a highly successful New Zealand merchant banker, is here to take the America's Cup home, but over scrambled eggs and coffee he talked of the new New Zealand. He did not look or sound like a Labour Party admirer but spoke highly of the Lange Government's dose of economic salts and confidently of his country's future.

Asked about by 'Closer Economic Relations' (CER) with Australia he said he was all for it, except he was concerned that free enterprise New Zealand would be held back by Australia. That hurt!

It is only three years since I wrote: "Not many Western nations have more protected industry and lower rates of growth than Australia - but New Zealand has ... CER would become a tragedy for Australia if either country were prevented from trading with the rest of the world in order to protect uncompetitive industries in the other. Australia has on the whole more competitive industries and the tail might wag the dog."

In the past two years the Lange Labour Government has deregulated New Zealand such as no other leader since Chancellor Erhardt deregulated Germany to unlock the 'Wirtschaftwunder' - the economic miracle.

Erhardt's and Lange's clean sweeps avoided many of the political and economic difficulties which beset less precipitous reformers such as even Mrs Thatcher.

In spite of short-run agony I am increasingly confident the New Zealanders are showing the least painful way to unmake an economic mess. The New Zealand experiment is far from over but we cannot afford to wait the final accounting.

Their experiment should be exceptionally instructive to us because of what we have in common. After the conservative interventionism of Muldoon and Fraser we are both moving toward more liberal economies under Labour Governments. Deregulation of the financial markets, Button's efforts to reduce protection, Kerin's efforts to deregulate agriculture, and Walsh's often unsuccessful efforts to cut waste are important gains, but compared with the successes of New Zealand Treasurer Roger Douglas they are puny and patchy.

I doubt either Mr. Hawke or Mr. Lange quite understands what is going on, but reforming ministers suffer more Prime Ministerial interference in Australia than in NZ.

For good and evil divided authority slows change. New Zealand has no upper house to give the vested interests time to muster. It has no grandstanding Premiers of little economic wisdom.

Both nations have Oppositions prepared to simplistically capitalise on disaffection. Both Labour Parties suffer a 'mad left' to whom costly obeisance is made.

There is one important difference between our two countries: New Zealanders thought about their Banana Republic in 1984.

In both countries reform has run against an inflexible, regulated labour market - the bump was harder in Australia. Both Governments seem to accept that this will thwart their goals but both have tip toed among party sensibilities. Both tried to fudge the issue; neither could.

The Hawke Government commissioned three Industrial Relations Club Members, Professor Hancock, Mr. Fitzgibbon and Mr. Polites, to prepare a white paper. The Lange Government issued a rather wet Green Paper, "Industrial Relations: A Framework for Review".

I was sent a copy of the Business Roundtable - the equivalent of our Business Council - response to this green paper with the laconic comment that the response would 'pass most hydrological tests'. It does. It goes considerably further than the Howard policy in calling for a free labour market.

The Business Roundtable sees, as Erhardt saw, that to liberate an economy it is necessary to clear every bottleneck - that as one bottleneck is cleared pressure builds up behind the next - that it is surer, safer and less painful to unblock them all together than to allow pressures released by deregulation of some to build up against others only to find release in unemployment and exchange rates.

New Zealand has dismantled, or is dismantling, trade barriers, farm subsidies, and financial and transport regulations.

The NZ unions must know that they are the last important bastion of privilege. The OECD observed of NZ that: "The area where there has been least reform, and which may give the most problems in trying to ensure more rapid adjustment of the economy is the labour market."

The Roundtable says that "the New Zealand community has the intelligence to realise that industries in countries like the United Kingdom have been destroyed or greatly impaired by labour market rigidities, and we do not need to experience the same fate before corrective action is taken." - A bold assertion!

The Roundtable submission assures us: "[The] proposals do not reflect merely the specific interests of employers, still less those of larger business." It completely rejects accords. I detected nothing in the submission that would preserve any advantage for big businesses over little businesses. It explained carefully how the employees' interests were to be enhanced. And it advocated no prestige or perk-distributing councils for

industry's captains. My cynicism about political lobbies seldom fails me but I believe this one might have New Zealand's interest in mind.

The nightmare, in which New Zealand went down an economic plughole, and deregulation itself, have already worked a considerable change in attitudes. New Zealand will remain the smaller CER partner but it could, in time, lead us as Singapore does ASEAN. Let the tail wag the dog!