

## Imagining New Zealand's economy in the mid-twentieth century

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Few countries have been as closely studied, and fewer still so admired, as New Zealand. Americans in the Progressive era at the turn of nineteenth and twentieth centuries saw its ordered economy and concerted labour market as part of an inevitable future: as the radical academic Frank Parsons and his publisher C.F. Taylor put it in 1904, 'what is now history in New Zealand is prophesy for the rest of the world'. Parsons made himself an expert on the country's system of compulsory industrial arbitration; other experts, such as Richard T. Ely of the University of Wisconsin, worked on state ownership of infrastructure.<sup>1</sup> The journalist and activist Henry Demarest Lloyd, writing at the same time, was thought to aim at 'New Zealandising the rest of the world': most such schemes were not in the end transplanted to the USA, as most debates fastened on the idea of compulsion rather than the idea of economic reform which such controls aimed at: but debate often centred around the New Zealand 'model'.<sup>2</sup> In many other countries, for instance Japan, early socialists and reformers looked to that tiny South Pacific country as an example of how to adjust to rapid industrialization and labour unrest. The socialist thinker Abe Isō, no less than Parsons or Lloyd, thought that state ownership of the transport and energy sectors, and compulsory labour arbitration, boosted productivity and eliminated waste.<sup>3</sup>

New Zealand's image in the nineteenth century – as an integral part of a wider Imperial whole, alternately a 'young' country that required guidance, a land whose settler-citizens might one day return to look upon Britain's own decline, and in booster literature *A Land of Promise* and *An Earthly Paradise* – has been relatively well covered.<sup>4</sup> Other stories are also familiar from the academic literature. New Zealand's image as a white settler community was successfully reformed by the end of the twentieth century, as a multiracial and multilingual society whose history of European treaty-making with Maori peoples – rather than outright expropriation – allowed indigenous peoples to reassert their rights and voice.<sup>5</sup> The mid-twentieth century, however, has been less well covered, especially as it is a period during which New Zealand began to evolve its own particular identity as a 'better' Britain shorn of the many class inequities and tensions many emigrants had rejected at 'home'. This chapter will explore the privileged place and exact location of New Zealand within the intellectual landscape of mid-twentieth century British policymakers, while not neglecting the key insight from recent transnational histories – that ideas travelled both to and from the metropole, rather than just outwards from the United Kingdom, as well as independently around the Empire and Commonwealth.<sup>6</sup>

Just as it has become clear that economic links between the two countries were much more complex than the mere transfer of capital from London and the return of food from New Zealand, so the diffusion of ideas throughout the Imperial system was more multifarious than might at first appear.<sup>7</sup> British views of New Zealand were a type of 'invented tradition' that belonged to concepts of *Britishness* at the height of its 'declinist' era, when anxieties about British economic performance multiplied and imperial links seemed to be dissolving: in Eric Hobsbawm's words such concepts were 'a legitimator of

action and cement of group cohesion', Imperial and racial in terms of the experiences of British settlers in the Pacific, but also specifically national in that what was admirable about New Zealand was in some ways a mirror image in what was 'wrong' with Britain.<sup>8</sup> It was another Other against which the British saw and judged their own nationhood, all the more useful if unsettling because New Zealanders were so similar to Britons.<sup>9</sup> It is no part of this essay to claim that New Zealand was unique in this respect. It was rather part of a complex web of imagined communities, each aiding human understanding of economic and social change via a collage of different images from different policy spaces.<sup>10</sup> International relations theorists have long understood the importance of 'decision-makers' beliefs about the world and their images of others', but this sensitivity to constant re-assemblages of meaning and understanding are not so advanced in our analysis of domestic or economic policy.<sup>11</sup>

# I

New Zealand had been held up as an example of economic and social progress since the later nineteenth century. In his 1898 travel book *Life and Progress in Australasia* the Irish Nationalist MP Michael Davitt argued that the 1894 Industrial Conciliation and Arbitration Act – passed by William Pember Reeves as Minister of Labour – helped to make it 'the most progressive country in the world today'. British unions preferred to rely on long-established collective bargaining agreements, and on the bipartite conciliation boards which were often part of that machinery.<sup>12</sup> This Act was one of the most oft-cited examples of New Zealand's forward-thinking, but balanced and sober, policymaking: Reeves himself thought of himself as a practical socialist who was trying to reach '*a kindly solution* of the natural warfare between classes'. He denied neither the inevitability of that conflict, nor the desirability of ultimately arriving at socialism itself.<sup>13</sup> Lloyd, who visited the Arbitration Courts in 1899, saw them as the inevitable democratic outgrowth of a 'developed' society that wanted to reach agreement, and now sought redress at law to give voice to that desire. 'In the last five years in Europe and America', he wrote, 'there have been riots, arson and even dynamite in consequence of decisions forced on labour by capital, but nowhere has there been a breath of disturbance in New Zealand on account of any decision forced on labour by arbitration'.<sup>14</sup>

Beatrice and Sidney Webb, on their 1898 visit, 'paid special attention to the working of the Arbitration Act', finding that workers were 'thoroughly satisfied with the working of the Act as they know it' – though they found employers objected to the involvement of national union figures when they might have preferred more local deals with their own employees.<sup>15</sup> Seamen, for instance, had been able to uphold their overtime claims when the employers backed out of a prior voluntary agreement. Reeves, now taking up post as the country's Agent-General in London, told a British Liberal Party audience in 1896 that the system would strengthen the trade unions and keep them within the realm of the law and responsible policymaking alike.<sup>16</sup> This was clearly not a perfect solution. The Webbs indeed predicted that the slow and not always closely predictable nature of going to law 'will sooner or later bring about a revolt of one side or the other'.<sup>17</sup> Sure enough, farm labourers and domestic servants took important test cases to the Arbitration Court, they were rebuffed. the Great Strike of 1913, faced down by the government with some harshness, was a demonstration of how class consciousness had not been lessened as much as perhaps many observers imagined it had.<sup>18</sup>

Despite this, New Zealand's relative and widely-spread prosperity remained a matter of live commentary. Even by the late 1930s, and following a Depression that had ravaged New Zealand's staple industries, one of the country's Professors of Economics reckoned that her natural endowments were so rich that the country's population (then standing at about 1.5 million) could continue to grow very rapidly. Contemporary estimates of her 'optimal' population ran at between three and ten million.<sup>19</sup>

British migration to New Zealand was certainly very high throughout most of the twentieth century, especially for such a small country. This great movement of peoples had a long and extensive history. Assisted migration schemes stretched back to the nineteenth century, with additional free passage schemes for soldiers after the First World War.<sup>20</sup> Her population of European extraction increased from only 2,000 in 1840 to nearly 2.5 million by 1967; in every census between 1861 and 1901, more than 80 per cent of new arrivals had arrived from Britain and Ireland, a figure that fell only to 70 per cent between 1911 and 1951 and still stood at 87 per cent in 1961 despite increased return migration to the UK. The dominion's own birth rate and swelling population meant that the actually British-born shrank as a share of the population, from 16% in 1921 to only nine per cent in 1961.<sup>21</sup> But the country was still populated mainly with those descended from people of British origin, while the absolute numbers attracted were still impressive. 1921, out of a population of 1.27m, 203,577 had been born in England, Scotland or Wales.<sup>22</sup>

Britons never, in fact, quite conceptualized New Zealand as a utopian haven from reality. Life in the country could be hard, and settlements beyond whaling and trading stations took a long time to take root. The first Europeans settled in the 1790s; by the late 1830s there were still only 2,000 of them permanently living in the country. Her only relatively benign climate was still a shock to those who had been encouraged to believe in an earthly paradise, mostly due to its windy exposure and variability.<sup>23</sup> But it still had a long history as an imagined site of both well-managed participatory government and egalitarian prosperity. The long Liberal administration of John Seddon, Prime Minister between 1893 and 1906, had entrenched New Zealand's status as a reformist exemplar: such was its appeal that American reformers even spoke of a 'New Zealand fever' at this time. The author William Dean Howells thought of it as 'a dream of heaven': the Progressive social commentator Frank Parsons calling the country 'the birth place of the twentieth century', declaring in his *The Story of New Zealand* (1904) that 'what is now history [there] is prophesy for the rest of the world'.<sup>24</sup> The country's generous welfare provision also helped to make it a famous exemplar. To the American Progressive politician Henry Demarest Lloyd, who visited New Zealand in 1899, the country was 'the political brain of the modern world' – an "'experimental station" of advanced legislation'.<sup>25</sup>

## II

In the post-Second World War era New Zealand both was, and was known to be, a richer country than the UK. Its economy grew rapidly – more rapidly than the UK's, if not quite as quickly as the average for the whole developed capitalist world. Its standard of living was very high, with Gross Domestic Product per capita always remaining within the world's top ten.<sup>26</sup> It is true that the country's population explosion (it grew from 1.9m in 1950 to 2.7m in 1966) meant that levels of GDP per capita went up slightly more slowly than the UK's – by 35 per cent between 1950 and 1966, rather than the 43 per cent growth experienced in Britain. Even that period of Britain's relative catch-up, however, still left New Zealanders 15 per cent richer than Britons at the end of that period.<sup>27</sup> Their purchase of consumer goods, and their consumption of electricity, grew rapidly.<sup>28</sup> Economic publicity and journalism extolled exactly this situation. As the National Westminster Bank happily informed clients in 1963, personal consumption per head in New Zealand during 1961 was £373, whereas it was only £328 back in Britain.<sup>29</sup> The attraction to British emigrants was obvious. The country also offered gentler class distinctions, just as it had during the nineteenth century: better-off emigrants found they could work for more returns than their investments at home might garner, while humbler Britons might 'get on' in a country with labour shortages and opportunities for self-reinvention.<sup>30</sup> These trends continued, and indeed speeded up, after 1945, in part assisted by the creation in 1947 of a free and assisted passage scheme for British citizens. 17,636 Britons moved to New Zealand in 1964, for instance, as the country's economy boomed:

49 per cent of all New Zealand's immigrants in that year (a similar figure to Australia's, but a much larger one than Canada's): this accounted for nearly nine per cent of all British emigrants.<sup>31</sup>

British migration, though small by UK standards, was very large when measured against New Zealand's own population. 11,921 moved to New Zealand from Britain in 1961, 14,254 in 1962, and 15,134 in 1963, before that 1964 peak of nearly 18,000 was reached: the numbers abated a little (to 15,140) in 1965.<sup>32</sup> Between 1965 and 1970 80,000 Britons arrived, so the high rate of 1964 was nearly maintained on average despite New Zealand's difficulties after the wool price crash of 1967: in 1970 the figure was down only a little, at 11,000.<sup>33</sup> Numbers then surged once more to a net peak of around 20,000 in 1974, as New Zealand's economic problems of the late 1960s abated for a while, before slumping again in the late 1970s and early 1980s. The cessation of the country's assisted passage schemes in 1975, and renewed economic difficulties, once again seemed to reduce New Zealand's attractiveness.<sup>34</sup> Overall, between 1945 and 1976 about 416,000 people had come from the British Isles to settle in New Zealand, 44 per cent of total immigration (there was a smaller move of about 125,000 people going back 'home'). 10.6 per cent of New Zealand's population had been born in the British Isles in 1945; that figure was down only a little, to 9.54 per cent, by 1976.<sup>35</sup>

Migrants' hopes and reports revealed much about New Zealand's popular image. Stories came back to mid-twentieth century Britain – especially via family and friends who had already made the move – of plentiful jobs, and the wool boom that was making New Zealand more and more prosperous: large pluralities, or overall majorities, of respondents to questionnaires named the lure of better economic opportunities when they were asked about their motives for moving to their new Pacific home. One 1950s immigrant interviewed about this choice for an oral history published in the 1990s thought that New Zealand 'seemed to be a land flowing with milk and honey', while another woman arriving in the 1960s thought that she would have 'more chance to have a house and a bit of land' in this new country.<sup>36</sup> Other emigrants found greater social mobility, and less sense of social hierarchy and segregation, an enormously welcome change from the highly class-conscious life they had known in the country of their birth.<sup>37</sup>

### III

New Zealand's concerted approach to industrial bargaining meant that the central Court of Arbitration so praised by Davitt in the late nineteenth century came to cover nearly half of New Zealand's wage and salary earners, with other national structures covering many of the rest. From the 1890s onwards, these gradually brought most wages in the country under central direction, related to prices rather than profitability and the exigencies of the market. Employers and trade unions were drawn into close relation; strike numbers, by the post-Second World War era, were relatively low.<sup>38</sup> At the same time a plethora of economic controls helped to prevent a post-war boom and crash on the lines of that which developed after the First World War, and that all developed countries' policymakers feared throughout the early years of reconversion. The American-born but New Zealand-based political scientist Leslie Lipson praised New Zealand's efforts in a 1947 article that focused on just this problem. The state's efforts at widespread housebuilding, subsidized mobilized by the Reserve Bank, a wartime Land Sales Act which regulated the price of sales, exchange controls and selective import quotas: all these, in Lipson's view, helped shelter the New Zealand economy from the inevitable instability – including rapid increases in civil employment and inflation – of the onset of peace.<sup>39</sup>

A long paper produced for the Cabinet's Economic Policy Committee in 1951 by the then Commonwealth Secretary, Patrick Gordon Walker, commended New Zealand Labour's much better

record on inflation than their Australian neighbours, a success down in his view to 'thoroughgoing stabilisation schemes' during the war, 'which prevented excessive increases in the purchasing power of producers of meat and dairy produce, and which contained adequate provisions for controlling prices, rents, credit, investment and imports'. Not only was New Zealand's economy a relatively good example of economic and social planning, Gordon Walker believed, but also of the benign effects of political consensus: it enjoyed 'an almost complete identity of view between the two political parties over the very wide field of policies relating to full employment, nationalization, social security, protection, defence and building'. He made sure to point out, in connection with both control over inflation and the general atmosphere of political agreement, that basic wage rates were tied to a cost of living index and governed via an Arbitration Court. This was supposed to allow wage policy to take into account the general social and economic position (for instance being allowed to rise when the new National Government reduced price subsidies and controls in 1949-50).<sup>40</sup>

Narratives about New Zealand's economic conditions were provided by such high-level visits as those of Sir Norman Kipping, Director-General of the Federation of British Industry, late in 1959. On this mission Kipping conducted a round of media interviews, social events with UK exporters and New Zealand importers, and meetings with politicians including Nash as Prime Minister. The impression he came away with is revealing, and far less flattering than some of the views formed by social democrats and reformers interested in New Zealand's labour market policies. At this point the country's economy was on an upswing owing to recovery from the commodities deflation of 1958, but it still seemed very dependent on the promise of new manufactures and export markets that had not yet transpired, as well as on foreign borrowing necessitated by its imbalance of imports over exports.<sup>41</sup> Kipping was very doubtful that this was even possible:

New Zealand is a small market of only 2 ½ million people. Demand is therefore too small for production costs to be reasonably low, except in a few consumer industries. Consequently, the protection given is in many cases extraordinarily high. New Zealand's cost of living accordingly suffers, and this in turn affects the cost of production of her staple exports and therefore her earning power'.<sup>42</sup>

Kipping travelled to New Zealand again in 1964, during which visit he again met Ministers and industrialists alike: the general task of negotiating specific trade links seemed relatively unchanged.<sup>43</sup> Such high-level links – followed up by the FBI's John Whitehorn the following year – exposed to British employers on the one hand New Zealand's desperate need to take all measures to protect her balance of payments (she was at this point proposing a Withholding Tax on overseas investment), and on the other the two countries' very close links (given the direct and very detailed representations that businessmen continuously made).<sup>44</sup> The FBI could be very sceptical about investment in this ex-British colony, believing that government guarantees there might be questionable. The 'hot-house conditions' of extreme protection between 1939 and 1953 seemed unlikely to be repeated, the FBI believed, now that the public had to some extent turned against monopoly producers and that New Zealand had joined the General Agreement on Tariffs and Trade: the implication was clearly that trade conditions might change very quickly and to investors' disadvantage.<sup>45</sup>

#### IV

New Zealand's example always contained a sense of the country's fragility, its exclusive and particular nature, and its peculiarity. The obverse of the country's cheap land and successful agricultural production for export was that New Zealand always remained what Donald Denoon has characterized as a 'settler society': a land of large-scale capitalist production and free labour that, although traditions of

state intervention at the frontier were strong, depended for its survival and expansion on Imperial markets in the Northern Hemisphere.<sup>46</sup> Its social model, which had emerged at a time when the country was a small and easily-ordered British outpost in the South Pacific: not all of its economic and social policies were thought transplantable. The Organisation for Economic Co-Operation and Development very much approved of New Zealand's system of national arbitration, as it allowed the Government to state its own view, and permitted a 'co-ordinated policy'. However, the OECD also thought that, since arbitration had 'evolved within a specific framework of collective bargaining institutions', and required longstanding and widely-accepted legal support in the courts, 'it is unlikely that the systems themselves could be transplanted'.<sup>47</sup>

The post-war upsurge of the 1950s seemed to come – even more than elsewhere – from the consumption of manufactured imports paid for in exactly this way. Some left-wing critics of New Zealand's post-war economic policies indeed argued that such the country's reliance on outside powers (particularly Australia) deepened over the twentieth century, as she fell further and further behind their level of industrialization. The British-born economist and civil servant William Ball Sutch, who had served as the deputy director of the United Nations Relief and Rehabilitation Administration at the end of the Second World War before becoming head of New Zealand's delegation to the United Nations, was very much of this mind. In the second edition of his 1942 book *The Quest for Security in New Zealand*, published in 1966, he opined that the National Government of 1949-57 had weakened 'the economy to meet the political needs of the National Party' as the representatives of the farmers, by supporting too high a level of consumption not balanced by economic planning to keep it high, too high a level of demand, too high a flow of imports, too many balance of payments deficits, and far too little economic development'.<sup>48</sup> New Zealand's economic overheating, which the world commodity price falls of 1967-68 helped to bring to an end, helped to make his case. Rapid growth and strong construction industries helped to cause a deterioration in the balance of payments and large increases in foreign borrowing, including a loan from the IMF: with fixed exchange rates, that situation obviously could not go on forever.<sup>49</sup>

New Zealand's precarious position as a primary producer – and the likely fluctuation of her currency reserves in a necessarily unstable growth phase – was definitely understood in Whitehall. Indeed, when civil servants considered the future of the Commonwealth as part of their post-Suez 'Future Policy Study', they were clear that the country had 'a less certain economic future, but many past prophecies of an impending decline in world demand for... primary products and of a consequential slowing down in their rate of economic growth have proved false. [Even so] New Zealand's future, without heavy industries, is less bright than that of an industrializing Australia'.<sup>50</sup> New Zealand's economy, in particular, rode high on booming commodity prices – pastoral products made up 89% of her exports in the late 1960s – rather than relatively impressive labour productivity or technological progress. The second edition of Condliffe's classic 1936 *New Zealand in the Making*, published in 1959 after his 1957 visit, noted that the rising prices checked by the crises of the early 1920s and 1930s had stalled the country's move over into industrial service industries, and away from farming; dissuaded innovators; and prevented the development of home markets. The quasi-rents earned by agriculturalists, and the inflow of capital from outside, had slowed any moves towards economic maturity. Only in the 1930s did the correction of 'an untoward trend of prices [lay]... bare the fact that the productive organization of the Dominion had slackened considerably in the days of easy prosperity'.<sup>51</sup>

British opinion-formers also often expressed disapproval at the highly-protected nature of the New Zealand market. When Federation of British Industry leaders met Prime Minister Sydney Holland in February 1952, they told him that a projected International Exhibition in New Zealand would be of little

use 'if they suspected that New Zealand might reintroduce the extensive barriers against imports which were typical of the first 4 to 5 post war years'. He was reduced to noting that his National government had reduced the number of controlled items from 900 to 100.<sup>52</sup> Until the 1970s New Zealand could shelter behind dense tariff walls (under the so-called 'Ottawa Agreements' of 1932 governing Imperial trade) that only strengthened her connections with the UK and the rest of the Commonwealth.<sup>53</sup> Comprehensive import licensing was one of the reasons why the National Westminster Bank recommended its clients to maintain an office in the country or close links with local importers, so as to keep up with developments there.<sup>54</sup> Two thirds of her exports went directly to the UK during the 1950s. Import regulations and barter deals remained in place until the late 1950s.<sup>55</sup> Negotiations were, in this period, inevitably necessary to set tariffs between the two countries: eventually the FBI and the UK Manufacturers' Association sent representatives to Wellington in 1957 to conduct just such talks when New Zealand mounted a general review of her situation. They sent back (among other papers) a particularly sceptical report on New Zealand's economic prospects: even its established population growth he thought would 'present... a problem which may be difficult to solve, as out of the overall total increase, roughly 400,000 will have to be added to the existing labour force of 800,000. It is most unlikely that this number will be absorbed into New Zealand's primary industry, as the existing labour force is adequate'. Without extensive secondary development, he foresaw the need for whole new industries not so dependent on the inevitably high commodity imports involved in a protectionist regime. Selective tariff preferences would also be inevitable, along exactly the same lines the Kipping visit would stimulate thought on two years later – especially as nearby Australia was experiencing 'industrial expansion going ahead by leaps and bounds'.<sup>56</sup>

This situation continued even after preferential treatment's reduction in 1958, and became a key problem in Britain's negotiations to join the European Economic Community.<sup>57</sup> The assistance was not only a matter of preferential tariffs. In order to govern demand for its agricultural produce, especially butter, New Zealand relied on informal bilateral understandings with the UK – as well as managed variations in British bulk purchasing – to support demand, supply and price levels.<sup>58</sup> Even British Ministers, for instance Secretary of State for the Colonies Duncan Sandys, referred during the ongoing 1962 negotiations to New Zealand's 'extreme economic vulnerability' due to the fact that she was 'almost wholly dependent on her trade with Britain'. As actual membership approached, New Zealand trade unionists sought assurances from their British colleagues about access to the UK's dairy markets, while worrying with TUC members about higher food prices for British consumers in the EEC.<sup>59</sup> Discussions with Commonwealth Heads of Government revealed that reactions to Britain's EEC entry application had been received with more hostility than London had expected: 'some special arrangements would have to be made covering, at least, butter and cheese'. The New Zealanders, for their part, initially insisted on a fixed quantity of goods purchase being guaranteed, but settled for Britain's negotiating position ensuring them a share of her home market instead.<sup>60</sup>

The country's dependence on the UK was obvious from its trade figures, particularly in the exports sector. Although some diversification was underway in the 1960s, 79.6% of all New Zealand exports even by 1971/72 were of agricultural produce (a figure that had come down from 92.5% in 1960/61). 30.9% of her exports still went to the UK, though that number had declined from 52.9% in 1960/61 and as much as 80.5% on the eve of the Second World War; trade with Japan, Australia, the Philippines, Canada and the South Pacific was helping to at least mitigate the reliance on the old imperial metropole.<sup>61</sup> These facts vitiated Britain's negotiations to enter the European Economic Community. At the time of her first application to join, the High Commission in Wellington noted that 'the National Party leaders recognize', despite their heavy dependence on a farming lobby that was unhappy at the prospect of potentially being shut out of their main British market, 'that association of the United

Kingdom with the Six on suitable conditions might well be in New Zealand's interests... the future expansion of New Zealand's exports probably depends as much on expansion of the United Kingdom economy as anything else'. The New Zealand government pressed, with little effect, for assurances on market access once the British announced that they would try to join the EEC. The country's industrial base just could not stand up to any competition from the developed world.<sup>62</sup> As one official put it:

The main difficulty seems that... very much the greatest part of New Zealand's natural wealth derives from climatic and geographic factors favourable to agriculture, [and] she cannot occupy her population purely on agriculture and ancillary services... Owing to her small domestic market and her distance from any other markets, the general lack of non-agricultural resources, and the high cost of labour, it is scarcely possible for secondary industry to exist without protection. In these circumstances it is difficult to see how New Zealand could at all easily accept an association which involved dismantling such protection, even over a very long period of years.<sup>63</sup>

The country was desperately short of the internal capital resources required to pay for modern infrastructure, causing New Zealand's dependence on borrowing in London.<sup>64</sup> Capital poured in, to such an extent that the country's recurrent trade deficits on current account were usually covered – the reverse situation to that pertaining in the UK.<sup>65</sup> The country's ratio of financial institutions' assets to Gross National Product fell precipitously as GNP surged upwards in the post-war boom years of the 1950s, and only stabilized at a much lower level than the UK's in the 1960s – a situation not helped by the state-owned Central Bank itself managing about 40% of New Zealand's trading bank activities, including the accounts of the country's powerful Marketing Organisations.<sup>66</sup> When New Zealand applied to join the International Monetary Fund in 1960-61, the Bank of England and the Foreign Office both recommended that she be allowed a larger drawing quota on just this basis – of \$100m rather than the \$75m that the size of her economy alone might justify. The UK even acquiesced in New Zealand's eventual \$125m quota, despite its dislike of 'special' increases from their Bretton Woods baselines.<sup>67</sup>

There was also widespread disapproval of the restraints on incentives and personal autonomy that this welfare state necessitated. Lipson, for instance, was always very sceptical about the effects of high wages and compulsory arbitration, whatever the country's success at restraining inflation in the emergency situation of the 1940s: 'New Zealand is extremely ungenerous to talent. In its anxiety to raise minima, the country has deemed it necessary to lower maxima. Salaries and wages are scaled that the gap between highest and lowest shall be as small as possible... There is not enough encouragement for each to do his best and for the ablest to display their full capacity'.<sup>68</sup> The FBI thought in the 1950s that in general executive pay in New Zealand lagged some way behind that in the UK.<sup>69</sup> Rules were everywhere, as Condliffe found on another visit to his home country in 1968-69: via capital controls, import licensing, and limits on bank advances as well as capital issues. 'Economic activity in New Zealand proceeds within a system of regulation and control so comprehensive and pervasive', he wrote in 1969's *The Economic Outlook for New Zealand*, 'that it cannot be described accurately in brief compass... it is little wonder that many trained and enterprising New Zealanders go, or remain, abroad in countries where greater opportunities are more freely available to work out their ideas and ambitions'.<sup>70</sup> The New Zealand economist J.W. Rowe for the most part concurred, writing in 1972 that controls over credit – particularly in the form of bank advances – did not restrain inflation, leading instead to greater velocity of financial circulation encouraged by sub-market level interest rates.<sup>71</sup>

New Zealand's exposed position gradually became apparent during the later 1960s and the 1970s. The 1960s was for most a time of real prosperity, but a cyclical pattern emerged that helps explain the volatility of the country's net migration figures: GNP per head increased by more than four per cent in



three years during that decade; but the same indicator actually declined in three other years: though her real growth rate of GDP during these years was respectable, at 4.1 per cent between 1959/60 and 1969/70 (2.3 per cent on a per capita basis), this figure was not vastly ahead of the British.<sup>72</sup> That said, unemployment was extraordinarily low – much lower than in Britain – and under 1,000 people were unemployed throughout the mid-1960s. Those outstanding labour shortages were, of course, one main incentive for British migration to New Zealand, easily traceable and understandable in semi-popular publications such as those produced by the Economist Intelligence Unit.<sup>73</sup>

## V

New Zealand is a case study in how markets are imagined, intellectually formed as they usually are of an inconsistent, shifting, unstable and often contradictory set of impressions, inherited ideas and even clichés about the ‘other’ country that have their roots in evidence, but also reflect onlookers’ own pride in, or fears about, their own economy. This process continues today. New Zealand was one of the first countries singled out for new work on a potential trade deal by Theresa May’s Conservative government after the UK’s decision to withdraw from the European Union: a January 2017 visit to London by New Zealand Prime Minister Bill English signaled the start of informal and exploratory talks towards such an agreement.<sup>74</sup> Some commentators focused on free-market and trading-nation solutions to post-Brexit problems posed by leaving the EU’s Single Market and Customs Union have promoted New Zealand’s example – not only as a key trading partner, but also as an ally in forging a new market-orientated world trading system.<sup>75</sup> Yet New Zealand’s economic size remains tiny, even for Britain as one of its major allies: British exports to that country amounted to only £1bn in 2014, far below the UK’s top ten export partners headed by the United States (at £88bn) and with Spain (£15bn) in tenth place.<sup>76</sup> Yet again, the constant gaps between economic *perception* and statistical *reality* – inevitable when nation-states are imaginatively constructed out of inherited impressions and prejudices – are the most noticeable element in the picture.

Closer examination often leads to rather more scepticism, just as it did during the economic ‘golden age’ that followed the Second World War. New Zealand’s planned economy, regulated wages and generous welfare state, initially widely praised in Britain, came to represent concerns about initiative, incentives and competitiveness back in the UK. The relatively interventionist New Zealand state was increasingly thought to be insufficiently concerned about domestic productivity. The Liberal Party organizer and candidate David Goldblatt, who visited New Zealand in the 1950s, wrote in 1957 about compulsory arbitration and wage rates with mixed feelings, since arbitration and concertation meant that ‘wage rates are related to the cost of living first, with productivity a lame second’.<sup>77</sup> As one guide to the country put it in 1969, towards the end of its long boom, ‘With a five-day week, massive close-downs at holiday periods and a general lack of shift work or similar practices there is a failure to utilize expensive machinery fully... The emphasis throughout the economy is placed squarely on the benefit of the individual and the importance of family life, and a large trade-union movement helps to keep it there’.<sup>78</sup> New Zealand’s small size, lack of capital, insecure position in world markets and over-reliance on primary commodity exports all informed an ambivalence about Britain’s South Pacific partner that was born of very close ties, a shared language, and a common legal and political inheritance. Familiarity, in this example of international perception and understanding, bred concern as well as admiration. Empirical research, scholarly caution and a sense of statistical scale and scope were vital, then, in understanding New Zealand’s unique path towards modernity. They should remain critical in understanding trade, payments, economic growth and well-being today.

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<sup>1</sup> P.J. Coleman, 'New Zealand liberalism and the origins of the American welfare state', *The Journal of American History* 69 (1982), pp. 372, 376.

<sup>2</sup> P.J. Coleman, "'Strikes are war! War is hell!': American responses to the compulsory arbitration of labor disputes, 1890-1920", *The Wisconsin Magazine of History* 70 (1987), pp. 190, 208-9.

<sup>3</sup> M. Gavin, 'Abe Iso and New Zealand as a model for a "new" Japan', *Japan Forum* 16 (2004), pp. 393-7.

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