

ard, 'any genuinely devolved assembly is bound to turn into a machine for kicking the government of the day in the backside', and that's what the Scots and Welsh have been doing. 100 per cent self-inflicted.

The best pantomime in town is the race to be the first elected *Mayor of London*. Mr Blair is trying and failing to arrange a fair and democratic process that will select the candidate he wants and not the one the members of the party want—and making a fool of himself and enemies of party members. 100 per cent self-inflicted.

I have written enough about *transport* in the past. Again, the problem is that the Government dawdled in its first years and is now realizing that the election is in sight and that it hasn't actually made any noticeable improvement. In fact, it's made things worse: its combination of tough words and little policy have put investors off the railway companies—which will make it harder to raise the massive amounts of capital needed. Say 50 per cent self-inflicted.

The purest of the own goals is the great Millennium Dome. I'll tell you more about that when I've been there myself, but—as a *Times* columnist put it—it will be a classic source of case studies for the management schools. 110 per cent self-inflicted!

Does Mr Blair understand what he's doing? On this evidence, it seems doubtful. Perhaps we will find out between now and the election.

Meanwhile, there's just been some brilliantly good news. The Chancellor, Gordon Brown, has announced that he plans to offer unlimited, matter-of-course income tax relief on private and corporate donations to charity—as in the United States. He cast it explicitly in terms of encouraging local associations and little platoons, and winding back the state domination of welfare and cultural provision that has grown up since the 1940s. Conservative ministers talked about this, but never dared give up that much control. If this government—Labour, and apparently obsessed with control—brings it off, it can be forgiven a great deal else.

ENDNOTES

- 1 Willmott, H.P., *The Great Crusade*, New York: The Free Press, 1989, page xi.
- 2 *Ibid.* page 218.

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I P A

The 1999 Election in New Zealand

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FROM 1984 until the early 1990s, New Zealand was regarded as the leading economic reformer in the Western world. From 1993, reform continued at a slower pace. The 1999 New Zealand election, held on 27 November, resulted in some significant changes in representation in the Parliament and ultimately in the nature of the government. The election will result in a significant change in the direction of policy: the era of economic reform 1984–99 has come to a close.

The reform period was ushered in by the Labour Government (1984–90) and continued with National-led governments (1990–99). The British first-past-the-post electoral system was used until 1996, when MMP was introduced. This system is based on the German system and combines electorate seats with proportional representation. In the 67 electorate seats, the first-past-the-post voting system applies and the remaining seats are determined by a type of proportional representation system with a 5 per cent threshold. If a party wins an electorate seat, it does not have to reach the 5 per cent threshold. The party vote and total seat distribution in the last three elections are presented below.

As can be seen below, the big winner in the recent election was the Labour Party, both in terms of the share of the vote (up by 10.5 per cent) and in terms of seats won (up by 12 seats). The vote for the National Party (equivalent to the Australian Liberal Party) went a little backward: but surprisingly little, considering that it had been in power for three terms (1990–99). The big loser was New Zealand First (which dropped almost 9 per cent of the vote and 12 seats). It is run by a charismatic Maori politician, Winston Peters, who is a former National MP (1978–81 and 1984–92). He founded New Zealand First in 1993 and, in the election that year, secured two seats for his party. After the 1996 election, he formed a controversial coalition with National and became Deputy Prime Minister. New Zealand First rose to great heights in 1996 with three major policies: rejection of foreign investment, opposition to Asian immigration, and a better deal for pensioners. It also had an ambiguous appeal for Maori voters. After a disappointing performance in government, Peters was dismissed in August 1998. His party split into two groups and those who left formed a new party called Mauri Pacific. The latter

Party	1993 Party Vote (%)	1993 Total Seats	1996 Party Vote (%)	1996 Total Seats	1999 Party Vote (%)	1999 Total Seats
ACT NZ	—	—	6.1	8	7.0	9
Alliance	18.2	2	10.1	13	7.7	10
Greens	(See Alliance)	(See Alliance)	(See Alliance)	(3; See Alliance)	5.2	7
Labour	34.7	45	28.2	37	38.7	49
National	35.1	50	33.8	44	30.5	39
NZ First	8.4	2	13.4	17	4.3	5
United	—	—	0.9	1	0.5	1
Totals	100	99	100	120	100	120

was wiped out in the 1999 election and New Zealand First could not muster the same support it had in 1996. There are parallels that can be drawn with the One Nation story in Australia.

Unlike the Australian situation, six of the 67 electorate seats are reserved for indigenous voters. Labour won all of the Maori seats from 1943 to 1993, when New Zealand First won its first Maori seat. In 1996, New Zealand First swept the lot. In the recent election in the Maori seats there was a huge swing back to the Labour Party, which again won all of these seats. A partial explanation for Labour's improved performance last year can be traced to the return of Maori voters to the fold. One can reasonably ask whether a separate Maori roll and Maori seats remain appropriate.

Another interesting aspect of the election was the performance of the Greens. They became foundational members of the five-party Alliance in 1991, but the Greens decided to run a separate campaign in 1997. Immediately after the 1999 election, it appeared that the Greens had not won a seat in Parliament and the two major parties of the left, the Labour Party and the Alliance, formed a coalition. The coalition proceeded with plans to form a majority government with 63 out of the 120-seat Parliament. A few days later, after consideration of special votes, it turned out that the Greens had won an electorate seat and crossed the five per cent threshold and thus won seven seats. The Labour-Alliance coalition was transformed into a minority status and would have to rely on the Greens to pass legislation. It was frequently stated during the campaign that the Greens would support a Labour-Alliance government on confidence and supply. How much support the Greens will give the Government for its legislative agenda is unclear at this stage. After the Greens won their seats in Parliament, the Labour leader, Helen Clark, held out the possibility of the inclusion of a Green in the Cabinet.

One promising aspect of the election for the cause of economic reform was the good performance of the ACT Party. This party was begun in 1994 by Roger Douglas, the leader of economic reform under the previous Labour government. It is dedicated to small government, free trade and less regulation. The parliamentary leader since 1996 has been Richard Prebble, a former reform minister associated with Roger Douglas. In the last parliament, ACT generally supported the National-led government. ACT and National are logical coalition partners in the future. At the moment this potential Cen-

tre-Right coalition has 48 representatives. In addition, the United Party is a one-man party which has usually sided with National. This is a good foundation for the next election.

It seems that New Zealand First has run out of steam. If that turns out to be the case, and no new parties emerge that can cross the 5 per cent threshold, there will be two coalitions battling out the next election:

- National and ACT on the Centre-Right; and
- Labour, the Alliance and the Greens on the Centre-Left.

The capacity of the Greens to retain 5 per cent of the vote is not clear. But this sets out the basic fault lines for the next election.

In the next three years what policies are we likely to see from this Centre-Left government? Some policies will be reversed. Others will remain fairly constant.

Where will the Government reverse policy? A new personal tax bracket has been introduced with a rate of 39 per cent for incomes above NZ\$60,000. This raises the highest tax bracket by 6 per cent and was a major feature of the election campaign. This change, effective from April 2000, represents a major departure from the past pattern of flattening personal tax rates. The fringe benefits tax will also increase from 49 per cent to 64 per cent. A new interventionist body, called Industry New Zealand, will be set up to provide industry assistance and export aid. 'Strategic economic development,' or 'picking winners,' is a significant departure from the previous government's policy. Tariff reductions will be viewed more cautiously. A more nationalistic approach will be adopted towards the local music, publishing and film industries. A hint of the protectionist stance of the Alliance can be seen already. The Government is dedicated to significantly increasing government spending on education and health. It will reintroduce a government monopoly on accident compensation, which was opened to competition in the last parliament. It plans to scrap the *Employment Contracts Act*, which brought a great deal of decentralized bargaining into industrial relations. Unlike the past twelve years, there will be no public asset sales in this parliament. The previous government's tentative moves towards commercializing roads will be terminated.

Where will we see continuation of the old policies? The *Reserve Bank Act* giving autonomy to the Bank in the operation of monetary policy will be left alone. In the days just after the election (15 December) a new Policy Targets Agreement between

the Treasurer and the Reserve Bank Governor was signed and little change was made to the existing agreement. Low inflation (0-3 per cent) was maintained as the primary objective. The Alliance indicated that it was unhappy that the opportunity was missed to substantially change the Agreement. Similarly, other pillars of reforms such as the floating of the dollar, the *Fiscal Responsibility Act*, and the massive privatizations, are unlikely to be changed except at the margins. A return to the massive budget deficits of the Muldoon era appears to be unlikely. World Trade Organization membership and Closer Economic Relations with Australia also set limits on any protectionist moves.

Many of the institutions set up have been soundly designed to prevent grand experiments by interventionist governments. In principle, the rules and legislation of the reform period can be overturned. I predict, however, that, generally, these will be kept in place because Labour will find it expedient to blame these checks for the salutary limitations on the indulgences of the Alliance and the Greens. Nevertheless, there are some dangers:

- because Labour is in a coalition, some concessions will need to be made to the more interventionist junior partner, the Alliance;
- the minority status of the coalition itself means that concessions will have to be made to the Greens. Many of the new Green MPs have no experience in Parliament and most have no idea of how businesses operate;
- a new coalition could be formed with the Alliance and the Greens, shifting the balance away from the more moderate Labour Party.

It is these factors that represent major causes of concern.

The great reform period in New Zealand, that achieved such an international reputation, has ended, at least for a while. Even though there is scope for much mischief in the next three years, the minority nature of the Government suggests that little dramatic change can be achieved. There is considerable ground for optimism that any roll-back of policy will be minimal and not alter the fundamental reforms that were put in place over the past 15 years.

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REVIEW