



A Newsletter on Social Justice Issues

Welcome to the December 2023 edition of 'Do Justice' as we continue to discuss issues of social justice from a Christian perspective in the tradition of Micah and St Francis.

Rules and Regulations

Some political parties seem to regularly want to get rid of rules and regulations, usually those that affect business. This year has been no exception. Why do we have rules and regulations, do they serve a purpose?

Every bill that Parliament passes and becomes an act, is in fact a 'rule' or a 'regulation', without them we would not have a functioning democracy or society. We need rules to protect us as individuals, to protect our infrastructure that has been built to serve us, to ensure that potentially dangerous items are used correctly and generally to allow the people of this land to live in harmony and safety. The vast majority of New Zealanders accept that rules are necessary, and we have a way of making rules that allows input from us all – the parliamentary system. The justice system, police, courts, prisons etc, are there to ensure that rules are generally followed and deal with those who fail to follow the rules.

The way we handle the so called 'law and order' issues always seem to be the subject of political debate particularly at election times and, again, this year has been no exception. The new government will make changes and even if we do not agree with the changes, we will probably accept them.

But our rules do not stop at 'law and order' issues. We have rules covering many other things. The Building Code is one example. Rules were developed over many years to ensure that houses were built safely and would stand up to anticipated stress from earthquakes and weather. Where houses, and other buildings can, and cannot be built, are also subject to rules.

Rules can be changed, by parliament, and by our local authorities. In the 1990s the Building Code was completely rewritten as part of the neoliberal revolution which advocated for less government. The result was the 'leaky building' crisis of the 2000s and 2010s. Changing rules can have negative impacts and be very expensive for those affected.

The Resource Management Act of 1991 has probably had a greater impact on how society operates than any other legislation from the neoliberal era and is possibly the least understood. The purpose of the Act was to promote the

sustainable management of natural and physical resources by managing the use, development, and protection of natural and physical resources in a way, or at a rate, which enables people and communities to provide for their social, economic, and cultural well-being and for their health and safety.¹

It soon became apparent that aspects of the Act needed adjusting and successive governments have regularly amended it. A possible rewrite of all the legislation has been talked about for over 10 years. The last government concluded that a new act was necessary, in fact more than one act. And earlier this year passed the Natural and Built Environment Act and the Spatial Planning Act which the new government has said it will repeal. What National and ACT have not said is what they will replace it with, but they have said that they want less regulation particularly when rules are applied to businesses and companies. Let us hope that we do not get another version of the leaky building syndrome as a result of their changes. We now have a Minister of Regulations (maybe it should be non-regulation). David Seymour needs to be very careful that any changes he makes do not make matters worse rather than better.

The role of government and neoliberal philosophy

Over the years we have regularly written about the neoliberal revolution of the 1980s and its impact on society in general and New Zealand's society in particular. Naomi Oreskes and Erik Conway's latest book *The Big Myth*² looks at the history of neoliberalism in the US from the early 1900s to the present day and, to quote the book's subtitle "how American Business taught us to loathe Government and love the Free Market". Although the focus of the book is very much on the situation in the US the authors do look at the writings of Adam Smith, the 18th century British philosopher, and the contributions that Austrian economists Friedrich Hayek and Ludwig von Mises made to the development of neoliberalism. Interestingly Oreskes and Conway explore how Adam Smith is quoted, misquoted and misrepresented to justify the 'free market'. The Chicago University School of Economics led by Milton Friedman, relied heavily on the works of Smith, Hayek and Mises in their arguments supporting neoliberalism, but they were also careful to avoid anything that did not contribute to their arguments for a free market and small government. George Stigler, one of the leading Chicago economists that promoted neoliberalism, produced an edited version of *The Wealth of Nations*, Smith's foundational work. Stigler ignored, in particular, Smith's arguments for the "necessity for regulation when self-interest fails, and the necessity of raising funds for public goals that markets by themselves either do not provide or cannot sustain.

¹ Resource Management Act 1991 No 69 (as at 24 August 2023), Public Act 5 Purpose – New Zealand Legislation

² The Big Myth. Published by Bloomsbury Publishing Inc 2023

To be sure, Smith advocated open trade and competition, but he also acknowledged the need for restraints on the marketplace to protect public safety.”³ This is only one example of how Smith’s arguments for economic stability were ignored by the advocates of neoliberalism.

The Big Myth authors trace the development of the neoliberal philosophy by the captains of American corporations from the beginning of the 20th century when opposition to restrictions on child labour advanced by the National Association of Manufacturers (NAM) on the grounds that such regulations would take Americans down the road to socialism.⁴ By the late 1920s NAM was arguing that any federal law to control the excesses of capitalism was a step towards socialism and the restriction of the freedom of Americans. The inability of the market to deal with the adversity of the Great Depression of the 1930s raised many questions about free markets. Franklin Roosevelt’s introduction of the New Deal, that involved extensive control of the economy, was seen, despite the market failures, by corporate leaders and conservative politicians as a threat to the freedom of the average American. However, these concerns were not shared by most Americans and it was only after considerable advocacy through newspaper articles, books, sponsored radio and TV programmes by corporations such as General Electric and the major political dramas of the Nixon years and the 1960s oil shocks, that the threat to freedom and possible socialism began to be associated with any move by the federal government to restrict or control corporations including the banking system. The very rich in the US were prepared to invest huge amounts of money in advocating for the free market and small government; wealth has its power.

What is interesting, and something that we did not see in the 1980 Douglas years in New Zealand, was the link to erosion of individual freedom. Maybe Douglas and co just did not have to make the connection after the nine years of Muldoonism that included wage freezes and carless days. However, probably because pre 1980s the New Zealand government was so involved in providing many services including electricity (NZED), telecommunications (NZPO), low-cost milk (the Milk Board) etc that when they were privatised the ‘loss of freedom’ argument was not needed. Private corporations could provide the services more efficiently and cheaper. The beneficiaries of all the privatisation were foreign investors and many already wealthy New Zealanders. And the rest of us have been paying for it ever since, as the services are now more expensive and not necessarily more reliable, but do provide safe profits for the corporations that provide them. That is how the markets work.

Ruth Richardson, the National [Party] Finance Minister in the early 1990s, continued the so-called reforms, by gutting the trade union movement when the ‘award’ system was replaced by the introduction of individual employment agreements. The award system probably needed some reform, as certain unions abused it, but it was a system that ensured all workers got a reasonable ‘living wage’. Richardson also significantly reduced benefits for those who could not work for one reason or another.

The authors of *The Big Myth* discuss the major reduction in income and wealth taxation in the US in some detail. Presidents

Reagan, Bush, Clinton and Trump all signed acts that significantly reduced taxes on the wealthy – Clinton was a Democrat, the others Republicans. We have seen similar changes to our income tax system in New Zealand and have been promised another dose by the new government. The ‘trickle down’ argument was used in both the US and New Zealand to justify the tax reductions without any evidence that it has happened and now much evidence since that it has not happened. The protection and enhancement of private wealth did not just stop with advocacy for the free market and small government but was extended to many other issues, some of which are unique to the US; their private healthcare system, and some extend beyond the US. The US government was used by the neoliberal presidents to pressure both the World Bank and the International Monetary Fund to force developing countries to adopt neoliberal policies to their disadvantage. This is still going on today as the Government of Sri Lanka found when they required IMF funding earlier this year.

Over 50 years ago environmentalists and many politicians in the US recognised various environmental dangers and passed a number of acts to protect water, air and biodiversity etc in the early 1970s despite opposition from the corporate conservatives. Once Ronald Reagan became president in 1981 the funding for the government department responsible for these policies was significantly reduced and ‘relief’ proposed for those private companies adversely affected by the legislation. Although this was before climate change was a major issue, the corporate opposition used the ‘market’ as an alternative to legislation. Inevitably, when climate change did become a major issue, the neoliberal answer was ready: the market would suffice. It is interesting that this argument was used by the New Zealand ACT party at the general election this year for doing away with the Climate Change Commission etc. It will be interesting to see how the coalition government manages to reconcile this.

Oreskes and Conway do not argue against markets as such but rather the removal of government regulation of markets. In New Zealand we saw this in a number of areas – watering down of the Building Regulations resulting in the leaky buildings crisis is just one example. Another from the US was the removal of restrictions on American banks through repeal of the Glass-Steagall Act that separated banks involved with savings and loans, mainly mortgages, from investment banks that provided financial services to corporations; this was an act in response to the Wall Street crash of 1929. The result: the financial crisis of 2008 when American taxpayers spent some US\$500 billion bailing out a number of very large financial companies. Similar changes in the UK had similar results. It also caused problems in New Zealand; although the Reserve Bank does have more control of our banks some failed finance companies were bailed out at taxpayer expense.

The concluding paragraph of the book sums the situation up very well *“Ronald Reagan was wrong. Our most consequential problems are not because of too much government but because of too little. Government is not the solution to all our problems, but it is the solution to many of our bigger ones.”⁵*

³ The Big Myth page 245

⁴ The Big Myth page 29

⁵ The Big Myth page 426