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The New Social Democracy in New Zealand

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Abstract

The formation of the Labour-Alliance government, on December 6 1999, held out the promise of a break from the previous fifteen years of neoliberal rule, to a more social democratic orientation. This 'more social democratic' direction can be explained through a new and developing body of theory known as the new social democracy. This thesis asks the question: to what degree can the Labour-Alliance coalition government of 1999-2002 be described as new social democratic in nature?

It begins by arguing that new social democracy is an attempt by social democrats to take account of the various social and economic changes which have occurred over the course of the last thirty years or so. It can be characterised by four key features: investment in human capital; redistribution through active equality of opportunity; facilitative government; and reciprocal obligations. These form a template which is employed as a means of assessing the degree to which the government was new social democratic in nature.

Having established this template, the thesis adopts a two-fold approach to the analysis. First it assesses two key areas of policy: regional and industry development, and the employment strategy. A close scrutinisation of policy allows a micro-perspective on a government. However, this is necessarily limited in terms of what it reveals about the wider context. For this reason the second part of the approach will broaden the analysis and take in the government as a whole. The thesis concludes that the Labour-Alliance government was cautiously new social democratic in nature. While it did not make a profound break with the previous regime's neoliberal emphasis, it did nonetheless symbolise a new direction. However, the ultimate extent to which this truly differs from the previous fifteen years of neoliberalism will depend on the degree to which the centre-left – primarily Labour – forges a new orthodoxy based on new social democracy.

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Acronyms

CE	Chief Executive
CEG	Community Employment Group
CEO	Community Employment Organisation
ECA	Employment Contracts Act
ERA	Employment Relations Act
IC & A	Industrial, Conciliation and Arbitration act
MED	Ministry of Economic Development
MRI	Major Regional Initiatives
MSD	Ministry of Social Development
NZLP	New Zealand Labour Party
RBA	Reserve Bank Act
RDP	Regional Development Programme
RPP	Regional Partnership Programme
TEC	Tertiary Education Commission
ULP	United Labour Party

Chapter 1 – Introduction

On November 27 1999, New Zealand experienced its second MMP election. After all the special votes were counted, including the Green's win in Coromandel, Labour and the Alliance – who subsequently formed a centre-left government – secured 59 seats in the 120 seat Parliament – Labour gained 49 seats, and 38.7% of the vote, and the Alliance gained 10 seats, and 7.4% of the vote. This left them as a minority government and in need of support from the Greens, who secured 5.1% of the vote, and 7 seats (Boston, Church, Levine, McLeay and Roberts, 1999:10).

The centre-right bloc gained 54 seats: ACT secured 9 seats and 7.0% of the vote; National secured 39 seats and 30.5% of the vote; New Zealand First secured 5 seats and 4.3% of the vote; and Peter Dunne once again returned to Parliament, courtesy of his safe seat of Ohariu Belmont (ibid).

In stark contrast to the National-New Zealand First coalition deal, which was signed some nine weeks after the 1996 election (Boston and McLeay, 220: 1996), Labour and the Alliance executed an agreement just two weeks after polling day, on December 6 1999. Again, in contrast to National and New Zealand First, which effectively produced a policy manual, the Labour-Alliance agreement simply set out operational protocol in no more than two sheets of paper. Perhaps the most significant aspect of the agreement was the space given to the Alliance to pursue its own policy agendas. Effectively it meant that an 'agree to disagree' clause had been written in (Listener, December 11 1999: 16-7). In order to re-work the protocols of Cabinet collective responsibility, which would have been contravened by the clause, the Cabinet manual was eventually rewritten (New Zealand Herald, April 10 2001: 6). In addition to this the Alliance was given four Cabinet seats. They were: Jim Anderton, Economic Development and Deputy Prime Minister; Matt Robson, Courts, Corrections, Associate Justice and Associate Foreign Affairs; Sandra Lee, Local Government, Internal Affairs and Conservation; and Laila Harre, Women's affairs, Youth Affairs, Associate Industrial Relations and Associate Accident Compensation Corporation (ibid).

Very quickly the government embarked on what appeared to be a major policy reorientation, away from the previous emphasis on the free market. Within one hundred days of the coalition's formation, for example, Jim Anderton, Minister of Economic Development, launched the regional and industry development policies. For Anderton, these were 'jobs machines'. 'The era of hands-off is over. The era of partnerships has begun', he claimed (New Zealand Herald, March 1 2000: E1). The government also began developing its employment strategy, and within a year, the Modern Apprenticeships Scheme – a major part of that strategy – was launched (The Press, August 9 2000: 2).

While the coalition survived intact until the 2002 election, the junior partner, the Alliance, imploded. In the end the election was called early, on June 11 2002, and the date set for July 27.

The Research Question

Following fifteen years of neoliberal rule (Boston and Holland, 1987, 1990; Kelsey, 1993, 1995, 1999, 2001; Hazledine, 1996, 1998; Chaterjee, Conway, Dalziel, Eichbaum, Harris, Philpott, and Shaw, 1998) the Labour-Alliance government sought to effect a significant change in policy direction. Indeed, this was a major concern of the Labour Party while in opposition. Just over 15 months before the election, for example, Helen Clark claimed that she was keen to define a third way between Muldoonist type intervention and a hands-off, Rogernomics approach (MG Business, August 3, 1998: 4-7). As Clark stated:

> The state...will also accept an active role in economic policy. It will invest in the education and upskilling of people and in the national infrastructure. It will back innovation, research and development. It will promote and market New Zealand and its products in partnership with business. It will work with regions and localities as they develop their own economic strategies. The state will do these things both because it cares about fair outcomes and because it knows that only the state has the power to intervene to achieve those outcomes. Markets do not deliver fairness. It is not their function, nor are they capable of it (ibid).

This sums up the Labour Party's position, and promised a significant reorientation of policy relative to last fifteen years of neoliberal rule; as such it merits a detailed analysis of the Labour-Alliance government. Much of what Clark articulates is part of the emerging discourse of new social democracy, and it is for this reason that I have chosen this theoretical orientation as the lens through which to examine that government.

New social democracy seeks social democratic ends in a world profoundly changed by globalisation and post-industrialism. It is this which sets the scene for my own definition, and conceives of new social democracy as coming to terms with these fundamental changes within the socio-political realm. It is within this context that the Labour-Alliance coalition resided.

This thesis therefore asks the question: to what degree can the Labour-Alliance coalition of 1999-2002 be described as new social democratic in nature? The policy positions of the coalition partners while in opposition suggested a rehabilitation of social democratic politics. This thesis seeks to establish the degree to which that promise has been realised. In that context, it will also speculate on the future prospects for new social democracy in New Zealand.

This question is approached in the following way. First a definition of new social democracy is provided, which I derive from the international literature. Very quickly it became clear that there was no consensus on what new social democracy was, or should be. There are however four key features which are coming to characterise it; these will provide a template against which to assess the character of the 1999-2002 government. Having done this the strategy for analysis will be two-fold. First, two important policy areas – industry and regional development, and the employment strategy – from the Labour-Alliance administration of 1999-2002 are tested against the template in order to seek signs of new social democracy. A case-study approach such as this will allow a micro-perspective on the government. However, for all the advantages it allows, it is limited in what it reveals about the wider context. For example, it is selective: the case studies may skew the data. It is also partial and does not encompass sufficient material on which to base conclusions regarding the government. For

this reason, the second part of the approach widens the frame of analysis to include the wider context in which the policy examples exist.

Chapter Outline

The purpose of chapter one is to outline the research question (including my approach to answering it), to provide a structure to the thesis and to outline the methods which will be employed.

Chapter 2 surveys the international literature surrounding the new social democracy, and provides a definition which is employed as a means of analysing the government in subsequent chapters. This definition is cast in the light of 'traditional' social democracy, which is outlined at the beginning of the chapter. Following this description, the changes, which are perceived to have challenged social democracy, are outlined. These are: globalisation; technological advancement; and the ascendancy of the new right. New social democracy is seen as the response to these by contemporary social democrats. It is argued that while new social democracy is fluid and diverse, and while there is little consensus on what it is, or should be, the literature nevertheless suggests that there are four recurring features: investment in human capital; redistribution through active equality of opportunity; facilitative government; and reciprocal obligations. These features form a template which will be used to assess the Labour-Alliance coalition in chapters 5 and 6.

In order to contextualise the study, chapter 3 traces the development of new social democracy in New Zealand. First, the historical context is provided by outlining the development of social democracy, tracing it back to the Liberal administrations of Seddon and Ballance during the 1890s, and the rise of the labour movement in the same period. Following this an account of the Fourth Labour government is presented, including how it moved away from its previous social democratic position.

The chapter then goes on to discuss the renewal of social democratic thought during the 1990s, which I argue is in part a reaction to the crushing election defeat

of 1990, and the electorate's devastating rejection of Rogernomics. The emerging positions of Labour and the Alliance are analysed during the 1990s in light of the template in chapter 2; this period, it is argued, sees the development of new social democracy in New Zealand.

The purpose of chapter 4 is to outline the case studies – regional and industry development, and the employment strategy – which form an important part of the analysis. It contains the details of the various programmes which go to make up those policies, and will be tested against the new social democratic template of chapter 2.

Chapter 5 undertakes an analysis by assessing regional and industry development and the employment strategy against the new social democratic template. It is concluded that these policies do largely conform to that template, suggesting that the government adopted a new social democratic approach. However, these two policy areas alone are not enough to draw definite conclusions about the nature of the government; for this reason the analysis is broadened in chapter 6.

Chapter 6 examines the wider context of economic transformation and social inclusion, the government's overarching goals. They too are tested against the template of chapter 2. I find that there is a degree of congruence between them and the template, and together with a number of other policies, such as the nationalisation of Air New Zealand and the partial introduction of a progressive tax system, it is concluded that the government was new social democratic in nature. However, when seen in the light of a number of other issues, primarily the fact that the coalition never reversed many of National's policies, it is concluded that the government was very cautious in its approach to new social democracy.

Chapter 7 brings the research to a conclusion. Having established that the Labour-Alliance coalition was new social democratic in nature, it seems appropriate to cast a tentative eye to the future. The chapter therefore suggests some possible future trajectories of new social democracy, as well as flagging further areas of research within this field.

Terminology

For some the Third Way is more synonymous with the discourse of social democratic renewal than is new social democracy; it is therefore important to explain why I have chosen the latter term over the former. There is a very strong link between the two. Anthony Giddens (1998; 2000), possibly the most prolific writer on the Third Way, sees it as the renewal of social democracy. Indeed, in his latest work (2002) Giddens adopts the term new social democracy.

The term Third Way gained notoriety shortly after the landslide victory of New Labour in the United Kingdom (UK) in 1997, though it had been employed in the context of Clinton's presidency in the United States, and has a long and complex history in Europe, going as far back as Mussolini. It was formally the subject of much inquiry, both from academics and the media, but over the last two years or so the term has almost vanished from the political lexicon. However, the issues which it purported to represent – a clear path between neoliberalism and 'traditional' social democracy – and the policy goals it sought – among other things an educated citizenry in the midst of a knowledge driven society – are still very relevant today. In many respects the new social democracy is a more useful term; it more accurately describes the new social democratic project – social democratic renewal. The Third Way on the other hand has been used to describe many different things over the years. For the purposes of this thesis all things falling under the rubric of social democratic renewal will be referred to as new social democracy.

Another term which is frequently employed throughout this study is that of 'knowledge economy'. For the purposes of this thesis it will refer to the Labour-Alliance coalition's usage of it. This concerns the idea that economic growth is attained through knowledge industries, for example research and development, and not so much from commodities. Indeed, the need to get away from commodity dependence informs much of this.

Rationale for Choice of Policies

Because regional and industry development and the employment strategy form an important part of the analysis, it is important to explain my choice of policy examples. These policies were part of the government's overall aim to bring about economic growth and well-being, by building the productive capacities and skills of the population. As Steve Maharey, the Minister of Social Services and Employment, notes:

> We know that we have to build jobs in an economy where we can't offer job security to people, where people won't work for big corporations, where they won't have the kinds of protections they had in the heyday of old social democracy and the aims of social democracy then of giving people a life-time, secure position (interview, August 29 2002).

As well as sitting within the above context they are important policy issues in themselves. Unemployment has vexed politicians for three decades; seeking full employment in the midst of free market conditions and fiscal discipline has become a great challenge. My choice of regional and industry development allowed me explore an area of policy which was important to the junior coalition partner. This was important: to neglect the Alliance would be to undertake an analysis of Labour in government, which is not the focus of this research.

Methodology

The methodological approach employed in this research draws on a range of secondary and primary sources, which are primarily qualitative in nature. I chose this approach because it would generate the data required to answer the research question. The nature of that question is inherently complex, relying on a number of contestable issues and definitions, and cannot be quantified. Therefore, appropriate data sources were required, along with a strategy for collecting them, which were fit for the purposes of answering the question. For this reason, I drew on primary sources, such as interviews, information from the Internet, the media and official documents in order to provide information on policy details, as well as contemporary commentary which illuminated underlying philosophies and

principles. Secondary sources were required in order to address the nature of new social democracy.

Primary Sources

These were utilised for two ends. First, as a means of gathering policy details. I particularly relied on Cabinet papers released under the Official Information Act 1982 for this. These provided in-depth details of the two policy examples. In order to obtain these I made requests, under the Act, to either the appropriate Chief Executive (CE) or Minister, requesting information in the area of interest. I sent seven requests to CEs and Ministers. These were: Alan Bollard, CE of Treasury; Peter Hughes, CE of the Ministry of Social Development; Geoff Dangerfield, CE of the Ministry of Economic Development; Steve Maharey, Minister of Social Services and Employment; Jim Anderton, Minister of Regional and Industry Development; Michael Cullen, Minister of Finance; and John Chetwin, CE of the Department of Labour.

Also very useful in terms of policy details were the various official departmental websites. To this end I visited two government websites: www.med.govt.nz, Ministry of Economic Affairs; and www.dol.govt.nz, the Department of Labour.

The second purpose for which primary sources were employed was to seek signs of new social democracy. In addition to the nuts and bolts of policy, official papers tend to articulate underlying rationales. There are four sources of information which are important to this end: official speeches; election manifestos; media sources; and interviews with key stakeholders. Official speeches by Ministers, available on the Internet, not only outline what the government intends to do, but also why. This is particularly so with budgets and speeches from the Throne, when the government sets out its agenda for the coming year. The official government web site, www.beehive.govt.nz, for example, contains a number of important documents relating to the government's various programmes and policies. These sources of information are particularly important when it comes to assessing the ideological positions of certain key actors.

Election manifestos are also important when it comes to seeking underlying philosophies. These are one of the primary means a Party has of articulating its vision and ideals to the electorate when seeking a mandate. One example of this is Labour's 1993 manifesto, in which both the leader, Mike Moore, and his deputy, Helen Clark, outline the Party's philosophy (Labour Party, 1993).

In a similar vein, media sources add to the body of evidence. This is especially so regarding articles by Ministers outlining policies and the visions underlying them. There were two specific areas where I employed the media. First, within the context of social democratic renewal in New Zealand, I found a number of newspaper articles written by various opposition spokespeople outlining their Party's position at the time. For example, Steve Maharey wrote a number of articles between 1997 and 1999. These set out succinctly the detail of Labour's position on employment, and showed a very clear development towards adopting new social democratic principles and values. In addition to this I utilised media sources from the 1999-2002 period.

These sources were selected using Newzindex, a database of newspapers and current affairs magazines. Simple word searches for Ministers, for example, yielded articles by central actors such as Steve Maharey and Michael Cullen.

I chose interviews because I felt that it was important to include the personal reflections of key stakeholders within the research. Marsh, Smith and Richards (2000) provide a good example of this in relation to Dunleavy's 'Bureau Shaping Model'. One of the criticisms they levelled against Dunleavy was the assumption he made regarding the actions of civil servants. They argued that these had been reached without even consulting the subjects central to the model. In like manner, I do not want to conclude something as fundamental as the underlying philosophy of the previous government without first seeking the interpretations of those who were, one way or the other, involved with it. This source however acts as a supplement to the main body of evidence; in this context, firm assertions cannot be made on interview data alone.

All the following were contacted by letter and invited to participate in an interview. (See appendix 4). Where appropriate, interview data was incorporated into the text.

Dr Alan Bollard: I approached Dr. Bollard because I wanted to discuss Treasury's work on the inclusive economy and what I perceived to be its change of philosophy regarding the free market. In the end my request was forwarded to two Treasury officials, Maryanne Aynsley and David Mayes, who I interviewed on August 7 2002.

Hon. Dr Michael Cullen: As Minister of Finance, and also as a member of the Fourth Labour government, I felt that Dr. Cullen's insights would be very important. I interviewed him on June 18 2002.

Mike Williams: As president of the Labour Party, I was particularly interested in Mr. Williams's views on new social democracy and its relationship with the Coalition government. I also sought his reflections on the development of Labour during the 1990s. I interviewed him on June 17 2002.

Hon. Steve Maharey: As Minister of Employment and Social Services, Mr. Maharey is a key actor in one of the areas the thesis sought to examine. I interviewed him on August 29 2002.

Hon. Jim Anderton: Like Steve Maharey, as Minister of Regional and Industry Development, Jim Anderton is a key actor in one of the central areas of the thesis. I was particularly interested in gauging Mr. Anderton's thoughts regarding the links between regional and industry development and new social democracy, as well as his rationale for leaving Labour in 1989, and his reflections on the development of the Alliance during the 1990s. Unfortunately he was not available to be interviewed. Mr. Anderton could have discussed any conflicts or differences of opinion within Cabinet, thus illuminating differences between the two coalition partners. This is not the kind of information available from official documents or speeches.

Peter Harris: I felt Peter Harris was an important actor, not only because of his expertise as an economist, but also because of the contribution he has made to debates around issues related to new social democracy in New Zealand. I interviewed him on August 7 2002.

Heather Simpson: Ms. Simpson is a senior advisor to the Prime Minister. Like Jim Anderton, she was not available. As Clark's advisor Simpson may have had useful insights into the links between theoretical works and various policies; it is unfortunate that I could not have spoken to her.

Peter Hughes: As CE of the Ministry of Social Development, I wanted to talk to Mr. Hughes about the Ministry's social exclusion approach. As with Treasury, my request was forwarded to an official, Ross Judge, who I interviewed on June 17 2002.

John Chetwin: Like Peter Hughes and Alan Bollard, I wanted to talk to Mr. Chetwin, CE of the Department of Labour, about the work the department was doing in the area of employment. I eventually interviewed two officials who did not want to be taped, and who wished to remain anonymous.

Each one of the above was sent an information sheet outlining the nature and purpose of the research, along with a consent form detailing their rights and giving them the option of being tape recorded, and whether their quotes could be attributed to them (see appendix 1). Before any correspondence was sent out, I applied for and gained ethical approval from the School of Sociology, Social Policy and Social Work (see appendix 2). Before each interview I devised a number of questions, based on what information I felt I needed from the participant. There were a number of generic questions concerning reflections on new social democracy, the future of new social democracy in New Zealand, reflections concerning the connections between new social democracy and the previous government, for example, was the Labour-Alliance coalition new social democratic? Apart from these I sought fairly specific information from each participant. In this way the interviews were semi-structured in nature. This had the advantage of allowing a certain amount of flexibility, for example, to pick up

on points which were not substantiated. This approach also has disadvantages. The unstructured nature of the interview might lead inexperienced researchers, such as myself, to miss certain points, or to allow the subject to digress from the topic.

Secondary Sources

The central purpose of secondary sources was to outline the nature of social democracy, the changes which are perceived to have challenged it and the nature of new social democracy. There is a relatively large literature on social democracy, and it was not too difficult to unearth using the Massey library catalogue. I was already aware of a fairly large literature on the changed reality of globalisation and technological advancement, and how these affect social democracy. Particularly important here were the works of Anthony Giddens and Stuart Hall. The literature on new social democracy is not so large, though it is growing. Contrary to social democracy, a simple catalogue search did not yield too much, though I did find a number of articles concerning practical programmes put into effect by modernising social democrats. The main means of data collection on new social democracy was by chasing up bibliographical references from various works.

Conclusion

This chapter has outlined the research question, including the approach that will be taken to answering it, the methodology and the structure of the thesis. It remains to be said, however, why this research it important in the first place. There are two reasons. First, the thesis falls into the wider context of social democratic renewal, in light of the neoliberal ascendancy over the past two decades or so. This study contributes to our understanding of social democratic renewal in New Zealand. It will, I believe, contribute to a greater appreciation of where New Zealand is heading in policy and ideological terms. Second, there has not so far been an extensive theoretical examination of the Labour-Alliance coalition of 1999-2002, or indeed, of issues related to new social democracy in general. There are two exceptions: *The New Politics: a Third Way for New Zealand*, (Chatterjee, Conway, Dalziel, Eichbaum, Harris, Philpott, Shaw, 1998),

which comprises a collection of essays addressing the issue of a Third Way in New Zealand; and a collection of essays by Jane Kelsey, *At the Crossroads* (2001), in which the 1999-2002 coalition government's pursuit of a Third Way is critiqued. This contrasts sharply with the 1980s and 1990s, on which there is a large corpus of literature concerning the connections between the administrations of those periods – Fourth Labour and National governments – and neoliberalism (see for example, Boston and Dalziel, 1992; Boston and Holland, 1987; Boston and Holland, 1990; Kelsey, 1993, 1995; Hazledine, 1996 and 1998).

Chapter 2 – The New Social Democracy

Introduction

The purpose of this chapter is to define new social democracy, in order to develop a means of analysing whether the Labour-Alliance government was new social democratic in nature. Any discussion of new social democracy should be made in light of its antecedent, old social democracy; as such the chapter begins with a discussion of old social democracy. I find from the literature that while it is hard to define, social democracy appears to be characterised by: pragmatism; a commitment to constitutionally elected governments as the best means of attaining change; concern with overall well-being; and redistribution of economic resources. This discussion provides both a context, and a way of establishing a connection between the new and the old. For example, it has been said that new social democracy is about attaining traditional social democratic goals by employing radically different means (Driver and Martell, 1998: 15-17; Giddens, 2002: 5). If this is the case, then it follows that the same philosophical base as its antecedent underpins new social democracy.

Prior to discussing the underpinnings of new social democracy, the changes which are perceived to have challenged old social democracy, and led to the need for its renewal, are outlined. These forces are globalisation, post industrialism and neoliberal ascendancy. New social democracy is the site of vigorous debate about how social democrats should confront these changes; this debate revolves around the issue of suitable government action within the new environment. Nevertheless, there appear to be four commonly recurring features which are coming to identify new social democracy as a political project: investment in human capital; redistribution through active equality of opportunity; facilitative government; and reciprocal obligations. These features form a template that will be used in later chapters to assess the degree to which the Labour-Alliance government was new social democratic.

Defining Social Democracy

Most commentators agree that there is no easy way to define social democracy. David Marquand (1999: 11), for example, asserts that it is heterogeneous; rather than social democracy, he suggests we should refer to social democracies. Stephen Padgett and William Paterson (1991: 11) regard it as a fluid tradition, and speak of a 'kaleidoscope' of ideas. Chris Pierson (2001) cites the diverse gathering of social democratic parties at the 1999 Socialist International as an example of how amorphous the tradition is. This suggests that it would be difficult to provide any kind of tight definition. Certainly, there is no quick and easy way of describing exactly what social democracy is; however, a review of the literature suggests there are four key features in common usage by commentators. These are: pragmatism; constitutional means of attaining change; a concern with overall well-being; and redistribution of economic resources. None of these qualities alone is unique to social democracy. It is the combination of these features which make them social democratic.

Pragmatism

Social democracy's pragmatic quality is evident in the tendency, throughout its history, to update its programmes and ideology in order to keep up with various changes. Andrew Gamble and Tony Wright (1999: 2) suggest that social democracy is not identified with a single creed or political party, but is rather protean and adapts in order to survive. They stress the importance of electoral considerations when issues of goals and values are addressed. In a similar vein, Padgett and Patterson (1991) argue that this diversity has led to vague political programmes and to a specifically electoral orientation, which has bred a flexible pragmatism. Marquand (1999:11) emphasises that social democracy is always revising and modifying its programmes in order to keep up with the latest 'mutations of capitalism'.

However, pragmatism is more than a cynical means of attaining and keeping power. Social democratic revisionism has also been about keeping the movement relevant in the midst of changing circumstances; a means of ensuring that it remained capable of effecting positive change. This pragmatic element is also

rooted in the history of social democracy, and its strong links with the democratic movement. This leads to the second feature of constitutional means of attaining change.

Constitutional Means of Attaining Change

The roots of social democracy go back to the 19th century, when many saw democracy as the best means of implementing a socialist society; this contrasted with those who sought socialism through revolution. Effectively, the industrial revolution made workers aware of their collective strength, and they sought protection in the face of capitalist exploitation (Patterson and Campbell, 1974: 1; Gould, 1994: 19). Indeed, social democrats sought to extend the political rights, which the bourgeoisie had already won, into the social and economic realms for the sake of the working class (Przeworski: 1985: 7). In this context, democracy was more than a pragmatic adoption of parliamentary means to socialism; it was regarded as an essential element of working class well-being. More than this, democracy was originally regarded as the democratisation of wealth.

It is necessary at this stage to address the relationship between socialism and social democracy. If social democracy began as socialism by parliamentary means, then is the social democracy of today part of socialism? There is no clear answer to this. If they are separate, where does socialism end and social democracy begin? Will Hutton (1999) and Tony Fitzpatrick (1998: 33), for example, see them as distinct. Socialism by democratic means is now democratic socialism. For Fitzpatrick, democratic socialism takes an oppositional stance to private capital, and seeks to implement a distinct, non-capitalist system through general strikes, advocacy of industrial democracy and workers' control. Historically, this could have described certain elements of social democracy – Karl Kautsky, a prominent socialist thinker of the early 20th century, advocated the democratic process as a means of staging the class war (Pierson, 2001: 26). Other commentators, such as Chris Pierson, seem to use the terms interchangeably. It seems to turn on the issue of whether socialism and capitalism are mutually exclusive. In a sense social democracy can be seen as socialist values within a capitalist setting, which means that at some point, the two parted company. This did not happen overnight; there is no single point, nor indeed any

consensus, as to when this separation took place. However, the work of Eduard Bernstein, an important socialist thinker who has had a strong influence on social democracy, may provide some clues. Chris Pierson (2001: 22-6) outlines the origins of this (see also Heywood, 1992: 129). Bernstein claimed that the ownership of capital was becoming more diffused through the population, thus suggesting that the means of class exploitation were much diminished. He went on to argue that it was democracy itself that 'transformed the nature and prospects' for social change, because there was no place for class exploitation within a democratic setting: popularly elected governments were responsible to the electorate, not a minority elite. Although universal suffrage was not a reality when Bernstein was writing, he envisaged a time when it would eventually be achieved. Ultimately, Bernstein regarded democracy as a means of elevating the worker from the position of subordination, to that of citizen with an equal share in the wealth of society.

From this point of view, democracy was more than just a means to an end. It was an end in itself. It provided for working class representation and a working class voice. As Thomas Meyer asserts, 'from the very beginning one of the key [features] of social democracy has been its unconditional belief in democracy' (cited in Berger, 2002: 13).

While the above is very clear on the link between social democracy and the political process, and while democracy was one end which social democrats sought, so far the discussion is largely silent on social democratic ends. In fact, a prominent feature of social democracy has always been a concern for overall well-being.

Concern for Overall Wellbeing

Social democratic governments enact reforms which fight against injustice and inequality (Gamble and Wright, 1999: 2). What is the exact nature of the injustice social democrats oppose? What kind of inequality have they sought to counter?

Traditionally, social democrats sought to redress the imbalance between a small elite of employers and industrialists and the mass of workers within the context of

a free market (Gould, 1994: 19). But it is more than a critique of a monopoly of power. Tony Fitzpatrick gets to the heart of the matter when he argues that social democrats object to the source, form, degree and consequences of inequality. For social democrats this objection led to a focus on the concentration of capital in private hands, which meant workers had no choice but to sell their labour on terms disadvantageous to them. While they were physically responsible for producing much of the national wealth, they only saw a fraction of it. This was considered exploitative. Not only is this inequality objectionable, but so too are its consequences – ill health, crime and poverty. From this point of view, inequality under capitalism results in a grave injustice.

Over the years, social democrats gradually began to turn their attention away from an exclusive focus on the working class – due in part to a need to build larger electoral coalitions, and also in reaction to full political enfranchisement – to a more universal concern, which highlighted citizenship. The underlying principle was that all citizens had the right to reach their 'full stature', or full potential, and that political activity should be addressed to that goal (Padgett and Patterson, 1991: 18). R. H. Tawney (1926), one of the leading figures on equality in the 20th century, had as his focal point the concern to see that all citizens were able to reach their full potential and live fulfilling lives. This, in part, informed his belief that a simple notion of equality of opportunity was not enough to remove the poverty and deprivation which prohibited people from realising their full potential. In this way social justice can be seen to be concerned to allow conditions in which self-fulfilment and potential can be attained.

From these perspectives, the pursuit of equality was justified by a concern to ameliorate the affects of free market capitalism – namely exploitation – and, later, to ensure that each citizen was able to reach their full potential. However, a concern with equality was not just informed by notions of justice; it was also seen as practical. Tony Crosland (1956: 190) provided an important example of this. He saw equality as serving a practical purpose in that it widened the consumption base and brought about a greater level of economic growth. In this view, it was not just individual well-being that concerned social democrats, but also national

well-being and economic growth. Social democrats were therefore concerned with overall well-being – both of the individual and of the nation as a whole.

Redistribution of Economic Resources

While one's sense of well-being is not solely informed by economic factors, it is undeniable that economics plays a part. In this sense, redistribution of economic resources forms a core aspect of social democracy; like political democracy, it is both a means and an end. This is because if the aims and objectives of social democrats are to be achieved they require a redistribution of economic resources. The initial social democratic aim of socialisation illustrates this. Removing the means of production from the hands of private capital and vesting it in the hands of the state on behalf of the wider community assured workers a degree of power and control over their lives and situations (Paterson and Campbell, 1974: 39).

As time wore on, social democrats began to move away from socialisation and towards a greater accommodation with capitalism, a process referred to by Padgett and Paterson (1991: 21) as the 'ideological transformation'. This certainly did not occur overnight; it was a long process, with different social democratic parties abandoning socialisation at different times. For example, in Germany the Social Democratic Party (SPD) dropped its commitment to socialisation in Bad Godesberg in 1959 (Paterson, 1993), whereas in Britain, the commitment to Clause IV – that part of Labour's constitution committing it to the ownership of the means of production and exchange – was not removed until 1995, after Tony Blair became the Labour leader (Rentoul: 2001: 252-7).

This accommodation with capitalism has come to be known, in the English-speaking world, as the Keynesian welfare state, and has its roots in the 1930s depression. Economist John Maynard Keynes challenged the central assumption of classical economics: that a market left to itself would always achieve equilibrium – supply always equalled demand, and there was therefore no involuntary unemployment because the labour market always cleared (Hutton, 1986: 93). Indeed, the problem of intractable unemployment during the 1930's depression greatly vexed classical economists, for whom such a phenomenon was theoretically impossible (Heilbroner, 1991: 255). Keynes advocated active

demand management of the economy – active stimulation of demand by the state – through fiscal and monetary policies. He held that equilibrium at full levels of employment could not be attained if firms were not investing, and concluded that government spending in the economy was necessary to boost demand (Canterbury, 1995: 163, 171). It was not the means of production that needed to be controlled, but the level of demand within the economy (Przeworski, 1985: 207).

The terms Keynesian welfare state and social democracy should not be used interchangeably, especially since the majority, though by no means all, of governments who adopted Keynesian economics in the post war era – at least in Britain and New Zealand – were conservative. However, Keynesianism was an economic paradigm which was consistent with social democratic principles, and which suited the purposes of social democrats; Pratt (2001: 2) sums it up well when he states that it gave government's political control of the economy, and allowed them to redistribute the resources of society in order to avoid the excesses of free market capitalism.

The Changing Circumstances Facing Social Democracy

Among many commentators over the past two decades or so, there is a perception that the world has profoundly changed; these changes are at the global and national levels, and are social/cultural and economic in nature. While there are differences in the literature of emphases as to exactly how profound or new these changes are there is broad agreement that they encompass a combination of globalisation, post industrialism and neoliberal ascendancy. There is also agreement that these phenomena profoundly affect prospects for social democracy and have led to an ongoing debate about a new social democracy. What is the subject of vigorous debate, however, is the course social democrats should take in light of them – this will be explored in the section below.

These changes should not be seen in isolation from each other, but rather, as part of an overall process. For example, globalisation sees the world becoming increasingly integrated. This is aided by new developments in communication

technologies such as the Internet; because of its instantaneous nature, Internet communication creates a sense that the world has shrunk (Held et al, 1999). This in turn creates an environment which is suited to the free, unregulated movement of capital around the globe. At the same time, the technology which allows for greater levels of global integration is part of the technological advancements that have led to a decline in working class, manual labour, seen by many commentators as the traditional constituents of social democracy (Crouch, 1999). The neoliberal ascendancy came on the back of these developments, at the very time the role of the state came under strain.

Giddens (1998, 2000) was the first theorist to present a coherent account of the prospects for a rejuvenated social democracy in the face of globalisation. For Giddens, globalisation exists at both economic and cultural levels. At the economic level, the nature of instantaneous communication has profoundly affected the ability of the nation-state to affect its own economic policies; global capital can be shifted instantaneously, leaving governments with little in the way of policy space if they wish to avoid capital flight (1998: 30-1). In other words, governments are always mindful of the wishes of investors. As a consequence, Giddens argues that traditional social democracy is no longer tenable. Kanishka Jayasuriya, an emerging theorist of the new social democracy, echoes this, arguing that:

> [g]lobalisation has dramatically limited the efficacy of traditional Keynesian strategies at the national level because integrated capital markets and the regime of floating exchange rates have limited the options available to policy-makers in the use of fiscal and monetary policies as throttles to power the economy (1999:27).

John Gray posits a similar account (Pierson, 2001: 6-8), but, whereas Giddens holds out hope for a revised social democracy, Gray simply heralds its death. This proclamation is also made in the light of global capital mobility, and the feminisation of the workforce, from the 1960s onwards, which fundamentally challenged full employment. Part of the problem caused by globalisation is the

readily available supply of cheap, yet skilled labour, a process Gray claims has intensified since the end of the cold war.

At the cultural level, Giddens argues that globalisation has led to a 'post-traditional society'. In contrast to the traditional society, which is structured along lines of gender and hierarchy – traditional practices are given and wisdom is received for example – in the post-traditional world individuals, thanks to quantum leaps in global communications, are subject to a plethora of images and cultures which act to undermine the norms and values of traditional societies. This potentially allows them to adopt identities independent of their kinship group. In other words, no longer is one's status, role and way of life conferred at birth, but rather, it can be chosen. Giddens claims it is this traditional society which has now been challenged, and that this comprises the 'new individualism' (1998: 34-7). In a post-traditional world it is up to individuals to manage their own 'life project', and it is within this context that the state should adopt the role of facilitator – aiding and facilitating the individual's progress and pursuit of well-being. This also profoundly affects the creation of full employment, which, under Keynesianism, was premised on assumptions concerning gender roles – work for men, and motherhood for women. These assumptions have been well and truly challenged (Giddens, 1994: 140).

Issues related to the decline of the working class within a post-industrial context are also seen as challenges to traditional social democracy. Stuart Hall's (1989) work is important here. During the 1980s, Hall attempted to account for the failure of the British left to successfully challenge Thatcherism – the name given to the brand of free market philosophy forcefully articulated by the Thatcher governments (for example, Letwin, 1994). Hall concluded that the left had not taken into account the quantum leap in technology which had, to a large degree, made redundant traditional, manual working class occupations. The long-standing emphasis on the collective strength of class was wrong. For Hall, the role of the state had to be reconstituted; like Giddens he held that it needed to become facilitative and assist the individual to adapt to the more flexible requirements of a post-industrial age.

Colin Crouch (1999: 73-6), in a recent publication on the new social democracy, expresses similar sentiments about the diminishment of the working class; he casts this in the light of neoliberal ascendancy. Crouch argues that at the beginning of the 20th century the working class was seen as the class of the future. Quite the opposite is in evidence at the beginning of this century; this, he argues, has corresponded with the rise of a new 'capitalist class', and the ascendancy of free market neoliberalism. Social democrats have had to contend with the new orthodoxy which neoliberals have established: that any kind of state activity is, by definition, bad. This tradition has fundamentally challenged the main social democratic tool for change: the state (Hutton, 1999: 90). They have also had to contend with the continued success of right wing governments in countries such as Britain, Germany and the United States. Social democrats were on the back foot throughout the 1980s and much of the 1990s; however, it would be incorrect to view this as the sole reason social democrats have updated their ideology.

This, very briefly, outlines the changes which are perceived to have challenged social democracy. While this account constitutes something of a consensus, how social democrats respond to these changes is the subject of vigorous debate within the tradition, as is the space within which new social democracy exists. In this sense, it is as fluid as its classical antecedent.

The New Social Democracy

There is considerable debate within the discourse of new social democracy. On the one hand, there are those who accept, almost without reservation, the argument that globalisation, the decline in the manual labouring classes and corresponding changes in technology have closed off the avenue for state activity; consequently, social democrats are left with no choice but to invest in training and education to ensure that their citizens are well equipped for the new age (Giddens, 1994, 1998, 2000, 2002; Latham, 1998, 2001; Jayasuriya, 1999, 2000, 2002; Prabhakar, 2002; Hombach, 2000; Midgley, 1995, 2001). This appears to be the majority view. On the other hand, there are those who argue that globalisation and the effects it has on a state's ability to act are the very things which must be challenged (Hutton, 1995, 1999; Crouch, 1999; Hirst, 1999). From this point of

view, investing in education and training is a necessary, though not sufficient, programme for a revitalised social democracy. Globalisation and the acquiescence of governments to business interests challenges the very heart of what social democracy is about: constitutionally elected governments choosing the best course of action.

Another area of debate, though perhaps less controversial, is the place of responsibility and reciprocity within the new social democracy (Meyer, 2002; White, 1999). The fault-lines then revolve around the role of the state and the interaction between the state and the individual. Nonetheless, within the parameters of these debates, my reading reveals four commonly recurring features within the literature. They are: investment in human capital; redistribution through active equality of opportunity; facilitative government; and reciprocal obligations. For the purposes of this thesis, they will be employed to form the template which will be used in later chapters.

Investment in Human Capital

In a world where it is perceived that the state is unable to intervene in the economy as it once did, many social democrats are seeking to invest in human capital, generally through education and training. The rationale is that individuals need to be skilled and adaptable in the face of global competition within a free market. The roots of this line of thinking can be traced back to Anthony Giddens's (1994) work, *Beyond Left and Right*, where he provides an account of social democracy which moves away from the idea of well-being understood entirely in material terms. He develops the concept of positive welfare, which regards the main objective of any welfare policy as 'fostering the *autotelic* self': that is to say, someone who has:

> ...inner confidence which comes from self-respect, and one where a sense of ontological security, originating in basic trust, allows for the positive appreciation of social difference. It refers to a person able to translate potential threat into rewarding challenges, someone who is able to turn entropy into a consistent flow of experience. The autotelic self does not seek to neutralize risk or to suppose that 'someone else

> will take care of the problem'; risk is confronted as the active challenge which generates self-actualisation (Giddens, 1994: 192).

One could be forgiven for regarding this as the transformation of welfare into therapy. However, it is not so bizarre when seen within the context of Giddens's acceptance of the limited ability of the state. From this perspective the state has to refocus its attention upon the individual and facilitate their ability not only to cope with the challenges of a free market society, but in this view, to thrive on them.

Positive welfare sees welfare reconstituted so that, rather than dealing with problems after they occur, they are addressed 'at source'. For Giddens, this is far more effective and cost efficient. An example of this might be neighbourhood regeneration, in order to prevent breeding grounds of crime.

While there is much 'abstract philosophy' in this account, Giddens is short on practical ideas to help put it into effect. Practical ideas do begin to appear in subsequent publications (Giddens, 1998, 2000, 2002). An emerging theme in his thinking is 'investment in human capital wherever possible rather than the direct provision of economic maintenance' (Giddens, 1998: 117). Giving people the skills necessary to take part in the labour force and the wider society is seen as a more productive way of distributing resources than through simple benefit transfers.

Echoes of this can be found in many other sources, including the work of Mark Latham (1998), a Federal Labor MP in Australia, and Bodo Hombach (2000), who, as an advisor to Gerhard Schroeder, was instrumental in the electoral victory of the German Social Democratic Party (SPD). Latham for example has advocated Life Long Learning Accounts, a concept which envisages individualised accounts with funds specifically for the purpose of furthering one's education or training, provided by the government. Hombach, for example, also places an emphasis on education, and advocates a greater match between tertiary courses and the available jobs in the labour market.

Another important theme within the realm of investment in human capital is articulated by James Midgley (1995, 2001) and is known as the social development approach. This sees the increasing harmonisation of social and economic policy where individual skills are enhanced, not only as a means of acquiring well-being, but also as a route to economic growth. In this view, the level of economic growth is a function of the level of skills within the economy. In many ways the Labour-Alliance coalition is informed by this approach, as will become apparent in chapter 6.

While there is a tendency to regard investment in human capital in individual terms, there is no reason why it should not have a group focus, where appropriate. Midgley's account of social capital is important in this context. The notion of social capital investment sees the capabilities of local communities and regions developed, again in order to lead to greater levels of economic growth.

In terms of practical, real world policies, there is an increasing emphasis within many social democratic governments on education and training, which are characterised by active labour market policies – policies which seek to fit individuals for the labour market through training and education (Evans, 2001: 11). The British Labour government's New Deal for example is based on individualised case-management for those who experience long-term exclusion from the workforce. Following a period of intensive counselling, where problems are identified and possible solutions canvassed, the participant is offered four options: training; voluntary work; work experience; and work with the environmental taskforce (Campbell, 2000: 30). Indeed, New Labour's overarching emphasis is upon facilitating the process back into the workforce (Glyn and Wood: 2001: 65).

Other European countries are also pursuing active labour market policies. Holland for example has introduced 'Centres for Work and Income', which is an integrated department for assessing both income and employment needs. New claimants are assessed in terms of their likelihood of attaining work unaided, with the aim of ensuring that all beneficiaries are either in employment or training within 12 months of becoming unemployed (Evans, 2001: 35). French policy, for

example, is very strong on individual case management where claimants are assigned a case manager with whom they are to develop action plans – *plans d'inserton* (ibid: 35-36).

Redistribution through Active Equality of Opportunity

A focus on investment in human capital leads to questions of what kind of redistribution is required to effect it. There is no consensus on what a new social democratic version of redistribution should look like. Kanishka Jayasuriya for example argues for a redistribution of economic power. This is informed both by Amartya Sen's notion of capability and equality and traditional social democracy. For Sen, equality goes beyond the simple notion of resource holdings, to encompass the individual's ability to attain their own well-being. The role of redistribution in this context, according to Jayasuriya, is to build the capabilities of citizens so that they can make material choices in pursuit of their well-being; ultimately, it is to effect a redistribution of capabilities. Jayasuriya argues that while globalisation and technological advancement, along with the consequent lack of job security, may have led to a limited role for the state in terms of economic redistribution, 'it [nonetheless] has the potential to open up the way for the redistribution of economic power through a redistribution of capabilities' (2000: 287). From this view, within the new environment of globalisation and post-industrialism, the state is still able to achieve the social democratic ends of redistribution.

While this notion of redistribution sounds radical, if in reality it translates into nothing more than the kinds of training and employment schemes outlined above, can it be said to be a true redistribution of economic power? In many ways the answer is no. At best training programmes can be said to give people the capability to acquire economic power for themselves. This is not the same as redistribution. However, the notion of capability is important in terms of underpinning a new social democratic notion of equality, which does require modest resource redistribution. The emphasis on investment in human capital, which builds the capabilities of individuals so that they can pursue opportunities, suggests that a new social democratic notion of equality could be seen as an active

equality of opportunity. Active because it is the state which not only ensures that its citizens are able to take opportunities but also, that opportunities are available.

This is reflected in Giddens's account of equality. Giddens (2000: 86) argues in favour of what he calls a 'dynamic, life-chances approach to equality, placing the prime stress upon equality of opportunity'; such an approach, he argues, calls for a redistribution of resources in order to ensure that there are opportunities available for all. These resources will be used to fund training schemes and related programmes which give people the skills necessary for participation in the workforce. At the same time, redistribution ensures that those whose parents have squandered their opportunities are not disadvantaged, and that those who, for whatever reasons cannot take opportunities, are still able to live fulfilling lives (Giddens, 2000: 98-103, 2002: 39-40).

Midgley's account of social development also requires redistribution of resources in order to effect the harmonisation of social and economic policy, and to actively build the skills of citizens, again through various training and related schemes. In this vein, it is similar to Giddens's account.

Active equality of opportunity is important because it not only stresses the kind of equality within the new social democracy, it also emphasises the fact that the role of redistribution has diminished, from one of a means and an end, to simply a means to an end; that end being opportunity for all. In this way it constitutes a profound break with traditional social democracy.

Facilitative Government

Debates regarding investment in human capital, and the appropriate type of redistribution within the new social democracy, have wider implications in terms of the role of the state. This is the subject of vigorous debate among social democrats. The dominant view is that the state should be a facilitator (for example Giddens, 1998, 2000; Latham, 2001). This is evident in the focus on investment in human capital, and the notion of active equality of opportunity. The state actively facilitates the process whereby the individual is able to take advantage of whatever opportunities come their way. This is evident in Giddens's

notion of positive welfare, where the state almost becomes your therapist. The notion of facilitation was also expressed in a publication written by British Prime Minister Tony Blair and German Chancellor Gerhard Schroeder, *The Third Way/Die Neue Mitte* (1999), in which the two leaders asserted that the role of the state was to steer, not row. These views are informed by the assumption that the profoundly changed world of free flowing capital and rapid communication leaves governments with no real role except to invest in education and training.

However, this assumption has been vigorously contested. Colin Crouch (1999), for example, argues that these very forces should provide social democrats with a sound reason to act. For Crouch '[n]eeds for means to restrain the pressures of the market, including those of work, remain high on the agenda...for any [social democratic] party' (1999: 72). As it is, new social democratic governments such as New Labour simply 'tool people up' in order to cope with the free market.

Paul Hirst (1999: 89-90) argues that social democrats need to confront issues of foot-loose capital. He suggests some form of collaboration between the major trading blocs – Japan, USA and Europe – in order to stem the corrosive affects of free capital flows. However, he concedes that this would not be in either Japan's the USA's or Europe's interests, and urges instead, in contrast to Giddens's positive welfare, a revitalised or renewed welfare state. Far from assuming that such an institution is inappropriate for the current age, he argues that it is essential in order to aid 'actors' to adapt to changed circumstances while the state instigates new policies. Indeed, as Hirst points out, the most open and competitive European nations – Holland and Denmark for example – have the most extensive welfare states.

Will Hutton (1999: 100) argues that to concentrate solely on education and training and to allow capitalism to develop without hindrance – for example, through allowing the labour market to be unregulated – is to surrender to the needs of business interests. Indeed, such a scenario is akin to a Schumpetarian analysis of capitalism. Bob Jessop (1994) provides a succinct account of this. He argues that a Schumpetarian *workfare* state emphasises supply-side innovations, in order to produce an educated, flexible workforce able to meet the demands of

post-Fordist accumulation. Post-Fordism is characterised by flexible labour processes and economic growth and relies upon a 'permanently innovative' means of accumulation, informed by product differentiation and an adaptable workforce, with an increasing polarisation between skilled and unskilled labour (1994: 19-24). In contrast to this, Hutton calls for a revitalised social democracy which is based on a newly emerging body of economic theory called New Keynesianism. This holds that growth comprises more than an efficient economy, and that the state must incorporate investment in vital sectors such as education, transport and infrastructure. Such a programme should be based on an international architecture that allows states to forge their own economic policy. Here, Hutton gets to the heart of the matter by highlighting the erosion of sovereignty and democracy within a free market context. It is this which has threatened social democracy, and should therefore be challenged. A redefined role for the state is necessary in order to correct market failure and guard against the tendency of the market towards monopolies, lift the growth of productivity in areas which the market does not do spontaneously such as investment in health, education and science, and setting out a 'social contract' specifying rights and duties of government and the individual.

These arguments are important because not only do they illustrate the contestable nature of what new social democracy is, but they still support the notion of a facilitative government; in many ways, what Crouch, Hirst and Hutton advocate is a more radical form of facilitation. Hutton's points for example allow for a very facilitative approach: international collaboration, which creates conditions of continued state sovereignty, and investment in vital areas of the economy, such as education and science. Indeed, there is no evidence that any of these commentators have taken issue with the core concerns of new social democracy, such as investment in human capital; their arguments revolve around the issue of whether these alone are enough. Radical facilitation could come in the form of Hirst's idea of a strengthened welfare state which offers free education, beyond training programmes, to those who have been displaced by the free market environment. Likewise, Hutton's call for investment in education might see free provision right through to tertiary level. All this falls within the ambit of facilitative government: governments which provide, free of charge, the means by

which individuals (and groups and communities) reach their full potential can certainly be said to be facilitative. This debate illustrates the fluid and diverse nature of new social democracy. It also illustrates that a more radical form of new social democracy would require more than a moderate form of resource distribution, and in this way does not constitute such a radical break with its traditional antecedent.

Reciprocal Obligations

There is a sense within the new social democracy that the provision of opportunity by governments lead to obligations on the parts of individuals. Issues of reciprocity are tied up with the place of responsibility within the new social democracy. Giddens is perhaps the first to articulate this within the modern context; it is of course a subject which goes right back in the tradition. As Giddens states, '[s]ocial security measures, by and large, do not attribute fault to those who are the recipients of state aid; but by that very token neither do they imply the assumption of responsibility on the part of those affected' (1994: 151).

Indeed, Giddens's notion of positive welfare lends itself not only to a facilitative role for the state, but also to the idea that there are certain expectations of beneficiaries. State facilitation and aid requires certain reciprocal obligations on behalf of recipients.

The controversy surrounding notions of reciprocity tends to centre on the idea that obligations contradict the idea of welfare as a right of citizenship, and that they are punitive in nature (for example, Jayasuriya, 2002; King and Wickham-Jones, 1999). Contemporary social democrats have adopted T H Marshall's account of social rights to ground the notion of welfare as a right of citizenship (for example Cheyne, O'Brien and Belgrave, 2000). In this vein, Jayasuriya (2002: 309-10) argues that an emphasis on responsibility creates a paradoxical situation, where, on the one hand, social policy emphasises individual autonomy through beneficiaries taking an active role in managing their lives, and on the other, an emphasis on responsibility leading to illiberal outcomes which see unemployed people coerced into menial tasks. However, this line of thought does not do justice to what Marshall wrote. A careful reading of Marshall suggests that his

notion of welfare rights was not absolute. For Marshall, the fact of citizenship did indeed confer upon the individual the right to welfare, understood in its broadest sense – that is, in terms of overall well-being. For Marshall, citizens had a right to be educated and a right to be healthy. However, these rights were seen not only to benefit the individuals in question, but also the society in which they lived. Individuals had a right to achieve to their best abilities, but also had a duty to avail themselves of opportunities provided in order to benefit the wider society. (Marshall, 1981: 90-1).[1]

This is certainly reflected in the account of reciprocal obligations which has come to underpin the new social democracy. For example, Thomas Meyer argues that while a modern social democratic welfare policy would be underpinned by personal and family responsibility (in that they, not the state, have primary responsibility for looking after themselves), and the need to clamp down on benefit fraud, the state would be obligated to provide opportunities for the needy in the form of training and education, and ensure that there is a robust education system offering life-long learning for all citizens (PPI website: (www.ppionline.com.). Stuart White (1999: 171), who has perhaps articulated the most thorough account of new social democratic reciprocity, regards this as 'fair reciprocity', which rests on the notion that, while government provides the opportunities, the individual is obligated to take advantage of them when they arise. This provides a logical rationale for reciprocity, because it makes clear obligations on the parts of both government and the individual. From this point of view Jayasuriya's conception of responsibility is one-eyed: responsibility need not lead to illiberal, coercive outcomes when set within the context of mutual obligations, where the onus is on government to initiate the process. However, welfare policies, which solely emphasised the responsibilities of beneficiaries, would indeed be illiberal.

There is evidence of pragmatism within the new social democracy; for example, social democrats continue to display pragmatism in relation to the wide

[1] In some respects, it could be argued that by highlighting the intrinsic link between individual and societal well-being, Marshall's work was a forerunner to social development.

acceptance of, and adaptation to, the free market in the midst of globalisation and technological advancement. Indeed, in many respects new social democracy is itself the result of the pragmatic element of the social democratic tradition, and in this way represents a strong continuity with its traditional antecedent. However, it should be remembered that, as the above discussion suggests, there are those within new social democracy who are not willing to be so pragmatic.

Old and New Social Democracy

Investment in human capital, redistribution through active equality of opportunity, facilitative government and reciprocal obligations illustrate both a continuation of and departure from old social democracy. In the case of investment in human capital, social democrats have always emphasised education and training, especially in relation to the social democratic goal which sought a society in which all could reach their potential. Today, however, investment in human capital is as much to do with economic growth, as it is to do with individual well-being. While social democracy has always advocated economic growth, and emphasised well-being both in terms of the individual and the greater good of society – in that equality brought about higher levels of economic growth – it was traditionally within a framework of a circumscribed form of capitalism, subject to government control. Today, the pragmatic element, which has long been a feature of the tradition, has brought about a situation where practitioners of, and thinkers within, social democracy have tended to accept the free market more than their traditional antecedents. This has significant consequences in terms of redistribution and the role of the state.

The acceptance of free market capitalism has diminished the place of redistribution within new social democracy. Whereas previously it was a means and an end, it is now a means to an end – that is the active provision of equality of opportunities for all. In terms of the role of the state, while governments are still active, and comprise the chief means of social change, a large element of democracy has been ceded to capital. For example, if globalisation has meant that governments can't act as they wish due to the constraints of free-flowing finance, then it is big business and supranational institutions like the International

Monetary Fund and World Bank 'that call the shots'. Governments simply furnish them with the kinds of 'labourers' they require. This however is not the whole story. New social democrats are not solely concerned to mollify business interests; within this framework they seek to ensure that all have opportunities. New social democrats no longer seek to effect an equality of economic power, but rather a kind of equality which allows or aids individuals to acquire economic power.

Of course, not all new social democrats view things this way. Hutton's promotion of a framework allowing governments to decide their own affairs is an example of a call for greater democracy; it is a call for social democrats to be allowed to more effectively use their chief tool, the state.

While these four features constitute a recurring theme within the literature on new social democracy, the room for disagreement suggests that this is a fluid rather than a static model. Most, if not all, social democrats agree that investing in human capital is necessary and important; for some it is sufficient, for others, however, it is necessary yet insufficient.

These then constitute the four core features of the new social democracy for the purposes of this thesis. They form the template against which the Labour-Alliance government will be assessed throughout the remainder of this study.

Conclusion

In this chapter I have provided an account of social democracy and the changes which are perceived to have challenged it: globalisation, post-industrialism and neoliberal ascendancy. I presented new social democracy as a means of confronting these challenges, and argued that it constituted the site of vigorous debate between those who hold that government action has to concentrate on individuals, and those who, while not refuting this focus, argue that more needs to be done; namely, that the state has to do more to ameliorate market failure. It held that these differences suggested new social democracy was as fluid as its antecedent. Nonetheless, I argued that new social democracy could be

characterised by four emerging features: investment in human capital; redistribution through active equality of opportunity; facilitative government; and reciprocal obligations. These features form the template which will be used to assess the Labour-Alliance government throughout the rest of the study. Before engaging in this assessment, however, and as a means of contextualising the Labour-Alliance government, the following chapter sketches the history of social democracy in New Zealand.

Chapter 3 – Social Democracy in New Zealand

Introduction

The previous chapter articulated a template based on the four key features of new social democracy, which will be used in chapters 5 and 6 to make sense of the Labour-Alliance government. The purpose of this chapter is to take the debate on new social democracy into the New Zealand context by tracing the historical roots of social democracy; in so doing its emphasis is largely upon the history of the New Zealand Labour Party: after its formation in 1916 it became the major embodiment of social democracy in New Zealand. The chapter begins with an outline of the development of social democracy in New Zealand, tracing its roots back to the Liberal government of the 1890s, and the various reforms it instituted. It then describes the formation of the New Zealand Labour Party, and the ideology which underpinned it, particularly its emphasis on the socialisation of the means of production, and its overriding concern for the working-class. These emphases gradually dissipate during the 1920s and 1930s so that by the time Labour comes to power its social reforms, particularly the 1938 Social Security Act, are informed more by a concern for the well-being of the population as a whole.

Following this the chapter outlines how the Fourth Labour government of 1984 to 1990 moved away from both the Keynesian welfare state and, more generally, from social democratic principles. The crushing election defeat of 1990 led that Party to revert to a more social democratic position which in turn led to the establishment of new social democracy, through emphases on investment in human capital and a facilitative role for the state.

As the minor partner in the 1999-2002 coalition, the Alliance forms an important element of the research question. For the purposes of clarity, its historical development will be dealt with separately.

Historical Background

New Zealand's social democratic tradition can be traced back to the Liberal era of 1890 to 1908. This period is widely regarded by commentators to have encompassed a profound change in New Zealand politics. As David Thomson (1998: 157) comments, the Liberal government marked a radical break with the previous era of laissez faire economics – the reliance upon the market as a means of allocating resources. Increasingly the state came to be seen as an instrument of positive change, and this is reflected in social legislation such as the Industrial, Conciliation and Arbitration Act 1894 (IC & A) – legislation which set up a framework for mediation between workers and employers during industrial disputes – and the Old Age Pension Act 1898.

The importance of the Liberal era is the extension of state activity for the benefit of all, and in this sense, shares much in common with the early European social democratic movements. As time wore on, however, the interests of the Liberal government and the labour movement began to diverge. Indeed, some regarded the increased state power, particularly that of the IC & A Act, as a means of state repression of the working class (Moloney, 2002: 42). The story of how the labour movement moved away from the Liberal government has been told many times (for example, Brown, 1962; Milne, 1966; O'Farrell, 1959; Olssen, 1988). It revolves around the slowing down of reform by the Liberals, coupled with the increasing bias of the arbitration system in favour of employers which led elements of the labour movement to conclude that it would be better off on its own (Milne, 1966: 32). The Trades and Labour Councils, which had been putting forward separate parliamentary candidates for some time, took a different approach and set up a Labour Party in 1910 (a forerunner to the New Zealand Labour Party of 1916) (ibid). By 1912, it had become known as the United Labour Party (ULP). The ULP aimed to protect the interests of the working class through the Parliamentary system, and sought to socialise the means of production and exchange, but only in so far as they constituted oppression in the hands of employers (United Labour Party, 1912).

A much more militant organisation emerged from the dissatisfaction with the arbitration system. The Federation of Labour (Red Feds) was formed after the Blackball strike of 1908, and while the Trades and Labour Councils sought to work within the capitalist system, the Red Feds determined to overthrow it. However, a number of unsuccessful strikes – 1912 in Waihi and 1913 in Auckland, which involved a clash with a mounted constabulary of farmers (Massey's Cossacks) – persuaded the militant wing that the parliamentary route to working class well-being would be more effective (Milne, 1966; Brown, 1962. See also Jesson, 1989).

When the two strands of the labour movement united in July 1916 to form the Labour Party, the socialisation of the means of production and exchange formed a central part of its platform (Milburn, 1960: 170-1; Gustafson, 1988: 97). Initially, the New Zealand Labour Party, like its various European counterparts, was concerned with ensuring a fair distribution of power and resources for the working class in the face of capitalist exploitation. The initial emphasis on the ownership of the means of production was the primary means of ensuring that workers had power over their lives and working conditions.

During the 1920s Labour's focus widened to include a concern for the well-being of all citizens. One of the reasons for this was the growing preoccupation of Labour's leaders with practical problems, such as the alleviation of poverty and unemployment. For example, Michael Joseph Savage – leader of the Labour Party – was increasingly concerned with the establishment of a comprehensive welfare system, including as of right access to state pensions for the elderly (Gustafson, 1988: 118-9). This shift in emphasis is also reflected in Labour's objectives, as contained within its 1935 election manifesto, which were:

> [t]o utilise to the maximum degree the wonderful resources of the Dominion.
>
> First: For the purpose of restoring a decent living standard to those who have been deprived...for the past five years [of depression].
>
> Second: To organise an internal economy that will distribute the production and services...that will guarantee to every person able and

> willing to work an income sufficient to provide him and his dependants with everything necessary to make a 'home' and 'home life' in the best sense of the meaning of those terms. (Quoted in Milburn, 1960: 177).

There were a number of ways in which the Labour government sought to affect this. Primary producers were guaranteed minimum prices, and the Reserve Bank was nationalised. The government also initiated an extensive programme of state housing (Chapman, 1981: 352-3, 358). However, Labour's chief achievement was the Social Security Act 1938, which was to guarantee social security – in terms of security against poverty and unemployment – for all in need, along with free health care (Hanson, 1976: 118; Cheyne, Belgrave and O'Brien, 2000: 37).

The end-goal of social democracy was still present: the just distribution of resources, and the economic and social welfare of the population. The socialisation of the means of production remained part of the Party's constitution, though it was no longer emphasised. In the end the socialisation objective was officially dropped from the Party's manifesto in 1951 (Milburn, 1960: 176). In this way it underwent a similar shift to many of its social democratic counterparts in Europe.

In many ways, the First Labour government set the parameters of debate for much of the post-war period. Chapman (1981: 372) argues that, although the National opposition initially opposed Labour's reforms, it became clear after a number of election defeats that the voting public was largely in favour them. When National finally took the Treasury benches in 1949, it changed very little of substance. For example, while it spoke of greater freedom, and to this end allowed tenants to purchase their state houses, the state housing building programme continued. Thus, up to 1984, both Parties largely adhered to the notion of universal welfare entitlements and an active role for the state in economic management.

In this way Labour fashioned what was to become known as the post-war consensus. This term revolves around the notion that both major Parties accepted responsibility for economic management and the welfare of the nation, which

implied an active role for the state. Boston and Holland, for example, succinctly sum it up thus:

> The State had an active...role to play in the nation's economic affairs, in the promotion of social justice and in the betterment of the human condition. [This] involved State provision of goods and services, the detailed regulation of economic activity (including decisions on production and pricing), the redistribution of income, and the supply of welfare benefits for those in need. Correspondingly, the role of the market as an allocative mechanism was diminished and the legitimacy of market outcomes called into question. Such a state of affairs was accepted with only limited demur by...National (1987: 3)

During the 1950s, Labour's brand of social democracy came to represent a kind of technocratic, economic management. Labour's election manifestos, for example, promised such things as the raising of child benefits and 3% loans for houses. However, the National government promised the same kinds of things (Sinclair, 1976: 294-5). The trouble was that, having determined the parameters in which policy would be made, it could be argued that, apart from one term in 1957-1960, Labour effectively shut itself out of power. Not only had National adopted many of Labour's ideas, but continued prosperity meant that the platform which got Labour elected during the depression, such as strict import controls, was no longer popular with a prosperous electorate. Walter Nash, leader from 1951-1963, for example, asserted in 1954 that the removal of import controls and the fact that overseas funds were being spent on luxury items was profligate (Sinclair, 1976: 292).

By the 1960s, any notion that Labour solely represented the interests of the working class had been well and truly abandoned. Arnold Nordmeyer, leader of the Labour Party between 1963 and 1965, declared that there was 'no place for what used to be known as a class struggle in New Zealand' (Dunstall, 1992: 453). This indicates that, in common with its European counterparts, New Zealand social democracy was, by the 1960s, universal rather than class based in its focus.

Norman Kirk, who replaced Nordmeyer as Labour leader in 1965, exemplified this approach. For Kirk, the welfare state – a term he used interchangeably with social democracy – was a means of providing opportunities for all. It was:

> ...the thousands of young people in our High Schools, the young men and women in Technical Institutes and Universities. It is the thousands of young New Zealanders who, regardless of whether their parents were labourers or landowners, or from town or country, have been able to earn a place in the professions...The welfare state does not relieve the individual of responsibility...Instead it recognises that there are many things a community can do jointly...[The] welfare state...provide[s] the key to the door of opportunity and progress (1969: 64-5).

He also listed four universal rights on which 'the security of the individual rests'. They were:

1. the right to work – anyone willing and able should be able to work for a 'just' wage;
2. the right to housing – if a goal of social justice is to be met, every family must be housed;
3. the right to good health – for Kirk, poor health was a hindrance to freedom and security, and good health care was fundamental to social justice; and
4. the right to education – education was seen as the key to a 'better future', through increasing production, and was regarded a means to satisfying life and to ensuring that the 'rule of law is the basis of community regulation'.

In short, this articulation of social democracy is captured in the twin goals of security and opportunity. Everyone should have the opportunity to work and be educated; everyone should be secure from ill health and homelessness (misfortune in general). Opportunity is also seen as a route to greater economic growth, which in turn is a means to a satisfying life. There are also present echoes of Marshall's notion of citizenship rights. The basis of these four rights is not only human fulfilment, but also the well-being of the nation as a whole. The right to

education for example was not seen to benefit the individual alone, but also the community by bestowing upon it shared values. In this sense, Kirk's philosophy accords with the universal focus social democracy came to adopt in Europe.

Kirk had to contend with emerging economic crises. At first this concerned rising inflation in the face of excess demand, especially in the Auckland housing market (Bassett, 1976: 54). However, the global economic downturn, oil shocks and Britain's entry into the EEC precipitated the need for major reforms and diversification (Jeffries, 2001: 109). Some commentators hold that Kirk set out on a path of economic reform. Bill Jeffries, for example, argues that had Kirk survived, he would have carried out a process of reform through education and the creation of opportunity. This, he contends, would have saved New Zealand from the more radical reforms in later years (ibid: 108). From this view, Kirk can be seen as a prelude to new social democracy. Indeed, the first budget of that government in 1973 emphasised investment as a means of influencing desirable changes in industry and of encouraging export growth (Bassett, 1976: 58). However, far from reforming the economy, the government simply enacted various price and import controls to protect the country from external shocks, and markedly increased benefits such as the unemployment and Domestic Purposes Benefit. In the end, these efforts were undermined by the world economic downturn (Gustafson, 2001: 164).

Kirk's (and Rowling's[1]) time in office lasted only three years. The Labour Party, and the country as a whole, were to experience three consecutive election victories by Robert Muldoon's National governments, though in two of them – 1978 and 1981 – Labour secured a higher percentage of votes. Labour was not to return to office until 1984.

During the period leading up to 1984, tensions began to appear in the Labour caucus, between those who sought continued intervention in the economy, and those who advocated a free market approach. Hugh Oliver (1989) has outlined in

[1] Rowling replaced Kirk as leader and Prime Minister following Kirk's death in August 1974.

detail how Roger Douglas, the Finance spokesperson, for example, was 'converted' to the new right by Treasury officials seconded to his office.

The Fourth Labour Government

It is widely held that the Fourth Labour government constituted a paradigm shift within New Zealand's political history. Sheppard (1999: 4), for example, holds that Labour set the tone of debate in 1984, in much the same way it did in 1935. Boston and Holland argue that the Fourth Labour government:

> ...brought more than simply a change in political leadership and a reshuffling of the seating arrangements in Parliament; it marked a crucial turning point in style, character and content of politics of the post-war era. In virtually every field of public policy long-standing assumptions have been questioned, vested interests challenged, and existing approaches re-evaluated and often abandoned (1987: 1).

Exactly how did the Fourth Labour government mark such a crucial turning point in New Zealand politics? There are two issues in relation to this. First, the degree to which it moved away from the post-war consensus. Second, and more importantly perhaps, the degree to which it moved away from the social democratic tradition Labour originally fostered.

Labour moved away from the post-war consensus to what Easton has described as a more market approach (Easton, 1987: 145-6). This holds that the economy (along with its various sectors) works more efficiently if subjected to the rigours of market discipline. To this end, Supplementary Minimum Prices (SMPs) – subsidies for meat, wool, fertilizers – were removed, price controls were also removed and the financial sector was deregulated; this entailed floating the dollar, removing exchange controls and removing interest rate controls (McLeay, 1995: 39). As Roger Douglas, Minister of Finance, stated in a paper he gave to the Mont Pelerin Society in 1989, these bastions of the post-war consensus were dismantled 'so that exporters were forced to live or die in the marketplace' (Douglas, 1989: 4). No longer were inefficient producers to be propped up by the state.

The more market approach was also reflected in the government's commercialisation projects. This approach holds that government departments are best run along private sector lines (Easton, 1989: 121), and was exemplified in the December 1985 Economic Statement which outlined a set of principles for State Owned Enterprises (SOEs) – government entities producing goods on a commercial basis. Chief of these was that managers were to run the enterprise as a successful business (Easton, 1989: 123). Commercialisation was implemented via the State Owned Enterprises Act 1986, and eventually led in some, though not in all, cases to privatisation. Ironically, Richard Prebble, Minister for SOEs, declared to Parliament that it was 'not the right of the state to sell the nation's assets to its 'cronies'' (quoted in Williams, 1990: 141).

Further evidence of a free or more market approach is found in the Reserve Bank Act 1989. For Dalziel (1993: 79-84) the Act symbolised a fundamental break with the Keynesian style of economic management, which sought full employment. While the original Act of 1933 legislated for the control of the money supply in order to secure the economic well-being of the nation, the 1936 amendment, and all the subsequent ones up until 1989, sought the twin goals of stable prices and full employment. The legislation of 1989, on the other hand, was solely concerned with inflation.

It is clear that the Fourth Labour government significantly departed from the post war consensus. Can the same be said in relation to social democracy? While it might be easy to conclude that it did depart from social democracy, Douglas himself may have argued otherwise. For example, in his fifth budget speech, he stated that '...[the Fourth Labour] Government...comes from solid Labour traditions. We came to office with the same goals and the commitment to change that originally gave rise to the Labour Party' (quoted in Sheppard, 1999:79). This could be generously interpreted to mean that Douglas claimed to be seeking traditional social democratic aims, but used radically different means. However, while the Fourth Labour government was certainly committed to change, in moving New Zealand away from the post war consensus, Douglas's policies reflected a philosophy that was in sharp contrast to social democracy. For Douglas, it was the market, not the state, which delivered well-being.

While he wielded a lot of influence (as Minister of Finance), Douglas was not the sum total of Labour. Indeed, as Labour's tenure in office wore on he experienced increasing opposition from David Lange, the Prime Minister. There were very real philosophical differences between he and Douglas. While Douglas was busy preparing for his radical flat tax package, for example, Lange was sending contrary messages (to the media and the electorate) in his attempt to undermine Rogernomics. He argued in March 1987, for example, that a 'third way' must be found between state intervention and deregulation. Ultimately, the state had a positive role to play in bringing a balance between the social and economic environments (Sheppard, 1999: 70). It was this division that eventually led to the famous stymieing by Lange of Douglas's radical tax reform proposals in January of 1988.

In the end Lange's opposition (to Douglas) was utterly ineffective. As Michael Cullen notes:

> [the debate] was epitomised by Lange and Douglas, but Lange was never very good at expressing the alternative view. Whereas Douglas and co. had a very coherent view – one I strongly disagree with – Lange was somewhat incoherent (interview, June 18 2002).

However, despite Lange's opposition, Douglas was very influential in Cabinet. Not only was he voted back in – after being sacked by Lange a year or so earlier – but it was Cabinet which voted 18:2 in favour of his flat tax/Guaranteed Minimum Family Income package (Jesson, 1989: 125).

The tensions between Lange and Douglas, however, were more a reflection of the deep division within the Party, rather than just a quarrel between these two men. Margaret Wilson, President of the Labour Party at the time, recalls that the wider Party was not even invited to the economic summit of 1984; for many activists, this added to the growing sense of alarm over the rapid rate of economic restructuring (Wilson, 1987: 46).

In the end, it was this bitter division which led Jim Anderton, then a backbench Labour MP, to abandon his Party and form New Labour in April 1989 (The Listener, May 27 1989: 14-7; Sheppard, 1999: 182-6). He was concerned to represent those he saw as Labour's traditional constituents, and who had been disenfranchised by the Party's rightward lurch – the elderly, the unemployed, unskilled workers. In late 1991, the leaders of Mana Motuhake and the Democrats – two small Parties on the left – joined forces with New Labour to present a united front to fight the 1993 election. After some initial hesitation, the Greens joined their ranks, followed by the Liberals in 1992. The term Alliance was coined by Matiu Rata to express the unity of the left in opposing the neoliberal right (Trotter, 2001: 254-5). The Alliance saw itself as a palpable alternative to Labour. Indeed, just how much of a threat it was to Labour was reflected in its poll ratings in 1992, which, according to a Three National News Gallup poll, had it on 20% (New Zealand Herald, November 7 1992: 5). By the time of the general election a year later, it had secured just over 18% of the vote, but only attained two seats.

Labour out of Power

Labour approached the 1990 general election a deeply troubled Party, having changed leaders twice in less than a year. The election defeat was huge, and many within the Party blamed it on Rogernomics. Steve Maharey, writing as Labour's spokesperson on Social Security and Employment in 1997, for example, retrospectively attributed Labour's defeat to its adherence to new right policies (National Business Review, December 15 1997). This perception certainly spurred the Party in another direction. Indeed, Mike Moore – who came to power six weeks before the general election of 1990 – one year after the election declared that Rogernomics had had its day. This, coupled with his proposal for a growth compact between the New Zealand Council of Trade Unions and a future Labour government, certainly indicated a distancing from that legacy (Vowles and Aimer, 1993: 76, 79). As Mike Williams – president of the Labour Party – noted in relation to this:

> [t]here was a long period of introspection and [questions like] what the hell do we [the Labour Party] stand for? Where are we going, what are

> we doing? There was a process called 'Labour Listens' where [the Party] went back to the grass-roots (interview, June 17 2002).

However, Labour's defeat goes beyond simple adherence to new right policies. Also attributable was the undemocratic nature in which these policies were adopted. Richard Mulgan (1995) argues that Labour departed from the conventions which kept single Party governments accountable, and thus democratic – these conventions were accountability to the wider Party and to sectional interest groups. Labour certainly sidelined the wider Party, and it deliberately sought to remove all privilege, including SMPs. While Labour was commended by business interests, who were indirectly privileged by much of its policy – through tax cuts and deregulation – it was nonetheless punished by the electorate for undertaking reforms for which it had no mandate.

Did these factors lead Labour, under the leadership of Mike Moore, back towards a more social democratic position? Subsequent Party publications, particularly election manifestos, seem to suggest that it began a journey back to a more social democratic position in what appeared to be an attempt to recapture its identity. Almost as if the Party anticipated massive defeat, this shift was evident during the 1990 election campaign. For example, policies were promoted which would coordinate a range of activities within the economy, education, training and business development in order to create opportunities for the unemployed, with a special focus on education as the ideal place to begin equipping young people for a future in the labour market (New Zealand Labour Party, 1990). At the same time, Labour promised a more effective role for the Employment Service in assisting the unemployed back into the workforce. It also flagged a much more integrated approach to social policy with the establishment of a social policy unit, which would coordinate policy across a number of key government departments. Labour pledged to restore full employment by 1995, though exactly what it meant by this, and how it would be achieved, was not outlined.

This suggests a number of similarities with new social democratic notions of investment in human capital and facilitative government, expressed in a concern for providing opportunities; it must be stressed, however, that this predates new

social democracy as it is currently articulated. At the same time, Labour declared its commitment to the principles of the welfare state which it founded, those principles being a commitment to providing the resources necessary for all to participate within society. Ultimately, it was acknowledged that welfare should be a means of assisting those able to work back into a job. This in turn was underpinned by Labour's belief in the right to work. This certainly indicated a clear break with the previous six years.

Labour's efforts were not rewarded in the 1990 election; neither were they in 1993. Just how damaged the Party was by its legacy of Rogernomics is reflected in the 'hung parliament' of the 1993 election. Despite three more years of intense reform under National, reform which included benefit cuts and the raising of state house rentals, the electorate still did not trust Labour enough to give it a working majority. Indeed, it was only the special votes that allowed a much-diminished National government to return (New Zealand Herald, November 20 1993: 2/8). While Labour did come fairly close to winning the election – certainly much closer than in 1990 – it was clearly not seen as an alternative to the neoliberal National Party.

By 1993 the underlying philosophy of the Labour Party centred on the achievement of a fairer society in which all had the potential to participate, 'in which every New Zealander has a reasonable expectation of a healthy and happy life, a job to do, and an opportunity to influence what happens' (New Zealand Labour Party, 1993a: 2). Underpinning this was a notion of social justice which encompassed equal opportunity for all – opportunity defined in terms of reaching one's full potential.

This theme is reflected throughout Labour's policy manifestos. For example, Labour recognised the fundamental importance of social security as a means of providing children with the best possible start in life, and to equip them to reach their full potential when they grow up (1993c: 63). In a similar vein, quality education was seen as a primary route to equal opportunity. Labour also indicated that it was prepared to go further than market forces in securing opportunity for all. This is particularly evident in the area of employment. A supplement to the

main manifesto, *Labour's Plan for Economic Growth and Jobs* (New Zealand Labour Party, 1993b), for example, outlined plans for active labour market policies and an active labour market unit. Specific details are fairly thin on the ground, though two things of importance stand out. First, Labour eschewed the notion that the primary means of lowering unemployment was through the price of labour being allowed to find its own equilibrium, unfettered by a minimum wage. Second, it held that a greater degree of intervention was required within the labour market in order to assist it clearing in an efficient manner; market forces alone would not do. To this end, an active labour market policy – had Labour been elected – would have seen government intervention to ensure a greater match between jobs available, and those seeking work, as well as a focus on training (1993b: 37-8). This would have involved government, in the form of an active labour market unit, working with industry and other sectors to ensure that the labour market worked efficiently.

Further evidence of Labour's willingness to move beyond market forces was seen in the emerging idea that the state had an important role to play in economic matters, as an investor in infrastructure and as an agent for achieving an equal distribution of opportunity (1993c: 9), thus indicating a facilitative role. Despite these changes, however, Labour's economic policy still did not move significantly beyond the parameters it established during its time in government. For example, Labour pledged to continue adhering to the Reserve Bank Act. While it sought to tighten arrangements with the Reserve Bank Governor – in terms of ensuring that the inflation target was neither under nor overshot – it did not seek to include employment growth within the Bank's statutory brief. It also sought to keep a tight cap on expenditure.

Labour's increasing references to active labour market policies, and a notion of social justice, which incorporated equal opportunity through education and training, highlights the continuing link with the features of new social democracy. Active labour market policies suggest investment in human capital, which in turn suggests an active equality of opportunity. The prudent nature of its economic policy, however, indicates that Labour's redistribution would have simply been a

functional means to securing opportunity through various employment and training schemes.

Within this context, Mike Moore linked Labour's philosophy to Norman Kirk by affirming his belief that social security sets people free and builds their confidence, by 'removing fear and insecurity'. At the same time, he contrasted this with the social welfare system, which he saw as responsible for trapping a generation of young people in dependency. 'Security, not welfare', was the New Zealand way, according to Moore. Moore held that the central objective of social policy was to make people independent, and that the provision of opportunity for all was essential to experience fulfilling employment. However, it is perhaps significant that he did not refer to Savage himself, and this is exemplified by the association he makes between social welfare and dependency. By contrasting the former (social security) with welfare dependency, Moore is perhaps displaying a residue of new right thought. Even if he did not personally hold beneficiaries responsible for their predicament, it was an association he made when welfare dependency was a pejorative term, inferring blame on the individual, rather than wider socio-economic factors (for example, Boston, Dalziel and St. John, 1992; Boston, 1999). While Moore may not have intended to employ the term negatively, it does nevertheless cast doubt on his comparison with Norman Kirk, whose conception of social democracy would not have supported such a negative focus.

In December 1993, following the second election defeat of the Labour Party, Helen Clark replaced Mike Moore as the leader of the Labour Party. This was seen by many as important in terms of a move leftwards, and indicative of a more social democratic position. *The Dominion* (December 2 1993: 2), for example, reported that Clark promised a strong centre-left government, which was 'unequivocally social democratic'. Clark asserted the need to 'get out there' and find out why the platform (of the previous election) was not attractive enough to secure more than 34.4% of the vote. In this context Clark flagged a review of Labour's 'no tax-hikes' position. At the rhetorical level at least this symbolised a move to redistribution. For Clark, an unequivocal social democratic programme

entailed a need 'to look forward...to build a viable, practical and compassionate Labour Party which can serve the needs of all New Zealanders' (ibid).

Broadly speaking, however, in order to fulfil this vision Helen Clark retained many of the themes developed under Mike Moore. For example, Labour continued to advocate active labour market policies, though these were broadened to include individual case management and intensive counselling (New Zealand Labour Party, 1996: 107). There was also a focus on the mature unemployed (1996a: 109), with individualised assistance to help those in danger of long-term unemployment

Within the area of economic policy Labour continued the trend, begun under Moore, towards a more proactive role for the state. The overall aim of a Labour economic policy was: full employment; higher real incomes; a more equal distribution of income; and sustainable economic development (1996a: 65). There were a number of features within Labour's Economic Strategy which envisaged an active government role. The industry development policy, for example, sought to ensure that there was government support for promising enterprises (1996a: 66-7). Labour also pledged to promote higher levels of investment within the economy through various state agencies, working in tandem with other government departments – principally the new Industry Development New Zealand and the Ministry of Foreign Affairs in order to promote trade in New Zealand (1996a: 71).

However, there was a subtle shift in terms of redistribution and equality, away from a single focus on equality of opportunity: Labour envisaged a more equal distribution of income as part of its overall economic policy. This is particularly reflected in two areas. The first was tertiary education. Labour pledged to cut fees for full-time study to $1000 a year, increase student allowances to the same rate as the dole, provide access to allowances for 17-18 year olds and abolish the means test for allowances for those over 20 (New Zealand Labour Party, 1996b). Having placed a lot of emphasis on education and training, Labour sought to ensure that no one was denied access through lack of funds.

The second area was taxation. Labour proposed a 'mildly' progressive tax system which would leave those with low pay better off, and those earning more with a larger burden (New Zealand Labour Party, 1996a: 79). With the top proposed rate of 39% this should not be seen as a radical shift. Nonetheless, it does suggest a subtle reorientation towards actual resource redistribution, over and above simply that of opportunity. At the same time, continued emphases upon active labour market policies and an active role for the state within the economy suggests a continuing link with new social democracy, though perhaps with a slight shift towards a position closer to that of Will Hutton, and those who seek a more active role for the state in the midst of a free market.

The title of Labour's 1999 publication, *Social Security with Opportunity: Welfare in the 21st Century* (New Zealand Labour Party, 1999), suggests a move – probably unconscious – towards Kirk's articulation of social democracy. Like Kirk, Labour saw the welfare state as a means of providing security and opportunity; its overarching goal was the reintegration of the individual back into society. As the document stresses:

> Labour in government...will ensure that people have the capacity to participate in their society. The way ahead is defined by policies that create opportunities for as many New Zealanders as can take them. When decisions about where to spend money are to be made, Labour's priority must be to create opportunities' (1999: 5).

For Labour, opportunity came through skills development; in the same vein, the emphasis upon opportunity suggests that it was regarded as a means of providing security: security was achieved by enhancing people's abilities to gain employment, commensurate with their potential. In other words, for Labour, security came through empowerment in the midst of a free market. This implies quite a break from the First Labour government, for whom security came in the form of protection from the vagaries of the market.

Opportunity creation and skills development were also means of attaining economic growth. Labour held that a skilled workforce, along with investment

in science and technology, innovation and a focus on knowledge, were essential to this. Michael Cullen (Otago Daily Times, July 28 1998: 7) summed this position up, about a year and a half before the election, by contrasting it to that of the National-New Zealand First coalition. For Cullen, the coalition's problems revolved around a short-term focus; inadequate and ill-directed skills development; and inadequate private sector investment in research and development. Cullen concluded by saying that New Zealand was not doing well in terms of creating a new, smart economy, one based on knowledge. He also flagged the notion of a 'smart, active government', which he claimed would take an integrated approach to policy.

Steve Maharey, Labour's spokesperson on Social Security and Employment at the time, summed up much of Labour's position. For example, Maharey's vision for training in this area was the introduction of portable skills – generic skills such as numeracy, teamwork and computer literacy – which could be 'carried around' the labour market by an individual. These would complement the industry specific knowledge and skills already attained. Maharey also raised the notion of tying the world of work and the world of education much closer together in order to affect a better fit between job vacancies and those available to fill them (Seafood New Zealand, May 1999: 64-5).

During the 1999 election campaign Labour retained its commitment to modest redistribution, which indicated that it was more than simply a means to securing opportunity. For example, a 'fairer' distribution of income remained one of the objects of economic policy, as did a progressive tax system. Michael Cullen explained that tax rises were necessary to help fund Labour's social spending (Otago Daily Times, November 9 1998: 9) – in reality the tax rise did not net much. However, the focus on redistribution is tempered by the fact that Labour dropped its promise to cut tertiary fees to $1000 a year. In its place, it simply pledged to reduce them and help with loan repayments. There is no mention of removing the means test for allowances; nor is there any mention of access to allowances for 17-18 year olds. At the same time, however, the Closing the Gaps proposal – the initiative which sought to close the socio-economic gaps

between Maori and non-Maori – illustrated a practical outworking of a concern for a 'fairer' distribution of income.

By the time Labour came to lead the government of 1999-2002, it could be said that it was a Party influenced by new social democratic principles. It emphasised opportunity for all through skills development and active labour market policies, and a facilitative role for the state. This implied that Labour's position on equality was that of active equality of opportunity. At the same time it emphasised a modest form of redistribution. In essence, Labour sought to influence market outcomes in favour of a vision of social justice and well-being which was seen in terms of opportunity for all, with the state playing an active role.

The Alliance

The story of the Alliance is somewhat different, in that it originally sought to return to what may be seen as a more traditional Keynesian approach. This is certainly evident in New Labour's 1990 alternative budget statement, where there are policies which promote import controls, currency controls, price controls within essential industries, a progressive tax system as well as heavy investment in education and training (New Labour, 1990). These policies suggest a return to the kind of economic management typical of the post-war period.

Similar trends are evident in 1993. For example, the 1993 Alliance Manifesto flags $1625 million in extra social spending and an extra $1000 million in new economic and infrastructure development, to be paid for in extra tax revenue and savings (1993: 19). This included increases in income and company tax, a carbon tax and the cancellation of a proposed frigate purchase, as well as the renegotiation of debt in order to reduce payments.

Within the area of employment, the Alliance pledged to employ more health workers, build one thousand new homes in its first year, begin maintenance work on long neglected roads and schools and control pests and weeds as a

means of generating extra jobs. In addition to this, the Work Opportunities Programme was designed to provide resources for local communities in order for them to match jobs with people. The Alliance also flagged a regional development programme, in which plans would be formulated in the light of a particular region's strengths and weaknesses; from this, aid would be provided in order to effect positive development plans (1993: 7).

By the 1996 election, the Alliance had turned its attention to the Reserve Bank Act (RBA). In its policy manifesto it drew strong links between the unemployment rate and the Reserve Bank policy settings, referring to the controversial trade-off between unemployment and inflation (1996: 24). To this end, it pledged to work for full employment by renegotiating the terms of the RBA in order to lower the 'non-accelerating inflation rate of unemployment'. As with the manifesto of 1993, there is an emphasis on regional and economic development (1996: 25-6), with a particular focus on employment opportunities, much of this to be financed through extra spending.

By 1999 there was a shift in emphasis towards policies, which can be seen in the light of capacity building and investment in human capital, suggesting that the Alliance had come to adopt a position in line with new social democracy. In many ways this shift reflects the Alliance's flagging fortunes following the 1996 general election. As Chris Trotter (1997: 14) pointed out, Anderton has an instinct for political survival and was no longer willing to 'stand outside the tent'. This change in orientation also followed the thawing of relations between Labour and the Alliance, when the Alliance announced, in 1997, that it would cooperate with Labour (Listener, June 14 1997: 16-7). This cooperation was bolstered by Helen Clark's appearance at the Alliance's 1998 conference (Independent, August 5 1998, 1), suggesting that the two Parties envisaged forming a coalition after the 1999 election.

In the manifesto, much emphasis was placed, for example, on the need to build the capacities of New Zealand's population as a route to economic growth and well-being. However, the Alliance goes further than this and advocates high levels of government investment in science and technology, research and

development and especially in regional and industry development – an important prelude to its role in government (Alliance, 1999a: 42-3). For the Alliance, the state had a vital role in aiding economic growth within the regions, and held that the market alone led to huge differences, with some regions soaring ahead while others stagnated.

In many respects, the Alliance went further than Labour. While they both espoused investment in human capital and innovation as routes to economic growth and prosperity, the Alliance continued to hold that full employment should be a goal of economic management, and should become part of the RBA brief. In the area of tertiary education, too, there were fundamental differences. Unlike Labour, which only pledged to bring tertiary fees down, the Alliance advocated free tertiary education, with the incremental removal of fees over three years (Alliance, 1999b: 2). While this does not necessarily imply that the Alliance was more serous about investing in human capital, it did indicate that it was less prohibited by fiscal implications.

The emphasis on investment and an active role for the state within the economy suggests that the Alliance was influenced by the New Keynesianism outlined in chapter 2. While it is not clear whether this is a conscious link or not, it does indicate that, not only was it a Party influenced by new social democratic principles, it was one which envisaged a much more active role for the state.

That the policies of Labour and the Alliance while in opposition hinted at a new approach to social democratic politics reveal as much about new social democracy as it did about the Parties themselves. New social democracy is fluid and flexible, and in many ways the Parties reveal the major difference within it: between those who accept the need to adapt to the changed realities of globalisation and technological advancement, and those who believe that government has a role to play in ameliorating these effects. Of course, it would be misleading to suggest that Labour and the Alliance illustrated such a clean-cut dichotomy; however, while both emphasised opportunity creation, the Alliance sought a greater role in the demand side of the economy, in terms of employment, and was prepared to finance more initiatives.

Conclusion

This chapter has traced the roots of social democracy in New Zealand back to the Liberal government of the 1890s, and its relationship with the Labour movement, an association that was underpinned somewhat by the IC and A act of 1894. Due to a combination of dissatisfaction with that legislation, and a number of unsuccessful attempts by the militant wing of the labour movement to achieve socialist ends through industrial action, the New Zealand Labour Party was formed in July 1916. At this time, its overall aim was the socialisation of the means of production, and its primary emphasis was working class welfare. This focus gradually changed over the course of the next twenty years, so that the overall aim of the Labour Party was the economic and social security of all citizens; this was exemplified by the 1938 Social Security Act.

The main features of the welfare reforms instituted by the First Labour government were generally accepted by the National government in 1949, and this consensus continued until 1984. Following the ignominious defeat of the Fourth Labour government, amidst great acrimony and division, the Labour Party steered a course back towards a more recognisably social democratic position, while at the same time adopting a number of positions which accorded with new social democracy – investment in human capital, opportunity for all and facilitative government. The Alliance, on the other hand, was prepared to follow more traditional Keynesian lines with regards to higher spending and tariffs. However, towards the 1999 general election, it had adopted a recognisably new social democratic position, one which accorded with New Keynesian economic theory which espouses high levels of government investment as a means of attaining economic growth. I concluded from this that the 1990s saw the establishment of new social democracy. However, this conclusion must be heavily qualified by reference to the fact that these Parties were not in power during this period. What opposition Parties claim and what they do when they are in power do not necessarily match. It is for this reason that the study will now focus on the Labour-Alliance government of 1999-2002 for the next three chapters.

Chapter 4 – Regional and Industry Development, and the Employment Strategy

Introduction

So far the study has presented a template comprising the main features of new social democracy, along with the historical context of social democracy in New Zealand. The purpose of this chapter is to introduce the key features of the regional and industry development policies and the employment strategy. In the chapter which follows, these attributes will be assessed against the template set out in chapter 2.

Regional Development

The Labour-Alliance coalition approached regional development through partnerships between central government and regional actors, in which the government assisted industries, firms and individuals to develop the necessary capacity to exploit local opportunities. The strategy was underpinned by three key principles:

1. an approach based on making the most of what a region has rather than solely serving as a vehicle for transfers from prosperous regions to less prosperous ones;
2. engagement with the local community that allows and facilitates the development of local strategies to respond to local opportunities, and that integrate social, environmental and economic concerns; and
3. a 'whole of government' response where the activities of central government are integrated into regional strategies together with local players (www.med.govt.nz).

The strategy comprised two major programmes: the Regional Development Programme (RDP), (which subsequently became the Regional Partnerships Programme (RPP)) and Regional Development in Areas of Acute Need. The Regional Partnerships Programme was based on the three principles outlined

above, and came into place on July 1 2000 (www.med.govt.nz). The programme was run by Industry New Zealand, a crown agency responsible for facilitating regional, business and industry growth (www.industrynz.govt.nz). There are three components to RPP: assistance for strategic planning funding; assistance for capability funding; and Major Regional Initiatives (MRI) (www.industrynz.govt.nz). The strategic planning fund offered up to $100,000 to schemes within regions which contributed towards developing a regional growth strategy. The expectation was that they would work in partnership with public and private sector organisations such as businesses, local government and Iwi. The second fund – capability building – also offered up to $100,000 for developing local expertise which contributed towards regional economic growth. Again, applicants had to be supported by local partnerships (ibid).

The main aim of MRI was to facilitate and support proposals from different regions that led to overall economic growth, and a smarter, more innovative New Zealand – in terms of how they contributed to the knowledge economy (www.industrynz.govt.nz). Successful initiatives would be funded by Industry New Zealand and were required to demonstrate how they would contribute towards economic growth (ibid).

The second arm of the strategy, Regions in Acute Need, targeted those regions deemed by the government to be in 'stagnation or decline' with 'deteriorating levels of welfare' (New Zealand Government, 2000d: 1). According to the proposal outlined within the Economic Development Committee Cabinet paper, this part of the strategy involved two stages: the first was to get the region into a position so that a coordinated regional assistance plan could be implemented; the second stage would involve, if necessary, active assistance from government in the regional planning and delivery process (ibid). The paper also developed a framework for identifying regions that would be in need of additional assistance based on the following three points:

1. regions with high levels of under-utilised resources, especially under-utilised human resources;

2. where there is the greatest need for building opportunities and capacity within commuting distance of where people currently live; and
3. a region which shows a continuing stagnation or decline.

Industry Development

Industry development comprised a cluster of different programmes with the aim, in the words of the Economic Development Cabinet Committee, 'to increase the international competitiveness of New Zealand's business environment in order to generate more wealth, create more jobs and promote New Zealand as an attractive place to invest and do business' (New Zealand Government, 2000e: 1). The Cabinet Committee paper proposed that the overarching objectives should be:

1. to make *expertise* and *information* available to improve industry performance and market prospects, and to provide access to *key resources* in the innovation process, such as capital;
2. to *catalyse investments and major events* in New Zealand to exploit significant opportunities that do not come often;
3. to develop *effective partnerships* between central and local government, industry organisations and individual enterprises; and
4. to reduce costs and improve the effectiveness of government activity through *better coordination* between government agencies (emphasis in original) (ibid).

Within this context the government envisaged a key role for itself as a leader overcoming the difficulties associated with New Zealand's small size, for example, small firms and markets.

One of the key initiatives within the strategy was the promotion of a culture of business and enterprise. This envisaged a number of aims, among them: a positive image of business fostered within the educational environment; students developing enterprising and business-related skills; a climate celebrating and reinforcing business success; and a social culture which positively supported business success. The government sought to effect these goals in a number of

ways, primarily through advertising campaigns which promoted the virtues of business entrepreneurship (New Zealand Government, 2001b: 1)

The Business Growth Service is another example of a programme within the strategy. The scheme targeted medium sized businesses with high growth potential, which, if given the right help (in the form of marketing for example), would perform to their optimum level (www.industrynz.govt.nz). One of the schemes within this area was BIZ *training*. It provided a number of services including capability assessment (in terms of a company's training needs and how to meet them) and management upskilling sessions. BIZ programmes are provided by a number of organisations throughout the country. In the Manawatu/Wanganu region, for example, Vision Manawatu offers a number of such courses (Vision Manawatu, 2002).

The Business Cluster programme provides another example. Clusters are networks of similar businesses, which, according to the Economic Development Cabinet Committee, benefit from collaborative relationships. This assertion was based on international research that demonstrated the value of clusters to regional development through increased competitiveness and growth. An Australian study, for example, found that clusters had increased new exports by $30 for every $1 invested (New Zealand Government, 2001c: 1-2).

At the beginning of 2002, 18 clusters had been approved by Industry New Zealand. These included an organics cluster, a Maori tourist cluster and a software cluster in Canterbury. Each of these is arranged around an industry type and geographical location (www.industrynz.govt.nz).

Similar notions of nurturing inform the Incubator Support programme. Business incubators provide the support needed for new businesses to become profitable. This is primarily achieved through the provision of premises, mentoring, expert advice and services, and networking (www.industrynz.govt.nz). It is held that only 13% of new businesses in the United States, which have gone through similar incubation services, fail as compared to 80% which have not. There are several incubators around the country, including the e-Centre at Massey

University, which provides a service for new technology companies, and the Canterbury Innovation Incubator, again, providing facilitation for technology companies.

Many of the objectives within the above initiatives are captured within the World Class New Zealanders programme, which seeks to develop business skills, leadership capacities and contribute towards economic growth by partnering with the wider New Zealand community, specifically with expatriate New Zealanders (New Zealand Government, 2001e: 1).

In sum, both regional and industry development involved policies which sought to grow the New Zealand economy through facilitating various programmes, active partnerships between government (both central and local) and private sector interests.

The Employment Strategy

As was demonstrated in chapter 3, employment was one of the central concerns of both Labour and the Alliance throughout the 1990s. Active labour market policies were seen both as a means of securing well-being and of building the kind of skilled workforce that is required in a global economy.

The employment strategy can be seen as the end result of this historical development. It is an active labour market policy, and represents a highly integrated approach to employment. The strategy develops a framework by which government priorities in this area are established (Department of Labour, 2002). Its central objective is to minimise disadvantage, and maximise potential, and there are six goals which seek to effect this. They are: to ensure that macroeconomic settings support sustained economic and job growth; removing barriers to employment; developing a flexible, highly-skilled workforce; developing strong communities; improving Maori and Pacific Island involvement in employment; and improving participation in employment for the disabled and other groups at risk of long-term unemployment (ibid). These six broad goals are neatly incorporated within the framework's three overarching objectives:

opportunity creation; capacity building; and matching (New Zealand Government, 2000b: 7).

Opportunity Creation

Opportunity creation involves policies which maximise employment through growth in the demand for labour (New Zealand Government, 2000b: 7). There are a number of initiatives which seek to put this goal into effect, for example, a stable macroeconomic climate, community assistance, wage subsidies, self-employment assistance and grants to the disabled. Perhaps the most important area is a stable economy. Fiscal prudence, coupled with a commitment to the Reserve Bank Act, was a consistent theme in Labour's election manifestos. Given that Labour was the dominant partner in the coalition, this (fiscal prudence) has translated into the government's position on economic policy. The government's first budget, for example, sought to keep general expenses to around 35% of GDP and to keep Crown dept to below 20% (New Zealand Government, 2000a: 6). However, fiscal prudence and economic stability were not the sole means by which the administration sought to create opportunity. A more active approach was taken in the form of the Community Employment Organisation (CEO) initiative. These are community-based organisations providing goods and services to the local community, which also sought to provide employment opportunities for the long-term unemployed (New Zealand Government, 2000c: 1-3). The scheme is administered by the Community Employment Group (CEG), which works with local communities to establish sustainable employment opportunities (www.dol.govt.nz).

A further example is the Disabilities Strategy, which aims to improve vocational services for the disabled, and to increase the participation of disabled people in the workforce (Department of Labour, 2001: 11). The scheme is administered by various vocational services which offer assistance to the disabled through a number of avenues. These include: an increased focus on employment; encouragement and enhancement of community participation; ensuring services are responsive to the needs of all groups of people with disabilities; improved access for disabled job seekers to the Ministry of Social Development (MSD) mainstream employment services; and changes in legislation, for example,

repealing the Disabled Person's Employment Protection Act 1960, which exempted employers from having to pay the minimum wage (ibid: 12-14).

Capacity Building

The Labour-Alliance government emphasised skills acquisition, which was regarded as pivotal in a world where technological change and globalisation were perceived to be driving the demand for new kinds of abilities, and which were necessary for economic growth (Department of Labour, 1999; Department of Labour, 2001b: 11-21; New Zealand Government: 2000b: 5; Skill New Zealand, 2001: 7). This was compounded by New Zealand's ageing population, which, it was held, would lead to a scarcity of labour, and thus, to a greater demand for both human and physical capital (Department of Labour, 2001b: 12-13). These three trends – changes in technology, globalisation and an ageing population – have increased the need for a highly skilled workforce.

One of the consequences of this is a greater reliance on what is called workplace learning, brought about in many industries by a move to a knowledge base (ibid: 17). It is claimed that the combination of globalisation, technological development and changes in the organisation of paid work has fuelled the demand for skilled labour worldwide. Work is being redefined, and new learning is required as businesses shift their resources from declining to new emerging growth sectors (Skill New Zealand, 2001: 7). Within this context skill formation becomes very important; this has led to the notion of generic, portable skills (ibid: 14), such as teamwork, computer literacy, the ability to improve one's learning abilities and so forth, which can be applied across the board.

Many of the opportunities for training are facilitated by Skill New Zealand, a Crown agency working with local community groups and training providers, with the aim of providing quality-training pathways. The agency has four, broad goals:

1. To have in place, by 2003, an integrated national skills development strategy, so that all New Zealanders can participate in a 'thriving knowledge economy';

2. All education and training initiative to focus on equity outcomes for Maori learners;
3. An extensive range of training options for school leavers by 2005; and
4. A similarly extensive range of training options, again by 2005, for adults within the labour market (www.skillnz.govt.nz).

A number of schemes facilitate the above goals and fall under four broad categories: Pathways; In Education; Migrants; and In Industry. The first of these, Pathways, has three programmes: Training Opportunities, which provides training to those over the age of 18 with little, or no, qualifications; Youth Training, a programme for those who have just left school with little, or no, qualifications; and Skill Enhancement, a training programme specifically designed for Maori and Pacific Islanders (www.skillnz.govt.nz). In all these cases, training is tailored to the participant's individual needs.

Under the second category, 'In Education', the Gateway programme offers senior school students the opportunity to attain skills relevant to their particular needs and ambitions (ibid). The third category, 'In Industry', has a number of programmes which facilitate training in the work place. Skills for Enterprise, for example, provides a free service, advising firms on their skills needs, identifying any skills gaps that may exist in a firm's workforce, and how it can go about filling them.

The Modern Apprenticeships Scheme (MAPS) offers another form of industry training. The scheme was originally introduced as a means of bridging what was seen as a serious gap between school and the world of work. In 2000, for example, only 8% of industry trainees were aged 16-19; overall, most of those in apprenticeships at that time were over 25, which created potentially serious problems when it came to replacing New Zealand's skills base over time (www.skillnz.govt.nz). The training is very personalised; each apprentice is assigned a co-ordinator whose role is akin to that of a mentor, ensuring that the training is completed to the optimal level. Effectively, the co-ordinator underwrites the apprenticeship process, taking on the risks employers usually associate with apprentices, for example, if the apprentice doesn't complete the

training. The training plan also includes working towards a nationally recognised qualification.

There are other areas where capacity building is in evidence. The government's Adult Literacy Strategy is one such example (Ministry of Education, 2001: 3). New Zealand's low level of literacy was confirmed in 1996, and is considered a serious impediment to building a skilled workforce. The strategy is underpinned by four principles: that learners must achieve as quickly as possible; programmes must match learners' needs in terms of content and pace; best practice, evaluation and research will guide programme design; and programmes will suit the needs of a wide range of learners (ibid).

Matching

Matching is the element of the strategy which links opportunity and capacity building together. Abundant opportunities, for example, are likely to lead to skills shortages. Indeed, this has already been highlighted by the Department of Labour in its March quarterly employment survey for 2001, in which it was reported that 33% of firms found difficulty in hiring skilled staff – this was up from 25% in the previous December. Nevertheless, certain factors affecting the labour market, such as high participation rates and large migration in flows, have alleviated the problem somewhat. At the same time, a general shortage of all types of labour was reported (Department of Labour, 2001b).

Likewise, a skilled workforce is not much use without opportunities. The first two elements of the strategy – opportunity creation and capacity building – work together to ensure that there are opportunities for people who have acquired skills. Matching is the final component which completes the 'triangle'. Here, a balance is sought between the kinds of skills which are being sought, and those which are in demand. There were a number of ways the government sought to affect this. The Labour Market Portal, for example, will provide – when it is complete – an extensive website database which supply job seekers with information about the availability of work and training (www.work.govt.nz). This is part of the wider 'Skills Information Action Plan', which seeks to 'enhance connections' between job seekers and employers (www.work.govt.nz). The Action Plan has several

initiatives, which include: the portal already discussed; a six-monthly skills report which provides information for job seekers; introduction of the Work and Income Job and Talent Banks, allowing direct contact between job seekers and potential employers; use of data to understand the dynamics of employee/firm relationships – what types of firms create jobs; what types of firms make the most contribution to its employees acquiring skills; and the development of a graduate employment outcomes survey, in order to assist students to know where the best job prospects are.

Conclusion

This chapter has been a purely descriptive one, and has outlined the regional and industry development policies and the employment strategy. Regional development initiatives sought to build the capacity of regions in order that they would be able to take advantage of local opportunities. In the same vein, industry development sought to enable firms and businesses to develop the capacity in order to take advantage of opportunities.

The employment strategy sought similar objectives, but on an individual level. Programmes were put in place which had the overarching goals of building individual capacity, creating opportunities and matching individuals with available jobs.

The rediscovery of regional economies by the Labour-Alliance government, and the detailed attention it paid to the opportunity/capability/matching triangle suggest a new social democratic approach. However, these key initiatives merit a more searching examination. To that end, in the chapter which follows, I will assess the degree to which they conform to the new social democratic template outlined in chapter 2.

Chapter 5 – Were Regional and Industry Development and the Employment Strategy New Social Democratic?

Introduction

In the previous chapter I outlined the regional and industry development and employment strategies. The purpose of this chapter is to explore these policies in order to seek signs of a new social democratic approach, by assessing the degree of congruence between them and the template developed in chapter 2. Evidence of the applicability of these features might reasonably be interpreted as evidence that the policies, and therefore the government responsible for them, were new social democratic in nature. This however forms only part of the analysis by which the research question will be answered. In other words, while an analysis of these policies tell us much, they are best considered in the context of the Labour-Alliance government's overall policy orientation, which will be addressed in chapter 6.

Investment in Human Capital

Human capital investment, as chapter 2 argued, seeks to invest in skills and training, and in building overall capabilities. This comes through strongly within both policy areas. In the case of regional development, this is exemplified by capability building assistance, which provided finance for regional initiatives that led to economic growth. While this assisted the region in question in terms of its capability, it was also of benefit to the economy as a whole, and in this way suggests a link with social development: the marrying of social and economic policy. The Regions with Acute Needs initiative particularly exemplifies investment in human capital, by emphasising investment in stagnant regions so that they contribute to economic growth and are no longer a drag on the rest of the country, and are also able to take advantage of natural endowments. Indeed, regional development revolves around investment.

The industry development strategy also indicates strong evidence of investment in human capital, again, particularly in terms of its focus on capacity building. Each

scheme within the strategy focuses upon developing and enhancing those factors which are fundamental to the success of a fledgling business. This, for example, is the focus of the BIZ programme. Certainly, the areas it addresses – business start-up, E-Commerce, resource management, finance and business systems – are all essential in terms of succeeding in the world of business. The incubation scheme offers a similar service, though in the form of mentoring.

While the evidence of investment in human capital is strong, it must be borne in mind that this feature seems to imply an individual focus. Of course, humans are involved in the regions and in business, but neither regional nor industry development directly focus on individuals. However, as chapter 2 pointed out, investment in human capital need not have an exclusively individual focus, and the emphasis on regions and industry suggests a link with social capital investment. Both regional and industry development sought not only to build the capacities of local communities and businesses, but saw this as a route to greater prosperity and growth. Nevertheless, regional and industry development can still be said, indirectly, to be of benefit to individual well-being. At its launch, for example, the Minister of Regional and Industry Development, Jim Anderton, claimed that the strategy aimed to '[create]...one hundred new industries with one thousand new jobs in each; to cut unemployment, boost skills, generate high quality jobs and close gaps between Maori and pakeha' (New Zealand Herald, March 1 2000: 2). Again, at the regional development conference in July 2000, the Minister claimed that '[t]his Government's commitment to industry and regional development is a commitment to more jobs and to rising incomes' (www.beehive.govt.nz). Clearly then, for the Minister, bolstering the regions and businesses is a route to high quality job opportunities.

However, the focus on individuals was certainly part of the employment strategy and was exemplified by capacity building. This aimed to ensure that participants became employable, and it was this, in the government's view, which not only aided the individual in terms of well-being, but was also the key to developing the kind of economy necessary for rapid growth in the face of technological change and globalisation. Indeed, the government's economic framework, which sought to create conditions conducive to employment growth, created a space for a focus

on training and education. In many respects, this is informed by the changed reality outlined in chapter 2. The Cabinet paper outlining the employment strategy underscores this, and identifies globalisation and rapid technological change as important to the employment outlook (New Zealand Government, 2000b: 4-5). In terms of globalisation, a greatly increased world economy offers New Zealand a myriad of opportunities in terms of export markets, sources of capital and skills. However, there is also a risk of a brain drain to more attractive economies. Rapid technological change implies a need for a changing skill base if these technologies are to be fully utilised.

This is telling: with the exception of an economic framework, the government regarded the creation of employment to be located within the area of education and training. At the same time, globalisation is largely perceived to be positive, with the only negative aspect seen as the potential brain drain. Both globalisation and technological change were seen as forces which necessitated action on the supply-side, with no hint of government action beyond the setting up of a stable macroeconomic framework. As Steve Maharey notes:

> We know that we have to build jobs in an economy where we can't offer job security to people, where people won't work for big corporations, where they won't have the kinds of protections they had in the heyday of old social democracy [when people had] a life-time, secure position. All of that's gone so the employment strategy is very consciously based upon the notion that that's not the kind of economy we will get, and not the kind of economy we should aspire to build anymore, so while it's an old aim, it's what you might call a new way of thinking about employment and jobs (interview, August 29, 2002).

For the Minister, the employment strategy addresses the problem of employment in a radically changed economy, where full, secure employment is no longer attainable. More telling though, is his comment regarding the undesirability of returning to such a state. As he observes:

> I think the way we've tried to configure it [the employment strategy] is to say 'old value of full employment but new way of [achieving] it' would be to say 'yes, if we want to make this work so we give people a genuine chance to be employable, and give them a chance to move from job to job in this economy so they stay employed, then we have to do things in a way which our predecessors would not have done'. That I think is the conscious effort to rethink this (interview, August 29, 2002).

The focus is almost entirely on the supply-side, with no hint of any economic management which would seek to secure full employment. This impression is strengthened by the continued adherence to the RBA's sole focus on the control of inflation, although it must be noted that the Policy Targets Agreement of 2002 does represent a subtle shift in the administration of the policy: the agreed range of inflation is now 1-3% (www.rbnz.govt.nz), which can be achieved over the medium term (Listener, September 25 2002: 16). Price stability still remains the sole objective of the administration of monetary policy, but the new target range will be more receptive to growth.

Capacity building, especially within the employment strategy, can also be seen as a means of attaining individual well-being. For example, the rationale for the employment strategy was based on the notion that employment is central to achieving wellbeing and participation within society (Dept. of Labour, 2002: 2). As Michael Cullen stated in his first budget speech, '...work is the biggest part of wellbeing of most of us...[t]hat is why the quality of working life is a vital component of the quality of participation in economic and social life' (New Zealand Government, 2000a: 6). Further, as Maharey states in his introduction to the Department of Labour's report on the employment strategy:

> Ensuring that New Zealanders have the opportunity to participate in paid employment is a fundamental objective for the Labour-Alliance Government. Unemployment is destructive of individual self-esteem and pride; it is destructive of those communities that bear the brunt of

> it; and it is associated with poor physical and mental health (Dept of Labour, 2002: 1).

At the first reading of the Social Security (Working Towards Employment) Bill – the legislation that underpins the employment strategy – Maharey stated that the '...bill represents...the Labour-Alliance Government's development of a new approach to social security: social security through social development' (Hansard, 2001: 14141). From this point of view, getting people into work is far more than just removing them from the welfare roles: work of a high quality was seen as a way of securing well-being, not just in terms of self-esteem and health, but also, as Cullen stated, in relation to economic participation.

Redistribution Through Active Equality of Opportunity

This feature holds that the purpose of redistribution is to effect greater opportunity through programmes concerned with skills development and economic inclusion. In both policy examples the initiatives which sought to build capacity can be seen within the light of active equality of opportunity. This can certainly be seen with regional development. Its core goal is to enable regions to take advantage of their natural endowments. However, it should be stressed that, like investment in human capital, the active equality of opportunity within new social democracy tends to focus on individuals. Again, the focus of regional development is wider.

A similar connection can be made with industry development. Government assistance aids firms and businesses to take advantage of opportunities as and when they arise, for example, in terms of export markets and technological innovation.

Again, active equality of opportunity is perhaps more obvious within the employment strategy, and is most strongly reflected in capacity building: by providing the tools necessary for participation within the labour market, individuals have the capability to take advantage of the opportunities that are available to them. This is certainly the aim of programmes such as the Modern Apprenticeships Scheme, which seeks to bridge the gap between school and work by providing young people with the skills required for the workforce.

An active notion of equality is also present in the realm of opportunity creation. The literal creation of opportunities, encompassed in programmes such as the CEOs, certainly indicates a role in creating equality of opportunity. Opportunity creation also involves the removal of what might be termed internal barriers to employment. The Disability Strategy can, in this light, be seen as an example of active equality of opportunity. The strategy seeks, through government action, to remove barriers to the workplace for the disabled. By the same token, with the Adult Literacy Strategy, the government seeks to remove another potential barrier to work.

Again, as with investment in human capital, government action is entirely on the supply-side of the economy. Beyond the creation of a stable macroeconomic climate, the market is left to itself, thus bolstering the notion of a connection with the dominant view within of new social democracy.

This is reflected in the kind of redistribution that is required to effect these policies, which is a functional, means to an end approach, and in this sense accords with the new social democratic notion. Both policy areas are built on wealth and opportunity creation, but are not so much concerned with the 'democratisation of wealth' which characterised old social democracy. Indeed, opportunity is central to both areas, and in this sense it is the democratisation of opportunity that could be said to underpin them. This is well expressed by Steve Maharey, when he argues that in a competitive world where constant innovation is a requirement for survival, opportunities are necessary for all, not just the 'elite few' (New Zealand Herald, November 4 1999). The democratisation of wealth implies opportunities for all regardless of background or disadvantage. This emphasis, however, suggests that opportunity is more important than outcome.

The democratisation of opportunity is also seen with Regions with Acute Needs. It is not a simple transfer of wealth from one region to another; indeed, this is precisely the reason that it was initiated, in order to avoid wealthier regions subsidising poorer ones. The overarching emphasis is wealth creation, both within the region itself, and the wider economy. In facilitating regional

development in lower socio-economic areas the government ensured that these regions were not a drag on economic growth.

Capacity building indicates a type of opportunity which goes beyond finding work. It potentially enables trainees and beneficiaries to make positive choices about their lives. For example, the first of Skill New Zealand's broad goals – to have in place, by 2003, an integrated national skills development strategy, so that all New Zealanders can participate in a 'thriving knowledge economy' (www.skillnz.govt.nz) – illustrates a concern which goes beyond simple job training. The knowledge economy potentially offers many choices, in terms both of consumption and employment, and those with particular skills will have the capacity to make these positive choices. Skilled workers have greater choice about the kinds of jobs they can do. At the same time, the greater remuneration they attract is likely to have spin-offs in other areas of life, especially within the economic realm. The emphasis on training within the strategy suggests that participants are being given opportunities not just for work, but to reach their full potential – to lead fulfilling lives. In this sense, it is arguably connected to Sen's capability paradigm: capacity building is not just about creating skills necessary for work, but also concerns building capacities necessary for living fulfilling lives.

Facilitative Government

As chapter 2 argued, a facilitative government is one which seeks to enable individuals (and groups) to reach their potential and become employable, through the provision of various schemes and programmes. The strong presence of both investment in human capital and active equality of opportunity indicate that notions of a facilitative role for government informed both policies. This is particularly evident in the government's underlying rationale for regional and industry development. In the case of regional development, this concerned the notion that government was seen as the central organising body in a realm of policy which had not, up to that point, been particularly coherent (www.med.govt.nz). As Jim Anderton stated just after the budget in June 2000:

> [f]or too long governments have neglected regional and industry development, allowed skill levels to fall behind those of other developed countries and neglected the knowledge economy. This Government will work in partnership with the regions, business and local government to turn that around (www.beehive.govt.nz).

This is supported by Michael Cullen's first budget speech, where he asserted that a more coherent approach was required for dealing with the nature of technological change and the stress, as well as opportunity, this creates (New Zealand Government, 2000a). Although there were already a number of programmes within the ambit of regional and industry development, the government saw its role as tying the loose ends together (www.med.govt.nz). This was called a 'whole of government' approach and illustrates that government activity was considered a vital component over and above the usual market mechanisms. Lewis Holden, a senior official from the Ministry of Economic Development (MED), notes in relation to the government's role that:

> [regional and industry development] is thinking about what is the appropriate role for government in stimulating private sector led growth in the NZ economy. It's thinking about what can the government do over and above the economic fundamentals, if you like: sound macro economic policy settings, disciplined approach to government spending and taxation, a regulatory environment that facilitates, and doesn't unduly impede, firm and sectoral and regional development...It's addressed very much at removing obstacles, addressing problems...that firms, particularly small firms, face (interview, June 17 2002).

In this view there is a basic acceptance of the economic framework which was put in place by the Fourth Labour government. However, it was recognised that this alone was not enough, and a facilitative role was sought, which saw government as the central, organising body. Indeed, this was its stated aim: 'the role of central government is to foster a partnership approach, act as facilitator and broker, and provide information and if necessary, financial support for regional planning' (www.industrynz.govt.nz).

As with regional development, the central goal of industry development – to effect an economic environment that was more competitive and that could generate more jobs and wealth (New Zealand Government, 2000e: 1) – suggests a facilitative role. Again, a greater level of government activity is evident, which goes beyond creating a stable fiscal and monetary environment. This was evident with many of the programmes in the strategy. The BIZ initiative, for example, is run by a number of private organisations providing training in the field of business skills. The government's role was one of central organiser and director, using its convening skills, as Holden termed them, to provide information to the public and businesses. The same principle applies to business incubators, none of which have direct links to the government, but which are part of the overall scheme. The government's role was one of overall coordinator, using its central position to create a network in order to facilitate the creation of incubators.

Similar notions of facilitation are evident in the 'promoting a business and enterprise culture' initiative. Here the government saw itself as responsible for creating a business friendly climate; again, this goes further than simply creating stable macroeconomic conditions in which such a culture can thrive. It is a recognition that government can do more; that in fact, government action must complement a stable economy (New Zealand Government, 2001b).

One of the things which comes through strongly, especially in the case of regional and industry development, is that of partnerships between government and other actors. This is particularly the case with Jim Anderton's reference to partnerships between central government, the regions and business. It might be argued that, in some respects, this indicates a corporate approach. Can this still be said to be facilitation? While partnership does not automatically involve facilitation, it is possible that in a given partnership, one partner could take on a facilitative role. This is certainly the case with regional and industry development: as Holden suggests, government used its convening powers to facilitate conditions which individual firms and regions could not create alone.

The strong presence of investment in human capital and active equality of opportunity certainly suggests a facilitative role within the employment strategy.

This can be seen in a number of areas, in particular the Modern Apprenticeships Scheme. Not only did the government underwrite the whole apprenticeship process, it also provided a mentor for each trainee whose role was to 'guide' the apprentice through the training period (www.skillnz.govt.nz). The government's approach to making work pay can be seen as another element of facilitation. This involved, for example, smoothing the transition from a benefit to work by aiding with work related costs, increasing the abatement rate for those who were working part-time and on a benefit, and ensuring that there were no barriers to taking on seasonal work, such as long stand-down periods after the work finished (Ministry of Social Development, 2001: 10).

Evidence of facilitation is perhaps strongest in the area of matching. The responsibility of ensuring that the right people were able to acquire the right jobs was not simply left to the market, but was rather facilitated by the state. This is evident in the extensive data base services, such as the Labour Market Portal, which provided assistance to job seekers.

Reciprocal Obligations

Reciprocal obligations concern those obligations on the part of government – to create opportunities – and the individual – to take advantage of them. This is not entirely applicable to regional and industry development – perhaps in the broadest sense it is relevant in that those involved in various schemes are expected to meet whatever obligations they may have. However, reciprocal obligations are strongly present within the employment strategy. This may at first come as a surprise. The government did after all remove the provision for compulsory community work (Hansard, 2001: 14141). Nevertheless, as the Job Seeker Agreement makes clear, both the government (MSD) and the individual concerned have responsibilities. One of the obligations beneficiaries are subject to is a plan of action for attaining work. Sanctions also form part of this agreement; the agreement makes clear that taxpayer funded support will be withdrawn from those who do not take a reasonable job when offered (Ministry of Social Development, 2001: 16). This does, nonetheless, constitute a significant change of direction from the previous administration, which brought all

beneficiaries of working age, except for those on Disability Benefit, within the ambit of the community wage. In theory at least this meant that they were subject to compulsory work obligations. This change suggests that the Labour-Alliance government saw that it too had obligations, thus indicating a link with Stuart White's account of fair reciprocity. As outlined in chapter 2, White argues that fair reciprocity rests on the notion that both government and the individual fulfil mutual obligations. In the case of government, this is to create opportunities. Clearly, the Labour-Alliance coalition recognised this within the employment strategy, which could be seen to centre on opportunity creation through capacity building and matching job seekers with jobs. The Job Seeker's Agreement makes clear the beneficiary's obligations: basically to take advantage of opportunities.

In many ways, the coalition's form of fair reciprocity also accords with Jane Higgins's (1999) notion of deferred obligation. For Higgins this underpinned New Zealand's historical notion of welfare rights and held that beneficiaries resume their contribution to the community once employment has been attained. She contrasted this with the immediate obligations of the community wage, where beneficiaries were held to be immediately obligated to give something back to the community in return for a benefit. By agreeing to become job-ready and by taking opportunities when they arise, beneficiaries subject to the Job Seeker Agreement can be said to be deferring their obligations to the local community. However, by cooperating with the government, they are arguably ensuring that they will be in a position to fulfil their obligations in the near future.

Conclusion

In many ways both regional and industry development and the employment strategy strongly accord with what, for the purposes of this research, have been identified as core features of new social democracy. In the case of regional and industry development there is certainly an active, facilitative role for government, coupled with strong notions of investment in human capital (through capacity building within the regions and in businesses). It should also be understood that the general coherency, which the previous government sought to bring, is important. The central role it undertook as overall coordinator, in terms of

dissemination of information, facilitation, funding and capacity building, can be seen in the light of a facilitative role. The employment strategy emphasised government action on the supply-side, indicating a link with the dominant view within new social democracy which, in the absence of a more active economic policy, invests in human capital.

Both these policy areas suggest that the government adopted a new social democratic approach. Nevertheless, this micro-analysis is necessarily limited; in order to gain a fuller sense of the government's philosophical underpinnings the analysis will be broadened in the following chapter to take in the wider context.

Chapter 6 – Was the Labour-Alliance Coalition New Social Democratic?

Introduction

The study has so far outlined new social democracy, and traced its development in New Zealand during the 1990s. From there it outlined the two policy examples, regional and industry development and the employment strategy, and argued that, at least as far as the generic features of new social democracy are concerned, those policies suggest that the 1999-2002 government was new social democratic in nature. The purpose of this chapter is to broaden the frame of analysis so as to reach conclusions regarding the research question. First, the analysis will be broadened, by presenting the wider context in which regional and industry development and the employment strategy resided. This concerns the coalition's overarching goal to grow an innovative, inclusive economy. This is important: any analysis which seeks to locate a government in terms of philosophy must account for its broad objectives. Also examined are a number of policies from the government's broad policy project, for example, the Employment Relations Act (ERA).

Second, I will address some critiques of the New Zealand brand of new social democracy. The first of these concerns the similarities between the coalition's policies and those of other parties, particularly National. The second is related to this and concerns Jane Kelsey's (2001) contention that the coalition has bolstered the neoliberal hegemony.

The Wider Context

Economic Transformation

Both regional and industry development and the employment strategy sit within the wider context of economic transformation and the inclusive economy. Economic transformation was premised on the notion that New Zealand needed to move away from an over reliance on commodity exports, particularly within the agricultural sector, to a more knowledge intensive economy. Pete Hodgson, the Associate Minister of Economic Development, exemplified this when he claimed that knowledge, not commodities, was the area where greater levels of wealth lay (www.beehive.govt.nz). Indeed, at a conference held at the London School of Economics, Helen Clark (2002) asserted that New Zealand's over reliance on commodity exports was one of the problems the government sought to tackle. As a means of achieving this she listed four areas which were designed to lift New Zealand's economic performance. These were: developing skills and talent through education, training, and by attracting skilled immigrants who could contribute towards economic growth; enhancing New Zealand's innovation system, through investment in research and technology; increasing New Zealand's global connectedness – by attracting quality foreign investment and aggressively promoting exports; and focusing government resources on the promotion of biotechnology, information and communications technology and creative industries. It should be noted that this emphasis is certainly not new, and goes back to at least the early 1970s. Indeed, it was around this time that the Third Labour government saw the need for diversification and economic reform (Jeffries, 2001: 109).

Right from the very beginning of its term the government targeted skills acquisition and investment in research and development (New Zealand Government, 1999). On coming to office it was perceived that this was seriously lacking; the answer to this was the wholesale transformation of New Zealand's economic base. The government asserted that market forces alone were not enough to affect this; government action was required in the form of new partnerships with business and communities, thus indicating a facilitative role. A number of programmes were flagged which were intended to aid the government

in attaining the goals it sought, including the Modern Apprenticeships Scheme, and Closing the Gaps between Maori, Pacific Islanders and Europeans.

In many respects, economic transformation was driven by the imperatives of the global economy. For example, the Prime Minister stated in a speech in June 2000 that:

> [w]e are setting out a range of measures to help the transformation to a high skills, high employment value-added economy. That transformation is critical if New Zealand is going to foot it (sic) in the global economy (www.beehive.govt.nz).

In a speech to the Labour Party conference in November 2000, the Prime Minister further asserted that:

> [o]ur challenge is to establish a firm niche in that [global] market to equip our citizens with the education and skills to secure that niche, and constantly advance it through innovation. Standing still is not an option. New Zealand has done that for too long and seen its living standards slide from near the top of the OECD ladder to near the bottom (www.executive.govt.nz).

Similar sentiments were expressed in the Prime Minister's address to Parliament in February 2001, where the Prime Minister claimed that the transformation of the economy was critical to the future of New Zealand. It was unsustainable, she said, to have first world living standards on the back of third world exports, and it was this unsustainability which had witnessed New Zealand's descent down the OECD ladder. The answer to this malaise was to whole-heartedly embrace innovation. In the introduction to *Towards an Innovative Economy* (2001), Ms. Clark asserted that the way to the top of the OECD ladder was through sustained economic growth at higher levels. Again, in her speech from the Throne in February 2002, the Prime Minister stated that the goal of the government's growth and innovation framework was to return New Zealand to the top of the OECD (2002: 2).

This theme is strongly reflected in the various budgets delivered by Michael Cullen, the Minister of Finance. In his first Budget speech, Cullen emphasised the development of an innovative economy and the fostering of education and skills (New Zealand Government, 2000a: 12). The first comprises economic development, the knowledge economy and E-commerce. The government, Cullen stated, saw knowledge intensive industries as the primary means of transforming the economy by making it less reliant on commodities; to this end, the government would invest far more in research, science and technology.

The second aim is concerned with fostering education and skills, and this leads to the second overarching goal of an inclusive economy. Here, the government sought to ensure that all could reach their potential. As Dr. Cullen stated:

> The Government's goal is to ensure that all New Zealanders have the best possible chance to develop their potential, and to equip themselves to meet the demands of a fast changing world...(2000a: 5).

The Inclusive Economy

The Minister's quote suggests that economic transformation was not just concerned with economic growth, but also with the overall well-being of the population. Indeed, the government made this clear from the beginning. In the first Speech from the Throne, for example, the government outlined its major aim, as contained in the Coalition agreement, to 'implement a policy platform which reduces inequality...and improves the social and economic well-being of New Zealanders' (New Zealand Government, 1999). The focus on the inclusive economy was the central means by which this was to be achieved. In this context, inclusion concerns participation in the productive economy, primarily through work. However, social well-being was also considered important, as will become apparent.

Economic transformation and the inclusive economy formed a central part of the government's social development approach, where a skilled workforce is seen to lead to economic growth, which in turn leads to overall well-being. This is reflected in a number of key publications, particularly *Pathways to Opportunity*

(MSD, 2001b), Treasury's *Towards an Inclusive Economy* (2001) and MSD's *The Social Development Approach* (2001a). *Pathways to Opportunity* articulates the social development approach, which emphasises skills acquisition and the attainment of sustainable employment for those on benefits (2001b: 2). As the document stresses:

> [a]...social development approach will assist people to gain the skills that lead to a sustainable job, provide effective support to keep them in work, and make sure that taking a job always leaves them and their families better off (ibid: 4).

A central element of this approach is ensuring that all individuals have the capacity to participate within the wider society. As Steve Maharey stated at the first reading of the Social Security (Working Towards Employment) Amendment Bill, '...a social development approach means...supporting beneficiaries to move into sustained paid employment' (New Zealand Parliamentary Debates, 2001:14141)

It was within this context that the government commissioned the reports by Treasury (2001) and MSD (2001b) in order to further develop this approach (New Zealand Government, 2001f: 1). As Steve Maharey noted, in relation to their release, '[f]or social development to truly succeed [it] requires [the] recognition that social and economic policy interact with each other, so [they] should be considered together' (www.behive.govt.nz).

Treasury's report works from the premise that well-being is brought about through economic participation. However, the report argues that this is not the sole precondition: ultimately, well-being is enhanced through individuals being able to make satisfying life-style choices, and to this end Treasury drew explicitly on the work of Armartya Sen (1999). Treasury argued that the role of government within an inclusive economy was to ensure that there were opportunities for all to participate. It was further argued that an inclusive economy was based on three, interconnected factors: social capability; productive capability and well-being. Social capability arises from one's values, human

capital and social networks. Productive capability refers to a nation's capacity for wealth generation. Well-being, from this point of view, is a function of the interaction between social and productive capability.

MSD's report examines similar issues to that of Treasury, and begins with two questions: what are the goals of social policy and how can government best achieve them? In relation to the first question, the report takes as its starting point the findings of the 1988 Royal Commission on Social Policy, which held that well-being is the ultimate goal of social policy. Well-being is framed in Benthamite notions of utility, and Sen's concept of capability: well-being here refers to happiness and contentment (Benthamite utility), and, crucially, to people's ability to make satisfying life-style choices (Sen). From this, the report takes well-being as its 'basic metric of social policy', and rejects what it calls a narrow, economistic notion – that is, one which simply measures well-being in terms of overall economic indicators and fails to account for other factors, such as civil liberties, freedom from crime and so forth. Further, the report, again taking its cue from the 1988 Commission, argues that 'the goals of social policy are about improving both the level and distribution of well-being'. What this translates into is:

- That all individuals enjoy some basic minimum level of well-being;
- There is opportunity so that all have a fair chance to achieve their potential;
- That the well-being of future generations is protected.

This discussion suggests that economic transformation and an inclusive economy are intrinsically linked: the overall goal of an inclusive economy is to provide opportunities for all to take part within the productive economy and the wider society, as a means of improving everybody's well-being. Within this scenario, a growing economy is not the end goal, but is a means of ensuring that everyone has an opportunity to reach their full potential. As Jim Anderton stated, for example, the purpose of regional and industry development was to 'enter partnerships with the private sector and with local communities to transform the

economic base of New Zealand. This Government's commitment to industry and regional development is a commitment to more jobs and to rising incomes'. For Anderton, then, the transformation of the economic base had an ultimate purpose: jobs and rising incomes, and ultimately greater well-being. This suggests a number of influences. The first is the social development approach, outlined in chapter 2, and which the government adopted as an approach to social and economic policy; a second clear influence is that of Armartya Sen's capability paradigm, which is very influential in terms of notions of equality. From this view, the government was underpinned by the objective of strengthening the capabilities of the population in order that individuals were not only able to achieve their own well-being but also able to contribute to overall economic growth.

The emphasis upon training and education is informed by investment in human capital, which in turn suggests that the goal of economic transformation is also underpinned by active equality of opportunity. This is bolstered by Cullen's reference to ensuring that everyone is able to meet their full potential.

In the first Speech from the Throne, the government asserted that it sought to reduce inequality; the above discussion suggests that it was through the enhancement of opportunity. From this view, the redistribution effected by that government was a functional, means to that end approach. The overwhelming picture is one of opportunity for all within the wider context of the globalised economy. This impression is bolstered by the government's fiscal prudence. All the government's Budgets, for example, are constrained by the imperatives of the Fiscal Responsibility Act 1994 (New Zealand Government, 2000a: 5). Further fiscal prudence is evidenced in the government's overall fiscal approach, which sought to continue running operating surpluses, keep Crown debt below 20% of GDP, accumulate assets to assist with the funding of New Zealand Superannuation and ensure expenses remained at around 35% of GDP. The theme of fiscal prudence continues in the 2001 Budget, which Cullen claimed was characterised by: 'a strong commitment to sound fiscal management'. This suggests that despite the grand sounding notion of economic transformation and

all that it entailed, within the context of a fiscally prudent government, the reality would be a rather more cautious approach, as will become apparent.

The broader analysis must also take into account specific policy initiatives from the government's wider policy project. There are a number of initiatives which illustrate the kind of economic redistribution common in new social democracy. One of the most important areas in this vein is the reintroduction of a marginally more progressive taxation system. From April 1 2000, every dollar earned over $60,000 was taxed at the new rate of 39%, up from 33%. While this did not net the government a huge amount of extra revenue, it did nonetheless send a strong signal to the electorate in terms of a new direction. This change is exemplified by a number of projects. The reintroduction of income related rents for many, but not all, state housing tenants, for example, left around 4500 people in Christchurch better off by $20 - $60 a week (The Press, 24 November 2000: 7). Nationally, it was estimated that this would positively affect 132,000 state house tenants (National Business Review, 17 November 2000, 64).

The raising of the minimum wage from $7 an hour to $7.55 an hour (Dominion, December 21 2000: 1) also bolsters the impression of a mildly redistributive government. The strongest evidence concerning redistribution was the Closing the Gaps initiative. Notwithstanding the negative response it received, and its subsequent renaming, it sought to close what the 1998 Te Puni Kokiri report found to be widening social and economic disparities between Maori and Pakeha (Sunday Star Times, July 12 1999: A5). To that end the 2000 budget invested $16.89 million in various initiatives which sought to build Maori capacity and provide them with opportunities. This initiative illustrates the adoption of redistribution in order to further the new social democratic principle of active equality of opportunity.

In other areas too there is evidence of a new social democratic approach. The government's tertiary education strategy demonstrates this. The strategy is based on six core objectives, which seek to enhance skills acquisition and opportunities for tertiary students. These objectives are:

- To strengthen the overall capability of the tertiary sector;
- Contribute to Maori development aspirations, by ensuring the success of Maori students at all stages of education, and identifying and dealing with barriers to entry;
- Raising foundation skills so that everyone can participate in the knowledge economy, with particular emphasis upon literacy and numeracy;
- Developing the skills New Zealanders need for the knowledge society, with particular emphasis on matching tertiary skills with available opportunities, assistance to industries to identify their skills needs and special assistance to those facing barriers to tertiary education – women, the disabled, Maori and Pacific Islanders;
- Educate for Pacific Peoples' development and success, through improved access, development of Pacific Peoples' skills and capability through collaborative partnerships between Pacific communities and the wider tertiary sector and an increased number of Pacific staff at tertiary institutions; and
- Strengthen research, knowledge creation and uptake of the knowledge society.

The Template Applied

Investment in Human Capital

Economic transformation was to be effected through a skilled workforce, which in turn was dependent upon an inclusive economy; the government's social development approach envisaged greater well-being as a route to economic growth. To this end it is heavily informed by investment in human capital. Chapter 5 has already shown how regional and industry development and the employment strategy contributed to this end – by promoting skills development and opportunity. Other initiatives also display this feature. Closing the Gaps, for example, illustrates this through the provision of capacity building and opportunity creation. The tertiary education strategy, outlined above, also supports a commitment to investment in human capital by making education more accessible, and by developing the means of addressing barriers to success,

especially on the part of Maori and Pacific Islanders. In a wider sense, lower state rentals and a higher minimum wage also display investment in human capital. While there is no direct link between them and skills acquisition, it is arguable that by raising individual and family well-being, this can lead, indirectly, to higher levels of productivity. It certainly accords with the thrust of the inclusive economy.

Redistribution Through Active Equality of Opportunity

The strong presence of investment in human capital suggests that the government was underpinned by active equality of opportunity. Economic transformation and the inclusive economy are predicated on the notion that opportunities are pivotal to well-being. As well as opportunity creation being central to regional and industry development and the employment strategy, it also informs Closing the Gaps, through capacity building. Again, the tertiary education strategy indicates active equality of opportunity, through the emphasis on skills acquisition necessary for economic participation. A higher minimum wage and lower state rentals can be seen in the light of opportunities for economic participation. This suggests that the mildly progressive taxation system, which was used to pay for these initiatives, indicates a functional, means to an end form of redistribution.

Facilitative Government

Strong elements of investment in human capital, along with active equality of opportunity, presuppose a facilitative role for government. This is evident in the many policies that make-up economic transformation and the inclusive economy. This is certainly the case with regional and industry development and the employment strategy. A facilitative role is evident in Closing the Gaps and the government's tertiary reforms, through the provision of opportunity and capacity building.

Reciprocal Obligations

In many ways, reciprocal obligations only inform a new social democratic welfare policy which involves interaction between beneficiaries and the state. However, the government's overall commitment to opportunity creation and capacity building suggest that it saw itself as responsible for initiating processes and

policies conducive to these ends. Individuals (and communities) were responsible, where appropriate, to respond.

There are a number of policies which cannot be directly tested against the model but which, nonetheless, should still be taken into account. The government's willingness to renationalise Air New Zealand, after it hit financial difficulty following the collapse of Ansett, is further evidence that it sought greater intervention in the market. This is also illustrated by the repeal of the Employment Contracts Act 1991 (ECA), which allowed employers to choose whether to negotiate through unions or not, and its replacement with the ERA, which legislated for 'good faith bargaining' between parties, and set up the ERA authority. In so doing, it attempts to redress the imbalance in favour of employers, which is perceived to have occurred under the old legislation (for example, Kelsey, 1993; 1995).

By applying the template to the government's wider policy projects it can be reasonably concluded that the Labour-Alliance coalition was new social democratic in nature. However, a number of important caveats must be applied.

Critiquing New Social Democracy

There are two issues that must be dealt with before a definite answer can be given in relation to the research question. Both of these relate to question marks over the new social democratic project; the first is at the local level and concerns the similarities between the two policy examples in question and policies advocated by non-social democratic governments and parties. The second issue concerns criticisms of new social democracy more generally, especially in light of neoliberal hegemony.

In relation to the first issue, there were two specific question marks over the regional and industry development policies. The first concerned its limited scope and the second questioned its connection to new social democracy. Lewis Holden reflected on the small scale of regional and industry development. For Holden,

these policies did not indicate a radical change of direction, but rather a cautious approach. As he stated:

> What I take from that is that we have not massively changed direction here...we're taking quite a sober approach...very much in the spirit of evaluation...to enter into these things with a very open mind, [to] test what works, what doesn't. All this is born of something of a sense of humility: not only don't we know whether these new policies will work, but also we have to recognise as economists, as public policy officials, that the promise of the reform in the late 1980s doesn't seem to have been realised in terms of measurable improvements in the well-being of New Zealanders...I think that the more material change [within regional and industry development] has been a change in attitude, a change in philosophy (interview, June 18 2002).

While Holden is quite clear about how cautious, and indeed un-radical, this is it is important to note the emphasis he places on the change in attitude and philosophy. Especially significant is his concession that the reforms of the 1980s and 1990s have not delivered. In this context, regional and industry development is cast in the light of something which will make up the deficit in well-being which has resulted from an over reliance on the free market.

Peter Harris, a senior advisor to Michael Cullen, is much less equivocal about how new social democratic regional and industry development is. For him they are not examples of new social democracy at all. As he notes:

> It [regional and industry development] is different from the old, deregulated...approach, and therefore might be regarded as new social democratic. But we tend to have a slightly distorted view of normality round here. New Zealand was the only OECD country in the 1990s that did not have any economic partnership for development...and that I suppose is where you are talking about regional development; you're talking about economic partnerships between central government and business and you're talking about them with a particular local focus (interview, August 7 2002).

Harris further states that:

> [t]hese sorts of programmes were extensive...right across the OECD, and extensive in the States for example. Now, you wouldn't argue that that [is] because the States is the leading edge new social democratic practitioner. But I think what's been a growing recognition within the OECD is that you do get sub-optimal performance unless you get that sort of local focus, emphasis on local aptitude, and some sort of facilitation from government...And I suppose I tend to see economic development as the new orthodoxy; it's just that we were very late coming to that orthodoxy (ibid).

In this view, regional and industry development are not inherently new social democratic because they are orthodox policy tools across the OECD, even in the United States. This point is potentially very serious for the New Zealand brand of new social democracy: if a major part of it – regional and industry development – is no different from policies all over the OECD, how can this government's version of new social democracy be seen as distinct? However, this may have to do with the location of New Zealand's political centre of gravity. As Harris observed, New Zealand was very late in coming to these policies, having done so long after most other OECD countries. New Zealand's later implementation of regional and industry development reflects the significant rightward shift which occurred during the 1980s. At the same time this supports the contention by Holden that the coalition adopted a tame approach: regional and industry development were not radical departures from the norm, but rather a cautious move into the political mainstream, in keeping with other nations.

Such similarities also exist between the employment strategy and National's employment proposals. Like Labour and the Alliance, National saw a skilled workforce as an essential means of attaining economic growth, and many of the policy proposals outlined in its 2002 election manifesto closely mirrored those of the previous government. To take three examples: New Deal for Youth; Addressing Under-employment of over 45s; and Personal Pathways to Employment. In the first case, National proposed building bridges from school

into the workplace, and forming a 'no-dole' partnership with schools. The bridging concept is similar to the rationale underpinning the Modern Apprenticeships Scheme, for example. In the second example, National proposed addressing something which, hitherto, has not been addressed by the coalition, the problem of long-term unemployment among the over 45s. The third example, Pathways to Employment, has obvious echoes of the government document, *Pathways to Inclusion* (www.National.org.nz).

National also placed a heavy emphasis on getting people back into work, and there is strong evidence of investment in human capital within its policy proposals. Indeed, the basic premises of new social democracy appear to be present within National's thought: investment in human capital leading to an active notion of equality of opportunity; facilitative government; and an even stronger emphasis on obligation. In many ways, this has been a common theme throughout National's manifestos over the last 12 years or so. For example, in its 1990 election manifesto, National placed a great deal of emphasis on skills acquisition as a means of preparing the unemployed for work (National Party, 1990: 2). The theme is continued in its 1993 manifesto where National held as its goal the attainment of the most skilled workforce in the world (ibid, 1993:1).

This evidence is troubling in terms of the government's new social democratic project, and implies that new social democracy might actually bolster neoliberalism, especially when its aims are similar to those of the previous, neoliberal government. This concerns one of the strongest critiques of the new social democracy, and was first articulated by Perry Anderson (2000), editor of *The New Left Review*, in the British context. Anderson argues that when the left adopts many of the policies of the new right, TINA (there is no alternative) – the acronym employed by the new right in order to justify their radical reforms – becomes a truly entrenched refrain. Callinicos (2001) takes this idea further, and applies it to New Labour. Callinicos makes a strong connection between New Labour and the previous Conservative regime, and argues that, essentially, there is no real difference between them. Coupled with this is the continuing domination of global corporations in an essentially unregulated global environment.

Jane Kelsey (2001) applies a similar analysis in the New Zealand context. For her, Labour's variant of the new social democracy is a means of embedding neoliberalism. According to Kelsey, rapid-fire structural changes, the like of which occurred throughout the 1980s and 1990s, are most effectively consolidated by a nominally left-wing government which can co-opt the labour movement and other traditionally left-wing organisations. While Kelsey conceded that the Labour led government did implement a number of policies within the social democratic tradition – such as protecting New Zealand Post and Television New Zealand from privatisation by ending the asset sales programme, and launching the Kiwi Bank – there was no overarching sense of philosophy which underpinned them. Ultimately, Kelsey argues that policies which involve investment in human capital, and developing an innovative economy, are simply 'grafted onto the old fundamentals of fiscal austerity, privatisation, free-trade, labour market deregulation' (2001: 52). Essentially, the economic fundamentals have not been challenged, much less reversed, and the ensuing result is that workers are fitted for the needs of global capital.

Kelsey's assessment of Treasury's work on social inclusion came to broadly the same conclusions: the inclusive society was a means of ensuring individuals contributed to the overall neoliberal goal of economic growth (2002: 99-102). She also noted that Treasury's 1999 briefing papers contained the neoliberal fundamentals. However, the evidence does not appear to support this: privatisation has been halted and there has been the introduction of nationalisation, along with an (albeit) mildly progressive tax system. One must also remember however that social democrats have never been averse to economic growth.

If Kelsey is correct, and the Labour-Alliance government is a means of embedding neoliberalism, then it is a form of neoliberalism which is quite different to what might be seen as a more 'pure' variety. The difference between the new social democratic feature of active equality of opportunity, and the more passive type espoused by neoliberal theorists, is instructive in this context. For neoliberal theorists, equality of opportunity, which is anything more than the simple requirement, in law, that there are no barriers to a person's success, is

illegitimate, since it requires too much government intervention and redistribution, which, from a neoliberal point of view, inhibits liberty (for example, Hayek, 1976: 84; Nozick, 1974: 235). Green (1991: 51), for example, argues against what he calls 'equalising at the starting gates'. Essentially, individuals are responsible for themselves in terms of what they make of their lives. Accounting for disadvantage, Green holds, interferes with the family's right to impart to their children the necessary tools for a successful life.

The debate, then, concerns the degree of government action required to actually affect the life chances of those who are, in the natural run of things, unable to take advantage of opportunities that are technically available. As outlined in chapter 2, ensuring that individuals do have opportunities requires a degree of redistribution, albeit a means to an end approach.

In the end Kelsey's critique does not do justice to the coalition when the wider context, and the policy initiatives outlined above, are taken into account. The picture which begins to emerge is more complex than she allows: it depicts a government which is essentially underpinned by new social democracy, but which has nonetheless been characterised by a degree of caution, especially when it came to working within the parameters set by the previous regime.

However, this still does not address the similarities between the coalition and National. Do these render the model of new social democracy redundant? If National also seeks to invest in human capital and provide opportunities, can new social democracy be said to be distinctive? There are two issues that need to be addressed in order to answer this. First, despite its rhetoric, the wider context of National's time in government must be taken into account. Notions of a skilled workforce must be weighed up against benefit cuts and general fiscal austerity, the introduction of market rents for state housing, the introduction of a regressive tax system which left the wealthy better off, and in 1998 the cutting of the subsidy for tertiary education – after nearly a decade of rising fees – in the light of the Asian crisis. All of these in some way mitigate against the desire to invest in a skilled workforce. The Community Wage provides perhaps the most striking example of this. The Community Wage is one policy which could not fit in to the

new social democratic model; indeed, the overarching emphasis of the National-New Zealand First coalition was to ensure that beneficiaries gave something back to the community, immediately; skills acquisition was secondary. As the 1996 coalition document stated, employment growth was properly the function of economic policy (New Zealand Government, 1996: 11). In this view, while it does highlight obligations on the part of beneficiaries, there is no corresponding commitment on the part of the state to provide opportunities.

Second, there are any number of reasons why National has come to emphasise similar policies to Labour and the Alliance in the current era. A major one perhaps concerns electoral imperatives, especially given that it has consistently trailed Labour in the polls over the previous three years. It might also suggest that the Labour-Alliance coalition is in the process of affecting a new orthodoxy which National must take note of, at the very least, if it wants to regain the Treasury benches, in much the same way that it did in 1949. This does not mean, however, that National will always adopt policies close to those of the Labour-Alliance coalition. Indeed, the Finance Spokesperson, Don Brash, recently articulated views on welfare that have much in common with the National-New Zealand First's community wage, thus suggesting that National might be shifting to the right (National Radio, February 11 2003).

However, this must all be weighed up against the fact that, while the coalition did change direction, it nonetheless retained some of the reforms which were put in place by previous National governments, suggesting perhaps that it has been as influenced by neoliberalism as National has been by new social democracy. While the coalition emphasised training and education, a more radical approach, for example, might have sought to tackle the prohibitive tertiary fees in a way that went beyond merely capping them. This contrasts with Labour's 1996 pledge to lower fees to $1000 a year. At the same time, the student allowance is still means-tested against parental income for those under 25. The emergency unemployment benefit – for students who do not get work during the summer – has not been extended to those who did not qualify for an allowance during the semester period. Benefits have not been restored to pre-1991 levels. Notwithstanding the adjustment of the Policy Target Agreement for the RBA,

which allows for more growth before interest rate increases kick in, monetary policy management remains dominated by the sole concern with inflation. This suggests that, while the previous Labour-Alliance government of 1999-2002 was new social democratic, it was nonetheless cautious in its approach. It was clearly a government that was at ease with a free market and saw its role as intervening on the supply-side of the economy. It appeared to accept globalisation as a fait accompli, and ordered its affairs accordingly. Unlike Paul Hirst, for example, who advocated a strengthened role for welfare as a means of compensating those affected by globalisation, the coalition sought to concentrate solely on bolstering skills.

A more radical approach, perhaps one in line with the new Keynesianism espoused by Will Hutton, might have sought to substantially lower the cost of tertiary education. At the same time, it might have raised benefits to previous levels while simultaneously working to provide greater opportunities for all, especially Maori and Pacific Islanders. Such an approach would have strengthened efforts to close social and economic gaps.

This suggests that the coalition adopted a cautious version of new social democracy, and this is supported by the previous evidence regarding regional and industry development. Indeed, as Michael Cullen reflects, this was not an especially radical government:

> I think we've moved much closer to the social democratic mainstream compared with where New Zealand has been since the mid 1980s...its...also true, and this is not so well understood in New Zealand, that if you were to draw...a spectrum across western democracies...we are still to the right of centre in many respects in terms of the level of regulation, the level of government intervention, involvement in the economy, the level of taxation and government expenditure and so on. So while I would claim that this is a social democratic government, I would nevertheless have to recognise that that was within the context of the political centre of gravity in New

> Zealand which is actually significantly to the right of many other social democracies (interview, June 17 2002).

In many respects, then, the grand sounding rhetoric concerning economic transformation belied the cautious approach adopted by the coalition. This caution can be explained by the unique experience of the Labour Party as much as by overseas influences. Since Labour lost the 1949 general election, it had only been in government for twelve of the subsequent fifty years, and six of those were spent implementing the neoliberal revolution. It is possible that Labour (as the dominant partner) was mindful that a radical programme would have had negative effects on the electorate. As shown in chapter 3, after the Fourth Labour government of 1984-1990, it took nearly ten years before the electorate was ready for Labour again; had it embarked on a radical programme, albeit one which was quite different to that of the 1984-1990 period, it could well have lost the 2002 election.

At the same time, this must be seen within the wider context of real-world constraints. For example, Peter Harris notes that Labour, far more than the Alliance, was constrained by 'fiscal caps' (interview, August 7 2002). The government necessarily limited its social spending within an environment where fiscal austerity is the orthodoxy. This is exemplified by the government's adherence to the Fiscal Responsibility Act 1994, as outlined in its first budget. In the same vein, while the tax rise of 6% for income exceeding $60,000 per year may not seem radical, it should also be viewed within an environment where lower, rather than higher, tax rates are seen as preferable. In other words, the Labour-Alliance coalition inherited an environment shaped by fifteen years of neoliberalism.

In many ways, the coalition's brand of new social democracy should also be seen as a continuation of that espoused by the Norman Kirk during the late 1960s and early 1970s (though not necessarily put into practice by the Third Labour government). In many ways he too saw opportunity creation as the route to overall well-being. Indeed, the First Labour government can be seen in this light: social security not only protected against misfortune, but the active pursuit of full

employment and the provision of free education can be seen within the light of active equality of opportunity. In this view, the coalition government can be seen to be pursuing traditional, New Zealand social democratic goals, but in a radically different world from the one Michael Joseph Savage and his colleagues inhabited.

Conclusion

This chapter has presented the wider context in which regional and industry development and the employment strategy sat: economic transformation and the inclusive economy. It argued that the two goals, when seen together, suggested a link with new social democracy, particularly the social development approach and Sen's capability paradigm. This alone however was not enough to argue that the Labour-Alliance coalition was new social democratic in nature, and I broadened my analysis to take in the various problems and critiques. Chief among these was Kelsey's contention that the coalition bolstered the neoliberal hegemony. I contended that Kelsey's critique did not do justice to the coalition because it did not take into account the complex picture of the wider context. Overall I argued that the Labour-Alliance coalition represented a cautious approach to new social democracy.

Chapter 7 – Conclusion

Introduction

This thesis has shown that the Labour-Alliance government of 1999-2002 was cautiously new social democratic in nature. My hope is that it will form part of the corpus of literature that develops around this government. As well as this, the research has raised fresh questions and opened up other, related areas of study, and it is the purpose of this chapter to highlight these. The first area concerns the future prospects for new social democracy in New Zealand. A second theme, which will only be touched on, concerns future areas of research which this thesis has raised.

Future Prospects – Election 2002

There is no easy method for predicting new social democratic prospects: there are simply too many unknown variables that come into play. However, in the medium-term at least – the current Parliamentary term, and possibly into the next one – the prospects for the coalition's tame brand of new social democracy are fairly safe. There are a number of factors which are important to this, in particular, the theme of continuity with which Labour (and the Progressive Coalition) ran its election campaign, the collapse of the Alliance, the Green's bottom-line of genetic modification and the support of United Future New Zealand (hereafter United Future) for the minority coalition of Labour and the Progressive Coalition.

All of the above factors are related to the 2002 election, held on July 27. As a result of that election the government currently comprises Labour and the Progressive Coalition, with a combined total of 54 seats in Parliament, leaving them somewhat shy of the overall majority they sought (Sunday Star Times, July 28, 2002: A1). National suffered its worst ever election result, securing only 21% of the vote, and 27 seats. The Greens gained 8 seats (9 after special votes had been counted), New Zealand First 13 and ACT 9. The real winner was United Future, which came out of obscurity and secured an unprecedented 9 seats (down to 8 after special votes had been counted). While Labour increased its share of the

vote by about 3 %, the total centre-left – Labour, Progressive Coalition and the Greens – share fell to 62 seats, down from 66 at the last election.

Labour ran its election campaign in the mode of business as usual, drawing on what it saw as the successes of the previous two and half years, and promising more of the same. Labour continued the theme of skills acquisition and maintained that a skilled workforce was the main driver of growth (Labour Party, 2002: 1-2). Labour also indicated that it would continue to be fiscally prudent by maintaining stable prices, while at the same time moving to amend the governance arrangements of the Reserve Bank. Labour continued to maintain that innovation was the key to the long-run sustainable growth rate, and also pledged to continue ensuring that overall macro-economic settings were conducive to opportunity creation (ibid: 2,4-5). In many ways, Labour simply envisaged a continuation of its first term in office. This suggests a continuation of the brand of new social democracy which characterised the previous government. This is strengthened by the demise of the Alliance, the junior coalition partner.

Before the election was called the Alliance imploded. The election campaign began with one of New Zealand's most anomalous situations: the break-up of a Party in which the sacked leader, along with seven of his MPs, remained within that Party for the purposes of stable government. Jim Anderton was the leader of the Alliance within Parliament, while Laila Harre was leader of the Alliance. Anderton did not formally join his Party – the Progressive Coalition – until the campaign was called (New Zealand Herald, May 4 2002: 6). In one sense it might seem that this has left Labour worse off; after all its coalition partner was decimated, leaving the 'rump' Alliance in the political wilderness and the Progressive Coalition with a much diminished share of the vote. From another view it could be argued that this left Labour better off. This concerns the coalition's cautious approach to new social democracy, which was, in many ways, a function of Labour's dominance within the government. Indeed, the Alliance, from time to time, expressed alternative policy positions. Jim Anderton often stated that the Alliance would prefer a more radical programme but was hide-bound by its low poll result at the 1999 election. There were a number of times when the 'agree to disagree' clause was invoked in order to allow the Alliance to

take a different position from official government policy. The most well known example was over the Singapore free-trade deal (Sunday Star Times, September 10 2000: A2).

As the second partner in the minority coalition, the much-diminished Progressive Coalition is likely to have less influence within the government than the Alliance did between 1999 and 2002. However, even though it only has two members in Parliament, one of whom is in Cabinet, it can still be expected to wield some influence beyond the merely marginal, especially within the area of economic development. This was, after all, Jim Anderton's portfolio in the last administration, and remains so in the present one. The Progressive Coalition's position on this is exactly the same as it was under the Alliance. It also shared Labour's conviction that innovation was the key to sustained economic growth, along with investment in skills acquisition and education (www.progressive.org.nz). From this point of view there is a general sense of continuity within both parties, thus strengthening the impression that they continue to practice the tame brand of new social democracy.

The Green's decision to make genetic engineering (GE) their bottom-line, and to insist that it would not support a government which lifted the GE moratorium after October 2003, is another important influence. The Green's position was widely perceived as the 'tail wagging' the dog syndrome. As one *New Zealand Herald* leader put it, for example, the Green's bottom line left a future Labour led government very vulnerable, as the Greens would wait for the precise moment in order to bring the government down (presumably when it required Green support on a motion of supply or confidence) (New Zealand Herald, July 2 2002: 12). However, it was quite obvious, from Labour's point of view, that no government should leave themselves so open; hence Clark's insistence that the Greens had written themselves out of any coalition. The Greens do potentially have an influence beyond this term, as will be demonstrated in the next section.

Ultimately, because of United Future's astounding rise in the polls, Labour did not need the Green's support. In the event, they struck an agreement with United Future, which gave them 8 votes on supply and confidence (Dominion Post,

August 9 2002: 1). United Future therefore plays an important role in terms of the medium-term prospects for new social democracy in New Zealand.

According to its website, United Future is a liberal, centrist Party. It does not, in any way, paint itself as social democratic. It is fiscally conservative, and it goes further than Labour's own brand of fiscal prudence to embrace both personal and company tax cuts, amendments to the ERA to allow for greater flexibility, and it supports competition in the provision of ACC. There are some points of similarity; for example, United Future seeks to increase investment in Research and Development. It also seeks to link economic growth to increasing levels of immigration. Unfortunately, it does not outline its position on employment and economic growth, and so these remain unclear (www.Unitedfuture.org.nz).

While the differences with Labour are clear, what is not clear is the actual affect this will have on the current government. As Peter Harris observes:

> It's too early...to say. But apart from anything else I'm not sure United has defined what it is. Common sense, yes fine, family values are fine, but both of those are capable of very broad-spectrum interpretations...I would have thought that social democrats...are strong on family values and rely a lot on common sense. So you could have a close match, or you could have some quite significant divergence (interview, August 7 2002).

Given that United Future's role is one of support on confidence and supply, it is not likely to have an overly significant affect on the government – apart from in an emergency situation – and thus, is unlikely to significantly alter its new social democratic nature. However, its influence should not be underestimated. For example, United Future expressed frustration that it did not have more say in the drafting of legislation regarding road tolls and public private partnerships (PPPs), and is 'promising changes to make it "less green"' (New Zealand Herald, online version: December 4 2002). However, the fact that Labour chose to seek support from United Future confirms its cautious approach. This is exemplified by a *Dominion Post* editorial (August 9, 2002: B4), which argues that the deal has

tilted Labour to the right and that this consolidates its position within the political spectrum, making a comeback for National more difficult. It further claimed that this will provide the stability that the electors sought on polling day – it added that the feminist, homosexual and transsexual members of Labour, however, were concerned with the more fundamentalist elements of United Future.

This perception is bolstered by left leaning commentators who regard Labour's decision to spurn the Greens as very negative for social democracy. Chris Trotter, for example, writing in the *Dominion Post* (August 9, 2002: B4) argued passionately when he claimed that Labour had sacrificed a particular social democratic version of the future when it, firstly, chose to side with Jim Anderton against the Alliance, and secondly, when it sided with the multinational biotechnology corporations and decided not to extend the moratorium on genetic engineering. On both counts, according to Trotter, Labour forwent some specifically social democratic policies. Trotter claimed that had the Alliance returned to Parliament with 6 or 7 MPs real progress could have been made regarding the knowledge economy, by lifting the financial barriers to tertiary education. Laila Harre would have introduced four weeks annual leave. Had Labour chosen to go with the Greens, Sue Bradford would have contributed to ending child poverty by 2010 by introducing legislation bringing back universal child benefits, all of which contribute towards a social democratic future.

Trotter's vision certainly accords with a more radical version of new social democracy, but it seems unlikely that it would have been fulfilled. Perhaps it is the very nature of Labour's cautious approach that prohibited this. It is unlikely that any of the initiatives Trotter flags would have been implemented, especially given Labour's continuing fiscal prudence. More to the point is that it may have led to tension. It might not have taken long for an Alliance caucus to become discontented with playing second fiddle and continually invoking a clause which, while allowing them to express their own positions, did not actually allow them to achieve anything. At the same time, 6 to 7 MPs is well short of the eleven strong Alliance caucus of 1999-2002.

In these ways United Future has provided the government with the support it needs to continue its cautious approach. As the agreement signed between them and the coalition claims, United Future is providing support to a government with the objective of:

> [p]roviding stable government over the next term of Parliament, so as to implement a comprehensive policy programme aimed at increasing economic growth, reducing inequality and improving the social and economic well-being of all New Zealanders and their families in a manner which is environmentally, socially and economically sustainable (Labour-Progressive, United Future agreement, 2002: 1).

Long-term Prospects

While it is very difficult, if not impossible, to gauge the long-term prospects of new social democracy, there are a number of factors which should be taken into account. In view of the previous argument, new social democratic prospects rest very much with the dominant centre-left Party, Labour. It seems unlikely that National, in the course of the next parliament, will be in a position to form a government, especially given the latest poll ratings – 23% in February 2003, according to the latest One News-Colmar Brunton poll (New Zealand Herald – online version, February 17 2002). The centre-right bloc – comprising United Future, ACT, New Zealand First and National – has fallen sharply since the election, to 41%. Labour on the other hand stands at 53%. This suggests that Labour's position is sound for the current term of Parliament; however, there are still issues that could threaten it, if not in this term, then certainly beyond it. These lie outside the traditional areas of the economy and welfare. This is certainly something which members of the Labour Party are aware of, for example, Steve Maharey notes that the 'competition' to social democracy comes not so much from the free market right, but from other issues the left is not so good at addressing:

> ...immigration, law and order, issues to do with how people see and treat each other. These are issues which...have overthrown governments right throughout Europe, or threatened their overthrow.

> They have forced a change in...France. So I think that even when they [nationalists] don't win they do change politics...a negative form of nationalism [is] something that we're going to have to work hard to overcome, now, and you can see that in New Zealand as well with 10% of people [voting] for 'Bob the Builder' (Winston Peters), without really thinking about what he's saying (interview, August 29, 2002).

Indeed, immigration has been a perennial issue in New Zealand politics, and has recently been popularized by Winston Peters. He first brought the issue to popular attention in 1996, and as a consequence his Party soared to above 30% in the polls, suggesting that he had hit a nerve with New Zealanders (Listener, March 16 1996: 18). He raised the issue again at the launch of New Zealand First's 2002 election campaign, when he declared that under New Zealand First policy immigration would be cut down from 55,000 people a year to 10,000 (New Zealand Herald, June 18 2002: 6). In this view a resurgent New Zealand First could be in a position to threaten the centre-left, if not in this Parliament, then possibly in the following one.

Maharey went on to argue that the bottom-line was that social democracy had to deliver:

> I think if social democracy is to work...it has to deliver jobs and it has to deliver houses and it has to deliver hope, and all of those kinds of things because if it doesn't, and if the world was to have a recession...you could see where the right politics will go. It's a very nasty kind of politics from our point of view. So, I think we're the underlying strong trend but we have a very real threat out there in terms of that kind of moralistic, nationalistic racist conservatism which clearly is attractive to a lot of voters (ibid).

It was the above issues that modernising social democrats had to confront because in many respects:

> [t]he right-wing shift in the 80s and 90s was an historical step off the path, I think that broadly speaking social democracy is the underlying trend that you can trace in politics in countries like our own...even when right-wing parties get in they find themselves having to deliver things that are not that inconsistent with social democracy (ibid).

Michael Cullen largely concurs with Maharey's observations:

> You've seen some very interesting phenomenon...around the world. When the debate is structured around the provision of social services, ...the appropriate industrial relations framework, and, in the broader setting, things like detailed policy...then social democratic parties did well, and they tend to frame the debate on those issues past the point in which they are even in government...But on the other hand, when the debate shifts to issues of law and order, race issues, immigration, perhaps issues of gay rights...then social democratic parties are in trouble. That's certainly true in New Zealand; I mean the Achilles heel for New Zealand Labour is always that complex of immigration, race, Treaty, law and order (interview, June 17 2002).

In many respects, both Cullen's and Maharey's observations relate as much to the Labour Party, and the left in general, as they do to new social democracy. As Cullen observes:

> I think there is always going to be clear role for a social democratic type Party and you could argue that that clear role is only really under threat if we are almost too successful, in other words, if a full consensus around core social democratic values emerges so the political debate is no longer about those issues at all. At that point of course, the [danger for Labour] becomes pretty relevant (ibid).

In this vein, National could adapt to a core social democratic consensus, while at the same time, attempting to differentiate itself from Labour by addressing populist issues. Indeed Bill English, leader of the National Party, has already raised issues related to the Treaty, most recently at the Ratana anniversary celebrations near Wanganui (New Zealand Herald, online version: January 25

2003). In this sense, Labour could effect a new orthodoxy, a point that will be revisited below.

Electoral problems facing Labour should also be seen in light of its potential problems finding support after the next election, and the eventual exhaustion of its political project. There is no guarantee, for example, that United Future will remain at 7% in the polls – its latest poll ratings has it well below the margin of error at 2% (New Zealand Herald, online version: February 17 2002). Even if it does it cannot be assumed that it will continue to support a centre-left government. At the same time, it is not certain where the Greens will stand. If their share of the vote collapses they will obviously be of no use to Labour. Conversely, if they become strong they could bolster the prospects for a more radical kind of new social democracy, but in so doing create even more tension between them and Labour. Much depends on how the two parties can work together after the GE issue. At this point in time, the Greens are the only centre-left Party polling above the margin of error at 6.6%, whereas the junior coalition partner, the Progressive Coalition, is polling below 2%. The Alliance could also have an affect on Labour's approach to new social democracy if it makes an electoral come-back, though it, too, is currently polling below 2%. At the same time, Labour's political project is likely to become exhausted at some stage. Like most long-term governments, it will probably run out of steam. The Tory governments in the United Kingdom offer perhaps the most poignant example of this (see for example Crewe, 1996). This raises two questions. First, what will happen to the Labour Party once this occurs? For example, which faction of that Party will become dominant? Second, and more importantly, what affect will Labour's time in office have had on the political centre? The bottom-line is, will it have brought about the emergence of a new orthodoxy?

It is likely therefore that National will lead a government at some stage in the future. If, for example, a National-led coalition were to emphasise training and education, and building a skilled workforce in general, as its various manifestos suggest that it will, then the possible outcome – a greater level of prosperity brought about by high economic growth and an abundance of opportunities – might be new social democratic in nature. What this suggests is that new social

democracy might have an influence on the future political direction of New Zealand, beyond the Labour Party, in much the same way that neoliberalism has an influence in the present. However, comments made by National's Finance spokesperson, Don Brash – that work is the best means of preparing people for employment, as opposed to training, which the current government emphasises (National Radio, February 11 2003) – indicate that new social democracy might have a more polarizing effect. Despite Brash's comments, however, if Labour wins a third term, it is more likely to effect a new orthodoxy. National may be forced to take account of the Labour-led government's policies. In the event that it does, what would be the nature of such an orthodoxy? What long-term affect will this have on neoliberalism? If a renewed form of social democracy is in the ascendancy in New Zealand, will it profoundly affect the direction in which New Zealand goes, or is this a neutered version, as per Kelsey, which will not ultimately change the direction in which New Zealand was heading over the 1980s and 1990s? In other words, what will be the effect of the centre-left's time in government when the right finally retake the Treasury benches?

Further Areas of Research

While future prospects of new social democracy are hard to gauge, one area of study which is less speculative concerns the interface between theory and practice. This thesis did not address issues of policy implementation. An area worth investigating in future concerns the degree to which the coalition's goals of economic transformation and social inclusion have been achieved. While this research has argued that these goals are new social democratic in nature, and while Kelsey has critiqued them on the grounds that they are in fact means to propping up the neoliberal hegemony, there remains value in examining the degree to which they have in fact improved overall well-being, in the myriad forms in which it is understood. For example, one study might explore the degree to which selected beneficiaries have felt that their lives have been improved in relation to positive choices and empowerment. Such a study could assess the practical worth of the coalition's brand of new social democracy.

A second area of study is the very issue which Kelsey raised: the neoliberal-social democratic interface in New Zealand. Related to this is the issue of centre-right – specifically National – renewal. Do the issues raised in this thesis suggest the emergence of a new political consensus, much like the one held to have existed during the immediate post-war period?

Finally, where does New Zealand's brand of social democracy stand in relation to the other social democratic regimes? An interesting area of future research might possibly involve a comparison between New Zealand and various European regimes, especially that of New Labour in the UK.

Conclusion

This research has revealed that the Labour-Alliance coalition government of 1999-2002 was new social democratic in nature, albeit cautiously. The research originally grew out of my interest in the theoretical debates surrounding the renewal of social democracy in the contemporary era. I saw the change of government in 1999 as an opportunity to explore the literature on new social democracy and use it to make sense of the Labour-Alliance coalition. My chosen approach was to examine the principles underlying a number of flagship policies, rather than explore issues of policy implementation.

It soon became apparent, however, that there was simply no consensus on what new social democracy is, or what it should look like. I decided therefore to draw from the literature a number of key features. I found that there were four recurring themes in particular which seemed to characterise new social democracy – investment in human capital, redistribution through active equality of opportunity, facilitative government and reciprocal obligations – and these were employed as a template with which to test two important policy areas: regional and industry development and the employment strategy. The analysis argued that there was a fairly high degree of congruence between these policies and the template, which suggested that the government was indeed new social democratic in nature; this tentative conclusion was strengthened when the

analysis was broadened to consider the Labour-Alliance coalition's broader policy project.

I argued that this research was important on two grounds. First, it was set within the context of an international wave of social democratic renewal. The Labour-Alliance government promised a change of direction which was in keeping with social democracy, and I held that this needed to be explored. Second, I argued that the 1999-2002 coalition had not hitherto been the subject of rigorous theoretical examination, with the exception of Kelsey's recent critique.
A number of insights have been gained from this research. On the basis of the approach taken it can reasonably be concluded that:

- the government was new social democratic;
- that new social democracy, at least within the New Zealand context, is cautious and somewhat conservative, eschewing some of the more interventionist approaches of old social democracy; and
- the indications are that, notwithstanding some caveats, Labour's brand of new social democracy will prevail in the foreseeable future.

The above suggests that, while the Labour-Alliance coalition may have signalled a profound change in direction before the 1999 election, their approach was cautious, and the practical results of their various projects still remain to be seen. Was this a government which set in motion a change in the political environment, similar to those of 1935 and 1984, or was it simply a status quo, changes at the margins regime?

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APPENDIX 1

THE NEW SOCIAL DEMOCRACY - PROSPECTS FOR NEW ZEALAND

Consent Form

I have read the Information Sheet for this study, and have had the details of the research project explained to me. Any questions that I have about the study have been answered to my satisfaction, and I understand that I may ask further questions at any time.

I understand that I have the right to withdraw from the study at any time, and to decline to answer any particular question that may be asked of me.

I agree to provide information to the researcher on the understanding that my name will not be used without my permission, and that the information provided will be used only for this research and publications arising out of it.

I agree/do not agree to the interview(s) being audio-taped, and I understand I have the right to ask for the audio recorder to be turned off at any stage of the interview.

The information that I provide I do so on the understanding that (please circle preferred option):

Either

1. I give my permission to the researcher to attribute my responses to me in the thesis and any publications that arise out of the research in the future. The researcher will provide me with a transcript of the interview.

Or

2. My responses remain confidential and shall not be directly attributed to me in any way, shape or form. The researcher will provide me with a transcript of the interview.

I agree to participate in this research under the conditions set out in the Information Sheet.

Signed:

Date:

Appendix 2

1. DESCRIPTION

1.1 Justification

The purpose of this research is to find out whether the government's regional and industry development policy and employment strategy are underpinned by new social democracy. Part of this will involve interviewing various people involved with the design of the policies, with a view to obtaining two types of information. The first type concerns the design of the policies themselves. The second type of information concerns the issues that surround the policies and have informed their design, providing a larger context. This may include responses to trenchant unemployment, social exclusion etc. It may well be that the wider issues are linked to the theory of new social democracy.

The following is a list of prospective interviewees who I feel are in a position to help me obtain the information I seek:

Helen Clark
Heather Simpson
Michael Cullen
John Chetwin (CE of Department of Labour)
Mike Williams (President of the Labour Party)
Peter Harris (Michael Cullen's office)
Jim Anderton
Steve Maharey
Paul Swain
Matt McCarten (President of the Alliance).

I consider that there is intrinsic value in interviewing key stakeholders: their personal involvement will bring to bear certain perspectives that would not necessarily have come to light from the primary and secondary (written) sources alone.

1.2 Objectives

The research is primarily concerned with assessing the degree to which the current administration's policies are underpinned by the normative assumptions of new social democracy. To this end the first part of the thesis will seek to identify a number of features that could be seen to constitute new social democracy, or at the very least, can be seen as recognisably part of the development process.

1.3 Procedures for Recruiting Participants and Obtaining Informed Consent

In the first instance, participants will be contacted by letter. If they are interested, they will then be sent an information sheet. Informed consent will be obtained just prior to the start of the interview.

1.4 Procedures in which Research Participants will be involved

Participants will be involved in an interview, at a location that is most convenient for them.

1.5 Procedures for handling information and material produced in the Course of the research including raw data and final research Report(s)

The interview data - tapes, transcripts etc. - will be held safely by the researcher in a private location. It is not envisaged that either the tapes or the transcripts will be used after the completion of the research, and so they will either be deposited in the archives (either here at Massey, or down in Wellington) or destroyed.

1.6 Procedures for sharing information with Research Participants

Participants may, if they wish, have a copy of the finished research. They may also have access to the tapes and transcripts.

1.7 Arrangements for storage and security, return, disposal or destruction of data

As stated above, the data will either be destroyed upon the completion of the research, or deposited in the archives.

2 ETHICAL CONCERNS

2.1 Access to Participants

No problems are envisaged in relation to accessing participants, though it must be noted that, as this is an election year, potential interviewees will probably be very hard to get hold of in the second half of the year.

2.2 Informed Consent

Informed consent will be obtained before the interviews start, in which the participant will be informed of his/her rights.

2.3 Anonymity and Confidentiality

Given the nature of the research, and the high profile of the participants, neither anonymity nor confidentiality can be assured. The research will lack credibility if the political sources remain confidential, given that their thoughts and perspectives give weight to the arguments.

2.4 Potential Harm to Participants

It is not envisaged that any of the participants will come to any harm due to their participation in this research.

2.5 Potential Harm to Researcher

As above

2.6 Potential Harm to University

As above

2.7 Participant's Right to decline to Take Part
Absolutely assured

2.8 Uses of Information
Information will be used in my Masterate thesis only, though I do reserve the right to use it in any further research I may undertake.

2.9 Conflict of Interest/Roles
None

2.10 Other Ethical Concerns
None

3. LEGAL CONCERNS

3.1 Legislation

3.1.1. Intellectual Property legislation, e.g. Copyright Act 1994
All information from either party will be correctly sourced
3.1.2 – 3.1.6 are not applicable

3.2 Other legal issues - None

4. CULTURAL CONCERNS None

5 OTHER ETHICAL BODIES RELEVANT TO THIS RESEARCH
None

6 OTHER RELEVANT ISSUES
None

APPENDIX 3

THE NEW SOCIAL DEMOCRACY - PROSPECTS FOR NEW ZEALAND

Information Sheet

The Researcher

My name is Philip Bronn and I am a postgraduate student in the School of Sociology, Social Policy and Social Work at Massey University, Palmerston North. I am undertaking Masterate research into the current government's regional and industry development policy and employment strategy. I can be contacted by phone on 06 350 4230 or email: p_bronn@yahoo.co.uk. My research supervisors are:

Dr. Richard Shaw
School of Sociology,
Social Policy and
Social Work,
Massey University.
Ph: 06 350 2832
email: R.H.Shaw@massey.ac.nz

Dr. Kerry Taylor
School of History, Philosophy and
Politics,
Massey University.
Ph: 06 350 4238
email: K.A.Taylor@massey.ac.nz

The Research

The research project seeks to assess the degree to which the government's employment and regional and industry development strategies are underpinned by the principles of new social democratic theory. This will involve providing an outline of new social democracy – its main features, historical and theoretical roots – from which connections can be made with the above policy areas. I hope to be able to extrapolate my findings to

assess what the prospects are for New Zealand in relation to new social democratic theory.

Your Participation

I would appreciate your involvement in the above research. Should you agree to this, I would like to interview you for an hour at a place and time of your choosing. With your permission, the interview will be tape-recorded and transcribed, and a copy of the transcript will be sent to you, soon after our meeting, for you to check and amend if necessary. The tapes and the transcripts (in disk and hard copy form) will be securely stored at Massey University, and access to these will be limited to yourself and the researcher.

Once the thesis has been completed and examined, you may choose to have the tape-recorded information either:

- Securely archived at Massey University; or
- Returned to you; or
- Destroyed.

I ask your permission to retain the transcripts for the purpose of future research and publication. However, you may choose to either:

- Have the transcripts returned to you; or
- Destroyed.

Rights

I am seeking your participation in this research on a voluntary basis, and you clearly have the right to decline to take part. However, if you decide to participate, you may at any time:

- Seek further clarification about any aspect of the project;
- Decline to answer a specific question(s);
- Request that the tape recorder by turned off at any stage of an interview;

- Request that specific, or all, information you have provided not be used in the context of the research and/or;
- To withdraw your involvement.

I would like your permission to attribute your responses to you in the written proceedings that arise from the research (including the thesis and any future publications that come out of the research). However, you do have the right to request that any, or all, of the information that you provide be treated in confidence and not be attributed to you. However, given the nature of the research, and the scale of New Zealand's political and bureaucratic communities, anonymity cannot be totally assured.

A summary of the research findings will be available to you once the project is complete.

Many thanks for considering to participate in this research.

Philip Bronn

APPENDIX 4

Dear

I am a Masters student in the School of Sociology, Social Policy and Social Work, Massey University, and I am undertaking my thesis this year. I am interested in the current government's employment strategy and regional and industry development policies. In particular, I would like to assess the extent to which these policies reflect new social democratic principles.

As you are involved in the employment/economic development strategy I would value the opportunity to interview you. I can be contacted on 06 350 4230, or alternatively, you can leave a message at the above number. You may also email me at: p_bronn@yahoo.co.uk.

I look forward to hearing from you soon.

Yours faithfully

APPENDIX 5

Dear

I am a post graduate student in the School of Sociology, Social Policy and Social Work, and am undertaking a Master's thesis in which I assess the degree to which the current government's employment strategy and regional and industry development policies are influenced by new social democracy.

I would like to make a request, under the Official Information Act 1982, for any Cabinet papers, official papers, officials' advice etc., relating to the formulation and implementation of the government's regional, industry, employment and social development strategies.

In case you need to get hold of me, my contact details are: 06 350 4230; email: p_bronn@yahoo.co.uk.

Many thanks for your help. I look forward to hearing from you soon.

Yours sincerely

Philip Bronn