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Fortress-Dwellers to Global Players?

Globalisation and New Zealand: description, discourse and action

A thesis submitted for the degree of
Doctor of Philosophy

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Lincoln University
2003

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**Abstract of a thesis submitted for the degree of Doctor of Philosophy at
Lincoln University, New Zealand**

***Fortress-dwellers to global players? Globalisation and New Zealand: description, discourse
and action***

By Lucy Baragwanath

The simplistic use of broad concepts or metaphors results in ‘grooved thinking’. My thesis is that globalisation and its related concepts have become accepted amongst influential opinion-shapers in New Zealand as an unproblematic description of contemporary reality. Through repeated invocation, the term globalisation has become reified, naturalised and internalised, and has in the process acquired its own agency through its widespread acceptance as a super-human external force determining New Zealand’s options.

The thesis rests upon an analytical distinction between the use of the term globalisation as a *description* of contemporary reality; and the use of the term as a *concept*, through an analysis of the *discourses of globalisation*. As a description of New Zealand’s contemporary circumstances, globalisation is misleading because of its inherent inference of novelty. Historical analysis of annual company reports and government documents, including budget statements, economic surveys and trade agreements, demonstrate that in New Zealand at any rate, many of the trends now labelled globalisation have a long history.

Regardless of the persistence of past parallels, the term globalisation is widely used. It is consequently also fruitful to examine globalisation at a conceptual level as a *set of discourses*, hegemonic amongst which, in the context of New Zealand policy-making, is the discourse of hyperglobalism. This emerges in interviews conducted with a range of influential decision-makers in the public and private sectors in New Zealand. This dominant discourse privileges the global, the novel and the generic at the expense of the local, the enduring and the specific; and this conditions the context within which decisions are made. In this way, the discourse of hyperglobalism has a constitutive effect, bringing into being the very conditions that globalisation appears to describe.

My thesis is explicated through an analysis of the notion and implications of the ‘Knowledge Economy’, as construed in the New Zealand’s Government’s 2002 Innovation Strategy, in which many of these themes are apparent. The Knowledge Economy has been embraced by the Labour Government, as a vision for the future (New Zealand as a high-wage ‘Knowledge Society’), and as a strategy for achieving it (through ‘adding value’, ‘lifting New Zealand out of the commodity basket’ and encouraging ‘high-tech development’). It is also, however, a powerful representation

and constitutive discourse. The rhetoric of the knowledge economy has thus helped to establish a frame of action and expectation dependent upon a “vision of what was outside it” (Thrift, 2001): ‘Fortress New Zealand’, insular, isolationist, unsustainable and inefficient. This brings into being material outcomes through the apportionment of funding to some areas and not others, and through the subjugation of alternatives that do not fit the Knowledge Economy discourse. This risks undermining the value of New Zealand’s specific attributes: cleanness, greenness, safety and remoteness are devalued relative to high-tech novelty. With the past comprehensively damned and local recipes indicted, solutions are sought externally, despite the fact that external advisors frequently have little understanding of New Zealand’s specific circumstances.

The notion of the Knowledge Economy fits neatly within the rubric of globalisation, and reflects many of the same tendencies and assumptions, emphasising novelty at the expense of continuity. My thesis calls for a critical appraisal of issues, options and outcomes. The research establishes that globalisation is neither a fetter nor a crutch nor an inexorable force, but a complex of concepts that must be distinguished to be understood, and understood to be brought under control and used effectively in decision-making. This leads me to call for a reappraisal of the way in which decision-making happens, and the need to recognise and provide for the narrowing effect of dominant policy discourses.

Keywords: globalisation, discourse, hyperglobalism, New Zealand, New Zealand economy, New Zealand culture, Fortress New Zealand, New Zealand history, qualitative methods.

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Acronyms

AFTA	ASEAN Free Trade Area
AJHR	Appendices to the Journals of the House of Representatives
ANZUS	Australia, New Zealand and US Defence Treaty
APEC	Asia Pacific Economic Cooperation
ASEAN	Association of South East Asian Nations
BNZ	Bank of New Zealand
CECC	Canterbury Employers' Chamber of Commerce
CEO	Chief Executive Officer
CER	Closer Economic Relations agreement between New Zealand and Australia
CMA	Canterbury Manufacturers' Association
CRFU	Canterbury Rugby Football Union
CWS	Christian World Service
DFC	Development Finance Corporation
DNZB	Dictionary of New Zealand Biography
EU	European Union
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GE	Genetic Engineering
GM	General Manager
ILO	International Labour Organisation
IMF	International Monetary Fund
MFAT	Ministry of Foreign Affairs and Trade
MP	Member of Parliament
NAFTA	North American Free Trade Agreement or New Zealand and Australia Free Trade Agreement (specified in each usage)
NZHA	New Zealand Historical Atlas
NZPD	New Zealand Parliamentary Debates
NZYB	New Zealand Official Yearbook
OED	Oxford English Dictionary
OPEC	Organisation of Petroleum Exporting Countries
SEATO	South East Asia Treaty Organisation
SPADA	Screen Producers' and Directors' Association of New Zealand
UN	United Nations
WTO	World Trade Organisation

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Preface

When comprehension fails, words rush in¹.

Globalisation is a vogue word. Globalisation is a phenomenon. Globalisation is an exaggeration. But the sense of the term differs markedly in each of these contexts. What does it mean? To whom? About what? Most importantly, with what consequences? An empirical study of public and private sector decision-making in New Zealand across a range of sectors and periods reveals the crucial need to grip the concept and its implications. This study concludes that failure to do so has had major consequences by excluding other options. It calls for a reappraisal of how decision-making happens. Wittgenstein taught that to understand a concept requires its examination within a particular context. Unmoored from its context, it drifts into incoherence. And yet, the very name 'globalisation' suggests that it is some sort of thing, even if its identity is blurred so facile use can be made of it in rhetoric and even in decision-making. Events are too readily attributed to 'globalisation', and as a result, other considerations are overlooked. This thesis calls for a critical appraisal of issues, options and outcomes. The research establishes that globalisation is neither a fetter nor a crutch nor an inexorable force, but a complex of concepts that must be distinguished to be understood, and understood to be brought under control and used effectively in decision-making.

My thesis proceeds through the following stages. I first analyse the concept. Secondly, I consider the context, historical and geographical, in which it is used. Thirdly, I examine the use of the concept in discourse, and as a corollary, I consider how the concept is used in practice. Finally, I suggest an approach to understanding the concept of globalisation, as a useful tool that must be carefully used.

The analysis from which this thesis developed emerged from the empirical case study, but its implications are not confined to New Zealand. My conclusion is that there are wider implications stemming from the inherent theme of chronocentricity: the human propensity for each generation to see itself as superior to, or at very least, different from, all previous generations. Isaac Newton commented in 1675: "If I have seen farther, it is by standing on the shoulders of giants" (cited in Hawking, 2002: ix), acknowledging his debt to the achievements of others. His humility stands in stark contrast to the arrogance of much globalisation rhetoric, with its implicit assumption of novelty.

¹ Adapted from Goethe's *Faustus*, with thanks to Alan Kirkness and John Carmen.

Chapter One: Introduction

It is fashionable to analyse contemporary events in terms of globalisation. Over the past two decades, the word has been used to refer to myriad tenuously related if not entirely contradictory phenomena. Many of the generalisations that the term connotes sit uneasily with empirical observations of life in New Zealand, yet despite this lack of fit, the notion of globalisation is widely employed.

Unthinking use of broad concepts or metaphors results from and in 'grooved thinking'. My thesis is that globalisation and its related concepts have become accepted amongst policy-makers in New Zealand as an unproblematic description of contemporary reality. By being invoked repeatedly, the term globalisation has become reified, naturalised and internalised, receiving widespread acceptance as a super-human external force determining New Zealand's options. This imagery conditions the context within which decisions are made, privileging the global, novel and generic over the local, enduring and specific. Globalisation thus acts as a constitutive discourse, bringing into being the very conditions the term appears to describe.

Globalisation has become a dominant representation of life in New Zealand amongst influential opinion-shapers, framing the realm of the possible, defining the arena within which policy decisions are made, with practical consequences. To come to an understanding of what is called globalisation in New Zealand, two levels of analysis are necessary. The first tackles the notion that globalisation is novel and unprecedented, while the second assesses the implications of *understanding* globalisation in this way. Approaching globalisation in this way makes it possible to escape the groove, allowing present circumstances to be viewed from a different perspective, and thus permitting reassessment of the possibilities for action.²

Globalisation

To accept as a theme for discussion a category that one believes to be false always entails the risk, simply by the attention that is paid to it, of entertaining some illusion about its reality. In order to come to grips with an imprecise obstacle one emphasises contours where all one really wants is to demonstrate their insubstantiality, for in attacking an ill-founded theory the critic begins by paying it a kind of respect. The phantom which is imprudently summoned up, in the hope of exorcising it for good, vanishes only to reappear, and closer than one imagines to the place where it was at first (Lévi-Strauss, 1963: 15).

Globalisation is a slippery term. In Chapter Two, I explore the many attempts that have been made to define it more or less comprehensively. Underpinning most definitions is the notion of

² Throughout this thesis I use the first person singular rather than the conventional third person. The subject is vast; the research individual. My thesis is that error has arisen through failure to recognise that context, including geographical, temporal and cultural, and perception are all-important in discussing this topic. I am a New Zealander by birth. For three decades I have lived primarily in New Zealand, although I have also travelled widely and also spent several years living in Britain. My academic career started late, after years spent working as a travel consultant, seasonal horticultural worker and dairy herd tester. I have qualifications in horticulture, travel and tourism, and environmental technology; and a degree in resource studies. My use of the first person acknowledges that the views expressed are mine, but that they emerge from a varied and intertwined set of contexts and experiences.

increasing international interdependence and the implicit suggestion of novelty, although both aspects are subject to intense debate. A simple definition of globalisation does little, however, to elucidate the widespread use of the notion, and its freight of connotations. Like other powerful metaphors that have become personified, globalisation is a chimera which seems to be there, but cannot be gripped. Reified by its usage, globalisation remains nothing more concrete than a *concept*, which cannot be defined, only discussed (Hart, 1954).

Given the proliferation of the term globalisation in divergent contexts, why then is *further* discussion required? Is globalisation not simply a fashionable buzzword, whereby “[l]ocalised, specific and often atypical developments have been eagerly seized upon and used as the basis for wild extrapolations and generalisations in an unseemly scramble for theoretical novelty” (Sayer, 1989: 672), undeserving of further notice? The justification for my research is that globalisation as a discourse helps to create the very phenomena it is invoked to describe. There remains a niche in the extensive globalisation debate, because there is more at stake than simply an over-used term. The discourses of globalisation have taken hold in New Zealand, as elsewhere, in official quarters, the private sector and the media. This has practical implications for New Zealand’s contemporary circumstances because of the inextricable link between discourse and practice, and the way in which thinking (or at least, talking) makes it so. Thus despite, and indeed because of, the proliferation of literature discussing globalisation, there is merit in trying to anchor the concept in contemporary empirical and conceptual life in New Zealand. It emerges that the discourses of globalisation, in all their complexity, are but one way of understanding present circumstances: others exist which lead to entirely different policy implications and material consequences.

Globalisation and New Zealand

Undertaking an empirical study of globalisation in New Zealand has distinct benefits. New Zealand’s clear territorial demarcation and geographic isolation, small population, recent colonisation, international interconnections and changes over the past twenty years enable political, economic and social changes to be discerned and traced, and an overview attempted, that would be less feasible in a larger and more complex setting. Specifically: first, New Zealand is literally the Antipodes of the powerful, industrialised countries of the Northern Hemisphere (Figure 1.1): the exact opposite, diametrically opposed (OED, 2000). Its remoteness from its nearest neighbours – even Australia is 1500 kilometres distant – enforces the sense of spatial as well as symbolic separation. This extreme physical isolation has practical implications for New Zealand’s economy and society as well as for its identity, evident in the frequently expressed need for New Zealand to ‘put itself on the map’.

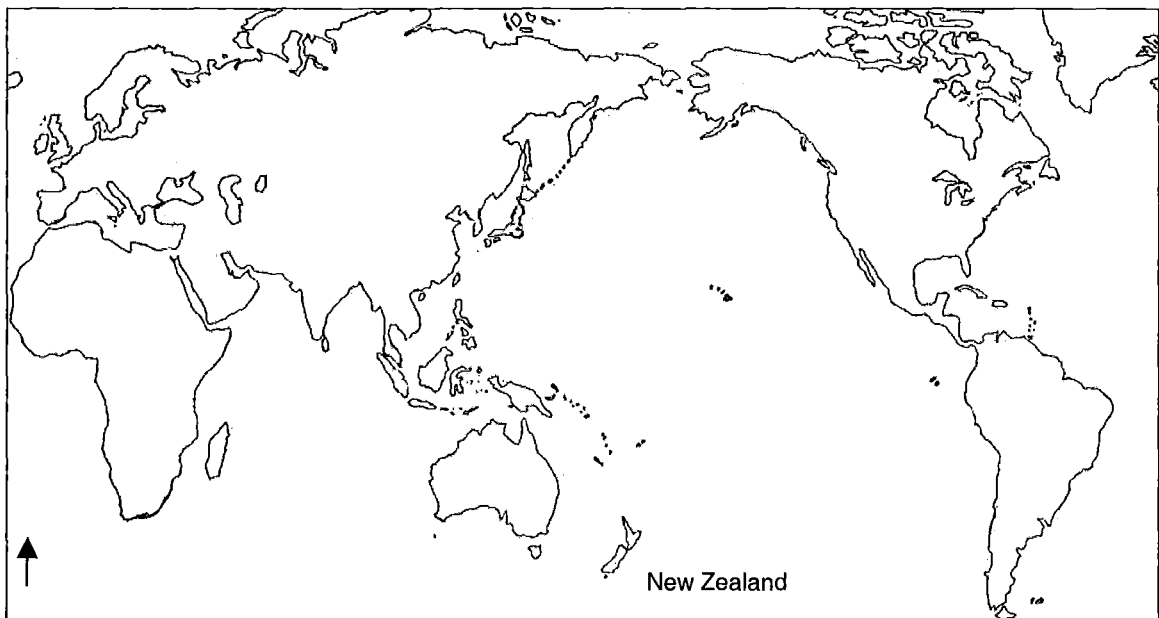


Figure 1.1: New Zealand's geographical isolation (adapted from Callow, 1970: 13).

Alice, falling into the antipodal Wonderland (Carroll, 1865/1995), provides an analogy for New Zealand and globalisation. The chrono-spatial distortion Alice experiences prompts her inquisitiveness into a world becoming 'curiouser and curiouser', as she follows the muttering White Rabbit with his pocket-watch, anxious to be on time (already a *different* time). Her intrigue is laced with growing disorientation and alarm, as things once known for certain are increasingly doubted. As her headlong fall continues, questions of space and identity confront her: she wonders where she is, and what it will be like to arrive in 'the antipathies'. Upon landing, she endeavours to change her size to fit the spaces in which she finds herself. These changes prompt the ultimate questioning of her identity³:

Let me think: was I the same when I got up this morning? I almost think I can remember feeling a little different. But if I'm not the same, the next question is, Who in the world am I? Ah, *that's* the great puzzle! (Carroll, 1865/1995: 35, emphasis in original).

Antipodal distance is of central significance in understanding globalisation in New Zealand. Globalisation represents the potential erosion of the 'tyranny of distance' (Blainey, 1966), whether this is viewed as beneficial or detrimental, while giving rise to an unsettling sense of physical and symbolic chrono-spatial distortion (Badger, 2000).

Secondly, while its land area is greater than that of Great Britain, New Zealand's population in April 2003 just reached four million, considerably less than that of many undistinguished cities in many countries. City-sized in population, New Zealand nevertheless sustains all the functions, costs, administrative apparatus and infrastructure of much larger countries. The sparse population is distributed unevenly, being concentrated in the North Island, in which 2,829,798 out of the total population of 3,737,277 lived at the time of the 2001 Census. Despite New Zealand's rural image, eighty five per cent of its inhabitants live in urban areas, including the major cities of

³ I am indebted to Shirlene Badger for this discussion.

Auckland (population 1,074,510 at the 2001 Census), Hamilton (166,128) and Wellington (339,747) in the North Island, and Christchurch (334,107) and Dunedin (107,088) in the South Island (Statistics New Zealand, 2003: www.stats.nz.govt/quickfacts) (Figure 1.2). The demographic structure of the ‘mutating tadpole’ with an ever-enlarging head is cause for concern for many New Zealanders: one third of the population inhabits Auckland, the largest city by far. Auckland is growing rapidly and experiencing infrastructural problems in terms of traffic congestion, overloaded sewers, and crowded schools and hospitals, while many peripheral regions are experiencing depopulation and economic decline. Consequently, the technological advances associated with globalisation – particularly in information and communication technology (ICT) and transport – offer hope for locations physically isolated, both from the rest of the world, and also within New Zealand from Auckland, which is the major domestic market, and (arguably) New Zealand’s only node in the ‘global network’.



Figure 1.2: New Zealand’s cities and towns (Statistics New Zealand, 2003)

Because New Zealand has a small population it is possible to gain access to information and to ‘important people’ that might not be so accessible in a larger population, through the operation of a sort of network effect. This makes it easier to establish common ground and personal contacts, which in turn helps to establish trust, and has proved invaluable in assisting my research process.

Thirdly, despite its small population, New Zealand enjoys a standard of living comparable to that of the wealthy countries of the industrialised north and is a member of the OECD. New Zealand's historical connections with the British Empire have enabled its citizens to enjoy living standards unusually high for a country dependent, as New Zealand has always been, on primary production. New Zealand has a long history of international interdependence which suggests that in this context, many of the phenomena now labelled globalisation have a long history.

Fourthly, New Zealand has a prominence on the international stage disproportionate to its population size. New Zealanders are internationally renowned in areas as diverse as sport (the America's Cup, the All Blacks), foreign relations (Prime Minister Fraser's influence on the establishment of the UN), notable achievements (Hillary, with Tensing, first to the top of Mt Everest; Pearse, vying with the Wright Brothers in making the first powered flight), science (Rutherford splitting the atom), and politics (Mike Moore as Director-General of the WTO until recently). While distinctive in many respects, New Zealand exhibits many trends that are apparent elsewhere, in spheres as diverse as government management, women's liberation, environmental movements, indigenous resurgence, urbanisation and so forth.

New Zealand's size, population structure and recent development thus throw into relief processes and themes that are the focus of the globalisation debate. To further probe local specificities within New Zealand, I have focused upon the region of Canterbury in the South Island, with Christchurch as its largest city. Canterbury provides a microcosm of many of the processes at play in New Zealand. Its early settlement in 1850 and long-established external economic and cultural focus, as well the accessibility of its historical records and its 'important individuals', make it an appropriate case study by which to track developments between regional and national levels within New Zealand, and between New Zealand and the rest of the world.

I use the term 'New Zealand' deliberately, rather than 'Te Wai Pounamu', 'Te Ika a Maui' or 'Aotearoa'. It could of course be argued that the Polynesian adventurers who were the first settlers of New Zealand represented the beginnings of 'globalisation'. I consider however that this stretches the concept far beyond what is useful or necessary, particularly as the specific processes relevant to the international globalisation debate relate to the capitalist expansion that occurred from the nineteenth century onward. Maori have been and remain indisputably part of these processes, and my use of the term 'New Zealand' does not imply otherwise. Given the central importance to my thesis of discourse analysis, it must be acknowledged that in describing we also create; and that use of 'New Zealand' because it is a widely recognised and convenient label risks perpetuating a European-dominated conception of New Zealand and a colonialist hegemony and further marginalises perspectives that warrant recognition. I have however chosen to avoid 'Aotearoa New Zealand', a controversial term of immense importance within New Zealand, which is entirely relevant and in need of analysis and debate, but which lies beyond the already extensive parameters of this thesis.

In full recognition of the geographic inaccuracy and inadequacy of the term, I use 'the West', or the 'Western democracies', to refer collectively to the countries of Western Europe (including particularly Germany, France, Denmark, Sweden, Norway), Britain, Ireland, Australia, the United States, Canada and New Zealand itself (P. Baragwanath, 2002). 'The West' is useful shorthand, widely understood, but it must be used with caution. After all, to the west of New Zealand is Australia, west of which are Madagascar and South Africa. I avoid, however, the 'North/South' categorisation employed by many globalisation analysts: as a New Zealander with geographical inclinations, New Zealand (indisputably Southern) nonetheless tends to be grouped with the North (because, of course, it is understood as Western!).

The term 'West' also connotes the relationship of Western culture to New Zealand: conceived of elsewhere, then imported, with no connection to the original local geography or culture (P. Baragwanath, 2002). In this sense, 'The West' can be further defined as "European in contrast to oriental civilisation" (Concise OED, 1995). 'Western culture' is the dominant culture of the majority of New Zealanders: 'Western' New Zealanders (of European descent) comprise eighty per cent of the population, compared with Maori at fourteen per cent, Asian peoples at 6.6 per cent and Pacific peoples at 6.5 per cent (NZYB, 2002: 91). It is also perhaps appropriate to acknowledge the centrality of "western ways of seeing" (Berger, 1972) to this thesis. Not only is it written in English, it is also the product of years of study in a Western educational system.

Finally, I attempt to avoid labelling countries 'developed' and 'less developed' in recognition of the pejorative overtones. This is more difficult than it appears, however, as I am seeking to situate my discussion about New Zealand in such a way that it is comprehensible to non-New Zealanders. It is hard to find a general category that adequately encapsulates the sense that the issues confronting New Zealand are more analogous to those of Australia and other 'Western' countries (in terms of my definition above), for it is more specific than simply 'OECD membership'. When seeking to describe New Zealand's reference group in terms of living standards, for example, it is important to convey the sense that life in New Zealand approximates more closely that of the industrialised countries of Western Europe. On occasion, the term 'developed' has been used with caution to express this point.

Tackling globalisation in New Zealand: methodology

In order to examine what globalisation might mean in the New Zealand context, I have drawn on a variety of methodological tools required by the wide-ranging nature of the debate and its disrespect for disciplinary boundaries. All too frequently the notion of globalisation has been imported from abroad and applied to New Zealand, with little consideration of its unusual, and frequently unique, experiences and conditions. This parallels the tendency of international debate, which in many cases employs generic propositions rather than empirical case studies. This signalled the need for a grounded analysis (Glaser and Strauss, 1967) of what globalisation might mean in the context of New Zealand through empirical research. If globalisation is as ubiquitous and influential as is commonly claimed, its effects should be as evident in New Zealand as

anywhere else. By the same token, if my empirical examination of globalisation in New Zealand is relevant here, it is likely that the approach will also be relevant in other contexts (Flyvbjerg, 2001).

The first part of the research consequently involved an historical analysis of New Zealand's economic and social development, designed to situate contemporary statements about globalisation in terms of their commonalities and disjunctures with the past. This provided essential context, particularly as past parallels are frequently overlooked because of the globalisation literature's frequent focus on the novelty of the present. While the term globalisation has gained popularity only (and increasingly) over the past two decades, the analysis was extended back to 1935, for two reasons. First, the Bretton Woods agreements of 1944 established the international institutions (the International Bank for Reconstruction and Development (World Bank), the International Monetary Fund (IMF), the General Agreement on Tariffs and Trade (GATT) (and since 1995, the World Trade Organisation (WTO)). These institutions are fundamentally important in the globalisation debate, which frequently focuses upon their increasing power relative to nation-states, while a study of New Zealand's long involvement with them elucidates its historical international connections. Secondly, a long view is necessary because my analysis *disputes* the prevailing interpretation of New Zealand's international connections since 1935, when the First Labour Government implemented its social democratic programme. The dominant impression in New Zealand's historiography, repeatedly echoed throughout my sources, depicts a watershed between 'globally connected' contemporary New Zealand, and the 'Fortress' of the past. The dividing line is located chronologically either at 1973 when Britain joined the European Economic Community (EEC) (Belich, 2001a, 2001b), or at 1984, when the Fourth Labour Government began its neo-liberal restructuring of New Zealand's economy and society (Hazledine, 1998). This dominant and inaccurate image of 'Fortress New Zealand' (described in Chapter Three) is an important factor conditioning how globalisation is understood and acted upon in New Zealand.

My historical analysis involved an appraisal of official material including Budget Statements and Economic Surveys from 1935 to 2000, international trade agreements throughout this period, and recent government reports that refer to globalisation and its associated concepts (see Appendix). This has provided an overview against which to contrast New Zealand's present international connectivity and interdependence. I compared official material with records from the private sector from the same period, using 1,100 annual company reports from New Zealand-registered firms dating from 1947 to 2001. Primary sources to which I refer specifically are referenced in the text. These records allowed examination of how international events and government policies were reflected in the structure, strategies and activities of firms. I supplemented this analysis with newspaper articles whenever notable events occurred, such as international developments affecting New Zealand, changes of government, introduction of new policies, technological developments and so forth; and to remain abreast of current developments. Initially, attention was focused on the Canterbury region, because of its early settlement and international economic and

cultural connections. As the research progressed, this distinction proved rather arbitrary, as firms merged, shifted and expanded, necessitating an expansion of my focus to the national level. My analysis emphasised New Zealand's ongoing international connectivity, and demonstrated close parallels between past and present for a small, trade-dependent, remote island, fastened inextricably to the roller-coaster of the global economy.

As my research progressed, I recognised that my demonstration that parallels with the past *exist* is, however, insufficient for elucidating the importance of the idea of globalisation in contemporary New Zealand. Regardless of its empirical ambiguity, the term globalisation is widely used, emerging regularly in the media, in official quarters, in business, education, the community more generally, and in academic debates. Examples include simple increases in connectivity through technological developments in communication and transport, free trade and economic interdependence, cultural homogenisation or even 'Americanisation', the expansion of corporate capitalism, foreign direct investment, and ecological or social exploitation by transnational corporations. Consequently, globalisation has a cargo of connotations. A continuum of opinion exists, represented at one end by the messianic fervour of Mike Moore (ex-New Zealand Prime Minister and immediate past Director-General of the World Trade Organisation), and at the other by the fervent loathing of 'anti-globalisation' protesters such as Members of Parliament from the Green Party, Sue Bradford and Nandor Tanczos, who protested at the World Economic Forum meeting in Melbourne in 1999. Cross-cutting the spectrum are alternative opinions, spanning from the indifference of those that consider globalisation to be 'nothing new', to those for whom it is simply a fashionable storm in a teacup.

It follows that an analysis of globalisation in New Zealand requires more than an historical comparison of external connectivity, but must extend to an examination of the way the term is used, by whom, and to what effect. Combing the press for allusions to globalisation, I noted the tendency for influential people in New Zealand to use the term to justify or explain all sorts of developments: politicians, businesspeople and economic analysts, as well as social commentators, community leaders, and environmentalists. These opinions contribute toward shaping the policy environment within which options are debated. The research was therefore directed to discovering how such people spoke about New Zealand's contemporary circumstances and how these might have changed in recent years, and how, or whether, they employed the notion of globalisation to describe these changes.

I identified people whose views are regularly cited in the media, both in newspapers and on public radio, by virtue of their organisational position in the present or the past, or their high personal public profile. I focused upon those representing a variety of influential organisations in New Zealand, usually the Chief Executive Officers. I concentrated initially on the region of Canterbury, but again was forced to expand my focus, for many of these 'opinion-shapers' are located in Wellington, New Zealand's capital and political centre, and their views reflect a national rather than regional emphasis.

I conducted thirty unstructured in-depth interviews (described in Appendix 1) in order to explore the meanings that these people attach to contemporary connections between New Zealand and the outside world, compared with the past. I began with a strongly economic focus, exploring the views of the leaders of organisations associated with New Zealand's productive sector, including prominent business-people, exporters and industry organisations, and then expanded my study to include prominent retailers. The perspectives of these 'big fish' were contrasted against those of small business-people involved in sheep-farming, electrical contracting, information technology development, and wool and timber exporting. Having developed a sense of how people in various sectors of the economy viewed New Zealand's contemporary circumstances, my focus shifted to local government, the cultural and sporting sector, and voluntary organisations. The regional demarcation that was possible in economic terms again proved too narrow to encompass the influential views from the cultural sector, which operate at national level because of the small population size of New Zealand, so I expanded the focus to the national level. Close analysis of press releases and contemporary government reports made it unnecessary to speak with central government politicians. Of all the people approached, only three declined (via their personal assistants) to be interviewed: the incumbent Mayor of Christchurch, the Chief Executive of The Warehouse (a large New Zealand retailer), and the Chief Executive of Television New Zealand, expressing uninterest. I tape-recorded and transcribed each interview, before coding and analysing these and my historical material with the help of NVivo qualitative analysis software, and then explored these themes using critical discourse analysis (described below). My analysis of globalisation in New Zealand thus represents a triangulation (Denzin, 1989) of multiple perspectives and data sources.

Underpinnings, assumptions and explanations

This methodological triangulation reflects particular theoretical principles and assumptions that are important to make explicit. Bourdieu and Wacquant (1992: 225) argue that the construction of the object of research is "no doubt the most crucial research operation and yet the most completely ignored". They emphasise the inevitable entwining of methodology and theory, arguing that that the conventional division as two separate instances should be 'completely rejected'.

The most 'empirical' technical choices cannot be disentangled from the most 'theoretical' choices in the construction of the object. It is only as a function of a definite construction of the object that such a sampling method, such a technique of data collection and analysis, etc., becomes imperative. More precisely, it is only as a function of a body of hypotheses derived from a set of theoretical presuppositions that any empirical datum can function as a proof or, as Anglo-American scholars put it, as *evidence* (Bourdieu and Wacquant, 1992: 225, emphasis in original).

Endorsing the inseparability of theory and method, the research process unfolded as an oscillation between these two aspects, explained in the following section in order to justify the foundation on which the analysis rests.

The naturalistic research method

The inseparability of theory and method was assumed in my approach to interviewing, which was guided by the naturalistic research method developed by symbolic interactionists (Blumer, 1969; Denzin, 1978; Lofland and Lofland, 1984; Perkins, 1988; Tolich and Davidson, 1999). This involves investigating the empirical world in its natural, ongoing character, rather than a simulation of the world or an abstraction of it, as in an experiment or a survey (Blumer, 1969: 24). It assumes that people act on their own understanding of the objects that comprise their world, making it necessary to 'take the role of the other', to identify their concerns, to discuss the way they depict certain parts of the world. What people say reflects not just recalled experience but an active search for meaning. Consequently, the 'accuracy' of what people are saying is less important than the way that individuals construct themselves during their talk, and in so doing how they construct and represent others (Silverman, 2000). Developing this understanding involves processes of exploration and inspection (Blumer, 1969). Exploration involves multiple lines of enquiry, different points of observation and following leads that emerge, unplanned (Perkins, 1988: 305). The researcher seeks the informants who will best elucidate each point in their research in a procedure known as theoretical sampling (Glaser and Strauss, 1967). Starting from a broad initial approach, the line of enquiry gradually sharpens through the derivation of analytical elements, which are general categories that arise from exploration as central to the research question (Perkins, 1988: 306). Inspection involves analysis of the content of each analytical element, and examination of the relations within and among such elements. Data supporting elements or relations are examined from different perspectives, using new informants or data sources, attempting to find examples contradicting earlier data. In order to ensure the verification of the research process, any emerging contradictions must be accounted for within the context of the postulated elements or relations, or these must be rejected (Perkins, 1988: 306). Interviewing continues until theoretical saturation is reached (Glaser and Strauss, 1967) and the same themes start to emerge repeatedly.

Informing my choice of method was the desire to develop an understanding of the meanings the research participants attached to contemporary developments. This required a flexible and interactive method, rendering quantitative or more formally structured qualitative methods inappropriate. The use of unstructured and interactive interviews required in turn a fluid and similarly interactive approach to data analysis. Initial coding decisions tended to be rather crude or superficial (based, for instance, on broad general topics), but were refined as the process developed, with coding decisions made in light of information gained from the previously analysed interviews. Morse (1997: 445) emphasises that such coding schemes thus derived are anything *but* superficial: in light of all the knowledge gained, small pieces of data may have profound significance. The process is necessarily highly interpretative, and is conducted through a comprehensive understanding of the significance of each piece of text.

Throughout the process, it is important that the researcher continually reflects on the contingencies of the process, questioning conceptualisations and re-evaluating data in light of new developments and on the basis of ongoing reflection. This is explicitly part of the method, which seeks to make visible the inevitable 'subjectivity' of social research. It is necessary to consider factors such as the personality of interviewees, their organisational role, their attitude toward academic research, their mood, tone and reaction to the researcher, the presence of the tape-recorder, events in the outside world that might affect their comments, and so forth. The material acquired must therefore be carefully contextualised: my interviews were carried out between June 2001 to December 2002. Interviews were carried out at the workplace of each interviewee. These factors affect the data gathered, just as they do in any other type of social research. Similarly, the personal circumstances, context and mood of the researcher are inevitably part of the data collection process and the analysis, as are the power dynamic and asymmetries of information that exist between interviewee and interviewer. Further, whilst the data were examined from multiple perspectives, it was important to remain aware of the gulf separating academic discourse from those operating outside academia, and to avoid the reification of theoretical constructions.

The centrality of language to understanding globalisation

My approach is founded on the social scientific commonplace that social entities, including institutions, organisations, or social agents, are constituted through social processes. Concurring with Sayer (2000), I reject the extreme version of social constructionism that denies the relative solidity and permanence of social entities once created, and their resistance to change.

We may textually construe (represent, imagine) the social world in particular ways, but whether our representations or construals have the effect of changing its construction depends upon various contextual factors – including the way social reality already is, who is construing it, and so forth. So we can accept a *moderate* version of the claim that the social world is textually constructed, but not an extreme version (Fairclough, Jessop and Sayer, 2001: 8, my emphasis).

In turn, my naturalistic and historical research accepts Blumer's (1969) and Bhaskar's (1987) notion that humans are social beings, born into a world that pre-exists us: the meanings that it holds for us are thus gathered from the world we are born into. Consequently, the theory construction of the naturalistic method is aimed at developing an understanding of meanings, so as to understand behaviour. While this implicitly reflects the acceptance that language is of fundamental importance in social life, it does not imply that language it is the *only* aspect of social life. In the case of historical material, in particular, the textual evidence (or language) is all we have to work with. It was therefore helpful to accept Harvey's (1996) perspective of language as dialectically related to other forms of social life (including such elements as activities, subjects, objects, instruments, time and place, values and so forth): it is different from these other elements, but not discrete (Harvey, 1996; Fairclough, 2001). Language does not simply yield meanings unproblematically, but it provides an insight into the values, attitudes and assumptions that people hold and thus the meanings that the world has for them.

Further, this approach accepts that language is also *performative* (Bourdieu and Wacquant, 2000; Thrift, 2001) or *constitutive*: it contributes to the construction of the social world, affecting the way that people think and thus contributing to particular practical consequences. Accepting that ‘talk has consequences’ and that language leads to effects does not imply a mechanistic, Humean causal process. Rather, it suggests that reasons can operate as causes, in that they can be responsible for producing a change (Fairclough et al, 2001). “Indeed, when someone tries to persuade us that we are wrong to make this argument by giving us reasons, they are presupposing that offering reasons can be causative” (Fairclough et al, 2001: 3).

Shared representations and assumptions and the utility of ‘discourse’

As the historical and ethnographic analysis progressed, various allusions, commonly held beliefs or perspectives, shared imagery and common reference points began to reappear across the diverse sources. In particular, I noted a tendency for contemporary happenings in New Zealand to be represented as *externally generated*, and *qualitatively different from the past*: themes that emerged from my interviews, recent government documents, the press and annual reports. Over the past two decades, defining contemporary events through the lenses of globalisation, or ‘thinking globally’, had become the norm. In order to provide a way of analysing these commonalities and shared perspectives, I adopted the notion of *discourse*.

Discourse is a useful concept, but is notoriously nebulous. To develop my concept of discourse, I turned to Foucault, as one of the seminal influences in the development of discourse analysis. Foucault, in his early work, defines discourse as “a group of statements that belong to a single system of formation” (1972: 108), which proved too narrow for my purposes. Dryzek’s (1997) notion of discourse as a shared way of apprehending the world alerted my attention to the possibilities of a more useful conceptualisation, as did van Dijk’s (1997: 32) definition of discourse as an essentially ‘fuzzy’ concept with three main aspects: language use, cognition, and interaction, in their socio-cultural contexts⁴. The most useful encapsulation, however, is Fairclough’s (2003):

Discourses are ways of representing the world - the processes, relations and structures of the material world, the ‘mental world’ of thoughts, feelings, beliefs and so forth, and the social world. Particular aspects of the world may be represented differently, so we are generally in the position of having to consider the relationship between different discourses... Discourses not only represent the world as it is (or rather, as it is seen to be), they are also projective, imaginaries, representing possible worlds which are different from the actual world, and tied into projects to change the world in particular directions... Discourses constitute part of the resources which people deploy in relation to one another – keeping separate from one another, cooperating, competing, dominating – and in seeking to change the ways in which they relate to one another (Fairclough, 2003: 69).

The fact that discourses are internally variable and heterogeneous raises the question of why they should be labelled ‘discourses’ at all. The justification stems from the performativity, or

⁴ I am indebted to Marion Read for this discussion, and for the development of my understanding of discourse.

constitutive effect of the discourse: the significance of its translation into other, non-discoursal parts of social life. “Discourses can therefore be seen as not just ways of representing with a degree of commonality and stability, but such ways of representing where they constitute nodal points in the dialectical relationship between language and other elements of the social” (Fairclough, 2003: 70). It is this connection between shared representations of the world and their effectivity that makes the concept of discourse so useful for analysing globalisation in New Zealand, and it is in this sense that the term is used.

Fairclough’s recent work focuses on the radical changes that he considers are taking place in contemporary social life and, in particular, on how discourse figures within the processes of change variously identified as ‘globalisation’, ‘post- or late modernity’, ‘information society’, ‘knowledge economy’, ‘new capitalism’, and so forth (Fairclough, 2001: 231). Critical discourse analysis provides both a methodological framework and a theoretical foundation for the study of how language is implicated in social life. Noting that social scientists working in the Foucauldian tradition usually pay little close attention to the linguistic features of texts⁵, while textual analysts pay little attention to the social effects of discourse, Fairclough (2003) attempts to transcend the divide, based upon the notion that language is an irreducible, dialectical part of social life. He draws on existing approaches to the analysis of text, but the novelty of his framework reflects a consistently social perspective to analysing texts by viewing discourse as one element of social practices, interconnected with others (2003).

This is not a matter of reducing social life to language, saying that everything is discourse – it isn’t. Rather, [critical discourse analysis is] one analytical strategy among many, and it often makes sense to use discourse analysis in conjunction with other forms of analysis, for instance ethnography (Fairclough, 2003: 1).

Taking heart that multi-method research is accordingly not only interesting and pertinent but also methodologically and theoretically justifiable, Fairclough’s critical discourse analysis provided some useful tools. It stems from a realist view of social ontology, which proposes “a dialectical relationship between social structures, social events, social practices, spacetimes, the material world and language” (Fairclough et al, 2001: 10). It proposes that texts are implicated in the processes of meaning-making, and that they also have causal effects, bringing about changes (Fairclough, 2003: 7).

Fairclough (1989) suggests that text, interaction and social context are the three critical elements of a discourse. This provides the basis for the three levels of analysis that critical discourse analysis entails: the micro-level description of text (textual analysis), meso-level interpretation of relationships between text and interaction (interdiscursive analysis), and macro-level explanation of relationship between interaction and social context (social analysis). These three connected levels of analysis enable my historical and ethnographic material to be interpreted for both its

⁵ The term ‘texts’ is used in a broad sense to refer to written and printed texts, transcriptions of conversations, newspaper articles, television programmes and so forth (Fairclough, 2003: 4).

descriptive content (in terms of describing 'what happens'), and for its interpretative content (how changes are represented and understood by the person, whether the 'author' of the text, or the interviewee). Critical discourse analysis also encourages reflection on the part of the researcher to examine personal practices and interpretations.

Data material should not be regarded as faithful descriptions of the external world but as themselves discursive formations that are assembled together to construct a particular perspective on the social world; neither do participants' accounts transparently reflect the social process in which they are embedded: so there is a need to reflect critically upon and analyse both the ethnographer's and the informant's discursive practices (Chouliaraki and Fairclough, 1999: 62).

At the micro-level, textual analysis draws attention to ideological properties of the text – assumptions, metaphors, discursive indicators and so forth, through an analysis of its words and sentences. Meanings, however, cannot simply be extracted from text, but are produced through interpretation. They are therefore open to diverse readings, which may differ in their ideological import (Fairclough, 1992: 36). Further, one cannot confine one's attention to the things that are said, for it is essential to contextualise, to consider the mode of existence of various statements, to examine what it means for them to have appeared when they did (Foucault, 1972: 109).

Sentences thus yield their meaning only in relation to the context: statements are consequently never neutral or independent, and have a concomitant material existence. The statement that 'the earth is flat' had the same structure, for example, before and after Copernicus, but the context changed (Foucault, 1972: 103).

This implies the need for the meso-level 'interdiscursive analysis'. Discourses are seen as first, representing some particular part of the world, and secondly, representing it from a particular perspective. Interdiscursive analysis of texts is concerned with identifying which discourses are drawn upon, and how they are articulated together (Fairclough, 2003: 71). This draws upon the notion that while discourses use language, they are not reducible to it: they are more than this, and the task of discourse analysis is to reveal the 'more' (Foucault, 1972: 49). This is what is meant by the 'death of the author': discourses are not confined to individuals, but are socially reproduced.

What is at issue here is classification, preconstructed classificatory schemes or systems of classification, 'naturalized preconstructions... that are ignored as such and which can focus as unconscious instruments of construction' (Bourdieu and Wacquant, 1992), preconstructed and taken for granted 'di-visions' through which people continuously generate 'visions' of the world. When different discourses come into conflict, and particular discourses are contested, what is at issue is the power of these preconstructed semantic systems to generate particular visions of the world which may have the performative power to sustain or remake the world in their image (Fairclough, 2003: 73).

Discourses are differentiated by different usages of the same word, and by different metaphors. These include both 'lexical metaphors' (words which represent one part of the world being extended to another, such as the competitive 'race' in which countries engage, or business 'growth'), and 'grammatical metaphors' (for example, processes being represented as 'things' or entities, through 'nominalisation'). Presuppositions and assumptions can also be seen as

discourse-relative: for example, the neo-liberal discourse and discourse of social cohesion both represent real social processes and events in highly abstract ways. A corollary is that many of the elements of concrete events are excluded, because while processes (such as globalisation), and relations (such as social cohesion) and even feelings (hopes and aspirations) are represented, the people involved are excluded. Rather than being worded with verbs, processes are labelled with noun-like entities called 'nominalizations' (globalisation, cohesion), or verbal nouns (progress, hope). "These operate like nouns – thus their own subjects and objects are excluded" (Fairclough, 2003: 74). In this way, globalisation has acquired its own agency, excluding human agents responsible for producing the effects so labelled.

Fairclough's view of discourses as 'different ways of representing' implies a degree of repetition or commonality in the sense that they are shared by groups of people and relatively stable over time. Discourses vary, however, not only in their degree of repetition, commonality, and stability, but in terms of their 'scale': how much of the world they include. Fairclough consequently distinguishes different levels of abstraction or generality in talking about discourses (2003: 70), using a capital D to distinguish discourses that generate a vast range of interpretations, such as liberalism, from 'little d' discourses, such as the 'third way', which is attached to a particular position within the political field at a particular point in time. This distinction appears somewhat confusing, even if it makes an important point. The need for this distinction has been circumvented by depicting globalisation as a *set of discourses*, within which other discourses can be discerned, and which reflects the operation of broader discourses ('Discourses', in Fairclough's terms), such as liberalism, human rights, environmentalism and so forth.

The 'discourses of globalisation' can be examined in terms of four dimensions suggested by my analysis: the *technological, political, cultural* and *economic* aspects of globalisation. In turn, each of these represents an articulation of still further discourses, both local and international (Chapter Five). It is important to remain mindful of the arbitrary nature of this analytical distinction, for in fact all categories are connected; but this categorisation enables each facet to be considered at a micro-level of resolution, while also permitting a broadening of the scale to consider macro-level implications. Further, the discourses of globalisation have spawned a host of related concepts: the 'information age', 'knowledge age', 'knowledge society', 'digital age', 'new economy', 'new capitalism' and so forth (Castells, 2000; Fairclough, 2001; Jessop, 2001 forthcoming; Thrift, 2001) which I also explore.

Hence interdiscursive analysis involves the examination of recurring themes and the intersection of local, national and international discourses, including the discourses associated with globalisation, against the backdrop of established trends and pre-established problems. This permits texts to be contextualised in terms of their genre and style. Budget Statements, for example, provide an indication of the intent of the government and a glimpse into the issues at stake, while also representing a political attempt to win support from the electorate. The *way in which issues are presented* therefore provides an indication of which issues the government of the

day perceives as significant as well as popular and must be interpreted in light of this context, rather than being seen as representing an unambiguous declaration of fact. Similarly, company annual reports provide an opportunity for firms to respond to government policies, to woo shareholders, to state their future intent, and to fulfil a legal obligation. The context for interview transcripts includes a vast array of factors: the position of interviewee within his or her⁶ organisation; her perception of the researcher in terms of parentage, education, dress, speech; the hectic state of her schedule; her preoccupation or engagement with the issue; among many others. Yet each source provides important insights which can, through a process of triangulation, yield various perspectives on the issues at stake. This also permits reinterpretation of the historical aspects of globalisation by tracing the emergence of the term and the associated discourses that accompanied its rise.

Finally, texts are situated in time and space and therefore must be analysed at a third, macro-level, so as to consider the particular conjuncture of the practices within which each is located. Social analysis examines the context within which the texts were produced, and that within which texts are interpreted. It draws on the primary data, in developing a sense of the issues and events of the day and how they were, or are, consequently understood. It is augmented by secondary historical and contemporary analyses of New Zealand. The two-stage process involves first, a descriptive element aimed at elucidating the historical development of New Zealand through the themes that emerged from the international debate on globalisation; and secondly a discursive element that focuses on the increasing incursion of the term globalisation into politics and business in New Zealand, coinciding with developments in the wider world.

Discourse and power

Fairclough (1992) helps to explain the differential ability of various people or organisations to contribute to the definition of the policy agenda. He directs attention to the way in which social practices are networked together to constitute a social order, the discourse aspect of which he labels an *order of discourse*. An important aspect of this ordering is dominance: some ways of making meaning are dominant or 'mainstream' in a particular order of discourse, while others are marginal, oppositional, or alternative (Fairclough, 1992). The concept of hegemony (Gramsci, 1971; Laclau and Mouffe, 1985) helps to investigate the particular social structuring of difference, and the way in which this becomes part of the legitimising common sense which sustains relations of domination, while emphasising that hegemony will always be contested to a greater or lesser extent. Hegemonic power works by convincing us that certain courses of action or circumstances are both desirable and inevitable (Marston, 2002: 11). For example, achieving a state of hegemony for a managerial discourse "required creating a misperception about its arbitrariness, so that it came to be seen by those entering the field as transparently reflecting economic realities, rather than actively constructing them" (Chouliaraki and Fairclough, 1999: 5).

⁶ Henceforth 'her' will suffice.

This perspective helps to elucidate the way in which the hegemony of 'global thinking' has emerged and how it is maintained: the way in which a 'global reality' is constructed, reinforced by the assertion of change and novelty through the discourse of globalisation. Of course, after Gramsci (1971), the hegemony of a particular discourse is neither stable nor absolute, but contested.

We must conceive discourse as a series of discontinuous segments whose tactical function is neither uniform nor stable. To be more precise, we must not imagine a world of discourse divided between accepted discourse and excluded discourse, or between the dominant discourse and the dominated one; but as a multiplicity of discursive elements that can come into play in various strategies. It is this distribution that we must reconstruct, with the things said and those concealed, the enunciations required and those forbidden... Discourses are not once and for all subservient to power or raised up against it, any more than silences are. We must make allowance for the complex and unstable process whereby discourse can be both an instrument and an effect of power, but also a hindrance, a stumbling-block, a point of resistance, a starting point for an opposing strategy. Discourse transmits and produces power; it reinforces it, but also undermines and exposes it, renders it fragile and makes it possible to thwart it (Foucault, 1978: 101).

Questions of language and hegemony stem from theories developed by Bourdieu, Foucault and Habermas, which emphasise the importance of language in relations of power, building upon a much earlier intellectual tradition stemming from the insights of Marx and Engels.

What else does the history of ideas prove, than that intellectual production changes its character in proportion as material production is changed? The ruling ideas of each age have ever been the ideas of its ruling class (Marx and Engels, 1848/1998).

Gramsci (1971) took the analysis further in his analysis of ideological hegemony, the process by which a dominant class contrives to retain political power by manipulating public opinion. In this tradition, Fairclough continues: "The exercise of power, in modern society, is increasingly achieved through ideology, and more particularly through the ideological workings of language" (Fairclough, 1989: 2). While power is not *only* a matter of language, this is an important dimension. Foucault proposes that power protects knowledge, that power and knowledge directly imply one another, for there is no power relation without the correlative constitution of a field of knowledge, nor any knowledge that does not presuppose and constitute at the same time power relations (Foucault, 1977: 27). Foucault directs attention to the dichotomous 'othering' process whereby the negative is obscured, marginalised, and the positive is privileged; but also emphasises the *constitutive* effect of language and power.

We must seek once and for all to describe the effects of power in negative terms: it 'excludes', it 'represses', it 'censors', it 'abstracts', it 'masks', it 'conceals'. In fact, power produces; it produces reality; it produces domains of objects and rituals of truth. The individual and the knowledge that may be gained of him belong to this production (Foucault, 1977: 194).

The recognition that language, and discourses, are not 'simply language' contributes toward an understanding of the way in which the discourses of globalisation become naturalised and accepted as 'common sense', and how they have come to dominate discussions of New Zealand's contemporary prospects, through an othering process which juxtaposes globalisation as novel,

inevitable and qualitatively distinct from the insularity of the past. This representation privileges the global, generic, external, and inevitable over the local, specific, domestic and conditional. It further explains how the discourse of globalisation helps to bring into being the very 'reality' that it apparently describes.

Foucault's concept of enunciative modality (1972) supports my selection of participants, encapsulating the fact that some 'talk' matters more than others because of the way power relations operate in society: opinions are differentially weighted depending on 'who says it'. In New Zealand, politicians have power as policy-makers in the public interest and business-people as decision-makers in the private sector. Their views therefore 'matter' more, in the sense that they are more able to influence the policy agenda, than those of groups or individuals whose views are marginalised through the operation of power relations and thus lack the capacity to make such decisions. Economic considerations are, for example, accorded more value than those of community groups or environmentalists in terms of government policy-making by virtue of the importance that the economy is *given* (as opposed the view that its importance is innate) in contemporary New Zealand society: there is no environmental or social equivalent to 'business confidence' as a policy consideration for government. The social construction of the economy as pre-eminent over other aspects of society reflects the disembedding (proposed by Polanyi (1957) and explored by Granovetter (1985), Altvater and Mahnkopf (1997), Jessop (1999b, 2000b) and Kelsey (2000a), among others) of the economy from society. This turns on the fundamental Marxist insight that the economic system has taken on a life of its own to such an extent that social relations have become embedded in the economic system, instead of the economy remaining a social product (Polanyi, 1957).

I thus selected interviewees whose opinions are not only aired publicly but are also accorded weight because of the person's position in society, and which thus affect the climate within which policy decisions are made. This shows my acceptance that 'social learning' (Cox, 1997; Frey and Fontana, 1993; Grove-White, Macnaghten, Mayer, and Wynne, 1997; Macnaghten, 2002) occurs: people's views are shaped through social interaction. For most people in New Zealand, the mass media provide the only source of information on the views held by these 'influential people': these views therefore 'matter'. The discourses of globalisation are thus reinforced and disseminated by figures with the power to influence New Zealand's policy-making prospects, shaping them in such a way as to emphasise *novelty*, *generic applicability* and the *global*, over continuity and local specificities, regardless of New Zealand's highly unusual circumstances.

Cautions and conditions

Critical discourse analysis provides a useful methodological and theoretical foundation from which to analyse my data. The oscillation between the macro-level analysis of the broad social context and the micro-level elucidation of recurring themes and representations through textual analysis enables findings from multiple perspectives to be reinterpreted continuously. Discourse is not everything, but neither is it nothing: critical discourse analysis encompasses different

angles, enabling multi-faceted analysis of social events and their discursive aspects. It permits mere description to be transcended, acknowledging that whether or not globalisation is an achieved 'reality' is to some extent beside the point: if it is *believed* to be, and acted upon as if it is, it becomes a self-fulfilling prophecy.

It is important to remain aware of the tendency of discourse analysis to privilege the textual dimension of social practices. Marston (2002: 12) suggests, for example, that critical discourse analysis fails to capture adequately the non-vocal aspects of communication and meaning, when it is also necessary to consider the role of non-human actors in fields of practice. While it is important to avoid placing undue weight on 'what the text says', particularly with historical material which cannot be supported non-textually, supporting textual analysis with interdiscursive and social analysis can offset this limitation by accentuating the context within which texts are produced and read, and by recognising the fact that 'discourse' is but one of a set of factors which together constitute social life. My approach is further vindicated by the view that "the empirical development of critical discourse analysis will need to be augmented by qualitative observation and other ethnographic techniques" (Marston, 2002: 13). Indeed, the 'texts' of my interview transcripts are produced through a profoundly non-textual process involving telephone conversations, letters, the actual interview, the tape-recording and the physical transcription process, all of which I carried out personally. All provided data for both the researcher and the researched.

It is also crucial to avoid the trap of viewing discourse analysis as a way to reveal an underlying 'truth' (Foucault, 1972: 138). Alternative explanations always exist, and it is necessary to defend an explanation in terms of both the theory and the practice. Vigilance is required so as to avoid reifying theoretical constructs such as 'discourse'. This has an ethical dimension as well as meeting the pragmatic requirement that the theory should not simply reinforce itself, for critical discourse analysis explicitly aims to provide a resource for people that are the subject of dominant policy discourses to offer an alternative way of thinking and to ensure that excluded voices are heard (Marston, 2002: 14). While drawing on insights from Foucault, I have thus attempted to avoid becoming too 'Foucaultious'⁷. It is thus necessary to translate analysis and interpretation out of the theoretical realm of discourse analysis, into the realm of practice and everyday life. This is a particularly important consideration given that the international literature on globalisation frequently suggests that local practices can simply be deduced from the analysis of meta-narratives and super-structural arrangements, rather than requiring the micro-level conditions and circumstances of particular people in particular places to be examined. An ongoing oscillation between data and theoretical constructs is therefore required, and this process is assisted by the emphasis that the naturalistic research method places on maintaining a 'reality check' through empirical analysis.

⁷ I am indebted to Arslan Dorman from Concordia University for this delightful term, which refers to the jargon-heavy nature of much Foucauldian scholarship.

As a further defence against accusations that critical discourse analysis arrogantly aims to unmask the 'truth', Fairclough (2003: 9) emphasises the inevitably *partial* nature of knowledge. Analysis is invariably selective in choosing particular research topics in the first place, and in the questions we choose to ask about certain social events or texts: there are always particular motivations for choosing to ask certain questions and not others. Hence "[t]here is no such thing as an 'objective' analysis of a text, if by that we mean an analysis which simply describes what is 'there' in the text without being 'biased' by 'subjectivity' of the analyst" (Fairclough, 2003: 9).

This further reflects a realist perspective on the philosophy of social science. Social events, and texts as elements of social events, *really exist*: we need to distinguish between the properties that texts really have, and our knowledge of them (Fairclough, 2003: 3). Social events and texts are extremely complex and our knowledge can never exhaust them, so there is no such thing as a 'complete analysis' of a text, and we should never assume that our analysis tells us all there is to know about them. The fact that we can never know everything means that our analytical conceptions must always remain open to justification and change. In this context, philosophers of science say a theory is 'underdetermined' by observation; and that observation is theory-laden (Appiah, 1992: 192).

Pierre Duhem noted that the application of theory to particular cases relies on a whole host of other beliefs, not all of which can be checked at once. By the theory-ladenness of observation, relatedly, they mean that our theories both contribute to forming our experience and give meaning to the language we use for reporting it (Appiah, 1992: 192).

This implies that we *inevitably and necessarily* view the world from a particular standpoint, so it is important to try to make our own discourses and worldview explicit. To this end, Said (1978) brought together Foucault and Gramsci to challenge the authority of Western knowledge of – and power over – the Orient. He analysed the way European writings formed a medium that constituted power, and through which power was constituted, not through force, but by consent: a tacit, unwritten agreement often passed off as commonsense (Said, 1978, 2000). At the level of epistemology, this insight leads us to question how we know what we know, and what are our assumptions in our understanding of what makes the world work, through confronting the politics of representation (Said, 2000: 64). This approach helps to elucidate the way in which concepts have been established, how some forms of knowledge get privileged and others get subjugated, and the real effects these processes have on people's lives (Ashcroft, 1998; Gandhi, 1998).

A further, related insight from feminist theory is the concept of what Donna Haraway called 'the master subject': that is, the subject constituted as white, bourgeois, heterosexual and masculine (Rose, 1993: 6). At issue is:

the manner in which that white bourgeois heterosexual male perceives other people who are not like him. From his position of power he tends to see them only in relation to himself. He understands femininity, for example, only in terms of its difference from masculinity. He sees the other identities only in terms of his own self-perception, he sees them in what I shall term his Other. And I will refer to him as the Same because, in his inability to recognise difference from

himself in terms which do not refer to himself, this dominant subject position can only see himself (Rose, 1993: 6).

Extrapolating the principle, feminists such as Le Doeuff argue that this structure of Same and Other is embedded in both what it means to be masculine and in the production of knowledge about the world, an interpretation derived through studies of a particular form of masculine rationality that developed during the Scientific Revolution and the Enlightenment (Rose, 1993: 6). In conjunction with the post-colonial focus on the experience of colonised people, this furnishes a conceptual approach that helps to uncover the way in which particular discourses attain pre-eminence, by suggesting that identity or the 'self' (whether an individual, an ethnicity, a nation) is constructed through the 'Other'.

Above all, identities are constructed through difference. This entails the radically disturbing recognition that it is only through the relation to the Other, the relation to what it is not, to precisely what it lacks, to what has been called its *constitutive outside* that the 'positive' meaning of any term – and thus its 'identity' can be constructed (Derrida, 1981, Laclau, 1990, Butler, 1993)... identities can function as points of identification and attachment only *because* of their capacity to exclude, to leave out, to render 'outside' (Hall, 1997: 5).

This understanding of the process of identity formation provides a further set of conceptual tools that help to elucidate the constitutive effect of the discourses of globalisation, which have come to conceptually narrow the range of alternatives considered within New Zealand's policy-making environment, thereby conditioning actions taken. Building on these foundations, my intention is thus to propose an *alternative* perspective on globalisation in New Zealand, based upon my empirical analysis of practical developments and how people understand them. This reflects my concern that the public debate in New Zealand is unnecessarily foreclosed by a hegemonic discourse that accentuates the novel and global over the enduring and particular, leading to certain consequences without other options and courses of action being considered.

Thus critical discourse analysis, supplemented by other qualitative techniques and theoretical propositions, can help to illustrate how material practices are in part constituted and maintained by discourses and discursive practices. This contributes towards a disentangling of the methods of classification, conscious and subconscious, by which we conceptually order our lives. These methods of classification have tangible and profound consequences, in terms of policy among other things. For example, the meta-discourse of globalisation fosters the view of New Zealand as a small and handicapped player in the global competition for economic success. This discourse produces quite different policies than if New Zealand's circumstances were to be viewed through a lens of historical international connectivity, whereby New Zealand could be seen as having comparative advantages connected to its history and geography, and its economic and social structures. Recognising globalisation as *just one way* of thinking about contemporary New Zealand society, it becomes possible to consider an alternative perspective. A consequence of this way of thinking is recognition of the existence and value of distinctiveness, and that multiple layers of contemporary reality are experienced in New Zealand, thereby shedding a different light on the way globalisation is understood and acted upon.

Thesis structure

In this introductory chapter I have outlined my methodological and theoretical approach. Chapter Two contains my analysis of the international globalisation debate. I distinguish between the use of globalisation as a *description* of contemporary trends and phenomena, and the use of globalisation as a *concept*. In Chapter Three, I consider globalisation in New Zealand in broadly sceptical, descriptive terms, taking issue with the suggestion of novelty that globalisation implies by situating recent developments within the historical context of New Zealand's development from 1642 to 1984. Chapter Four contains my analysis of the neo-liberal restructuring that began in 1984, which has fundamentally affected New Zealand and its relationships with the outside world, exerting comprehensive material changes which reinforce the impression of globalisation as a qualitative change. In Chapter Five, I explore the concurrent discursive shift that accompanied the restructuring, which has further reinforced the widespread acceptance of a qualitative disjuncture in New Zealand's experience in an 'era of globalisation'. Analysis of the international literature, historical material and interviews suggests that globalisation in New Zealand has four discernible but connected characteristics – economic, technological, political and cultural – each with relevance for understanding contemporary New Zealand. These themes are explored in Chapters Six to Nine, which focus consecutively on technological development, the changing role of the state, contemporary New Zealand culture and economic change. These chapters address both descriptive and connotative aspects of globalisation. In Chapter Ten, I examine the consequences of the hegemonic policy discourse of hyperglobalism through an analysis of the notion of the 'knowledge economy', one of the concepts spawned by globalisation, and how it features in the current Labour Government's 2002 'Innovation Strategy'. Chapter Eleven presents my conclusions as to how globalisation in New Zealand might be understood.

Chapter Two: The globalisation debate

‘When *I* use a word’, Humpty Dumpty said in a rather scornful tone, ‘it means just what I choose it to mean – neither more nor less’.

‘The question is’, said Alice, ‘whether you *can* make words mean different things’.

‘The question is,’ said Humpty Dumpty, ‘which is to be master – that’s all... They’ve a temper, some of them – particularly verbs, they’re the proudest – adjectives you can do anything with, but not verbs – however, I can manage the whole lot! Impenetrability! That’s what *I* say!’

‘Would you tell me, please’, said Alice, ‘what that means’?

‘Now you talk like a reasonable child,’ said Humpty Dumpty, looking very much pleased. ‘I mean by “impenetrability” that we’ve had enough of that subject, and it would be just as well if you’d mention what you mean to do next, as I suppose you don’t intend to stop here all the rest of your life’.

‘That’s a great deal to make one word mean,’ Alice said in a thoughtful tone.

‘When I make a word do a lot of work like that,’ said Humpty Dumpty, ‘I always pay it extra’ (Carroll, 1872: 130).

The word globalisation deserves to be paid considerably extra. It is invoked to describe a vast array of phenomena, usually but not exclusively recent, across a plethora of topics, by a spectrum of people, and its use continues to proliferate. In this chapter I consider the mushrooming literature on globalisation, and offer an overview and categorisation of the debate, both within New Zealand and abroad. I propose a distinction between discussions of globalisation as a *description* of contemporary reality (whether or not it is accepted as such), and as globalisation as a *concept* that can be explored in terms of its discourses. I have yet to discover any conception of globalisation that draws this distinction.

Global issues, institutions and events seem increasingly to dominate discussions on the direction of social change and representations of the world in which we live (Holton, 1998:1). Over the past decade the word ‘globalisation’ has blazed indiscriminately across academia, the state sector, business, the media, education, and beyond. This surfeit of globalisation-talk poses a problem for a researcher: in order to get to grips with the international debate it is necessary to traverse a vast terrain. Given the thousands of books, papers and articles being produced that invoke the term, exhaustive coverage of the debate is impossible, even if the parameters are restricted to works in English. Thus I have largely restricted my reading to the period prior to December 2002 to avoid infinite regress and a perpetually postponed PhD, except where a new publication has proved particularly significant. Recognising the inevitable inadequacy of any chapter attempting comprehensive coverage of the globalisation debate, I proceeded with “requisite irony” (Jessop, 2002b), seeking to establish a sense of the way in which the globalisation debate is unfolding.

Globalisation

In popular terms, ‘globalisation’ is ‘the act of globalising’, and to ‘globalise’ means to ‘make global’ (OED Online, 2003). This seems straightforward enough, yet analysis of the use of ‘globalisation’ as a noun rapidly indicates that there is scant consensus over what globalisation actually means. Definitions of globalisation abound: Kelsey (1995: 165) suggests that

globalisation is “the process by which people and countries are becoming increasingly interdependent, as a result of technological, economic and social changes”. Held (1997: 2) considers that globalisation “denotes the stretching and deepening of social relations across space and time, whereby day-to-day activities are increasingly influenced by events occurring on the other side of the world; whilst practices and decisions of local groups can have significant global repercussions”. The IMF defines globalisation as “the growing economic interdependence of countries worldwide through the increasing volume of cross-border transactions in goods and services and of international capital flows, and also through the more rapid and widespread diffusion of technology” (IMF, 2000: 2).

For Scholte (2000: 1), globalisation is one of the defining terms of contemporary society, “despite [its] vagueness, inconsistency and confusion”. By contrast, I argue that the widespread use of globalisation *reflects these very characteristics*. Globalisation has proved a capacious conceptual umbrella sheltering an array of individual topics. In some circumstances this can have utility, but it is also misleading. The label ascribes apparent specificity to a collection of abstruse and disparate ideas that must be disentangled to get the concepts under intellectual control.

Technological developments and their political, economic and cultural implications underpin most uses of the term globalisation as a description of contemporary reality. Of particular importance are the advances in information and communication technology and transport that have occurred over the past thirty years. At the end of World War Two, the world had one computer, and commercial airlines had only just begun to emerge (Giddens, 1999a, 1999b). Since then, the revolution in microelectronics, information technology and computers has established virtually world-wide electronic links, which, when combined with the technologies of television, cable, satellite and jet transport have dramatically changed the nature of communication (Held, 1997: 123).

Reflecting these advances in technology, globalisation frequently has strong economic connotations, relating to the progressive integration of financial, product and labour markets across national boundaries (Jones, 1998: 15). This includes the trend toward increasing internationalisation of chains of production and consumption, and the associated increasing size and power of transnational corporations relative to nation states (Bygrave, 2002: 21; McLean, 2003 forthcoming; Waters, 1995: 68), with implications for national economies, people and the environment.

Related to these developments are the political connotations of globalisation. These include a rescaling of power and sovereignty away from the traditional dominance of nation states (Jessop, 1999a), upwards through their affiliation to regional groupings such as APEC (Asia Pacific Economic Cooperation) and the European Union, or supra-national institutions including the World Trade Organisation (WTO), International Monetary Fund (IMF), and United Nations (UN) (Held, 1997: 134); and downwards through the devolution of authority to local government or

community groups. Also associated is the international trend toward neo-liberal structural adjustment undertaken by many countries across the world in the 1980s and 1990s (Hobsbawm, 1994a: 174), which in part reflected the widespread belief that globalisation is inevitable and adjustments must be made to facilitate it by removing barriers (Pawson, 1999: 50).

Finally, and also related, globalisation has cultural and social connotations. These relate to the effects of the internationalisation of the norms of 'consumer society', the increasing prominence of 'global products' (epitomised by ubiquitous brand icons such as Nike, Coca-Cola and McDonald's) and the spread of Western and particularly American culture (Ritzer, 1993; Tomlinson, 1995). Other aspects include the increasing awareness of problems affecting humanity as a whole, such as global warming or AIDS, poverty and famine, which require cooperation across national boundaries.

These dimensions of globalisation are entwined, and are separated simply for ease of analysis. There has been intense debate in the media and amongst academics and politicians in particular, over the extent to which each dimension – technological, economic, political, social and cultural – is occurring, if at all, and what the implications are. The following section provides a broad categorisation of perspectives, in order to provide an overview of the parameters of the debate. Like the many other classifications that have been attempted in the globalisation debate (Held, McGrew, Goldblatt, and Perraton, 1999; Scholte, 2000), it is over-simplistic, but some form of system is necessary in order to situate my research in the broader international debate.

The development of the term globalisation

Monsieur de Vogüé loves travel; he goes to the East and to the West for colours and ideas; his interests are as wide as the universe; his ambition, to use a word of his own, is to be 'global' (*Harpers Magazine*, 1892, cited in OED Online, 2003).

The OED defines 'global' as "pertaining to or embracing the totality of a number of items, categories, etc; comprehensive, all-inclusive, unified; total; pertaining to or involving the whole world; world-wide; universal" (OED Online, 2003). From this adjective stem the terms globalism, globalisation and globalise. Reiser and Davies coined the verb 'to globalize' in 1944 to refer to a process of universalisation, in which they foresaw "a planetary synthesis of cultures" (1944: 39, 201) through the 'globalisation' of the Gregorian calendar, cars, decolonisation, cattle farming and so forth (cited in Scholte, 2000: 16). In 1959 *The Economist* referred to increases in the 'globalised quota' for the imports of Italy's cars. In 1961, globalization itself entered the Webster Dictionary, and the following year the *Sunday Times* noted that "Globalisation is, indeed, a staggering concept" (OED Online, 2003), and *The Economist* emphasised in 1965 that "between globalism and isolationism there is extensive middle ground" (ibid).

More recently, Levitt (1983) invoked the term, asserting that "[t]wo vectors... shape the world – technology and globalization" (1983: 102). He used the latter in a strictly economic sense, to

refer to the process by which he proposed that differences in national or regional preferences were vanishing.

A powerful force drives the world toward a converging commonality, and that force is technology. It has proletarianized communication, transport, and travel... Almost everyone everywhere wants all the things they have heard about, seen, or experienced via the new technology... The result is a new commercial reality – the emergence of global markets for standardized consumer products on a previously unimagined scale of magnitude. Corporations geared to this new reality benefit from enormous economies of scale in production, distribution, marketing and management. By translating these benefits into reduced world prices they can decimate competitors that still live in the grip of old assumptions about how the world works (Levitt, 1983: 103).

The word 'globalisation' retained its economic connotations through the 1980s, with Porter's (1986) argument that an industry can be considered 'global' if there is some competitive advantage in integrating business activities on a worldwide basis (1986: 19); which he reinforced in 1990, extending the same principle to nations. Michalet (1989, cited in Ruigrok and van Tulder, 1995) extended the concept further, referring to the globalisation of finance occurring as a result of the deregulation of national financial markets and the subsequent internationalisation of capital flows in the 1980s in which mergers and acquisitions were the main form of firm growth, particularly in the Western economies. In 1995, an OECD report defined globalisation as "a set of emerging conditions in which value and wealth are increasingly being produced and distributed within worldwide corporate networks", with multinational corporations at the centre (Ruigrok and van Tulder, 1995: 141).

Parallel with the use of the word globalisation to refer to economic developments, other theorists invoked it to explain political trends. Modelski (1972) used the term to refer to the process by which world societies were brought together into one global system (Ruigrok and van Tulder, 1995: 144). From the late 1980s, the term globalisation began to be used more generally, to refer to the international trend toward liberalisation, by which trade restrictions, foreign exchange restrictions and other domestic barriers are progressively removed, related to the globalisation of regulatory capabilities and rescaling of governance away from the traditional focus on the nation state (Scholte, 2000: 16).

The notion of globalisation was also employed in commentaries on cultural developments which emphasise a qualitative *change in perspective*. This was encapsulated in McLuhan's (1964) metaphor of the 'global village', coined to describe "the world in the age of high technology and international communications, through which events throughout the world may be experienced simultaneously by everyone, so apparently 'shrinking' world societies to the level of a single village or tribe" (OED Online, 2003). This imagery was extended with Boulding's (1965) metaphor of spaceship earth. "Today, as a result of exploration, speed, and the explosion of scientific knowledge, earth has become a tiny sphere, closed, limited, crowded, and hurtling through space to unknown destinations. This change in man's image of his home affects his behaviour in many ways" (1965: 1). Boulding's notion stemmed from photographic images of

earth taken from space, which he argued heightened awareness of interdependency and the fact that humanity faced a 'common future' (Meadows et al, 1972). These images laid the foundation for more recent notions of globalisation as a 'sense of shared destiny' for humanity that comes from inhabiting 'one planet' (Waters, 1995). In this way, both the existence of *and the awareness of* large-scale interconnected environmental problems have contributed to the idea of globalisation (Figure 2.1).

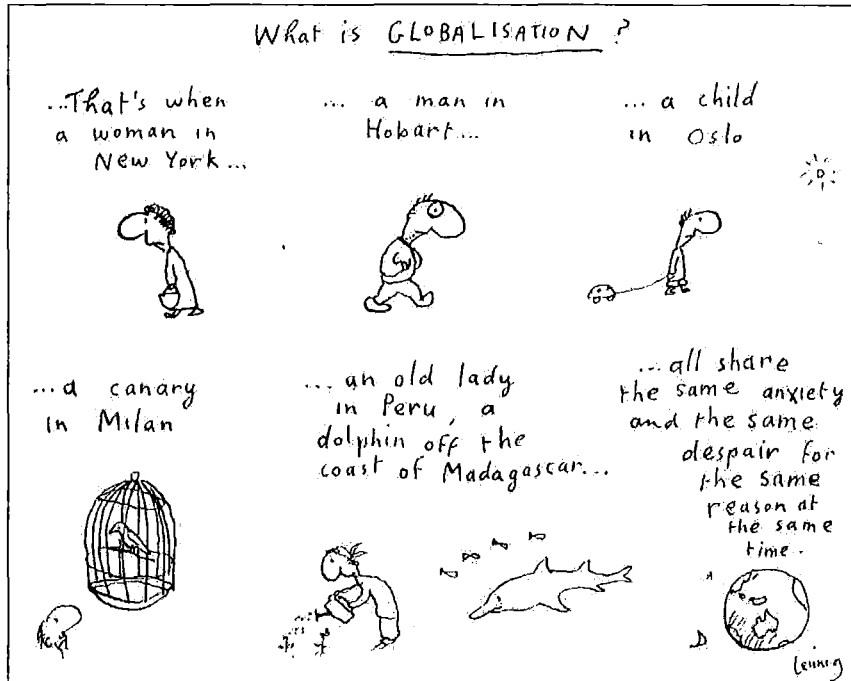


Figure 2.1: One common future? (Leunig, 1999)

Initially, then, the notion of globalisation seems to suggest increasing interdependence across the planet, and this appears uncontroversial enough. Yet the concept of globalisation has proved immensely controversial, as attested by the fervent support of organisations such as the World Trade Organisation, and the detestation and opposition expressed by anti-globalisation protesters in recent years at Seattle, Genoa, Melbourne and Prague. It is necessary, therefore, to probe a little deeper.

Held et al (1999) and Scholte (2000) seek to clarify the positions within the globalisation literature by distinguishing between 'globalists', who see globalisation as the process by which the world is gradually achieving a state of 'globality'; and 'sceptics', who reject the idea that globalisation is anything new. Between these polar extremes there exist myriad permutations, for which Held et al (1999) and Scholte (2000) use an intermediate category of 'transformationalists'. This describes those who are convinced that globalisation is the central driving force behind rapid social, political, economic changes that are reshaping modern societies and the world order (Castells 1996; Giddens 1990; Held et al, 1999; Scholte 1993). Those in this category accept that societies are having to adjust to a world where there is no longer a clear distinction between international and domestic, external and internal affairs (Cammilleri and Falk, 1992; Rosenau, 1992; Ruggie, 1993; Sassen, 1996), but reject the 'globalist' assertion that the trend is linear or leading necessarily to 'globality'.

In my categorisation of the globalisation debate, depicted diagrammatically in Figure 2.2, I make an initial distinction that I have seen nowhere else, between those who use globalisation as a *description* of contemporary reality; and those who analyse globalisation at a conceptual level as a *discourse* (or *set of discourses*). I focus initially on the former descriptive category and its sub-sets; and then introduce the latter category towards the end of the chapter. While the former category receives more attention in this chapter, both are at the same order of magnitude in terms of their importance for understanding the debate.

Held et al and Scholte focus exclusively on the descriptive aspects of the globalisation debate. Within this descriptive category Scholte (2000: 16) notes a division between whether globalisation is seen as ‘fact or fantasy’. Based upon his terms, I divide those who view globalisation as a description of contemporary trends accordingly: in the first sub-category, ‘global-factualists’ (what Held et al and Scholte label ‘globalists’) consider not only that globalisation is happening, but that it is *the* defining feature of contemporary life, affecting people the world over, with economic, political and cultural implications. ‘Global-fantasists’ (what Held et al and Scholte label ‘sceptics’) are those who refute the idea of globalisation as a description, retorting that *plus ça change, plus c’est la même chose*: little has changed, we have seen it all before and globalisation is nothing new. My categorisation removes the conceptual need for Held and Scholte’s further category of ‘transformationalists’: after all, those in this category accept globalisation as a fact. Within the global-factualist group, I make a further distinction, between *defenders* who view globalisation as both real and positive, and *detractors* who depict it as both real and sinister. Each position is summarised in Figure 2.2.

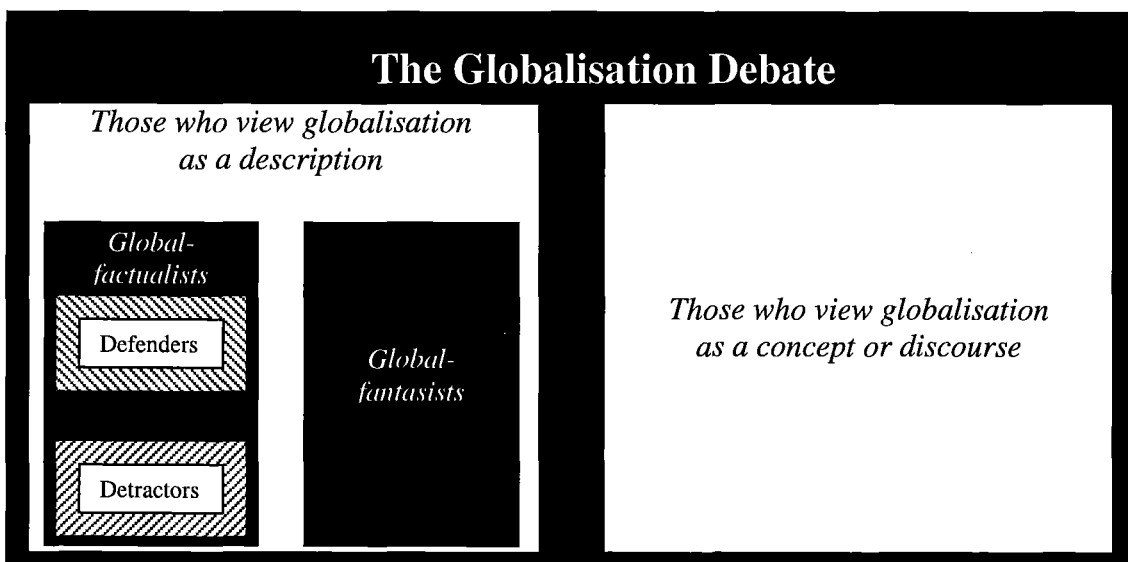


Figure 2.2: Categorisation of the globalisation debate⁸

It is important to acknowledge that the theorists I have grouped within each category would no doubt fiercely contest the simplistic binary classification system. In my defence, it is crucial to attempt to outline the parameters of the debate, so as to understand how it has proceeded, how the

⁸ I am grateful to Deb Collins for my diagram.

word is used, and where my thesis fits. Any discussion is necessarily partial, and any classification open to debate. In the following section, I explore the views of those who use globalisation as a description. I begin with global-factualism, which I first explain before going on to demonstrate how this category contains a polar division between ‘defenders’ and ‘detractors’.

Globalisation as a description

Globalisation as fact

A few years ago, there was some doubt, particularly on the left, about whether globalization was a reality. The unpersuaded would write ‘globalization’ in inverted commas, to demonstrate their essential scepticism about the idea. This controversy has moved on. Discussion continues about how it is best to conceptualize globalization, but few would any longer deny its influence – as signalled by the role of global financial markets, new developments in electronic communication, and geopolitical transitions, the most far-reaching of which is the ending of the Cold War. Discussion of globalization is no longer concentrated on whether it exists, but on what its consequences are (Giddens, 2001: 3).

Giddens’ statement reveals ‘global-factualism’, the acceptance that globalisation is a structural reality, inevitable and achievable, if not already achieved. Global-factualists use globalisation to describe the increasing interdependence that they argue is a fundamental feature of the present, which is qualitatively different from the past (Friedman, 1999; Greider, 1997). Global-factualists argue that as a corollary of technological development, national borders are becoming increasingly permeable to flows of capital, people and goods. This position includes assertions that there exists a borderless, global economy (Ohmae, 1995) because of global corporations and production systems (Dicken, 1998); that nation-states are obsolete, their sovereignty undermined by competing forms of governance more suited to a global age (whether local, regional or global) (Reich, 1991); that in a cyber-age the link between society and location has been severed, communication in real time is possible with anyone, anywhere at any time in a world of ‘real virtuality’ through the ‘space of flows’ (Castells, 1996); and that culture is being globalised through American films, food and fashion (Robertson, 1992).

Global-factualists tend to view globalisation as an unproblematic description of the process of increasing interdependence (whether interpreted positively (by defenders) or negatively (by detractors) as I explore below). Frequently, they argue that whilst connectivity has increased throughout human history alongside improvements in communication and transport technology, in its most recent phase (since about the 1970s), interdependence – the process of globalisation – has increased so fast and on such a scale that its quantitative leap has produced a qualitatively different world, “one world at last, whether a global village or a global empire” (Bygrave, 2002: 21). Underpinning the global-factualist account is the insistence that technological developments have fundamentally changed human interaction, transforming relations between physical locations and social circles and altering the situational geography of political and social life (Held, 1997: 124). “No dedicated transatlantic or transpacific cables existed at all until the late 1950s. The

first held less than 100 voice paths. Those of today carry more than a million” (Giddens, 1999a: 2). Most apparently novel developments relate either to the speeding-up of international travel, or to the microelectronics revolution, and particularly the unabated progress of Moore’s Law (whereby the capacity of computer chips doubles every eighteen months) (Wolf, 2000: 5). The price of an integrated circuit fell from \$50 US in 1962 to \$1 in 1971, the year in which the microprocessor was invented. In 1971, 2,300 transistors could be packed on a single chip; by 1993, 35,000,000. The average cost of processing information fell from around \$75 US per million operations in 1960, to less than one-hundredth of a cent in 1990. Networking capabilities that greatly added to the power of computers depended on telecommunications improvements which themselves depended on networked computers (Castells, 2000).

For global-factualists, technological advances such as these have enabled mass information transfer, breaking the link between physical setting and social situations, and offering access to social settings that would otherwise be inaccessible (Held, 1997: 125). These developments have permitted the establishment of an expanding international electronic economy, which permits vast amounts of capital to be transferred from one side of the world to the other at the click of a computer-mouse (Giddens, 1999a: 2); and have physically permitted the internationalisation of chains of production and consumption. This has not only revolutionised the way that information is conveyed, but has also fundamentally changed the texture of our lives.

The reach of media technologies extends with every wave of innovation. It took 40 years for radio in the United States to gain an audience of 50 million. The same number were using personal computers only 15 years after the PC was introduced. It needed a mere four years, after it was made available, for 50 million Americans to be regularly using the Internet (Giddens, 1999a: 3).

According to global-factualists, recent technological advances have profound economic, political and cultural implications, and these are qualitatively different from the past. “The statistics involved in globalisation are staggering. World trade rose 50 per cent over the past six years and is now worth more than 17 billion dollars [US] a day” (Bygrave, 2002: 22). Many global-factualists argue that the level of world trade today is much higher than it ever was before, and that it involves a much wider range of goods and services, viewing the most salient change as the degree to which financial capital has become increasingly mobile, for “the instantaneous movement of digital money across the world can destabilise what might have seemed rock-solid economies” (Giddens, 1999a: 2), exemplified in the Asian Financial Crisis of 1997-8.

Similarly, Altvater and Mahnkopf (1997: 457-8) argue that the widening of horizons has become increasingly possible because, in the course of capitalist rationalisation, the principal energy source has shifted from a biotic to a fossil energy source. This has enabled the expansion of human capacities as well as freedom from spatial and temporal limitations.

Only now is the acceleration of time, which creates the modern time regime, possible. Now space can also be explored with new means of transportation and communication in such a way that the narrowness of the parish... is overcome and the spatial coordinates of individual and collective rootedness can be globalized. ‘Global thinking’ can only then become a political

formula. Now the market can grow out of the social 'bed', something it had been unable to do in the long course of human history (Altvater and Mahnkopf, 1997: 458).

Technological advance has made possible the horizontal and vertical integration of transnational corporations (TNCs). These have increasingly emerged as prime movers in the 'global economy', surpassing many nation-states with respect to size and number: of the 100 largest economic entities in the world, an estimated 51 are corporations (Bygrave, 2002: 22; McLean, 2003: 1). From the global-factualist perspective, this fundamentally changes the nature of global interrelationships, for nations are increasingly obliged to surrender aspects of their sovereignty within larger regional groupings, multilateral treaties or international organisations; while corporations can exert pressure through their ability to relocate to more favourable tax and labour relations regimes.

In cultural terms, Harvey (1989) argues that the new technologies of communication are causing 'time-space compression'. This encapsulates the notion that human interaction is not only speeded up, but that it has also become disembedded from 'place' as a result of increased contact and familiarity with the other side of the world (Lash and Urry, 1994; Rojek, 1995). This is said to have created new experiences, new commonalities, and new frames of meaning, as people in their immediate local lives become more aware of things happening elsewhere, overcoming the link between physical settings and social situations and enabling the 'expansion of horizons' (Giddens, 1993; Held, 1997). Of equal importance, people have become aware of interdependency, as they become increasingly attuned to the notion that their lives and the places where they live are part of a single social space: the globe (Jarvie and Maguire, 1994: 231). "We are being propelled into a global order that no one fully understands, but which makes its effects felt upon all of us... When the image of Nelson Mandela... is more familiar to us than the face of our next door neighbour, something has changed in the nature of our everyday experience" (Giddens, 1999a: 3).

For Giddens (1993), global and local have become interlocked in a process of 'time-space distanciation' in social life, conflating presence and absence. For example, events unfolding in Tienanmen Square in 1989 were recorded as they unfolded by television – as was the case in Vietnam twenty years earlier – creating the image of familiarity in viewers world-wide, and raising the possibility of new mechanisms of identification (Held, 1997: 124). Globalisation thus involves the intensification of worldwide social relations which link distant localities "in such a way that local happenings are shaped by events occurring many miles away and vice versa... local transformation is as much a part of globalisation as the lateral extension of social connections across time and space" (Jarvie and Maguire, 1994: 251). Thus for these analysts, the particularities of place and individuality are now constantly mediated by global communication networks, and cultural products, from soap operas to news bulletins, can be produced and dispersed globally. Such developments provide the vehicle for other processes of change, including legal, organisational, and cultural (Held, 1997: 125).

Most versions of the global-factualist position assert that the present era is qualitatively unprecedented. LaFeber (1998: 13) argues: “a new era began with the information revolution, the new power of US capital and transnational corporations to drive that revolution and the reaction in the US and abroad to that revolution”. This era is variously described as the ‘post-modern’ or ‘information’ epoch (LaFeber, 1998), ‘post-Fordism’ (Kumar, 1995), ‘disorganised capitalism’ (Lash and Urry, 1987; Offe, 1985) or the ‘information age’ (Castells, 1996). All imply that the present era is qualitatively different from those which went before. Callinicos (1992) encapsulates the imagery:

Our world is being remade. Mass production, the mass consumer, the big city, big-brother state, the sprawling housing estate and the nation-state are in decline: flexibility, diversity, mobility, communication, decentralisation and internationalisation are in the ascendant. In the process our own identities, our sense of self, our own subjectivities are being transformed (Callinicos, 1992: 4).

The theme of ‘fragmenting identities’ has also been explored in the realm of cultural studies, often in the context of ‘post-colonialism’ and ‘post-modernity’ (Hall, 1994, 1996), which emphasise the disjuncture between present and past. The work of theorists such as Rojek (1995) and Urry (1995) can thus be situated (if ambiguously and no doubt contentiously) within the global-factualist category as a result of their emphasis on the *novelty* of the contemporary ‘post-modern’ era. For Urry (1995), Modernism was characterised by ‘structural differentiation’:

the separate development of a number of institutional and normative spheres, of the economy, the family, the state, science, morality, and an aesthetic realm... modernism has been reflected in the attempt to treat people within a socially differentiated site as similar to each other with shared tastes and characteristics... One of the key characteristics of post-modernism is people’s refusal to accept treatment as part of an undifferentiated mass (Urry, 1995: 3,6).

By extension, the present ‘post-modern era’ is presented as a ‘regime of signification’ whose fundamental structuring trait is ‘de-differentiation’ (Lash, 1990: 11). This apparently involves a “dissolving of the boundaries, not only between high and low cultures, but also between different cultural forms” (Urry, 1995: 1). Whilst rejecting the notion that there has been a shift to a ‘post-modern era’, Giddens (1993) describes post-modernity as the trajectory of development taking us away from the institutions of modernity to a new type of social order as a result of the interconnected processes – the scope and scale – of globalisation (which he labels high or late modernity). Similarly, Baudrillard (1983) sees the shift from the ‘collapsed reality of modernity’ to the ‘hyperreality’, or model of illusion and simulation which has replaced it, as qualitatively different (Bromwich, 1999). Everything now is a representation and therefore illusory, and as a result, there can be no concrete certainty, for everything is therefore rendered subjective and contingent. He cites the example of Disneyland, which is presented as imaginary in order to suggest that the world outside is real, but suggests that because it *acknowledges* its ‘imaginary’ status, it is in fact more real than Los Angeles and the US itself, which are no longer real, but simulated and hyper-real (Jarvie and Maguire, 1994: 220). As a corollary of the notion that the current epoch is characterised by the ‘de-differentiation of space and culture’, such theorists argue that different countries are no longer seen as ‘foreign’ or ‘alien’ as was the case under

'modernity'; but as "both continuous and discontinuous, both similar and different" (Rojek, 1995: 185). These arguments therefore serve to reinforce the idea of the present as qualitatively unprecedented.

The internationalisation of capital since World War Two and the consequent erosion of the economic powers of nation states provide further justification, for some theorists, for the belief that we are experiencing a new epoch. International interdependence intensified following World War Two, with the establishment of supra-national institutions such as the GATT (now the WTO), the IMF and the World Bank. As a result of international multilateral and bilateral trade agreements, states have decreasing control of the movement across their borders of ideas and economic goods, reducing as a consequence the effectiveness of their internal policy instruments (Reich, 1991) in a process which implicates most of the world's nations (Held, 1997: 134).

Extreme global-factualists such as Ohmae (1995) and O'Brien (1992) argue that a new era of business has emerged in which the horizons of producers and consumers stretch beyond national boundaries, with implications for the ability of nation states to regulate. "Geography is pronounced dead. The idea of global culture, spreading patterns, and migration mean that identity is increasingly determined by transnational developments rather than within nation states" (Holton, 1998: 2). According to Reich (1991: 4), nation-states are increasingly unnecessary and soon "there will no longer be national economies". Finally, the collapse of the Soviet bloc in 1989 and the USSR itself two years later, and the ideological collapse of Communism in the early 1990s, led some to conclude that "[w]e have reached the end of history as such: ideological conflict is dead, and liberal democracy has triumphed" (Fukuyama, 1992: 32). These events thus interpreted provide further support for the global-factualist view that globalisation is a distinctive and significant feature of recent world history that is *qualitatively novel*. Among those who accept the global-factualist perspective, however, very different interpretations are drawn. I categorise these as 'defenders' and 'detractors', in full awareness of the limits of binary simplifications but in the hope that this helps to elucidate the broad positions being promoted.

Global-factualist defenders

Accepting the global-factualist position that globalisation is novel and unprecedented, defenders go further in presenting it as inevitable and benign. Some view globalisation as a clear imperative, forcing economic change, synonymous with economic liberalisation, the removal of domestic economic protection and the promotion of free trade. "Globalisation is a process as inexorable and as profound as the Industrial Revolution, and the best hope we have of ameliorating its negative effects and maximising its benefits is through global, government-to-government negotiation and multilateral trade agreements" (Mike Moore, then Director-General of the WTO, in Brett, 2000: 5). For Wolf (2000: 5), globalisation is the increased speed, frequency, and magnitude of access to national markets by non-national competitors. While concluding that globalisation thus construed is not a zero-sum game, Wolf suggests that whilst there are losses and losers, as well as gains and winners, the aggregate of economic gain exceeds

that of losses (“the rich are richer, but the poor are richer too”). While low wage labour in developing countries is ‘exploited’ by the increased penetration of foreign business and investment in domestic markets, the process creates benefits and opportunities that low wage labour would be denied without globalisation (Wolf, 2000: 5). Norberg (2002) concurs, arguing that globalisation – by which he means ‘free trade’ – is the key to the elimination of poverty.

While for these defenders, globalisation is shorthand for ‘increasing international trade’, for others it refers to a spreading ‘global consciousness’. This draws upon the ‘global village’ representation first introduced by Samuel Morse pertaining to the projected effect of telegraph (Hawisher and Selfe, 2000: 5) and later popularised by McLuhan (1964), which reflects the belief that technology is uniting people in a global network. Certainly, technological development enables people to communicate, contrast and conflict with each other more interdependently than was previously the case (Jarvie and Maguire, 1994: 233).

Mickelthwait and Wooldridge (2000) view globalisation as real, albeit the result of human activities rather than a structural inevitability. They acknowledge the historical development of global interdependence, arguing that a century ago, capital and profits flowed unhampered; governments did little to control the distribution of wealth; the gold standard provided a universal means of exchange and by 1913, nearly sixty per cent of the securities traded in London were foreign. Nonetheless, they consider the present to be qualitatively different, as there is far greater trade in services, a continuously open and far more wide-ranging capital market. They emphasise the ambiguities of recent developments, given “how small the world has become and how awesomely large it can seem... Very few of the consultants who celebrate the ‘global village’ seem to have flown economy-class over long distances” (Mickelthwait and Wooldridge, 2000: viii). They defend globalisation, viewing it as a savage process, but agreeing that winners outnumber losers. “Globalisation increases people’s freedom to shape their identities, independent of those of their ancestors; to sharpen their talents by pursuing education anywhere in the world”; just as the “same global bazaar that allows consumers to buy the best that the world can offer also allows producers to find the best partners” (Mickelthwait and Wooldridge, 2000: xxvii).

Others propose that the rise in global communication is leading to a sense of global belonging and loyalty that transcends national identity (Held, 1997: 125). This ‘common heritage’ theme relates to the increasing recognition of supra-national issues, which theorists such as Waters (1995) believe have a pivotal role in the development of internationally shared values. Through such processes, globalisation is seen as having potential for the development of ‘global civil society’ and ‘global democracy’ (Altvater, 1997: 22; Dryzek, 1997: 3; Scholte, 2002). This includes epistemic communities, signifying a global camaraderie, that have emerged around issues such as trans-boundary ecological problems (such as the Kyoto Protocol on climate change), and social justice or human rights issues (manifest in the international convention on torture, the International Criminal Court and the activities of aid and development agencies). Such

developments have been interpreted as representing the emergence of a system of global governance with its own policy development and administration (Waters, 1995): as global issues emerge and as the power of international institutions increases, sensibilities are increasingly reorientated around a 'global polity'. Evidence for this could be seen in the 1992 Rio Declaration, whose goal was "the creation of new and equitable global partnership through the creation of new levels of co-operation among states, key sectors of societies, and people" (UN, 1992: 3).

Still other defenders focus on the potential of various aspects of technological globalisation to solve social problems. The World Wide Web and Internet are held out as a culturally neutral literacy environment with enormous beneficial potential for civil society as:

a technology-rich medium within which messages, documents, reports, words and images can be authored and distributed by writers; read and received by end-users; and acted upon by individuals in businesses, corporations, schools or government settings, regardless of cultural differences (Hawisher and Selfe, 2000: 1).

Given its potential for information exchange and distribution, the Internet is also viewed by some as an avenue for the spread and encouragement of democratic ideals. Reflecting the techno-optimism of this position, disadvantaged groups in New Zealand are now discussed in terms of the 'digital divide', which refers to their capacity to make use of the new technologies. This could be seen as implying that if the 'divide' were bridged through wider technological accessibility, social problems would be well on the way to resolution (Waldegrave and Pole, 2001; Whitten-Hannah, 2001; Zwimpfer, 2001).

Global-factualist detractors

Also within the global-factualist position are those who consider globalisation to be a reality, but reject the idea that it is inevitable or desirable. The actions of the 'anti-globalisation' movement (manifest in recent protests at Prague, Seattle, Genoa and Melbourne, for example) coincide with those of the global-factualist defenders in reifying globalisation as a description of contemporary reality. Activists clumped together as 'anti-globalisation' are not an homogenous group, but rather reflect a range of social, economic and environmental concerns (Bygrave, 2002; O'Connell, 2002). They are however united by their use of the term globalisation to describe not the increasing interdependence wrought by improvements in communication and transport *per se*, but as a description of a sinister process undermining democracy, increasing environmental exploitation and leading to increasing social injustice. Consequently, globalisation is viewed as an unprecedented 'fact' that has emerged over the past twenty or thirty years, with extremely negative implications.

Detractors such as Klein (2000, 2002) and in the context of New Zealand, Kelsey (1995, 1999, 2002), object to the *results* of the process they label globalisation: "A billion people living in dire poverty alongside a billion in widening splendour on a planet growing ever-smaller and more integrated" (Kelsey, 2002: 15). Inequality, social injustice, and environmental despoilment are cast as the unsustainable and unfair consequences of unfettered greed, primarily of the developed

countries of the West (given their disproportionate appropriation of the planet's resources), on an ever-increasing scale, which must be resisted. Complicating the position slightly, 'anti-globalisation' activists frequently make use of global networks of information and fund-raising to pursue their causes, *but do not see this as part of globalisation*, for in most cases their use of the term does not include such connotations. Some use globalisation as short-hand for increasing international trade, with negative connotations relating to the actions of supra-national organisations, including the WTO and crew as well as multi-national corporations supporting free trade, freedom of investment and free movement of capital. They point out that someone has to pay for 'all those 'frees'':

While the corporations present themselves as heralds of a gleaming global future for all, with a Nike sweatshirt on every back, a Starbucks mocha frappuccino in every hand and a Nissan Sentra in every garage, to the [anti-globalisation] movement they are a modern Mongol horde, Genghis Khan in Armani suits, ravaging the world in general and the third world in particular, in pursuit of power and profit (Bygrave, 2002: 21).

Attention is focused upon the hidden cost of 'free trade', including the demise of local industries and the exploitation of labour and the environment. In New Zealand, the Green Party is protesting against the government's proposal of a 'closer economic partnership' with Thailand, expressing concerns at Thailand's "appalling record in child labour and the abuse of workers' rights" (Donald, 2003b: webpage). It also objects to the large New Zealand retail chain The Warehouse, on the grounds that it "sells cheap products that quickly end up in landfills", "wrecks communities by forcing out small retailers" and deprives "thousands of New Zealanders of manufacturing jobs by sourcing products resulting from Third World slavery" (Robson, 2003: webpage). Similarly, for ecological detractors (Daly, 1996; Goldsmith and Mander, 1996; Korten, 1995), and non-governmental organisations (NGOs) such as Greenpeace and Earth First!, increasing international trade has a profoundly detrimental effect on the environment, particularly when coupled with the spread of Western norms and 'consumer culture'. They argue that Western capitalism cannot be generalised to all countries of the world without destroying the planet's ability to support humans (Korten, 1995: 25), and emphasise the dangers of the neo-liberal privileging of economic growth above social or environmental concerns.

In its physical dimensions, the economy is an open sub-system of earth's ecosystem, which is finite, non-growing and materially closed. As the economic sub-system grows, it incorporates an ever-greater proportion of the total ecosystem into itself, and must reach a limit at 100 per cent, if not before. Thus it is impossible for the world economy to grow its way out of poverty and environmental degradation: growth is not sustainable (Daly, 1996: 193).

The sense of increasing environmental degradation is connected with analyses that focus upon the unforeseen corollaries of technological development, associating globalisation with the sense of a 'world out of control' encapsulated in Beck's (1995) notion of the 'risk society'. This draws on heightened public awareness of scientific failure, such as BSE, genetic engineering, Chernobyl, and many other examples. In Britain, for example, the public has become increasingly hostile to genetic engineering: in 2002, a survey indicated that "while 18 per cent of Britons think that the

benefits of GM outweigh the risks, 39 per cent think the opposite, and the rest 'don't know'" (*The Economist*, 'The Grim Reaper', 2002b: 42).

Social justice detractors, including international non-governmental organisations such as Oxfam (2002), Christian Aid and in New Zealand, Christian World Service, and Green political parties in countries including Germany and New Zealand, focus upon the effects of increasing international trade on issues of human rights, promoting awareness of the increasing inequality that has arisen over the past several decades. As well as drawing attention to the exploitative working conditions in less developed countries, they focus on the implication of alarming statistics associated with the increasing interaction between countries. For example, non-oil primary commodity prices (the basic foods and raw materials produced by the third world) fell fifty per cent in real terms over the past twenty years. The total external debt of developing countries rose from 90 billion dollars (US) in 1970 to almost 2,000 billion dollars in 1998; 2.8 billion of the world's 6 billion people live on less than two dollars a day, 1.2 billion on less than one dollar a day (Bygrave, 2002). According to Bygrave (2002: 22), up to 35,000 children under the age of five die every day of preventable diseases. The gap between the richest twenty per cent and the poorest twenty per cent of the world's population has doubled over the past forty years, with the assets of the world's top three billionaires exceeding the GNP of all the 48 least developed countries (with a population of 600 million). A related argument draws attention to the link between economic liberalisation and worsening poverty, often described as the consequences of globalisation.

In the 1990s, local level famines erupted in Sub-Saharan Africa, South Asia and parts of Latin America; health clinics and schools have been closed down, hundreds of millions of children have been denied the right to primary education. In the Third World, Eastern Europe and the Balkans there has been a resurgence of infectious diseases including tuberculosis, malaria and cholera... Coinciding with the onslaught of the debt crisis, [poverty] has since the 1990s extended its grip to all major regions of the World including North America, Western Europe, the countries of the former Soviet block and the Newly Industrialised Countries (NICs) of South East Asia and the Far East (Chossudovsky, 1998: 2).

Globalisation is also associated for some with the relatively unregulated growth of capitalist markets across the world, which has produced extraordinarily heightened levels of economic and social inequality. For Urry (2002: 5), important amongst the many effects of neo-liberal globalisation is the generation of many 'wild zones' of rebellion and anarchy in parts of the former USSR, sub-Saharan Africa, the Balkans, central America, and central Asia.

Globalisation has strongly political overtones for some detractors, who view it as a threat to democracy. They argue that whilst the intentions behind the establishment of the Bretton Woods Agreement and its institutions – the World Bank, International Monetary Fund, General Agreement on Tariffs and Trade, and later the World Trade Organisation – may have been laudable in that they were designed to facilitate trade between countries rather than war, "what is characterised as 'trade' includes the workings of a large portion of each nation's economics and politics" (Nader and Wallach, 1996: 96). Under WTO agreements, democratically established laws can be challenged if they are seen to constitute barriers to trade (Kimbrell, 1996: 53), even if

they pertain to local culture, labour conditions or environmental restrictions. As national borders become increasingly permeable to the globalisation of communications and commerce, the power of the sovereign nation-state increasingly devolves downward to local government or communities, and upward to a collection of regional institutions such as APEC and the EU. In addition, power devolves to supra-national institutions such as international banks, trade associations, world news services (such as CNN), and multinational corporations – all of which lack national identities and do not respect nations as an organising principle (Barber, 1995). For detractors such as Stiglitz (1998, 2002), globalisation is thus synonymous with the international spread of trade liberalisation, facilitated by organisations such as the IMF and WTO. The economic and political ‘conditionalities’ of the IMF (whereby economic liberalisation and structural adjustment are demanded in exchange for loans to countries desperately requiring them) have led to adverse consequences (Eichengreen, 2002; Stiglitz, 2002). In Jamaica, for example, following the removal of tariff barriers the local market was swamped with American milk powder, leading to the collapse of the local dairy industry (Kincaid, 2001).

Wade and Veneroso (1998), like Stiglitz (1998, 2002), draw attention to the influence of financial interests on IMF policies which accordingly further the interests of capital. Since its bail-out of the erstwhile USSR, the IMF has moved beyond its traditional concern with providing short term loans, to improving the balance of payments of the countries to which it lends money. Wade and Veneroso depict an emerging ‘Wall Street-Treasury-IMF complex’ that parallels the ‘military-industrial complex’ of the past. The interest the financial sector has in the free movement of capital links with the IMF’s own role as a lender of last resort; and has likewise helped to promote the WTO’s agreement on liberalising financial services. The governments of many developing countries opposed these changes, but executives of groups including Barclays, Dresdner Bank, Chubb Insurance, Citicorp and so forth agreed to impress the benefits upon finance ministers. With the onset of the Asian financial crisis, by December 1997 the Asian leaders agreed to drop their objections, and more than seventy countries signed the agreement that commits them to open banking, insurance and securities markets to foreign firms (Wade and Veneroso, 1998: 22). In the meantime, the OECD was pushing ahead with the Multilateral Agreement on Investment, which was intended to liberalise all direct foreign investment restrictions, requiring signatory governments to grant equal treatment to foreign as to domestic companies. The Multilateral Agreement on Investment was powerfully supported among financial and industrial institutions, such as the United States Council for International Business, which “advances the global interests of American business both at home and abroad” (Chomsky, 1999: 136). If it had been signed, the Multilateral Agreement on Investment would have precluded many policies of the developmental state, but in the face of widespread opposition, the agreement was (temporarily) shelved. Detractors argue that such developments have implications for nation-states, for if these agreements are ratified and enforced, they increase the power and legitimacy of the owners and managers of capital (Hubbard, 1998; Chomsky, 1999; Kelsey, 1999, 2000b; Pickering, 2001; Rosenberg, 2001b; Wade and Veneroso, 1998). Further, “despite their implications for sovereignty, democracy, and social stability, such agreements are being negotiated with scarcely

any public debate” (Wade and Veneroso, 1998: 22). Hence it is increasingly the case that non-elected international institutions can override the policies and legislation of democratically elected national governments.

Moving away from the primarily economic and political focuses of the ‘anti-globalisation’ movement, another group of detractors use the term globalisation to refer to recent cultural trends. Given the growth in the multiplicity of linkages and networks transcending nation states, some authors have identified the development of ‘transnational cultures’ (Jarvie and Maguire, 1994: 253). The globalising impact of the modern communications media leads to the ‘expansion of horizons’, whereby people become increasingly aware of events occurring elsewhere (Giddens, 1993), but many of the flows of communication have been, in essence, the result of the exporting of a particular culture (Held, 1997: 127). “To many living outside Europe and North America, it looks uncomfortably like Westernisation – or perhaps Americanisation, since the US is now the sole superpower, with a dominant economic, cultural and military position in the global order” (Giddens, 1999a: 4). As a corollary, many detractors have focused on the homogenising potential of global communications networks for culture, whereby television, video and film give people new ways of seeing and participating in global developments (Held, 1997: 124); and global advertising for shaping wants that only ‘global products’ (or rather, US products) can fulfil.

Not only are detractors concerned that cultural globalisation is rendering places increasingly homogenous, they argue that this homogeneity reflects corporate interests. Chomsky (1988, 1996) focuses on the sinister implications of the emergence of transnational corporations, which increasingly have come to control the global networks of communications. Much technological development has been financed by US capital, and thus “global media are therefore seen to communicate signs, symbols, practices and cultural icons across the globe that are American in content, origin and ideology” (Jarvie and Maguire, 1994: 235). This trend is supported by the increasing prominence of American enterprises such as the CNN news infrastructure, Hollywood movies and US television shows. Massive concentration of media ownership has occurred since the 1970s, changing the way that news is reported and presented. CNN, for example, requires news scripts to be approved prior to broadcasting, ensuring that no uncensored footage is released (Trotter, 2003). LaFeber (1998) argues that the contract between Nike and Michael Jordan illustrates the power of the international advertising networks to mould opinion and consumer demand. When only three major US television networks existed, as in the 1950s, the network owners generally controlled what people could see (Chomsky, 1988). With seventy or more channels, audiences have much wider choices.

Thus Jordan and Nike could select certain channels (MTV) to target young buyers... or use other channels (ESPN) watched by sports fans. And with the emergence of globe-girdling communication-satellite systems to carry these television advertisements, Jordan and Nike instantaneously flashed their messages, and themselves, around the world (LaFeber, 1998: 18).

Advertising through the media is the key means by which corporations ensure that consumer demand meshes with their production plans (Utton, 1982: 82): “where once consumers looked for

reliable goods, now goods manufacturers need reliable consumers” (Corrigan, 1997: 66).

Advertising aims at creating consumers by catalysing a ‘dependence effect’ in which wants are stimulated through the same process by which they are satisfied (Galbraith, 1967). This argument stems from Galbraith’s critique of the neoclassical notion of the ‘sovereign consumer’, and is effective in affluent societies in which basic needs are generally met. “The further a man is removed from physical need the more open he is to persuasion – or management – as to what he buys” (Galbraith, 1967: 202). The manufacture of ‘needs’ leads to demand for products, which in turn stimulates profit, with profound implications for people’s choices and lifestyles.

Consequently, detractors argue that the emergence of phenomena such as mass consumption partially reflects the efforts of transnational corporations to maximise profit, as well indicating the sprawl of homogeneous, American values, with consequences for local cultures and the environment, and these effects are labelled globalisation.

Related is the focus of some global-factualist detractors on the apparent demise of cultural diversity. In 2002, researchers at the University of Manchester predicted that ninety per cent of the world’s languages are likely to disappear by 2050: while upward of 6,000 are currently spoken, just four per cent of them are spoken by 96 per cent of the world’s population; and about ten languages, including English, Arabic and Hindi, are spoken by more than 100 million people each (Ward, 2002). Of particular importance for detractors is the emergence of English as the *lingua franca* (Black, 2002). In particular, charges of cultural imperialism have emerged with fears of a global cultural hegemony, which posits that in an age of globalization, US produced, English-language content will come to dominate helpless foreign cultures. This argument was expressed by the then French Culture Minister, Jacques Toubon, in 1994, in favour of the French language law that eventually took on his name. Toubon argued that the Internet would result in France being “menaced by a new form of colonialism. The United States is in the process of taking the dominant position. If we do nothing, it will be too late. We will be colonized” (cited in Hunter, 2000: 142).

For Hawisher and Selfe (2000), Skreslet (1997) and Mitra (1997), the culturally specific nature of literacy practices clearly influences communications on the World Wide Web and the use of the Internet in fundamental ways, belying myths of cultural neutrality. Eighty five per cent of websites originate in the US and English is the dominant language (Hunter, 2000: 143). Berger (2000) emphasises that every language carries a freight of values, of sensibilities, of approaches to reality, all of which insinuate themselves into the consciousness of those who speak it. The US-dominated media inevitably reflect a particular set of values – American values – which, when spread through the global networks, “encourages fears of American imperialism, considered by some to be changing or even destroying other cultures” (LaFeber, 1998: 15). Even the global-village narrative is argued to be ideologically laden, as it is constructed specifically within the framework of American (or at least Western) politics, economics and culture (Selfe, 1999).

The apparent homogenising influence of the US on cultural identities has provoked xenophobic reactions across the world. In 1997, *Der Spiegel* warned that “never before in modern history has a country dominated the earth so totally as the United States does today” (cited in LaFeber, 1998: 20). Fears of homogenisation or Americanisation of cultures via American media and advertising and Hollywood movies are heightened by the obvious ubiquity of American products (again, McDonald’s, Coca-Cola, Nike) world-wide, and encapsulated in potent imagery such as Barber’s (1995) metaphor of ‘Jihad versus McWorld’.

Sometimes it seems as if a tidal wave of the worst Western culture is creeping across the globe like a giant strawberry milkshake. How it oozes over the planet, sweet, sickly, homogenous, full of ‘E’ numbers, stabilisers and monosodium glutamate, tasting the same from Samoa to Siberia to Somalia (Toynbee, 2000: 191).

In a related argument, Ritzer (1993) maintains that a process of ‘McDonaldization’ is spreading across the world. Ritzer’s Weberian analysis suggests that the ubiquity of McDonald’s, testament to its success, represents four principles of operation that are being adopted by many other businesses and social institutions. These include efficiency (the optimum method for getting from one point to another); quantification and calculability (derived from Weber’s mathematization, this refers to the emphasis on quantity rather than quality, ‘more bang for the buck’, the need to feel that we are getting a lot of food for a modest amount of money); predictability (no surprises); and control (particularly through the substitution of nonhuman for human technology, but also because humans who eat at McDonald’s are controlled through limited menus, few options, uncomfortable seats) (Ritzer, 1993: 11). He focuses on the ‘irrationalities’ that this process of rationalization is spawning, and draws attention to what he sees as the risk: such as having children’s aspirations shaped by advertising, without a corresponding counterweight; and the way in which such systems constrain people’s ability to be skilful, individual, well-rounded and creative.

The assertion that American norms are disseminated through global communications networks, transforming lifestyles, is closely connected with the emergence of consumerism, epitomised by the mushrooming of shopping malls and the rise of ‘recreational shopping’. This in turn is seen by some as the “creeping debasement of cultural values” (Reynolds, 2000: 298), in a process that stretched back through rock music, to “commercial television and Coca-colonization, to Hollywood and jazz in the 1920s” (ibid). This “facilitates the spread of *McWorld*, which is as much about image as material goods. Malls are the public squares, suburbs the neighbourless neighbourhoods... Ideology as videology” (Barber, 1995: 8). This corroborates Chomsky’s (1988) analysis of the role of global media networks in perpetuating a set of values that ensures the maintenance of the status quo, preventing dissent and instability, and thus serving to maintain the regime of accumulation required by capitalism, which requires stability.

Such observations have engendered the view that cultures and identities are being sucked into the vortex of globalisation. Assertions of homogenisation through instantaneous global communication lead to arguments that identity has become disembedded from place, causing a

sense of 'loss of control' and fragmenting of societies in a borderless world where national identities are no longer relevant (Hall, 1997; Pawson, 1999; Sennett, 2000; Thorns, 1995).

The use of the word globalisation to refer to cultural homogenisation is contested as a mono-causal and over-simplistic explanation of the development of the contemporary social order, and a group of theorists have consequently attempted to address the complexities of the picture. I situate these within the 'global-factualist detractor' bracket, for they accept the existence of globalisation, even if they reject its more simplistic formulations in favour of attempts to encompass the complexities of the relationship between global and local. Featherstone (1991) considers that globalisation has a dialectical effect, giving rise to interdependence on one hand, and intensified nationalism on the other. He argues that leisure practices, for instance, serve to bind nations together around specific traditions, which are affected by the processes of globalisation. Whilst the effects are evident in the reassertion of national sports and pursuits expressing ethnic identity (evident in the 'invention of identity' in events such as 'Highland Games'), Featherstone argues that since the 1960s, nations have been reconstituting their collective identities around more pluralistic and multicultural lines. 'Global culture' events such as the Olympics, Woodstock and Live Aid create emotional solidarity, and engender a sense of loyalty transcending nationality, whilst at the same time they threaten local culture. As a corollary, globalisation is seen as leading to polyculturalism and sense of 'otherness', rather than homogenisation or Americanisation (Jarvie and Maguire, 1994: 256).

Barber (1995) argues that whilst 'globalisation' is presented as a seemingly inexorable process of homogenisation, desperate and sometimes successful attempts to forge self-determination (Celts, Basques, Bretons, Quebequois, Maori) and parochial, sectarian violence and ethnic uprisings (Kosovo, East Timor, Fiji, al-Qaeda) are occurring concurrently. Barber presents this apparent paradox rather as a dialectical relationship, expressed in extreme terms as the opposing forces of *McWorld* meeting those of *Jihad*.

Jihad is a rapid response to colonialism and imperialism and their children capitalism and modernity which gives rise to national attempts to preserve cultural identity. Yet this often occurs whilst simultaneously pursuing free trade and welcoming McDonald's... Even the most self-sufficient developed nations cannot pretend sovereignty in the increasingly interconnected *McWorld*, with its requisite interdependence and the limits that it places on national borders (Barber, 1995: 8).

Globalisation as fantasy: plus ça change, plus c'est la même chose

Thus far, all theorists discussed to some extent accept that globalisation is an indisputable fact of contemporary reality, even if they are divided over its implications. Nevertheless, global-factualists over-emphasise change and novelty, and minimise any sense of continuity. Conversely, global-fantasists reject the notion of globalisation as a description of contemporary times, insisting that the arguments of global-factualists, whether supporting or detracting, considerably overstate the case by presenting 'globalisation' not only as structural, inevitable and *real*, but also as qualitatively and quantitatively different from previous eras (Hirst, 1997; Hirst

and Thompson, 1996a, 1996b). Global-fantasists reject 'globalisation' because they argue that present patterns are not sufficiently different from past patterns to warrant the label, as it implies novelty. They emphasise instead the historical parallels that the idea of globalisation obscures.

At issue is first, the suggestion that the microelectronics revolution in the 'technologies of globalisation' – particularly relating to ICT and transport – marks a 'punctuation of equilibrium'. After all, interdependence has increased with every technological development in human history.

In the 1890s advocates of electricity claimed it would eliminate the drudgery of manual work and create a world of abundance and peace. In the first decade of the 20th century, aircraft inspired similar flights of fancy: rapid intercontinental travel would, it was claimed, eliminate international differences and misunderstandings... Similarly, television was expected to improve education, reduce social isolation, and enhance democracy. Nuclear power was supposed to usher in an age of plenty where electricity would be 'too cheap to meter'. The optimistic claims about the Internet are merely the most recent examples in a tradition of technological utopianism (Standage, 1998: 198).

Similarly, as early as 1912, Norman Angell maintained that the instantaneous dissemination of information by telegraphy and generally increasing rapidity of communication was leading to:

a financial interdependence of the capitals of the world, so complex that disturbance in New York involves financial and commercial disturbance in London, and, if sufficiently grave, compels the financiers of London to co-operate with those of New York to put an end to the crisis, not as a matter of altruism, but as a matter of commercial self-protection (Angell, 1912: 83).

This implies the need for an element of caution in interpreting claims made as to the most recent technological advances. Interdependence has, according to such perspectives, simply increased as a function of technological development along an historical trajectory. The exchange of marbles, Pokemon cards, greenstone or flax, car boot sales and auctions all illustrate the tendency to exchange what you have for what you want. This is a fundamental social dynamic, and as a result, trade has been occurring throughout human history. Tea, coffee, chocolate, rice and potatoes all represent once-exotic and now mundane goods, which have over the last three centuries become a feature of daily life in the West. These attest to a long history of extensive trade between different parts of the world. "By 1800, ... different areas of the globe were tied together by new sets of relationships. These involved the movement of millions of people, the introduction of plants and animals to new habitats, changing forms of imperial politics and the flow of capital to new and profitable uses and places and away from others" (Ogborn, 2000: 44).

Wallerstein (1974) extends his analysis back still further, arguing that the world since the 1500s can be understood in terms of the emergence of a single, global capitalist system. He describes the series of networks which had to be built, extended, and sustained, and along which people, goods, ships, capital, ideas and information moved, enabling the evolution of the capitalist world economy, ever-expanding to take in new areas of the globe, and ever-deepening the relationships between places. As a whole, the world economy goes through phases of construction and expansion, the 'breathing mechanism of the capitalist organism' (Wallerstein, 1974). "In each

phase, the hierarchical and geographical relationships are reshuffled with enormous implications for people and places around the globe” (Ogborn, 2000: 45), accompanying technological advances in communication and transport. From this perspective, then, if globalisation means ‘increasing economic integration’, its implied novelty is misleading. For Robertson (1992: 58-9), the ‘germination phase’ of globalisation occurred between the fifteenth and eighteenth centuries, followed by a ‘take-off’ period from the middle of the nineteenth, Chase-Dunn (1997: 19) views it as starting in late nineteenth century, while Williamson and O’Rourke (2002) consider that the process is more usefully understood as occurring since the 1790s.

Regardless of its actual starting date, these arguments reinforce the notion that recent changes simply represent the continuation of an historical trend rather than a novel departure called globalisation: “this isn’t just a phase of capitalism. This is capitalism” (Wood, 1997: 8). Wood, like other Marxist global-fantasists, cites the *Communist Manifesto* to reinforce her point:

In place of the old wants, satisfied by the production of the country, we find new wants, requiring for their satisfaction the products of distant lands and climes. In place of the old local and national seclusion and self-sufficiency, we have intercourse in every direction, universal interdependence of nations (Marx and Engels, 1848/1998: 39).

Harvey (1995: 3) suggests that ‘globalisation’ misrepresents the processes occurring, for the differences that exist emerge as quantitative rather than qualitative. This of course begs the question of when quantitative changes become qualitative. Hirst and Thompson (1996a) and Wade (1996) also object to the term globalisation, arguing that ‘internationalisation’ is a better description of contemporary trends. Some go so far as to suggest that even the global economy itself is mythical (Zysman and Schwartz, 1998): even ‘global companies’ remain embedded in the logic of interstate relations (Kapstein, 1991, cited in Ruigrok and van Tulder, 1995). “I would argue that we have *not* witnessed movement towards an increasingly ‘open’ international economy, with productive capital buzzing around the globe, but that we have moved rapidly toward an increasingly ‘closed’ economy for productive investment” (Gordon, cited in Cox, 1997: 3).

Wade (1996: 63) agrees that the use of the word globalisation is vastly exaggerated even in terms of describing the ‘global economy’, where it might seem most obvious. He points out that the world economy is more interconnected in terms of trade than it was in the 1960s, for in the OECD, the ratio of exports to GDP doubled from 9.5 per cent in 1960, to 20.5 per cent in 1990. Trade grew at one and a half times the rate of world GDP growth, and measured flows of foreign direct investment grew three times faster than trade flows and four times faster than output, growing 27 per cent per year from 1983 to 1990. Further, liquid capital amounts across the foreign exchanges are thirty times greater than trade flows. Nevertheless, Wade emphasises that the share of trade in GDP is quite small in all but the smallest countries (of which New Zealand is a good example).

Exports account for 12 per cent of GDP or less for the US, Japan, and single-unit Europe, and the Asian and Latin American averages are well below 10 per cent. This means that 90 per cent or

more of these economies consists of production for the domestic market and that 90 per cent of consumption is produced at home (Wade, 1996: 66).

Wade (1996) and Cox (1997) therefore contest the novelty implied by globalisation, arguing that the level of international trade as a percentage of GDP, and the international financial penetration of the UK and other economies, is no greater than it was prior to World War One. Wade also questions the 'globalness' of economic globalisation: while this seems to imply international interrelations, in fact world trade is highly concentrated in the 'Northern' (developed) countries, and their share of world trade is rising. Wade notes that the proportion of US GDP relating to trade with 'low wage' countries was just three per cent in 1995, similar to the 1960 level; and that half of the manufactured exports from the 'South' go to just one market: the US – which itself accounts for twenty three per cent of the world's GNP (Wade, 1996: 67-8).

Other global-fantasists dispute the idea that globalisation is eroding the power of nation-states. They argue that the idea of globalisation misrepresents the fact that although trading nations are inevitably implicated in international networks and markets, the political arena remains national (Krasner, 1993, 1995; Wade, 1996; Cox, 1997; Weiss, 1998; Ogborn, 2000). States retain important functions that have not been usurped despite the increasing power of institutions at other levels, both local and supra-national, remaining, for example, formidable actors in the global arena and the prime movers in policy-making (Robertson and Khandker, 1998: 30). Explaining changes in terms of globalisation disguises the agency that governments retain: Weiss (1998: 167) argues that many of the apparent tendencies toward globalisation are in fact the consequence of the policies pursued by nation states. It is the changed regulatory environment, for example, that has enabled the increased penetration of local markets by overseas capital (Robinson, 1993: 14), not an autonomous process of 'globalisation'. In this argument, care must be taken to avoid underplaying the significance of enforced re-regulation, such as economic and political conditionalities imposed on needy countries by the IMF in return for loans (Stiglitz, 2002). Nevertheless, "[t]he gospel according to Globaloney is that there is an inverse relation between the internationalisation of the economy and the power of the state: the more globalisation, the smaller the role of the nation state... If anything, the 'new global order' is more than ever a world of nation states" (Wood, 1997: 6).

The idea of time-space compression, coupled with the emergence and growing power of institutions other than the state, have together reinforced the idea that place is decreasingly relevant. Nevertheless, geographic variations remain profound, important and persistent. Wade (1996: 64) concedes that "governments have much less discretion about long-term interest rates than they did in 1960, when there were exchange controls, when lending by banks and other financial institutions was regulated, and when international borrowing and lending were tiny". Nevertheless, in the bigger national economies, more than 80 per cent of production is for domestic consumption and more than 80 per cent of investment is by domestic investors (Krugman, 1996; Wade, 1996).

Companies are rooted in national home bases with national regulatory regimes. Populations are much less mobile across borders than are goods, finance or ideas. These points suggest more scope for government actions to boost the productivity of firms operating within their territory than is commonly thought and than is implied in the statement that 'governments today should do [a propos direct support to industry] what they find most difficult to do: nothing!' (R. Brown and DeAnne Julius, cited in Wade, 1996: 61).

The notion of globalisation is further disputed by those who question its novelty by searching for 'what it was called last time'. For example, many of the economic implications of globalisation, as interpreted by global-factualists, focus on the consequences of neo-liberalism, which by definition represents the continuation of a long tradition, under a new name. Hence some aspects of the debate over globalisation could be interpreted as the continuation of an old debate over the relative merits of classical liberalism and social democracy – which of course have their historical defenders and detractors. Similarly, disputing the idea that globalisation represents novel cultural homogenisation, American popular culture, whether "the jazz of Duke Ellington, the musical theatre of George Gershwin, the dance of Fred Astaire... blue jeans, McDonald's fast food, Coca Cola" (LaFeber, 1998: 20), has long been part of US influence and profit overseas, and fears that local culture would be subsumed by Americanisation have been expressed for decades. In New Zealand during the Second World War, this was expressed in the dismay at the US servicemen, "over-sexed, over-paid, over-fed and over here"; just as in the 1950s, the perception of the dubious worth of rock and roll, milkbars and American movies (Yska, 1993) gave rise to extreme fears of moral degeneration, culminating in the Mazengarb Report of 1954 (Special Committee on Moral Delinquency in Children and Adolescents, 1954). Thus what is now labelled 'globalisation' – the spread of McDonald's, Hollywood movies and CNN news – is viewed by some as just another form of imperialism or cultural domination (Schiller, 1991), while for others, "globalisation is what we in the Third World have for several centuries called colonisation" (Khor, 1995, cited in Scholte, 2000: 16; Widyatmadja and Longchar, 2002).

A further set of theorists reject the implications of globalisation by disputing the notion that Americanisation or cultural homogenisation is proceeding unresisted. Even Coca-Cola and McDonald's are not the undisputed vanquishers of cultural variety, but are themselves subject to the cycles of capitalism and consumer demand, as much as any other enterprise. In November 2002, McDonald's shares were at a seven-year low, and only 300 new outlets had opened in the US in the preceding year, compared with 1,100 in 1995 (Donegan and Webster, 2002). Likewise, in 2003, a new brand of cola was launched, packaged in the red and white of the Stars and Stripes and named 'Mecca-Cola'. It represents "an attempt to capitalise on a wave of anti-US feeling by urging consumers to 'Buy Muslim'" (Henley and Vasagar, 2003: 3).

Still other global-fantasists take issue with the 'global' in globalisation, noting that much of the world is excluded from the processes to which it refers. From this perspective, the notion of globalisation overwhelmingly reflects the experiences of the middle class, and the wealthy populations of the West. It has little relevance for the large segments of the world's population

that lack access to the technologies of communication and transport that have 'revolutionised' life for many of those participating in the globalisation debate. Eighty per cent of the world's population will, in one estimate, never use a telephone, let alone a car, jet plane or the Internet (Braman, 1995; Wresch, 1996), calling into question the *world-wide* sobriquet (Hawisher and Selfe, 2000). Furthermore, whilst goods, finance and ideas can move internationally, the ability of *people* to do likewise remains highly restricted.

Running parallel with such arguments is the suggestion that what we now label globalisation has a long history, and that present conditions are better understood as the continuation of an historical trajectory rather than a qualitative break with the past. In his recent edited book, Hopkins (2002), among others, argues that historically, globalisation has taken different forms. He categorises these as: archaic globalisation (present before industrialisation and the nation state, whereby roving kings, warriors, and pilgrims sought riches, honour and conversions); proto-globalisation (from 1600 and 1800, distinguished by the two interacting developments of the reconfiguration of state systems and the growth of finance, services and preindustrial manufacturing); modern globalisation (1800 to mid-1900s which witnessed the rise of the nation state and the spread of industrialisation); and finally post-colonial globalisation (from 1950, modern and modernising empires have fallen, as have many nation states although importantly not the US, and new types of supra-national organisation have emerged).

Certainly, various processes of globalisation have, in some form or other, been occurring for thousands of years. This is endorsed by the spread of the 'world religions' such as Christianity and Islam, which have for many centuries aimed to subsuming indigenous or pagan values within their respective homogeneous pools of cultural values (Holton, 1998: 9); or the spread of bourgeois 'high culture' on the coat-tails of colonisation and imperialism. Huntington (1993/2002) resists simplistic assertions of homogenisation, proposing rather that lines of demarcation are emerging that are not ideological or economic but cultural: conflict in future will occur along fault lines that divide civilizations. Seeking to analyse the evolution of global politics since the Cold War, he attempts to provide a framework by considering "the conflicts generated by Western universalism, Muslim militancy, and Chinese assertion... [concluding that] clashes of civilizations are the greatest threat to world peace, and an international order based on civilizations is the surest safeguard against world war" (Huntington, 1993/2002: 13).

Similarly, Callinicos (1992) disputes Offe's (1985) and Lash and Urry's (1987) view that a new 'post-modern' epoch exists that is qualitatively different, and which reflects the underlying new 'disorganised phase of capitalism'. "I do not believe that we live in New Times, in a 'post-industrial and post-modern age' fundamentally different from the capitalist mode of production globally dominant for the past two centuries" (Callinicos, 1992: 5). Harvey (1989) retains a distinction between 'modernity' and 'post-modernity', but emphasises that continuities persist. He maintains that time-space compression began during modernism, and that this process has accelerated in the post-modern era, leading to "an intensive phase of time-space compression that

has a disorientating and disruptive impact” (Harvey, 1989: 157). Whilst concluding that there has been a sea change in the surface appearance of capitalism since 1973, Harvey suggests that the underlying logic of capitalist accumulation and its crisis tendencies remains the same. This of course reinforces the difficulty of sharply distinguishing between modernity and post-modernity as two separate epochs in history, undermining the suggestion that the present is qualitatively different from the past.

The suggestion that cultures are homogenising through globalisation has considerable allure, given the ubiquitous evidence of the influence of Coca-Cola and McDonald’s, and the rise of television, cinema and mall shopping as leisure pursuits. The ‘Americanisation’ thesis is not universally accepted, however, for some global-fantasists consider it a gross over-simplification of the complex processes occurring. Kaplan (1986/2000) argues that Americanisation charge over-simplifies the homogeneity of popular culture, whilst Hebdige argues that American culture is a ‘rich iconography’ rather than a homogenising force and that the process represents a multi-directional ‘melting pot’, for American culture is equally implicated in the process of globalisation (Hebdige, cited in Jarvie and Maguire, 1994: 236). These arguments appear slightly optimistic (if not hopelessly unrealistic), given the predominance of American influences and global penetration of the brand icons mentioned above, in the characteristics of consumer culture and the images which pervade television and films (although naturally not all brands are American): Botswana, for example, has much less effect on the US than the US does on Botswana. This draws attention to the unequal relations of power that lie at the heart of cultural and communication flows, profoundly affecting what is produced and received by whom (Held, 1997: 126). It is reasonable, however, to conclude that the influence is not wholly uni-directional. Despite the widespread use of the term globalisation, “local ties have diminished little or not at all, although extra-local ties have increased” (Agnew, 1987: 72), for “national identities and cultures are deeply rooted in ethno-histories and are thus quite unlikely to be stamped out by mass culture” (Held, 1997:125), even if local cultures are inevitably affected by it. “Local communities may be buffered by global forces, but they are not helpless victims with no coping strategies, even if they may not, in a globalised context, be entirely autonomous of the world which they inhabit” (Johnston, Taylor and Watts, 1995: 9).

Other global-fantasists draw attention to the fact that whilst the ‘globalisation of diversity’ (Featherstone, 1991) has led to a growing familiarity with things occurring far away through communication technologies and time-space compression, the expression of such diversity is anchored to particular locations and is differentially experienced. The accumulated history of place adds to the mix of wider, and local, social relations (Le Heron and Pawson, 1996: 349; Schöllman, Perkins and Moore, 2000). Le Heron and Pawson (1996: 6) depict change as a composite of cultural, environmental and economic processes, all of which are mediated by regulatory arrangements. The character of change reflects the interaction of these processes and the particular crisis conditions which catalyse restructuring, along with temporal and spatial particularities. This implies, further, that histories do not simply unfold, but are actively created

by particular people in particular places at particular times: “circumstances make men *just as much* as men make circumstances” (Marx and Engels, 1845/1976: 59). This contradicts the apparent inexorability that ‘globalisation’ connotes as a structural force.

Beyond doubt, 200 years ago the world was more fragmented economically, culturally, and in terms of communication than it is now. World-time based on the Western calendar is now ubiquitous and the ‘tyranny of distance’ (Blainey, 1966) has been eroded by the revolution in communications. Yet the innovation of sail, then of steam, then petroleum fuels, then air transport, then jet travel equally represented compression of time and space, just as the progression from letters to telegraph, telephones, cable, satellites and the Internet increased the speed of communication. The effects of technological advance are contradictory and ambiguous: with the improvements in air travel and corresponding decline in shipping, Pitcairn Island (and within New Zealand, South Westland) is more isolated than ever before (Massey, 1999). McDonald’s has arrived *en masse*, yet New Zealand culture has not evaporated, even if elements of it have adapted. “Social relations of power are simultaneously homogenising differences between places, and, due to processes of uneven development, enhancing the uniqueness of places” (Massey, 1994: 146): globalisation’ is an over-simplistic description. The historical parallels emerge with Hobsbawm’s (1995) observation:

the extraordinary acceleration of the speed of communication [in the nineteenth century] had one paradoxical result. In widening the gap between the places accessible to the new technology and the rest, it intensified the relative backwardness of those parts of the world where horse, ox, mule, human bearer or boat still set the speed of transport... The “wildness” of the “West”, the “darkness” of the “dark continent”, were due partly to such contrasts (Hobsbawm, 1995: 60).

Held (1997) further suggests that the awareness of ‘otherness’ permitted by global communications can stimulate awareness of *difference*, and by no means guarantees agreement between different people, and neither does it necessarily signal the uprooting of traditions. Micklethwait and Wooldridge (2000) emphasise that the local is of more immediate importance to people than events occurring far away, flying in the face of ‘time-space compression’. They invoke Adam Smith’s comments from the *Theory of Moral Sentiments*, where he compares the pain you feel at the loss of a little finger to the distress you would feel over the news that “the great empire of China, with all its myriad inhabitants, was suddenly swallowed up by an earthquake” (2000: xxvii). You would be shocked, express sorrow, you might even ponder on the effect on world trade, but you would sleep soundly and go about your business – people are more easily moved by immediate events than the fate of distant people (Micklethwait and Wooldridge, 2000). This suggestion is reinforced by responses to the terrorist attacks on the World Trade Center in New York in September 2001, where the graphic imagery led some to point out the desensitisation, or alienation from reality, that accompanied the television images. Even these cannot be uncontroversially interpreted: Roskis (2003: 14) notes the way in which the editing of photojournalism can lead to revisionism and the falsification of history. During the recent war in Afghanistan, journalists were unable to photograph or film US soldiers in action. In the absence of images of the real war, readers and television viewers were shown nothing but ‘postcards’ for

months: snapshot images of humanitarian cargoes, women freed of their burkas, 'good' Afghan militamen at sunset, the Islamic beards being shaved off, and so forth. These represent 'well-packaged publicity shots', and provide little insight into the experiences unfolding in these places.

Finally, Standage (1998: 199) illuminates the arrogance latent in much of the globalisation debate. He labels this 'chronocentricity': the egotism that one's own generation is poised on the very cusp of history. Drawing a neat historical comparison, he notes:

the hype, scepticism and bewilderment associated with the Internet – concerns about new forms of crime, adjustments in social mores, and redefinition of business practices – mirror precisely the hopes, fears and misunderstandings inspired by the telegraph. Indeed, they are only to be expected. They are the direct consequences of human nature, rather than technology. Today, we are repeatedly told that we are in the midst of a communications revolution. But the electric telegraph was, in many ways, far more disconcerting for the inhabitants of the time than today's advances are for us. If any generation has the right to claim that it bore the full bewildering, world-shrinking brunt of such a revolution, it is not us - it is our nineteenth-century forbears. Time-travelling Victorians arriving in the late twentieth century would, no doubt, be unimpressed by the Internet. They would surely find space flight and routine intercontinental air travel far more impressive technological achievements than our much-trumpeted global communications network. Heavier-than-air flying machines were, after all, thought by the Victorians to be totally impossible. But as for the Internet – well, they had one of their own (Standage, 1998: 199-200).

The global-fantast arguments undermine the global-factualist image of globalisation as an inexorable Leviathan operating beyond human control. They establish historical parallels and re-introduce the considerable continuities that persist. Such arguments, however, risk *underplaying* the significance of changes that have occurred, and can lead to important developments such as increasing inequality or environmental degradation being trivialised. By refuting the tag 'globalisation', global-fantastists thus risk minimising the real-life effects which have been grouped within the rubric of globalisation.

Complicating the picture

Thus far, I have examined the way in which globalisation is used descriptively. The arguments outlined above draw attention to important trends and developments, but the descriptive use of the word globalisation remains contentious and ambiguous. This reflects the tension between the dichotomies of homogeneity and heterogeneity; unity and diversity; integration and fragmentation; universalism and particularism (Jarvie and Maguire, 1994: 236). It also attests, however, to the remarkable conceptual capaciousness of the term globalisation: if globalisation is used *descriptively*, each position within the discussion can be endlessly debated. In response to this confusion, some theorists have sought to clarify globalisation, using a range of devices.

First, accepting the notion of globalisation as 'increasing interdependence', 'the A.T. Kearney/*Foreign Policy* Globalisation Index' seeks to 'measure' globalisation.

'Unsatisfactory' is the word that best describes the contemporary debate over globalisation. There seems to be a consensus that globalization... is defined by increasing levels of interdependence over vast areas. But few people have undertaken the task of actually trying to measure those levels of interdependence (*Foreign Policy*, 2001: 56).

The Index therefore seeks to measure different aspects of globalisation statistically, by tracking the movement of various indicators across fifty countries, including the movement of goods and services, personal contact across national borders (WWW Internet hosts and users, telephone calls, and cross-border remittances), the movement of money and so forth. “The ... Index may not settle the question of whether globalization does more good than harm. But it provides an objective starting point for a debate that has typically relied more on anecdotal evidence than empirical facts” (*Foreign Policy*, 2001: 57). This illustrates that the Index global-factualists take a profoundly instrumentalist approach to globalisation that incorporates no recognition of the problematic freighting of the concept with a cargo of contradictory connotations. The study thus yields interesting data with respect to the extent of technological interdependence, but provides little insight into how the concept is used, and to what effect.

Reflecting a broadly global-factualist position, Woods (2000: 3) defines ‘globalization’ carefully, however, using it in a three-fold sense incorporating the expansion of markets, challenges to the state and institutions, and the rise of new social and political movements. She argues that to understand what is new about globalisation it is necessary to distinguish between quantitative and qualitative change; and asserts that whilst quantitatively, global interdependence has had a long history, what was new about globalisation at the end of the twentieth century were the qualitative changes in international politics. This refers to what she identifies as ‘changes in the way people and groups think and identify themselves, and changes in the way states, firms and other actors perceive and pursue their interests’ (Woods, 2000: 2).

Alternatively, Jessop (2001c) seeks to develop a comprehensive conception of globalisation that can encompass the tensions and contradictions besetting the debate. He views globalisation as “a polyvalent, promiscuous, controversial word that often obscures more than it reveals about recent economic, political, social and cultural changes” (2001c: 1). He proposes a conception of globalisation that encompasses its “multicentric, multiscalar, multitemporal, multiform, and multicausal” (*ibid*) nature. It is multicentric because it emerges through activities in many places, rather than from a single centre. It is multiscalar because it emerges from actions at many scales, which coexist and overlap: thus “what could be described from one vantagepoint as globalization might be re-described in rather different forms from other scalar viewpoints, as internationalization, triadization, regional bloc formation, global city network-building, cross-border region formation, international localization, glocalization, glurbanization, or transnationalization” (Jessop, 2001c: 2). It is multitemporal because it involves the complex restructuring and re-temporalising encapsulated in the notions of time-space compression (the intensification of discrete events in real time, and/or the increased velocity of material or immaterial flows over a given distance (Harvey, 1989)); and time-space distancing (the stretching of social relations over time and space so relations can be controlled or coordinated over longer periods of time and longer distances, greater areas or more scales of activity (Giddens, 1990)). It is multicausal because it results from the contingent and complex interaction of many

different causal processes; and multiform, because it assumes different forms in different contexts, and can be realised through different strategies, one of which is neoliberal globalisation.

Taken together, these features meant that, far from globalization being a unitary causal mechanism, it should be understood as the complex, emergent product of many different forces operating on many scales... Hence nothing can be explained in terms of the causal power of globalization – let alone causal powers that are inevitable and irreversible and that are actualised on some intangible stage behind our backs or on some intangible lane above our heads. Instead, globalizations themselves need explaining in all their manifold spatio-temporal complexity. Moreover, once we understand how globalizing processes are generated and how they operate, we can better intervene in their production and better resist some of their effects (Jessop, 2001c: 2, emphasis in original).

Jessop thus transcends the dichotomy of fact and fantasy by complicating it, seeking to incorporate everything into the quintessential definition of globalisation. He certainly succeeds in encapsulating the debate in all its contradictory and ambiguous glory, and one cannot disagree with the comprehensiveness of his definition, which provides a valuable insight for any study of globalisation through his insistence that each, interconnected dimension is considered. Nevertheless, his conceptualisation does not elucidate a further critical element relating to *how the term is used*, and what the implications of this usage are for particular people in particular places.

Regardless of the lack of consensus over its meaning, and the valiant attempts to measure and define it, globalisation continues to dominate the vocabularies of policy-makers, the media, academics, and many others. Using the term globalisation as a description helps to shed light on some of the dynamics characterising contemporary society, to consider the extent to which cultures are hybridising, or the sovereignty of nation-states is being undermined, or the trade policies of the world are eliding. Recognising, however, the inadequacies of globalisation as a description, I resist the temptation of providing a further definition of what it is, what it entails and what its implications are. “The term globalisation suggests a quantum leap beyond previous internationalisation stages. It is surrounded by claims of disappearing borders and contains strong rhetorical overtones” (Ruigrok and van Tulder, 1995: 119). It is these overtones and their implications which must now be considered. This can be achieved if globalisation is viewed not as a description, but as a concept that can be explored in terms of its *discourses* (Figure 2.2).

Globalisation as a concept: the discourses of globalisation

In times of growing international turbulence, people tend to feel that the world has grown more complex or less manageable than before... A sense emerges that new forces have arisen whose strategies and objectives are not understood, and old blueprints do not seem to work any longer... In such times, there is always a grateful market for those who translate the “new complexity” into simple formulae and unambiguous recommendations (Ruigrok and van Tulder, 1995: 1).

‘Globalisation’ contains an element of truth, and there is merit in seeking to probe the significance of change, and the extent to which parallels with the past continue to operate. As a description, the concept is, however, over-extended. Disembedded from place and history, globalisation is misleading. Global-factualists draw attention to important changes but risk privileging the novel

over the enduring, and masking the continuation of an historically and spatially contingent process. By contrast, global-fantasists emphasise parallels with the past and inject scepticism, but risk trivialising the significance of recent developments.

The complexity of real-life interconnections explains the allure of globalisation as a catch-all label, reflecting the proclivity of people to impose simple typologies in an attempt to make sense of a complex social reality. Clearly, the use of the term globalisation as a description of the contemporary era is highly contested. While the more comprehensive definitions of globalisation encapsulate many of the contradictory processes occurring, they provide little insight into why the term has proved so popular, why it is so widely used, and why its connotations are so contested. Some scholars have therefore sought to move past the debate over globalisation as a description, by considering instead the *way in which the concept is used*, and to what effect (see Figure 2.2 for overview). Rather than asking to what it refers, they question what it means for the term globalisation to have appeared when it did, whose version of events it represents, and what are its implications. This introduces to the debate a critical dimension of globalisation relating to its representational power to frame people's understanding of how the world works, and the practical implications of seeing contemporary trends through the lens of globalisation. In my categorisation of the globalisation debate (Figure 2.2) I categorise these approaches as those which depict globalisation as a discourse (or discourses). This aspect of the globalisation debate has been discussed considerably less in the international debate than has the notion of globalisation as a description, but yields some equally important insights. For this reason Figure 2.2 depicts discursive approaches to globalisation at the same order of magnitude as descriptive approaches in seeking to understand the globalisation debate.

Low and Barnett (2000) focus on the ahistorical assumptions of the discourses of globalisation. They point out that while globalisation discourses appear to be all about contemporary transformations, disconcertingly, they turn out not to be about 'now' at all.

We are told that we live in a new world requiring new ideas, new policies, new organisations. Yet globalisation always refers to a deferred future, and it also depends on mythical constructions of the past. For globalisation discourse to have any force, it has to secrete as its shadow a historical view of self-sufficient nation-states, homogeneous linguistic and cultural communities, and state institutions which were far more democratically responsive and effective in regulatory, cultural and resource-extractive terms than they actually were (Low and Barnett, 2000: 57).

In this way, globalisation discourses designate temporally absent social units – both future world integration and preglobalised national societies – in order for the globalising present to make any sense (ibid: 58). This sheds light on the way in which discourses of globalisation harness Fortress New Zealand imagery to accentuate the differences between present and past, as emerges in Chapter Three.

Kevin Moore's (2000) Wittgensteinian analysis emphasises that the surface similarities that language can present should not distract us from the important differences in the way concepts are

used. His approach thus privileges the description of actual and possible *uses* of concepts over explanations (whether modelled on scientific or philosophical explanations) that aim to show why or how these concepts come to be used in the way they are, for terms are used in different ways to achieve different purposes (K. Moore, 2000: 230). This provides an important insight into the connotations of globalisation, explored further in Chapter Five.

The globalisation debate tends to focus on generic, structural processes, and inclines to sweeping generalisations rather than context-dependent analysis. Some commentators have accordingly sought to circumvent the descriptive difficulties of the concept by emphasising a view of the processes of society as a multi-dimensional time-space composite, evolving through the interplay of structure and agency, society and space (Dear, 1988: 268; Giddens, 1990).

Human landscapes are created by knowledgeable actors operating within a specific social context (structure). The structure-agency relationship is mediated by *inter alia* a series of institutional arrangements which both enable and constrain action... It is impossible to predict the exact outcome of structure and agency interplay because, while individual activities are framed within a particular structural context, they can also transform the context. Thus economic, political and social history is time-specific (relationships evolve at different temporal rates) but also place-specific in that these relationships evolve in particular locales (Dear, 1988: 269).

To understand the significance of the idea of globalisation, it is therefore important to consider the particular temporal and spatial context in which it emerges. The need to consider the role of human agents in the processes grouped as globalisation in turn raises the question of *who* is using the term, and how. This draws attention to the role of language in constructing the globalisation debate, which can be explored in light of Foucault's contention that language lies at the heart of knowledge and therefore power. Derrida (1992) suggests that language involves representations that are necessarily imperfect because of our inability to master it, and that consequently, what is written or said is no more important than what is excluded. Deconstruction is necessary to 'read for absences', to explore the assumptions and contradictions that underlie any representation, to provide an understanding of how reality is being constructed. This constitutes a "revolt against the constriction of language, attacking the intellectual conditions that enable domination of one discourse over another" (Dear, 1988: 276; Jarvie and Maguire, 1994: 225). In short, it is fundamentally important to consider the *context*, to tune into the register of meaning, so as to explore what the word means *within the particular context in which it is being used*.

Bourdieu and Wacquant (2000: 1) assert that a prevalent Newspeak – the 'new planetary vulgate' – dominates the vocabulary of "international officials, high ranking civil servants, media intellectuals and high-flying journalists". This vocabulary includes 'globalization', 'flexibility', 'governance' and 'new economy' as well as 'their 'so-called postmodern cousins', 'ethnicity', 'fragmentation, ' and 'identity'. Bourdieu and Wacquant argue that this vocabulary excludes such terms as 'capitalism', 'domination', 'exploitation' and 'inequality'. It reflects a new type of imperialism whose effects are all the more powerful because they have 'universalized the particularisms bound up with a singular historical experience by making them misrecognized as

such and recognized as universal' (Bourdieu and Wacquant, 2000: 1). In a similar way, 'the global' has become a common expression in a range of contexts.

Also focusing on the language of globalisation, Larner and Walters (2002) draw attention to the *magnitude* that globalisation implies. They note the tendency within the globalisation literature to focus on a totalising account of epochal change, and emphasise rather the dissonance and relativity of the debate, thereby attempting to 'dedramatise' the notion of globalisation. "We think this is important since globalisation is sublime, awe-inspiring, enchanting and terrifying; altogether too big" (Larner and Walters, 2002: 20). Their emphasis upon the *nominalisation* of globalisation permits them to view it as an irreducible moment of naming which individuates a set of forces, institutions, desires and fears. "It is this process that produces globalisation as being self-evident. Once it [was] named it became possible to think in that way" (Larner and Walters, 2002: 21). Again, this focuses attention on the construction of the concept, although it does little to explain the way in which it is harnessed, by whom, why, and how its effects are manifest. Globalisation is not so much a new epoch as a way of imagining human life: it is a 'world in the making', but this "making is being done through very specific imaginaries, processes and practices" (Larner and Walters, 2002: 16). This provides an important clue as to 'what's in a name': global-fantasists suggest that globalisation is best seen as the revisiting of old debates, and encourage a search of what globalisation was known as, *avant la lettre*. Yet this type of analysis raises the possibility that *avant la lettre*, globalisation *WASN'T*: the *particular* word chosen matters intensely. 'Globalisation' serves a constitutive purpose, emphasising a sort of structural determinism and a super-human scale that serves to diminish human agency.

Marcuse draws attention to the very fact of the fuzziness of 'globalisation', which he views as a 'nonconcept' in most uses, "a simple catalogue of everything that seems different since, say, 1970" (2000: 1). He points out that this usage has analytical implications at one level, but that it also has *political* implications, relating to the power of representations, and the particular interests that lie behind them – whose voice is heard, whose representation prevails.

The issue is more than one of careless use of words: intellectually, such muddy use of the term fogs any effort to separate cause from effect, to analyze what is being done, by whom, to whom, for what, and with what effect. Politically, leaving the term vague and ghostly permits its conversion to something with a life of its own, making it a force, fetishizing it as something that has an existence independent of the will of human beings, inevitable and irresistible (Marcuse, 2000: 2).

Marcuse calls for an analytical separation of technological globalisation – what I am labelling 'globalisation as a description' – and the globalisation of power. "We should speak of the existing combination of technological globalisation and the globalisation of power as 'really existing globalisation': this would highlight the possibilities of an *alternative* globalisation" (Marcuse, 2000: 2). He extends his argument to other euphemistic terms related to globalisation: the 'erosion of the nation state', which implies the fallacy of the homogenous state; 'human capital' rather than 'labour skills', 'governance' means diminished government; 'investment' may

mean expansion of productive capacity or pure speculation; 'reform' means privatisation. He points out that free markets are hardly costless as in 'free public education': the true term is 'private markets' and these limit, rather than expand, most notions of human freedom. In Marcuse's view, diminishing the fuzziness helps to elucidate the situation in terms of excluded and repressed voices, and permits examination of the 'microphysics of power' (Foucault, 1977).

These contributions stem from the recognition that while the term is certainly prevalent – according to Scholte (2000: 13), the vocabulary of globalisation has entered most languages – it is by no means universal, but is used by *particular* people to refer to *particular* trends for *particular* reasons. This has led some to focus on globalisation as a political strategy (Bourdieu, 1998) aimed at expanding and consolidating the hegemony of the United States through the global spread of the tenets of the neo-liberal Washington Consensus (Ruigrok and van Tulder, 1995; Jessop, 1999a, 1999b; Sum, 2001a). For Fairclough (2000a), globalisation signals the ascendancy of a restructured, 'global' form of capital. Language is an important part of this new order, because it involves the reflexive process of imposing new representations of the world. This includes the representation of globalisation as reality, through the construction of change as inevitable, as an external matter of fact which must be accepted and cannot be reversed or redirected, and as a process without responsible agents. Fairclough suggests that representations of change are pervasive, occurring across societies and domains of social life

Such representations work simultaneously...in naturalizing, mystifying and selling the new neoliberal capitalist order. The constant rehearsal of truisms has its own naturalizing effect. The representations of the world which it naturalizes construe it as out of time and transcending place. It is a present without a history, and therefore a timeless present.... What is naturalized and therefore mundanely familiar is a world in process of change which is at the same time an alien and disturbing world for the majority of people, whose daily lives are lived out in particular and diverse places and in sequential time... [T]he truisms are at best half-truths... systematically elided is the agency of those with power in the new order, the governmental and especially business elite (Fairclough, 2000a: 35).

Larner and Walters (2002: 3) draw attention to the problem that engaging with globalisation – however critically – can lead to the marginalising of other realities, other ways of describing the world, and the foreclosure of other political possibilities.

We need to map globalisation if we are to understand how political power understands its present, its objects, and its problems. However, mapping and critiquing globalisation is not enough. We also need to ask how the world could be imagined otherwise, and what political consequences this might have (Larner and Walters, 2002: 3).

The vocabulary of globalisation can therefore be seen as an important indicator of power relations, for it is used by 'important people' – decision-makers, opinion-shapers – whose actions have direct consequences for politics, economics and society, engendering a set of representations of 'how the world is' that assumes globalisation as a central reality. This line of enquiry dovetails with the suggestion of Foucault (1977) and Fairclough (2003) outlined in the Introduction, that dominant representations – what I am labelling discourses – do not only mask other views, but are actively constitutive of reality, in that they bring about consequences.

Hence “while empirically, the use of the term ‘globalisation’ is not justified, for internationalisation or regionalisation is a more accurate description; as a *discourse*, globalisation is powerful, as it permeates consciousness and fosters particular behaviour” (Jones, 1998: 20). Lerner argues “Globalisation did not begin to shape policy options in New Zealand because it was a faithful representation of reality, but because it was useful to the (Fourth) Labour Government” (Lerner, 1998: 603). This is slightly misleading, for the term globalisation was certainly not in common use in 1984. Nevertheless, in subsequent years, the discourse of globalisation has come to affect the perceptions of key decision-makers including business and government, taxpayers, employees, consumers and citizens. Business leaders, for example, speak of the competitive pressures resulting from the globalisation of markets, with little analysis of what ‘global markets’ actually are. Governments focus on a narrow range of fiscal and monetary instruments for economic management, surrendering much sovereignty to the pressures that they think globalisation puts them under. Employees accept these developments, and the resulting cost in terms of employment of plant closures, ‘outsourcing’ and so forth, as the inevitable consequences of globalisation. Consumers demand increasing value for their dollars, assuming that global competition will lower prices. Citizens come to accept limits to democracy in terms of the constraints globalisation places upon their governments being able to implement their will, accepting adverse changes as the inevitable consequence of external forces rather than domestic decisions. “We are thinking in terms of a globalisation era” (Jones, 1998: 18). Focusing on the language that is employed, and by whom, permits consideration of the idea that “globalisation is not a new reality forcing New Zealand state and citizens into new roles... political ambitions and social practices together act to constitute globalisation as the predominant representation of life in New Zealand” (Lerner, 1998: 600).

The actions of global-factualist detractors and defenders thus paradoxically reinforce the reification of globalisation as an inevitable external force spreading across the world. In protesting against it or supporting it, they create and add fuel to its rhetoric. A battery of supporting images, bombarding the public through the media, business, government and academic writing further support this reified image. “Globalisation has unleashed forces world-wide which create political instability. In New Zealand, politicians are dancing to MMP [the mixed member proportional electoral system] lyrics but the tune and the rhythm is global” (Bennett, 1995: 8). This sort of hyperbole serves to further naturalise the reification of globalisation, as well as illustrating the role of the media in the creation of the globalisation discourse and its undermining of individual agency. Metaphors such as ‘time-space compression’, ‘fragmenting identities’, the ‘borderless world’, and the ‘global village’, grouped together as the consequences of ‘globalisation’, have powerfully conditioned people’s acceptance that the Leviathan of globalisation defines contemporary reality. Its seeming inexorability undermines people’s sense of agency, creating disempowerment and apathy (Macnaghten and Urry, 1998) as the reified entity becomes naturalised and ‘taken for granted’ (Fairclough, 1992).

From this perspective, representations of globalisation as a description of reality used by powerful people help to legitimate and reinforce the processes thus labelled. Similarly, the discourse of economic globalisation reifies 'free trade' and 'economic growth' so that these representations become accepted as appropriate 'ends' or goals for society. This removes from consideration the alternative view that these are simply one set of performance indicators, among many. Analysing globalisation as a set of discourses makes it possible to further explore the connotations of English as the *lingua franca* of global communications, by exposing for debate the values that this necessarily incorporates. It also enables the images of globalisation to be considered from various points of view, exposing to debate such questions as the extent of the power of supra-national institutions or global capital. This in turn permits consideration of what room there is to move, how are real the risks of capital flight, economic sanctions or 'stagflation' (Bill English, Leader of the Opposition, *Morning Report*, 7 October 2000), what are the effects of cultural hybridisation, and to focus on the question of state autonomy and its ability to articulate and pursue international and domestic policy objectives, independent of external forces (Kelsey, 1995: 170). Of course, this focus on the discursive aspects of globalisation should not engender a false sense of security nor lead to globalisation being dismissed as 'just talk', because of the constitutive effects of discourse. Once governments have opened the door to extensive foreign direct investment and the risk of negative investment flows, or ratified international agreements that limit the scope of domestic policies, their future options will become more constrained (Kelsey, 1997: 126). At the very least, the discourse approach encourages a more critical examination of representations and images associated with the notion of globalisation.

Of course, there is as much danger of over-extending the analysis of globalisation as a discourse as there is in seeing it as a description. Both risk presenting an image that emphasises the macro (such as the extent to which globalisation or de-differentiation are occurring) at the expense of the micro (such as the continuing importance of ethnic identity and the still-forceful power of nation states on one hand, and the necessity of considering the specific temporal and spatial context on the other). Moreover, "while it is true that the peoples of the English-speaking world do share many similarities, one has to only visit Australia, New Zealand, the United States and the United Kingdom to see that these are, in many respects, very different places... Why then should theory developed in Anglo-America be directly applicable to Australasia?" (Perkins, 2000: 263). Nevertheless, these theories have a critically important contribution to make to the question of globalisation, providing a clue as to why the concept is widely used, contentious and powerful. Post-modern discourse analysis makes it possible to consider the language used to maintain the hegemony of privileged discourse, to strip away the layers of representation and to explore alternative interpretations. It can offer insights into the process whereby 'thinking makes it so', by recognising the dialectical connection between discourse and practice, and the way in which the globalisation discourses frame the context within which influential decisions are made. Further, the dialectical view of the link between discourse and practice makes it possible from this perspective to incorporate a focus on actual changes associated with globalisation.

My conception of globalisation

My contribution to the globalisation debate rests on my identification of the distinction between globalisation as a description, and globalisation as a discourse (Figure 2.2). I encompass both facets in my analysis of globalisation in New Zealand, exploring globalisation both as a *description* of contemporary life, and as a *representation* or particular usage. This leads me to consider the significance of *understanding* contemporary conditions as globalisation, and examining recent developments through the lens of the discourses of globalisation. It is important to recognise that the two are dialectically entwined: observations of change prepare the ground for the seeds of globalisation; just as the idea of globalisation as a description of the present leads to certain policy options being selected over others. Nevertheless, it is of considerable analytical use to retain the distinction.

My approach thus differs from that of many of the theorists identified above, even if it inevitably reflects these origins. With reference to New Zealand globalisation-theorists, the prolific Kelsey (1995, 1997, 1999, 2002), a law professor and vehement global-factualist detractor, uses methodological and theoretical foundations very different to mine, even if I am sympathetic to many of the issues she raises. The 1998 work of sociologist and geographer Larner proved invaluable as I developed my initial approach to the notion of New Zealand and the discourse of globalisation, although my historical and naturalistic research differ markedly from her macro-level analysis. Her more recent work (2001, 2002) is interesting and relevant to the themes that emerge in my research, but her Foucauldian approach goes much further than mine. My grounded study, historical context, in-depth interviews and use of critical discourse analysis thus offer a fundamentally different, 'micro-level' and empirical perspective of globalisation in New Zealand.

In the next two chapters, I consider the idea of globalisation as a description of contemporary New Zealand. I examine parallels with the past in terms of international connectivity, which leads me to employ a broadly global-fantast perspective from which I seek to evaluate the claims to novelty; although I incorporate an analysis of 'actual' developments and changes that are frequently viewed as indications of globalisation. Yet the existence of these considerable parallels with the past does little to dispel the dominant understanding that globalisation is the defining feature of contemporary New Zealand life that emerges in my recent research. From Chapter Five onward, I therefore examine the way in which globalisation is talked about, using Fairclough's critical discourse analysis to explore the discourses associated with globalisation and their construction of reality. This is not, of course, to suggest that I am exposing the 'objective truth' about globalisation, but simply that the prevailing view indicates the operation of particular ways of thinking and doing, which can thus be exposed to debate.

Chapter Three: Inextricably Global

Novelty is a central implication of the notion of globalisation. The term implies an unprecedented and ubiquitous process drawing all countries into a web of interdependence. Yet in New Zealand, many of the phenomena now labelled globalisation have a very long history. As I demonstrated in Chapter Two, much of the international globalisation debate seeks to make sense of broad patterns and developments occurring at a macro-level, rather than building on analyses of local specificities. Furthermore, much of the analysis has been carried out in the large, developed countries of the Northern Hemisphere and reflects this context. By contrast, my analysis starts at the micro-level, examining developments in the context of New Zealand's specific historical and geographical circumstances. New Zealand's conditions are distinctive, and quite unlike those of the Northern Hemisphere contexts within which much of the analysis of globalisation has been developed. Regardless, ideas developed in these highly dissimilar contexts have frequently been imported into New Zealand and indiscriminately applied irrespective of their lack of fit. The notion of globalisation as a defining, novel feature of contemporary reality has been widely accepted in New Zealand, masking the historical parallels that persist as a result of its small population, geographic isolation, high living standards, external trade dependence and consequent vulnerability to external developments.

The next three chapters provide the historical background for contemporary discussions of globalisation in New Zealand, suggesting that the country's economic and social development can *only* be understood in light of its international connections. While it may appear obvious that New Zealand's external connections are its *raison d'être*, and indeed, that without them, it wouldn't be New Zealand, this is routinely overlooked by commentators using globalisation as an explanatory tool. This chapter therefore constitutes a broadly global-fantasia assessment of New Zealand's external connections and the way that these have influenced its development, following a chronological path from New Zealand's earliest development through to 1984. I explore two themes: that New Zealand's development has always been affected by external circumstances; and that until 1984, governments were able to, and chose to, influence the way that these external factors impacted upon New Zealand. In Chapter Four the focus changes as I consider the material consequences of the restructuring that began in 1984, while in Chapter Five I examine the concurrent discursive changes. They provide essential background emphasising New Zealand's distinctiveness and dissimilarity from other Western countries, and demonstrate that in several important ways, in New Zealand at least, globalisation is nothing new.

Inextricably global: New Zealand in the global economy

The founding of New Zealand as a European community was a product of developments on the other side of the world, and ... much of New Zealand's fate has been related to conditions elsewhere. This is all part of the process of applying inventions to the work of production. Materials from various parts of the world may be used in producing a single article, remote places have been brought into contact by speedy transport and communications, the interests of

peoples who never see each other have become linked in a world network (Condliffe and Airey, 1953: 242).

New Zealand's existence, establishment and development reflect the interplay of international cultural, political and economic forces; and the ongoing process of technological change, steadily improving transport and communications and increasing external connectivity. New Zealand came into being as a polity in the context of the global expansion of capitalism in the eighteenth and nineteenth centuries. International trade has comprised a substantial share of New Zealand's economy since the 1790s. Expanding global markets, central to the imagery of globalisation, have, since New Zealand's inception, determined the direction of its economic and social development. Foreign direct investment has made up a substantial proportion of capital formation since the early nineteenth century. New Zealand's economic success has long depended on a combination of international demand for its commodities, and the exertions of local entrepreneurs, to exploit opportunities in the global market. In cultural terms, New Zealand's history is characterised by constant hybridisation and adaptation, and reflects the interplay of cultural influences from Polynesia, Europe, Australia, the United States, and Asia. Hence these hallmarks of globalisation (Beynon and Dunkerley, 2000), allegedly unprecedented both qualitatively and quantitatively, have a long track record in New Zealand.

It could be argued that the arrival of Polynesian explorers between AD 800 and 1100 (Davidson, 1996: 4) represented the beginning of globalisation in New Zealand, if globalisation were used to refer to the increasing scope of exploration and the stretching of social relations made possible by improvements in navigation and seafaring vessels. It was however the arrival of European influences from 1642 that began many of the processes now interpreted as globalisation.

New Zealand's early external connections have been comprehensively researched from 1769 (for Tasman's brief visit to New Zealand in 1642 was not followed by Europeans for almost 130 years) to 1935, and a brief overview of the existing scholarship suffices. From 1935 onward, however, the historiography becomes more contentious, and it is here that my contribution diverges from the prevailing view. New Zealand's recent historiography tends to juxtapose contemporary 'globally-connected New Zealand' against the insular and isolationist 'Fortress New Zealand' of the post-war years (Bassett, 1998; Belich, 2001a, 2001b). This clear distinction between the two eras is not supported by my analysis of Budget Statements from the public sector, and annual company reports from the private sector, from 1935 to 1984⁹. These sources rather emphasise that external connectivity has always been a fundamental feature of New Zealand's development, and this impression is reinforced in earlier accounts of New Zealand's

⁹ As stated earlier, these sources are used in full recognition of their intended purpose, which was to convince the electorate and shareholders respectively of the *desirability* of their policies to ensure support. They provide, however, an insight into concerns, preoccupations, language and assumptions of the day, which I contextualise by balancing my findings against contemporary media reports, journal articles, and New Zealand literature. In this way, I situate the texts and issues in the relevant chain of events, and illustrate the social context within which the various issues were raised and debated, in terms of salient domestic occurrences (elections, social concerns) as well as important international events (wars, fears of Communism, movements in the international economy).

history. Before outlining my analysis, it is first necessary to establish some concepts that help to make sense of patterns in the international context within which New Zealand's development has unfolded.

Situating New Zealand in the global context

Concepts developed by Wallerstein (1974, 1984) and Kondratieff (1935) help to make sense of the external context within which New Zealand's development occurred. Wallerstein examined the international capitalist economy as a world system characterised by dynamic relationships between the industrial 'core' of the developed world and the agricultural 'periphery'. While Wallerstein's theory has been criticised for the generality of regular, macro-sociological laws that apply across all time that it suggests, his concepts can be employed without the grand theory if they are rather seen as simplified exaggerations of social phenomena, so as to understand the chronology and broader context of local developments (Ragin and Chirot, 1984: 284). Drawing on Wallerstein's analysis, Armstrong (1978: 299) described New Zealand as one of the 'dominion capitalist' countries, occupying an intermediate position between the centres and the peripheries and exhibiting characteristics of both (Roche, 2001). This helps to elucidate the context within which New Zealand's development occurred, even if it fails to explicate New Zealand's *differences* compared with other dominion capitalist countries such as Australia (explored later).

Kondratieff (1935) noted that the world capitalist economy is subject to waves of fifty to sixty years in length, with troughs around 1790, 1844-51, and 1890, and peaks at 1810-17, 1870-75 and 1914-20 (Rostow, 1975: 720). While a causal mechanism has never been adequately identified, their existence is indisputable (Hobsbawm, 1994a). Within these long waves, Schumpeter (1939) discerned shorter waves of eight or nine years and 40 months, viewing this boom and bust succession as one of the dynamic characteristics of capitalism (Bottomore, 1985: 82). Whilst these are crude generalisations, they help to situate developments in New Zealand in the international context. Importantly, just as New Zealand has historically been influenced by price oscillations in the international economy, so it has also affected by the regulatory responses that these crises trigger. Superimposed on the Kondratieff cycles is the tendency for the direction of government management to oscillate between the two broad positions of the market liberal model and the centralist model (Le Heron and Pawson, 1996: 10). Again, local manifestations vary, but an international trend can be discerned in New Zealand in its adoption of social democracy in the 1930s, which was then rejected fifty years later in favour of neo-liberalism.

Neo-liberalism and social democracy are of course terms which must be carefully defined. Social democracy, sometimes labelled Keynesianism, refers to the approach to economic management introduced in New Zealand by the First Labour Government from 1935, and also pursued in other Western democracies from around that time. Built on ideas developed by Keynes in response to the economic crisis of the Great Depression, social democracy was a system of economic management that accorded the state a central management role, using policies that sought to foster levels of demand sufficient to stimulate and maintain production, economic growth, production

and employment. The system rested upon a comprehensive welfare state, and policies to redistribute wealth, including a progressive tax regime, to support production and contribute to capital accumulation (Dixon, 1997: 353). I also use the term in a broader sense to connote the active commitment by the state to social welfare, which is evident in budget statements from 1935 to the beginning of the 1980s.

The term neo-liberalism, variously referred to as the New Right, libertarian right, economic liberalism, *laissez-faire*, and more recently the 'Washington Consensus', describes the approach to economic management which supplanted social democracy in New Zealand from 1984, and elsewhere in the West from the late 1970s. Neo-liberalism comprises a mixture of classical liberal philosophy and present-day market-oriented theory, representing the convergence of neo-classical and supply-side economics, monetarism, public choice theory, agency theory and rational choice theory. It is underpinned by the assumption that individual liberty is morally desirable and conducive to the well-being of society. This is coupled with scepticism about the capacity of an activist government to improve upon the outcomes of voluntary exchanges, for maximum personal freedom in economic life is seen as leading to the most efficient societal outcomes and the highest overall level of economic welfare (Brook Cowen, 1997: 341, James, 1997: 19).

The sixty-year Kondratieff waves also correlate broadly with the span of a human memory, from the time that a person becomes aware of issues, to the time that they stop actively participating in society and economy. I have found no research on this phenomenon, which strikes me as a critically important dimension of the way in which ideas or discourses are adopted and abandoned, accounting in some measure for the element of fashion that characterises popular ideas. Bertram referred to this correlation by implication in his observation that for a generation after the Great Depression, "neoclassical macroeconomics was considered discredited almost entirely on the basis of its failure to predict, and then its failure to offer remedies for, the Depression's impact on output and employment" (Bertram, 1993: 29). Similarly, octogenarian Hobsbawm noted in 1994 that

Those of us who lived through the years of the Great Slump still find it almost impossible to understand how the orthodoxies of the private free market, then so obviously discredited, once again came to preside over a global period of depression in the late 1980s and 90s, which, once again, they were equally unable to understand and to deal with (Hobsbawm, 1994a: 103).

Admittedly, this is a sweeping generalisation, for Hayek and others came to very different conclusions, yet ideas are formed in particular temporal and spatial contexts and thus exhibit an element of fashion. I consequently view the human memory span as an important element in Kondratieff waves and the regulatory responses that they spawn.

As 'the state' is an important actor in these processes, it is important to clarify in what sense I use the term. McLean notes that it has become common to conceive of the 'government of the day' as the 'state', but many competing conceptions of 'the state' exist. In the law, for instance, dominant contemporary regulatory instruments, such as the international treaty and regulatory contract,

promote a conception of state as a “unified juristic person which is constant over time” (McLean, 2003: 20). This yields power to the Executive, which in certain circumstances gains the ability effectively to bind both its successors and successive legislatures. This version of ‘the state’ differs, however, from the way that government has traditionally been conceived of by domestic public law in the Anglo-American tradition, which has tended to understand governments in terms of their rival component parts rather than as a unified whole (McLean, 2003).

The law respects and upholds state undertakings in treaties and contracts: governments must keep their promises. By contrast, the promises made to the electorate are not promises made by the government or the state, but are merely the undertakings of political parties with no legal significance. It is how the government legal actor is conceived that is determinative. The combination of the two prevailing regulatory instruments in this era of globalisation tends to put public politics, and domestic public promises, on the margins. In order to maintain a public place for politics – outside of the courts and international forums – we should start by becoming more self-conscious about who we mean when we refer to the state (McLean, 2003: 24-5).

I therefore distinguish between the *government of the day*, and the *state*, using the term ‘government’ to refer generically to the former. Where further specificity is warranted to discuss the actions taken by particular governments, I identify them numerically (for example, the ‘First Labour Government’) or with reference to the prime minister of the day (‘the Holyoake Government’) as is the convention in New Zealand historiography.

The ‘state’ is a trickier proposition, and the term warrants careful elucidation. Assuming that ‘the state’ exists (even this is debated, but it is necessary to start somewhere) as a necessary response to the need to coordinate human activity, there are multiple ways in which it can be defined. Definitions could proceed, for example, on the basis of its legal form, its coercive capacities, institutional composition and boundaries, internal operations and modes of calculation, declared aims, functions for the broader society, and its sovereign place in the international system (Jessop, 2001a, 2002a).

Jessop (2002a) offers four different conceptions of ‘the state’. First, common parlance frequently depicts the state as a subject, evident in comments that ‘the state should interfere less’, or ‘the state should do something about it’. This type of rhetoric posits the state as a unified entity: a thinking, feeling subject analogous to a human, raising obvious problems given evident dissimilarities. Secondly, it is possible to define the state in terms of its juridical function in maintaining a monopoly over the means of coercion in a given territorial area. This is the sense in which many of the globalisation theorists conceive of the state. For Held (2000), for example, modern nation states are defined by a correspondence between sovereignty, territory and legitimacy: they have supreme jurisdiction over their territory, they enjoy a monopoly over coercive power, and enjoy the legitimacy of their citizens (Held, 2000). Yet as Jessop (2002a) notes, this definition is problematic, for states do not always act according to law, violence and law are not necessarily the core features in the exercise of state power, politics and law are confused, and the problem of defining ‘state’ is displaced to the problem of defining ‘sovereignty’.

Thirdly, the state can be defined in functional terms as contributing to social cohesion; yet even this raises problems: should it be understood in terms of its functions or its institutions? Emphasising its cultural boundedness, Weber (1930/1992) referred to the modern state “in the sense of a political association with a rational, written constitution, rationally ordained law, and an administration bound to rational rules or laws, administered by trained officials” (1992: 16). He subsequently rejected functional definitions, however, noting that there is no function that states always perform exclusively, and no function that states have not performed (Jessop, 2002a). For Gramsci (1971), the state is defined by hegemony armoured by coercion (Jessop, 2002a), or alternatively, the state is the sum of political society and civil society. Jessop notes that this is a more useful approach to state *power* rather than its apparatus, and that the institutions of the state still warrant careful analysis.

Alternatively, from a discourse perspective it is possible to define the state as a social construction that depends on the prevalence of state discourses, and exists because people orientate their actions to the state and act *as if* it existed. From this perspective, there is no common discourse of the state, and there are as many states as there are discourses about the state (Jessop, 2002a) – offering little in the way of elucidation.

Finally, for Poulantzas (1978), the state is a social relation: rather than a thing or a unified subject, it is a relationship between people mediated through their relationship to a set of political institutions. Jessop (2001a, 2001c) asserts the need to establish the historical specificity of the ‘capitalist type of state’ and its articulation and interpenetration with the wider social formation, to avoid fetishising and naturalising the institutional separation between economic and political, public and private, domestic and foreign and so forth. From his strategic-relational perspective, he defines the state as a:

relatively unified ensemble of socially embedded, socially regularised and strategically selective institutions, organisations, social forces and activities organized around (or at least involved in) making collectively binding decisions for an imagined political community (Jessop, 2002a: 2).

Hence while state theorists question whether ‘the state’ is a thing, a subject, a social relation, or simply a construct that helps to orientate political action, for Jessop, viewing the state as a social relation provides a relatively coherent solution to many of these problems. Examining the state as an emergent feature of sovereignty, governance, social relations and the particular national context on the basis of this definition makes it becomes possible to consider what *is* ‘the state’ in New Zealand. Jessop’s approach draws on the regulation approach of the ‘Parisian school’ (Boyer and Drache, 1996; Jessop, 1992, 1994, 1999b), which regards market forces as just one of the factors (albeit an important one) contributing to capitalist expansion. This approach consequently rejects the assumption of classical economics that there is a clearly delimited, socially disembedded sphere of economic relations, with a tendency to general equilibrium, supporting instead Polanyi’s (1957) analysis of the institutedness, embeddedness, and dis- and re-embedding of economic activities. Regulationists also emphasise the variability of capitalism

across time and space, and the need to describe and explore these variations, as well as the generic features of capitalism (Jessop, 1999b). It suggests an ongoing crisis-mediated movement from one regularised form to another regularised form of capitalism, each characterised by its own distinctive dynamic and crisis-tendencies (Jessop, 1999b: 6).

From the regulation perspective, the capitalist economy includes economic and extra-economic factors (such as institutions, collective identities, shared visions, norms, conventions and so forth). These have important roles in structuring or 'regulating' the process of capital accumulation. Consequently, regulation theorists attempt to integrate the analysis of political economy with that of civil society and the state, to show how they interact to 'normalise' the capital relation (Jessop, 1999b: 5).

[E]conomic rationality and dynamics cannot be adequately analysed in terms of pure exchange relations; and exchange is not entirely driven by profit-maximisation... Rather, [it] emphasises changing economic norms and modes of economic calculation... [and is thus] concerned with the socially embedded, socially regularised nature of capitalist economies, rather than with pure, self-regulating market phenomena (Jessop, 1999b: 4-5).

In emphasising the centrality of social relations, the regulation approach recognises the variability of capitalism across time and space and the consequent importance of describing these variations, providing a further justification of my empirically grounded approach. Jessop's conceptualisation of the state dovetails with my own attempt to ground globalisation in the appropriate historical and geographical context, and provides a useful starting point for an analysis of the state in New Zealand, for in tackling globalisation, it is impossible to avoid analysing 'the state'.

Armed with these concepts, I go on to explore the international context within which New Zealand's development occurred from earliest European contact to 1984. Throughout the period in question, New Zealand's domestic conditions were affected by technological developments, oscillations in the international capitalist economy, and external cultural and political developments – all of which remain central features of New Zealand, in contrast to the novelty implied in the 'age of globalisation'.

New Zealand's early development: 1642 to 1935

New Zealand's historical development has been strongly determined by its global context since earliest European contact. The instructions issued to Abel Tasman, who in 1642 became the first European to visit New Zealand, represent a symbolic starting-point for analysing New Zealand's international connectivity. These distinguished between 'savage' and 'civilised' races (foreshadowing attitudes evident in later attempts to 'civilise and Christianise'); and recommended that trade was to be the basis of any kind of interaction with local peoples (Owens, 1996: 29). Although no substantial developments immediately followed, these themes encapsulate the cultural hybridisation and external economic interdependence that have characterised New Zealand's development ever since.

James Cook's arrival in 1769 began the process by which New Zealand was brought into the orbit of Britain's expanding empire and the international economy, through the dual imperatives of trade and culture (Salmond, 1991, 1997). Cook's optimistic proposals for the British settlement of New Zealand supplemented its economic utility, and New Zealand was rapidly incorporated within the expanding Pacific economy through the exploitation of its timber, flax, seals, whales and fresh food (McAloon, 2002d: 3).

The *Britannia's* sealers were the first European gang left in New Zealand, and their landing [in 1792] marks the beginning of the globalisation of the New Zealand economy (McAloon, 2002d: 4).

The development of New Zealand's resource (McAloon, 2002d) or quarry (Armstrong, 1978) economy occurred through a convergence of factors: market demand in the Northern hemisphere; the expansion of imperial capitalism; the availability of New Zealand's resources themselves; and external political decisions. New Zealand produce was, for example, treated as Australian by successive administrations in Sydney and London, and Australian vessels were allowed to trade directly with Britain from 1819, intensifying the exploitation of New Zealand resources (McAloon, 2002d: 5). From 1800, one industry after another collapsed through over-exploitation (sealing, whaling, timber); but the foundations for an export-dependent economy geared to international markets were firmly established.

Maori were increasingly included within the ambit of British capitalism both through trade and capitalism's 'moral economy' (McAloon, 2002d: 5), which encouraged cultural hybridisation through European determination to 'civilise' and Christianise. The process of colonisation was thus ideological and social as well as economic, and was intended (in the words of Goderich, the Colonial Secretary, in 1833) "to transfer to distant regions the greatest possible amount both of the spirit of civil liberty and of the forms of social order to which Great Britain is chiefly indebted for the rank she holds among the civilised nations" (cited in Cain and Hopkins, 1993a: 98).

The settlement of New Zealand occurred within the volatile dynamics of a rapidly evolving international situation, reflecting the technological advances and capitalist expansion of the eighteenth and nineteenth centuries. The British Industrial Revolution involved the expansion and global penetration of capitalism, enabled by the vastly improved communication made possible by railways and increasingly fast, big and reliable sailing ships, and between 1780 and 1840, international trade of the world trebled (Hobsbawm, 1994a: 210-2). The pull of capitalist expansion was matched by the push of poor social conditions, leading to mass emigration. In the second half of the nineteenth century, nine million people left Europe, most for the United States (Hobsbawm, 1995: 193), but also to Canada, Australia and New Zealand. Hence technology, communications and capitalist expansion acted together, "drawing together all parts into a single world system" (Hobsbawm, 1995: 65), leading contemporary commentators to remark that

Modern Industry has established the world market... This market has given an immense development to commerce, to navigation, to communication by land (Marx and Engels, 1848/1998: 36).

The imperative for New Zealand's economic and cultural development intensified in the 1820s and 1830s, culminating in systematic colonisation. Wakefield's proposals implied "a new international division of labour, with the colonies trading primary produce for metropolitan manufactures" (McAloon, 2002d: 7), foreshadowing the future development path of New Zealand's economy and society. The Imperial connection enabled New Zealanders to achieve living standards far higher than those of most agricultural exporters; but also encouraged New Zealand's ongoing dependence on primary commodities, and consequently increased its vulnerability in the face of dynamic external markets (Schedvin, 1990).

The British connection was formalised in 1840 with the Treaty of Waitangi and in 1841 New Zealand became a Crown colony. Described as "hastily and inexpertly drawn up, ambiguous and contradictory in content, chaotic in its execution" (Ross, cited in Owens, 1996: 51), the Treaty has presented problems ever since, relating both to the interpretation of the text and in deciding which of the several versions, in English and Maori, is authoritative. In practice, the Treaty represented the transferral of Maori sovereignty to the British Crown, paving the way for systematic deprivation of land and other resources from the Maori, resulting in 160 years of contention and controversy that continue in contemporary New Zealand. From 1845 onward, colonisation proceeded apace, alongside the rapid development of New Zealand's externally focused economy and its bicultural society, the European component of which mushroomed, soon overtaking Maori in numbers and influence.

New Zealand's dependence on international trade has historically rendered it unusually vulnerable to oscillations in the world economy. This effect has been amplified by its comparative advantage in primary production and consequently narrow range of export commodities, concentrated in industries well known for their international price volatility. New Zealand's vulnerability is further magnified because the small domestic market limits the scope for insulation through domestic demand, as can occur in countries with larger populations. These features remain as relevant today as they were during the colonial era, although at that time the unidirectional export market further exacerbated New Zealand's vulnerability. From 1870, when the Franco-Prussian war precipitated a steep decline in Britain's economy, falling prices catalysed a depression in New Zealand that lasted until 1895, although this was until 1878 countered by heavy foreign investment (Gardner, 1996: 69-75).

In response to New Zealand's economic and social development imperatives, the New Zealand state became an important agent, first in the provision of capital (borrowed primarily from Britain), and from the 1870s, in its infrastructural investment. Recognising that the lack of internal communications within the long, rugged country were hampering development, Vogel, the Colonial Treasurer from 1869, embarked upon a public works scheme to provide rail and road networks, and an ambitious public immigration scheme. The twenty million pounds borrowed by 1880 enabled the development of rail and road networks. It also plunged the colony into external debt, exacerbating the impact of the depression by incurring further debt to cover interest

repayments (Gardner, 1996: 71). Debt and heavy government expenditure worsened New Zealand's financial predicament, which declined still further with the collapse in 1878 of the City of Glasgow Bank, a principal credit agent in New Zealand (Gardner, 1996: 75). This rapid reverberation of financial repercussions across the globe injects relativity into assertions as to the novelty of the economic destabilisation made possible by instantaneous electronic communication (Giddens, 1999a).

Ongoing technological developments had implications for New Zealand's economy and society. Continuous improvement in fuel consumption increased the range of steamships in the nineteenth century (Harley, 1998: 58), although sailing ships continued to compete for fifty years after 1850, because of their cost-efficiency for bulk cargoes on long routes. By 1883, the New Zealand Shipping Company had a direct line of steam communication with England (Holman, 1973; Morrison, 1948: 103). This, in conjunction with refrigeration technology, expanded New Zealand's sheep-farming industry to include the export of frozen meat. Freezing works were rapidly established in Canterbury: the Canterbury Frozen Meat Company established in 1882, and the Christchurch Meat Company in 1889, and Canterbury lamb became established on the British frozen meat market as a sign of quality and reliability (Roche, 2001: 155). New Zealand's range of export commodities diversified still further with the export of butter and cheese after 1890 (Brooking, 1996: 236). The developing dairy industry was assisted by mechanisation, increasing production and reducing farm labour requirements; and by the improved road and rail network. While this diversified New Zealand's exports, it increased dependence on Britain (Armstrong, 1978), an effect Belich (2001a, 2001b) labels 'recolonisation'.

Improvements in communication and transport permitted the further expansion of New Zealand's settlement, and cultural influences from abroad continued to penetrate, hybridising in the new colonial context. The influence of the British connection in the establishment of 'the new and better Britain' envisaged by Wakefield is mythologised in Christchurch, which has the reputation for being the "most English of New Zealand cities" (Canterbury Horticultural Society, 2001). Yet as Cookson emphasises, this "does not mean that Christchurch's Englishness is the real thing. Its English identity is a feat of imagination, not replication. In its urban form and much else, Christchurch has always been more recognisable as a colonial and New World town" (Cookson, 2000a: 13). Poet D'Arcy Cresswell declared in 1928 "the layout of the city is not English; the houses are not English; and there is little English architecture" (cited in Cookson, 2000a: 31). One early impression of Christchurch was that it "looked regrettably like a whistle-stop in the middle of the American prairie" (McIntyre, 2000: 96). Villas with wrought-iron decorated verandas and gabled bays, common in both Australia and the US, were popular from the 1870s, following the same pattern as subdivisions in Melbourne or Los Angeles (McIntyre, 2000: 100). New Zealand's colonial architecture thus represented an amalgam of Australian, American and British influences ranging "from Gothic to Italianate, Chicago to Classical, in a pot-pourri of styles not reducible to English origins" (McIntyre, 2000: 100). The American influence is notable in light of more recent allegations of 'Americanisation'. As part of the Empire, the British

cultural influence was strongest, unsurprisingly, given the origins of many of the settlers. This tendency was exacerbated by the overwhelming focus of the colonial economy on the export of primary production, lack of secondary industry and corresponding British origins of manufactured goods (Armstrong, 1978). Yet the British influence was never hegemonic, for New Zealand represented a hybridisation of cultures. The Imperial connection was emphasised, however, with the Boer War and the First World War, where New Zealand fought in support of Britain, further consolidating the connection.

New Zealand's early economic, political and social conditions thus reflected its international context, and this conjunction set the path along which subsequent developments occurred. As the population grew, secondary and tertiary industries developed, but the dependence on a narrow range of primary products for export income continued, and New Zealand remained largely dependent on Britain for imports and exports (Brooking, 1996: 232). Successive governments supported technological advance and its diffusion, and New Zealand's economy benefited from ongoing technological and scientific development in the early twentieth century, enabling a shift from pastoralism to intensive farming (Brooking, 1996: 236). The state played an important role in encouraging the development of agriculture from the 1920s with the identification of falling soil fertility, evident in the establishment of the Department of Industrial and Scientific Research and Massey Agricultural College, and the upgrading of Lincoln College (established in 1878). The state also set up marketing boards, provided credit, and promoted closer land development (Brooking, 1996: 238-41).

The state was also the main agent in the provision of electricity and in the development of communications and transport networks (discussed further in Chapter Six). The state-funded main trunk railway line was completed in 1908 in the North Island (Watson, 1984: 127) and the South Island in 1945 with the final link from Christchurch to Picton (McLintock, 1965: 34). Similarly, the state was involved in the development of the air network, within New Zealand and between New Zealand and the outside world (see Chapter Six). It avoided, however, becoming involved in shipping, despite the critical importance of this line of communication for the economy, and private enterprise capitalised upon the opportunity.

An interesting example of New Zealand's early global connectedness is provided by shipping, which was dominated by British capital, increasingly so as the nineteenth century wore on. Of all the arrivals and departures at New Zealand ports, 87 per cent were British-owned ships in 1890, 92 per cent in 1900 and 97 per cent in 1910 (McAloon, 2002c: 69-70). McAloon notes that in effect, there was not the capital in New Zealand to establish large shipping companies. Even the two apparent exceptions, the Union Steam Ship Company based in Dunedin, and the New Zealand Shipping Company founded in Christchurch, relied extensively on British capital (McAloon, 2002c: 70). The Union Steam Ship Company of New Zealand, established in 1875, was New Zealand's first truly successful, specialised steam ship company. Financed in part from Scotland, and, after 1878, with the shareholding largely based in London, control of the company still

remained in Dunedin (McLean, 1990: 25-30). By the turn of the twentieth century, the Union Steam Ship Company was the largest business in the colony (NZHA, 1997: 56), and in 1913 it was by far the Dominion's largest employer (McLean, 1990: 195). Despite the capital-intensive nature of the operation, the enterprise was exceedingly profitable: the company's annual return for the first 39 years for which figures were available averaged ten per cent (McLean, 1990: 200). McLean attributes this success to technological innovation, auspicious timing, good fortune and the intelligence and temperament of the individual entrepreneur. The opportunity was recognised more widely: in 1917, the Union Steam Ship Company was bought by P&O (ibid).

From the beginning, New Zealand's development was thus inextricably affected by the global context. Since earliest European contact, its economy was characterised by high dependence on external trade, overwhelmingly directed to Britain, and rested upon a narrow range of export commodities particularly prone to volatile international prices. These factors also influenced the geographic distribution of development and influenced New Zealand's largely bi- but increasingly multi-cultural society, which was increasingly dominated by European influences, primarily from Britain but also from Australia and America. These developments occurred against a backdrop of the long waves of the international capitalist economy, mediated domestically by the state.

New Zealand's vulnerability to external events was reinforced in the impact of the crisis that began with the collapse of the New York Stock Exchange in October 1929. This amounted to "something very close to the collapse of the capitalist world economy" (Hobsbawm, 1994a: 91). The downturn was reflected internationally in every economic indicator. The deteriorating economic social and political conditions were reflected in a regulatory response that reflected similar trends across the West. The international movement of finance, people and goods suddenly ceased, as protectionism was reintroduced, even by Britain, hitherto a bastion of free trade (Singleton and Robertson, 2002: 7). These tendencies also affected New Zealand, where the economic situation was worsened by the heavy reliance on external credit, high consumption and low internal investment stimulated by overseas borrowing (Brooking, 1996: 251).

From 1935 onward, however, New Zealand's external connectivity and path-dependency become more obvious but also more contentious. This part of its history is subject to highly divergent interpretations. The central bone of contention is the extent to which New Zealand governments from 1935 to 1984 were willing and able to insulate New Zealand from the outside world. To explore this question, it becomes necessary to cross-cut the chronology and to shift perspective. In the remainder of the chapter, I examine New Zealand's development from the 1930s to 1984 in terms of its external economic, political and social influences. Of central importance is the restructuring of New Zealand's society and economy undertaken by the First Labour Government from 1935, which established the broadly social democratic style of government management that characterised New Zealand society until 1984, fundamentally affecting the country's external interactions. This provides the necessary background for understanding the 'neo-liberal revolution' embarked upon by the Fourth Labour Government in 1984, which in turn prepares the

ground for understanding globalisation in New Zealand. First, however, the patchy historiography of post-war New Zealand must be considered.

Interpreting the past: Fortress-dwellers and global players

New Zealand's historiography since 1935 is limited, particularly in terms of economic analysis. It is strongly focused upon the role of the state, which is subject to a range of contradictory interpretations, reflecting the contexts within which the commentators were writing. Early accounts of New Zealand's history emphasise the way in which it was inevitably affected by the international context, but that governments had an important role in determining the impact of these influences within New Zealand.

Gould (1982: 50) emphasised that whilst the economic role of governments expanded from the 1930s onward, the trend was not disproportionately pronounced in New Zealand relative to other countries (1982: 15). He considered that the First Labour Government handled well the aftermath of the Second World War, avoiding excessive inflation and containing the threat of pent-up purchasing power. Gould argued that in addition, New Zealand's post-war prosperity directly reflected the international situation, emphasising the substantial role played by the UK and events such as the Korean War, which affected demand for New Zealand exports (Gould, 1982: 64). Prosperity was boosted by developments in the primary sector: exotic forests became ready for harvest from the early 1950s, while technological innovations such as aerial topdressing and the mass broadcasting of superphosphate permitted the cultivation of vast tracts of previously unworkable land. These productivity advances contributed to the health of the economy, but represented an unsustainable basis for long-term economic growth (Gould, 1982: 58). Gould's overall assessment suggested that New Zealand's high post-war living standards and general prosperity were the result of fortuitous economic conditions in the external context, assisted by generally good governmental management (albeit with a few glaring exceptions).

Early post-war New Zealand, then, meant different things to different people. For unskilled labour it was paradise, except that pubs shut at six in the evening. Professionals enjoyed plenty of work; whilst for employment officers it was a nightmare, and for the *bon viveur*, a disaster (Gould, 1982: 67).

Baker (1965), the official War Historian, emphasised the pressures on the New Zealand economy, plagued by the threat of inflation and the ongoing difficulties in maintaining the balance of payments. From the end of the Second World War, the primary goal of successive governments was avoiding inflation, the dangers of which were well understood in light of the aftermath of the First World War. The risk was that pent up savings could unleash demand too soon, before the flow of civilian goods and services was sufficiently increased, emphasising the need for stabilisation policies; and high levels of income and expansion of bank credit coupled with a shortage of consumer durables and capital equipment compounded the risk. "Later, the rate of development of the economy was to claim more attention, but through all the post-war years, the tendency to over-import has persisted and has been restrained from time to time by varying types of control" (Baker, 1965: 532). Baker's analysis suggests that in practice, 'Keynesian demand

management' New Zealand-style involved import controls and demand suppression to stabilise the economy, rather than active work creation. This impression is reinforced by the present analysis of Budget Statements from 1944 to the end of the 1960s, which suggests that Keynesianism was pursued pragmatically rather than ideologically, through policies aimed at increasing economic growth, providing the necessary capital infrastructure, and improving the living standards of New Zealanders, whilst maintaining the balance of payments and mitigating inflation. These goals remain apposite, emphasising the parallels between New Zealand's past and present circumstances vis-à-vis the rest of the world.

The emphasis in New Zealand's more recent historiography is, however, entirely different. New Zealand's post-war economy is condemned in many accounts as a fortress, impermeable to economic indicators and isolated from the rest of the world. Typical of right-wing accounts are those by Douglas Myers, a prominent business leader, and Michael Bassett, a historian and senior figure in the Fourth Labour Government (Bassett, 1998; Myers, 1992). In their view, New Zealand prior to 1984 was the 'Albania of the South Pacific', its economy characterised by over-protection, inefficiency, and economic sluggishness in both the public and the private sectors (Myers, 1992: 31). Inefficiency is attributed to an ideological commitment to state involvement, noted by Siegfried in 1898 as the "perfect mania of New Zealanders for appealing to the state" (1898/1914: 52). Bassett considers that whilst state intervention was initially necessary to establish the country's infrastructure, it became progressively less desirable as successive governments "made full employment rather than international competitiveness their first priority, using up much of New Zealand's seed corn in the process" (1998: 14-16). As a result, Bassett argues "Many industries only survived because of government protection... New Zealand became one of the developed world's economic laggards" (1998: 22). Full employment also led to greater demand for imports than New Zealand's exports could fund, meaning that the economy was perpetually threatened by shortages of overseas exchange.

Bassett maintains that state policy after 1935 was aimed primarily at producing jobs. He fails to consider that a soaring population after 1945 led to enormous demands for *necessary* capital investment, while New Zealand's still-small population size minimised the profit opportunities for private enterprise. In addition, at this time it was accepted almost universally that the state was the most appropriate institution to fund and direct such works. Bassett (like Hawke, 1985) further exaggerates the influence of protectionist policies, concurring with von Hayek (1974) that "societies that were intent on big spending to abolish unemployment found themselves living with the threat of a general and considerable inflation" (Bassett, 1998: 216). Again, this fails to recognise that the threat of inflation inevitably follows the necessary austerity of wartime controls. Finally, Bassett's dictum is that state-run industry is inherently inefficient (1998: 246). This assessment stems from a narrow view of efficiency as tantamount to the *cost-efficiency* of individual industries. Bassett takes no account of the fact that while privately-run industries may be more cost-efficient in terms of profitability (although this is by no means assured), the 'efficiency' of state-run industries must be assessed in terms of the wider purpose that they serve.

The *inefficiency* of the private sector in running certain industries in New Zealand has since the late 1990s led to state repurchase of privatised assets (discussed later). For example, state repurchase of some privatised rail assets follows the recognition that rail communication has a social value transcending the cost-efficiency of the individual operation. Bassett fails to elaborate this point and hence does little to explain why the private sector should be more efficient *per se*. He simply asserts that state control encouraged strikes and inefficiency and led to the creation of a ‘strike culture’ (1998: 252) in post-war New Zealand, and that the “shortage of jobs meant that labour costs rose steadily as work habits deteriorated” (1998: 254). Overall, Bassett considers that state-sponsored full employment led to laziness, because in New Zealand there was “not quite the same struggle for existence compared with Europe... theft was common... and the price passed to the consumer” (ibid).

New Zealand had developed an economy with no unemployment, but the cost structure rose steadily, as did taxes... Five per cent of tax was spent on social security in 1926, and this had risen to 15.3 per cent by 1950. Under the combined burdens of high protection, rising labour costs, poorer standards of work and high tax, it wasn’t long before the country’s growth rate subsided... The New Zealand economy earned the unfortunate distinction of having one of the slowest annual rates of growth productivity among all the advanced countries of the world (Bassett, 1998: 254-267).

Bassett’s analysis supports the impression of Fortress New Zealand (Russell, 1996), insulated from the rest of the world by inefficient policies that contributed to New Zealand’s economic unsustainability. This image suggests that the policy-makers of the post-war era somnambulated through the long boom of post-war prosperity – achieved through ‘dumb luck’ rather than good management – to be rudely awoken only “when Mother Britain ran off and joined the Franco-German commune known as the EEC” (Belich, 2001a: 425), depriving New Zealand of its sole export market. The Fortress image takes little account of the considerable successes of the period, nor the ongoing constraints inevitably operating in a tiny, trade-dependent country.

Left-wing analyses, by contrast, are characterised by nostalgia, describing the period from the Second World War to the end of the 1970s as secure, egalitarian, prosperous, and fully employed (Barry, 2002; Hazledine, 1998, 2000; Jesson, 1999; Kelsey, 1995). Hazledine (1998) argues that whilst the old system might not have been ‘efficient’ in a rationalist, microeconomic sense, it was remarkably *effective* at delivering high wage jobs for those who wanted them.

We have been conditioned in New Zealand to accept the Albania myth about ourselves, by what amounts to a relentless string of misleading anecdotes. It is true that New Zealanders had to operate in a context of an unusually large number of governmental regulations and ‘protection’, but New Zealand was still a capitalist market economy, and moreover one that seemed to function by international standards rather poorly in some dimensions (economic growth) but spectacularly well in others (full employment) (Hazledine, 1998: 31).

Hazledine attributes post-war full employment to the infrastructure of ‘social capital’ that emerged indirectly from the welfare state provisions. This rested on a conception of the state acting in a ‘big brotherly’ role, but in a protective rather than the Orwellian sense (Hazledine, 1998). Hazledine’s contribution is considerable with respect to its reinforcement of the need to

consider the ideological basis for the various interpretations of post-war government management, and the damaging effects of the ideologically driven reforms of the 1980s. He also misrepresents New Zealand's situation during the immediate post-war years, however, by supporting the impression that the primary intention of the state was to foster employment, again reinforcing the 'Fortress' imagery. Hazledine thus leaves himself open to Scobie's accusation of producing a "ready made manifesto for the New Zealand Nostalgia party" (1998: 227) that ignores the inequities and drawbacks of pre-reform New Zealand for women, Maori, the environment and so forth.

My analysis of successive Budget Statements and Economic Surveys from 1935 to 1984 contradicts the image of 'Fortress New Zealand' implied in the recent historiography. It concurs with the view of earlier historians that policy-makers were strongly externally-oriented and were neither willing nor able to effect New Zealand's insulation from the rest of the world. New Zealand's prospects continued to be influenced by the external context, and the state played an important part in determining how these effects were manifest in New Zealand. The following section emphasises the ongoing diversification of the economy in terms of products and markets; the effect of international events on New Zealand; the ongoing hybridisation of New Zealand society through external cultural influences and increasingly high aspirations as to living standards; the increasing, but unavoidable, role of the state in balancing the demands against the available income, providing the necessary capital infrastructure and jockeying for position in the international context. My analysis emphasises the inevitable constraints of small, remote, and highly trade-dependent country with high living standards, and a population with high aspirations that living standards should be maintained and improved. While my sources focus on the economic situation, they are notable for their social commentary and priorities, in which economic growth is viewed as simply a means to an end: the social well-being of New Zealanders. Even considering their intended purpose (as political documents designed to convince voters), they provide an important insight into prevailing, socially acceptable attitudes. Economic, cultural and political priorities unfold against a backdrop of rapid technological change and development, again with social and economic consequences.

New Zealand's ongoing external connections: 1935 to 1984

As the Great Depression deepened through the early 1930s, in New Zealand, unemployment grew and political dissatisfaction increased. This, in combination with the international swing in government management towards protectionism, resulted in the election of the First Labour Government in 1935. The Labour Government, led by Savage and then Fraser, set about establishing the social democratic pattern (see earlier definition) that New Zealand was to follow for the next fifty years. This was based on principles that promoted formation of public policies that would afford basic material security as a citizenship right, and that would reduce the inequalities in income produced by the market. The cornerstones of such policies were full employment, a generous welfare state, and a progressive tax regime supportive of production and redistribution (Huber and Stephens, 1998: 2). Labour's policies rested on the broad acceptance of

Keynesian principles, which gave governments responsibility for maintaining prosperity and full employment by giving them the responsibility to influence aggregate output and employment (Bertram, 1993: 29). Following this logic, government expenditure in times of economic downturn stimulates a rise in aggregate demand, which in turn propels the economy back toward prosperity, while at the same time stimulating local industry and modernising the infrastructure of the economy. The system relied on a closed financial market which gave the state the ability to control credit, and thereby direct investment (Huber and Stephens, 1998: 2). New Zealand's approach followed contemporary international 'best practice': from the 1930s onward, Keynesian demand management was consensual throughout the West (Hobsbawm, 1994a: 274).

Whilst social democracy in New Zealand is frequently labelled 'Keynesianism', this label is misleading, for it implies that the changes in the 1930s were ideologically driven rather than pragmatic. My evidence rather suggests that the opposite was true, for a number of reasons. After all, the existing economic structure entailed a high proportion of external trade. New Zealanders were accustomed to the living standards afforded by the British connection, and not content to live within the means available to primarily agricultural exporters. Demand for imported goods consistently outstripped the supply of export income, evident in the ongoing struggle to contain the balance of payments. The narrow range of export commodities in which New Zealand's comparative advantage lay was subject to volatile international prices, and the agricultural protectionism of other countries. The state was the only agency willing and able to take responsibility for balancing this complex conjunction of factors, with the intention of meeting the aspirations of New Zealanders, modernising the economy and maintaining the balance of payments. It directed New Zealand's external connections, and was heavily implicated in domestic social and economic redistribution, reflected in the country's social and demographic pattern of development. While New Zealand remained unavoidably influenced by economic, political and cultural trends from abroad, within these inevitable constraints, the New Zealand state enjoyed *constrained autonomy*, and was thus neither a helpless pawn nor determinedly insular.

The Labour Government employed a range of tactics to propel New Zealand out of depression. Based on the assumption that wage cuts had worsened purchasing power, in turn deepening the depression, it introduced the *Finance Act* (1936), which aimed to restore wages to the 1931 level. Pensions were increased, the family allowance was raised, the organisation of public works meant that those on relief were put onto full wages, and the full power of the Arbitration Court to settle disputes was restored (Condliffe and Airey, 1953; Sinclair, 1976). The government also recognised New Zealand's particular susceptibility to overseas conditions, given that its external trade per head was the highest in the world and that almost all of its exports consisted of primary products (AJHR, B6 1950: 6). This meant that anything affecting the purchasing power of the highly industrialised markets also affected New Zealand. To limit these effects as far as possible, Labour developed two main lines of attack. First, to protect primary producers from the wide and rapid fluctuations in prices that had prevailed since 1921, the *Primary Products Marketing Act* of

1936 involved a guaranteed price scheme: if there was a surplus, the government put it in a special account; if a deficit, the farmer still got the guaranteed price. An Internal Marketing Division was also established, covering dairy, fruit, eggs and honey (Condliffe and Airey, 1953: 225), increasing the market for New Zealand's primary produce overseas as well as domestically. Secondly, Labour sought to encourage local industry, in manufacturing from New Zealand materials (as in the boot industry), and in finishing or assembling imported goods (as in the car-assembly industry and the rubber industry). The *Industrial Efficiency Act* 1936 aimed at the promotion of new industries and greater efficiency in existing ones, while it gave power to the Minister of Industries and Commerce to regulate particular industries by a system of licenses. The intention of this was to ensure a more balanced growth, rather than mushroom expansion in good times, followed by business failures in bad times. This was further reinforced by an import control system introduced in 1938 (Condliffe and Airey, 1953: 226). To finance its recovery policies, the Labour Government extended its influence over the banking system (the Reserve Bank had already been established in 1933).

On top of these economic stabilisation measures, Labour introduced revolutionary social security legislation to provide for New Zealand society's dependents, for the recent experiences of the Depression meant that the consequences of *laissez-faire* were well understood. The *Social Security Act* 1938 increased the provision of pensions and allowances, and provided a heavily subsidised health system. It provided universal superannuation, universal family allowances, and the sickness and unemployment benefits (Condliffe and Airey, 1953: 228-231). Full employment was the necessary precursor for the system to succeed: all-round growth in the economy under conditions of full employment enabled taxation to fund the welfare state to be easily raised (Rosenberg, 1977: 54); whereas under conditions of recession and declining employment levels, there is less revenue and increased resistance to the redistribution of wealth (Rosenberg, 1977: 59). For twenty years this condition was met: from the 1940s onward, New Zealand had an extremely favourable employment record, "with always more vacant jobs than unemployed men" (Rosenberg, 1977: 45) – no *sic* is needed, for the system was explicitly gendered. The welfare state aimed to ensure the provision of a basic wage sufficient to support "a man, his wife and three children in a fair and reasonable standard of comfort" (Dalziel and Lattimore, 1996: 72). The high rate of employment was assisted by a policy of active industrialisation combined with import controls (Rosenberg, 1977: 48), technological development and New Zealand's preferential status as an exporter of agricultural produce to the guaranteed market that Britain provided, which together helped create an economic climate of prosperity and growth.

This strategy had implications for the distribution of population and prosperity across New Zealand. Agricultural service towns and rural areas benefited from the combination of external demand for New Zealand produce, the favourable regulatory regime (including agricultural subsidies), as well as climatic and geographic conditions that suited pastoral agriculture. Protection of manufacturing, import controls and the import substitution strategy stimulated employment, as did the large public sector. The government provided state housing located near

workplaces, and an active regional development policy encouraged 'footloose' industries to locate in peripheral areas (Calvert, 1949) in recognition of the 'locomotive effect'.

There is no need to steer the flow of new shops, new houses, schools and so forth if [particular] industries are steered into the right localities. Like so many locomotives, each of these industries will in time bring along after it a whole train of shops, post offices, churches, residential quarters and the like (Calvert, 1949: 16).

Freezing works, car assembly plants, dairy factories, state-owned industries and forests and manufacturing industries thus developed, providing employment in small towns and cities across New Zealand (Le Heron and Pawson, 1996: 320).

Hence while the Labour Government could not *control* the external context, it *could*, and did, control New Zealand's *interaction* with it. As well as introducing domestic economic protection, Labour exploited alliances with larger trading partners. The UK was by far the most important, taking eighty per cent of New Zealand's exports in 1938 whereas the next best market, the US, took only five to six per cent (NZIIA, 1938: 114). The government recognised the use of New Zealand's privileged position in the British Empire in times of economic uncertainty.

One peculiar advantage for New Zealand of being in the British Empire is that England more than any other country imports foodstuffs, and so offers the best market for New Zealand's dairy produce and meat. If New Zealand had not been within the Empire, [after the Ottawa Agreement of 1932] her food products would probably have received the same treatment in recent years as those of Denmark and the Argentine (NZIIA, 1938: 116).

In 1939, in the uncertainty surrounding the onset of war, Finance Minister Nash struck a deal ensuring preferential access to Britain's market for "complete bulk purchase at guaranteed prices" (Gould, 1982: 49) of the lion's share of New Zealand's primary production, under a scheme that lasted until 1954. The security of a guaranteed market outweighed the disadvantages of inflexibility, even though as early as the 1930s, New Zealand policy-makers had recognised the desirability of export diversification (Easton, 2001a: 37). The wartime bulk purchase guarantee was conveniently extended after 1945, in recognition that: "The long term bulk contracts with the UK are a major factor safeguarding the future of trade. Only by controlling imports can government safeguard the balance of sterling" (Nash, AJHR B1 1946: 60¹⁰). This provided some security for New Zealand in a highly volatile external situation, but also consolidated its economic dependence on Britain.

In terms of New Zealand's political relationship with Britain, however, illusions were brutally shattered with the fall of Singapore in 1942, when Britain made it clear that New Zealand could no longer rely on the Royal Navy to protect its interests in the Pacific (Templeton, 1993: 7). This represented:

the end of our world; the destruction of an illusion that had had the force of reality... New Zealand thus turned its eyes to the need for reinsurance with the only power that could stand

¹⁰ Appendices to the Journals of the House of Representatives are referenced in this way, referring to the year and volume.

between us and the aggressive forces of Asia – the United States of America (McIntosh, 1965: 23).

Nonetheless, the political utility of the US connection had long been recognised in New Zealand even before the Second World War.

New Zealand cannot hope to defend her own trade routes. Were she not a member of the Commonwealth these routes would be defended by the nations to which the trade was directed and would be liable to interruption if these nations were at war. The situation is no different with New Zealand as a Commonwealth member and with the fact of the great concentration of her trade upon Great Britain. There is perhaps the qualification that the most important route – through the Panama Canal – falls largely under the potentially friendly shadow of the US (NZIIA, 1938: 261).

As well as seeking to consolidate New Zealand's economic connection with Britain, the Labour Government sought to develop other external trade alliances, recognising that "New Zealand's overseas trade is naturally of cardinal importance to her; but relative to the world's trade it does not loom so large" (NZIIA, 1938: 114). The government therefore supported the Bretton Woods agreement of 1944, which aimed to forestall the spiralling decline that had occurred in the Great Depression, when world trade had declined massively because of competitive devaluations, prohibitive tariffs, exchange controls and various other unilateral actions, as states sought in vain to protect their domestic interests, through international cooperation (Hobsbawm, 1994a: 274; Sinclair, 1976).

New Zealand's combined small size and international trade dependence gave it an obvious interest in the regulated expansion of world trade. Finance Minister Nash supported New Zealand's inclusion in the International Monetary Fund, even though the provisions of the new agreement presented a threat to Labour's import and exchange controls (although New Zealand did not join the IMF until 1961)(Sinclair, 1976: 241-3). In October 1944, the Labour caucus resolved that the Government should ratify the Bretton Woods agreements, and this occurred in 1947. The GATT (General Agreement on Tariffs and Trade), for example, came into force in 1948, a multilateral agreement aimed at liberalising world trade and placing it on a secure basis, thereby contributing to economic growth and development and avoiding further war (Robinson, 1993: 15)¹¹.

The First Labour Government's preoccupation with security extended to New Zealand's international context, evident in its keen participation in the international forums that followed the War. At San Francisco in 1945, New Zealand representatives argued forcefully, if unsuccessfully, to eliminate the veto and to strengthen the collective security provisions of the UN Charter

¹¹ In this context it is interesting to contrast the way in which the GATT was viewed in the 1940s as the vehicle for beneficial outcomes for New Zealand, against the reputation gained in recent years by the WTO, which has in many quarters come to be viewed as a threat to national sovereignty. In the *Guardian* in 2001, for example, Monbiot drew attention to the fact that declaring the EU GE-free could be interpreted as a non-tariff barrier and therefore illegal (3 September 2001: 12).

(NZYB, 1960: 24). Prime Minister Fraser enthusiastically supported the establishment of the United Nations, envisaging that it should have a peacekeeping role, that economic and social issues should be matters of significance, and that small states must have a voice (Easton, 2001b: 70; McKinnon, 1993; Sinclair, 1976). In the years from 1943 to 1948, the New Zealand government was engaged in twenty-one international conferences, including a British Commonwealth Prime Ministers' conference and ILO, UNESCO and IMF meetings (Sinclair, 1976: 237).

Imperatives derived from these international forums¹² were reflected in New Zealand's domestic policy. At the ILO Conference in 1944, New Zealand signed the Declaration of Philadelphia, which enshrined full employment and high living standards as key objectives, recognising that "poverty anywhere endangers prosperity everywhere" (AJHR B6, 1944: 2). While these concerns were not unique to New Zealand, levels of employment attained from 1945 onward were unusually high¹³, and thus government policy priorities from this time onward focused on the latter objective, emphasising that "our first responsibility is to maintain and expand the living standards of our own people" (AJHR B6, 1944: 2).

The government's policy is one of full employment, but this is only a means to the real objective of a better standard of living for all... Our people must be able to acquire purchasing-power through employment, but it cannot be too strongly emphasised that the standard of living depends on the volume of goods produced and services made available (Nash, AJHR B6 1945: 12).

At the same time, Labour's commitment to social security emerges in Finance Minister Nash's 1946 Budget speech recalling his 1935 promise to "guarantee every person willing and able to work, an income sufficient to provide him and his dependants with everything to create a home and home life in the best sense of the meaning of those terms" (Nash, AJHR B6, 1946: 7). Labour aimed to fulfil this promise by placing

the power of economic direction into the hands of government, redistributing national income through guaranteed prices, wage increases and social security – made secure by the government acquiring complete ownership of the Reserve Bank – by which means poverty has been abolished, and economic security established for everyone (AJHR B6, 1946: 8).

By 1945, the New Zealand population had begun to grow rapidly, increasing fifty per cent over the next decade (Phillips, 1993: 45). The 'baby boom' was considered desirable and actively encouraged: the state used pro-natalist policies such as the incentive of family and marriage allowances and cheaper housing (Dunstall, 1996: 454) to induce young couples to marry and procreate. This exerted further increasing demands on the capital infrastructure, however, which

¹² I avoid the plurals 'fora', 'foci', 'referenda' and so forth because close encounters with old-fashioned Latinists have rendered me wary of non-English plurals given the multiplicity of optional endings and declensions of which I am unaware. I consequently employ Anglicised endings.

¹³ From 1947 to 1955, the monthly average of registered unemployed never reached 100, out of a labour force of approximately three quarters of a million; whilst surveyed vacancies across the same period averaged 25,800 per year. Even at its highest point in 1959, registered unemployment did not exceed two per 1,000 of the total labour force. This represents a rate below 0.01 per cent, whilst for most of the period notified vacancies exceeded 20,000 (AJHR, 1956 B6: 32). "No unemployment target has ever been set, even by the most optimistic of social reformers, at so incredibly low a figure" (Gould, 1982: 56).

had already suffered years of neglect due to the diversion of materials and labour to the war effort following the 1930s Depression. Capital development required considerable government expenditure to modernise the economy and meet the demands of the population while maintaining the balance of payments. To achieve this, the government aimed to increase the supply of goods and services through import-substituting industrialisation, and by increasing the value of exports. This was not intended to be 'work for work's sake': new industries and extension of existing industries "must be efficient and economically sound" (Nash, AJHR B6, 1945: 13). The intention was:

to bring about the development of our national resources through an economic and efficient expansion of production to serve local and overseas requirements; to organise marketing of export produce and goods for local consumption; to avoid depreciating the purchasing power of money through inflation; and to ensure reasonable stability of individual incomes (AJHR B6, 1947: 30).

The war also increased the rate of technological progress. Manufacturing development came to be seen as integral to national development, to enable New Zealand to grow beyond its pastoral base and retain full employment (Rose, 1969: 68), and was encouraged by successive governments from the 1950s onward, with the aim of continuing national development and assisting the balance of payments by producing for export and by import substitution (Rose, 1969: 62). Manufacturing development was undertaken by means of import licensing, to a market in which high demand levels provided a strong incentive to production and investment (Rose, 1969: 72).

The effectiveness of the protection policies can be gauged from the long list of industrial ventures involving an estimated annual production of \$137 million... and continuing high level of investment up to 1967. Overall, it is reasonable to view New Zealand's industrialisation process as one of success (Rose, 1969: 75).

The Labour Government was also heavily implicated in the nation's cultural development, expanding the influence of the state into areas ranging from broadcasting, to education, liquor licensing, orchestras, and ballet (Carter, 1993; Day, 1994; McLeod, 1968). The state's incursion into such areas was not universally applauded (see Chapter Eight): some resented the fundamental gender-based division of labour on which Labour's policies rested; others objected to the degree of regulation of the 'nanny state'; while still others viewed the ethic of egalitarianism and equality of opportunity as accounting for New Zealand's "high standard of mediocrity" (Hanson, in McLeod, 1968: 56).

New Zealand's economic and social development thus reflected an oscillation between external and domestic factors, with the state playing an integral role. My analysis also demonstrates that the New Zealand Government was able to affect the way that external connections influenced New Zealand, even if it could not control them. This leads me to reject the Fortress New Zealand interpretation: rather, the First Labour Government's social democratic approach emerges as sensible, pragmatic and adaptive, given New Zealand's reliance on global trade and the international acceptance of Keynes's ideas.

The pattern established by Labour was maintained more or less for the next five decades, with the state maintaining an active role in economic development; and seeking to mitigate New Zealand's vulnerability to the external economy through economic protection and industrial development, and to enhance the living standards of New Zealand's population. Throughout this period, New Zealand continued to be affected by external developments. In the following section, I provide an overview of the important trends that occurred between 1949 and 1984, focusing on each of the decades in turn. This provides essential background against which the assertions of novelty that the contemporary notion of globalisation entails should be understood, and further illustrates New Zealand's ongoing global connectivity and the important mediating role played by successive governments to mitigate the effects of these connections.

The 1950s

Despite its evident success in handling the wartime economy, the First Labour Government never managed to shake the image of stern wartime austerity. Holland's National Government swept to election victory in 1949 in a 'dash for freedom', promising liberation from the remaining vestiges of wartime restrictions and controls. The government expressed its determination to restore and preserve:

an economy founded on the private ownership of the means of production, distribution and exchange, with private management, fair competition, and rewards or incentives for greater effort. This is aimed at freeing farmers and industry from unwarranted dictation by the state, while encouraging thrift, work, industry, enterprise and independence (Holland, AJHR B6, 1950: 1).

National's determination to forge an identity distinct from the previous administration is apparent in Holland's reinforcement of the need to 'free individuals from state intervention'.

The government believes that New Zealanders are at their best when they are freed from the direction and intervention of the state; that they work hardest when incentives are provided; that private ownership of the means of production, distribution and exchange is preferable; that most people have an inherent desire to own things especially the homes in which they live and raise their families; that an abundant supply of goods is the best system of price control ever devised (Holland, AJHR B6, 1953: 1).

While this emphasis represents a stark contrast to Labour's social democratic rhetoric, it is difficult to discern to what extent the considerable rhetorical difference translated into an appreciable result. National maintained Labour's centralising policy and extent of state interventionism, retaining control over such activities as transport, civil aviation, broadcasting and coal (*New Zealand Economist and Taxpayer*, April 1950: 7). It rapidly liberated the economy from a considerable proportion of the price controls that lingered on from the War: land sales were removed from control, financial controls were removed, and the import control system was described as inefficient and costly and in need of an overhaul (AJHR B6, 1950: 2). In 1950, Holland announced that butter, bread, flour, eggs, gas, milk, telephones and railway fares would all increase in price, that butter rationing would cease, and that subsidies on tea, coal and wool would be removed altogether (Bassett, 1998: 259). Yet before long, the price increases caused by the subsidy reductions were exacerbated by inflationary pressures flowing in from abroad as a

result of the general rearmament programme, and the outbreak of war in Korea (Bassett, 1998: 260). A brief burst of prosperity in 1951, triggered again by external events in the form of a wool boom catalysed by the Korean War, was thus followed by a downturn in terms of trade in 1952, and National was forced to re-impose many of the recently liberated economic controls (AJHR B6, 1952: 3). "What finally converted Holland's Government to controls was the waterfront dispute that lasted for 151 days between February and July 1951" (Bassett, 1998: 262). When the watersiders failed to heed the ultimatum to return to work, the government declared a State of Emergency. Having emphasised the need for retaining controls over wages during the dispute, the government was pressured by workers, whose incomes were under tight restraint, to return to rigid price control, and subsidies and price controls were reintroduced (Bassett, 1998: 262).

Within New Zealand, huge shortages of labour persisted through the 1950s, even though the labour force continued to increase in size, expanding eighteen per cent from 1947 to 1957. Just 403 people were registered as unemployed at the end of May 1957, nearly all of whom were "unskilled or with disabilities" (AJHR B6, 1957: 20). This labour shortage not only precluded the need for 'work creation' to ensure full employment, but led to the implementation of an immigration policy with the express aim of addressing the labour shortfall. A target of 10,000 immigrants per year from 1952 was set, comprising 5,500 from Britain (2,000 single and 1,000 families) and 2,000 single men and women from Western Europe. The immigration policy resulted the absorption of 105,000 immigrants into the economy from 1947 to 1957 (AJHR B6, 1957: 18). While this might be thought to have contributed to New Zealand's cultural diversity, the focus on assimilation meant that "the most honest description of the contemporary approach to ethnic preference in immigration might have been the 'whiter than white' policy" (Brooking and Rabel, 1995: 38). Further, the net gain of 200,000 people through immigration from 1945 to 1965 exacerbated the pressure on the country's capital infrastructure at a time when materials and labour remained chronically short (Brooking and Rabel, 1995: 39).

The government recognised the ongoing need for capital investment, predicting in 1955 that the population would reach "3 million by 1975 if the horrors of nuclear war do not strike" (AJHR, 1955 B6: 11). National increased expenditure on education, social security, hospitals, and health and general expenditure on the capital infrastructure, making it clear, however, that these goals would only be pursued "whilst balancing the Budget and without tax increases and with tax relief; whilst encouraging thrift and independence; with no Reserve Bank created money; and further instalment of 'freedoms' to be provided for" (Holland, AJHR B6, 1951: 2). The need for housing, roads, and buildings was matched by increasing demands for electric power, reflecting the surge in technological development which followed the war: electricity consumption in 1950 was thirty times that of 1920 (AJHR B6, 1952: 7; O'Donnell, 1992). As a result of this capital investment, government finance in the mid-1950s was "becoming, for better or worse, an increasingly major factor in the nation's business and affairs" (AJHR, B6 1956: 7).

Each year a programme of State and State-subsidised capital works is carefully prepared having regard to the degree of essentiality of the works concerned and to the availability of labour,

materials and finance. *The concept of expanding public works to absorb idle resources has been wholly inapplicable to the situation which has existed since the war.* Indeed, a theoretical approach to the current situation might suggest a substantial retrenchment of Government capital works as a desirable means of curbing investment outlay, but experience has shown the practical difficulty and undesirability of undue restraint on public investment in basic developmental projects such as hydro-electric works, land development, forestry, improvement in transport facilities, and communications, or the essential building requirements of the health and educational services. Even though such investment expenditure adds directly to demand for labour and materials, the Government must, in determining the extent of its works programmes, balance the objective of restraining investment outlay with the need for balanced development of the country's resources (Watts, AJHR, B6 1956: 32, emphasis in original).

This statement explicitly refutes the suggestion that the government was deliberately *creating* employment, as the Fortress imagery employed by Bassett (1998) suggests; and illustrates simply its commitment to modernising the economy and meeting the demands of New Zealanders. The post-war threat of inflation and the need to balance the terms of trade led to the pursuit of fairly similar economic policies by both National and Labour. Policy-makers struggled to balance political and electoral considerations against the ongoing pressure to contain inflation and maintain the balance of payments, and to increase living standards for a rising population, while remaining continually hamstrung by inadequate export income.

The increasing volume of farm production and the requirements of a rapidly expanding population do heighten the need for more markets and a greater variety of products... Only by breaking fresh ground can the New Zealand economy provide increasing employment opportunities and achieve the diversification necessary to mitigate the effects of external price movements (AJHR B6 1957: 53).

The National Government maintained Labour's two-pronged approach to economic stabilisation, encouraging import-substitution industrialisation and the diversification of exports with a range of strategies, including the Murupara initiative. By the end of the Second World War, the radiata pine of the Kaingaroa Forest, planted from 1921 onwards had reached maturity, and the government authorised the formation of a joint public and private sector company, Tasman Pulp and Paper, to build and operate a large newsprint, pulp and timber mill to exploit this resource. The government agreed that the state would construct railways, roads, housing, a power station, and a new port to service the isolated mill, and Murupara was the name given to this overall project (Guest and Singleton, 1999: 52). Murupara was intended to help solve the government's problem of increasing economic growth and living standards without adversely affecting the terms of trade. Holland emphasised "the difficulties facing New Zealand with respect to problems with major capital development: it is hard to get resources, and hard to pay, but this should be a good project because it saves pounds on importing" (AJHR B6 1953: 9). Murupara was a joint venture for the state and Fletcher Construction Ltd, with some minor investment from some British firms. Tasman soon became New Zealand's leading exporter of manufactured products, and the need to secure markets led to the free trade agreement between New Zealand and Australia in 1965 (Guest and Singleton, 1999: 52). "Whether it represented an efficient use of resources is debated, but it certainly was a major export earner, and played an important role in CER [the Closer Economic Relations trade agreement with Australia, discussed below]" (ibid).

Volatile external markets, the narrow commodity range, high domestic demand and difficulties in maintaining the balance of payments persisted. New Zealand also had “the largest per capita overseas trade in the world” (AJHR B6, 1953: 11). While pursuing diversification, National, like Labour, continued to pin hopes on the GATT for circumventing the protectionist decisions taken by other countries. Following the Second World War, New Zealand’s external trade increased sharply in terms of quantity and value. “Comparing the 1949 and 1950 figures with the pre-war averages, it will be found that exports have increased by 143 and 203 percent in value respectively” (NZYB, 1952: xxiv). By 1952, the total trade per head of mean population had escalated to £233 (exports £127 and imports £106), “a figure substantially higher than any recorded previously” (NZYB, 1952: xxi).

Britain remained, however, the most important export market by far. Holland’s statement that “the ties of blood, history and tradition are strong and enduring” (AJHR, 1953 B6: 1) was not just sentimental but intensely practical, given New Zealand’s dependence on the UK markets at the time: in 1954, for example, 55 per cent of imports come from UK and 65 per cent of exports went there. Trends in the UK economy were thus very important to New Zealand, as “unemployment there leads to falling demand which affects us” (AJHR, 1954 B6: 2). Reinforcing the point, in 1954, Britain reassessed its requirements for food, and, concluding that the post-war crisis had been overcome, it terminated its bulk food contracts and returned to the Ottawa agreements. “New Zealand now faced stiff competition in the meat and dairy produce markets from subsidized producers in Britain and third countries” (Singleton and Robertson, 1997: 329). This reinforced New Zealand’s imperative to diversify, and this progressively strengthened through the 1950s.

Whilst maintaining close economic ties with Britain, the National Government concurrently continued the military reorientation away from Britain, signing the ANZUS treaty with the US and Australia in 1951 (Gustafson, DNZB 2000: 230). Exemplifying New Zealand’s divided loyalties, Prime Minister Holland, despite being an avowed ‘Empire man’, was at the same time dubbed ‘the Voice of America’ and ‘the Senator from Fendalton’ (McGibbon, 1992: 330). Further conflict in Indo-China followed the Korean War, and faced with international insecurity, New Zealand joined the collective defence treaty SEATO (South East Asia Treaty Organisation) in 1954 (NZYB, 1960: 24), thus transferring its defence commitment from the Middle East to South East Asia (Templeton, DNZB 2000: 311).

Given the increasing prominence of the US connection, it is perhaps unsurprising that the onset of the Cold War caused New Zealand’s external focus to become increasingly influenced by American fears relating to the spread of Communism.

Step by step, Soviet Russia has tightened its grip on the nations that surround it... freedom as we know it throughout the world, has gone from the face of these countries and the people have become no more than cogs in a machine which, whatever its immediate plans may be, has as its ultimate aim world domination (New Zealand Economist and Taxpayer, Dec 49 – Jan 1950: 196).

Despite its prominent profile in certain quarters and its strong and committed following, the Communist Party of New Zealand enjoyed little in the way of national political influence and was never a political threat (Campbell, DNZB, 2000: 232), although for a capitalistic, 'property-owning democracy', communism represents a frightening antithesis. In the early 1950s there was a growing tendency towards intolerance of dissenting opinion in New Zealand, as in other Western democracies, the most extreme example of which was the anti-communist witch-hunt inspired by Senator Joe McCarthy in the US (McGibbon, 1992: 305). In New Zealand, both major political parties played on long-standing prejudices against communists for political mileage. Just prior to the 1951 election, McIntosh, the Secretary of External Affairs, commented: "Holland's main card is the Communist bogey – which frankly does not exist in dangerous proportions in New Zealand" (McIntosh to Berendson, 1951, cited in McGibbon, 1992: 305).

The image of monolithic world communism, directed from Moscow, was exacerbated in New Zealand by parallel concerns with the 'yellow peril'. Novelist Janet Frame, writing of her childhood in small-town New Zealand noted:

And so, although at school we were often reminded of the distance of New Zealand from the rest of the world, the infection of Nazism did reach us in our town and we listened dutifully as our teacher painted some races evil, some good. One chapter in our history books, 'The Yellow Peril', told of Eastern races and their evil designs on the West... [I]n the serials over the wireless and in Dad's Sexton Blake books, the villains were invariably described as 'yellow-skinned, slant-eyed, evil' (Frame, 1984: 199).

The 'domino theory' maintained that Communism was creating a bridge from Burma through Siam (now Thailand), Vietnam and eventually through Malaysia, Indonesia and down to Australia and New Zealand (May, 1992: 72). To forestall the Communist spread, unity and consensus on the national front seemed necessary, creating a climate of widespread intolerance of dissent. National's tentative economic liberation was thus not matched by political or social liberation. Holland's Government reintroduced the death penalty (abolished by Labour in 1941), invoked emergency regulations to quell the watersider dispute (described above), and supported a drive to stamp out the insidious influence of American popular culture with a range of repressive tactics (Yska, 1993).

The US exerted a strong influence on New Zealand during the 1950s. The allure of things American must be understood in the post-war context. Upon reaching Willemstad en route to England via the Panama Canal in the 1950s, Janet Frame celebrated her first visit to a foreign land:

by drinking my first bottle of Coca-Cola with as much reverence as if I were sipping wine in church. One needs to be reminded that in the late 1950s Coca-Cola had an aura of magic, of promise, as a symbol to many outside the United States of America of all that was essentially American, generous, good, dollar-flavoured, new-world, bathed in the glow of a country's morning that was not yet tarnished by the scrutiny of daylight (Frame, 1984: 297).

American popular culture was most influential via 'pulp fiction', Hollywood movies and popular music. The militarism and authoritarianism of post-war years meant that the visible difference of bodgies, widgees, and milk-bar cowboys made them "the receptor of adult fears, projections and fantasies" (Yska, 1993: 56). Allegations of teenage orgies in the Hutt Valley in 1953 and the gruesome 'molder' perpetrated by schoolgirls Parker and Hulme in 1954 (Yska, 1993) led to conservative outcry at the apparent surge in moral degeneracy. The National Government responded by appointing a Special Committee on Moral Delinquency in Children and Adults, which blamed the lack of parental supervision for juvenile delinquency, targeting working mothers in particular, and advocated a return to Christianity and traditional values (Special Committee..., 1954). A copy of the 'Mazengarb Report'¹⁴ was circulated to every home in New Zealand. Three statutes were implemented, widening the definition of 'obscene' and 'indecent'; enabling the confiscation and censorship of 'undesirable' books and movies; and making it an offence to sell contraceptives to children under sixteen years of age (Barton, DNZB, 2000: 344). In this repressive context, the 'milk-bar murder' and 'jukebox stabbing' committed by 'bodgies' in 1955 were seen as crimes of the times, "so loaded with symbolism [that they] could have been plucked from the morals Report" (Yska, 1993: 162). The cocktail of sex, American pop culture, and juvenile delinquency provoked an extreme reaction from Government, and both perpetrators were hanged. This further demonstrates the way New Zealand was affected by its external context, while also reaffirming the long history of 'anti-Americanism' (an important theme in the global-factualist literature) in New Zealand.

As a result of a combination of good luck and good management, New Zealand enjoyed high levels of prosperity throughout the 1950s, evident in the fact that in 1953, in terms of living standards, New Zealand ranked third equal with the Swiss behind the United States and Canada (Gould, 1982: 22). Nevertheless, its external vulnerability continued, again reflecting its small size, dependence on international trade, and narrow, if diversifying, range of commodities. The balance of payments problems of 1952 were controlled, but recurred in 1957, when a further crisis tarnished the victory of the newly-elected Labour Government. Excessively high levels of importing in late 1957 and higher than average import prices coincided with a slump in butter and wool prices, resulting in the most serious fall in the terms of trade since 1930s. In 1958, export prices were 15 per cent below the 1957 level, and terms of trade declined 14 per cent, whilst the total deterioration between 1955 and 1958 was 22 per cent. At the same time, a serious foreign exchange problem emerged because of excessive imports, and as a result, the overseas assets of banking system fell to 42 million pounds, the lowest since the War (AJHR B5, 1959: 3). This presented considerable problems for the new Labour Government, whose election promises included generous social security measures.

Confronted with evidence of New Zealand's external vulnerability, Finance Minister Nordmeyer reaffirmed that "New Zealand needs new markets and to expand existing ones" (AJHR B6, 1958:

¹⁴ The Committee's report became known as the Mazengarb Report, after its Chairman, Oswald Mazengarb.

21). Recognising that diversification takes time, Nordmeyer considered import controls a necessary short term solution for New Zealand's economic plight, for "the real threat to employment was the possible scarcity of imported materials or the uneconomic use of imported resources which might have occurred if inflation had been allowed to develop" (AJHR B6, 1959: 5). In 1958, import controls were supplemented by a Budget aimed at dampening demand by imposing stringent taxes on petrol, alcohol and tobacco. Nordmeyer's measures represented economic virtue but political stupidity, for whilst the economic situation improved rapidly, this permitted the Opposition to argue that he had over-reacted in the first place.

The fiscal, monetary and other policies aimed at adjusting the economy to the recession of 1958 were largely successful. The policies eased the economy gradually back into balance, however, with the period of adjustment made easier by the government borrowing an unprecedented £45 million. By the end of 1958, economic conditions were improving, partly reflecting improvements in the US economy, wool prices were rising, import payments were considerably reduced and the overseas reserves had risen considerably (AJHR B6, 1959: 2). The 1959 Budget incorporated reductions in income tax, and reduced indirect taxes on beer, petrol and tobacco. Nevertheless, the 1958 'Black Budget' proved a tar baby whose unpopularity reinforced Labour's reputation for authoritarian wowsersism, hounding it out of government in 1960.

In several important respects, the Second Labour Government's expressed concerns appear uncannily familiar. It remained committed to the GATT, recognising the utility of international agreements in assisting small trading countries to circumvent the protectionism practiced by larger countries (AJHR B6, 1959: 61). It also continued to encourage economic diversification. "Government is encouraging development of new industries, especially those financed from overseas, such as the oil refinery and aluminium smelter. An increasing population and a growing labour force accentuate the need to develop the employment capacity of our industries, but also provide the foundation for their rapid economic growth" (AJHR B6, 1959: 28). The Labour Government thus strongly supported the notion that a managed economy was necessary to achieve social democratic ideals:

Governments are no longer willing to suffer the fluctuations in employment, business activity and living standards that used to result from the free interplay of economic forces. Today, only those corrective measures which provide for maintenance of employment and production are acceptable. This makes the task of government more difficult, but considerably lessens the human suffering and waste of resources that occurred previously (AJHR B6 1958: 22).

In this way, throughout the 1950s, successive governments sought to balance external forces against local considerations, mitigating the effects of oscillations in the international economy through a range of domestic policies. Policy-makers operated with a *necessarily* external focus, given New Zealand's trade dependence and small size, and were able to influence the way in which external developments impacted upon New Zealand.

The 1960s

Following its election win in 1960, Holyoake's National Government continued to encourage import-substituting industrialisation through a variety of support structures, establishing a Tariff and Development Board and the Development Finance Corporation to finance domestic enterprises. Still maintaining Labour's approach to import-substitution and export development, National supported the formation of New Zealand Steel and the building of the Tiwai Point aluminium smelter; and organised an Export Development Conference in 1963 and a National Development Conference in 1968 (Gustafson DNZB, 2000: 338). The growing importance of manufacturing exacerbated the trend toward concentration of industrial activity in the larger northern urban centres. National also continued the process of liberalisation, releasing seventy per cent of all imports from controls and signing a succession of trade agreements to consolidate external political and trade relations.

For the first 100 years of its history, New Zealand pursued an international policy of stark simplicity and narrow scope. Since 1945 it has accepted the need to extend its horizons and its associations and has entered upon a wide variety of international relations exceptional among countries of its size (Holyoake, AJHR 1967 A1: 7).

The externally generated political-business cycle continued, affirming New Zealand's inevitable external dependence. Years of prosperity in which external price increases led to increased import orders were followed by a collapse in international prices, causing balance of payments difficulties that required political action. In 1960, butter prices slumped, just as they had in 1957, and as the price of wool had in 1953. Recalling the political effect of the Black Budget, Holyoake's government responded differently, renewing government borrowing, this time by joining the International Monetary Fund (AJHR, B6 1961; Gould, 1982: 90). The crisis passed, engendering a period of prosperity that continued until 1966, when once again the price of wool plummeted.

From 1935 to 1967, successive New Zealand governments had managed New Zealand's relationship with the international capitalist economy rather successfully. Forced to operate within an externally determined context beyond their control, they had employed a variety of instruments to mitigate the domestic impact of international volatility. The policies pursued modernised the economy, and maintained the position at the top of the living-standards league that New Zealand had achieved in the late nineteenth century, when its income per capita was higher than that of the US (Schedvin, 1990: 533). The path-dependency established early in New Zealand's colonial development remained, however, clearly marked: the small population and high dependence on international trade continued, as did the overwhelming dependence on primary production, despite the substantial diversification in terms of both markets and products that had occurred over these decades. Bollinger in 1960 noted "the whole structure is balanced precariously on a prosperity induced by the lucky vagaries of foreign markets" (1960: 115).

Citing his contemporaries Condliffe and Sinclair, Bollinger warned:

What has made possible the increased consumption, social security, and greater leisure, as well as secondary development, is the high productivity (and high prices) of the exporting industries...

An expanding economy and good overseas prices are the prerequisites of equality. Under the New Zealand system everyone can be moderately rich; but everyone cannot be equally poor... Another severe depression would bring industrial arbitration, and with it equality, tumbling down... On such a razor-edge does New Zealand's glowing reputation rest (Bollinger, 1960: 115).

In 1966, a significant change occurred, further affirming New Zealand's continued vulnerability to international forces and the impossibility of effecting insulation. The "end of the golden weather" (Mason, 1962) began when wool prices collapsed internationally, starting the process whereby New Zealand's post-war boom was replaced by a period of recession and stagnation (Easton, 1997a: 73). The wool prices precipitated a nosedive in New Zealand's terms of trade in 1967. This effect was amplified domestically because the imminent election made politically unpalatable policies which might have dampened domestic demand; and unemployment and inflation began to rise. Muldoon became Finance Minister in 1967, introducing some tentative reductions in economic regulation (Hawke, 1985: 437), but in general, government intervention increased, in an attempt to regain economic stability: while the terms of trade recovered, inflation lingered (Gould, 1982: 92). In recognition of the adverse economic circumstances, the Arbitration Court declared a 'nil wage order' in the annual award rounds. The unpopularity of this decision led to it being overturned in favour of a five per cent increase, which precipitated a spiral of increasing wages and prices that continued into the early 1970s (Gould, 1982: 186).

Making economic matters worse, as early as 1960, concerns were being articulated in New Zealand at the possibility of Britain joining the Common Market (*New Zealand Economist and Taxpayer*, Oct 1960: 173). Under the GATT, New Zealand had enjoyed guaranteed free entry to Britain for dairy produce and pork, as well as concessions for sheep meat and beef, until 1967 (AJHR A21: 79). The problem was that in 1960, 91 per cent of New Zealand butter, 94 per cent of cheese and 94 per cent of sheep meat went to Britain. Agricultural protection in Europe and North America made it extremely difficult for New Zealand to diversify its markets, and led to the dumping of produce, depressing the world price of commodities (including those from New Zealand). Britain's overtures to the EEC thus had considerable implications for itself, the Commonwealth, Europe, the 'free world' in general and for New Zealand in particular (Holyoake, AJHR, 1961 A21: 78). The effect on New Zealand would be two-fold: not only would it lose its preferential status in its most substantial export market by far, but in addition, Britain would be subject to the Common Agricultural Policy that was concurrently being considered by the EEC (New Zealand's second largest market at the time, taking 16.6 per cent of New Zealand's total exports in 1960 (Holyoake, AJHR A21 1960: 66)). The proposed Common Agricultural Policy would not only intensify the agricultural protectionism already in place; but was also likely to increase the exports of surpluses from European countries at subsidised prices, thus damaging New Zealand's existing markets (AJHR 1961 A21: 78). In this way, the Common Agricultural Policy threatened New Zealand's ability to expand its markets and made Britain's approaches to the EEC still more nerve-wracking. De Gaulle vetoed Britain's first attempt to join, in 1961, and again in 1963, but nevertheless, it was clear from the early 1960s that it was simply a matter of

time before Britain would be accepted. New Zealand policy-makers recognised that New Zealand would suffer more than other Commonwealth countries because of its extremely heavy dependence on Britain and lack of alternative markets (AJHR 1961 A21: 86). Marshall was accordingly appointed Minister of Overseas Trade with the responsibility of establishing conditions as favourable as possible for New Zealand, and encouraging market diversification (AJHR 1961 B6: 5; Marshall, 1989; Templeton, 1993).

Determination to diversify New Zealand's external trade is evident in the many trade agreements signed during the late 1950s and early 1960s. In April 1959, an agreement with the Federal Republic of Germany was ratified, assuring import quotas to certain New Zealand products, and another agreement was under negotiation with the Soviet Union (AJHR 1960 B6:8). In 1961 an agreement between New Zealand and the Federation of Malaya (AJHR, 1961 A15: 2) was reached, while in April 1965 a further trade agreement was signed between New Zealand and Poland, according each of the partners unconditional most-favoured-nation treatment in all matters with respect to customs duties and charges (AJHR, 1965 A13: 2).

The New Zealand – Australia Free Trade Agreement (known as NAFTA, now confusingly the acronym employed for the North American Free Trade Agreement), was signed in Wellington in 1965 and came into force in 1966. This established a Free Trade Area which was to be further developed by promoting a sustained expansion of trade, so as “to contribute to the harmonious development and expansion of world trade and to the progressive removal of barriers thereto” (AJHR 1965, A17: 3). The agreement initially covered sixty per cent of trade, and included a phasing-out period of eight years for tariffs over ten per cent. Important items covered included forest products and horticultural produce (NZYB, 1966: 610). Specific provisions included ongoing reduction of import duties and quantitative import restrictions, with the proviso that in the interests of encouraging new productive activities, protective conditions could be added (AJHR 1965 A17: 9). The Agreement was in accordance with the most-favoured-nation principle, commonly regarded as the guiding principle of the GATT (AJHR 1965 A19: 14)¹⁵.

As a result of NAFTA, New Zealand forest product industries gained duty free access to the Australian market, and certain access was assured for peas and beans, dried vegetables, lamb, fish, cheese, bacon, ham, and some manufactured goods (AJHR 1965 A19: 12). The different levels of industrial development between the two countries were taken into account so as not to damage industrial development within New Zealand: the Agreement excluded goods which if included might harm New Zealand manufacturers, and a condition was attached making it possible to temporarily withdraw an item. The New Zealand and Australia Free Trade Agreement was thus

¹⁵ The most-favoured-nation principle, central to the GATT, “shall not prevent contracting parties from forming customs unions or Free Trade Areas. Clause 8(b) of Article XXIV of GATT defined a Free Trade Area as a group of two or more customs areas in which the duties and other restrictive regulations of commerce... are eliminated on substantially all the trade between the constituent territories” (AJHR 1965 A19: 14).

an important element in New Zealand's diversification promotion, and was viewed as an important step by contemporary exporters.

Every company in the AHI Group is an exporter in its own right and the total exports for the Group increased by 25 per cent. Trans-Tasman trade under NAFTA continues as the most important sector of export with the South Pacific islands another major market (AHI Annual Report, 1972: 7).

Trade with Japan doubled between 1962-3 and 1966-7, making it New Zealand's third most important market behind the UK and the US (although exports to Japan still comprised only nine per cent of New Zealand's total by 1967). Whilst still insignificant in terms of New Zealand's overall export trade, the value of exports to other South-East Asian countries also doubled during this period (External Trade, 1968: 2). The cultivation of new export markets depended to some extent on the development of import trade with non-sterling countries (External Trade, 1968:2), as for example growing motor vehicle usage required imports from non-traditional sources.

The diversification drive was successful, for during the 1960s, while Britain remained absolutely New Zealand's largest import and export market from 1950 to 1966, its share of New Zealand's external trade declined substantially. Whereas in 1950, the UK had taken 66 per cent of New Zealand's exports, this declined to 59 per cent in 1957 (\$324 million), and by 1966-7, only 44 per cent by value of New Zealand's exports (\$315 million) went to the UK (External Trade, 1968: 5, NZYB, 1966: 609). Despite this diversification, New Zealand remained a small, vulnerable, export-dependent economy. "Rising prosperity in New Zealand is dependent not only on our own efforts but also on satisfactory conditions in our main export markets" (Lake, AJHR 1965 B6: 2).

Parallel with the realignment of New Zealand economy, New Zealand's political reorientation away from Britain continued during the 1960s. As late as 1966, the *British Nationality and New Zealand Citizenship Act* 1948 was still in force, granting 'Commonwealth status' to all British subjects. Under this Act, "in each Commonwealth country, all persons are recognised as British subjects who possess citizenship under the law of any Commonwealth country" (NZYB 1966: 78). The pro-British stance was illustrated in policy relating to movement in and out of New Zealand.

New Zealand did not distinguish between 'New Zealander' and 'other' but between 'British' (from New Zealand, Australia, South Africa, India, as well as Great Britain) and 'foreign' (from all other countries), and between 'white' ('European') and 'non-white'. Persons of British descent could enter and reside in New Zealand as freely as New Zealanders; non-white British nationals and foreigners could not (NZHA, 1997: 76).

In 1968, however, Britain elected to accelerate the withdrawal of its forces from Singapore and Malaysia to a 1971 deadline, representing a considerable challenge as the Vietnam War continued unabated. "Britain's impending withdrawal marks for New Zealand a time for reappraisal of its international position, almost as profound as that made necessary by the fall of Singapore in 1942" (Holyoake, AJHR, 1968 A1: 5). New Zealand decided to maintain forces of all three services in Malaysia and Singapore after 1971, unravelling a further connection with Britain and

emphasising the importance of the ANZUS pact. “The States is a great power and New Zealand is a small one. But our relations have always rested securely on the basis of the sovereign equality between us” (AJHR, 1967 A1: 5), Holyoake concluded rather optimistically. “In general, New Zealand has little difficulty in supporting the broad purposes of American policy because it believes them to be correct and in harmony with New Zealand’s own goals” (ibid: 6). National remained committed to supporting the US, to the extent of maintaining a force in Vietnam, despite increasing domestic protest. Holyoake emphasised, however, the need for New Zealand to continually re-evaluate its position.

I am not suggesting, of course, that the pattern of our international relationships is permanently fixed. In Europe, we shall need to make important readjustments if Britain succeeds in its application to join the EEC: in Asia we shall be directly affected as the implications of changes in British defence policy East of Suez become apparent. We are already responsive to opportunities for increased trade and cooperation in South East and East Asia and our substantial involvement there is likely to increase. We shall also need to review and constantly adjust our relations with Australia and the US. Clearly, then, our policies must be open to changes of emphasis and direction (Holyoake, AJHR 1967 A1: 6).

Following the US closely, Holyoake’s Government continued to refuse to recognise communist China, as Mao Zedong and the Red Guards sought to impose the Cultural Revolution (AJHR, 1968 A1: 26). The influence of the cold war continued to spread, as every conflict occurring appeared to be supported by one or other of the Great Powers (in the Middle East, for example, Russia had supported the Arab states since 1954). “Vietnam and the Middle East were [consequently] matters clearly of immediate significance to the interests of the Great Powers” (AJHR, 1968 A1: 8), and in turn, to New Zealand. The tentativeness of Holyoake’s stance in terms of keeping the options open clearly emerges when his comment above is contrasted against the following:

[I]nterdependence in the trade field was matched in a broader sense by New Zealand’s sense of identity with the countries of Western Europe... Though we are located on the fringe of Asia, our way of life is Western (with a strong admixture of Polynesian) and we are linked with Europe in countless ways – through settlement and immigration, through our participation in two World Wars, through trade, and through national interest. It is in Europe that developments capable of determining the economic fortunes of New Zealand are taking place (AJHR 1969 A1: 7).

The 1970s

From 1968, the international economy became increasingly unstable, as “the most serious economic crisis since the Great Depression shook the Western world” (Collins, 1996: 396). This exposed a variety of economic problems in the US and world economies with origins stretching back a decade or more. In the US, by the late 1960s, “growth liberalism’s combination of growth-inducing tax cuts, an escalating war in Vietnam, and increased social spending at home had overstrained economic institutions and capabilities. The economic crisis of 1968 provided irrefutable proof of that strain” (Collins, 1996: 398). Under the Bretton Woods system, the US dollar had been fixed to gold, and other currencies were fixed to the dollar (Forbes, 1991: 23). After the 1968 crisis, the US reaffirmed its commitment to maintain the official price of gold at \$35 an ounce, and continued to stabilise the market price through sales in the London market

(Pauls, 1990: 893). By the early 1970s, the West's post-war economic boom was ending and structural changes were taking place in the world economy. The growth of the Eurocurrency market began in the 1950s, whereby dollars kept in Europe for investment were bought and sold by banks. By 1970, the total pool of Eurodollar deposits (US\$57 billion) far exceeded the dollar reserves held by governments (US\$37 billion). This mobile speculative capital created instability to which even the economically powerful US was not immune. During the 1960s, the costs of maintaining a balance of payments deficit in order to finance loans and aid for allied states continued to increase, and by 1970, the US's share of global exports had fallen to 13.7 per cent (from 16.7 per cent in 1950), compared with the EEC's 28.8 per cent. By 1971, as the Vietnam War accelerated inflation, the US was running a trade deficit in addition to its payments deficit. As the US economy continued to decline, the dollar came under heavy selling pressure. On 15 August 1971, President Nixon suspended convertibility of dollars into gold, ending the Bretton Woods financial system (Collins, 1996; Reynolds, 2000).

By 1973, all major currencies were floating (Reynolds, 2000: 405), increasing the volatility of the external context for small trading countries such as New Zealand. The massive instability of the international economy was accompanied by increasing political and social unrest. New Zealand remained inextricably influenced by this global context, while successive governments continued to try to mitigate the effects of these external developments. In 1970, while Britain waited eagerly for EEC approval, the EEC itself was negotiating the framework for its Common Agricultural policy. This had important implications for New Zealand, for "With agricultural surpluses increasing at a dramatic rate and with deep-seated structural and other problems in different member countries, the formulation of a balanced farm policy will be no easy task" (AJHR, A1 1969: 12).

Politically, the Commonwealth continued to provide the fundamental context for New Zealand policy-making, although by this time New Zealand was seeking to strengthen its bilateral relations with South East Asia, particularly India and Japan in terms of trade, but also through its active participation in ASPAC, the Colombo Plan and SEATO (AJHR, 1968 A1: 20). In 1971, China's delegation was finally seated in the UN, "correcting a long-standing anomaly" (AJHR, 1972 A1: 4), but this removed Taiwan's representative in the process. While apparently endorsing China's admittance, Holyoake's Government did not go so far as to recognise the People's Republic, despite the fact that Nixon had visited China in 1972 (in turn disrupting US relations with Japan). As the Vietnam War continued, however, the New Zealand electorate became increasingly critical of the US approach. After twelve years in office, the National Government lost popularity and Labour once again scored a convincing victory in the 1972 election.

The rhetoric mustered by the Third Labour Government reasserted the social democratic vision of the First Labour Government, whilst maintaining the strong external focus. Kirk took a strongly independent stance on New Zealand's foreign policy, some suggest at the expense of tackling New Zealand's economic problems (Bassett, 1976). By the end of 1973, the troops had been

brought home from Vietnam, China had been recognised, the ANZAC spirit was revived with Whitlam's visit, the Associate Minister of Foreign Affairs visited Peking and the Chinese Minister of Foreign Trade came to New Zealand, and big steps had been taken to increase New Zealand's foreign aid (Bassett, 1976: 66). At international forums, Kirk stressed the need for social cohesion in the world, and the need to tackle "the deepening division between the rich and the poor" (cited in Bassett, 1976: 69).

The Government which I lead is determined to find and hold to a firm moral basis for its foreign policy. It may be said that the only basis for a sound foreign policy is the national interest. I see no contradiction. I believe that to base our foreign policies on moral principles *is* the most enlightened form of self-interest. What is morally right is likely to be politically right (Prime Minister Kirk, AJHR, 1972 A1:3).

The new government's moral credibility was soon tested by the Springbok Tour which had been planned for 1973. After a barrage of communication with the New Zealand Rugby Football Union in early 1973, the government decided that allowing a tour of players selected on a discriminatory basis to proceed would contravene New Zealand's moral duty (AJHR, 1973 A1: 4). "New Zealand strongly supports the principles of the Declaration of Human Rights and will equally strongly oppose all forms of racial discrimination at any opportunity" (AJHR, 1973 A1: 17): the New Zealand Rugby Football Union's determination to maintain a distinction between 'politics and sport' was overridden by the strength of the government's moral righteousness. A further illustration of the intention of Labour to act strongly and independently emerged with its active protesting at French nuclear testing in the Pacific. The Government took the dispute to the International Court of Justice "with the desire to promote the rule of law in international affairs" (AJHR, 1983 A1: 5). Kirk was also considerably more critical of the US than National had been. "The Vietnam conflict caused a revolution in public attitudes to this kind of war, in which the civil population is the chief sufferer... By its close, it had become plain that military intervention by great powers in the affairs and on the territory of smaller nations is no longer acceptable" (AJHR, 1973 A1: 7).

Still anticipating Britain's imminent acceptance into the EEC, the new government extended its call for independence still further. "I expect that in due course the Government will consider possible changes in the honours system, in our National Anthem, and flag, which would give them a more distinctively New Zealand character, but these are not matters of urgency" (Kirk, AJHR, 1973 A1: 13). Kirk hastened to avoid offence, however, claiming "we look forward to the presence in New Zealand of the Royal Family during the Commonwealth Games next year" (AJHR, 1973 A1: 13).

The Labour Government's election coincided with a shift in the international climate in the twenty-five year old cold war. Kirk argued that rivalry was shifting, spreading beyond the historic standoff between the US and the Soviet Union. China and the Soviet Union remained at serious odds, while the US was by 1972 trying to mend relations with both. Having thrown in its lot with Europe, Britain was also redefining its relations with both the Soviet Union and the US.

This affected New Zealand's external context: the principal implication drawn by Labour was that such developments reduced the need for New Zealand to form defence treaties (AJHR, 1973 A1: 10). "Some of the organisations to which we belong such as SEATO, have become largely obsolete and irrelevant to our present needs, even though our relations with individual members remain as close and cordial as ever" (Kirk, AJHR, 1973 A1: 8). Accordingly, Labour began to phase out New Zealand's involvement in SEATO.

New Zealand's relations with the US remain of prime importance to the US. The ANZUS Treaty has continuing validity for Australia and New Zealand, even though we hope and work for a relaxation of tension which will lessen the likelihood of our having to call for American protection under the security provisions of the Treaty (AJHR, 1973 A1: 11).

In response to this dynamic international context, Labour sought to strengthen New Zealand's presence in Europe and the Americas. "Even if we had no political interest (which we do), New Zealand's trade interests would require it" (AJHR, 1973 A1: 11). Labour established diplomatic missions in Chile and Peru in 1972, with the prospect of further extension into South America. "In Europe, the absence of New Zealand representation in Moscow has been one of the most glaring gaps. The Soviet Union has accepted détente in her relationships with the US and Europe: she is a nation predominantly European but with important Asian and Pacific interests" (AJHR, 1973 A1: 10). Labour thus established a New Zealand Embassy in Moscow in 1973.

The Third Labour Government inherited a delicate economic balance reflecting the aftermath of the 1966 downturn in the terms of trade and the ending of the Bretton Woods monetary system. Labour introduced a 'stabilisation package' to combat the 'wage/price spiral' that had resulted from the 1968 'nil wage order' debacle (Gould, 1982: 126). This placed limitations on interest rates and implemented a price justification scheme, countermanding the limited economic liberalisation that had occurred in Finance Minister Muldoon's 1969 Budget (Gould, 1982: 126; Templeton, 1995: 34). Labour also initiated considerable overseas borrowing which was poorly timed in the extreme, for New Zealand's economic difficulties, like those of other countries, increased exponentially in 1973 with the first Oil Shock.

On October 6 1973, Egypt and Syria attacked Israel on Yom Kippur, the 'day of atonement' (Reynolds, 2000: 370). In the middle of the ensuing conflict, Arab oil ministers from OPEC (the Organisation of Petroleum Exporting Countries) meeting in Kuwait took two crucial decisions, unilaterally raising oil prices by 70 per cent, and embarking on a rolling embargo against supporters of Israel, cutting supplies by five per cent a month. After Nixon pledged \$2.2 billion of aid to Israel, King Feisal of Saudi Arabia imposed a total oil embargo on the US. This "had deep and lasting effects on the Western economies. And constituted a further reason for the American peacemaking that followed" (Reynolds, 2000: 375). OPEC's strategy proved to be highly successful – so much so that in January 1974 OPEC raised its prices again (Fischer, 1996: 208). Whereas in December 1970, a forty-two gallon barrel of oil cost around US\$2, between October and December 1973, the oil price quadrupled to \$11.65 because of OPEC's actions (Reynolds, 2000: 382).

The Arab oil producers had gained power because of the rapid shift from coal to imported oil as the prime source of energy among the Western countries. In 1972, Western Europe relied on oil for 60 per cent of its energy consumption, compared with 38 per cent a decade before (Reynolds, 2000: 383). On previous occasions the US had stabilised prices by drawing on its own oil petroleum reserves, but by 1973, its reserves were heavily depleted while its demand continued to increase, the US had become a heavy importer of foreign oil, and Saudi Arabia, with a quarter of the world's proven reserves, had become the world's largest oil exporter (Fischer, 1996: 208; Reynolds, 2000: 383).

The first Oil Shock led to virtually world-wide double-digit inflation. A survey by the IMF in 1979-80 found that throughout the 1970s, consumer prices were rising in every country for which data were available (Fischer, 1996: 209). The smallest rates of inflation in 1970 were in Switzerland, Burma and Saudi Arabia; the highest were Israel, Turkey, and Latin America. New Zealand's inflation was 16.3 per cent, close to the UK on 16.4 per cent and slightly above the 'world inflation rate' of 15.6 per cent (Fischer, 1996: 210).

In New Zealand, inflation was exacerbated because the new Labour Government's expansionist policies coincided with a commodity boom between 1970 and 1973 that caused a rise in real income and employment. This, coupled with massive immigration, caused inflation to skyrocket (Gould, 1982: 129), exacerbating the economic crisis that had resulted when terms of trade collapsed in 1974-75 following the first Oil Shock. The price hike and massively increased volume of imports of the boom were not offset by an increase in exports, and a huge balance of payments deficit resulted.

New Zealand's problems were compounded in 1973 when Britain finally joined the EEC. This event is accorded monumental significance by Belich (2001a), among many others. In this context, it is important to recall that the last year in which Britain took more than half of New Zealand exports by value was 1962 (NZYB, 1964: 656). Between 1966 and 1972, Britain's share of total exports had fallen from 45 per cent to 31 per cent, and by 1975, the share was below 20 per cent¹⁶. Easton (2001b: 183), however, underplays the change, noting "while some sectors – notably cheese producers – were hit hard, the common perception of the economic impact of Britain joining the EEC is an exaggeration, reflecting the psychological dependency of many New Zealanders on Britain, rather than the economic dependency" (Easton, 2001b: 183). One of my interviewees commented:

What was New Zealand like [after World War Two]? Well it was very closed economy... It was closed in the sense that it was still very much part of the Empire, and people still thought of the old country, and ... things moved fairly slowly, the ... it hadn't changed a hell of a lot from the pre-war world that I knew (Interview, CEO, Tait Electronics).

¹⁶ In 2002, Britain was New Zealand's fourth largest trading partner behind Australia, the US and Japan, although just 4.8 per cent of New Zealand's exports went there (Statistics New Zealand, 2003).

Many New Zealanders in the post-war period had close British connections reflecting the recent history of the colony and the continual flow of immigration. The Wars had increased this connection manifold, accounting to an important degree for the sense of abandonment that Britain's entry to the EEC represented. Again, the CEO of Tait Electronics observed:

I'm old enough to remember... John Marshall, wasn't it, who laboured mightily, some sort of agreement out with the Poms. I thought it was a pretty poor performance on the Poms' part, because I'd been there for all those years [during World War Two], and I thought to myself that's not much of a bloody reward for all that effort (Interview, CEO, Tait Electronics).

For New Zealanders who had fought in World War Two, Britain's entry into the EEC in 1973 represented a shock, but this was symbolic rather than an economic. New Zealand's complex relationship with Britain across these years consequently represents more than blind adherence to the Imperial apron-strings. It rather demonstrates the perpetual jockeying for position in which a small trading nation must engage.

Britain's 'defection' added to the sense of uncertainty in the international context, for economic volatility had begun to increase following the demise of the Bretton Woods system in 1971. The internationalisation and multinationalisation of capital and the internationalisation and deregulation of financial, capital and currency markets undermined the supply side of the social democratic model and the ability to use interest rate adjustments counter-cyclically to regulate aggregate demand, reducing the ability of the government to depress the overall rate of interest and to direct investment (Huber and Stephens, 1998: 10). This, combined with the onset of 'stagflation', undermined the diminishing popularity of Keynesianism, and "from 1974, internationally, the free-marketeers were on the offensive" (Hobsbawm, 1994a: 409). Think-tanks such as the IEA (Institute of Economic Affairs) and Centre for Policy Studies played an important role in the "intellectual revolution bringing economic liberalism to pre-emption" (Cockett, 1995: 197). In Britain for example through these channels, Thatcher, then in Opposition, was exposed to the ideas of Hayek and Friedman from 1975, and kept abreast of the latest monetarist developments up to and after she became Prime Minister in 1979 (Cockett, 1995: 177-182).

In 1975, an international Summit Meeting on inflation resulted in "full economic agreement on only one remedy..., that government regulations should be reviewed to remove any obvious impediments to market competition" (J K Galbraith, quoted in Fischer, 1996: 210). In the US, Carter's administration introduced a new idea called 'deregulation', partly in the hope of removing regulatory 'floors' under prices and wages by removing control of them to the private sector (Fischer, 1996: 210). This sea change in sentiment was not yet manifest in New Zealand, where Labour's 1975 election year Budget was expansionary, borrowing heavily to mitigate the fall in domestic economic activity and employment (AJHR, B6 1975), for full employment had ended in 1967. The cost of this attempt to insulate was underestimated, worsening the situation. Politically, Labour antagonised conservative voters by implementing the radical Accident Compensation and Compulsory Contributory Superannuation schemes and taking a firm moral stance on nuclear and sporting issues (James, 1986: 39). The aggressive, commanding presence,

and ready wit of the new National Prime Minister Muldoon, elected in 1975, won the support of those who saw him as a bastion of security against rising social unrest and radicalism. Muldoon reinforced this popularity with “the biggest election bribe ever” (McRobie, 1996: 391) – the exceedingly generous National Superannuation scheme, offering a universal flat rate to all over sixty, funded by taxation – ambiguously and cunningly offering ‘New Zealand the way *you* want it’ (Templeton, 1995: 42), winning National the 1975 election.

Muldoon, the new Prime Minister, inherited a grim economic situation. National was saddled with the results of three years of inflation, rising from 5.4 per cent in 1972 to 15.7 per cent in 1975; a budget deficit of 1002 million dollars (up from the 390 million dollar deficit in 1974-5); and a balance of payments deficit of 1000 million dollars (compared with 91 million dollars the year before), a decline in the savings rate, and rising unemployment (Gould 1982: 216; NBR July 2, 1984: 20). Muldoon’s 1976 Budget introduced sharp restraints to control inflation and the balance of payments and Budget deficits, and made tentative moves to free up the money market and reduce state spending (AJHR, B6 1975). As the success of this retrenchment came unavoidably at the cost of employment (NBR, 2 July, 1984: 20), Muldoon offset these moves with an expansionary fiscal policy for the 1978 election. To tackle rising unemployment, active labour market policies were introduced and expanded, evident in job creation in the public sector and subsidised work in the private sector (Murdoch, 2001).

The National Government took some tentative steps to free New Zealand from some of the social restraints of the past. In 1980, Saturday trading was introduced in the *Shop Trading Hours Amendment Act*; the *Sale of Liquor Act* was amended to allow the consumption of wine in restaurants and a referral system for women seeking an abortion was set up in the *Contraception, Sterilisation and Abortion Act 1977* (Bassett, 1998: 356-7). The 1978 Budget also supported further export diversification through government subsidies and tax incentives to encourage the expansion of forestry, horticulture, fishing, tourism, and wine; as well as promoting the search for alternative energy sources (AJHR, B6, 1978; James, 1986; Templeton, 1995: 68). It also introduced the Supplementary Minimum Payments (SMP) scheme was introduced in the hope that SMPs would provide greater stability to farmers’ incomes, enabling them to plan and invest so as to increase production (Bassett, 1998: 352), and to ensure their support. This, however, provided a disincentive to seeking higher productivity, as the SMPs quickly became built into the capital value of land (Gould, 1985: 78; Templeton, 1995), leading these measures to be criticised as inefficient and economically retardant.

The 1980s

A second great surge in oil prices, from 1978 to 1981, was catalysed by the Iranian revolution and the Iran-Iraq war, and by 1980, the spot price of a barrel of oil was over US\$40 (Reynolds, 2000: 383). Reaffirming New Zealand’s (among others) inevitable vulnerability to external events, this compounded the problems by almost doubling the oil bill in 1979 and emphasising New Zealand’s heavy dependence on imported energy (AJHR, B6 1979). Inflation shot up again, and

the government responded with renewed economic restraints, rapidly backtracking from earlier commitments to liberalisation (Templeton, 1995: 117).

The imperative to find alternative energy sources preoccupied Cabinet from 1979. 'Carless days' were introduced, motor racing was banned, and the public became convinced that the country faced an energy crisis (Bassett, 1998: 359). At the same time, controls on overseas investment were liberalised and new fast-track procedures for government consents implemented. These policies, together with the oil shock and simultaneous appearance of an apparently embarrassingly large surplus of electricity (James, 1986: 98), provided the impetus for 'Think Big'. This was an energy and industrial growth strategy whereby the state would fund a range of high energy projects that would use the excess energy in producing a range of materials whose price was projected to steadily increase. This was also projected to create 410,000 jobs by 1990: 150,000 in agriculture and horticulture, 100,000 in manufacturing, 5,000 directly employed in the projects and a further 155,000 created by the foreign exchange earnings from these projects (Gustafson, 2000: 284). This estimate was based on the assumption that every \$1 million of overseas earnings had historically created 161 jobs after allowing for the multiplier effect (ibid). The major projects were designed not only to use up surplus energy, substitute for imports, earn foreign exchange through exports and create employment, but were also aimed at regional development, especially in the South Island (Gustafson, 2000: 284).

The projects included proposals to expand New Zealand Steel, the Marsden Point oil refinery, and the Tiwai Point aluminium smelter, and to establish ammonia-urea and methanol plants and the Mobil synthetic oil plant (Gustafson, 2000: 285). By replacing imported fuels and by increasing exports, the energy-based projects would "save on imports or earn overseas exchange, easing the balance of payments constraint on economic activity" (NBR, 1984: 20).

'Think Big' went well beyond intervention in the economy. It involved state-led and state-funded development of New Zealand's industrial infrastructure on a huge scale reminiscent of that undertaken by Julius Vogel and Richard John Seddon in the latter part of the nineteenth century... While increasing production and exports from traditional agricultural products would still be vital to New Zealand's economic health, that would be balanced by energy-based projects and a greater emphasis on technology. Muldoon's determined attempt to build energy projects, plant more forests, expand farming and foster more manufacturing was not just an economic policy but also a conscious attempt to create a secure and self-sufficient nation (Gustafson, 2000: 286-7).

'Think Big' was the centrepiece of the 1981 election (McRobie, 1996: 396). While National won again, unfortunately for Muldoon, Think Big foundered. Underpinning its demise was its hasty implementation: for a small country, too many developments were tackled at once, putting extensive pressure on the construction industry, while failing to secure a fairer sharing of risks or a better set of terms of finance (Templeton, 1995: 127). In addition, world prices for oil, aluminium, steel and methanol all fell soon after the plants were approved (Terry, 1984: 27). Annual borrowing climbed steadily from \$1 billion in 1976 to \$1.445 billion in 1979, \$1.524 billion in 1981, \$2.158 billion in 1983 and \$3.1 billion by 1984 (Bassett, 1998: 365). The heavy

borrowing to pay for the expansion occurred just before interest rates soared, vastly increasing the debt that would have to be repaid (Dalziel and Lattimore, 1996: 17).

While Muldoon was criticised for pushing ahead too far and fast with 'Think Big', elsewhere he was accused of doing "too little too slow too late" (James, 1986: 97, Templeton, 1995: 128), in particular with the CER (Closer Economic Relations) agreement with Australia (sometimes known as ANZCERTA: the Australia and New Zealand Closer Economic Relations Trade Agreement). Despite pressure from his Cabinet from 1979 onward to act quickly to strengthen regional linkages with Australia in the midst of the turbulence that followed the second oil shock (Templeton, 1995: 128), Muldoon delayed signing until 1983. Once signed, the agreement began the removal of tariffs and quantitative restrictions on the passage of goods and the implementation of export incentives (NBR, 1984: 18; Robinson, 1993: 21; Templeton, 1995). CER thus represented the extension of a trend established over the previous twenty years, representing a further attempt of the New Zealand government to mitigate external price volatility through unilateral and multilateral external agreements.

Gustafson notes that Muldoon, like his mentor Holyoake, was more concerned with pragmatic economic rather than idealistic moral considerations, viewing New Zealand's foreign policy primarily, and almost exclusively, in terms of its foreign trade. He cites Muldoon: "at the heart of our dealings with the outside world is... trade. We must do that if we are to maintain living standards for our people" (Muldoon, in Gustafson, 2000: 214).

Muldoon's 1981 election-year Budget caused a consumer-led recovery (NBR, 1984: 21), which resulted in money supply growth and artificially elevated agricultural land prices, feeding a record balance of payments deficit of \$2252 million, and inflation of seventeen per cent. Growing numbers of industrial disputes at the Think Big projects: Marsden Point, the Clyde Dam, the Huntly Power Project, the steel mill expansion at Waiuku, the Forest Products Kinleith plant and in the freezing works signalled unrest, and fanned fears among employers of a wage-cost blow-out if the labour market was not deregulated and inflation controlled (Gustafson, 2000: 344). In addition, 'Think Big' was running into trouble, as the size, cost and environmental implications of the projects aroused an enormous amount of criticism (Templeton, 1995: 186). In response, Muldoon implemented a draconian wage/price/rent freeze for an unprecedented twenty months from 1982 (McRobie, 1996: 399). This desperate measure "merely suppressed the realities of an inflation rate nurtured as much by inconsistent Government monetary and fiscal policy as any other factor" (NBR, 1984: 20). Muldoon's credibility was further undermined by an extremely unpopular measure akin to a capital gains tax (Templeton, 1995: 173) and his unilateral decision to back Thatcher over the Falklands crisis, against the wishes of the Ministry of Foreign Affairs (Templeton, 1995: 187), highlighting his conservative and unfashionable pro-Empire mentality. The 'freeze' was finally lifted in February 1984 after inflation had artificially dropped to 4.7 per cent. By May 1984, however, the infrastructure of economic controls was disintegrating because of "the intervention-induced distortions caused by the Government's inability to extricate itself

from regulatory controls without a surge of hyperinflation” (McRobie 1996: 399). “Financiers could not hold interest rates while Muldoon ran a tight money policy to try to stop a runaway budget deficit... by early June 1984 the whole construct was in danger of flying apart” (James, 1986: 102).

Further compounding the economic difficulties in the late 1970s and early 1980s, New Zealand was also experiencing a volatile political and social situation. Between 1965 and 1982 the divorce rate increased six-fold, debates over homosexuality and abortion raged, and Maori and feminist protest movements gained prominence, fanning fears that society was disintegrating (James, 1986: 67; Dunstall, 1996: 479). The violence surrounding the 1981 Springbok tour symbolised the rising social tension, as anti-apartheid protesters clashed dramatically with ‘pro-tour’ supporters attempting to ‘keep politics out of sport’. Adding insult to injury, the traditionally high standard of living enjoyed by New Zealanders slipped dramatically from the pinnacle of third place in the world in 1953 to seventh place by 1963, eighth in 1965, seventeenth in 1970, and twenty-second by 1978 (Gould, 1982: 22).

Castles (1985) suggests that a crisis in New Zealand’s welfare system was developing on two fronts; with the difficulty of financing the National Superannuation scheme, and the perception that those in lower income brackets with dependent children were subject to unacceptable poverty (Castles, 1985: 40). From 1967 onwards, unemployment was increasing massively in comparison with its virtual non-existence throughout the previous twenty years, creating an inverse correlation as the expenditure of the Welfare State burgeoned while revenue faltered. “Certainly, by 1975, 18 per cent of the population [some 350,000 people: McRobie, 1996: 475] were in poverty, with the attrition of pension and child benefits as the main cause” (Castles, 1985: 33). It was hardly surprising that the welfare system was inadequate in this context. The 1938 Social Security structure was based not only on full employment but also on compulsory unionism, blanket coverage (awards) and compulsory arbitration (Dalziel and Lattimore, 1996: 76), and premised on the acceptance that women would receive lower pay. By 1984 these gendered assumptions and conditions were no longer appropriate or relevant. Hence by 1984 the welfare state was coming under fire from several quarters, as neither affordable nor fair (Dalziel and Lattimore, 1996: 106).

Unemployment increased as an influx of baby boomers converged on the work-force just as several other sectors of society were also requiring employment, reaching 5.7 per cent by 1984 (Dalziel and Lattimore, 1996: 20). Erstwhile rural workers displaced by agricultural technology continued to move to the cities, as did an increasing number of Maori (many of whom had also previously been employed in rural occupations). Immigration continued unabated until the late 1970s, and in addition, increasing numbers of women were joining the workforce. This created an unprecedented demand for employment at a time when economic growth had stalled. The inability of the economic situation to provide jobs for everybody exacerbated the strain on the Welfare State. Genuine hardship emerged during the 1970s, leading to the criticism that the system was insufficiently generous. Structural disparities in the system were epitomised by the

'breathtakingly costly' National Superannuation scheme which had been a key element in Muldoon's election success in 1975. "Such a level of payment could only be maintained if the economy grew at... three per cent a year. This was no longer possible in the climate of the 1970s" (Templeton, 1995: 47). This committed National to ever-rising expenditure on the aged at a time when economic growth had virtually ceased. To pay for this, other categories of beneficiary and social services were disadvantaged (Dunstall, 1996: 476); in 1983-4, National Superannuation received \$2,407,000,000 compared with the unemployment benefit at \$312,000,000, the domestic purposes benefit at \$320,000,000 and the \$285,000,000 that was spent on housing (Treasury, 1984: 74).

By mid-1984, the situation was becoming increasingly difficult. New Zealand's relationship with ANZUS was becoming an issue of central significance. The Labour Opposition had capitalised strongly on growing anti-nuclear sentiment, and Prebble introduced an anti-nuclear bill; while staying within ANZUS was central to the National Government's foreign policy, but this required New Zealand to allow the US navy to visit. Templeton (1995: 218) states that if Marilyn Waring were to have supported Labour's anti-nuclear bill, Muldoon's government would have lost its one vote majority and been forced into an election; although Waring had assured Muldoon that she supported him in all issues but two: his stance on the nuclear issue and on rape. Yet in June 1984, on the flimsy pretext that he had lost his majority, Muldoon gave up and called a snap election.

The ongoing economic and social uncertainty, coupled with increasingly fervent anti-Muldoon feeling, after nine years of his increasingly heavy-handed authoritarianism, caused his support to evaporate. Muldoon granted Labour, brimming with the self-confidence of a generation lacking the sobering experience of two world wars and a Depression, an unparalleled opportunity for change, which they seized with alacrity. This, coupled with the fact that the New Zealand Party pinched sufficient of the traditional conservative support, secured an election win for the Fourth Labour Government (Gustafson, 1997: 204; McRobie, 1996: 407) in July 1984.

Thus from 1935 onward, successive governments sought in various ways, and with varying degrees of success, to mitigate the inevitable impacts of external developments. From 1984, however, an important change occurred. The external context remained as salient as ever, but a profound discursive shift undermined belief in the notion that the New Zealand Government could temper its effects. In Chapter Four, I examine the circumstances of the 1984 election and the massive transformation that followed, and in Chapter Five I consider the discursive dimension of these material effects. This provides the foundation for my discussion of globalisation in New Zealand, showing how sense of disjuncture with the past emerged, which paved the way for the widespread belief that the 'era of globalisation' is radically different from that of the 'Fortress', despite the persistence of historical parallels. New Zealand remains inextricably affected by the international context and its international connections continued to influence its economic, social and political development, while the actions taken by government played a crucial role in the way in which external developments are translated into practical consequences.

Chapter Four: New Zealand's neo-liberal transformation

New Zealand's general election in 1984 marks beginning of the metamorphosis of almost every aspect of life in New Zealand. A central factor was the restructuring started by the newly elected Labour Government, which led to the social democratic pattern of the post-war era being replaced by neo-liberalism. This resulted in material and discursive consequences that provide the essential context for understanding globalisation in New Zealand.

The substantive and discursive changes which stemmed from the restructuring reinforced the impression of a qualitative disjuncture between past and present, emphasising the *difference* between contemporary 'globally connected' New Zealand and the 'Fortress' of the past. This disjuncture in turn has come to connote globalisation – apparently a novel phenomenon unlike anything that has happened before. This belies the fact that New Zealand remains inextricably affected by international developments, and that the New Zealand Government retains some ability to influence the way in which these external developments affect New Zealand.

I reject the image of 1984 as the watershed dividing 'globally connected New Zealand' and the 'Fortress' of the past, *because this implies that the changes were externally driven*. I accept, however, that 1984 represented the beginning of a momentous process of change. I explore the discursive implications of the transformation in Chapter Five, but in order for these to be understood, it is first necessary to develop a sense of the extent of the changes that occurred in New Zealand from 1984. New Zealand's restructuring experiment has been subjected to detailed analysis, and it is unnecessary for me to retrace the same ground in detail. This chapter therefore provides an overview of the neo-liberal restructuring of New Zealand, the international context within which it occurred, the influences on the process of reform and what resulted, and how this prepared the way for the widespread acceptance of globalisation.

The 1984 election

Upon its election in July 1984, the Fourth Labour Government embarked upon a process of reform that fundamentally affected New Zealand's economy and society, replacing the erstwhile social democratic regime with a textbook case of neo-liberalism. It immediately set about deregulating interest rates and removing international capital restrictions, agricultural subsidies and tax incentives, and in 1985, it floated the New Zealand dollar. Over the next fifteen years, domestic market regulations were reformed in favour of contestability and competition, import quotas were eliminated and successive governments established a timetable for reducing tariffs to zero by 2006. Price stability was designated the sole statutory objective of monetary policy in 1989, while in 1991, labour legislation was radically transformed from a corporatist, union-based framework to a decentralised, individual-based contracts system under the *Employment Contracts Act*. Since 1994, the *Fiscal Responsibility Act* has prohibited budget deficits over the medium term. In addition, approximately US\$10 billion worth of state assets were privatised between 1988 and 1999, while all the remaining central government trading departments have been

restructured along the lines of private sector corporations. Social welfare support entitlements were significantly reduced in 1991, while income tax rates were cut in 1996 and again in 1998 (Dalziel, 2002: 32). “The 101 major reforms were supposedly a ‘textbook’ example of liberalisation, and undoubtedly transformed what had been perhaps the most regulated country in the OECD to one of the most open and deregulated” (Hazledine, 1999: 1).

New Zealand’s transition from social democracy to neo-liberalism reflected an international trend discernible elsewhere in the West. It is therefore important to situate the actions of the Labour Government within the international context, and it is consequently useful to employ some theoretical contributions that seek to make sense of this broader international process. The central themes of Chapter Three persist, for once again, international influences affected New Zealand, but the government played an influential role in the way that these were experienced.

Neo-liberal restructuring across the West

The central role of successive New Zealand governments in the 1980s and 1990s in effecting change can be contextualised using Jessop’s (1982, 1992, 1994, 1999a, 1999b, 2000a, 2000b, 2001a, 2001b, 2001c, 2001 forthcoming) analysis of the macro-scale process of transformation that began in the 1970s. Jessop emphasises the central significance of the temporal and spatial context of state activity, providing a valuable starting point from which to analyse New Zealand’s transition from social democracy to neo-liberalism. Drawing on the regulation approach, Jessop accords primacy to the importance of the social relations within which state relations are embedded. He analyses state activity in terms of four ‘moments’ of economic and social reproduction, defining each particular ‘spatio-temporal fix’ of the state in terms of its distinctive set of economic policies, its distinctive set of social policies, its primary scale, and the primary means used to combat market failure. He characterises the post-war (in New Zealand, post-1935) state as the Keynesian Welfare National State (Table 4.1).

Table 4.1: The Keynesian Welfare National State (Jessop, 2002a)

<i>Distinctive set of economic policies</i>	<i>Distinctive set of social policies</i>	<i>Primary scale</i>	<i>Primary means to compensate market failure</i>
Full employment. Demand management. Provision of infrastructure to support mass production and consumption.	Collective bargaining and state serve to generalise norms of mass consumption. Expansion of welfare rights.	Relative primacy of national scale in economic and social policy-making with local as well as central delivery. International institutions exist to support nation-states.	Market and state form a ‘mixed economy’. State expected to compensate for market failure.
KEYNESIAN	WELFARE	NATIONAL	STATE

Jessop proposes that across the West, the post-war national state existed within the spatio-temporal fix of Atlantic Fordism. This accorded nation states a central role in the management of the national society and economy: relatively closed national economies were the primary objects of economic management; states accepted an active role in demand management, treating wages

primarily as a source of domestic demand and managed their budgets on the assumption that money circulated primarily as national money; mass production and its economies of scale were diffused through expanding Fordist firms while collective bargaining indexed to productivity and prices helped bring wages as a cost of production under control; the Bretton Woods monetary regime and GATT trade regime helped ensure that (still limited) circulation of free-floating international currencies did not seriously disturb Keynesian economic management based on state control over national money; welfare rights based on national citizenship helped to generalise norms of mass consumption and to promote full employment (Jessop, 1999a, 2000a, 2001a, 2001b).

For Jessop, the ‘crisis of Fordism’ in the 1970s and the apparent inability of Keynesianism to provide solutions to the economic uncertainty undermined each of the ‘moments’ of the Keynesian Welfare National State. As economies were opened, the wage was no longer seen as the primary source of domestic demand, but rather as a cost of international production. Money was no longer viewed primarily as national credit controlled by the state to promote economic growth, circulating as international money beyond state control. Increasing contradictions emerged between the hyper-mobile movement of international capital, and the need for concrete valorisation in particular places (the need to make money in real places). Similarly, growing short-termism in economic calculation contradicted the increasing dependence of valorisation on extra-economic factors that take a long time to produce (Jessop, 1999a, 2001a).

The role of the state has consequently undergone a change over the past twenty years towards a new capital accumulation strategy based on privatisation, liberalisation, deregulation, and the introduction of market proxies and benchmarking into public sector, and the internationalisation of the buzzword globalization (Jessop, 2000b: 2). Jessop’s preferred description for the emerging mode of regulation in North America, Europe and Australasia is the ‘Schumpeterian Workfare Post-national Regime’ (Table 4.2).

Table 4.2: The Schumpeterian Workfare Post-national Regime (Jessop, 2002a)

<i>Distinctive set of economic policies</i>	<i>Distinctive set of social policies</i>	<i>Primary scale</i>	<i>Primary means to compensate market failure</i>
Focuses on innovation and competitiveness in open economies, with stress on supply side.	Subordinates social policy to expanded notion of economic policy. Downward pressure on ‘social wage’ and attack on welfare rights.	Relativisation of scale at the expense of the national scale. Competition to set up a new primary scale, but there remains a continued role for national states.	Increased role of self-organising governance to correct both for market and state failures. But state gains greater role in the exercise of meta-governance.
SCHUMPETERIAN	WORKFARE	POST-NATIONAL	REGIME

The primary characteristics of the Schumpeterian Workfare Post-national Regime are that money circulates as international currency; the wage appears as the international cost of production; capital mobility exists in a ‘space of flows’ as well as being fixed in place; economic and extra-economic factors are increasingly interdependent, making for structural or systemic

competitiveness; there is increasing socialisation of productive forces and private control in relations of production; and finally a relativisation of scale within which the national state is no longer the primary player, although no other scale has yet gained the dominance that the national state enjoyed in the post-war era (Jessop, 1999a, 2000a, 2001c).

Within the tendency toward the Schumpeterian Workfare Post-national Regime, Jessop identifies four tendencies: first, neo-liberalism, adopted by the US, the UK and New Zealand, and to some extent Canada and Australia, characterised by liberalisation, deregulation, privatisation, market proxies in the residual public sector, internationalisation and lower direct taxes, aimed at increasing consumer choice. Secondly, neo-statism (practiced in France) accepts the government as agenda-setter rather than planner, guidance of the national economic strategy, auditing of the performance of the public and private sectors, and employs neo-mercantilist protection of the core economy. Thirdly, Denmark and Sweden tend toward neo-corporatism, attempting a re-balancing of competition and cooperation, decentralised 'regulated self-regulation' (as opposed to deregulation or central planning), protect the core economic sectors in an open economy, and undertake high taxation to finance social investment. Finally, 'neo-communitarianism' provides a further possibility when all else fails, which might involve 'de-liberalisation' and the limiting of competition, socialisation of the economy (subsuming it to social imperatives rather than vice versa), emphasis on social use-value and social cohesion, rather than exchange value and the market. This ideal type might involve fair rather than free trade, 'thinking global and acting local' (Jessop, 2001b, 2002a).

Jessop's analysis of the transition in the 1970s and 1980s from Fordism to post-Fordism is highly pertinent in New Zealand. While even poetic licence prevents New Zealand from being labelled 'Fordist'¹⁷, the over-arching trend that Jessop identifies is nonetheless highly relevant. It throws into relief the way in which international developments, concepts and theoretical debates surface in New Zealand, exhibiting similar characteristics but and at the same time developing their own local idiosyncrasies. Jessop's theory thus provides the international context within which New Zealand's experiences have unfolded, and furnishes the necessary background for the discussion of globalisation, itself a manifestation of the social, political, economic and ideological changes that have occurred over the past thirty years.

Neo-liberalism in New Zealand

In adopting neo-liberalism, New Zealand mirrored the international rejection of Keynesianism

¹⁷ This is slightly simplistic: whilst never 'Fordist' in terms of mass production, New Zealand had Fordist characteristics in other respects. Jessop (1992) proposes that Fordism can be analysed at four different levels: as a distinct type of capitalist labour process; as a macroeconomic accumulation regime; as a mode of regulation; and as a mode of societalisation (in terms of societal norms of consumption, cradle-to-grave welfare and so forth). New Zealand cannot be considered Fordist in the first sense; and is better understood as 'dominion capitalist' in the second sense (hooked to Britain's Fordism); but can certainly be considered Fordist at the third and fourth levels of analysis. This helps to elucidate the international parallels of developments in New Zealand.

occurring in the 1970s and 1980s across the West, exemplified in the regimes of Thatcher in Britain and in the US under Reagan. New Zealand, however, went further and faster than any other country in its restructuring programme, with the exception of countries obliged in recent years to undertake structural readjustment by the IMF or World Bank in exchange for financial assistance, leading Wade (2001: 2) to comment that “if the place of deeds rather than just words had been chosen, it would have been the Wellington Consensus” (Wade, 2001: 2). Hence the *decision* to initiate reforms is not what marked New Zealand’s reform programme as unique, but rather its *extent*.

In no other OECD country has there been so systematic an attempt at the same time (1) to redefine and limit the role of government, and (2) to make public agencies and their operations more effective, more transparent, and more accountable. It is this important extra dimension, as well as the range and scope of reforms that have more obvious counterparts elsewhere, that gives the New Zealand programme its special character (Henderson, 1996: 13, cited in Dalziel, 2002: 34).

New Zealand’s neo-liberal revolution has provoked an avalanche of analysis, attracting attention world-wide for its comprehensiveness and the rapidity of implementation. Analyses span a spectrum, broadly reflecting ideological positions on the traditional centralist to *laissez-faire* spectrum of government management. Tending toward the former are local commentators Dalziel (1998, 2002); Hazledine (1998, 2000); Kelsey (1995, 1997, 2000a, 2002); Jesson (1999); and economists elsewhere (Kay, 2000; Earl, 2002); among others, all of whom are intensely critical of the way in which the reforms occurred. At the other end of the spectrum are Douglas (1993), Dawe (1995), Murray Horn and Kerr (2002), Kerr (1998, 2002b, 2002c), Mike Moore (2000), and a variety of international commentators from the World Bank, IMF, APEC, and *The Economist* magazine. It is not necessary for me to undertake a blow-by-blow account of what happened, but it is essential to consider the effect of the reforms in both substantive and discursive terms, because the comprehensiveness of New Zealand’s restructuring and the changes that it effected are frequently understood as globalisation. Yet these are directly the result of the government restructuring rather than the result of an anonymous, external force.

The changes brought about by the restructuring encourage the sense of disjuncture between past and present that many invocations of globalisation suggest. It is therefore utterly essential to understand the way in which the restructuring proceeded and to emphasise the difference between government management of the 1980s compared with that of the preceding fifty years. Yet despite this emphasis on change, the same themes persist: international trends infiltrate New Zealand, where their effect is mitigated by the actions of government. In the following section, I consider the way in which the comprehensive programme of restructuring was introduced and implemented, setting these processes in train.

Background to the restructuring

The Fourth Labour Government was elected in a context of increasing uncertainty. Economic problems had plagued New Zealand since 1967, accompanied by political strife and social turmoil

already described, which engendered a sense of *inevitability* about the need for reform. Treasury's briefing papers to the incoming government in 1984 clearly stated that New Zealand was facing economic crisis, that the social democratic recipes used in the past were no longer working, and that transformation was required to solve the country's problems (Treasury, 1984). This analysis has become the received wisdom, collectively echoed by social commentators such as Bassett (1998), and in the official literature (such as the New Zealand Official Yearbook). It provides the justification for the need for the restructuring, and the direction taken. It also serves to reinforce the impression of the unsustainability of past government management, by emphasising the obsolescence and undesirability of 'Fortress New Zealand' (Russell, 1996).

Quiggin (1998) considers that it would have been difficult for *any* government at the time to resist the pressure for deregulation, for the effectiveness of the controls which existed at the beginning of the 1980s had been steadily eroded. "Financial institutions outside the controls had grown in influence and the regulated financial institutions had created debt instruments that were close substitutes for those which were controlled" (Quiggin, 1998: 10). He emphasises, however, that there were choices in *how* deregulation could be pursued.

Some countries, such as ... the UK, New Zealand, and Australia, chose policies of radical deregulation, while other European countries made only moderate changes to their regulation policies. The results of radical deregulation have been uniformly damaging and have followed a remarkably similar pattern: an asset-price boom followed by collapse and severe recession (Quiggin, 1998: 10).

Just as in Britain, where debate was foreclosed by Thatcher's dictum that 'there is no alternative', choices were not debated in New Zealand over which direction that restructuring should take (Oliver, 1989). Treasury's 1984 briefing papers stated unequivocally that "the economic situation is such that major decisions will have to be taken immediately" (Treasury, 1984: 121). Treasury attributed much of New Zealand's poor economic performance to Muldoon's *ad hoc* tinkering, saying that this proved the failure of Keynesian demand management (James, 1986: 40; Roper, 1993b: 8). Yet whilst Keynes argued for state investment in the economic infrastructure, he did not advocate misallocated state investment. Nevertheless, Muldoon's polarising style and heavy-handed interventionism had become synonymous with Keynesianism, discrediting it by association. This meant that rather than seeking to explore how much of New Zealand's economic difficulties were *externally* generated (despite the colossal international economic problems of the 1970s), proponents of the reforms were able to attribute it largely, if not exclusively, to poor *internal* management. Muldoon's mismanagement of New Zealand's economic problems undermined the credibility of social democracy in New Zealand, proving to critics that it had failed (NBR, July 9, 1984: 40), encouraging a turn toward neo-liberalism.

Treasury's assessment of New Zealand's economic situation indicates strong ideological bias, evident in its description of the economy as "displaying one of the most lacklustre performances among countries in the developed world" (Treasury, 1984: 103). Without doubt, Muldoon's term of office had been "a litany of apparent deterioration: vastly increased unemployment, generally

bad balances of payments and huge Budget deficits, stops and starts in response to swinging money supply flows... and, until artificially brought down, high inflation” (James, 1984: 43). Compounding the sense of economic crisis, in the countdown to the election, an unprecedented run on the dollar in anticipation of imminent devaluation sparked a foreign exchange crisis (Dalziel and Lattimore, 1996: 20). These economic difficulties heightened the impression of impending catastrophe, granting the incoming government a distinct mandate for economic reform, particularly as advisers attributed poor economic performance to bad past management (Dalziel and Lattimore, 1996: 24; Treasury, 1984).

The main data on economic performance, looked at collectively and in comparison with other countries, tell an unmistakable story...over the ten years to 1983, GDP grew at less than half the average for all OECD countries... The relatively poor performance reflected... New Zealand’s unwillingness to adjust to changing external conditions... Attempts to cushion the economy from the effects of deteriorating terms of trade did not prevent the community having to face a real relative income loss and a dramatic increase in the rate of unemployment (Treasury, 1984: 104).

As Gould (1985: 82) noted, the ‘ubiquity of the malpractices’ of which Treasury complained begged two important questions which it failed to address. First, “if we are seeking to explain the difference in growth between New Zealand and other nations, we can hardly blame ill-judged policies at home if governments in other countries are doing the same things”. Secondly, “whether New Zealand is wise to dismantle its controls so rapidly when there is no evidence that others are ready to dismantle theirs, and indeed many indications suggest that they are tightening them” (Gould, 1985: 83). In addition, other major capitalist countries also experienced low economic growth from 1974 relative to the period 1947 to 1973, implying that even if the terms of trade *had* been favourable, New Zealand’s economy might well have declined anyway (Roper, 1991a: 48). Further, the extent to which it is even useful to compare New Zealand with other countries is questionable, for few share New Zealand’s constraints: the problems presented by the rise in energy prices coupled with a weakening market for traditional exports (Gould, 1985: 43). Such concerns were disregarded, and the ‘economic crisis’ provided the excuse for Labour to begin its restructuring process, while the fear of irretrievable economic breakdown provided justification for the implementation of neo-liberal policies.

The existence of an economic crisis has been used as justification for the need for reform. Yet the public debate in the media at the time of the 1984 snap election provides little indication of imminent economic catastrophe (NBR, *Snap Election Special*, 1984). At first glance the economic situation was not looking healthy in July 1984, but principal economic indicators of New Zealand’s economic performance – the terms of trade, and the real rate of interest set on world markets (Dalziel and Lattimore, 1996: 7) – had shown some sign of improvement prior to the election. The sharp recession of 1983 had ended, annual economic growth was back above five per cent, inflation was reduced to four per cent from sixteen per cent in 1982, and unemployment was falling by June 1984 (Dalziel and Lattimore, 1996: 84). Perception is relative: whilst in comparison to the halcyon days of the 1950s, New Zealand’s economy looked shocking, it was, however, improving from the situation that had prevailed in 1981-82.

The nature of the July 1984 snap election greatly assisted the implementation of the extreme neo-liberal agenda. Disregarding the vagueness of Labour's policy manifesto, the strength of dissatisfaction with National's management of New Zealand led many to vote for Labour simply to unseat Muldoon, and thus Labour gained victory with remarkably little in the way of a manifesto, or commitments to interest groups. "The decision of Muldoon to call a snap election meant that Labour's policy proposals were not subject to detailed scrutiny during the election campaign. Very few people had any idea of Douglas's economic plans, some of which would have been very unpalatable to traditional Labour voters" (Massey, 1995: 67). Oliver suggests that Douglas's ideas, based on restructuring and elitism, opposed those of the opposition to restructuring of the Labour caucus majority and its ideal of consensus politics (Oliver, 1989: 13). While the majority of the Labour Party did approve of a degree of market liberalisation, few supported commercialisation, which went much further than the liberalisation proposed in the 1984 election manifesto, let alone privatisation (Easton, 1989a: 114). By 1984, Douglas and his market liberalising economic policies dominated the Labour Party. The imposition of this strategy required a non-corporatist and highly elitist strategy, because of the high social costs of its implementation (Oliver, 1989: 50).

The stance taken by the Fourth Labour Government created widespread dismay amongst its traditional social democratic constituency. Indeed, from one perspective, Labour performed a seemingly inexplicable about-face from the social democratic stance it had taken since it first took office in the 1930s, implementing instead an extreme version of economic liberalism. In another fundamental sense, however, the path followed by Lange's Government was characteristic, for Labour has a track record as a party of reform, evident in the trailblazing milestones of the welfare state in the 1930s, the advancement of women and Maori, and the strong independent stance on foreign policy, all of which attest to Labour's willingness to embrace *change* (James, 1997: 13). From this perspective, the reforms of 1984 make more sense. While justified in economic terms, the restructuring was more than simply economic, involving constitutional changes such as the *Bill of Rights* and the *Treaty of Waitangi Amendment Act 1985*, together with the anti-nuclear stance which resulted in New Zealand's ejection from ANZUS (James, 1992: 99). While Labour was thus consistent in maintaining its policy of radical change, the difference in the political, social and economic restructuring of 1984 compared with that of 1935 was direction that it took. I explore this in the following section.

Influences on the reforms

The direction of the reforms was conditioned by a nexus of influences including key figures in the Labour Government, Treasury and influential business lobby groups, and permitted by New Zealand's 'thin' policy-making institutions in conjunction with the rushed circumstances of the 1984 election. While New Zealand's restructuring came to be known as 'Rogernomics' after Roger Douglas, Minister of Finance from 1984 to 1988 (and, after 1990, 'Ruthanasia', after National's Finance Minister Ruth Richardson), the vast scale, scope and speed of change represents much more than simply the views of one person, or the idle whim of one political

party. In the following section I consider the influences on the form and direction of the restructuring. Important themes that emerge clearly include the increasing focus on *economic* rather than *social* indicators, and in particular, on the increasing salience of GDP statistics; and the powerful influence on the direction of reform of neo-classical economists, Treasury and 'big business'. These have helped to forge the context within which globalisation in New Zealand is understood.

Generation change

James (1992) suggests that the Fourth Labour Government was predisposed to consider radical change because it comprised a new generation reaching positions of power and influence (James, 1992: 92). Labelling them the 'Vietnam Generation', James depicts these people as the product of New Zealand's post-war affluence and security, light years removed from the conservative, Depression-reared, security-first mentality that had characterised Muldoon's tenure. This generalisation is of course limited, for this generation, like all others, was diverse, and was hardly the cohort united by experience that James implies (Easton, 1997a: 222). This could however have been an element in the evolution of the views of some of the restructurers, in light of the observation in Chapter Three of the way in which Kondratieff cycles and the policies that arise in response correspond with a human memory span. It is quite possible that change and risk may have presented excitement for some members of the new government, rather than the horrors that these evoke for those, like Muldoon, with first-hand experience of the mass unemployment and poverty of the Depression and the Wars (Bertram, 1993: 29).

The policy-making institutions

The particular configuration of the policy-making institutions in New Zealand allowed Labour, already predisposed to change, to implement its revolutionary policies with remarkably little resistance. Under the First Past the Post (FPP) electoral system, the governing party was usually provided with a clear majority in the legislature (Roper, 1991b: 160); and the Executive dominated the state system to an unusual degree in New Zealand, assisted by the fact that the small size of Parliament ensured a majority for cabinet within caucus. In addition, New Zealand's 'thin' political system, which comprises a single chamber, only two major parties, no significant splinter groups, no written constitution, a three-year term, and at the time, no proportional representation¹⁸, all helped accelerate reform (Bollard and Duncan, 1992: 6). The members of Parliament of the ruling party are bound to support the position taken by their caucus, which seldom overturns decisions of the Cabinet (James, 1989: 14), and hence radical policy proposals had fewer hurdles to cross than they might have had in a system with more checks and balances.

Cabinet is the most powerful body in the policy-making process in New Zealand, and the appointment of key Ministers ready and willing to undertake radical change enabled a

¹⁸ As a result of the profoundly undemocratic process of reform in the 1980s, the First Past the Post (FPP) electoral system was ousted through two public referendums that favoured the Mixed Member Proportional (MMP) system, introduced in 1996.

disproportionate amount of influence to be exerted over the direction of change. The Fourth Labour Government came to be dominated by a clique of like-minded and powerful personalities, committed to a programme of reform (Walker, 1989: 212). The most obvious member of this faction was Roger Douglas, the new Minister of Finance. Easton notes that the power of the Finance Minister can rival that of the Prime Minister, because of the importance of economic and financial issues in the politics of the country, and given that no other portfolio is comparable, together with the size, scope and competency of Treasury (Easton, 1997b:73). Douglas had already demonstrated his dissatisfaction with the style of economic management pursued by Muldoon in 1980 with the publication of *There has got to be a better way!* (Oliver, 1989: 20). This document demonstrated his belief in market liberalising measures as essential to the resurrection of New Zealand's struggling economy.

Whilst frequently labelled "the chief architect and driving force behind the economic restructuring" (Massey, 1995: 55), Douglas was supported by two senior Cabinet ministers, Richard Prebble and David Caygill, both of whom agreed with Douglas on economic matters. This 'troika' embodied a considerable concentration of power, which they did not hesitate to use in pursuit of change (Easton, 1989a). Prime Minister Lange, having declared himself ignorant of economics, "learned his economics from Douglas and was carried along by Douglas's arguments" (James, 1989: 9). Douglas's views on the appropriate procedure for structural readjustment are clearly stated in his 1993 book *Unfinished Business*.

- Do not try to advance a step at a time. Define your objectives clearly and move towards them in quantum leaps. Otherwise the interest groups will have time to mobilise and drag you down.
- Once the programme begins to be implemented, don't stop until you have completed it. The fire of opponents is much less accurate if they have to shoot at a rapidly moving target.
- Consensus among interest groups on quality decisions rarely, if ever, arises before they are made and implemented. It develops after they are taken, as the decisions deliver satisfactory results to the public. People cannot co-operate with the reform process unless they know where you are heading (Douglas, 1993: 229).

Following these recipes, Douglas and his colleagues introduced the economic reforms in a highly undemocratic 'blitzkrieg' fashion that "typically involved a rapid thrust across a broad front, deep into reform territory" (Easton, 1989a: 171). The blistering pace of reform and constant use of urgency powers enabled Douglas and his associates to force through controversial legislation. While Muldoon had resorted to law-making by regulation, Labour relied on Supplementary Order Papers to implement major change. A Supplementary Order Paper is usually tabled in the committee-of-the-whole-House after the select committee has reported back, so there is no opportunity for submissions, and neither is the debate recorded in Hansard (Kelsey, 1995: 43, 164). The most blatant abuse of parliamentary process by Labour and then National "involved according Bills 'urgency', which allows governments to pass a law in a single sitting, avoiding the inconvenience or political embarrassment of organised opposition before, or by, a select committee" (Kelsey, 1993: 165). Proposals would come up without warning, precluding serious

debate. In addition, there was no time for re-litigation later with the 'wave upon wave' style of implementation (James, 1992: 247).

Decisions were thus made by public sector economists and political advisers without democratic participation or informed consensus (Dalziel, 1989: 53). The lack of concern for the democratic process was epitomised in the disregard of the verdict unanimously approved at the Economic Summit in September 1984, which concluded that the existing unemployment levels were intolerable. "The harsh measures of Rogernomics, which had a severely detrimental effect on unemployment, would therefore never have been implemented in a process of corporatism rather than elitism" (Dalziel, 1989: 63), and policies "could only be implemented by a government unconstrained by the necessity of consensus" (Oliver, 1989: 50).

Douglas's views as expressed in 1980, and the admittedly minimal policy details contained in Labour's 1984 manifesto, utterly failed to forecast the extreme lengths to which the restructuring would go. Evidence attesting to the powerful influence of another group indicates that Douglas's views continued to crystallise further towards the New Right under the influence of Treasury officials seconded to him as Shadow Minister of Finance. By July 1984, his views closely resembled those advocated by Treasury (Oliver, 1989: 20). This factor has led several analysts to the conclusion that "Rogernomics was really just the acceptance of the Treasury/Reserve Bank line" (Roper, 1991a: 50), and that "Treasury probably had more influence upon the path of Rogernomics than Cabinet, or even Douglas himself" (Easton, 1989a: 182).

Treasury

Treasury undeniably played a key role in the shift to neo-liberalism in New Zealand, although its role in state policy formulation has been subject to widely varying interpretations. While Cabinet is the final decision-making body, it relies on advice from other sources. Although Reserve Bank officials and economists from various government departments provide advice to Cabinet on fiscal and economic policy, in this area, Treasury is Cabinet's most important adviser.

"Treasury's influence is greater than that of any other department, because, as the controller of finances, it is at the centre of the administration and its financial decisions and recommendations pervade every aspect of government activity" (Polaschek, cited in Boston, 1989: 70). It is also required to advise on any policy proposal that has economic implications, and few do not (Boston, 1989: 71). Secondly, it "enjoys more intellectual fire-power than its bureaucratic rivals, as it scoops the most eligible young graduates from economics and a smattering of other disciplines" (Boston, 1989: 75), both from universities in New Zealand and from abroad. These ensure ready access to the latest developments in economic thought. Thirdly, Treasury is strongly supported in Cabinet, as the Minister of Finance is inevitably of senior rank (Boston, 1989: 77). Hence Treasury has unparalleled capacity to influence the broad philosophical and conceptual framework within which most policy debates are conducted (Goldfinch and Roper, 1993: 53).

Treasury's influence over Cabinet has waxed and waned under the leadership of different Prime Ministers. Muldoon's cavalier and consistent disregard for the suggestions put forward by Treasury and the Reserve Bank (Massey, 1995: 62) provide a stark contrast with the receptiveness of the Fourth Labour Government. Roper concludes that as Treasury's "power is not entrenched constitutionally, ... if a Prime Minister and colleagues were unreceptive to Treasury influence, it would soon dwindle" (Roper, 1991a: 52). Yet in fact the situation is less simple, given the structural power that Treasury enjoys. Hence an anti-Treasury government would be obliged to circumvent the influence of Treasury, not merely to ignore it, which is just what Muldoon did.

The preamble to Treasury's briefing to the incoming government in 1984 stated: "This piece of work is a comprehensive, independent and professional assessment of the state of New Zealand's economy" (Treasury, 1984: iii). In maintaining that it can only advise, "Treasury has deployed the separation of policy formulation from decision-making as a ruse to disguise the underlying reality of the way policies are usually made – that the formulation of policy involves more than just decision-making" (Goldfinch and Roper, 1993: 67). It remains the case that both the Fourth Labour and Fourth National Governments consistently implemented the policies advocated by Treasury. Treasury's influence on the restructuring is manifest in its briefings to the incoming governments: *Economic Management* (1984), *Government Management* (1987) and *Brief to the Incoming Government* (1990). These documents demonstrate that Treasury views, like those of Douglas, continued to snowball further down the neo-liberal slope as the restructuring continued. The close correspondence of Treasury documents with the policies introduced by government mean that these documents warrant close analysis. Further, they demonstrate the way in which the discursive ground shifted through the 1980s away from social democracy and toward neo-liberalism, enforcing the sense of disjuncture between past and present and laying the foundations for the later acceptance of the notion of globalisation. It also helped to reinforce the construction of economics as an exact and value-free science.

In the 1950s and 1960s, Treasury had accepted the basic message of Keynesian macro-economics that market economies were *not* self-regulating entities that would automatically gravitate toward an equilibrium in which all resources would be fully employed, but rather that "the State had an active interventionist role to play in the economy in order to maintain full employment and stimulate economic growth" (cited in Goldfinch and Roper, 1993: 54). Under Muldoon's tenure, and possibly in reaction to his flagrant disregard for its advice, Treasury became more critical of the level of intervention practiced by successive governments, although the actual evolution of its views has been little discussed. By 1984, Treasury had clearly embraced neo-liberalism. "Treasury's economic analysis in 1984 was scathing, its remedies were clear: the free market deregulatory measures it had advocated for years, and which Muldoon had consistently rejected" (Walker, 1989: 212). Neo-liberal ideas had permeated Treasury and the Reserve Bank, and their thinking was consolidated on economic deregulation, exchange rate flexibility, and monetary policy (Bertram, 1993: 42). The agenda Treasury advocated comprised a 'mutually reinforcing balance' of policies across a wide front and continuously maintained over time (James, 1992:

149), a direct derivation from neo-liberal foundations. *Economic Management*, Treasury's 1984 briefing papers, emphasised New Zealand's economic plight and the need for transformation.

To adjust faster we would have needed a steadier monetary policy, smaller government deficits and a freer exchange rate policy. These are fundamental, but they must be supplemented by action to overcome the sclerosis that has built up through the regulation of many markets of the economy (Treasury, 1984: 107).

This interpretation bears the unmistakable hallmarks of the monetarist theory of Friedman¹⁹. Further ideological underpinning is evident in the portrayal of the economy as an aggregate of individual contracts which allocated scarce resources efficiently and was coordinated through freely operating markets (Kelsey, 1995: 56).

The reason so-called 'market forces' are the appropriate touchstone in many areas of economic activity is because they succeed in marshalling those forces to achieve greater welfare... The government is more likely to achieve its ends effectively by harnessing and supplementing markets, rather than suppressing them. In all cases... there is a need to select the appropriate form of intervention, and to minimise any unwarranted effects on incentives to firms or individuals so that associated costs can be kept to a minimum (Treasury, 1984: 111).

Capitalising on the unpopularity of Muldoon's interventionist policies, Treasury thus established the argument for the introduction of market imperatives and provided the rationale for 'rolling back the state'. In addition, Treasury introduced an analogy between business and government.

Since the output of ... 'State owned enterprises' is or could be sold, they have a close correspondence to private sector enterprises. In looking at the question of their efficiency and the accountability of management for their performance, it is useful to consider the way these issues are resolved in the private sector (Treasury, 1984: 120).

This represents the first instance that I have found in New Zealand of what Krugman (1996) labels 'pop internationalism' (described in Chapter Five), whereby the circumstances facing countries are seen as analogous to those facing private firms. It is therefore "almost certain [that] the commercialisation strategy came from within Treasury. Few Treasury officials had private sector experience, yet they adopted it as a model with alacrity" (Easton, 1989a: 115). Similarly, among the neo-liberal protagonists of the Fourth Labour Government, Douglas had little private sector experience (as an MP at 32), Prebble almost none (as an MP at 28 with a background in law), Bassett (an academic who became an MP) none, and Moore very little (an MP at 23)²⁰.

By 1987, neo-liberalism was becoming naturalised or 'taken for granted' in New Zealand policy-making, as *Government Management*, Treasury's briefing papers to the incoming government

¹⁹ Monetarist theory emphasises the control of inflation as the primary goal for macro-economic policy (Roper 1991a: 43), if stabilisation of the economy is to be achieved (Blyth, 1987: 5). Inflation is considered damaging because it distorts relative price signals and therefore the efficient operation of markets (Goldfinch and Roper, 1993: 59). Friedman's monetary theory focused on the role of the money supply in generating inflation, maintaining that ideally inflation should be controlled by a rule-based reduction in the growth of the money supply (James, 1992: 89). This is to be accomplished by constraining the central bank by means of monetary rule, which would limit the rate of monetary growth and hence inflation (Brook Cowen, 1997: 344).

²⁰ I am grateful to Jim McAloon for this point.

demonstrate. Treasury argued that governments had to recognise the competing interests of equity, efficiency and freedom, and the trade-offs involved in each. The state's role was redefined from the starting point of "decentralised voluntary contracting based on the price mechanism and competition" (Treasury, 1987: 31).

Through voluntary contracting, scarce resources flow to their most highly valued uses. In a situation where someone values a resource more highly than its current owner, a transfer of ownership... [enables the purchaser] to compensate the current owner... Thus through exchange, social welfare can be improved (Treasury, 1987: 15).

Following this logic, a system of enforceable, tradable property rights was argued to be the best way to allocate scarce resources (Kelsey, 1995: 58), while other constraints on efficiency could be minimised by replicating the approach of the private firm. "Competition and markets can thus be seen as organisational arrangements that economically allow individuals to undertake mutually beneficial transactions while aligning the interests of the individual with those of a society" (Treasury, 1987: 16). Social democratic policy approaches were firmly rejected, for social policy was:

to be achieved in a way that will maximise the social well-being and minimise the threat to those individual rights... which drive their authority from a social consensus... The rights need not be the same as those we might have defined 50 years ago (Treasury, 1987: 242-6).

The principles that Treasury considered to be fundamental in the formulation of government policy were a textbook argument for neo-liberalism.

There is a need for greater transparency and consistency in government policies and to increase the certainty and credibility of policy stances... Redistribution ... has an important role in achieving equity objectives. One nevertheless needs to be wary of the incentives and disincentives [benefits and taxes] created, including the potential to create poverty traps (Treasury, 1987: 40).

The papers go on to advocate the advantages of incentives, the costs of information (user-pays), and the merits of contestability and competition. Increasing growth in government expenditure is explained in terms of the nature of the incentives facing public sector managers and those that seek government assistance.

The combination of a policy advisory function with regulatory or operational functions, for example, can lead to the phenomenon of regulatory or producer 'capture' of the agency, where the agency tends to take greater account of the interests of service providers... than of the broader interests of society overall (Treasury, 1987: 6).

Further evidence supporting the notion that Treasury was a force behind privatisation is evident in the conclusion that:

to achieve efficiency in the reform of public trading activities requires the introduction of potential competition and transferable and contestable ownership... when non-commercial functions have been separated from [state-owned enterprises] and the [state-owned enterprises'] regulatory environment reformed, governments should transfer the ownership of the state's commercial businesses and assets to private ownership. As there will be efficiency losses until this policy is fully implemented the policy should be implemented as soon as possible (Treasury, 1987: 112).

Finally, Treasury's *Briefing to the Incoming Government* in 1990 represented a shift still further toward neo-liberal extremism, despite the fact that in this document, Treasury had to confront the dismal failure of its policies since 1984. After the economic crisis of 1984, policy-makers had adopted a new framework aimed at achieving 'balanced macroeconomic policies', in an effort to avoid repeating the experience, but six years later, another economic crisis was looming (Dalziel, 1992: 35). In 1984 the macroeconomic crisis produced a sustained outflow of funds that required a substantial devaluation to arrest, but the overvalued exchange rate was only the most obvious symptom of the crisis, so devaluation failed to solve the problems. The basic problem was that the government had devoted all its policies to solving one problem, at the expense of other objectives. "Similarly, the blow-out in the accounts in 1990 was again only the most obvious symptom of the same basic problem. Ironically, the objective dominating macroeconomic policy in 1990 was the same objective receiving the government's single-minded attention in 1984 – price stability" (Dalziel, 1992: 35). Treasury acknowledged the difficulties confronting the country, stating "to become a high-income, high-employment economy is a massive challenge. We are off target" (Treasury, 1990: 2), but attributed the blame for this situation to conflicting domestic economic and social policies, implying that the reforms needed to go still further.

Taxation and various benefits... have adverse impacts on people's willingness to seek work, save or invest. Policy decisions have left behind problems with incentives ... which are probably contributing to present social problems... The growth in unemployment has been aggravated by benefit structures that provide little financial incentive for many people to seek employment (Treasury, 1990: 2).

Treasury proposed that the solution to New Zealand's economic problems lay in improving the overall balance in policy strategy, suggesting the implementation of "a medium-term strategy to set limits on the growth of spending and to force careful consideration of relative priorities and the interactions between various policies" (Treasury, 1990: 3). Treasury's weighting of the 'relative priorities' is evident in its concentration on the constraint of spending in the particular areas of health, education and social welfare. "Solving the fiscal problem will require redesigning some benefit policies, industrial-relations laws and other labour-market regulations... Welfare policies that target assistance to the most needy, stop abuse and give weight to incentives to work can also reduce fiscal costs" (Treasury, 1990: 3). Unsurprisingly, given these conclusions, the 1990 briefing paper was published simultaneously with and overshadowed by the National Government's 'Economic and Social Initiative'. This announced benefit cuts and the introduction of the *Employment Contracts Act* (Dalziel, 1991: 261), signalling not only the acceptance by National of Labour's restructuring programme, but its intention to take this restructuring still further. In this way, it appears that Treasury was an important influence on the restructuring. Its successive advisory documents also demonstrate the way in which the policy climate was changing through the 1980s towards an acceptance of market imperatives rather than state intervention as the determinant of government policy. This represented a stark departure from the social democratic foundation of pre-1984 government policies.

'Big business'

Treasury maintains a much closer relationship with the business community than with trade unions, women's groups, Maori, social justice groups or environmentalists. This is because in a capitalist society, the state depends on a process of accumulation which is beyond its power to organise. Business associations have an inherent structural advantage over trade unions and social movements when lobbying government for desired changes in policy, for the state is structurally limited and constrained by its fiscal dependence on revenue derived from the taxation of incomes generated in the process of capital accumulation (Goldfinch and Roper, 1993: 69; Moloney, 1997: 327). Thus "the growing international mobility of capital increases pressures on the State to maintain conditions favourable to investment or face the consequences of capital flight" (Roper, 1993b: 150). Accordingly, in a capitalist economy,

business inevitably finds itself in a position of privilege compared with other interest groups, because business decisions have major public consequences: affecting ... domestic costs of living and levels of inflation, development of export markets, and the balance of payments (Lindblom, quoted in Deeks, 1997: 435).

The privileged position of business is evident in the invoking of 'business confidence' in the media in New Zealand as a benchmark by which to assess the effects of government proposals and policies: there is no corresponding 'environmental' or 'social' confidence indicator. Of course, 'business' is not an homogenous body. Small and medium sized enterprises constitute the majority of all enterprises in New Zealand: ninety six per cent of are small-to-medium enterprises employing nineteen or fewer full time equivalents (FTEs), and eighty four per cent of enterprises are small firms employing five or fewer full time equivalents (www.med.govt.nz, 2003). The entities with most influence on government policy are, however, the larger operators and the business organisations that support them. These organisations may broadly be understood in two general categories: sector organisations such as Federated Farmers, the Manufacturers Federation and the Employers Federation; and general policy-oriented business associations such as the Business Roundtable, Chambers of Commerce, Institute of Directors and Top Tier Group (Roper, 1993b: 155). The latter became increasingly influential during the 1980s and early 1990s. Of course, while business dominates the agenda of much public debate, foreclosing discussion of topics threatening to business interests, its influence is by no means unfettered or unparalleled.

Business interests, though highly influential, are not wholly dominant but themselves face important countervailing forces in New Zealand... public opinion, the need to maintain the support of the party... all place constraints and limits on the power of business (Mulgan, 1993: 141).

Many sector organisations, including the Manufacturers' Federation and Federated Farmers, were by 1984 supportive of market liberalisation, although views expressed at the Economic Summit in September 1984 reveal that opinions were considerably divergent (Dalziel, 1989: 58). While liberalisation was generally approved, the communiqué produced from the Summit unanimously and unequivocally stated that "continuation of this trend [of rising unemployment] was intolerable, and policy should aim to reverse it permanently" (ESC Proceedings, 1984: 303,

quoted in Dalziel, 1989: 59). Further, the issue of monetary disinflation was barely addressed by business and employer's representatives at the Summit (Dalziel, 1989: 59), although this subsequently provided the central foundation of the restructuring.

Neither [the Banker's Association] nor any of the other representatives proposed a floating exchange rate regime (which is essential for monetary policy to be able to determine inflation in the long term)... Indeed, the Manufacturers Federation specifically advised against floating the New Zealand dollar, asking instead for 'a properly managed exchange rate' (Dalziel, 1989: 59).

The divisions between the various business associations are thrown into sharp relief if these views of various sectoral representatives are contrasted against those of the general policy-oriented business associations. As the agendas of the Top Tier Group, the Chambers of Commerce, the Institute of Directors, and Business Roundtable converged in 1984 (Roper, 1991a), those of the Business Roundtable will serve to illustrate the general tendency. The Business Roundtable was established in the 1970s to represent the largest business interests in New Zealand, and remains the most powerful and vociferous of the general policy-oriented business organisations. It has consistently advocated more-market policies, bemoaning the complex web of regulations that it claimed were stifling business innovation and competition in New Zealand. In the view of the Business Roundtable, "general welfare is best served by a system of free enterprise, a market-driven economy, privatisation of state enterprises and assets, and a minimalist role for government in the everyday affairs of the country" (Deeks, 1997: 431). It thus argued consistently for fundamental change in area of fiscal policy, market regulation, foreign trade, social policy and public sector management (Roper, 1993b: 163), and continues to do so.

The small size of New Zealand also means that the same individuals reappear in influential positions in both the public service and the private sector. "Implementation of the programme [of restructuring] rested with a small group of key civil servants who moved among key institutions, putting reforms in place and preventing bottlenecks" (Bollard, 1994: 91). Rod Deane returned to New Zealand in 1979 from the IMF as chief economist (and later Deputy Governor) of the Reserve Bank. In 1986 he moved to the State Services Commission to oversee state sector reform, and then became chief executive of Electricorp, before becoming Chief Executive of Telecom in 1992. All the while he was an active member of the Business Roundtable, and a trustee of the Centre for Independent Studies (Kelsey, 1995: 47). Similarly, Roger Kerr moved from Foreign Affairs to Treasury in 1976, co-wrote *Economic Management* in 1984, and became director of the Business Roundtable in 1986 on the recommendation of Rod Deane, greatly enhancing the organisational effectiveness of the Business Roundtable as a lobby group (Roper, 1993b: 163). Labour appointed him to the board of Electricorp, alongside Deane and fellow Roundtable activist John Fernyhough. Kerr also remained close to Douglas, who acknowledged him in his 1993 book *Unfinished Business* (Kelsey, 1995: 47). In the same way,

Sir Ron Trotter acted as Labour's chief advisor for the economic summit conference in 1984. He chaired the government steering group on privatisation during the formative stage of the programme... and served on the Reserve Bank board during the critical years 1986 - 88... During this period he [chaired] the Business Roundtable.. and was knighted by Labour in 1985 (Kelsey, 1995: 48).

By 1986, neo-liberal proponents who had started off in Treasury and the Reserve Bank had begun to disperse into the private sector. “The corporatisation programme of 1986 and 87 was probably the critical point, as the Treasury looked for businessmen for the State Owned Enterprises, consummating the marriage of their New Right ideology with business political power” (Easton, 1997b: 226). Hence “Rod helped Roger get the Roundtable job; Roger helped Rod get the Electricorp position, reflecting another aspect of the ‘thinness’ of New Zealand’s decision-making institutions. Roundtable stalwart Ron Trotter has held a bewildering number of positions under Labour as under National. This is a like-minded elite which is always taking in each other’s washing” (Hubbard, 1992: 14). The remarkable consonance of Treasury’s briefing papers and the Business Roundtable’s submissions on questions of macro-economic policy, market liberalisation, industrial relations and social policy are thus scarcely surprising.

Economists

The ideas of economists... both when they are right and when they are wrong, are more powerful than is commonly understood... Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economist... soon or late, it is ideas, not vested interests, which are dangerous for good or evil (Keynes, 1936: 383).

The trouble with radicals is that they only read radical literature, and the trouble with conservatives is that they don’t read anything (Thomas Nixon Carter, in Jay, 1996).

Overarching and influencing the views of the above influential groups was the simultaneous world-wide shift away from Keynesianism, which had prevailed in New Zealand and across the West ever since the 1930s, its primacy assured by the failure of neoclassical economics to explain or predict the Depression (Bertram, 1993: 29). The economic crises of the 1970s signalled the failure of the Phillips curve model, which had predicted that inflation would rise as the economy moved toward full employment, and fall as unemployment increased (Bertram, 1993: 30), and led to an evaporation of the allegiance of economists to Keynesianism (Hobsbawm, 1994a: 409). New Zealand has throughout its history imported trends, ideas and influences from abroad, and it was thus to be expected that new ideas gaining currency in eminently respectable academic institutions elsewhere should be keenly welcomed. Well before 1984, young economists were entering Treasury fresh from the hothouses of the Chicago and Virginia schools, versed in libertarian economic arguments (James, 1992: 145). The perceived failure of Keynesianism coalesced with the rising dissatisfaction with Muldoon’s authoritarian interventionism. Neo-liberal ideas, carrying the endorsement of intellectuals of fearsome calibre abroad, appeared to many to offer “the most practical solution to the country’s large economic problems” (James, 1997: 19).

The extent to which the restructuring after July 1984 was driven by ideology is debated. Those responsible for change deny its influence, arguing that they were providing practical solutions to practical problems. The proponents of the radical restructuring were extremely reluctant to identify themselves too strongly with theory, instead choosing to shelter behind “the down-to-

earth claim that they were getting on with the job of tackling urgent economic problems that had been allowed to fester too long” (Bertram, 1993: 46). “The market economic content was not promoted for ideological reasons, but as a practical means to generate greater wealth and welfare, given the failure of central planning to create growth” (James, 1989: 12). This logic required frequent exhortation of TINA – the dictum that there is (or was) no alternative to neo-liberalism (Jesson, 1999).

Despite the reluctance of proponents of restructuring to acknowledge the influence of neo-liberal ideology, it is manifest in the form taken by the restructuring. The restructuring proceeded on the basis of the general equilibrium model provided by neoclassical economics, which provides the theoretical justification for the removal of economic protection. Tariffs, subsidies, and other forms of regulatory control are held to distort the operation of markets; so the elimination of the distortions of protectionism was considered to result in net improvements to efficiency. The image of efficiency was juxtaposed against invocations of the unsustainability of ‘Fortress New Zealand’, epitomised in Muldoon’s interventionism, and consequently comprehensive reforms were undertaken. Subsidies, tariffs, and controls on imports, capital and land, among other things, were unilaterally removed. The theoretical foundations are evident in the demand for a small role for the state, increased reliance on market and private firms, and the emphasis on individuals at the expense of the collective (Blyth, 1987: 5). The result of the converging ideological factors was Rogernomics. This broadly involved liberalisation (market led restructuring and deregulation) and monetary disinflation (a restrictive monetary policy and floating exchange rate and reductions in fiscal deficit) (Dalziel, 1989: 53). The belief that markets result in a more efficient allocation of resources, along with higher output and employment, provided the impetus to prune back government to a minimal role in the economy (Massey, 1995: 184). Further, stability was to be assisted by means of a tight monetary policy and by balancing a reduced government budget (Bertram, 1993: 36). The neo-liberal micro-economic restructuring prescription involved financial sector deregulation, reform of energy and transport industries, labour market deregulation, industry regulatory reform, the floating of the exchange rate, removal of international capital controls, and abolition of import licensing (Bollard and Duncan, 1992: 6).

It therefore appears that unlike the pragmatic pre-1984 modus operandi, the Fourth Labour and National governments undertook policy decisions for theoretical reasons. Evidence of neo-liberalism pervades the legislation on which the reforms rested. A cornerstone of public sector reform based on public choice and agency theories was the splitting of Crown activity into policy advice and regulation, provision of services and funding operations, manifest in the *State Sector Act* 1988 and the *Public Finance Act* 1989 (Bollard and Duncan, 1992: 161). Evidence for public choice theory influence is found in Douglas’s constant charges that the social services had been subject to ‘provider capture’ (James, 1992: 91). The *Reserve Bank Act* 1989 (which institutionalised the responsibility handed it by Douglas for monetary policy, the objective being ‘stability of currency’ (James, 1992: 111), and the *State Owned Enterprises Act* 1986 (which split non-commercial from commercial organisations, which were to be run as successful businesses

(Bollard and Duncan 1992: 32)), illustrate the intention to separate out the functions of government into adviser, purchaser and provider. These effectively put the day-to-day decisions regarding monetary policy and the operation of state owned businesses at arms length from politicians, to stop them meddling (Brook Cowen, 1997: 345). Agency theory was behind the concern to ensure contestability of service provision, performance specification, transparency and economic incentives; and provided the development framework underpinning corporatisation and privatisation. It is likewise evident in Treasury's emphasis on 'Opening of the Books' (Dalziel and Lattimore, 1996: 23). Importantly, the theoretical view of the world as a generic whole populated by rational self-maximisers led them to overlook the actions of New Zealand's trading partners. The New Zealand Government consequently divested the country of all economic protection, in the belief that 'trading naked' would improve its efficiency, assuming that other nations would follow this lead. This represented a considerable contrast to earlier agreements such as NAFTA, which took into account *actual* conditions such as the different levels of industrial development of Australia and New Zealand, and made decisions accordingly (AJHR 1965 A19: 12). As post-war pre-1984 policy-makers recognised, in fact nations protect their own economies for a range of reasons, not just for theoretical reasons. Externally, the situation remained the same: New Zealand producers were forced to compete with producers elsewhere who continued to enjoy the protective policies of their governments.

Since 1984, New Zealand farmers have had production incentives eliminated in the interests of a more rational and balanced economy, and yet our greatest threat in the market is coming from subsidy-driven, increased lamb production in the UK (Alliance Group Annual Report, 1989: 7).

Ideology thus played a significant part in the reforms that have reshaped New Zealand's economy. It has also had a more subtle effect on the *discourse* of public policy in New Zealand: how political debate is conditioned, what policy should look like, and what the role of government should be (Brook Cowen, 1997: 341). This emerges in the shift from the desirability of the intervention of 'friend state' in the regulation of markets that was generally accepted from the 1930s until the end of Muldoon's tenure, to the situation where public policy documents (unashamedly) proclaim that state enterprise is undesirable, unless it can compete in the market (Blyth, 1987: 6). These factors provided Douglas and his associates with the rationale for the direction of restructuring. Their views continued to evolve further down the neo-liberal path, however, for the reforms proposed in 1984 were much less controversial than those being implemented by 1990, by which point privatisation was in full swing, and the *Employment Contracts Act* 1991 was nearing completion.

The overriding focus on *economic* considerations and justifications draws attention to a further, critically important characteristic of the restructuring process, in terms of the sea change towards the prioritising of economic factors over other considerations. This tendency is clearly demonstrated by comparing the language of the McCarthy Report of 1972 with that of *Economic Management*. The former reported the findings of the Royal Commission of Inquiry into social security, concluding that the aims of the social welfare system should be:

1. First, to enable everyone to *sustain life and health*
2. Second, to ensure, within limitations which may be imposed by physical or other disabilities, that everyone is able to enjoy a standard of living much like that of the rest of the community, and is thus able to feel a sense of *participation in and belonging to* the community
3. Third, where income maintenance alone is insufficient (for example, for a physically disabled person), to improve by other means, and as far as possible, the quality of life available (McCarthy, 1972: 65, emphasis in original).

This presents a stark contrast to the Treasury papers just twelve years later:

Fundamental to our comments on social policy objectives is the presumption that *in general* individuals... can pursue their own interests satisfactorily, or at least as well as others could for them... except where:

- a. interests of some conflict with those of others
- b. some individuals are especially disadvantaged
- c. society dislikes the outcomes which individuals' voluntary market arrangements seem likely to produce (Treasury, 1984: 251, emphasis in original).

The new discourse enabled Treasury, for example, to expound advice on the labour market “without discussing its distributional and social welfare roles; nor the adverse effects on the poor caused by measures it was advocating, as the consequences of its policies were deemed irrelevant” (Easton, 1997b: 53). By 1984, the preoccupation of government was more economic than social, allowing non-commercial objectives to lapse. The profound change evident in this reassessment of appropriate goals for social policy is striking, and reflects the individualistic pro-market view that has prevailed since 1984. The reasons for the change from collective and social provision as the role for government to an individualistic and minimal role are open to endless speculation.

At one level, the move from the ‘Applied Christianity’ of the first Labour Government to the ‘dole bludgers’ and ‘welfare dependency’ rhetoric of the 1980s is inexplicable. Yet perhaps the collective, socialist perspective behind the achievements of the first Labour Government represents the aberration: the desperate response of a nation suffering the privations of Depression. The primacy of the National Party as the ‘natural party of government’ until the 1980s indicates the level of support for the individualistic brand of social democracy adopted by National in 1949 and continued until 1984. This is consistent with the suggestion that the welfare state, despite its good intentions, had bred a generation of selfish individualists, at least among the policy-making elite. Thomson (1991) suggests that whilst many are generally inclined to attribute the motive of those supporting the Welfare State to altruism and a sense of the common good, in fact perhaps the real reason behind its longevity is that it is seen as a ‘personal life-style insurance’ policy, supported by individuals on the understanding that they will personally benefit from it at some point (Thomson, 1991: 34). This could explain the individualistic slant of New Zealand’s home-grown version of social democracy that first became apparent with National’s acceptance of the welfare state in 1949, as opposed to the collective ideal behind the First Labour Government’s initial proposition. Alternatively, McClure (1998) suggests that the 1938 legislation gave the middle class a stake in the welfare state, which National was forced to accept

in order to win back their vote. Thus while overall the Treasury assessment overstated the severity of the economic and social problems in 1984, it tapped a powerfully sympathetic underlying current in a small group with considerable influence over the direction of New Zealand's policy-making. Treasury's harsh individualistic assessment thus contrasted sharply with the humanistic social democratic intentions of the welfare state envisaged by the First Labour Government, and painted a grim picture indeed of Muldoon's shortcomings, in which social democracy was seen as guilty by association. The possibilities for transformation were compounded by the stealth with which the process of reform was conducted. The Fourth Labour Government provided no mandate for much of what was subsequently accomplished. In 1987, the Deputy Prime Minister stated "the Government reserved the right to implement the policies it chose", suggesting that "manifestoes are merely statements of intent and cannot be seen as binding contracts" (cited in Chapman, 1999: 344). The views of dissenters were overcome, along with the previous political culture, which had emphasised the presence of a mandate before a measure could be implemented.

The economic consequences of the reforms

The restructuring from July 1984 utterly changed the government management regime in New Zealand from social democracy to neo-liberalism, and policies were implemented that changed New Zealand's political landscape, society and economy. The reforms of the 1980s and early 90s 'rolled back the state', withdrawing it from the plethora of activities in which it had progressively become involved from the very earliest development of New Zealand, without considering why it had become involved in the first place. Yet the historical circumstances persisted: New Zealand remained inextricably affected by external events, and faced the same difficulties in terms of maintaining the balance of payments, of achieving economic growth, of meeting the high living standards demanded by the population, all on a largely agricultural income and a tiny population base.

New Zealand was the perfect field trial for extreme structural reform. It was small and geographically separate, it has a single-house parliament dominated by the executive and it was dosed up to the eyeballs with all the toxins that the reformers said were poisoning capitalism. Import controls, capital controls, strong trade unions, a redistributive welfare state, a large state sector; New Zealand was hooked on all the bad things (Elliot, 2002a: 2).

The sweeping changes were bound to have momentous results. Initially, New Zealand was the success story used by more-market protagonists in their enthusiastic promotion of neo-liberalism. "Purged of its addiction, [New Zealand] was hailed as the country that the rest of the west should emulate, the role model that had dared do what even Mrs Thatcher would not, and was all the better for it" (Elliot, 2002: 3). Ohmae (2000) argued that in New Zealand, a form of deregulation similar to that of the Reaganite US and Thatcherite Britain:

was reshaping the economy during the 1980s under Labor [sic] Party leaders David Lange [sic] and Roger Douglas. In all of these cases, economic indicators got much worse before they got better; yet, after five to ten years, each of these countries showed signs of unprecedented revitalisation. New Zealand, for example, changed from a country that was all but bankrupt in 1984 to one in the mid-1990s with public debt at less than 30 per cent of GDP, an unemployment

rate of less than 6 per cent, and economic growth rates between 4 and 7 per cent per year (Ohmae, 2000: 148).

As recently as 1996, it was possible for some to be optimistic as to the economic benefits of the reforms, on the basis of a sustained upturn since 1991, although even the most ardent supporters were still debating whether the recovery was structural rather than cyclical (Evans, Grimes and Wilkinson, 1996: 11). The issue has now been conclusively resolved. Even supporters of more-market policies concur that New Zealand's reforms have not led to economic prosperity. *The Economist* notes that New Zealand's net foreign liabilities run to over 100 per cent of GDP, and despite the minimalist approach, government spending remains high, at more than forty per cent of GDP (*The Economist*, 2000: 1). Further, New Zealand's GDP growth ever since has been the slowest in the developed world (ibid); at just 0.8 per cent over 30 years, compared with the OECD average of two per cent (Scobie and Mawson, 2001). As a result, New Zealand slid from ninth in the OECD rankings in terms of GDP per capita in 1970, to 20th in 1999 (comparisons based on purchasing power parity)(ibid).

New Zealand's overseas debt rose from 49.2 per cent of GDP in March 1984 to 68.3 per cent in March 1995. In other words, overseas debt was almost 30 percentage points of GDP higher in 1995 than in 1984 (Dalziel, 1998: 3). In March 1998, the total overseas debt reached 100 per cent of GDP (Dalziel and Lattimore, 1999). This is caused in part by the enormous dividends flowing out of New Zealand to the overseas owners of local companies: mainly the large, erstwhile state-owned enterprises. Further, per capita growth grew by 9.79 per cent per annum from 1967 to 1982 – if the trend line is projected, the real per capita GDP in 1995 was 1.3 per cent below this. From 1988 to 1994, the deep and extensive departure from the trend line amounts to a sacrifice of 32 per cent of annual GDP in 1997 (Dalziel, 1998:3).

Dalziel (1998, 2002) provides a scathing assessment of the economic impact of the reforms, drawing on statistical comparisons with Australia, which forewent the extremes of neo-liberal restructuring in favour of a more moderate approach, as the closest approximation of a counterfactual, had New Zealand followed different policies. Dalziel's data run from the base year 1949/50. A small gap of 5.5 percentage points emerged between this year and 1966/7, when the wool crisis hit New Zealand. This stabilised and to some extent closed until 1977/8, when there was another large increase to 21 percentage points. This closed to 17 by 1984/5, but then nearly doubled over the next eight years, to 31.5 percentage points in 1992/3. Since 1993/4 the gap has continued to widen, reaching 38 percentage points in 1998/9 (2002: 34-5) (Figure 4.1).

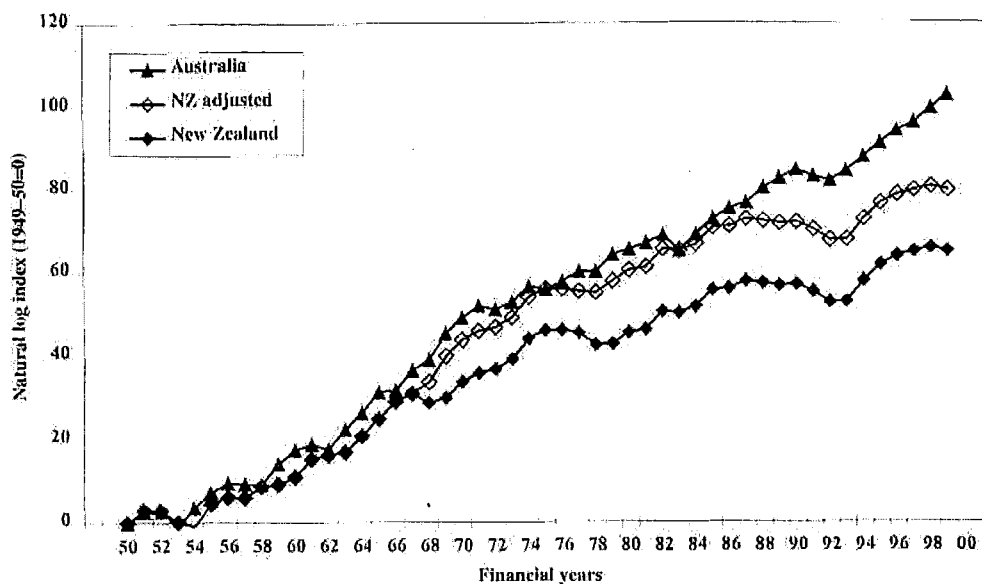


Figure 4.1: Per capita real GDP (natural logs), Australia and New Zealand, 1949/50 - 1998/99 (Dalziel, 2002: 35)

Dalziel also uses quarterly index data for Australia and New Zealand's per capita real GDP from March 1978 to December 1998. Until 1981, the two economies showed similar growth, and it was not until June 1987 that the widening divergence between the two began. This proceeded in three stages. Until 1990, New Zealand's performance flattened off while Australia continued to grow. From 1990 to June 1993, both economies moved into deep recession. In the third stage, Australian growth rates were remarkably stable at about three per cent per annum, whilst New Zealand's growth steadily slowed, turning negative in 1998 with the Asian financial crisis (2002: 36-8).

The cumulative effect of this divergence is very large. By 1998, the value of the real output index for Australia was 18.5 percent higher than that of New Zealand. Since per capita nominal GDP in New Zealand that year was NZ\$25,980, this suggests that every New Zealander could have received an extra \$4806 in 1998 if their country had continued to grow at the same rate as Australia after June 1987 (Dalziel, 2002: 38).

Dalziel concludes that the New Zealand experiment did not succeed, despite achieving greater microeconomic efficiency in some industries and obtaining its intermediate objectives of price stability and fiscal balance. Examining the ultimate objectives of the reforms, Dalziel shows that New Zealand sacrificed a large volume of real per capita GDP between 1987 and 1998 compared with Australia; that its unemployment rate moved from well below that of Australia before 1988 to comparable rates thereafter; and that labour productivity growth in New Zealand has been considerably below that of Australia since 1992, after similar rates for the previous 14 years. He also demonstrates that the per capita real income of low-income households in New Zealand fell in absolute terms between 1984 and 1996 (2002: 33).

This of course tallies with the statistics of decline demonstrating New Zealand's relative nosedive in the OECD rankings, but Dalziel apportions the blame squarely on the restructuring process

itself. Dalziel's conclusions are reinforced by Kay (2000), who argues that fifteen years is long enough, given New Zealand's experience, to judge the effects of the neo-liberal experiment.

If, as it appears, output growth over the period was lower than in advanced countries with more conventional policies by a figure in the range of 20 – 25 per cent, then it would require a similarly long period of outstanding economic performance – growth 1 – 2 per cent above the norm – to eliminate the gap. If the cumulative output losses throughout that period are measured, it would require perhaps a fifty year period before these could be regained... In other words, the impact of underperformance of this magnitude over this period of time is essentially permanent (Kay, 2000: 4).

Dalziel (2002: 41) also notes the declining labour productivity of New Zealand compared with Australia, noting that between 1990 and 1998 workers in Australia increased productivity by 21.9 per cent while the increase in New Zealand was just 5.2 per cent (Figure 4.2). "This observation raises profound questions for New Zealand policy makers about the effectiveness of labour market reforms intended to raise labour productivity" (Dalziel, 2002: 42).

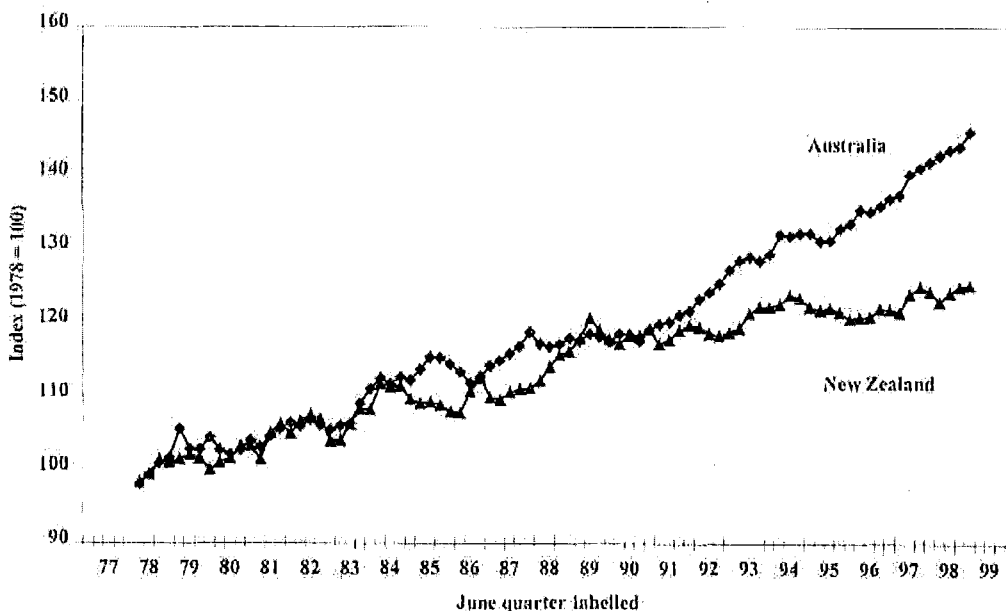


Figure 4.2: Labour Productivity, Australia and New Zealand, 1978(1)-1998(4) (Dalziel, 2002: 41).

Like Dalziel, Hazledine attributes New Zealand's poor recent economic performance not to 'globalisation', a faulty economic structure or poor past management, but to the way in which the restructuring of the 1980s and 1990s raised the transaction costs of New Zealand's economy. Hazledine (1998, 2000) notes that reforms failed to reach their sole goal of increasing economic efficiency and productivity, and he attributes this to the essential paradox of the 'more market' approach, based as it is on the 'selfish shit' model of humanity as *Homo economicus*. By forcing people to behave more 'economically' through commercialisation, contestability and so forth, it inculcates the 'ruthless egoism' of the competitive marketplace, undermining the foundations not only of family and social life, but also of civilised and effective market behaviour (1998: 145).

Hazledine argues that prior to the reforms, the New Zealand economy operated on the basis of a high trust, high employment system based on trust, or the 'invisible handshake'. "The system in

the 1950s and 1960s may have been dull and limited. But it functioned with little fuss: *our market system was remarkably cheap!*" (Hazledine, 1998: 121). By contrast, the reforms were premised upon a model of humans which assumed that behaviour is geared to the means-end rationality of utility maximisers. They sought to increase efficiency by eliminating the 'slack in the system' through increased supervision and increasingly specified contracts, epitomised in the *Employment Contracts Act 1991*. The results emerged clearly in Hunt's (2003) analysis of the negative effects of managerialism on the attitude of scientists to their work in a Crown Research Institute. As Hunt discovered, increased accountability simply proved to workers that they were not to be trusted, making them less inclined to give of themselves as they once did.

Managerialism also raises transaction costs: whereas in 1956, for example, on average, one manager oversaw twenty productive workers (Hazledine, 1998: 122), by 1996, there was one 'transaction' worker for every *four* 'transformation' workers, adding to the cost structure of New Zealand's economy without contributing to productivity. The reformers failed to recognise the economic value of the 'non-contractual element of contract' (Durkheim, 1893/1984) in the old system, in which means-end rationality was subordinated to other commitments (Scott, 1995: 105). Hazledine (1998: 121) argues that a "high trust, high empathy society will be able to literally get its act together with less transaction fuss than a society in which the people do not share basic values, goals and social skills". It is these factors that have been undermined by the reforms.

Russia was not the place to have tested socialism. And New Zealand - an isolated easy-going country with impressive social cohesion - was the wrong place to try out economic libertarianism. Economists must be grateful for such experiments. But it is usually better not to live in the countries where they take place (Kay, 2000: 3).

Hence in Hazledine's view, New Zealand's poor economic performance reflects the explosion of 'non-productive workers' that managerialism encourages, in conjunction with rampant consumerism that the reforms have exacerbated. While the restructuring impacted harshly upon *producers* (with the removal of tariffs, subsidies and export incentives, for example), it improved the prospects for consumption, considerably expanding the choice and reducing the price of goods available. This strategy demonstrates cardinal lack of recognition that production and consumption are integrally linked, accounting for New Zealand's burgeoning overseas debt. It would therefore appear that a strong case can be made for attributing New Zealand's present economic plight to the 'boots and all' approach of the reformers of the 1980s and 1990s.

The social consequences of the reforms

In broader terms than the simply economic, New Zealand society in the new millennium represents a considerable contrast to that of 1984, in large part as a result of the reforms, further reinforcing the sense of disjuncture with the past. The benefits for consumers from the restructuring are indisputable: competition, in conjunction with ongoing technological advances, has lowered the cost of airfares, telephone calls, transport, and a vast array of consumer goods at lower prices is available than under the pre-1984 regime. The tight monetary policy has lowered

inflation from double figures to around two per cent, coupled with a massive reduction in interest rates.

The import restrictions prior to 1984 were not, however, simply 'intervention for the sake of it', but were designed to curb the balance of payments by ensuring that import spending was controlled relative to export earnings. While removing the restrictions in favour of reliance on the market has widened the choice of consumer goods available, in the absence of restrictions the amount spent on imports has vastly exceeded export earnings, worsening New Zealand's balance of payments deficit. Secondly, while the prevailing economic orthodoxy insists that the marketplace is the best place to set exchange rates, and that fluctuations are the way in which realistic values are reached (Jesson, 1999: 32), the versatility of the floating dollar creates a highly unstable climate, making it extremely difficult for businesses to plan. By 1996, for example, the soaring exchange rate had taken a bitter toll on farmers and other exporters. From early 1993, the Trade Weighted Index – a measure of the dollar against a 'basket' of important currencies – leapt over twenty per cent. As the Trade Weighted Index rises, exporters' returns in New Zealand dollars fall. A one per cent rise represents a loss of hundreds of millions of dollars (Hubbard, 1998: 18). Hence as the dollar rose, jobs were jettisoned as exporters frantically tried to stay afloat. Since then, the roller-coaster dollar plummeted from a high point of nearly 72 US cents in 1997 to a low point of under 50 US cents in mid-1998 – a fall of over 20 per cent (Jesson, 1999: 32). The fluctuating dollar also affects import prices: a ten per cent rise in the cost of imports is expected to cause roughly three per cent inflation, which is the outer limit of the government's zero to three per cent inflation target (Jesson, 1999: 32), which of course leads to interest rates being raised again. From July 2002 to July 2003, the value of the New Zealand dollar surged from 42 US cents to 58, and 27 British pence to 36 (Morning Report, National Radio, 25 July 2003). This draws attention to the tenuous nature of the present low inflation and interest rate levels, which both remain subject to uncontrollable and unpredictable fluctuations. Hence overall, it is questionable whether the advantages offered by various aspects of the new regime outweigh the high risks posed by the volatile and unstable climate that it has engendered, and the consequent deleterious effects on the balance of payments, business and employment.

Unquestionably, many New Zealanders in 2003 would be dismayed at a return to the constraints of the 1970s. The repeal of the *Shop Trading Hours Act 1977* in 1990 vastly extended trading hours, enabling working people to shop at their convenience. This, and the expanding choice of goods available, has transformed the cultural practices of the New Zealand weekend, with the rise of shopping as a recreational activity (Pawson, 1996: 324). Furthermore, the *Sale of Liquor Act 1989* considerably loosened the liquor licensing regulations, enabling people to enjoy the proliferation of small bars and bistros opening over vastly extended hours that have mushroomed as a result (Pawson, 1996: 323). New Zealand is unquestionably more cosmopolitan, competitive and consumer-oriented, bulging with a tempting array of products and vastly superior service, symbolised by the Sky Tower casino that now dominates the skyline of Auckland.

At a superficial and normative level, the 'Fortress mentality' and 'Puritanism' charges levelled at New Zealand prior to the reforms (Rankin, 1991) beg the question whether their demise has led to any appreciable improvement in quality of life for ordinary New Zealanders. While such things as the gendered and outmoded assumption behind closure of shops over the weekend must have inconvenienced many workers, the desirability of the rise in consumer culture to the point where a visit to the mall constitutes a family weekend outing is surely dubious. As Nash warned in 1960, "a standard of living based on [more houses and carpets, more cars and televisions sets] can be a low one. It can be accompanied by a social disposition of surfeit and boredom: a feeling that all has been achieved and that satisfaction lies in competitive consumption and a quest for shallow stimulants" (cited in Pawson, 1996: 321).

Reinforcing this suggestion are various indications that the restructuring of the 1980s and 1990s actively worsened the situation for many New Zealanders. Theory was applied with no apparent regard for the practical consequences: from 1986 to 1991, New Zealand leapt from being a highly regulated economy with the state undertaking 20 per cent of investment and accounting for 12 per cent of the national income, to becoming one of the least regulated economies in the OECD (Murphy and Kearns, 1994: 625). The requirement for government enterprises to operate as 'efficiently' as private business failed to consider the differences in context, or the cost to employment. Corporatisation and privatisation accordingly resulted in the loss of 88,000 jobs between 1986 and 1993 (Le Heron and Pawson, 1996: 215), exacting the heaviest impact where state employment was traditionally high. This has contributed to the striking socio-economic and ethnic differential in the redistribution of advantage. The adverse impact has been the greatest on small towns, and on the sectors of the community over-represented in manufacturing: namely Maori and Pacific Islanders (Le Heron and Pawson, 1996: 97).

New Zealand's manufacturing sector suffered most heavily as a result of the removal of tariffs and import licensing, accounting for eighty per cent of the increase in unemployment from 1984 onward (Le Heron and Pawson, 1996: 178). Sudden deregulation meant that local manufacturers were forced to compete unconditionally with external competitors who themselves enjoy the protection of their own governments. In practice, the competition includes nations that have no environmental standards, "no minimum wage, no social security, safety standards in industry that have caused workers to be incinerated en masse, limited press freedom and hard-line right-wing governments" (Lange, 1994: 2). These conditions, which are not only illegal in New Zealand but also wholly undesirable, are reflected in the lower price tag on consumer goods, with which domestic producers generally cannot compete. This is however masked from the causal shopper who may not choose to 'buy New Zealand made' goods at a premium price – if indeed they are even available at all, for many manufacturers have simply stopped producing, or may have no choice but to buy cheaper imported goods, given the decline in real wages that has concurrently occurred.

In July 2003, for example, Christchurch firm Macpac Wilderness Equipment announced plans to lay off 150 staff and follow competitors in the outdoor equipment industry, Kathmandu and Fairydown, by shifting its manufacturing operations offshore. This decision was attributed largely to labour costs: Macpac machinists are paid \$8.50 an hour upward, at an average \$450 per week before tax, “which would be a small fortune to a Philippines worker” (King, 2003: C1). Contributing to the decision, sales dropped thirty per cent since September 11 2001, and the New Zealand dollar has risen forty per cent since the beginning of 2002. The chief executive and founder commented: “It is quite upsetting to have people say you have sold out, and are exploiting Asian labour. We were keeping manufacturing alive in the West, when everyone else had gone to Asia... This is a simple decision about whether we are going to stay in business or go offshore” (McIntyre, in King, 2003: C1).

The cumulative impact of the reforms is manifest in unemployment, which reached 11.1 per cent in 1991, a level unheard of since the Great Depression. This receded to 7.8 per cent in 1999 (Dalziel and Lattimore, 1999), but it was not until 2003 that the level dropped once again below five per cent (Unemployment falls,... 2003). This figure provides little indication, however, of the quality of jobs provided, for many full-time jobs have been replaced by part-time or short-term contracts (Le Heron and Pawson, 1996: 94). In the year to June 1998, 23,000 full-time jobs were replaced by 13,400 part-time jobs, meaning that 23 per cent of the nation’s workforce was in part-time employment (Bruce, 1999: 5). The number of part-time employees increased from 313,260 in 1994 to 388,660 in 1999, while the number of full-time employees increased from 840,610 in 1994 to 892,680 in 1999, resulting in the ratio of part-time to full-time employees rising from 0.37 to 0.44 (Statistics New Zealand, 2002). Overall, the number of part-time employees increased by 75,400 between 1994 and 1999. Of the seventeen published ANZSIC (Australia New Zealand Standard Industry Classification) industries, twelve registered increases in the number of part-time employees, while the other five recorded minimal decreases. The main contribution to the increase in full-time employment came from property and business services which had 24,640 more full-time employees in 1999 than in 1994. The manufacturing sector recorded the largest fall in full-time employment with 11,000 fewer employees. In 1995 and 1996 the number of full-time employees in manufacturing grew, but by 1998 numbers had declined to their 1994 level. Hence, there was a fall of 11,000 between 1998 and 1999. “The Asian market downturn, successive droughts in the summers of 1997 and 1998, and the removal of tariffs on clothing and cars may all have contributed to this decrease” (Statistics New Zealand, 2002, Part Two: Employment).

The reforms also exacerbated the polarisation of rich and poor: from 1980 to 1994, New Zealand had the largest increase in income inequality in the OECD (Stephens, 1998: 15). All measures of income distribution widened over fifteen years, with real gains at the top and real losses at the bottom. The top ten per cent of income earners increased their income by 43 per cent from 1984 to 1999, the next 20 per cent held their own, but the share of everyone else declined (Elliot, 2002a; Podder and Chatterjee, 1998; Walsh, 1999: 6). In 1994, *The Economist* observed:

It is no coincidence that the biggest increases in income inequalities have occurred in economies such as those of America, Britain and New Zealand, where free-market economic policies have been pursued most zealously (*The Economist*, 1994: 19).

Government intervention enabled the upward redistribution in the form of tax cuts to middle and upper income earners, whilst benefit reductions, 'user-pays' policies, market rentals and falling wages reduced the income of the lower socio-economic groups (Waldegrave, in Walsh, 1999: 6). This has more than offset any impact from the introduction of user charges in social services for high income earners (Stephens, 1998: 15).

The unequal distribution of poverty is clearly evident. Youth unemployment comprises forty per cent of the total, while unemployment among Maori and Pacific people is three times that of Pakeha. Contributing to the latter statistic is the phenomenon of the 'disappearing middle': as middle-class jobs vanish, the displaced people move into low skill jobs, and the low skill workers are pushed off the map. "This exacerbates the ethnic dimension of the inequality, given that Maori are clustered on the wrong side of the income gap" (Campbell, 1998: 21). Maori and Pacific peoples have been most marginalised, because they were predominantly unskilled wage labour, dependent heavily on state employment and over-represented in production, transport, equipment and labouring, which suffered the greatest job losses (Le Heron and Pawson, 1996: 110). Socio-economic inequality has been further worsened by tax reform: Labour's October 1986 package (which included the socially regressive Goods and Services Tax) and National's tax cuts in 1996 and 1998 have enabled the wealthy to do better than anyone else (Campbell, 1998: 20).

New Zealand's poor performance measured through a range of social indicators is cause for concern. The worsening poverty engendered by the reforms is reflected in the health statistics, for it is connected with over-crowding, disease, malnutrition and despair. "Poverty is bad for your heart and your health, and heart and blood vessel disease is New Zealand's number one killer, responsible for 41 per cent of deaths every year" (Swinburn, in Bruce, 1999: 5). It is perhaps unsurprising that in 1999, Middlemore Hospital reported the re-emergence of diseases such as typhoid, unheard of for 50 years; and that the incidence of meningococcal disease has increased from 53 cases in 1990 to 614 in 1997 (Waldegrave, in Walsh, 1999: 6). In addition, the recorded offence rate grew steadily from 55 per 1,000 population in 1970, to an all-time peak of 132 per population in 1992. The rate remained steady between 1992 and 1996 before decreasing to 111 per 1,000 in 2000, but remains higher than it was at any stage prior to 1984 (Statistics New Zealand, 2001: 9). This might reflect increasing opportunities for crime in a consumer society, and New Zealand's changing demographic structure as baby boomers reached the age group at which most offending occurs (15 to 30 years), but the increase in income inequality during this period is also likely to have contributed (Statistics New Zealand, 2001: 9). Finally, youth suicide in New Zealand has almost doubled since 1985, killing more 15 to 24 year olds than anything except motor accidents and putting New Zealand third in the world behind Russia and Lithuania

(Bruce, 1999: 5). In 1996 there were 144 deaths of young people aged 15 to 24 years that were attributed to suicide. This represented 26.6 percent of total suicide deaths, while 15 to 24 year olds made up only 15.6 percent of the total population (Statistics New Zealand, 2001).

In a brutal sense, the New Zealand experiment was worthwhile. It highlighted the ineffectiveness and risks of policies that deliberately foster inequality. New Zealand has shown the rest of the world how not to do it (Elliot, 2002a: 3).

1999 onward: the revamped Labour Government

By the time of the 1999 election, considerable unease had developed at the deleterious effects of the long process of transformation. The economic situation was showing little sign of improvement, while unemployment remained far above 1984 levels. Income inequality continued to increase, as did poverty, while welfare spending continued to burgeon, leading to fears that an underclass of permanently unemployed was being created. The mood was ripe for change once again, culminating in the election of the re-branded, reconfigured Labour Party which had worked hard to distance itself from the neoliberal dogmatism of the Fourth Labour Government, under the leadership of Helen Clark. Failing to gain an outright majority, it formed a coalition with Anderton's left-leaning Alliance Party.

In response to the social unease, the Labour-led government started to reverse some of the reforms, asserting that its 'proactive' approach to economic policy would be very different to the 'passive' approach taken by governments from 1984 to 1999 (WTO Secretariat, 2003: x). Indeed, it introduced the *Employment Relations Act*, replacing the *Employment Contracts Act 1991*; trade unions were given more power in wage negotiations; and the top rate of income tax was raised from 33 per cent to 39 per cent. Further privatisation was ruled out; the privatised workplace accident insurance market was re-nationalised; and in 2001 the government bailed the privatised Air New Zealand out of financial difficulties, re-purchasing an eighty per cent stake in the company. It also helped to establish Kiwibank, which is owned by the state-owned New Zealand Post. Yet while new-style Labour foregrounds social objectives, this does not constitute a return to the social democratic government management. "In practice, the government's new measures only modestly reverse the reforms of the previous decade and a half" (*The Economist*, 'Can the Kiwi economy fly?', 2000: 1). Economic considerations and reliance on the market remain pre-eminent considerations, as the forthcoming chapters demonstrate, overriding social imperatives, mirroring the 'Third Way' approach of Blair in Britain (see Chapter Five).

In the remainder of my thesis, the developments since 1999 are considered in greater detail. As these historical chapters have demonstrated, there have been colossal changes in New Zealand since 1984. In recent years, the changes have increasingly been interpreted through the conceptual lens of globalisation, a catch-all concept that can encompass the diversity and magnitude of change, which in turn is widely understood as externally-generated and inevitable. This further reinforces the perception that New Zealand's contemporary circumstances are dictated by an external force in a way that they were not in the past.

Rather than representing a novel departure from past insularity, New Zealand's present circumstances retain many similarities with the past. The notion of globalisation belies the fact that New Zealand's fortunes have been intimately bound up with its global context since earliest human contact. This connectivity has gradually increased with advances in technology, the expansion of markets, the development of an externally focused trading economy and the incursion of cultural influences. New Zealand's development thus represents the conjunction of global markets, crises of capitalism, international ideas, government responses (domestic and abroad), technological development and geographic particularities, which together create the conditions experienced in particular places. Throughout this process, the state has played a pivotal role in mitigating, though not controlling, the effect of these external influences, from Grey to Vogel to Savage to Muldoon to Lange (Thorns, 1989: 84), developing capital infrastructure in the absence of profit opportunities for private enterprise, mitigating the oscillations in the external economy through a panoply of policy responses, and helping to determine the living conditions of New Zealanders. "Local communities may be buffered by global forces, but they are not helpless victims with no coping strategies, even if they may not, in a globalised context, be entirely autonomous of the world which they inhabit" (Johnston et al, 1995: 9).

In 2003, New Zealand remains affected to a considerable extent by matters beyond its control. There is little it can do, as a tiny country with little market power, to influence giant countries such as the US, and it remains inevitably affected by international influences. The historical context demonstrates, however, that there was (and probably is), a considerable amount that the successive governments could do *within New Zealand* to mitigate the effects of international connectivity. As Nordmeyer showed in 1958 and Muldoon in 1968, stringent fiscal measures can go a considerable way toward curbing internal demand, realigning the inflow of imports with the available export income necessary to pay for them. Once the balance of payments was equilibrated and the overseas funds reserves restored, the government could do as it chose to stimulate domestic activity within these parameters. Of course, as well as maintaining a reasonable balance of payments, governments had to meet a range of other demands: aside from the obvious maintenance of law and order, health and social security and appropriate education and training, during the post war years there was considerable pressure for the state to fund capital investment for a population demanding high living standards, and to maintain a reasonable international profile in diplomatic and trade terms to meet the ongoing challenges of finding new markets New Zealand's export commodities, and internally in developing new ones. On top of this, the triennial electoral cycle imposed a severe burden in terms of achieving the above whilst maintaining sufficient popularity to win the next election. In reality, this led to a 'stop-go' approach which alternately jet-propelled and retarded the domestic economy. A substantial proportion of the changes in New Zealand over the past twenty years has not been inevitable at all: "the monetarist policies, the privatisation of state assets, the extremes of deregulation, the commercialisation of the state: New Zealand governments chose to do these things with no outside pressure" (Jesson, 1999: 204).

Nonetheless, the reforms are retrospectively justified as the inevitable response to the imperative of globalisation, reinforcing the impression that because of external events and increasing interdependence, 'there was no alternative'. They are viewed as necessary adjustments to a regime previously characterised by ostrich-like policy-makers, determinedly insulating New Zealand from the rest of the world through increasingly irrational buffering devices (Alexander, 2002; Bassett, 1998; Kerr, 1998), and demonstrating the central role played by Muldoon in the discrediting of social democracy. Through repeated invocation, reinforced by the obvious changes that have occurred over the past twenty years, globalisation has acquired a causal efficacy or agency of its own. In turn, this has led to a narrowing of the conceptual terrain within which options for New Zealand are considered, with a new emphasis on the global. In this way, the substantial material changes that have resulted from New Zealand's neo-liberal transformation have a corresponding *discursive* dimension, which reinforces the impression of qualitative change and disjuncture with the past, leading in turn to appreciable changes. These are explored in the following chapter.

Hence a disjuncture certainly occurred from 1984, but this is not the consequence of an external process called globalisation. I thus reject the dichotomy between 'Fortress dwellers' and 'global players' implied by the established wisdom, and emphasise instead the commonality of many of the experiences both then and now. This distinction is of critical importance in exploring the discursive changes that have accompanied the restructuring.

Chapter Five: The discourses of globalisation

As my historical analysis demonstrates, if indeed globalisation is taken to refer to *unprecedented* international interdependence, it is a simplistic and inaccurate description of New Zealand's contemporary circumstances. While the fact that parallels with the past exist is important, it is however just one part of the picture. For regardless of its apparent descriptive inaccuracy, the term globalisation is widely used in New Zealand. Global imagery pervades the language of everyday life, evident in recurring references to 'global markets', 'global culture', 'the global economy', 'global competition' and so forth. Over the past twenty years, *understandings* of New Zealand's relationship with the outside world have changed, making it necessary to consider the *way globalisation is used*, by whom, and to what effect.

This chapter demonstrates the way in which what I label the 'discourse of hyperglobalism' has become hegemonic in New Zealand's policy-making environment. This discourse emphasises the novelty of New Zealand's contemporary circumstances, represented as globally determined and qualitatively different from those of the past. Reflecting the naturalisation of the notion of globalisation, this discourse contrasts with the dominant policy discourse of the period from 1945 to 1984, which rather emphasised New Zealand's position as a small and internationally trade-dependent nation that nonetheless had the constrained autonomy to determine its own destiny. The sense of disjuncture between the 'globally connected New Zealand' of the present and the 'Fortress' of the past is reinforced by the observable changes brought about by New Zealand's neo-liberal restructuring in the 1980s and 1990s, but also reflects the convergence of a set of domestic and international discourses.

The discourse of hyperglobalism in turn has practical consequences, for it conceptually restricts the range of options available to New Zealand, masking the parallels with the past and directing attention toward the global, the novel, and the generic rather than the local, the enduring and the specific. In the following four chapters, I examine four central dimensions of the discourse of hyperglobalism – technological, political, cultural and economic. In each I consider both material developments and their discursive dimensions. This chapter provides the foundation for the remainder of the thesis by introducing the discourses common to each of the four dimensions subsequently discussed.

New Zealand in its external context: shifting discourses

As my historical analysis proceeded, I recognised that a critically important dimension of my analysis of globalisation is that superimposed on the 'actual facts' of New Zealand's historical connectivity are *interpretations* of these facts. My interview and historical data suggest that an important change has occurred over the past twenty years in *how New Zealand's position in the global context is understood*; and this leads to particular courses of action. Clues emerge from the way in which contemporary commentators depict New Zealand's external relations, whether in official or private sector reports, and in my interviews. While interpretations of New Zealand's

external connectivity vary, recent versions almost uniformly depict New Zealand's situation as *globally determined* in a way that it was not in the past, and in such a way as to reduce domestic autonomy. 'Global thinking' has become normalised, and has come to define the realm of the possible for policy-making. This presents a substantial contrast to past interpretations of New Zealand's external connections, which depicted New Zealand as affected by external forces, but emphasised the considerable scope and indeed the *need* for government action.

A profound discursive shift has thus accompanied the tangible material changes that have occurred over the past twenty years in New Zealand. It has become commonplace to understand New Zealand's contemporary conditions as defined by the 'global context'. Globalisation and its spin-off concepts (the 'knowledge economy', 'information age', 'digital age' and so forth) are employed to emphasise New Zealand's contemporary prospects as largely determined by the global economy. While this is the case, such terms also imply that this situation is *novel*, belying New Zealand's historical international interdependence.

Thus the prominent historian Belich (2001a) considers globalisation to be one of four forces exerting change in New Zealand over the past forty years. These changes he labels 'decolonisation'. While two of his 'agents of change' are internal – Maori resurgence, and the increasing political prominence of social groupings such as women and youth (2001a: 425)²¹ – the other two are external.

One of these agents can be loosely – and to some extent deceptively – known as 'globalisation'. In recent New Zealand history, it took the form of the opening of new gateways between New Zealand and the world. The other was the transformation of New Zealand's main international relationships: disconnection from Britain, the rise and fall of the American alliance, and reconnection with Australia (Belich, 2001a: 425).

Belich notes the ambiguity of the term globalisation, and remarks that globalisation is "an ancient process, if it is used to describe the formation of widespread transnational networks" (2001a: 425). He takes this line of argument no further, however, making no mention of the external origins of the term, nor the problems that it entails when applied to the unique New Zealand context. Rather, he goes on to accept globalisation as shorthand for connectivity and *novelty*. For Belich, the 'four new gateways' of globalisation through which goods, people, information and so forth can now flow in a way that they could not in the past comprise the linked areas of mass media (television), communication (the declining costs of instantaneous electronic communication), transport (the jet aircraft, and in particular the wide-bodied jet), and information (the Internet). Belich overplays the novelty and significance of each of these developments: whilst he alludes to past parallels, he does not take the implications of these far enough.

The unproblematic use of the term globalisation as a description of contemporary *reality* is

²¹ Of course, these 'internal' developments reflect international tendencies toward indigenous resurgence and women's liberation.

apparent in the spectrum of interpretations that exist over its *desirability*. These are frequently polarised according to the traditional political spectrum, with neo-liberal global-factualist defenders on the right celebrating globalisation, and global-factualist detractors on the activist left providing a wholesale condemnation. For example, Roger Kerr, Executive Director of the New Zealand Business Roundtable, has said that “most of the protests against ‘globalisation’ are based on little more than ignorance, half-truths and dangerous illusions.... all thinking people should be in favour of globalisation” (Kerr, 2002b: 10). Similarly, Mike Moore, former Prime Minister and past Director-General of the World Trade Organisation, commented that “[g]lobalisation is a process as inexorable and as profound as the Industrial Revolution, and the best hope we have of ameliorating its negative effects and maximising its benefits is through global, government-to-government negotiation and multilateral trade agreements” (Moore, in Brett, 2000: 5).

Globalisation is with us; it cannot be uninvented. No nation, great or small, in the world of today and tomorrow can secure its future alone (Moore, 2001: 138).

By contrast, for Jane Kelsey on the left, globalisation “delivers a world that is riddled with inequality and injustice, and in which the victims of the previous eras of colonialism pay the highest price. It is also politically and economically unsustainable” (Kelsey, 2002: 16).

Politicians and journalists use globalisation in a similarly cavalier fashion. Trade Minister Jim Sutton, for example, maintains: “globalisation is not something that may happen... It is not something that can be avoided. It is something that has happened already” (Sutton, in *New Zealand must stick...* 2001: 21). Political journalist Colin James has warned that “without embracing globalisation, future prospects are dim” (James, 2002c: 3).

These apparently disparate global-factualist views paradoxically collude in *reifying* globalisation. They emphasise the novelty of present conditions, and imply that globalisation is a superhuman, external force being imposed upon New Zealand. They reinforce Belich’s (2001a) suggestion that globalisation is *new*, that it is *happening*, and that it is *globally generic* – that it is the same in New Zealand as anywhere else. This view also dominated recent company reports and government documents, and emerged strongly in interviews that I conducted.

Globalisation. **We all have to play**, it’s an increasingly integrated world economy, a third of economic output crosses national boundaries; technological advances have occurred in ICT and transport; trade and capital flows have been liberalised, tariffs have been removed, we’ve seen the end of industry protection (Interview, CEO, Canterbury Development Corporation, emphasis added).

Don’t get me wrong, I think **globalisation is inevitable**, I think for a tiny island nation in the middle of nowhere (Interview, CEO, Screen Producers and Directors Association, emphasis added).

While the focuses vary, my sources unequivocally imply that ‘things have fundamentally changed’ over the past twenty years. My data furnish further evidence of the battery of images disseminated through the media, business, government and academic writing, which reinforce the impression of globalisation as an inevitable external force affecting New Zealand. Whether or not globalisation is an apt description of contemporary life, ‘the global’ has come to dominate the way

that decision-makers consider New Zealand's position vis-à-vis the rest of the world. This understanding is coloured by a sense of novelty and inevitability. It has become commonplace among policy-makers to define New Zealand's options as externally determined, and a dominant image that emerges in the public and private sector, and amongst interviewees, is of contemporary New Zealand as 'globally connected', unlike the 'Fortress' of the past.

The discourses of globalisation

My historical analysis of reports from the public and private sector illustrates the contrast between contemporary understandings of New Zealand's conditions, and those of the past. Discourse analysis provided a helpful framework through which to develop an understanding of *how New Zealand's external connectivity has been interpreted* in the public and private sectors. To recapitulate the definition outlined in Chapter One, for my purposes, discourses not only represent the world as it is (or perhaps more accurately, as it is seen to be), but also serve as projective imaginaries, representing possible worlds which are different from the actual world (Fairclough, 2003: 69). Many competing discourses coexist, and intersect to produce still further discourses. These discourses not only mask alternative representations, but are also potentially constitutive: by focusing on the global, for example, the importance of the local context, and the hence scope for agency, is minimised. The extent to which a discourse is constitutive is differentially distributed according to power: as discussed in Chapter Four, in New Zealand, it is 'influential people' in prominent positions, particularly those with economic implications (such as 'business leaders') that play an important role in shaping the policy climate.

A variety of different discourses relating to New Zealand and its international context exist, displaying differing assumptions and implications. Nevertheless, official reports and private sector publications since about 1990, and interviews that I conducted, display striking evidence of what I label the '**discourse of hyperglobalism**'. This is the dominant policy discourse evident in New Zealand, and hence it features prominently in the remainder of my thesis.

I use the term 'hyperglobalism' because the discourse displays many of the characteristics of the 'hyperglobalist' position identified by Scholte (2000) and Held et al (1999). The discourse emphasises the sense of disjuncture with the past, juxtaposing the insular 'Fortress New Zealand' against contemporary 'globally connected New Zealand', thereby emphasising *change, novelty* and the *global context*. In practical terms, the operation of this discourse is evident in the policy arena in both public and private sectors, which is currently dominated by a view of New Zealand's options as externally determined by a super-human force requiring acquiescence, frequently labelled globalisation, which is seen to be minimising the scope for active domestic policy-making.

Recent documents from both the public and private sector exhibit the strongest commitment to hyperglobalism. These emphasise New Zealand's international interconnections and its decreasing ability to determine its own future. Interviews, by contrast, depict a more complex

story, in which the hyperglobalism discourse is juxtaposed against vestiges of other, contrasting and frequently contradictory discourses, many of which display features of past discourses, resonating with earlier historical textual material from the pre-1984 period, both public and private. These imply that policy-makers have more autonomy, and grant globalisation less inevitability, than hyperglobalism implies.

Of course, the discourse of hyperglobalism is not uncontested. Other discourses coexist which do not make the same assumptions of globality, novelty and generic applicability. Nevertheless, my research suggests that amongst influential decision-makers in New Zealand, the discourse of hyperglobalism is hegemonic. It is therefore necessary to turn to an analysis of the discourse of hyperglobalism and its constituent mythology, imagery and representations, as well as to consider the alternative discourses that coexist. It is crucial to recognise that the shift in discursive hegemony broadly corresponds with shifts in government management. These aspects are dialectically linked: the neo-liberal transformation since 1984 had discursive as well as practical consequences, while at the same time, the form and direction of restructuring reflected both discursive and practical influences. A further dimension of this connection is that in emphasising the global context, the discourse of hyperglobalism minimises the significance of government power; paralleling the neo-liberal impetus to decrease the power of government.

It is therefore important that the analysis of the discourses of globalisation is firmly situated in their social contexts. From this starting point, it becomes possible to understand the nexus of discourses, the conjuncture of which forms the discourse of hyperglobalism (summarised in Table 5.1).

Table 5.1: The discourse of hyperglobalism

The discourse of hyperglobalism				
Dimensions	Economic	Political	Technological	Cultural
International discourses evident in New Zealand	New planetary vulgate Neo-liberalism Disembedding of the economy Privileging of economic indicators (GDP) International competitiveness Third Way	New planetary vulgate Neo-liberalism Disembedding of the economy Privileging of economic indicators International competitiveness Third Way There is No Alternative	New planetary vulgate International competitiveness Microelectronics Techno-optimism Time-space compression/ distaniation Neophilia Techno-optimism	New planetary vulgate Neo-liberalism Disembedding of economy Privileging of economic indicators Homogenisation Hybridisation Americanisation Identity
Domestic discourses	Leading the Bloody World Catastrophe Declinism Transformation	Leading the Bloody World Pragmatism Globally-determined	Neophilia Techno-optimism Chronocentricity	Leading the Bloody World Cringe Nostalgia Tyranny of distance

In the following four chapters I explore four dimensions of globalisation debate – the technological, political, cultural and economic – recognising of course that these distinctions are somewhat arbitrary, for in fact all are interconnected. The discourse of hyperglobalism is evident in each of these dimensions. In turn, however, each of these dimensions provides evidence of further discourses, both international and New Zealand-specific, which cross-cut my categories, as Table 5.1 demonstrates. In this chapter, I consequently focus on discourses which serve as ‘building blocks’ for the discourse of hyperglobalism that reappear across most or all of the four categories throughout my thesis.

The building blocks of the discourse of hyperglobalism

The new planetary vulgate

References to globalisation are frequently explicit, but can be more oblique through the invocation of related concepts. The apparent ubiquity and novelty of New Zealand’s contemporary international connectivity is heightened by the regular invocation of a host of notions spawned within the context of ‘thinking global’, reinforcing the appearance of qualitative change. Analyses in New Zealand’s media, academia, politics and business bristle with imported metaphors such as the ‘information age’, ‘digital age’, ‘time-space compression’, ‘the knowledge economy’, ‘fragmenting identities’, the ‘borderless world’, the ‘erosion of the nation state’, the ‘global village’, the ‘digital divide’ (Castells, 1996; Fukuyama, 1992; Giddens, 1999a; Harvey, 1995; Ohmae, 1995; Thorns, 1995). These terms, which emphasise change, represent the incursion of what Bourdieu and Wacquant (2000) label the ‘new planetary vulgate’. The expressions are not neutral, but reinforce the image of contemporary New Zealand as globally determined, and are imported and applied frequently with little modification, despite New Zealand’s distinctive circumstances.

Recent reports from the public and private sector and interviews with ‘opinion leaders’ provide many examples of the new planetary vulgate. For instance, a common theme was that there now exists an unprecedented requirement for New Zealand firms to exploit ‘niche markets’ (General Manager, Ballantynes), to embrace the ‘knowledge economy’ (Chief Executive, Canterbury Development Corporation), to diversify New Zealand’s exports, to ‘differentiate’ (Chief Executive, Canterbury Employers’ Chamber of Commerce), to ‘add value’ (Chief Executive, Lignus), to ‘catch the knowledge wave’ (Brash, 2001; Clark, 2001), to establish a ‘point of difference’ (which generally relates to New Zealand’s ‘cleanness and greenness’). This implied novelty provides further evidence of the discourse of hyperglobalism, emphasising change, novelty and the operation of external imperatives. As my historical analysis (described in Chapters Three and Four) suggests, however, these factors have proved critical to New Zealand’s economic fortunes throughout its history: none is the exclusive preserve of the recent past or present.

Observable changes

The notion of globalisation and its associated concepts have proved popular because they appear to encapsulate the readily observable, colossal changes that have occurred over the past twenty years. In New Zealand, the restructuring of the 1980s and 1990s, which has led to many observable differences, compounds the sense of change. There is a strongly discursive dimension to the changes. In 2003, the dominant representation of life in New Zealand rests on the depiction of 1984 as a watershed, marking a qualitative break from a national past characterised as insular, isolationist and interventionist, overprotected, inefficient, parochial and economically unsustainable – in short, ‘Fortress New Zealand’ (McAloon, 2001c; Russell, 1996). This representation is contrasted against an image of New Zealand post-1984 as increasingly ‘open’, ‘outward-looking’, ‘cosmopolitan’ and ‘globally influenced’.

Fortress New Zealand

In many recent accounts of New Zealand’s contemporary circumstances, 1984 is depicted as the watershed marking the end of ‘Fortress New Zealand’ (Bassett, 1998; Easton, 1997; Evans et al, 1996). The imagery of the Fortress is frequently used to convey a sense of disjuncture between past and present (Rankin, 1991; Russell, 1996). As it emerged in one of my interviews without prompting, I have chosen to use the Fortress metaphor to describe the prevalent attitude toward New Zealand prior to 1984, for it neatly encapsulates the image of regulatory ramparts barricading New Zealand off from the rest of the world.

We came out of the [Second World] War a very shielded economy, with import licensing structures and import limitations, put in place pre-war, and still in place after the war. So we were living in this **tight little island with big walls around it**, and we were pretending that it was pretty good. And it had been good – the Korean War, wool, all those things... But in the 1970s, it all went dark... And... quite properly, [Muldoon] became alarmed, and said my god, we’ve been cut off at the knees. So we entered this daft era of new and even bigger walls, **the drawbridge was pulled up**, shut... Come 1984, and the events are well catalogued, well documented. To coin a phrase, **the drawbridge was lowered and we started to wind the walls down...and the world flowed in**. About 1986, by which time some of the dust had settled, it was apparent that New Zealand was never going to be the same again. We had a long, hard think, about ... this is a different place now. The world has flooded in to New Zealand, **we live in an international environment** (Interview, CEO, Tait, emphasis added).

The discourse of hyperglobalism invokes Fortress imagery as a dichotomous contrast with an image of contemporary New Zealand as ‘globally connected’. The discourse further implies that present levels of global connectivity are *novel and unprecedented*, changing the context for state management.

The Fortress New Zealand version dominates contemporary understandings of New Zealand’s past, reinforcing the discourse of hyperglobalism by heightening the sense of disjuncture with, and disdain for, the past. The Fortress New Zealand view further implies that the New Zealand state prior to 1984 was *ideologically* committed to insulating New Zealand from the outside world. By contrast, my evidence outlined in Chapter Three suggests that circumstances, rather than ideological commitment, lay behind the export incentives and development finance offered

by various post-war governments (Easton, 1997a, Chapter Nine; Marshall, 1989, Chapter Five). These included the fact that the population was rapidly expanding, aspirations as to living standards were high, and economic modernisation was considered essential. Given the small population size, New Zealand's state was the only organisation with the capacity to raise capital on the requisite scale. Further, the incentives provided enabled the establishment of strong export networks and the development and the expansion of successful firms (Interview, Chief Executive, Tait Electronics). The provision of state assistance did not *necessarily* foster inefficiency, although in some instances the funding was squandered, and this became the focus of criticism.

As I demonstrated in Chapter Three, policy-makers from 1935 onward recognised that New Zealand's fortunes were inextricably linked to the international context, *but considered it possible to mitigate the excesses of the global economy through a range of policy instruments*. New Zealand was, for example an enthusiastic supporter of the GATT, in the belief that this would help to circumvent the agricultural protectionism of other countries. Many of the external circumstances confronting New Zealand bear strong resemblance to past circumstances. The decisive change has, therefore, been discursive, re-framing the realm of the possible for New Zealand policy-makers.

A further dimension of the Fortress imagery relates to New Zealand's apparent 'over-dependence' on Britain, blamed for New Zealand's poor economic performance post-1973.

Until 30 years ago, New Zealand relied on its relationship with Britain to overcome the tyranny of distance. When this support was removed in the 1970s, New Zealand was forced to diversify both in terms of export markets and the types of goods and services exported. This has proved difficult. Many New Zealand firms have not found it easy to move into export markets from a small domestic market... For a small country, New Zealand's exports as a share of GDP are lower than most other small OECD countries at around 33 per cent of GDP in 2001 (New Zealand Government, 2002: 15).

This interpretation articulates a common understanding of New Zealand's past, echoed in several of my interviews, and in the historiography of Bassett (1998) and Belich (2001a). New Zealand's dependence on Britain is blamed for the economic decline since 1973 (when Britain joined the EEC), eventually necessitating the reforms of the 1980s. This view fails to recognise that successive governments made considerable efforts to diversify New Zealand's export commodities and markets, and met with considerable success (Marshall, 1989; Singleton and Robertson, 2002). It also masks the penalising effect of the restructuring over the past twenty years on the performance of the New Zealand economy (Dalziel, 1998, 2002; Hazledine, 1998, 2000). Yet despite its inattention to these details, Fortress imagery dominates, emphasising the *differences* between New Zealand of the 1970s, and the 'globally-connected' New Zealand of the new millennium, and routinely overlooking the considerable similarities that persist.

Declinism

The Fortress New Zealand imagery is in the tradition of declinism. This refers to:

an ideology, a set of ideas and assumptions which are popular and largely unquestioned... The central assumption of declinism is that, measured by one or more aggregate economic indices, economic performance has been deficient and that, in principle, this deficiency is, or was, avoidable or remediable. Declinism therefore embraces the belief that something could and should be done to improve economic performance (Tomlinson 1996: 731).

As Tomlinson points out, declinism is not an innocent description of the past (Tomlinson 2001: 2). It channels our thinking and conditions the way we look at the world, and represents and serves partial values and interests, which in the context of contemporary New Zealand cannot be divorced from neo-liberalism. Declinism as it emerges in recent analyses of post-war New Zealand ignores both the external context in which New Zealand operated prior to 1984, and the substantial achievements in economic and social terms – which might include such things as the generous provision of the welfare state, the achievement and maintenance of full employment from the Second World War until 1967 (Dalziel, 1998, 2002; Easton, 1997a; Gould, 1982; Hazledine, 1998, 2000). Ahistorical and over-generalised declinist notions lend weight to the discourse of hyperglobalism, as they imply that New Zealand's past approach was inherently unsustainable, and reinforce the impression that its past experiences are irrelevant to the 'new reality' of globalisation.

Economic indicators

The discourse of hyperglobalism is further reinforced by the tendency for New Zealand's performance to be measured solely through a narrow set of economic indicators. A recurring theme across my sources related to New Zealand's economic performance, measured internationally. Premium value was placed on such statistics as New Zealand's relative decline from ninth in the OECD rankings in terms of GDP per capita (in terms of purchasing power parity) in 1970, to twentieth in 1999 (Scobie and Mawson, 2001), despite or as Hazledine (2000) and Dalziel (2002) argue, because of the reforms. New Zealand's performance is thus analysed in terms of GDP, and policies are formulated accordingly, despite the fact that GDP places no value on alternative indicators, which might include such aspects as the distribution of wealth, quality of life, peace and quiet, low population density, relative environmental cleanliness and so forth, in which New Zealand might score better (discussed further in Chapter Ten).

International competitiveness

Also contributing to the discourse of hyperglobalism in New Zealand is the influential notion of 'international competitiveness', viewed as a novel requirement of contemporary economies.

New Zealand needs to aggressively find ways to overcome its geographic location and connect with global markets – for goods and services, but also to access ideas, technology and people. Becoming a genuinely global, innovative economy is one of the key goals of the government's economic policy (New Zealand Government, 2002: 15).

This statement fails to consider New Zealand's connections with global markets, despite the fact that these were its very *raison d'être*, and provides ample evidence of what Krugman (1996) labels 'pop internationalism'. In Krugman's view, most serious discussion of world trade has

been displaced by the depiction of trade as a zero sum competition, masking the ongoing relevance of the principle of comparative advantage.

Competitiveness is a meaningless word when applied to national economies. And the obsession with competitiveness is both wrong and dangerous (Krugman, 1996: 22).

Economic problems are frequently formulated through the analogy of countries with private firms, and through the use of competitive metaphors. For example,

We wouldn't run a business with this little attention to improving productivity ... the same applies to the country (John Hood, Vice-Chancellor of the University of Auckland, National Radio, 19 February 2003, 11.30 am).

Krugman rejects the private enterprise analogy, pointing out that the constraints of countries are very different to those of firms: for example, they cannot go 'out of business', and they have a multitude of goals rather than simply profit maximisation (Krugman, 1996: 9). This tendency was reinforced by the restructuring of the 1980s and the 1990s, underpinned by the desire to 'get business into government' and 'government out of business'. Attesting to the widespread acceptance of the analogy, however, generic 'management consultants', their expertise honed in the private sector, have regularly been employed by the New Zealand government over the past twenty years to advise in the development of strategies and policies.

Krugman argues further that the idea that a country's fortunes are largely determined by its success on world markets is fundamentally wrong: if the proportion of trade in the national economy is low, the major effect on the standard of living in a country relates to *domestic* factors, not competition for world markets (Krugman, 1996: 5). The latter point is more applicable to the United States (where international trade comprises less than ten per cent of the economy) than it is to New Zealand, where the proportion of international trade is much greater (over thirty per cent). Nevertheless, the discourse of 'pop internationalism' features prominently in many contemporary analyses of New Zealand's relationship with its external context and emerges in official and private sector documents in New Zealand and in the interviews that I conducted, disguising both historical precedents and the ongoing dynamics of the international capitalist economy. This discourse contributes to the perceived need for transformation, exacerbating the perception of disjuncture with the past, which is misremembered as insulated rather than internationally interdependent.

Powerful metaphors

The impression of disjuncture is reinforced by powerful metaphors regularly employed by influential commentators which heighten the perception of impending doom: "we're at the crossroads", "we're at a watershed", "there's an escalator moving and you have to get on it" and "every indicator demonstrates that New Zealand is running the risk of sliding off the first world" (Brash, 2001; Edwards, 2000a; New Zealand Government, 2002; Interviews, Chief Executive, Canterbury Employers' Chamber of Commerce, Canterbury Development Corporation). This fuels the sense of 'victimhood', undermining the sense of agency which remains.

Reinforcing this impression, two conceptions of globalisation emerge in my various sources, invoked to describe the constraints on New Zealand's present economic activity. The first depicts globalisation as an inevitable, superhuman Leviathan determining the external context and thereby the options for New Zealand.

I've been in the odd debate with anti-globalisation people, and I say, what's the choice? You can't be for it or agin it [globalisation] – it's like being for or against the tide – it *exists* – deal with it (Interview, CEO, Canterbury Manufacturers' Association).

The second depicts globalisation as a set of externally determined opportunities that must be grasped if New Zealand is to improve its performance, conjuring up a sense that a train is departing that we must hurry to board. Indeed, this image was explicitly used by the National Government in its 'Bright Future' campaign in 1999. This image was buttressed by frequently invoked metaphors suggesting we are on the cusp of a new era, which demonstrate latent chronocentricity (Standage, 1998).

We are really right at the crossroads at the moment, in terms of where we are going, and that's really the interesting part from my perspective, is the future, and what we need to do as an economy and as a community to embrace globalisation, and how we can do that and be successful. At the moment we are not doing very much successfully as a country (Interview, CEO, CECC).

The metaphors provide further evidence of the way in which the discourse of hyperglobalism helps to reify the notion of globalisation. It is depicted either as an external structural force being exerted upon New Zealand (Interview, Chief Executive, Canterbury Development Corporation; Moore, 2001); or as a train pulling away that must be caught (Interview, Chief Executive, Canterbury Employers' Chamber of Commerce). These images match the media representations of globalisation – unsurprisingly, as it is the views of influential people that are reported and, indeed, frequently repeated.

Cultural cringe

Further reinforcing the hyperglobalism discourse in New Zealand is the legendary trait known as 'cultural cringe'. Perhaps reflecting its colonial legacy, the cringe has long been identified as a central feature of the way New Zealanders view the relationship of New Zealand with the outside world.

Dependence is not at the root of our behaviour. The reason for our odd ways is something deeper, something creeping up on the whole Western world. We haven't any sense of purpose. We don't know what it's all about, and we are frightened to find out. Other nations have lost their sense of purpose; we, a colony, never found one... And caught between the mountains and the sea, never far from the silence of the bush and the stars, we are in that bland frightening witness of the infinite, and we haven't created a social convention strong enough to reassure us (Pearson, 1952: 226).

As a country, New Zealand has one major preoccupation: New Zealand. The rest of the world ignores it, so it compensates by more and more frantic navel exercises of national belly-button studying [sic]... You'll have met the first manifestation of obsession already, having been asked a thousand times how you like the country... This is not designed to elicit information. It is a

request for reassurance, encouragement, admiration and all the other things that immigrants are brought in to provide (Mitchell, 1972: 11).

The 'cringe' emerged repeatedly throughout my research, both explicitly referred to by my interviewees, and implicitly evident in the need expressed by interviewees and in recent reports from both public and private sectors and in the media to 'put New Zealand on the map'. New Zealand's remote location partly accounts for the cringe, for the 'tyranny of distance' (Blainey, 1966) heightens the impression of remoteness and disconnection from the rest of the world. As I discuss in Chapter Eight, international recognition has long been the benchmark for success in New Zealand.

This obsession with what is the world out there... are we on the map. Somebody comes to New Zealand and says something about us, and we all either fall about with pleasure if they say something nice, or slag them if they say something nasty... So ... relating to the outside world is a very difficult thing to do, for small countries. There's a constant craving for some kind of recognition, that we are OK, that we're part of the big world (Interview, Laidlaw).

Evidence that the cringe persists emerged among my sources in the acclaim that accompanies the achievement of 'internationally competitiveness' or 'international recognition' as a talisman of success. These manifestations of the cultural cringe contradict an equally discernible local discourse, which, after Easton (2001b) (who in turn poached it from historian Keith Sinclair and the late Labour Prime Minister Norman Kirk), I label 'LBW syndrome': 'leading the bloody world'. The notion of New Zealand as a trail-blazer, whether in political, economic or social terms, has a long history. Siegfried, writing in 1899, noted "it is possible to carry a people forward by appealing to their vanity" (1899/1914: 61).

For more than ten years [prior to 1899] the New Zealanders have been won over to a policy which both serves their interests and flatters their pride. They are proud of their innovations and their trials of what has been tried nowhere else; they enjoy being able to smile at the timidity of old countries and to believe they are giving them lessons. Votes for women? Why not? It is new: it is something to try... For this strange rage for novelty lies at the inception of most of their laws (Siegfried, 1899/1914: 61).

The strange rage for novelty that the LBW syndrome represents emerges in New Zealand's long history as a 'social laboratory' in terms of all sorts of 'ground-breaking' initiatives.

[I]n the two decades after 1890, when Asquith called New Zealand 'the social laboratory of the world', and Lenin, Siegfried, Henry Demarest Lloyd, the Webbs, Blatchford, Keir Hardie, Tom Mann and Benn Tillet all found it necessary to either visit or write about New Zealand (or both), an avalanche of reforms was carried through in a mood of popular impatience – women won the vote, and popular control was asserted over the Upper House, big estates were 'burst up' and mortgage corporations set on the run by an extensive system of cheap state loans; old age pensions and compulsory industrial arbitration were introduced (Bollinger, 1960: 114).

New Zealand was also a forerunner in the introduction of social democracy in 1935.

I mean for Christ's sake, New Zealanders in history – New Zealand was into Keynesian economics before Keynes wrote it! ... That was a pragmatic response, a gut feel of hey the government's got to be doing something to kickstart the bloody economy and get it going (Interview, CEO, Christchurch Symphony Orchestra).

In the same way, New Zealand 'led the world' in the comprehensiveness of its neo-liberal restructuring programme in the 1980s. While New Zealand was not the *first* country to declare itself nuclear-free (beaten by Belau in 1979, Vanuatu in 1982 and the Solomons in 1983 (Dewes and Green, 1999: 5)), it was the first so-called 'developed' nation to do so, with the *Nuclear Free New Zealand Act* in 1987. Similarly, its 1991 *Resource Management Act* was the first attempt internationally to enshrine the principle of sustainable management in legislation. The fact that these initiatives are proudly catalogued provides further demonstration of the need for international recognition.

My sources frequently focus on those individuals or enterprises that have achieved international recognition: Tait Electronics in business, Peter Blake in yachting, Ed Hillary in climbing, Mike Moore (ex-Director General of the WTO) in the new world economic order, Peter Jackson's *Lord of the Rings* in cinema, Kiri Te Kanawa in opera, and so on and so forth. I concur with Belich (2001a) that these examples represent but a smattering of the remarkable cultural overproduction that has stemmed from a country with such a small population. Nevertheless, this draws attention to the paradoxical tendency in New Zealand to attribute disproportionate importance to itself, both positively and negatively.

Recent declinist rhetoric amounts to a reversal of LBW: rather than leading, New Zealand is said to be 'lagging behind the world' and must therefore over-compensate. Opinions thus oscillate between the assumption that New Zealand's example is 'worst in the world' or the 'best in the world', demonstrating New Zealand's somewhat over-inflated notion of its own importance in the global context. This inverted superiority complex (that we are disproportionately important, for better or worse) represents the convergence of the discourses of declinism, international competitiveness and the undue preoccupation with relative GDP. The double tendency of the LBW syndrome reinforces the discourse of hyperglobalism by implying that local success is only complete if measured internationally. The 'cultural cringe' downplays the significance of past technological advances of local genesis that led to useful economic applications (such as aerial topdressing or the Hamilton jet boat) in favour of recent, 'high-tech' innovations. Yet ironically, the 'kiwi ingenuity' image continues to offer hope for local contributions toward economic prosperity through the mythology of 'number 8 wire' innovation. Under-valuing locally specific initiatives, and applauding international recognition, serves to sharpen the focus on the global. Similarly, it implies that New Zealand's local strategies and tactics are obsolete and its comparative advantage unfashionable, rendering transformation necessary.

Transformation

Consistent with LBW syndrome, 'transformation' is a further discourse that emerges frequently among my sources. The need for 'transformation' to solve problems further encourages the discourse of hyperglobalism by prioritising the global context at the expense of local particularities. Because of the 'cringe', 'transformation' is sought along the generic lines suggested by international management consultants with little understanding of New Zealand's

particular constraints (discussed further in Chapter Ten). In 1991, the National Government commissioned Michael Porter's advice on 'upgrading New Zealand's competitive advantage' (Crocombe, Enright and Porter, 1991). Rankin criticised the 'transformation' deemed necessary by the Report:

[The report] fails because of its political agenda. In portraying the victims of economic mismanagement as culprits, the tone is distinctly Orwellian. New Zealanders are seen as unimaginative, unskilled and lazy people who (despite being 'technologically innovative') require attitude-correction. Michael Porter says we must change. His team has been blind to the harm that misguided change has already done to New Zealand (Rankin, 1991: 50).

The discourse of transformation implies that fundamental overhaul is necessary rather than incremental change. Evoked most explicitly in the 1980s (see Chapter Four), it emerged once again with the Labour Government's Innovation Strategy in 2002, discussed in Chapter Ten. The transformation discourse disregards the problem that past attempts at transformation have met with mixed, if not downright deleterious results (Dalziel, 1998, 2002; Hazledine, 2000). This reflects the inevitably bounded rationality (Simon, 1957) of policy-makers, who cannot anticipate the full range of consequences contingent upon vast and comprehensive change. In the context of New Zealand's neo-liberal transformation, one might imagine that *further* transformation might be approached cautiously, yet the discourse of transformation holds strong. This minimises agency by encouraging continual dismantling and rebuilding from scratch, rather than an 'adaptive management' approach which incorporates the lessons learnt from past mistakes (C. Horn, 2002).

Techno-optimism

The discourse of hyperglobalism is further reinforced by neophilia (Macnaghten, 2002), the obsession with novelty; and chronocentricity, the certainty that one's own generation is uniquely poised on the cusp of change (Standage, 1998). These tendencies act in conjunction with an equally discernible techno-optimism, "the Euro-American culture's fundamental tenet that everything is possible given the technology" (Thrift, 2001: 429). This refers to the strong tendency to extrapolate to the potential of a technology and to pin the hopes of the future thereon. This techno-optimism is salient in New Zealand, where historically, technological advances have been adopted with alacrity, and where 'high-tech' solutions relating to novel technologies such as microelectronics or biotechnology are thus valued over 'low-tech' alternatives (discussed in Chapters Six and Ten).

Neophilia and chronocentricity have a further implication, however, a corollary of the fact that Kondratieff waves in the international capitalist economy and the regulatory responses that follow coincide with a sixty-year human memory span (Chapter Three). Ideas are formed in particular temporal and spatial contexts, and the combined effect of techno-optimism, neophilia, and chronocentricity, coupled with the discourse of transformation, thus amplify the focus on novelty

at the expense of continuity, disparaging the possibilities for learning from past mistakes and modifying action to suit.

The ubiquity of the market

Several international discourses further reinforce the discourse of hyperglobalism. An important influence is the 'more-market' discourse, which has become internalised and accepted through the neo-liberal restructuring in New Zealand, and now 'goes without saying'. This has various aspects, such as the discourse of 'the market as a fragile blossom', vulnerable to political decisions, which must therefore consider economic factors over and above other conditions (see Chapter Four). This is evident in the weight attached to 'business confidence' and 'consumer confidence', and the lack of corresponding attention to 'environmental confidence' or 'social confidence'. The prioritising of economic factors is consistent with neo-liberal assumptions which posit individual self-maximisation as the basic human motivation, and it has consequently emerged in tandem with New Zealand's restructuring, both guiding it as well as being reinforced by it. This tendency is most explicit in the international arena of policy-making with the extended application of the most-favoured-nation principle in the agreements of the WTO, whereby economic considerations explicitly override social, cultural and environmental variables. Evidence also emerges in the fact that national performance is overwhelmingly evaluated in terms of GDP per capita rather than in terms of environmental health or social stability.

The Third Way

A further influential international discourse is that of the 'Third Way', a nebulous term that requires careful explanation. Dalziel (2001) (in his contribution to Giddens' 2001 book *The Global Third Way Debate*) presents the Third Way as an unproblematic description of the latest approach to economic management, in the wake of the 'government failure' of the 'First Way' of social democracy and the 'market failure' of the 'Second Way' of neo-liberalism. Chatterjee, Conway, Dalziel, Eichbaum, Harris, Philpott, and Shaw (1999) define the 'Third Way' as accepting many of the ideals of the Washington Consensus including entrenching the hegemony of markets; while increasing the role of governments in order to restore some order to finance markets and address the social cost of policies pursued since 1984 (Chatterjee et al, 1999: 29). Dalziel uses the Third Way *prescriptively*, to suggest a possible future economic framework for New Zealand, which could be:

based on a description of the economy as a social system of (i) property rights (ii) specialised production (iii) income distribution and (iv) monetary exchange. In each of these areas there is scope for government involvement that goes beyond the hands-off approach of the second way without returning to the excesses of the first way (Dalziel, 2001: 89).

Dalziel notes that the term emerged in the late 1990s as the neo-liberal policy changes failed to deliver higher economic growth, lower poverty and reduced unemployment, as was promised when the reforms began in 1984 (Dalziel, 2001: 87). This conceptualisation of the Third Way fails, however, to capture the discursive nuances of the term, or to elucidate the Third Way *discourse*. Jessop (2000b: 2), by contrast, also views the Third Way as a response to the public

dissatisfaction with the consequences of the minimalist, 'night-watchman' (Hall and Ikenberry, 1989) state. Writing in the context of Blairite Britain, however, Jessop emphasises that whilst Blair has sought to distance himself from the Thatcherite excesses of neoliberalism 'red in tooth and claw', given the unpopularity of its extremely deleterious social and economic effects, the rhetoric has shifted more than the substance. Despite the recent rash of re-nationalisation of state services, market imperatives remain pre-eminent and many neo-liberal assumptions persist, leading Jessop (2000b) to label Blair's Third Way 'neo-liberalism with a Christian democrat face'.

Jessop's observation provides a useful vantage point from which to evaluate the current political discourse in New Zealand. In the late 1990s, the adverse consequences of neo-liberalism led to the evaporation of electoral support for the National Government, and ultimately election victory for the re-branded Labour Party under Helen Clark's leadership, which sought to distance itself from the unabashed neo-liberalism of the previous Labour Government. Clark's government took consideration of the unpopularity of neo-liberalism, and as a result, since 1999 there has been a re-emergence of earlier discourses that counter it by emphasising *social* dimensions, rather than simply economic. While this could be interpreted as a turn back to the social democracy of the past, many of the changes are rhetorical rather than substantive. Like Blair's version, the 'Third Way' discourse in New Zealand seeks to have the best of both worlds, maintaining the globally focused, competitive, minimal cost world of neo-liberalism, while ameliorating its adverse social consequences. The fundamental underpinnings of neo-liberalism continue to operate, evident in the focus on individuals, international competition, and markets. This reflects the fact that New Zealand's reforms successfully disembedded the economy from society, privileging the former, standing in contrast the paramount importance of social goals under social democratic management. Hence the Third Way as practiced in New Zealand is consistent with the overall shift in policy discourse from the 'public good' to the 'private profit imperative'. In policy terms, despite the change in rhetoric, like the earlier neo-liberal discourse, this manifestation of the Third Way still fails to recognise the non-contractual element of contract and the extra-market factors necessary for markets to function (Hazledine, 2000).

In many ways, New Zealand's 'Third Way' approach encourages the *further* incursion of market imperatives into areas once considered 'public', such as education, or health, or environmental management. The Third Way has its own distinctive vocabulary to distance it from terms made unpopular during neo-liberal restructuring: 'public/private partnerships' rather than privatisation, 'closer economic partnerships' rather than free trade agreements and so forth. The important point is that a further effect of the changes from 1984 has been a *discursive reformulation* of New Zealand's position vis-à-vis the outside world. This has shifted the focus firmly onto the global, reducing the possibilities for local action and leading to particular results explored in the following chapters.

One common future?

Finally, a further set of international discourses reinforces the discourse of hyperglobalism in New Zealand. These relate to the emergence of a host of transboundary environmental and social issues, whether related to human rights, the ozone hole, whaling or nuclear war, which have called into question the ability of nation states to control their own destiny. They further encourage the global focus, emphasising that it is only by working together in international forums that the countries of the world can solve these problems. At the same time, awareness of these issues heightens the impression of a world increasingly out of control, as technological advances outstrip the ability of people to comprehend their significance or consequences, encapsulated in Beck's (1995) notion of the 'risk society'. In this sense, the 'global focus' minimises the scope for human action in local contexts, by presenting the problems as altogether too monstrous. The discourse of hyperglobalism can thus, paradoxically, minimise the scope for action and encourage apathy by emphasising a sense of the planet's connectivity and shared destiny.

The hyperglobalism discourse thus represents the conjuncture of local and international discourses, as well as material changes. Neo-liberal discourses establish a tension by simultaneously promoting the rights and responsibilities of the individual, while at the same time denying individuals any sense of power to make a difference. 'Global thinking' emerges from my interviews and my analysis of recent reports as hegemonic, characterised by a sense of novelty and change when compared with New Zealand in the past. The impression of contemporary novelty and unprecedented relative decline is exacerbated through Fortress New Zealand imagery, declinism, and the focus on relative GDP as a sign that New Zealand is somehow losing the 'global competition', encouraging the sense that change is essential. These impressions are superimposed on an international social and economic context of great volatility and dynamism which fuels the impression of globalisation as an unprecedented, external force buffeting New Zealand, driving it down a particular path. The discourse of hyperglobalism thus serves to reify globalisation, which has acquired its own causal efficacy.

The reification of globalisation is further encouraged both by resistance to it (leftist opposition and 'anti-globalisation' sentiments) and support of it (right-wing acceptance and encouragement), both of which emphasise its inevitability, and detract attention from alternative interpretations of contemporary conditions. In this way, the power of the discourse of hyperglobalism is manifest in what it constructs: globalisation as an entity with its own agency, which overrides that of countries, governments or people.

The discourse of constrained autonomy

It might seem perfectly reasonable that policy-makers in a remote country with a small population and a long history of external interdependence should feel that their options are defined and limited by the global. This, however, was not always the case. The hegemonic discourse of hyperglobalism contrasts starkly with past understandings of New Zealand's external connectivity (see Chapters Three and Four). The policy-making environment throughout these years, or at

least until 1967, when economic conditions began to worsen, was characterised by a discourse of 'constrained autonomy'. Historical documents coincide with contemporary material in attaching prime importance to the global context. They similarly focus on New Zealand's external economic, political and cultural connections, and the ongoing advances in technology. Yet while these documents reveal that New Zealand's circumstances were understood as globally connected and internationally affected, they differ markedly from the present in their acceptance that these factors could be ameliorated by New Zealand policy-makers, even if they could not be *controlled*.

My historical analysis implies that policy-makers during this period viewed their role as attempting to optimise New Zealand's situation through a range of policies designed to improve the well-being of New Zealanders, influencing the impact of external developments but not controlling it. Rather than demonstrating an ideological commitment to Keynesianism as Fortress New Zealand interpretations imply, successive Budget Statements display a pragmatic commitment to assisting New Zealand's fortunes as far as possible, so as to temper the excesses of the volatile external environment. Policy-makers acted in recognition of New Zealand's unique conditions (heavy trade dependence, high living standards, narrow range of commodities) and consequent vulnerability, which they sought to counter by capitalising on its particular strengths. This involved an emphasis on local, particular, hybrid solutions – far removed from the generic, globally applicable and externally sourced remedies the discourse of hyperglobalism encourages.

Notwithstanding the substantial changes that have occurred in New Zealand over the past twenty years, Chapter Three suggested that many parallels with the past persist in New Zealand. After all, it remains a small, trade-dependent nation, unusually reliant on the export of primary produce for a country aspiring to such high living standards, whose economic and social structure reflect a long history of international connectivity. Such parallels are, however, masked, by the discourse of hyperglobalism, which emphasises novelty. Contrasting this against the discourse of constrained autonomy leads me to suggest that hyperglobalism is *unduly constraining the imagined realm of the possible* in contemporary New Zealand policy-making, affecting policies chosen and action taken.

Re-evaluating New Zealand's position unconstrained by the hyperglobalism discourse

The hyperglobalism discourse is strongly evident in recent reports from both public and private sectors and in my interviews. These tended to begin with an expression of hyperglobalism, stemming from the basic assumption that technological connectivity has effected a fundamental change in the contemporary experience of life in New Zealand. Location is seen to be 'decreasingly important' (Interview, Chief Executive, Lignus) Culturally, 'everywhere is becoming like everywhere else' (Interview, Chief Executive, Radio New Zealand). Politically, New Zealand's state sovereignty is being eroded as power devolves upward to supra-national organisations such as APEC and the WTO, and downward to local government and communities (Interviews, Chief Executive, Screen Producers and Directors Association; Ex-Mayor of Christchurch). Economically, salvation is seen to lie in the 'knowledge economy' and the 'old

economy' is accordingly rejected as insufficiently lucrative or even obsolete (Interviews, Chief Executives Canterbury Employers' Chamber of Commerce; Canterbury Development Corporation).

As my research progressed, I identified a pattern emerging within each interview, whereby the hegemony of the discourse of hyperglobalism was increasingly challenged by the emergence of counter-discourses. In many cases, these displayed vestiges of the 'constrained autonomy' discourse evident in historical interpretations of New Zealand's place in the world. The emphasis shifted from the overwhelming sense of inevitable externally induced change, with interviewees emphasising instead the contradictions and ambiguities of the contemporary context. The novelty implied by the hyperglobalism discourse was thus undermined, as interviewees emphasised the *similarity* of many circumstances facing New Zealand today compared with those operating in the past.

And the watershed is – how do we transform the old economy into something that is better? Now, it isn't the 'knowledge economy', it isn't the 'new economy', it is still going to be 'The New Zealand Economy', but in my opinion... the future for this country is to take our natural capital, which is our forests, our farms, our fisheries, our scenery, and leverage it with technology (Interview, CEO Canterbury Employers' Chamber of Commerce).

This is, of course, is what successful New Zealand entrepreneurs have been doing for at least the past two hundred years. It is in this context that the considerable parallels between the present and the past emerge, implying that globalisation is less of a novelty than the current hegemonic discourse implies.

Further, the Chief Executive of Canterbury Employers' Chamber of Commerce began the interview by castigating New Zealand's poor economic performance and linking this with the 'brain drain', emphasising New Zealand's poor relative GDP per capita. As the interview progressed, however, he shifted tack, emphasising instead that New Zealand's high 'quality of life', as distinct from its 'standard of living' (measured by GDP), means that the brain drain also flows in the opposite direction. This admits the possibility that if quality of life were numbered amongst New Zealand's advantages (either through economic quantification and consequent inclusion, or through a reprioritisation of 'what matters', involving the incorporation of non-monetary measures), the country's performance would appear less dismal. Similarly, the Chief Executive of Canterbury Development Corporation emphasised the potential for New Zealand to capitalise on its 'clean, green, safe and remote' reputation. This relates closely to its historical comparative advantage, pointing out that this advantage is rendered additionally valuable as perceptions of the increasing dangers of the 'risk society' (Beck, 1995; Grove-White et al, 1997) heighten in the Northern Hemisphere. This represents, however, an important qualification of the global focus of the discourse of hyperglobalism, and a shift toward a more nuanced understanding of New Zealand's contemporary conditions, that rather emphasises its unique specificities. Alternative discourses thus exist which emphasise the discursive construction of the 'global' limits on 'local' autonomy, reintroduce human agency into understandings of contemporary

circumstances, and undermine the perception of globalisation as an inexorable force by emphasising the scope for action.

The constitutive effect of the discourse of hyperglobalism

It is important that in New Zealand at any rate, the term 'globalisation' should be used with a good deal more discrimination than is often the case. As a description, globalisation is simply inadequate for making sense of contemporary New Zealand because of its inherent implication of novelty, for many of the themes of contemporary New Zealand have a long history. If viewed as a set of discourses, however, the power and ubiquity of globalisation can be better understood, for a discourse of hyperglobalism dominates New Zealand's policy-making context, which privileges the novel, the global, and the generic over the enduring, the locally-specific and the domestic. The discourse has proved powerful in the widespread acceptance of globalisation as an inexorable force sucking nation states, governments, business, and communities into a vortex of homogeneity. It masks the power of governments to determine the direction of policy-making behind a façade of structural inevitability.

Thus a fundamentally important aspect of the substantial changes over the past two decades is *discursive*. 'The global' has come to define the realm of the possible within which policy can be debated, inculcated and enacted, conditioning the way in which contemporary options are understood and acted upon, with tangible results. This is seen to be novel, in disregard for New Zealand's globally connected history.

The discourse of hyperglobalism is manifest in the erosion of confidence in New Zealand's ability to weather the ongoing global challenges. Drawing on Fortress New Zealand imagery, the hyperglobalism discourse reinforces New Zealand's 'cultural cringe'. It accounts for the perennial quest for a 'silver bullet' via the generic recipes of international consultants. Solutions being sought abroad from FIFO ('fly in fly out' (Easton, cited in McAloon, 2001b: 4)) consultants with little regard for the particular constraints faced by New Zealand, who advocate the adoption of generic policies developed in wholly dissimilar contexts, are unfamiliar with the particular circumstances of New Zealand, yet are flown in at great cost to advise. It is evident in the use of globalisation to justify unpopular decisions (as discussed in subsequent chapters, in industrial restructuring; the 'rationalisation' of public services; the signing of free trade agreements with Hong Kong and Singapore; the pursuit of bilateral and multilateral free-trade agreements with insufficient safeguards of New Zealand interests; the replacement of regional development with regional competition; the promotion of Auckland as a 'global city'). The emphasis on novelty rather than continuity leads to the undervaluing or overlooking of the New Zealand's still-valuable comparative advantage. At the same time, the ability of decision-makers in public and private sectors is undermined through the discursive construction of the limits on possible action that results from an overwhelming focus on the global and external.

In short, within the contemporary policy-making arena in New Zealand, the discourse of hyperglobalism is hegemonic. Its cultural, political, technological and economic dimensions each imply a qualitative break with the past. It implies that New Zealand's options are determined by the external context, and that past government management techniques are irrelevant in an era of globalisation. Novel, generic, international formulae are privileged over enduring, specific, domestic alternatives. This not only masks New Zealand's uniqueness, but also helps to bring into being the very phenomena that the discourse purports to describe.

The fact that many of the constraints of the past persist makes it essential to reconsider the relevance of past parallels. My analysis of the discourse of hyperglobalism provides a means of broadening the conceptual arena within which New Zealand's options are discussed. My analysis calls for a reappraisal of New Zealand's prospects, in recognition of their uniqueness, for while it shares some commonalities with other countries, New Zealand's particular combination of circumstances is unparalleled. Unlike the other 'dominion capitalist' countries, Australia and Canada, New Zealand lacks mineral wealth and a large population. Unlike other agricultural exporters, New Zealand is accustomed to living standards at the level of the large, industrialised countries of the OECD. Unlike Ireland, New Zealand lacks the proximity of large markets close at hand and access to EU subsidies. New Zealand remains physically isolated from the rest of the world, despite improvements in travel and communication. Its comparative advantage continues to lie in the land. Its small population continues to constrain domestic producers and manufacturers, who must either reconcile themselves to limited expansion and the fear of being out-competed, or seek to expand into unknown, geographically remote markets. It retains its penchant for expensive tastes, despite the falling value of its comparative advantage, leading to perennial pressures on the balance of payments. It demands living standards and capital infrastructure as good as any in the world, despite the lack of profit opportunity for private enterprise. Whereas in the past, policy-makers sought to balance these factors more or less successfully, current policy-makers remain discursively constricted in the options they consider because of the discourse of hyperglobalism. Rejecting the watershed representation of pre-1984 as Fortress New Zealand would go some way toward redefining the realm of the possible for present policy-makers, removing the spectre of the external imperative of globalisation.

In the following four chapters, I examine four facets of hyperglobalism: the technological, the political, the cultural and the economic. Together, these lead to an understanding of the constitutive effect of the discourse of hyperglobalism in New Zealand, which I explore in the final chapter.

Chapter Six: Technological advances and globalisation

Capital by its nature drives beyond every spatial barrier. Thus the creation of the physical conditions of exchange – of the means of communication and transport – the annihilation of space by time – becomes an extraordinary necessity for it (Marx, *Grundrisse*, 1973: 524).

Technological development is central to the notion of globalisation. Rapid advances made over the last several decades, particularly in information and communication technologies (ICTs) and in transport, have considerably improved physical international interconnectivity in terms of speed and cost. Of equal importance, these developments are *understood* as constituting fundamental, qualitative change. While the effects and implications of such developments are contested, there is commonality in the importance that is attached to them in both the international globalisation debate and in recent commentaries on contemporary New Zealand.

While it is important to acknowledge the significance of recent technological advances and their effects, the way in which these are discussed frequently masks the fact that technological change is an ongoing characteristic of social and economic development. In Part One of this chapter I consider the way in which technological advances, particularly in transport and communication, have historically permitted, accompanied and affected New Zealand's development. This provides the context for recent technological developments, the continuation of an ongoing historical trajectory of change. From that I argue for scepticism towards the suggestion that recent developments represent a punctuation of a previous equilibrium. Rather, they appear to represent the continuation of a process of ongoing change, the effects of which are contradictory, ambiguous and dialectical, and differentially experienced.

Nevertheless, recent technological advances are routinely *interpreted* as qualitatively different in terms of their impact from those of the past. In Part Two, I demonstrate that public and private sector texts reflect a strong commitment to the discourse of hyperglobalism, evident in the emphasis on change, novelty and the generic ubiquity of technological advances that are apparently rendering the world increasingly interdependent. While this emphasis also appears in my interviews, here the discourse of hyperglobalism is juxtaposed against counter-discourses which suggest a more nuanced understanding of the effect of technological change in contemporary New Zealand. A paradoxical tension emerges between the techno-optimistic discourse of hyperglobalism evident in the recitation of the myriad generic, fundamental changes that technological development has apparently brought about; counterbalanced against widespread recognition of the dynamic, ongoing inevitability of technological change, and the ambiguous and contradictory ways in which this change is experienced. Time-space compression emerges as relative and differentially experienced, with a distinct socio-economic and geographic bias.

The chapter concludes that physical developments in technology are dialectically connected with discursive interpretations, hegemonic amongst which at present in New Zealand is the discourse

of hyperglobalism. This implies an overriding sense of change, novelty and generic experience, irrespective of location. The representation is reinforced through its invocation by influential opinion leaders and observable changes, despite considerable evidence to the contrary, and results in practical consequences. I offer an alternative perspective which provides a reassessment of the options.

Technological change and globalisation

Technological change, “the increasing capacity for humanity to alter its environment” (Watson, 1984: 6) is an important factor in the globalisation debate. Technological changes most relevant to the globalisation debate are those related to the vast improvements in information, communication and physical travel that have occurred over the past thirty years. These have exerted an influence New Zealand’s society and economy, as have movements in the international economy, external social and cultural occurrences, and new political ideas. Telephone lines and satellites, the Internet and the World Wide Web, containerisation and jet travel have enhanced New Zealand’s global connectivity in terms of communication and transport. It has indisputably become quicker and easier to move goods and people internationally since the 1970s, and it is possible to almost instantaneously obtain information and communicate electronically across the globe.

Such developments have been accorded fundamental importance in the globalisation debate. For global-factualists, these advances are revolutionising contemporary life, broadening the horizons, shrinking space and diminishing time. Harvey’s (1989) notion of *time-space compression* is invoked to describe the effects of technological advances in physical travelling (by cars and aeroplanes in particular) and in communication as a result of telephones, satellites, the Internet and so forth, reducing the constraints of physical location. Time-space compression is a useful notion, because it encapsulates both these *physical* changes, and also the *perceptions* that accompany them. Similarly, Giddens’ (1990) concept of *time-space distanciation* is used to describe the conditions under which time and space are organised so as to connect presence and absence, particularly relating to the stretching of social relations across time and space that recent technological advances have (arguably) made possible (Giddens, 1990: 14). For Giddens, developments in ICT and transport are rendering location increasingly irrelevant, fundamentally changing the nature of human relations (Giddens, 1999a, 1999b).

For Castells (1996), the ‘ICT revolution’ (referring to the convergence of a set of technologies: microelectronics, computing, telecommunications, broadcasting, opto-electronics and genetic engineering) has reinvigorated the global economy after the serious crisis in advanced industrial capitalism. A web of information networks now spreads across ‘timeless time’ and ‘placeless space’, rendering old forms of organisation redundant. Their logic pervades and drives the world economy and the cultures and governments within it; creating a qualitatively unprecedented set of conditions he labels ‘informational capitalism’. The sense of qualitative change is reinforced by Levitt’s (1983) observation of the standardisation of consumption, Barber’s (1995) analysis of

simultaneous homogenisation and polarisation of human experience, Reich's (1992) 'end of geography', and Giddens' (1990) suggestion of time-space distancing, all of which reinforce the idea that the world's traditional 'space of places' is being replaced by a 'space of flows' (Cammilleri and Falk, 1992; Castells, 2000; Ohmae, 1995, 2000). Gates (1999: 412) suggests that digital information flows have punctuated a previous equilibrium by exponentially increasing the world's connectivity. Similarly, Kenney (1996) maintains that accelerating technological change has propelled capitalism into an unprecedented era of 'perpetual innovation' (1996: 696), further supported by Fukuyama (1995) who concludes that a qualitative shift has occurred into the 'post-industrial society' of the 'information age'.

Global-fantasists such as Dicken (2000), Foreman-Peck (1998), Harley (1998) and Standage (1998), and also Krugman (1996), by contrast, consider claims that technological advance has wrought qualitative change to be grossly exaggerated. They argue that increasing connectivity through technological advance, now seen as synonymous with globalisation, has a long history. In particular, radical improvements in transport and communication occurred throughout the eighteenth and nineteenth centuries, through telegraph, steam, rail and shipping, exerting social, political and economic change. This challenges the suggestion that *recent* technological changes constitute a qualitative departure from the past, for technological improvement is a constant dynamic of human existence.

My analysis of recent reports from both the public and private sectors and my interviews with influential people suggests that New Zealand's contemporary conditions are widely interpreted in global-factualist terms. The overriding impression is that *the* defining feature of contemporary New Zealand is its *unprecedented* international connectivity: its context is seen as inextricably global and mediated through technological development. The term globalisation is frequently used as short-hand to refer to technological advances in ICT and transport in particular and their effects, with the implication that these are fundamentally affecting New Zealand's society, economy and politics in a way that is qualitatively and quantitatively different to the past. In particular, location is depicted as decreasingly relevant in a 'wired world', where ideas, money, goods, and people can move effortlessly across the globe: we are decreasingly constrained by history and geography. The connection between recent technological developments, globalisation and novelty is reinforced in a variety of recent commentaries, exemplified by Belich (2001a), described earlier.

It is understandable that improvements in transport and communication should attract attention in a geographically isolated country that is as long, narrow and sparsely populated as New Zealand, for they offer hope for the erosion of the tyranny of distance (Blainey, 1966). Given the extent of technological change over the past thirty years, it is also logical that my sources should conclude that recent technological advances have fundamentally altered New Zealand's relationship with the outside world. Nevertheless, the widespread acceptance of recent, qualitative change disguises the fact that technological development is not the exclusive preserve of the present, but

has played an important role in the economic and social development of New Zealand throughout its history. It is therefore necessary to consider the historical trajectory of technological change, before turning to an analysis of the way that recent advances are interpreted and understood. This in turn prepares the way for my analysis of the implications of understanding New Zealand's present options as unprecedented, globally-determined and technologically-driven.

Part 1: The trajectory of development: technological advance and the development of New Zealand

New Zealand *is* a long way from anywhere else, and inevitably, its physical characteristics and location have always been central to its fortunes. Externally, New Zealand's geographic suitability for agriculture rendered it attractive for settlement and economic development, although this was always constrained by its isolation from Northern hemisphere markets. Internally, its development has been affected by its topographic and climactic variability and its latitudinal spread.

These characteristics render New Zealand a useful case study through which to examine the effects of technological developments in communication and transport. Throughout the past two hundred years, each major technological development in these areas has improved New Zealand's connectivity, internally and externally. Of equal importance, each development has been heralded with expressions of hope that it will represent the ending of New Zealand's isolation. Seven technological advances related to communication and transport are considered below, chosen because of their social and economic implications: rail, mechanisation, electricity, telegraph, motor-cars, air, and electronic communication. Of course, it would be possible to start much earlier with the innovation of the wheel, the steam engine or any other technological development, but these particular examples are of particular salience within New Zealand in the context of globalisation.

The very existence of this historical trajectory of technological development, and the way in which contemporaries interpreted each advance, injects scepticism into the claim that *recent* advances are somehow unprecedented. The trajectory reinforces the close links between technological development and government policy, physical location, and economic and social effects. The historical comparison also emphasises that while New Zealand is influenced by developments from abroad, these are adapted to suit the local context, attesting to New Zealand's long history of compromise and hybridisation.

Rail

The development of an internal communication network was essential for the economic and social development of New Zealand in the nineteenth century. Just as it had revolutionised transport in America and Europe, the development of New Zealand's railway permitted economic expansion, with corresponding implications for the demographic and social pattern of the country. In the 1860s, the flat topography of Canterbury proved an initial advantage, for it enabled the early

development of an extensive rail network, assisting in the transport from the surrounding hinterland of commodities such as coal, shingle and timber, enhancing communication between the country and the provincial centre of Christchurch, and stimulating agricultural production (Cookson, 2000a, 2000b; Morrison, 1948: 48; Wood and Brooking, 2001; Wynn and Cant, 2001). Advances in steam and refrigeration in the 1880s permitted previously impossible economies of scope, further economic development, and the increased expansion and internationalisation of the supply chain. As internal communications improved with the completion of the national rail network in the early twentieth century, the advantage shifted north. It was no longer necessary for manufacturing to remain rooted in local areas, with freezing works located near stock raising areas, and butter factories in dairy districts (Calvert, 1939: 13).

Initially, provincial authorities funded railways with some help from private enterprise, leading to a patchy distribution with the highest concentration in wealthy (and flat) provinces such as Canterbury. Recognising the economic and social importance of networks of communication and transport to the economic and social development of New Zealand from the 1870s, the state invested heavily in the roads and railways. This, in conjunction with an active policy of regional development, resulted in the national dispersion of service towns and mitigated some of the inequities in the distribution of advantage (although this was also assisted by strong local lobbyists adept at attracting funding through 'boosterism' (Hamer, 1990)). Capital investment by the state was thus central to the adoption and diffusion of information and transport technologies in New Zealand. This has frequently been interpreted as evidence of New Zealand's "perfect mania for state intervention" (Siegfried, 1899/1914: 52), particularly since 1984, when the introduction of neoliberalism led to *any* state investment being interpreted as ideologically-motivated rather than pragmatic (as well as inefficient *per se*). The fact remains, however, that in a nation with a population base as small as New Zealand's, which nonetheless demands living standards as high as anyone else's, considerable expenditure is necessary to provide the necessary infrastructure, without much hope of profit or return. State investment in the railways could thus be interpreted as a pragmatic hybrid approach drawing on international experience but modified to suit New Zealand's specific circumstances, in a situation where private enterprise had little incentive to invest. The Official Yearbook in 1895 endorses this conclusion (admittedly with its own reasons):

Had the building of railways been left to private enterprise, there is little doubt that the colony would not have been so well supplied with the means of communication which have proved so large a factor in its advancement (NZYB, 1895: 384).

In this way, the technological development of the railways, facilitated through state investment, had corresponding social and economic effects, implicating physical locations by compressing the time taken to transport goods and information. Nevertheless, while the physical range of interaction was expanded overall, particular locations were differentially advantaged. Thus the 'time-space compression' wrought by rail was not experienced equally, even if its effects were widely felt. There is consequently a close connection between physical location, technological

development and the distribution of advantage, related in a dynamic tension system that alters as technology develops, with economic and social implications.

Throughout the twentieth century, New Zealand's population distribution changed dramatically as a result of technological and economic development. The early dominance of the South Island in terms of population and wealth was increasingly eroded and extensive urbanisation magnified the shift north. From 1901, the population balance swung toward the North Island (NZYB, 1950: 31). By 1926, the population of Auckland equalled that of Canterbury and Otago/Southland combined, and manufacturers in the North had access to this large market. The completion of the main trunk line in 1908 worsened the effect for Christchurch manufacturers, creating easy access between Auckland and Wellington. The internal communications of the South Island were inferior: the absence of a ferry and rail link from Picton meant that transport northward was expensive, while Christchurch was further disadvantaged by its lack of easy port access (Morrison, 1948; Watson, 1984: 127). Both for New Zealand exporters, and for remote domestic producers, the small home market and high transport costs were significant considerations. By 1945, sixty five per cent of the population was in the North Island. In 1951 the North Island population was 1,202,357, and the South Island population 621,439 (NZYB, 1952: 31). In 1966, 62 per cent of the New Zealand labour force (668,733 people out of 1,026,039) was in the eighteen 'urban areas', and 49.8 per cent of these were in the five major centres of Auckland, Wellington, Hutt, Dunedin and Christchurch (Census, 1966 vol. 10: 75). In 2003, the population of Auckland exceeds that of the entire South Island.

Mechanisation

The conjunction between physical location and technological advance in the differential distribution of advantage is evident in the fortunes of Canterbury's grain industry. The expansion of wheat production was enhanced by two important events in 1867 with the extension of the railway through Christchurch to the Selwyn River, and the importing of the robust 'colonial plough'. "As small farmers and runholders alike realised the potential of wheat production, the bonanza wheat boom that had begun on the plains of America, and encompassed Argentina, South Africa and Australia, swept into New Zealand" (Wynn and Cant, 2001: 65). By the end of the 1880s, Canterbury had become the granary of New Zealand, and by 1879, one million acres of land was broken to the plough (ibid: 68).

Initially lucrative, Canterbury's grain industry was increasingly disadvantaged by technological improvements from the early twentieth century, for the development of motor and electrical technology favoured other regions. Increasingly efficient transport (motor transport and railways), aerial topdressing, mechanised milking sheds and the introduction of the cream separator in 1914 (Brooking, 1996: 236) enabled massive increases in productivity in the dairy sector in particular, which was concentrated in the North Island. In dairying, improvements in productivity were matched, until the late 1960s, by increasing demand and expanding markets, also concentrated in the North. The mechanisation of grain cropping (illustrated in Table 6.1), by

contrast (in terms of the increasing availability of threshing mills, tin mills, header harvesters and tractors) was not accompanied by an expanding market for wheat and oats. Rather, the supplanting of horses by motor vehicles and tractors led to a substantial decline in the market for oats from the Depression onward (Watson, 1984; Wood and Brooking, 2001: 87). Thus productivity increases resulting from mechanisation in the grain industry tended to displace labour (Agricultural and Pastoral Production, 1951: 73; Brooking, 1996; Scotter, 1965; Watson, 1984): whilst the international economic crisis of the Depression led to unemployment, so did technological change (Watson, 1984: 586).

Table 6.1: Farm mechanisation in Canterbury (Source: Scotter, 1965: 431)

<i>Machinery</i>	<i>1935</i>	<i>1945</i>	<i>1950</i>	<i>1960</i>
Agricultural tractors	1,920	4,718	6,834	11,987
Header harvesters and threshers	630	1,036	1,211	2,550
Shearing plants	1,111	1,482	2,524	4,689
Milking plants	746	1,185	1,683	2,524
Area top-dressed (thousand acres)	-	210	436	842

In general terms, numbers employed in farming continued to decline from the 1930s, in inverse proportion to increasing productivity. During the decade to 1960, while numbers employed in farming declined markedly, the volume of output rose 27 per cent (AJHR, 1960 B6: 15). “High capital investment in land development, buildings, tractors, electrical milling plants, shearing plants... harvesters, balers... has combined with scientific management to make New Zealand farmers very efficient” (Census, 1966 vol. 10: 74). Largely as a result of mechanisation, those engaged in farming declined by over a quarter from 21,000 to 14,650 by 1960. This effect was exacerbated after the First World War, as grain-consuming nations sought to protect their own growers by subsidising, protecting and controlling the market. Although domestic sales in New Zealand increased because of local duties imposed, the combination of falling prices and demand and technological developments created disproportionately high unemployment and low incomes in the agricultural sector. The uneven effect of technological advance was evident in the fact that it stimulated the northward population drift.

Electricity

A further important twentieth century development related to the increasing supply and use of electricity. Electricity was produced predominantly by harnessing the water flows of rivers (NZHA, 1997: 88) but comparatively little was used before 1900 (NZYB, 1910: 322). The state assumed responsibility for the national provision of electricity, building the first major hydro-electric power station at Lake Coleridge in 1915. Designed to serve 110,000 people, this was contracted to bulk supply Christchurch City Council and fifteen other local bodies, the Christchurch Tramway Board, and a variety of industrial enterprises such as the freezing works, dairy factories and tanneries (NZYB, 1920: 266). Urban electricity reticulation began to occur in New Zealand cities about 1900, and the first electric street lights were in operation in

Christchurch by 1915 (Christchurch City Council, 1990: 35). Until the 1920s, electricity was relatively expensive and the availability of traditional fuels (such as coal and wood) meant that New Zealand electricity consumption per capita remained lower than in other countries (O'Donnell, 1992: 171). Christchurch had an initial advantage in electricity reticulation because of its proximity to Lake Coleridge, but this advantage was increasingly eroded from 1926 with the expansion of hydro-electric generation in the North Island (Watson, 1984: 129). By the 1920s consumption was increasing at an average rate of 22 per cent per annum (NZHA, 1997: 88), and in 1929 the national electricity supply increased to 157,418 horsepower, more than double the 1925 figure (NZYB, 1930: 943).

Consumption increased still further in the 1930s as a result of price decreases and a highly effective advertising campaign by Area Supply Authorities aimed at 'load building' (Martin, 1991: 125; O'Donnell, 1992: 171; Sewell, 1965: 9). This led to chronic electricity shortages from the mid-1930s onward with household use providing the lion's share of the demand, increasing from 941,740 units in 1945 to 2,741,070 by 1959 (NZYB, 1960: 436). Restrictions on demand remained in place from the 1940s to the late 1950s, when many large power stations were completed, including Roxburgh in the South Island and several on the Waikato River in the North Island (Canterbury Manufacturers' Association, 1950; Martin, 1991; NZHA, 1997: 88).

The increasing availability of electricity had substantial implications for New Zealand's economy and society. The electric appliance industry grew in conjunction with electricity generation. Even before the First World War, American consumers were able to purchase sewing and washing machines, refrigerators and dishwashers (O'Donnell, 1992: 171). Innovation progressed rapidly, making a wide range of appliances available to the affluent, but in New Zealand, progress was much slower. New Zealand's import policy favoured goods of Imperial origin, import controls ensured that goods from abroad were strictly limited, and prior to 1939, only electric ranges and radios were manufactured domestically. Nevertheless, the number of domestic appliances available in New Zealand increased gradually in the 1930s and 40s, and sharply in the 1950s (AJHR B6 1960; O'Donnell, 1992: 171-3). In 1949, nearly eighty per cent of consumers as yet neither cooked nor heated water by electricity (Martin, 1991: 129), but this rapidly changed with the ending of wartime restrictions. By 1956, when the first Census data on home appliances were collected, over half of New Zealand households enjoyed the convenience of the three major appliances: an electric or gas range, a refrigerator and a washing-machine (NZYB, 1958; O'Donnell, 1992: 177). While an income differential persisted in the ownership of electrical appliances, increasing demand was encouraged by their decreasing cost relative to the average wage. O'Donnell (1992: 179)²² found that the price of selected appliances compared with the

²² The price of a refrigerator rose from 49/- in 1936 to 99/10 in 1955, ranges rose from 35/- to 68/10 and washing machines from 22/5 to 59/10. Expressing these prices as equivalents of the average weekly carpenters' wage (in weeks), however, the cost of a refrigerator *declined* from 10.6 weeks to 8.5, ranges from 7.6 per cent to 5.9 weeks, and washing machines from 9.4 to 5.1 weeks (Sources: prices from New Zealand Woman's Weekly, 1935-1955, and wages from New Zealand Yearbook 1938, 1947, 1953 and 1957, compiled by O'Donnell (1992: 178-9).

average weekly wage of carpenters decreased by nearly two weeks' wages from 1936 to 1955. By 1963, New Zealand had one of the highest rates of electric appliance ownership in the world (NZYB, 1964), and by 1971, 90 per cent of households had a washing machine and 96 per cent a refrigerator (Martin, 1991: 131).

If access to technology and ownership of appliances is the measure of high living standards – as is the implication at present when Internet access and personal computers per capita are used as benchmarks of economic prosperity (Porter et al, 2002) – New Zealanders in the 1950s and 1960s were fortunate indeed. Yet in many ways the promise of the new appliances was not matched by the reality. First, the purchase of a refrigerator meant that shopping could be less frequent, but the women surveyed by O'Donnell (1992: 182) all believed that whilst time may have been saved in some areas, the overall time spent on housework remained the same notwithstanding 'labour saving' devices. Secondly, advertising imagery, included that employed by successive post-war governments, supported the idea of "career [wives] at home supported by a new ideology of consumption" (May, 1992: 93), further reinforcing the re-emergence of traditional gender roles that the war had challenged (O'Donnell, 1992: 177). Many commentators have thus presented the state as "sponsor, architect and supporter of New Zealand women's domesticity in the twentieth century" (Nolan, 2000: 12), through promotion of a high birth rate and domesticity expressed through its laws, its social and economic policies and the education system. In addition, the state promoted male breadwinning by institutionalising a 'family wage' whereby men were paid a premium on the basis that they were responsible for their non-earning wives and children. Nolan argues, however, that the state lacked a consistent policy on domesticity: while some of its policies indeed promoted it, others facilitated women's economic independence and enhanced their wage-earning opportunities (Nolan, 2000: 14). While successive post-war governments implemented policies that supported the domesticity of women, at the same time the state faced a labour shortage, public service expansion and rising consumerism. "Employers needed workers, and none more so than the government itself. Increasing numbers of married women wanted or needed to work... Whether it wanted to or not, the state encouraged both developments" (Nolan, 2000: 197). Rising consumerism may have contributed: the image of the woman as "responsible spender of the husband's wages for the good of the family was shaken as it became obvious that the husband's wages might not be sufficient to sustain new levels of consumption" (May, 1992: 111). The percentage of married Pakeha women in the workforce rose from 3.5 per cent in 1926 to 3.7 in 1936, 7.7 in 1945, 12.9 in 1956, 16 in 1961, and 19.9 per cent by 1966 (Nolan, 2000: 206). The Mazengarb Report of 1954 concluded that these 'absentee mothers' accounted for increasing juvenile delinquency (Special Committee..., 1954).

The rising demand for electrical appliances in the 1950s and limited domestic supply placed additional strain on the balance of payments. Electric power consumption increased from 2,844 million kilowatts in 1949 to 5,677 million in 1959 (NZYB, 1960: 669), and a further 114 per cent between 1959 and 1969 (NZYB, 1970: 553). This in turn required vast and ongoing expenditure by the state to increase power generation (Figure 6.1).

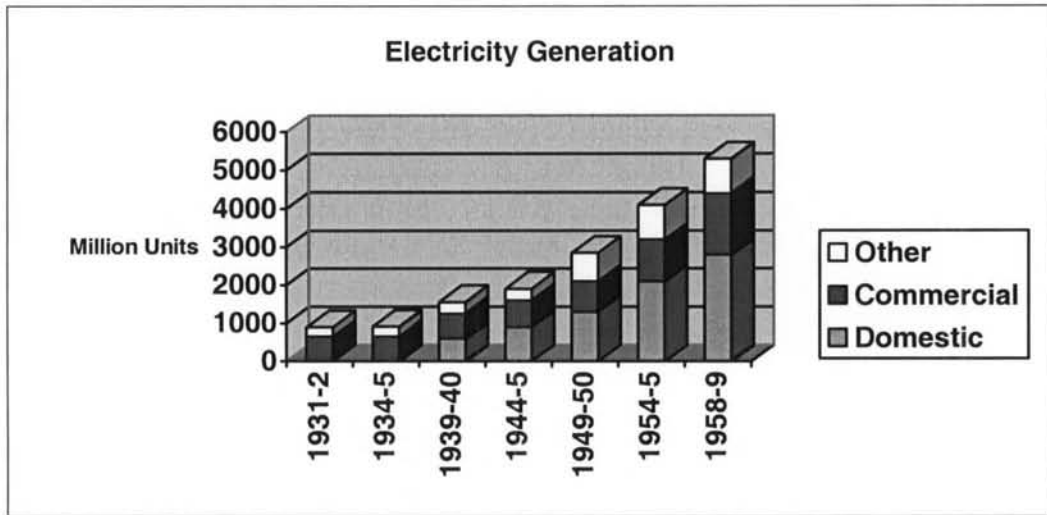


Figure 6.1: Increasing generation of electricity 1931 to 1959 (NZYB, 1960: 680)

Successive governments from the 1940s struggled to meet burgeoning demand, commissioning a succession of power plants. In the 1950s, there was considerable activity on the Waikato, while the corresponding solution to the South Island's shortages were the Roxburgh station on the Clutha, completed in 1956 as well as developments in the Mackenzie Country (Martin, 1991: 133). After fifteen years of deliberation, the Cook Strait cable was opened in 1965, permitting the high demand of the North Island to take advantage of the Southern hydro lakes, supplying twenty to thirty per cent of the North Island's needs over the subsequent twenty years (Martin, 1991: 182). In addition, as the demand for electricity continued to increase, in the early 1960s a range of thermal projects based on sophisticated technology and using coal, gas and oil were explored (Martin, 1991: 139). By 1969, \$902 million had been invested and demand continued to increase.

In 1968-9 capital expenditure by the Government on electrical generation and distribution totalled \$78.5 million. To meet the demand for electricity in the 1970s will require a continued high level of capital expenditure estimated to exceed \$500 million over the next five years (AJHR, 1969 B6: 32).

State-provided electricity reticulation was crucially important for the modernisation of the economy. State investment in the 1950s laid the foundations for the industrial development in ensuing decades, whilst also meeting New Zealanders' consumption demands. In addition, until the 1970s, across the Western democracies it was uniformly accepted that the state was the most appropriate agency to fund such infrastructural investment. While hegemonic opinion as to the *desirability* of state investment shifted in the 1980s and 1990s, post-privatisation debacles suggest that state ownership of the electricity industry had several critical advantages. The Auckland power crisis in the summer of 1998, the ongoing shortages and power-conservation campaigns, and inability of power companies to cope in the new context has provided hefty ammunition for critics of privatisation. Kay (2000) notes that the electricity supply problems in Auckland:

resulted from a sequence of managerial and technical failures that might have happened anywhere. But the place where they *did* happen is the only advanced country in the world where electricity distribution is neither owned nor regulated by government (Kay, 2000: 2).

Power shortages re-emerged in the winters of 2002 and 2003, resulting in advertising campaigns aimed at reducing consumption, and re-introducing to the government agenda possible alternatives, such as bringing 'mothballed' oil- and coal-fired power plants back on stream. Some right-wing commentators even went so far as to suggest that nuclear power generation should be reconsidered (Gorman, 2003). In this way, the pattern of spiralling consumption demands and lagging supply persists, demonstrating the ongoing pressures for investment and modernisation. Once again, the benefits from increasing electricity provision are distributed differentially, this time socio-economically, as power prices continue to increase.

Telegraph

The historical trajectory of technological development, government action and social and economic consequences is also evident in the ongoing improvements in communication in New Zealand. Continuing in the nineteenth century, the time taken for messages to be transmitted was rapidly eroded by technological developments. In 1852, news from Auckland was a month old by the time it reached Christchurch, and a daily post between Lyttelton and Christchurch was not established until 1857 (Morrison, 1948: 136). In July 1862, however, the first electric telegraph communication system in New Zealand was opened, between Christchurch and Lyttelton via the Bridle Path, funded by the Canterbury Provincial Government. An inter-provincial telegraph communication system followed three years later, with lines connecting Dunedin with Invercargill and Christchurch (NZYB, 1900: 322). In 1866, the Cook Strait submarine telegraph cable was laid. In 1876, a cable connected Wakapuaka near Nelson with Sydney, enabling information from abroad to be relayed to most large towns within New Zealand (Grey, 1994: 226). By 1885, much of New Zealand was not only receiving British mails in half to one third of the time taken in the 1860s, but also receiving personal, economic and political messages within minutes to hours. Grey notes: "Though in a physical sense remote from its cultural hearth, by 1876 New Zealand could draw from it knowledge and news that was timely, appropriate and extensive" (1994: 226), but that in addition, news could travel the other way. Coupled with social discomfort at home and ready transportation abroad, this provided a further stimulus to immigration. Morrison, writing in 1948, noted that with the international telegraph connection, "the days of isolation from not only Australia and Europe but also from the neighbouring colonies of settlers in New Zealand were passing away" (Morrison, 1948: 137). This represents an important articulation of the recurring techno-optimistic notion that the most recent technological advance will overcome barriers of time and space.

Chronocentric techno-optimism leads commentators to extrapolate to the perceived latent potential of technological development rather than focusing on actual achievements. This is evident in assertions that the latest advance will 'end isolation', 'draw the world together', 'vanquish time and space'. In 1797, the *Encyclopaedia Britannica* noted that through the optical telegraph, "the capitals of distant nations might be united by chains of posts, and the settling of those disputes which at present take up months or years might then be accomplished in as many hours" (cited in Standage, 1998: 16). In turn, the application of electricity was viewed as

'revolutionising' telegraph. Standage (1998: 23) quotes a dreadful (anonymous) poem dedicated to Samuel Morse in 1872:

And Science proclaimed, from shore to shore
That Time and Space ruled man no more.

With the completion in 1858 of the Atlantic telegraph, "that instantaneous highway of thought between the Old and New Worlds" (*Scientific American*, 1858) across Newfoundland and the gulf of St Lawrence, contemporary commentators noted that:

The laying of the telegraph cable is regarded, and most justly, as the greatest event in the present century; now the great work is complete the whole earth will be belted with electric current, palpitating with human thoughts and emotions. It shows that nothing is impossible to man (cited in Standage, 1998, taken from Briggs and Maverick in *The Story of the Telegraph*, published in 1860).

Standage notes that the ability of the telegraph to link together distant peoples means that it was the first technology to be seized upon as a panacea. "Given its potential to change the world, the telegraph was soon being hailed as a means of solving the worlds problems. It failed to do so, of course – but we have been pinning the same hope on other new technologies ever since" (Standage, 1998: 197). As chronocentricity is not the sole preserve of the late twentieth and early twenty-first centuries, it is thus important to situate *understandings* of contemporary technological development within the historical trajectory of techno-optimism that accompanies it. These historical parallels demonstrate the chronocentric belief that each major innovation, whichever the era, will be the one to end the isolation, which implies a need for caution in interpreting the 'qualitative change' of the era of globalisation.

The achievements regarding the telegraph were, of course, considerable: in 1902 the Pacific Cable opened, linking New Zealand, Australia and Fiji. This was rapidly extended to Vancouver, considerably increasing the rapidity of communication across the world (though primarily with Britain) (NZYB, 1910: 322). Just as the telegraph revolutionised communications within New Zealand and between New Zealand and the rest of the world, so did the related and consequent expansion of telephone technology. By 1900 there were 6,910 miles of telegraph line within New Zealand and 20 telephone exchanges (NZYB, 1900: 369). New Zealanders adopted telephone technology with alacrity. By 1910, there were 29,833 telephone connections (NZYB, 1910: 322), and from 1919 to 1929, the number of subscribers increased by 104 per cent, from 57,297 to 120,274 (NZYB, 1930: 943), and 155,038 by 1940 (NZYB, 1940: 366).

Telephone facilities are extensively utilised in New Zealand. According to data compiled by the Chief Statistician of the American Telephone and Telegraph Company, as for 1 January 1938 New Zealand ranks second in the number of telephones per 100 of population [with 11.97 telephones compared with 15.09 in the US, the world leader] (NZYB, 1940: 366).

By 1950, there was a noticeable decline in the number of telegrams sent relative to a substantial increase in the number of toll calls. In this year, there were 253,458 subscribers, and the total number of telephone stations (including public telephones) had increased 49 per cent since 1940

(NZYB, 1950: 209). New Zealand's early lead relative to the rest of the world had slipped, however, to fourth place in the number of telephones per 100 of population, with 17.2 compared with the US which led with 26.1 (ibid). The official statistician noted that further development was retarded by the post-war shortages of equipment and labour, meaning that demand continually outstripped supply (NZYB, 1950: 270). With the loosening of import restrictions, the number of connections soared 73 per cent from 1950 to 1960 to 744,797 (NZYB, 1960: 436), followed by a further increase of 55 per cent to 1,155,465 by 1970 (NZYB, 1970: 350). By this time New Zealand was fifth in the world, with 40.63 telephones per 100 people. The number of telephones continued to increase to 1,7612,151 by 1980, by which time there were 56 phones per 100 people in New Zealand (NZYB, 1980: 344), although this has apparently declined to 51 access lines per 100 people in 2002 (NZYB, 2002: chapter 11). Augmenting this high density of telephones is the fact that in 2002 there were almost 20 mobile phones per 100 people (NZYB, ibid). The Official Yearbook also makes the techno-optimistic observation that the "telecommunications structure is helping to make the distance New Zealand is from its major markets no longer the barrier it once was for local businesses" (NZYB, 2002: 522).

The rapid adoption of telephone technology is one example of how New Zealanders were able to approximate the living standards of wealthier and more industrialised countries, despite their restricted agriculturally based export income. While living standards rose in the post-war decade to levels among the highest in the world (Gould, 1982), this position was difficult to maintain, given the ongoing shortages of materials and labour within New Zealand, the perpetual struggle to contain the balance of payments, the physical distance of New Zealand from the industrialised West, and the small population which consistently precluded the economies of scale possible in larger countries. Despite these drawbacks, New Zealanders and their successive governments continued to aspire to ever-increasing living standards, measured through the provision of goods and services. The implication is that recent developments in information and communication technology represent simply the latest advances in a long trajectory of improvements in communication, stretching from the postal service to telegraph, telephones, facsimiles, finally to email and the Internet. Nevertheless, the hegemonic impression remains that the microelectronics revolution punctuated a previous 'pre-technology' equilibrium.

Air

New Zealand's remoteness from the rest of the world and its exceptionally large volume of overseas trade per head combine to make this country uniquely dependent on air and sea transport (McLintock, 1965: 18).

The development of air travel provided a boost for communication and transport, profoundly affecting New Zealand's society and economy. Notwithstanding the advances in steam and telegraph communication, Karl Popper, arriving in Canterbury, New Zealand in 1937, noted that "the continent of Europe was infinitely remote... There was no air connection and one could not expect an answer to a letter in less than three months" (Popper, 1976: 112). This delay was soon

remedied: in 1934, the British Government using Imperial Airways had developed an airmail scheme. This involved cooperation between the Dominions – South Africa, Australia and New Zealand (NZIIA, 1938: 241). Under this scheme, mail was to be carried twice weekly for the Britain-Australia service, using large Empire-type flying boats. A ten-day schedule between London and Sydney was proposed, and in 1937 the scheme was implemented.

The Empire Air Mail scheme ... has now become an established fact, and from the 26th of July letters for the Empire, with few exceptions, will be carried by air. For the present mail will be despatched from New Zealand by steamship to connect with the Australia-England service (Nash, AJHR, 1938 B6: 17).

It proved difficult, however, to include New Zealand in the deal, and mail continued to travel between New Zealand and Australia by steamer. The first trans-Pacific airmail to leave New Zealand departed on 26 December 1937, as part of a deal that Pan-American Airways arranged with the Government to provide a fortnightly service between San Francisco and Auckland. This proved short-lived, for on its third flight, an explosion occurred just out of Samoa, resulting in the loss of the crew and clipper, stopping the service. In the uncertainty preceding the imminent War, “There was at the time of writing no sign of early resumption” (NZIIA, 1938: 240). Indeed, it was not until 1950 that an air service began between New Zealand and Sydney four times weekly. This connected with the Sydney-London service, enabling an average postal delivery of five to six days between Auckland and London, representing a considerable improvement in the speed of communication (NZYB, 1950: 265).

Perhaps to no country does the advent of long distance commercial aviation mean so much as it does to New Zealand. With the completion of the airline from London via India and Australia across the Tasman sea, linking up with the Pan-American service from Auckland to the Pacific junction at Honolulu, New Zealand’s isolation will be greatly lessened. From a remote settlement in the South Pacific New Zealand will have become an important junction of two great airlines encircling the entire world... When the North Atlantic link is completed, moreover, New Zealand will possess an alternative route to London capable of being covered in a week (NZIIA, 1938: 236).

Long-isolated New Zealanders embraced the possibilities of New Zealand’s incorporation in an international air network with an understandable enthusiasm. The development of an international civilian air connection was also sponsored by the state in recognition of the importance of improving communication with the rest of the world. This reflected the belief that “orderly development and a reasonable measure of protection [were necessary] for a New Zealand-dominated industry which, economically, is of great benefit to the nation” (Roberts, head of TEAL, cited by Lockstone, DNZB 2000: 442). TEAL (Tasman Empire Airways Limited), established in 1940, was a joint initiative by the New Zealand, Australian and British Governments. TEAL flew two Short S-30 flying boats between Auckland and Sydney thrice weekly from 1941, providing New Zealand’s only civilian air link with the outside world (Lockstone, DNZB 2000: 442). The flying boats were equipped with 44 large, comfortable seats for day passengers, who generally comprised the elite few who could afford the expense, and who dressed in style for the occasion (McLean, National Radio, *Transport in the 1950s*, 27 June 2001, 4.30 am).

Aviation technology developed exponentially²³ during the Second World War, and continued to do so thereafter. In New Zealand, the First Labour Government created NAC (the National Airways Corporation) in 1945 by statutory mandate. Its establishment reflected a post-war civil aviation policy that expressed the belief that air transport was a public good, and that the state accordingly had a responsibility for its development (Aimer, 2000: 7; AJHR B6 1946), and in 1947, NAC began operating.

By 1946, the Australian and British Governments were no longer interested in TEAL and even the New Zealand Government seemed ambivalent about its future, reallocating vital South Pacific routes to NAC. Air Force Sunderland flying boats were used by NAC for the Pacific mail and freight service to the Pacific Islands (Aimer, 2000: 8), while the Coral Route from Auckland to Papeete was established for passengers in 1951, in addition to the “unprofitable but politically necessary” Regional Service through the South Pacific (Aimer, 2000: 67).

Despite the handicap of its lack of access to land-based planes, TEAL managed to regain these routes. In 1954, TEAL finally secured some Douglas DC-6s, and, five years later, several turbo-prop Lockheed Electras. DC-8 jets were acquired by 1965, just before TEAL’s name was changed to Air New Zealand, which in turn acquired NAC in 1978 (DNZB, 2000: 183, 443; NZYB, 1979). The history of Air New Zealand thus provides a useful illustration of the way in which a technological advance was recognised as critically important by the state, and supported accordingly. This paved the way for the further development of New Zealand’s tourism industry, as well as improving air-mail communication and the air transport of goods and people, lessening in practical terms New Zealand’s isolation from the rest of the world.

The establishment of an air network also improved communications within New Zealand. Internal communications and speed of transport were increased with the first regular domestic passenger air service, which began in 1930 with a weekly schedule from Christchurch to Dunedin (NZYB, 1931). This was followed by an inter-island air service from Christchurch in 1936 (Christchurch City Council, 1990: 41) and a range of other services connecting centres such as Palmerston North and Dunedin, as well as Nelson with Blenheim and Wellington (NZYB, 1940: 981).

The population boom that followed the War, coupled with increasing access to images and consumption trends abroad, exacerbated the demand for improved transport and communication. The return on the hefty investment required proved an insufficient incentive for private enterprise to become involved, and again it was left to the state to provide.

In a country where terrain, and unsealed roads often turned small distances into long or even arduous journeys, [NAC’s] services were a transport revolution, closing the commercial, social and sporting gap between provincial and metropolitan New Zealand (Aimer, 2000: 71).

²³ In 1938, biplanes still largely provided the UK air defence, but by 1945, jet fighters were being used. The B47 bomber, a six engine craft flew in 1947, providing Boeing’s lead-in to the 707 jet (McAloon, 2001a).

An initial problem facing NAC was the need to identify a British aircraft type suitable for New Zealand's conditions, for both sentimental and economic reasons, given New Zealand's reserves of sterling and shortages of dollars. "At a time of intense loyalty to Britain it is ironic that the first generation of aircraft in the Corporation fleet were predominantly American models produced by Lockheed and Douglas" (Aimer, 2000: 73). DC-3s were the mainstay from 1950, followed briefly by Vickers Viscounts, which were bigger, pressurised, and could fly over heavy weather, before the perfect combination of Fokker Friendships and Boeing 737s was finally achieved in 1975 (Aimer, 2000: 70-73).

Commercial imperatives and public service goals were always an uneasy compromise for the NAC. Uneconomic provincial services continually drained resources: in 1975, over half of the 23 centres served accounted for less than ten per cent of revenue (Aimer, 2000: 9). Nevertheless, the provision of the air network was critically important to New Zealand's domestic economy and society. It is difficult to imagine how New Zealand's air infrastructure could have been established without state involvement. Without state resources, the domestic expansion of air services would have been slower, locally more unequal, less coordinated, accessible to fewer people, and monopolistic, because New Zealand's air service is dominated by one route – Auckland to Dunedin – which leaves little scope for competition (Aimer, 2000: 139). The multi-node air networks and economies of scope available to larger countries, or countries with larger populations, are thus precluded in New Zealand.

In 1960, for example, SPANZ (South Pacific Airlines of New Zealand, of which Ansett owned 49 per cent) began flying DC3s to fifteen centres in New Zealand. Because SPANZ aimed to develop tourism, the Air Services Licensing Authority considered it to be in the public interest. Denis Blundell, head of the Authority, considered that because of its tourism focus, SPANZ would have little effect on NAC, particularly as where the routes overlapped, NAC was protected by a ten per cent surcharge on its rival's fares (Aimer, 2000: 145). The Labour Government considered that "a carefully regulated degree of competition was the best way of keeping the industry on its toes" (Aimer, 2000: 146): as Aimer emphasises, Prime Minister Nash practised social democracy, not socialism. In 1961, Blundell stated "It is our considered opinion that under present circumstances and in the foreseeable future there is no room in New Zealand for two major airlines operating in full and direct competition with each other" (cited in Aimer, 2000: 140), excluding SPANZ in the belief that its different focus prevented it from competing directly with NAC. Yet "SPANZ's real problem is exactly that which has bedevilled other operators of a second national airline. It simply does not pay" (McAloon, 2001a: 254): in 1965, SPANZ went into receivership. This principle still applies, evident in the short-lived success of the domestic competitors to Air New Zealand, Ansett New Zealand and Qantas New Zealand. The question of state involvement resurfaced in 2001, when the notion that 'private enterprise does it better' was shattered by the mismanagement of Air New Zealand. The Fifth Labour Government, recognising the threat to New Zealand if New Zealand's international carrier should fail, stepped into the breach, controversially renationalising the ailing airline.

Improvements in the air service had implications for other forms of transport, adding to the difficulties faced by New Zealand's ports. Lyttelton, the South Island's largest port, already battled stiff competition from Port Chalmers and Timaru. This was exacerbated when rail ferries began operating across Cook Strait in 1962, largely superseding the Lyttelton-Wellington ferry, although it continued to operate until 1976 (NZYB, 1965).

An important further development occurred in 1950 with the opening of the first international airport at Christchurch (previously, international travel had been by flying boat). In his speech dedicating the airport, Prime Minister Holland stated:

This is a great day for Christchurch, for Canterbury, and for New Zealand in general... International airways link countries and nations, telescoping distances and speeding them. They advance travel and trade and bring people together in a new understanding toward world peace... To-day, we pass another milestone, to-day we make more aviation history, to-day we end the isolation of the South Island (quoted in the *Press*, 19 Dec 1950: 7).

Holland's speech reaffirms the recurring techno-optimistic theme that technological development will compress time and space and end New Zealand's isolation. The possibilities were further expanded in 1965 when Christchurch Airport became New Zealand's first jet airport, and the first regular jet flights from Christchurch to Australia were inaugurated (Christchurch City Council, 1990: 52), and in the same year, Auckland International Airport opened. As international air transport continued to develop, prices decreased, making jet travel accessible to a much greater proportion of the population. In this way, improvements in transport reduced the time necessary to travel across the world, further reducing New Zealand's isolation in a tangible sense.

[The international airport] stimulated local participation in overseas markets, greatly extended Christchurch's role as the South Island's entrepôt and made the city an international destination... Perhaps metropolitan status was conferred when the Commonwealth Games were held in Christchurch in 1974. Only Christchurch in the South Island was on an international air route: only Christchurch could have the Games (Cookson, 2000b: 361).

By 1972, "the New Zealand traveller [took] to the air more frequently than any of his international counterparts except those in the US" (Flying Kiwis, 1972: 20). A total of one and a half million passengers per year ranked New Zealand thirty second in terms of total passengers carried, but the number per head ranks second only to the US (National Business Review, 2 Oct 1972: 20). International travel increased still further with the introduction of the wide-bodied jet in 1973, and by 1974, the number of passengers was twice the 1970 level at 1,117,000 (Belich, 2001a: 427). Since 1992, the number of overseas visitors arriving at Christchurch airport, the second largest in New Zealand after Auckland, has increased 75 per cent, with 3,200,000 people passing through in 2002 (Environment Canterbury, 2002). The number of international airports has also expanded: in addition to the long-established airports at Auckland, Christchurch and more recently, Wellington, several provincial airports now accept international flights, including Queenstown, Dunedin and Hamilton.

Internal communications thus followed a trajectory of improvement from the 1850s onward, accelerating as the twentieth century progressed, through rail, road and air networks. Technological developments were reflected in the physical demographic distribution in New Zealand as well as in the emerging economic structure. Not only does technological development follow an historical trajectory, the way it is experienced is relative and highly differential. While it is now possible to travel to London from Auckland in twenty three hours, this can seem a very long time trapped in ‘zoo class’, particularly given present fears of deep vein thrombosis and terrorism. The cost of international travel has certainly declined significantly over the past thirty years (Figure 6.2), and New Zealanders are the most travelled per head of population of any in the world (Tony Wheeler, founder of Lonely Planet, public lecture, 16 August 2002). Nevertheless, *global* international travel remains the preserve of a narrow segment of New Zealand society, even if travel between New Zealand and Australia is more accessible.

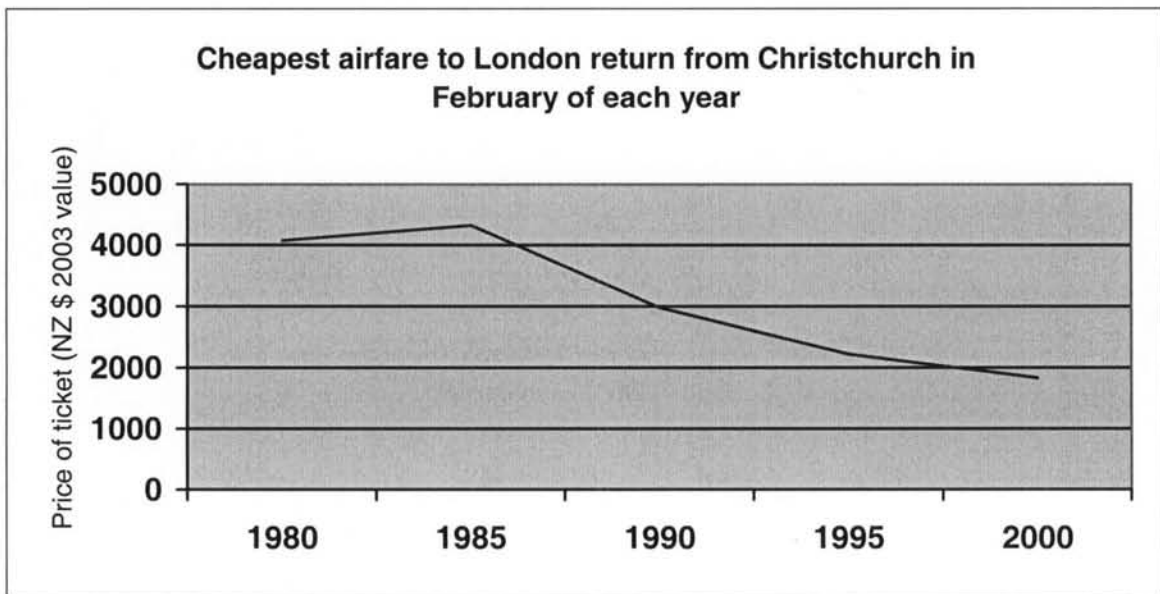


Figure 6.2: The declining cost of international travel (Wilson, 2003)

Most ‘global travel’ is undertaken by the relatively affluent and by business travellers (again, predominantly white, well-educated and ‘middle class²⁴’); while even the ‘Big OE’ (overseas experience), central to New Zealand’s cultural mythology, is predominantly the preserve of young, white, educated and generally middle-class New Zealanders (Wilson, 2003). For those on restricted incomes, New Zealand’s physical boundaries restrict the horizon of action, calling into question simplistic generalisations that imply that ‘time-space compression’ is generically changing the scope of human relations. This implies the need for caution in interpreting more recent developments as a *qualitative departure* from previous times, and calls for more nuanced consideration of the context within which more recent advances over the past thirty years have occurred and must be interpreted.

²⁴ The term ‘middle class’ useful short-hand that is widely understood. Of course, if taken literally, it implies the existence of an upper and lower class, which makes more sense in the British context than in New Zealand, which lacks a landed aristocracy. I use it, cautiously, rather than the alternative ‘bourgeoisie’, because it is in common currency.

Motor-cars

The adoption and diffusion of various technological developments has thus altered relations both within New Zealand and between New Zealand and the rest of the world, with tangible economic and social effects, although not in a straightforward manner. The motor-car provides a further example of how the domestic economic and social structure is affected by developments in communication and transport. Its popularity and effects demonstrate the way in which technological advances are inextricably linked with social and economic change – this connection is not the preserve of the ‘microelectronics revolution’ or the ‘jet age’. The technological innovation of the motor-car has affected the way in which time and space are experienced in New Zealand. It has also had implications for New Zealand’s balance of payments and external trade by requiring commodities on vast scale not previously required (such as oil, rubber and the vehicles themselves), for cities in terms of planning, for policy-makers as vehicles require roads which need ongoing augmentation and hefty expenditure, for citizens whose leisure patterns and commuting lives were affected, for domestic industry by making further options available, and for the environment.

Nicholas Oates imported the first car into the South Island in 1899 (and in 1900 he received Christchurch’s first motor traffic violation for frightening a horse with it (Christchurch City Council, 1990: 29)). It was followed first by motor lorries and then by buses from 1904 (Watson, 1996: 172). By 1920, increasing number of cars were increasing the pressure for better roads, raising questions over the economics of a number of branch railway lines (Bassett, 1995: 63). Coates, the new Minister of Public Works, decided that main trunk railway lines, rather than branch lines, should have priority, thereby encouraging the use of motor-cars. Throughout the twentieth century, motor vehicle usage in New Zealand increased exponentially, in terms of private cars, haulage and public transport. From 1913 to 1917, the number of cars in New Zealand increased from 484 to 841 (Watson, 1996: 172). The *Motor Vehicles Act* was passed in 1924, introducing registration fees and permitting the collection of data on the number of vehicles in New Zealand: in 1925, 106,449 motor vehicles were registered including 71,403 cars (NZYB, 1925: 835). The increase in motor vehicles was matched by increasing consumption of motor spirit, with considerable implications for New Zealand’s external trade.

The development of modern industries has of course required the importation of machinery and certain types of raw materials, but the chief factor in moulding the import pattern has been the development of motor transport with the attendant purchasing of oil fuels, lubricants, parts and rubber tires. This has of course brought about a distribution of our export trade over a greater number of countries, and some of our major items of imports come from lesser known places such as the Netherlands Antilles, Bahrein Islands, British Borneo and Saudi Arabia, with which, before the advent of the motor-car, New Zealand had no trade at all. Nevertheless, the UK is still our major supplier (*External Trade Statistics*, 1952: 5).

The increased demand for rubber and oil, neither of which New Zealand possesses in economically viable quantities in its raw state, and of disassembled vehicle parts, increased New Zealand’s already heavy dependence on imports. This exacerbated the perennial problems for the

government in maintaining in the balance of payments, demanding an increase in export income. Compounding the problem, the rate of increase in the number of motor vehicles by 1960 exceeded the rate of increase in the population. "By December 1959 there were over half a million cars in New Zealand – more than double the number at December 1949" (AJHR, 1960 B6: 18), while the number of passengers carried by trams, trolley buses and motor buses in 1959 was one third smaller than it had been a decade earlier. By 1970, the countries with the fewest persons per motor vehicle, in order, were the US, Canada, Australia and New Zealand (NZYB, 1970: 325). Car ownership rates varied according to area and socio-economic status, but this statistic reaffirms the determination and ability of New Zealanders to enjoy living standards as high as any in the world – here measured in terms of convenience or access to goods. The supplanting of trams by motor vehicles had further implications for the balance of payments, as locally-generated electric powered trams were replaced by import-dependent fossil fuelled buses and cars.

As is the case in many cities world-wide (perhaps most notably Los Angeles), the motor-car is also the major culprit in the geographic sprawl of Christchurch and Auckland, further reducing the need for home and work to be in close proximity. Early in the twentieth century, many New Zealand cities developed a tramway infrastructure, and suburbs tended to develop in ribbons along the tramlines. Initially horse-drawn, the trams were rapidly electrified: the first electric trams began operating in Christchurch in June 1905, equipped with front fenders to combat the dense cycle traffic (Christchurch City Council, 1990: 31). By the 1930s, however, Christchurch had too few passengers per tramcar to cover the costs of running the electrical system (NZHA, 1997: 72), and trams began to lose popularity as a result of the increasing use of cars and the more versatile bus networks (the first diesel bus was introduced in Christchurch by the Tramway Board in 1936 (Christchurch City Council, 1990: 43)). The tram infrastructure was incompatible with the increasing use of motor-cars: people were forced to dismount the trams in the middle of the street, and risked getting run over. In 1950, only twenty five per cent of Aucklanders commuted by car, but public transport usage began rapidly to decline from this time on. The removal of fuel rationing in 1950 and the lifting of restrictions on the importing of motor vehicles and associated goods led to a sharp increase in imports and vehicle registration, which accelerated the decline of the tramways (NZYB, 1950: 248). A rapid rate of urban drift was a general trend clearly apparent in the 1951 Census (vol. 1: 15). In particular, towns over 25,000 people were experiencing marked increases at the expense of smaller areas. At the start of the twentieth century, seventeen per cent of the population lived in towns of over 10,000 people, but by 1951 this had risen to forty seven per cent. "It has been stated frequently that the era of motor transport has affected adversely the growth of the smaller towns through the diversion of business to a neighbouring larger centre. The figures support this" (Census 1951, vol. 1: 16). McLean (National Radio, *Transport in the 1950s*, 27 June 2001) argued that the car became a symbol of peace and prosperity, adding to its popularity and widespread adoption. Thus by the mid-1950s, trams had been superseded in most of New Zealand's urban centres, and in 1964 the last urban tramway, in Wellington, was closed. "By December 1959 there were over half a million cars in New Zealand – more than double the number at December 1949" (AJHR, 1960 B6: 18), while the number of

passengers carried by trams, trolley buses and motor buses in 1959 was one third smaller than it had been a decade earlier.

A variety of planning regulations were introduced in response to the urban sprawl that was seen to be swallowing up the countryside, evident in the 1953 *Town and Country Planning Act* (Pawson, 2000: 81). In addition, as early as the 1950s, local authorities were investigating options to combat traffic problems. Until 1955, when the Master Transportation Plan was developed, the preferred solution to Auckland's traffic problems had been to electrify and extend the city's suburban rail network. Planners concluded, however, that the city's population density was too low to support this network, and instead advocated the construction of motorways. "The linchpin of this system was the harbour bridge, which from 1959 connected the isthmus with the lightly built-up North Shore" (NZHA, 1997: 74).

In Christchurch, the Regional Planning Authority was investigating options to combat traffic problems as early as 1954. In 1962, one of the country's first computers was used to produce a comprehensive urban land-use survey to develop New Zealand's first major traffic management study, the Master Transportation Plan (Miller, DNZB 2000: 377). Options included a motorway linking the highways to the north and south, or the development of public transport as well as widening the roads (NZHA, 1997: 93). Given the increasing national preoccupation with motor vehicles, in 1962, the former strategy was adopted (McIntyre, 2000: 93). In the event, the exponential growth of Christchurch that was predicted in the 1950s proved over-optimistic. While the road tunnel to Lyttelton was opened in 1964 (Christchurch City Council, 1990: 51), the plan to develop an extensive motorway infrastructure was gradually modified, and in the end only a small length of motorway was ever built, in addition to the one-way system and a few "half-hearted cycleways" (McIntyre, 2000: 93). Such decisions, however, set the stage for the ongoing transport difficulties experienced in several New Zealand cities, and most severely in Auckland, that have offset previous advances made possible by motor-cars in terms of compressing time and space. This decision could also be seen in the broader context of environmental degradation and the greenhouse effect, demonstrating how actions at the micro-scale have a cumulative effect on a global scale at a time horizon unimaginable to policy-makers of the 1960s but confronting those negotiating the Kyoto Protocol in 2002.

The increasing usage of motor vehicles also affected the transport of goods, with the contribution of trucks increasing forty per cent and vehicle mileage by fifty per cent, to the ongoing detriment of the rail system. Passenger numbers had decreased during the depression, but increased sharply after the outbreak of war because of the partial immobilisation of private cars that resulted from restrictions on motor spirits and the import of cars. After the end of the war, the decline in railway usage continued, with a 33 per cent reduction in passenger revenue in 1949-50 compared with the peak of 1943-4 (NZYB, 1950: 233).

The growing popularity of the motor-car made possible further diversification of the inter-war economy. In 1926, General Motors decided to exploit its ownership advantages by opening its own vehicle assembly plant in Wellington “at which parts imported in bulk will be assembled and the finished cars placed on the road at a cost considerably lower than that at which cars can be landed” (*The New Zealand Automobile*, 1926, cited in Webster, 2002: 22). In 1932, the Coates Government imposed a tariff under which fully assembled vehicles from Britain attracted a duty of fifteen per cent while ‘completely knocked down’ vehicles attracted just five per cent, and importers of American and European cars faced fifty per cent tariffs for unassembled cars and sixty per cent for assembled cars (Webster, 2002: 28). Anticipating the import licensing scheme introduced in 1938 by the First Labour Government, the Ford Motor Company installed an assembly plant in New Zealand in 1936 (Jones, 1994: 55). This, along with increasing demand for motorcars, provided the impetus for other vehicle-associated multinationals to do likewise (including Dunlop Rubber and Joseph Lucas), and provided opportunities for local entrepreneurs. New Zealand Motor Bodies’ production commenced in Wellington 1926, while G.W. Skellerup founded the Para Rubber Company, New Zealand’s first retail rubber goods business, in 1909 (Christchurch City Council, 1990: 33) and Reid’s New Zealand Rubber Mills was established in 1934. Huge advances occurred in the production of rubber and plastics over the next few decades, and by the 1930s, Christchurch was the centre of the New Zealand rubber industry. In 1929, Para Rubber proposed making tyres, but could not obtain protection from the Government (Scotter, 1965: 439): it was not until 1949 that the first New Zealand made motor tyres were manufactured at the Firestone factory in Papanui (Christchurch City Council, 1990: 47; Scotter, 1965: 439). The domestic rubber and vehicle assembly industries aimed to cater for the increasing demand for motor vehicles whilst containing the balance of payments, assisted by the import licensing scheme. By 1950, thirteen factories in New Zealand were manufacturing rubber-ware, six of which were in Christchurch (Christchurch City Council, 1990: 47).

Cars were expensive and difficult to get in the 1950s, with queues up to ten years long. “You could jump the queue to get either an imported car or a locally assembled one with an overseas funds deposit. Then you had to sign a covenant that you would not sell the car for two years” (Webster, 2002: 65). By the end of the 1950s, Volkswagens, Morris Minors, Triumphs, Holdens, Rovers and Fords were being assembled in New Zealand, and in the 1960s, the range expanded to include Peugeots, Fiats and Simcas, and in 1962, Japanese cars began to be imported (Webster, 2002: 72-6). Until the mid-1960s, the government’s strict import controls kept prices high, and most people could not afford a new car (ibid: 91), as remains the case at present. Car assembly continued to increase, however, with new plants being built, such as the Standard-Triumph factory built in Nelson in 1964 (Webster, 2002: 99), in the premises that had been built to house the abortive cotton mill project attempted under the Second Labour Government. More and more Japanese cars were produced, including Mitsubishiis, Mazdas, Subarus and Toyotas, and by 1975, twenty seven per cent of New Zealand car sales were of Japanese vehicles, fifty one per cent were from the UK, and Australian cars comprised a further sixteen per cent (Webster, 2002: 136). According to Webster, the vehicle assembly industry proved a cash cow for successive

governments, attracting in Muldoon's day for example sales taxes ranging from twenty to sixty per cent from the UK and Australia (ibid: 141).

In 1981, the National Government began a process of tariff review which culminated in an Industry Plan. The sense that things were about to change is evident in the annual reports of Firestone and the Colonial Motor Company from the early 1980s, and change they did with the election of the Fourth Labour Government in 1984. Prior to the restructuring, irritation had frequently been expressed at the high cost of cars in New Zealand, which reflected import tariffs and taxes.

Overseas travellers and new residents to New Zealand are well aware that new motor-cars are very high in price compared to other countries. Perhaps it is not appreciated that for an average car over 35 per cent of the retail price is government tariff and tax manufacturers' costs and margins in New Zealand and overseas make up about 56 per cent, the balance being the retailers margin covering service and marketing commitments (Colonial Motor Company Annual Report, 1980: 4).

The new government announced that the duty on 'completely knocked down' vehicles would be reduced from forty five per cent to fifteen per cent by 1989, while additional licenses would be granted for the importing of assembled vehicles (Webster, 2002: 159). In 1984, there were fourteen assembly plants in New Zealand, in Auckland, Thames, Waitara, Wanganui, Wellington, Nelson and Christchurch. Progressive closures occurred through the 1980s, with General Motors New Zealand ceasing all New Zealand assembly in 1990 (Webster, 2002: 179). In that year, the Labour Government's Motor Vehicle Industry Plan announced that duties would continue to be reduced, and throughout the 1980s and 1990s, the prices of new vehicles declined through tax reductions and fierce competition, while huge volume of used vehicle imports into this country, predominantly from Japan further eroded profit margins.

Many of [these], perhaps a third, are sold to members of the public by 'unlicensed operators' who provide no backup, warranty or consumer protection... total disinterest by the previous Government in enforcing existing consumer protection legislation is causing considerable harm... 'Used' vehicle imports in recent months have exceeded sales of 'new' vehicles – can New Zealand continue to import everything at the cost of our domestic economic base and employment of people? (Colonial Motor Company Annual Report, 1990: 5).

The removal of tariffs affected tyre manufacturers as well as vehicle assemblers. As profits declined through increasing competition and the appreciating New Zealand dollar, Toyota closed its Christchurch assembly plant in 1996, while the following year the Ford/Mazda assembly plant closed (Firestone Annual Report, 1996: 5). In 1997, at the instigation of John Luxton, Minister of Commerce, tariffs on imported vehicles were reduced from 22.5 per cent to zero immediately, instead of gradually over 24 months (Webster, 2002: 185). The Honda plant in Nelson and the Nissan plant in Wiri closed in 1998, closely followed by the Toyota plant in Thames.

Changes in Government policy, some planned (tariffs), most anticipated (closure of assembly operations), some completely out of the blue (parallel imports) have provided additional hurdles and further emphasised the need for structural change in the [industry] (Colonial Motor Company, 1998: 5).

In Thames, a small town on the Coromandel Peninsula south of Auckland, nearly twenty per cent of the town's workers were in 1991 employed in manufacturing. The largest employer was the Toyota vehicle assembly plant, which employed 400 workers, turned out forty seven new cars a day and injected \$15 million per year of wages into the Thames valley (Revington, 1997: 81). This created a multiplier effect benefiting other local industries, who also took advantage of lower overheads away from the cities, and a stable labour force. The National Government's haste to cut tariffs to New Zealand industry, ahead of its Asian and Pacific trading partners, sped up the demise of Toyota and the other manufacturers, as well as the support business generated in town (Revington, 1997: 32). The entire staff of Toyota was made redundant (Webster, 2002: 190). Fifty people were reemployed under new contracts to work on refurbishing used cars, but unemployment burgeoned and new work opportunities failed to eventuate, despite the (parsimonious) \$400,000 that Luxton allocated in the 1998 Budget to help Thames cope (Webster, 2002: 191). The indirect effect on local suppliers of components remains uncalculated.

In this way, the motor-car had practical implications for the way in which New Zealand's towns developed, first through state encouragement of the vehicle assembly industry, and then through its active discouragement following the reforms of the 1980s and 1990s. These undermined the viability of an industry which employed 8,000 people in 1976, 3,000 in 1991, and none now (Le Heron, 1996 and Pawson: 178).

Employment is vital to our social system and the motor industry and its allied supporting industries employ about one in every six working people in New Zealand (compared with the US, where the rate is one in five)... The future of the New Zealand motor industry remains dependent on the policy of the Government of the day. (Colonial Motor Co., 1980: 5).

While it reduced employment, economic liberalisation also lowered the cost of cars substantially, and in consequence, the number of cars on the New Zealand roads increased dramatically, both new and used (Table 6.2).

Table 6.2: Number of cars registered in New Zealand (Source: NZYB, 1990: 548; 2002: 503)

<i>Year</i>	<i>New Cars Registered in New Zealand</i>	<i>Cars previously registered overseas</i>
1985	84,434	2,918
1989	134,828	50,966
1995	146,656	80,976
2000	173,742	116,124

According to Earl (2002), roughly half the population of New Zealand now drives cars imported used (sometimes barely so) from Japan, Singapore and the UK (see Figure 6.3), and despite the country's small population, New Zealand has probably the widest range of model choice of anywhere in the world.

There is a thriving spare parts importation business, authorized dealers are nowadays willing to service used imports never sold new in New Zealand and, despite the actuarial nightmare the situation might seem to present, the insurance industry has adapted to it and premiums are remarkably low (Earl, 2002: 4).

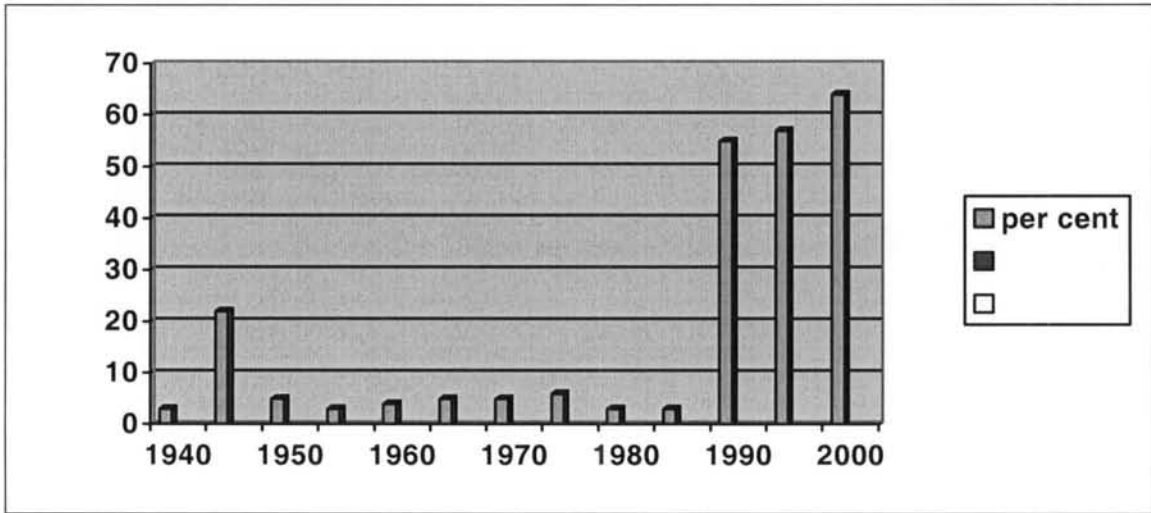


Figure 6.3: Used imported cars as a percentage of total registrations (NZYB, 2002: 503)

The situation in New Zealand represents a stark contrast with Australia, where Earl noted that major modification costs are required prior to roadworthiness certification, authorised dealers refuse to service imported cars despite no mechanical difference from models sold new in Australia, and where insurance, when a willing firm is finally located, is four times the New Zealand price (Earl, 2002: 5). Of course, the Australian market is five times the size of New Zealand's.

By 2002, New Zealand's 'free for all' importing policy was causing concern.

Is the current policy of 'free for all, almost anything goes' still in the best interests of the country? Are such things as the increasingly older age of used imports that do not comply with the current environmental and safety standards; importation of used tyres that add to existing disposal problems; weak border controls that haven't demanded used vehicles and equipment be thoroughly cleaned and verified; importation of previously scrapped vehicles; the sale of imported cars by unlicensed traders at car fairs without any form of consumer protection (or tax contribution) really in New Zealand's best interests? It has been recently reported that over 40 per cent of used car imports are brought into the country by parties who are not licensed dealers and, in 1999, over 55 per cent of used car imports were aged eight years or older (Colonial Motor Company Annual Report, 2000: 5).

First, inadequate cleaning and inspection procedures led to unwanted organisms reaching New Zealand. Biosecurity risks associated with the importing of used cars and tyres were confirmed with the discovery of Asian tiger mosquitoes in used tyres in 1992 (Firestone Annual Report, 1992). While not proven to have arrived in imported cars, later discoveries of the painted apple moth in Auckland in 2002 and the Asian gypsy moth in Hamilton in 2003 heightened biosecurity concerns, for both present a risk to New Zealand's indigenous and exotic forests. Secondly, as one of the most open markets in the world, New Zealand had removed, along with tariffs, all requirements as to safety and emission standards (Colonial Motor Company Annual Report, 1996: 5). Thus in addition to the effect on demographic distribution and trade, the exponential increase in the number of cars over the past seventy-five years in New Zealand has had environmental consequences which largely remain uncalculated. One indication emerges in the thirty two per cent increase in carbon dioxide emissions from transport since 1990 (Environment Canterbury,

2002), raising an interesting issue. During the past decade, global emissions of carbon dioxide, the main cause of global warming, increased by nine per cent. In the US, emissions increased by eighteen per cent (Ramonet, 2002: 1). For both sets of reasons, the Labour Government in 2002 tightened the regulations governing the importation of used cars, although the biosecurity risk remains. In 2002, New Zealand ratified the Kyoto Protocol, which commits it to reducing greenhouse gas emissions to 5.2 per cent below 1990 levels by 2012 (New Zealand Signs..., 2002). Unlike many European countries which have assiduously sought to reduce emissions with considerable success, New Zealand's emissions are trending in the opposite direction, making it extremely difficult for this target to be reached. Government policies over the past decade have thus actively *worsened* the situation by encouraging the further use of private vehicles through tariff removal with few parallel attempts at national level to support alternative means of transport.

In Auckland, \$424 million is budgeted for the enhancement of the regional rail service, with money being poured into the Britomart terminal development. Little attention is paid, however, to the existing geographic distribution of workers and workplaces, and rail improvements are likely to do little to ease traffic problems. Christchurch, by contrast, has opted to develop its bus system, in 2002 completing a central city bus station for \$20 million, which already handles more passengers a day than the Britomart centre is projected to do by 2021. Christchurch has also adopted hybrid electric buses to serve the city centre. The Designline buses, manufactured in Ashburton with the support of Christchurch City Council, run on LPG turbines (which in future could be converted to a hydrogen fuel cell), which charge the batteries that drive electric motors that turn the wheels. These buses are three times the price of a diesel bus, but rapidly pay for themselves (King, 2002: 44-5). The buses represent a hopeful innovation in many ways, potentially reducing the dependence on imported fossil fuel, easing the balance of payments, creating employment, and reducing traffic congestion thereby compressing time and space; although their ability to do so remains restricted.

At present, however, the time-space compression promised by cars remains a Utopian vision for commuters in Auckland in particular, comfortably ensconced in cheap, high-spec vehicles immobilised in rush-hour traffic jams. Motor-cars thus serve as a useful cautionary parable showing the ambiguous and contradictory effects of technological development. Effects are experienced highly differentially according to location and pocket. Morning and evening traffic reports on National Radio reel off problems in Auckland relating to motorway tailbacks, accidents and delays that are unknown in the South Island; while however cheap they now are, cars remain a costly item, requiring registration, maintenance, fuel and generally insurance in addition to the initial outlay on the vehicle itself, and thus a luxury unaffordable for those with restricted means.

Electronic communication and mass media

Just as it is important to situate the improvements in travel made possible in the jet age within the trajectory that began in the nineteenth century, so it is necessary to situate the 'microelectronics

revolution' within the trajectory of development in communication that began with the telegraph, was enhanced with the telephone and facsimile, and broadened with broadcasting, first with radio and then television. From the 1920s, radio broadcasting began to emerge as an important social and political influence, connecting New Zealand with developments abroad. In 1923, the Christchurch Radio Society began regular radio transmission with station 3AC. In 1925 the Radio Broadcasting Company of New Zealand was formed in Christchurch and the following year 3YA began transmission, only to be taken over by the Government in 1932 to form the nucleus of a national State broadcasting system (Christchurch City Council, 1990: 39). Assisted by the reticulation of electricity, by 1939 an estimated 84 per cent of households had radio sets (Day, 1994: 84,247).

Radio proved a valuable political tool from the 1930s onwards, used by the Labour Government to circumvent an unsympathetic, right-wing press. Radio broadcasting was closely controlled by the state. Opposition MPs argued that their views were bracketed as 'propaganda of a controversial nature' and were not broadcast, whereas the Prime Minister's speeches were broadcast throughout the Dominion. "The Government's use of radio for its own ends was most obvious in the broadcasting decisions made in its final year in office, about the referendum on compulsory military service" in 1949 (Day, 1994: 297). Prime Minister Fraser's initial intention was not to allow groups opposed to conscription to broadcast at all. Eventually he gave in, but only allowed four groups to broadcast, and the messages were closely vetted. By the late 1940s, parliamentary broadcasts were favouring the National Party. After Labour lost the 1949 election, Nash complained that "We have been denied completely access to the radio since the House rose in November last", to which Frederick Doidge (Minister of Broadcasting) replied that "We were denied it for fourteen years" (NZPD vol. 297: 99).

The exposure of New Zealanders to international cultural influences increased with improvements in the quality of music with the innovation of LPs (long-playing records which rotate at 33 1/3 revolutions per minute) in the 1950s and then '45s' (small records with one song on each side which rotated at 45 rpm) in 1955. Music, often the product of an international culture, spread throughout New Zealand through broadcasting (Day, 1994: 317). In this way, broadcasting not only enabled New Zealand to hook into cultural trends from abroad (the Beatles, for example, assisted by air travel, toured New Zealand in 1964 to great acclaim (Christchurch City Council, 1990: 51)), but in addition, broadcasting provided a vehicle for locally produced programmes. These cultural trends are discussed further in Chapter Eight.

The first British television station was broadcasting in 1937 (although the BBC closed it down for the War), and stations were set up in the US in 1946, Canada in 1952 and Australia in 1956. In New Zealand however, the introduction of television was delayed by technical difficulties and expense (Day, 1994: 312), and transmission did not begin until 1961, when CHTV3 began broadcasting in Christchurch (Christchurch City Council, 1990: 51). The capacity to broadcast nationally was not available until 1969. Despite its late arrival, television uptake in New Zealand

was very rapid, with 77 per cent of households in 1970 having a television, compared with 71 per cent in Australia. By 2002, ninety eight per cent of New Zealand households had a television (NZYB, 2002). Horrocks (2003) suggests that the high costs of new technology means that it comes at the expense of local production: the arrival of sound in 1920 stunted New Zealand's embryonic feature film industry until recently, just as New Zealand programme-making was further retarded by extra costs that the arrival of colour and more recently digital technology entailed (Horrocks, 2003). Of course, some of New Zealand's visual technologies are at the 'cutting edge', such as the computer graphics pioneered by Virtual Spectator in the America's Cup.

Ongoing improvements in technology continued to increase the linkages between New Zealand and the rest of the world. In January 1972, New Zealand signed an intergovernmental Agreement on International Telecommunications Satellite Consortium (INTELSAT). This led to the inauguration of the New Zealand Earth Station at Warkworth in July 1971 (AJHR, 1972 A1: 63), connecting New Zealand to an international web of communications. This has improved telephone communication, and permitted international broadcasting networks access to New Zealand listeners and watchers.

Finally, the 'microelectronics revolution' of the last two decades of the twentieth century fundamentally affected communications between New Zealand and the rest of the world. Like Giddens (1999a), Belich (2001a: 425-9) places immense weight on the importance of the ICT revolution as the final 'gateway' of globalisation. The first computer arrived in New Zealand in 1960, an IBM giant used by Treasury to work out the pay of state servants. Personal computers arrived in the 1970s, and proved popular, despite the forty per cent tax that the government imposed, according to Belich, "largely for fear of job erosion" (Belich, 2001a: 428), although their use did not proliferate until the mid-1980s.

Similarly, the Internet arrived in New Zealand in 1986, and rapidly gathered momentum from 1989. By 1998, one third of New Zealand homes had computers, while New Zealand had over half a million Internet users; increasing to over one million by 2000 (NZYB, 2002). "The cost of instantly sending a page of print from New Zealand to London fell from \$1,315 in 1938, by telegraph, or \$438 by phone, to \$2.95 by phone in the year 2000, or 59 cents by fax, or less than a cent by email" (Belich, 2001a: 428, citing NZYB, 2000: 259). According to Porter et al (2002), New Zealand ranks as one of the most 'technologically connected' countries, ranking sixth out of 75 in terms of Internet hosts, fourteenth in public Internet accessibility, twenty-seventh in terms of cellular phones; twenty-first with 2,166.7 Internet users per 10,000 inhabitants in 2000 (compared with 3,497.4 in Australia, which ranks tenth), and has thirty personal computers per 100 inhabitants (as opposed to Sweden which leads with 50.7) (Porter et al, 2002: 386). On a per capita base, New Zealand's Internet connections increased from 1,193 in 1991 to 155,678 in 1997, and by 2002 were fifth highest in the world (NZYB, 2002: chapter 5). Hence technological

connectivity has progressed apace throughout the twentieth century, just as it did in previous centuries and as it does today. Earl (2002: 4) concludes that

What was once notorious as an isolated backwater of comfortable monopolies and highly regulated markets operating behind steep import barriers is now hooked in to the freedom and vibrancy of global materialism. Anyone can trade with any supplier on the planet, directly or via intermediaries (well, almost), so long as they have the purchasing power to do so. The budgetary issue is a significant one, however, for despite the free-market medicine, economic growth has been poor (see Hazledine, 1998, Dalziel, 2002)(Earl, 2002: 4).

Each advance had corresponding implications for New Zealand's society and economy, and was understood in techno-optimistic terms as progressively ending New Zealand's isolation through the compression of time and space. The way in which this time-space compression was and is experienced is, however, highly differential, with strong socio-economic and geographic biases. Glib assertions of the qualitative changes wrought by globalisation should consequently be appropriately contextualised against the historical trajectory of development in a way that can encompass these differential experiences. Too frequently, however, the notions of time-space compression and time-space distanciation are invoked and novelty is emphasised, without any such consideration. It is therefore necessary to examine the way that recent technological developments are *interpreted*.

Part Two: Interpretations of technological advance

Recent advances in transport and in communication have certainly improved New Zealand's connectivity with the outside world, reducing the time that it takes to physically move people, goods, information and ideas internationally. Nevertheless, many previous advances have similarly reduced the time that communication and transport take, and the 'microelectronics revolution' and 'jet age' simply represent the ongoing continuation of a trajectory of ongoing change characterised by relative rather than absolute improvements. As Krugman puts it,

We all know that modern technologies are what made a truly global economy possible; but it turns out that the key enabling technologies were the steam engine and the telegraph (Krugman, 1996: 207).

This is not, however, the impression that emerges in my sources, which echo the globalisation literature generally, and Belich (2001a) in the New Zealand context, in asserting that recent advances have caused a qualitative change. In this sense, New Zealand's circumstances represent a microcosm of the globalisation debate more generally. For academics such as Belich and Giddens (1999a) and many others, just as for the 'important' people that I interviewed, 'globalisation' in terms of enhanced international communication and instantaneous connectivity is an important fact of modern life. Yet there are different *levels* at which people are affected by technological developments, and there is a distinct pattern to this affectedness. It too frequently escapes notice that the advances in ICT and transport have a socio-economic bias that is also reflected in the geographic distribution of impacts. As an introductory generalisation, the most obvious beneficiaries of instantaneous international connectivity and jet travel are the 'wealthy': the inhabitants of the countries of the OECD in particular (as is evident in the list of Porter et al

(2002) on Internet connections, and the Foreign Policy Globalisation Index (2001) in terms of other forms of international connectivity). Within these countries, those most affected are, once again, those at the advantaged end of the socio-economic spectrum. It seems reasonable to conclude that the majority of the inhabitants of the planet have no access to the Internet or to international travel – by some estimates, the vast majority of humanity currently alive will never even use a telephone (see earlier).

The dominant representation that emerged in my interviews and other recent sources is that contemporary New Zealand is fundamentally different because of advances in ICT and transport which are reducing the importance of physical location. This can be understood as further evidence of the operation of the discourse of hyperglobalism, with its emphasis on change and novelty. Hyperglobalism represents the convergence of a series of further discourses, noted in Chapter Five. First, a sense of crisis prevailed, emphasising the need for transformation.

We can't afford to be left behind. Technology changes constantly, and to maintain our edge we need access to the latest. The Internet and 'information superhighway' have revolutionised communications over the past 10 years. Because New Zealand has adopted this technology faster than many similar economies, we've managed to overcome some disadvantages of our geographical remoteness from key markets (MFAT, 2003d: webpage).

Secondly, techno-optimism is particularly pronounced in New Zealand, because as demonstrated above, New Zealanders are technophiles with a long history of eager and rapid adoption of novel innovations (electricity, telephones, motor-cars, mobile phones), and where 'high-tech' solutions are valued over 'low-tech' alternatives. This in turn attests to the high living standards that New Zealanders have historically been able to enjoy, approximating those of industrialised countries despite the restrictions of an agricultural income. The eager adoption of innovations could also be seen as reflecting the mythology of 'kiwi ingenuity', whereby innovation is held to be the national characteristic of New Zealanders attesting to the pioneering attitude and 'number 8 fencing wire' mentality of the rural past.

A third contributing discourse stems from the fact that technological improvements in external connectivity through advances in communication and transport are particularly alluring for New Zealand, because they offer hope for the erosion of the 'tyranny of distance'. This is not only a geographic reality but also the source of a cultural insecurity complex derived from isolation.

It's time New Zealand woke up to the fact that we're an international Dannevirke. We are a small rural town in the middle of nowhere and we offer a cheap lifestyle, nice scenery and pleasant boutique products. And that's about it (Laws, *Sunday Star-Times*, 29 July 2001).

Fourth, cultural cringe or 'LBW syndrome' emerges in the frequently invoked calls to 'put New Zealand on the map', attesting to a sense of insecurity which is exacerbated by the impression of relative decline compared with other countries. This implies a need for change, exacerbated by the metaphors invoked as part of the 'new planetary vulgate', which emphasises differences compared with the past. Discussions of location, time and space occur within the purview of the discourse of hyperglobalism, which emphasises change, novelty and globally generic trends over

continuity and the particularities of place. The discourse of hyperglobalism is further reinforced by technological advances in areas unrelated to ICT and transport, such as the nebulous and controversial developments such as genetic engineering, nanotechnology and 'smart' military weaponry. The sense of a 'world out of control' derived from the rampant advance of technology was in several of my interviews linked with globalisation in a representation of contemporary New Zealand as qualitatively different from the past.

I mean, the big message we have received in the last generation, especially in the last 10 years, has been that the world is so totally wired that to run the risk of standing out in any way is to run a major risk. To run the risk of being left out. Its like when the kids get together in the playground and pick their teams, you can't afford to be the guy that gets left to the end, no team picks him. So that's it, really – we are desperately anxious to be part of that. But at the same time, there are all these xenophobic feelings about foreign investment, and ... we want to be part of the big wide world, but we want to preserve the essential us-ness (Interview, Laidlaw).

To examine the effects of technological advance, I turned to my interviewees in an attempt to provide an empirical foundation for the discussion. My presupposition was that my interviewees, without exception influential people in New Zealand, would be those most affected by information and communication technology and improvements in transport. Given the fact that recent developments are situated in an historical trajectory is routinely ignored, there is obviously more at stake than simply descriptions of physical improvements in international connections. To explore this further, it proved necessary to focus on the way in which technological advances are *interpreted*.

A central theme emerging from my analysis of the private sector reports from World War Two to 1984 is that physical location was a primary consideration for New Zealand firms, both relative to the rest of the world, and within New Zealand, for firms located at distance from the main northern domestic market. Externally, exporters faced difficulties in terms of the cost of freight and physical distance both from international customers and markets. Within New Zealand, transport and freight costs posed problems, particularly between islands. Firms responded with a variety of strategies examined in Chapter Nine, such as opening branches nation-wide, or establishing manufacturing plants in the opposite island.

Similarly, my interviewees emphasised the importance of location, but focused on the improvements in technology over the past thirty years which have improved the scope for New Zealand businesses and travellers. The technologies accorded most importance were transport (wide-bodied jets and containerisation) and electronic communication (the Internet and email), both of which were depicted as decreasing the physical handicap of New Zealand's remote location and 'ending its isolation'. This provides further evidence of the dominant discourse of hyperglobalism, although this was resisted through the invocation of counter-discourses. Both are discussed below.

The end of geography? Instantaneous communication and rapid transport

Improvements in communication through advances in ICT were seen as highly significant by my interviewees. Information located in cyberspace is as accessible in New Zealand as it is anywhere else, and this was depicted as opening up new possibilities in business as well as improving New Zealand's external connectivity more generally. For the Chief Executive of the Christchurch Symphony Orchestra, the Internet has circumvented past constraints of time and place.

I couldn't [bring international artists to Christchurch] without the Internet... It takes a long time to negotiate – I've probably had backwards and forwards 20 emails between me and Julian Lloyd Webber's agent, about all aspects of a concert and so on. In the old days you had the time zone problems – phone calls were limited. You could send faxes, but faxes – even the time you have to type in the address, the message, put it through the fax, and then think well it's gone to this organisation – I hope it's gone to the right person. Whereas this is so convenient – it's the one to many (Interview, CEO, Christchurch Symphony Orchestra).

Similarly, the Internet has facilitated new ways of doing business. This was epitomised by a newly-established firm whose Chief Executive I interviewed that brings together buyers and sellers of timber through the Internet. While physically located in Christchurch, the firm operates in cyberspace, apparently representing the epitome of 'timeless time' and 'placeless place'.

Me: It seems that what you're doing wouldn't be possible in any other way, which is really using the technology, rather than just using websites just as bulletin boards.

CEO: Yeah, that's just another form of a brochure. Oh no, it's marvellous. I don't think we could have done what we do without it (Interview, CEO, Lignus).

The anticipated possibilities of the Internet reinforce the notion that New Zealand is becoming increasingly less isolated through new technologies that make its remote location an irrelevance. The potential is not confined to business, but also relates to the possibilities for enjoying cosmopolitan lifestyles, through access to the latest information, making it possible to keep up with international developments. The Mayor of Banks Peninsula drew attention to the increasing possibilities for people to work from home.

One change would be... the people who sort of tele-commute – they run small web or internet-based businesses from the peninsula, it's the lifestyle option. There wouldn't be many of them, but there's potential for more of that (Interview, Mayor of Banks Peninsula).

The Mayor's example draws on a frequently invoked notion of the possibilities for electronic work which can be conducted regardless of place, with obvious appeal for remote areas within New Zealand, just as for New Zealand more generally given its remote location relative to the rest of the world. This theme emerged in a variety of ways.

Who runs the most accepted... the most prestigious multimedia company around sports illustrations? Ian Taylor, 'Taylor Made' out of Dunedin, does all the graphics for the PGA tour, the Americas Cup. Virtual Spectator - he does that out of Dunedin. But he can email something to a contact in LA probably quicker than the guy in LA who takes the hard copy round by road. So you don't have to be on top of your customer (Interview, CEO of Canterbury Development Corporation).

Where you're located matters less and less, though, doesn't it. Less and less (Interview, CEO Lignus).

Such comments reinforce the idea that the Internet is rendering physical location less of an obstacle for electronically based industries, compared with industries relying on physical commodity production. This is one reason why the notion of the 'knowledge economy' has proved popular: high-tech production, in conjunction with electronic communication, is seen as potentially rendering irrelevant the constraints of place. As the interviews progressed, however, it emerged that the *potential* of such work continues to outstrip actual changes. Tele-commuting is very much the exception, and is confined to an extremely restricted range of people and occupations. This is particularly the case because of the restricted access to broadband Internet connections in New Zealand, hampering the speed of transmission. Places and people are thus differentially advantaged in their ability to transcend the need to physically travel to work. In addition, the information available on the Internet is usually available in other forms, even if these are less convenient; just as email represents a competing technology that has not done away with telephone calls, faxes, and letters. Finally, despite its high density of Internet use, electronically based industries remain the exception rather than the rule in New Zealand, with its ongoing agricultural bias. Techno-optimism means that, like the development of ideas in social science, "[l]ocalized, specific and often atypical developments have been eagerly seized upon and used as the basis for wild extrapolations and generalizations in an unseemly scramble for theoretical novelty" (Sayer, 1989: 672).

Improvements in physical transport emerged as a second important theme for my interviewees, also implying that location is of decreasing relevance. New Zealand's geographic constraints have long been a primary determinant of its particular form of economic and social development, and improvements in physical transport and speed of communication are thus enthusiastically greeted as offering hope for improving scope. For New Zealand firms operating internationally, improvements in physical transport have made new opportunities available.

Light-weight metal containers were widely used on the railways by the 1960s for moving goods within New Zealand, and in 1967, the Union Steam Ship Company introduced the first roll-on roll-off vessel to New Zealand, plying between Auckland, Lyttelton and Dunedin. By 1969, roll-on roll-off was the dominant form of trans-Tasman trade, and the first purpose-built cellular container vessel arrived in New Zealand in 1971 (Watson, 1996: 244). In 1972 a container service to Britain and North America was inaugurated, and by 1978, all trade to and from America, eighty per cent of British and European and half the Japanese trade was containerised (AJHR 1978 F 5A: 3; Watson, 1996). Containerisation thus expanded New Zealand's export possibilities, while the freight capacity and regularity of service of jet aircraft made it possible for highly perishable products such as fresh flowers, seafood, fruit and vegetables to be exported to North America, Japan and Europe. This reinforces the impression that through the advances in containerisation and the decreasing costs of freight, New Zealand's remote location is little hindrance provided that the items being shipped can command a reasonable price.

We deal with people all over, so... you know, a little bit of product comes out of Christchurch, but we take stuff out all around the country, and other countries. But the cost of freight world-

wide is almost the same. Really, I mean if you send a container anywhere in the world it costs you about the same, roughly from anywhere to anywhere!... Generally, ... you know, we are more expensive but it's not huge. Not really in the whole scheme of things but it depends on the value of what you're shipping. If you're shipping expensive items, then the freight is relatively minimal, and um... The timber from New Zealand, it's reasonable value-added stuff, it's not rubbish (Interview, CEO, Lignus).

Thus far, the overriding impression is that for my interviewees, physical place is of decreasing relevance, in an increasingly interconnected world. This suggests that New Zealand's geographic isolation is being eroded, and that it no longer constitutes the barrier to business that once it did. This is certainly the impression encouraged by the discourse of hyperglobalism, but whilst hyperglobalism is hegemonic, it is not unresisted. As the interview narratives proceeded, contrasting discourses emerged which emphasised the ongoing significance of location and the inability of technological advances to compensate for this, injecting an element of ambiguity into the earlier, clear assertions of novelty and change.

The ongoing salience of location

Despite substantial improvements in the speed and efficiency of transport, places remain differentially advantaged with respect to their location, both within New Zealand and between New Zealand and the rest of the world, despite – or even because of – the advance of technology. Several factors relating to physical location consequently continue to handicap firms both within New Zealand and between New Zealand and the rest of the world. Location remains of primary importance, not only for physical reasons such as the cost of transport or inconveniences such as the date-line or time-zones; but because the operation of a more nebulous dimension of human interaction which undermines the potential of electronic communication and rapid transport to render location irrelevant. This in turn further emphasises the relativities of 'time-space compression' and 'time-space distancing', which emerge as highly differentially experienced and of limited generic applicability.

First, despite the 'placeless nature' of his 'virtual firm', the Chief Executive of Lignus spends two thirds of his time travelling.

We have to get out of here and see people, front up - put a face to the name (Interview, CEO, Lignus).

Similarly, Virtual Spectator, a computer animation firm and apparently the quintessential example of an industry unanchored to physical place, regularly sends emissaries to New York and London to drum up business (Interview, former Marketing Director, Virtual Spectator). The persistence of business travel attests therefore to the need for physical proximity in business. I put this to the Chief Executive of Canterbury Development Corporation, asking why it is, if electronic communication is rendering location meaningless and doing away with the need for physical travel, that businesspeople continue to spend so much time jetting across the world. At first, he reduced this to 'force of habit', asserting the view that technological advances are making it

decreasingly necessary to travel for business purposes, but his position shifted as he reflected further.

We sat down and analysed what we actually had to do face to face – now don't get me wrong, I think knowing your enemy or knowing who you're dealing with is still important, but all the people we were going to see we already know (Interview, CEO Canterbury Development Corporation).

This of course implies that to do business with *unknown* people *continues to require face-to-face contact*. This means flying across the world, having meetings, shaking hands, and making eye contact – just as was required in doing business in the past. Once the business is established, email and videoconferencing can be employed, but new business requires personal contact in order to establish networks.

I think if you just sort of came in, into the timber industry and didn't know anyone, it'd be hard to build up the networks (Interview, CEO Lignus).

Castells (1997) suggests that the 'rise of the network society' is a novel phenomenon characteristic of the contemporary era of informational capitalism. My evidence suggests rather that networks are an inherent part of 'doing business' and their importance should not be interpreted as an unprecedented departure from the past. Indeed, networks and personal connections constitute the critically important 'non-contractual element of contract' in human interaction. The importance of this is reinforced by my recognition of the way in which my interviewees sought to place me in the course of the research. Without exception, interviews sought to situate me through recognition of my family name ('are you any relation to...'), my university ('do you know...'), my origins ('are you from Christchurch?'), and innumerable other devices, aimed at establishing a mutual understanding and a basis for trust. An explicit example is that one of my interviewees was highly suspicious of my credentials as a student after bad experiences with journalists, and required me to proffer my student identification card and to outline my PhD proposal in great and glorious detail in order to 'prove myself'.

The ongoing importance of personal contact means that for my interviewees, New Zealand's remote location continues to shackle the opportunities of its firms, just as within New Zealand, it remains disadvantageous to be too far removed from the major domestic market in terms of suppliers, customers or competitors.

Me: So ... it's no disadvantage to you being based here [in Christchurch]?

CEO: Yeah, I think it is, actually, in some ways. Look, it's good for technology... because it's cheap it's cheap cheap, and people are cheap, and hosting a system is cheaper here it's just easy, an easy place to be. As opposed to being ... If we were hosting this in Oracle or something it'd be \$50 US a month just on hosting, and we're not paying that.

Me: So what are the disadvantages?

CEO: Well ... while we're a sort of a virtual business, we're not. We still need the personal contact with people, and being here is a bit of a disadvantage in that respect. In Christchurch ... in New Zealand the market's Auckland, obviously (Interview, CEO, Lignus).

Being located at physical remove from markets remains a handicap even for a small, virtual business. Proximity to markets means that within New Zealand, it is better to be in Auckland than in Christchurch, with its small population and relative lack of support infrastructure. Yet even Auckland is small fry compared with Sydney, in the South Pacific, and of course the Western or Asian industrial giants. As a result, many of the larger firms, given half the chance, leave New Zealand altogether. Brierley Investment Ltd, for example, in 2000 shifted its headquarters to Singapore and withdrew altogether from New Zealand's stock exchange; PDL in 2001 was bought by French-based Schneider; and in February 2003, Virtual Spectator was snapped up by a European conglomerate.

The tendency for New Zealand talent to decamp is interpreted by many of my interviewees as affirmation of the 'brain drain', which is itself an indication that location is important. Within New Zealand, the Lignus Chief Executive described his firm's location in Christchurch as a downright handicap, in terms of freight costs and contact with suppliers and customers, and emphasised that it would be much more practical for them to relocate to Auckland, if not Sydney, in terms of making contacts and 'networking'. Yet he stated that there was no plan to move from Christchurch, because the lifestyle and family connections are highly important. Hence for many of my interviewees, business is not everything: other considerations outweigh the disadvantages of geographic location.

Me: So why have you chosen to base yourselves here?

CEO: Because we're from here! (laugh) But it hasn't been too bad – the cost of your business is less so you can afford to travel more, I guess, which is good. But it's not a bad spot in terms of export, it's OK. But if you want... you really need to be where the markets are to really... If you had the choice of being here or being in a major market, well, you'd probably go to a major market. Because we are essentially a marketing organisation, we are not a manufacturer. If I was a manufacturer, I'd be happy enough to stay here (Interview, CEO Lignus).

The terrorist attacks of September 11 2001 and subsequent events related to terrorism and war have further reinforced the importance of location. In an interview conducted one week after the hijackings, the Chief Executive of Canterbury Development Corporation commented:

I was due to travel to the States in a couple of weeks, and I'm not going... If I had to go I would but I don't have to go and I don't see why I should... So the people we were going to deal with, we will look to set up a video conference facility. And then we thought Mm! I wonder if other businesses are thinking of not travelling? I mean, Telecom would be interested in a joint venture with us where we set up a small business service where people can come in and teleconference here (Interview, CEO of Canterbury Development Corporation).

In this way the themes of safety and the importance of location connect with economic strategies, emphasising the ongoing importance of physical location. The terrorist attacks on New York additionally drew attention to New Zealand's remote location as a positive *advantage*. Accentuating the positive, the Chief Executive of Canterbury Development Corporation commented:

Let's use it as an opportunity to attract innovative, wealthy New Zealanders back to New Zealand. Particularly if they're saying Mm – don't want to be in central London bringing up my

kids, I'd rather go home and because now businesses are now a lot more transferable. Again, you see the impediments where you had to be in London for your business are no longer there (CEO Canterbury Development Corporation).

Thus physical location remains salient – both as a fetter for exporters and marketing organisations, and as an attractor in its own right.

The quality of life comes into it as much as anything... It would be one of Canterbury's biggest benefits. Especially in the next five or ten years, it's a huge advantage for the city. Especially in the higher... in technical things, they are all here. And they like the lifestyle... And you don't have to pay them much! Salaries down here are a lot less. It's great (Interview, CEO, Lignus).

Average house prices in Nelson, for example, increased by \$50,000 over the fifteen months to May 2003 as the advantages of the 'quiet life' in a beautiful location become increasingly appealing for expatriate New Zealanders and foreigners (Morning Report, National Radio, 20 May 2003). With the emergence of the perception of risk in the northern hemisphere, the allure of New Zealand's remote location is increasing, further reinforcing the ongoing importance of physical place. Indeed, in a still further sense, the importance of physical place has *increased* with technological connectivity: for high-tech, electronically-dependent work, physical place seems irrelevant, yet the 'cluster effect' noted by Marshall (1890) and more recently by Piore and Sabel (1984) continues to operate. In Christchurch in recent years, an 'innovation cluster' in the electronics industry has emerged around a core of important manufacturing firms in the Canterbury Technology Park – ironically the very firms for which physical location seems least essential.

Which is good for Canterbury, really – look at all these technology companies based here – Jade, Tait Electronics, they're all here (Interview, CEO, Lignus).

The cluster effect reinforces the importance of face-to-face contact. This is further attested to by the fact that advanced service industries are still dependent on agglomeration in a few large metropolitan nodes, reinforcing the importance of location. New York, London and Tokyo remain the financial centres – while terrorist planes crashing into Auckland's Sky Tower might have a similar physical effect to the destruction of the World Trade Centre, it would lack the symbolism.

Hence for my interviewees, despite all the technological advantages available, location continues to act as an important constraint. Freight costs remain salient, both within New Zealand, and between New Zealand and the rest of the world. This is obviously commodity-dependent: the size, weight and value of the goods in question, in conjunction with consumer demand, determine the potential profitability of export – just as they always did. Secondly, the prospects for electronic communication remains limited and vastly outstripped by techno-optimistic projections of their potential. Finally, people like interacting with people. This links with the notion that trust, what Hazledine (1998) labels 'social capital', continues as a fundamental dimension of human interaction that electronic connections cannot approximate. As my interviews revealed, even for 'high-tech' firms operating in cyberspace, location remains a primary determinant of

success, and New Zealand remains a very long way from anywhere else. In terms of economic advantage, New Zealand remains multiply handicapped – isolated from the ‘innovation clusters’ that have succeeded elsewhere (often through generous government support), with a tiny domestic population necessitating external competition. Furthermore, employment prospects and the multiplier effect remain very small in comparison with the ‘old economy’. Sixty per cent of the regional economy of Canterbury continues to revolve around primary production, and tourism (intimately connected with the physical location) is a critically important factor (Interview, Chief Executive of Canterbury Employers’ Chamber of Commerce), both within New Zealand, and between New Zealand and the rest of the world. Yet at the same time, its physical isolation also holds the key to its comparative advantage and success in positioning itself on a basis of safety and sustainability, as discussed in Chapter Nine.

The differential experiences of technological development and their interpretations

Two contradictory discourses are thus apparent in the way in which recent technological advances are experienced. Location is simultaneously seen as decreasingly important, and as important as it ever was. A further differential exists, however, in the way in which places and people are affected by these technological advances. In New Zealand, the withdrawal of the state from active regional development policies from the 1980s threw regions back on their own resources in their attempts to attract investment. This has led to a variety of strategies to accentuate the positive and encourage inward investment, through business, tourism or lifestyle promotion. Yet places remain differentially able to attract and maintain investment (Chapter Seven), despite improvements in travel and communication.

There is also a distinct socio-economic and ethnic bias in New Zealand in the distribution of the effects of technological development. The discourse of hyperglobalism suggests that technological development is changing the lives of *everybody*, implying that all people of the world are equally affected by technological changes. Certain technological advances in communication and transport have affected virtually everybody in New Zealand: telephones, traffic lights, automatic banking, EFTPOS, and so forth, but the impacts of technological development is experienced highly differentially. This focuses attention to the elitism of many discussions of the miracles of modern communication, which emphasise the rapidity of electronic communication, the cheapness of airfares, the increasing irrelevance of location, with little consideration of who is benefiting and who is not. My interviewees naturally support this bias, as the people most affected by technological advances in ICT and transport, the ones most likely to be connected to the Internet, to be travelling, and so forth. This matters, because it is the views of these people that are influential in shaping the climate within which policy options can be discussed. This accounts for a complex further twist: influential people note the socio-economic differential distribution of advantage, just as do the government and many academics, *but it is interpreted within the discourse of hyperglobalism*. The techno-optimistic foundation of the discourse thus means that New Zealand’s problems are cast in terms of technological deprivation. New Zealand’s economic woes are thus attributed to a lack of investment in technology, the

dearth of science and engineering graduates, the 'brain drain' (see Chapter Nine); while social problems are framed in terms of the 'digital divide'.

At the 2001 'Catching the Knowledge Wave Conference' held in Auckland (see Chapter Ten), several commentators on New Zealand society shied away from any ethical consideration of inequality, focusing instead on technological indicators as if these provide the 'silver bullet' for problems. While arguing that public policy needed to ensure the widespread provision of education and of access to ICT, social commentators Waldegrave and Pole (2001: 9) drew uncritically on the International Data Corporation Information Society Index, in which New Zealand ranks well as a 'knowledge society', in sixteenth place out of fifty five countries. The authors expressed no irony at the indicators used to measure this achievement, which include the number of PCs and internet hosts per capita, and public education expenditure; nor at the weight placed on the comment that "New Zealand does less well in percentage of exports in high technology and the proportions of computer science, engineering and maths graduates" (2001: 5). Similarly, while emphasising the geographical and ethnic skew to the distribution of advantage, the authors focus on issues of technical infrastructure such as bandwidth and the availability of technical support (2001: 9). While the proportion of telephone connections is high (96 per cent of New Zealanders), between sixteen and nineteen per cent of Maori in Northland, Waikato and the Bay of Plenty had no access (2001: 9). Waldegrave and Pole focused on the substantial decline in the standard of living experienced by most New Zealanders during the period between 1984 and 1998 in terms of real disposable income per household: the income of the top 10 per cent of income earners increased forty three per cent over these fourteen years, while the bottom fifty per cent of household incomes dropped fourteen per cent (2001: 10). Their paper implies that the 'digital divide' is engendered by external, inexorable forces, and that fixing the situation requires making technology more widely available to all New Zealanders. This deflects attention from factors which accompanied this exacerbation that have little to do with technological development and everything to do with changes in government policy. While Waldegrave and Pole argued against "repeat[ing] earlier mistakes by simply backing certain entrepreneurial leaders" and for "participation by the whole society" (2001: 19) the amount of ground surrendered to the dominant discourse is evident in their justification of their proposals as leading to 'social cohesion', not being required by considerations of social justice. In other words, social peace is what is important, not the rights of individuals to share in the wealth their society produces.

This line of discussion was made more explicitly by Whitten-Hannah, who examines the effect in terms of the impact on social cohesion in New Zealand in these terms. After Fukuyama (1995), Whitten-Hannah is concerned at the demise of 'social capital', attributing its loss to the 'digital divide'.

There is a danger that the debate around the knowledge wave will become dominated by a narrow focus on the need for New Zealand to increase its growth in GDP. A much broader view must be taken; one that acknowledges for example, that social organisation is the 'building block at every stage of wealth creation' (Thurow, 1999)... Social cohesion is the set of values and the network of relationships that hold society together (Whitten-Hannah, 2001: 3).

Emphasising that “[i]ncome inequality is also growing and New Zealand now has one of the highest rates of income inequality in the OECD”, matching the international distribution of wealth whereby “twenty per cent of the world’s population commands eighty per cent of its income”, Whitten-Hannah (2001: 17) argues that this represents a great threat to social cohesion. Paradoxically, however, this is presented as a risk for New Zealand’s international competitiveness, not as an unacceptable problem in itself.

New Zealand’s ability or inability to respond to the threat of social polarisation could greatly influence its international competitiveness... It would be wise for New Zealand to respond to the threat of the knowledge divide and social polarisation immediately, as it is easier to prevent cycles of disadvantage from being established in the first instance than to turn them around once they have become entrenched (Whitten-Hannah, 2001: 18).

Whitten-Hannah emphasises the importance of improved standards of education and the need to retain a skilled workforce, again because of the economic advantages this confers. “For New Zealand to capitalise on its diversity a broad cross-section of the New Zealand population needs to be equipped with the capacity for creating new knowledge through various kinds of research and innovation, and encouraged to become knowledge creators, not just knowledge consumers” (2001: 20).

The constitutive effect of the discourse of hyperglobalism

The views of commentators such as Belich (2001a, 2001b), Waldegrave and Pole (2001), and Whitten-Hannah (2001) reinforce initial comments made by my interviewees, suggesting that recent technological changes have fundamentally reshaped New Zealand’s contemporary society and economy. The hegemonic discourse of hyperglobalism is manifest in the trivialising of past parallels despite their social and economic effects and in the techno-optimism that flavours the discussion of contemporary issues (discussed further in Chapter Eight and Nine). It thus conditions the way in which problems are defined and acted upon. Disproportionate weight is placed on technological solutions, with little understanding of the chronocentric techno-optimism that has accompanied many technological advances throughout history.

Upon further reflection many of my interviewees contradicted their earlier hyperglobalism with a counter-discourse that rather emphasises the continuity of many past circumstances, regardless of technological developments. In particular, the ongoing salience of location was emphasised as a primary constraint for businesses seeking to operate in New Zealand. Yet the overriding imperative is provided by hyperglobalism, which is accentuated by techno-optimism. This directs attention toward new developments in the hope that these will solve problems, causing a narrowing effect which distracts attention from alternatives unrelated to recent advances. This tendency is further buttressed by the transformation discourse, which emphasises the need for *action*.

We’ve got this white, Anglo-Saxon culture, we should *do* stuff – what are you *doing* about it. So getting the idea that shit, doing the wrong thing, it’s worse than doing nothing, so I’d better really think about doing the right thing (Interview, CEO, Canterbury Manufacturers’ Association).

The narrowing effect of the discourse of hyperglobalism leads to the misdiagnosis of problems, and hence inappropriately directed action. The Chief Executive of Canterbury Manufacturers' Association made this point using an example of two fictitious companies engaged in the business of cutting up paper.

They are both are thinking about investing in an IT system, because everybody's telling them they should be e-focused. And if their production system is cutting up paper – I've got this very small pair of scissors and a very big pair of scissors – so I give them each the scissors and say now tell me, investing in the IT system, who is going to benefit? (Interview, CEO, Canterbury Manufacturers' Association).

Conclusion

While the globalisation rhetoric suggests that human relations are being fundamentally affected by the time-space compression wrought by recent technological advances, interviewees operating in the 'real world' are confronted with tension and ambiguity. This contradicts the dominant representation of the discourse of hyperglobalism which suggests that the age of globalisation is fundamentally different from any that went before. The ambiguous, contradictory picture which emerges suggests that globalisation is not particularly helpful in making sense of the contradictions that need to be explored in order to make sense of contemporary New Zealand and to make appropriate policy, and that the simplistic discourse of hyperglobalism is highly misleading.

Technological development has proceeded throughout human history, exerting economic and social change. The discourse of hyperglobalism reinforces the impression that *recent* technological developments are causing qualitative, unprecedented change, encapsulated in the notion of globalisation. The discourse is hegemonic in New Zealand among opinion-makers whose views are integral in influencing the policy climate. Nonetheless, this impression is contested by alternative discourses that rather emphasise the ongoing salience of location and the highly differential way in which time-space compression is experienced. Regardless, hyperglobalism dominates, reinforcing the idea that New Zealand's options are globally determined and generically applicable, privileging the global over the specificities of the local. The effects of this are considered in the following chapters.

Chapter Seven: The New Zealand state and globalisation

A further important dimension of globalisation relates to the implications of increasing international interdependence through technological advances in transport, communication and information on the role of the state. In the international literature, a recurring, if contested, theme is that the sovereignty of states is being challenged by the increasing transboundary movement of people, including refugees, goods, ideas, finance, disease, pollution and crime; and that the policy-making autonomy of states is further constrained by the international institutions which have evolved in response to these issues.

In this chapter I consider the way the role of the state has changed in New Zealand over the past twenty years. My sources emphasise that there has been a *qualitative change* transforming 'Fortress New Zealand' into 'globally-connected New Zealand', and that this has affected the role of the state. This provides further evidence of the operation of the discourse of hyperglobalism. I examine the rescaling of power that has occurred since 1984, affecting the role of the state, by focusing on the discursive and material changes that occurred with the adoption of neo-liberalism. The way in which these changes unfolded reflected active decisions made by successive governments in the 1980s and 1990s, yet have given rise to practical results commonly understood as globalisation. I thus demonstrate the way in which the discourse of hyperglobalism has a narrowing effect in terms of policy-making, with profound practical implications which I explore further in subsequent chapters.

Globalisation and the 'erosion of the state'

Parallel with the changes that have occurred over the past twenty years, there has been a decisive increase in *awareness* of variables beyond the power of nation-states to control.

Globalisation. We all have to play, it's an increasingly integrated world economy, a third of economic output crosses national boundaries, technological advances and ICT... mean that... national boundaries are less significant (Interview, CEO, Canterbury Development Corporation).

A dominant global-factualist strand in the international literature implies that national sovereignty and domestic autonomy in policy-making is challenged by issues such as terrorism, cross-border environmental problems, increasing numbers of refugees, drug smuggling and biosecurity risks; and further eroded by the international institutions which have emerged in response, which place restrictions on the ability of states to determine their own courses of action (such as WTO agreements, and human rights and environmental conventions). Transnational corporations, narcotics traders and multilateral agreements are seen to be undermining the monopoly on coercive power that states enjoy, while the legitimacy of states is eroded by their increasing inability to deal with these external phenomena (Drucker 1989; Friedman 1999; Greider 1997; Kaplan 2000; O'Brien 1992; Ohmae 1995; Reich 1991; Ruggie, 1993; Strange 1996).

Ohmae (2000), for example, argues that nation-states are becoming decreasingly powerful as their borders become increasingly permeable to flows of people, capital, and goods, and that power continues to drain from them to other economic forces such as external investors, and to new macro-regional authorities (2000: 27). Castells (1997: 244) depicts a more contingent and less linear process, observing that the instrumental capacity of the nation state is decisively undermined by the globalisation of core economic activities, by globalisation of the media and electronic communication, and by the globalisation of crime, and that the relevance of the state for the individual citizen declines if it cannot control global flows or guarantee social security. He concedes that 'national competitiveness' remains a function of national policies, and that states continue to possess a wide range of powers that they can use to affect 'global flows', but emphasises the changing dynamics. "Power is no longer concentrated in institutions (the state), organisations (capitalist firms), or symbolic controllers (churches, media). It is diffused in global networks of wealth, power, information, and images... Yet it does not disappear" (1997: 359). Global-factualist imagery such as this is frequently invoked in interpretations of the role of the state in contemporary New Zealand.

Global-fantasists such as Krasner (1995), Boyer and Drache (1996), Cox (1997), Wade (1996) and Weiss (1998), by contrast, consider 'the death of the nation state' to be greatly exaggerated. They argue that states remain as powerful and important as ever, even if there have been changes in the way that they operate. They emphasise that state sovereignty was *never* absolute, that states retain coercive power and that no other agency has yet acquired the legitimacy that states enjoy. For Eckersley (2001: 6), the globalisation of markets and the proliferation of regional and international institutions and multilateral regimes mask the fact that these are *created* by states (failing of course to consider that once created, these institutions acquire power to *affect* states). Weiss (1998) argues that while national economies are in some ways highly integrated, resulting in a more *internationalised* world, this interconnectivity is not *global* (1998: 163). Wade (1996) notes the long history of claims that the nation state is dead, extending from Kindleberger (1969, cited in Wade 1996: 199) back to Norman Angell, who declared in *The Great Illusion* in 1912 that the world was so highly integrated as to make independence an anachronism, concluding, just before the outbreak of the Great War, that the high level of interdependence rendered war an impossibility. My historical analysis of New Zealand's international connectivity, which emphasises that the autonomy of the New Zealand state was never complete but always constrained by the external context, thus encourages a global-fantast perspective, for New Zealand's policy-makers have thus long operated in an inextricably global environment.

Jessop (1999a) suggests that the relationship between the national state and its international context has changed recently in three fundamental ways. Whilst his analysis does not fit New Zealand's circumstances precisely, it helps to systematise an interpretation of recent changes. First, some of the particular technical-economic, political and ideological functions of the national state are being relocated to other levels, leading to the *de-nationalisation of statehood*. Jessop takes pains to emphasise that this "certainly does not imply that a full-fledged 'supra-national'

state has already emerged to maintain institutional integration and social cohesion in an extended, class-divided supranational social formation” (1999a: 21). It is however useful to examine recent developments in New Zealand in terms of this ‘rescaling’ process. Secondly, and related, some of the functions previously performed by the nation state are increasingly shared with or shifted to other political actors or institutional arrangements, described by Jessop as the ‘shift towards governance’, as opposed to *governments*. Again, this elucidates a tendency evident in New Zealand, particularly with the recent emergence of what could be seen as the ‘Third Way’ approach. Thirdly, Jessop suggests that the international context of domestic state action has become of greater significance to national, regional and local states and their fields of action for domestic purposes have been expanded to include an extensive range of extra-territorial or transnational factors and processes (1999a: 21). He asserts the increasing importance of integration within regional power blocs – the ‘triad’ of Europe, North America and Asia-Pacific – to the welfare of nation-states. This tendency is apparent in New Zealand and is discussed below, although I contest the novelty of this development in light of New Zealand’s history.

Sum (2001a: 5) endorses Jessop’s multi-scalar approach to understanding the role of the state, but provides a critical further insight. She notes that prioritising the institutional interaction of *one scale in particular* (such the ‘the global’ or ‘the macro-regional’) risks missing the inter-scalar and temporal complexities involved in the reconfiguration of global-regional-national-local relations. This is particularly the case when categories are derived from experience of one region, notably Europe or North America. “This risks mis-classifying, if not otherizing, cases from other regions” (Sum, 2001a: 5). Sum’s warning is apposite, for despite the lack of supporting historical evidence, dominating the policy arena is the notion that New Zealand’s contemporary options are determined by ‘global forces’ in a way that they were not in the past. Little attention is paid to New Zealand’s highly specific, if not unique, circumstances: in particular, as I argued in Chapter Three, the fact that New Zealand’s options have long been constrained by external factors, but that governments for many years considered it possible to mitigate the way in which these impacted. In contemporary New Zealand, however, the hegemonic discourse of hyperglobalism privileges the global at the expense of the local, undermining its significance and relevance, with significant implications which are explored below.

Willing and able to insulate?

Recent commentators, annual reports and government publications imply that the New Zealand state during the decades from 1935 to the early 1980s was both willing and able to insulate New Zealand from the outside world. The influential political journalist, Colin James, echoed the declinist tone in maintaining that in the mid-1940s, New Zealand:

made a clear national choice. After 15 years of economic depression and war, our forebears firmly chose personal and social security. Thenceforth, when economic and social imperatives intersected, the social imperative was more often than not to be given priority. Governments for the next 35 years faithfully gave effect to this national choice (James, 2001).

Attesting to the discourse of hyperglobalism, a recurring theme is not only that New Zealand prior to 1984 was a 'Fortress', but also that its fastness represented an *ideological* commitment on the part of the successive governments from 1935 onward to insulate New Zealand from the outside world.

In an attempt to avoid international determination of local living standards, the New Zealand Government turned to 'insulationism'. For 50 years, security often overshadowed growth as a policy objective... But gradually, it became evident that living standards in New Zealand were not as high by international comparison as they had been, and dissatisfaction grew. Structural problems emerged in the economy... From 1984, a new Government reorientated policy towards encouraging the use of New Zealand resources to service international demand (NZYB, 2000: 379).

The focus on ideology places undue emphasis, however, on theoretical motives, and reinforces the idea that the widespread scope of state action in New Zealand prior to 1984 came about by conscious intention, rather than through a combination of pragmatism and accident (Bollinger, 1960). As Chapter Three noted, the prevailing interpretation of post-war New Zealand emerging in the historiography and in my recent sources is dominated by the discourse of hyperglobalism, which causes several crucial factors highly particular to New Zealand to be frequently overlooked, through the 'global focus'.

First, in a country with a small population, there is scant incentive for private enterprise to undertake the vast capital expenditure that public communication and transport development requires, necessitating state involvement. Secondly, New Zealand's population grew rapidly after the War, placing increasing demands on an infrastructure already overburdened as a result of wartime shortages of labour and materials, while aspirations as to living standards were as high as any in the world. Thus the state had an essential role in capital development and the provision of the infrastructure demanded by the growing population. It also assumed responsibility for maintaining the balance of payments and avoiding inflation, using a battery of complementary policies including import-substituting industrialisation, export promotion, and sporadic fiscal and monetary manipulation to control demand. These factors, rather than an ideological commitment to full employment, directed state activity. Thirdly, the discourse of hyperglobalism disregards the element of fashion that characterises state management (Weiss, 1998). New Zealand's post-war social democratic style of government management was not unusual, but mirrored an international trend virtually consensual throughout the West from the 1930s to at least the 1970s.

The picture that emerges from Budget Statements from 1935 to the late 1970s suggests ongoing pragmatic attempts by policy-makers to enhance New Zealand's domestic circumstances in light of its inevitable external interdependence, and the actions of its trading partners. Of course, 'free enterprisers' throughout this period criticised successive governments, accusing them of over-regulation (as annual company reports from the period, and the *New Zealand Economist and Taxpayer* journal, amply demonstrate). These sentiments were echoed in the rhetoric of the

National party, but in practice it proved difficult to liberalise controls without adverse effects on the balance of payments.

The problem of allocating scarce resources to competing ends is likely to be with us in an intense form so far in the future as reasonable predictions can be made... [In a context where] New Zealand's population is increasing very rapidly, the need to provide housing, education, power and employment is pressing... There is little immediate prospect of an economy free from inflationary pressures. To contain these pressures some restraint will be essential... to preserve a degree of equilibrium in the dynamic forces at work in the economy (AJHR B6, 1957: 54).

The focus of successive governments was thus *necessarily* external, sharply contradicting the 'Fortress' imagery of intentional isolation. There is no evidence for the suggestion that insulation from the outside world was either desired or considered possible.

Globally determined: changes over the past twenty years

Despite historical evidence to the contrary, the imagery of 'Fortress New Zealand' was dominant in the way that my sources depicted New Zealand prior to 1984 (see Chapter Five). In part, the widespread adherence to Fortress imagery reflects the material changes caused by the neo-liberal restructuring of the 1980s and 1990s, for the consequences of 'rolling back the state' reinforce the sense of disjuncture between past and present. Importantly, the neo-liberal restructuring, described in Chapter Four, was accompanied by an important discursive change, stemming from a profoundly negative view of past government management in New Zealand. The comprehensive damning of past, social democratic policies provided the rationale for change. This represented an important shift from the use of pragmatic policies (both those developed locally and those imported and adapted to New Zealand's conditions) in recognition of New Zealand's inevitable external connectivity, to the imposition of generic policy propositions that drew heavily on theory and ideology, developed overseas in vastly different contexts.

The vast changes that have resulted reinforce the sense that New Zealand is caught up in global processes far beyond its control, and that this is novel. I argue, however, that many of New Zealand's external circumstances remain the same as they were throughout the period from 1935 to 1984. Similarly, New Zealand governments could never *control* the external context, even if they could affect the way that it impacted upon New Zealand. The most important change was rhetorical rather than material, yet this should not be interpreted as minimising its significance. The shift in rhetoric evident in the widespread naturalisation of the discourse of hyperglobalism shaped the policy context *and has led to practical results*.

The rhetorical shift that accompanied the material changes resultant upon the restructuring emphasised the global, generic and novel rather than the local, specific and enduring. The discourse of hyperglobalism rests on the disjuncture implied by Fortress imagery, which emphasises the *differences* between this and contemporary New Zealand in an age of globalisation. My evidence suggests that policy-makers in the pre-1984 period were no more able than they were willing to insulate, casting doubt on the foundations of this apparent disjuncture.

Yet because the discourse of hyperglobalism is hegemonic, alternative interpretations of New Zealand from 1935 to 1980 are masked, including the representation which my research suggests, of New Zealand during this period as externally focused, globally connected and pragmatically self-interested. The hegemonic discourse restricts the options considered by contemporary policy-makers by narrowing the realm of the possible through casting aside any parallels with the past, and focusing rather on generic, global factors rather than those that are specific to New Zealand. This has resulted in the enactment of policies which reduced the ability of the New Zealand state to act in future, as I demonstrate through my analysis of the rescaling of power that has occurred since 1984.

The rescaling of power

Many of the erstwhile functions of the central state have devolved to other levels since the restructuring of the 1980s and 1990s: indeed, this was the explicit intention behind 'rolling back the state'. Power has devolved downwards to the level of the community or region, as well as upwards to the macro-regional level or still further to the 'global' level. In this way, New Zealand's experiences closely parallel the trends identified by Jessop (1999a): the "de-nationalisation of statehood" is evident as some of the particular technical-economic, or political and ideological functions of the national state are being relocated to other levels, even if a fully-fledged 'supra-national state' has not emerged to take its place (1999a: 21). Similarly, some of the particular technical-economic, political and ideological functions previously performed by the nation state have been increasingly shared with or shifted to other political actors or institutional arrangements. Finally, the international context of domestic state action has become of greater significance to national, regional and local states and their fields of action for domestic purposes have been expanded to include an extensive range of extra-territorial or transnational factors and processes (Jessop, 1999a: 21). The discourse of hyperglobalism attaches exaggerated importance to this final tendency, detracting attention from the way that the state has previously managed the insertion of the national economic space into the wider economy (Jessop, 1999a: 22).

Downward devolution

In the post-war era, New Zealand's regional policy involved the social democratic state actively intervening to influence the level of demand in regions, using incentives to entice firms to relocate, and directing major investment decisions to the regions (Le Heron and Pawson, 1996: 289). One effect of the reforms was to minimise the role of the central state by revoking the active and redistributive policy of regional development which had played a significant role in the redistribution of advantage in New Zealand from 1935 to 1984. Regional development incentives were made available for firms, but in addition, although state sector employment was focused in Wellington, it was also spread widely through all parts of New Zealand, in the form of jobs in Ministry of Works depots, Bank of New Zealand branches, post offices and hospitals (Pawson, 1996: 213). Some places, including forestry towns such as Murupara and hydro towns like those in the Waitaki basin, were *created* by state enterprise; while in small regional centres the state was

often an important employer: on the West Coast, for example, half of all paid employment was in central or local state agencies in 1984 (Pawson and Scott, 1992).

Subscribing to the 'global player' rhetoric, Pawson (1999: 290) argues that with the increasing openness of regional economies to national and international forces, regional development "no longer generated significant local multiplier effects". His view corroborates that which emerged in my interviews, which are characterised by the discourse of hyperglobalism.

There's a kind of sense that national governments, central governments, are too small to do the big things and too big to do the small things, so they really can't do anything. Some people go so far as to say that there isn't really a place for a national government any more. I mean I don't think that's quite true yet, but... its sort of a community level, and a global level, almost (Interview, ex-Mayor of Christchurch).

At the same time, interviews emphasise that the central government withdrew from regional development for ideological as well as pragmatic reasons that have in time reinforced the discourse of globalisation.

And so as government has withdrawn from large tracts of activity, and I think they've withdrawn for two reasons. From 84 to 99 they withdrew ideologically, saying 'market forces will out'... A lot of people in Treasury were extolling the virtues of Milton Friedman and the Chicago neoclassical school, and so for 15 years there was no desire for government to be at the table at the regional level. That's changed a little now with things like Industry New Zealand, and their desire to get involved in the regions, ... but the other reason was out of necessity. Governments were realising we cannot afford to be all things to all people, simply **because we are now in a far more global and competitive environment**. Government had to thin down – **the country couldn't carry the level of government in a... globally liberal era** (Interview, CEO, Canterbury Development Corporation, emphasis added).

The centralisation of state activities and general retraction of the involvement of the state in New Zealand's economy that occurred through the restructuring of the 1980s and 1990s had a heavy impact upon the regions of New Zealand. Stripped of regional development protection, the regions were thrown back on their own resources. Of critical importance in the context of this chapter, the retraction of the state has led to active attempts by some local governments to encourage economic and social development to fill the void.

Space, meaning "*place, location* (with respect to other places) and the social relationships between the two" (Lewis and Moran, 1998: 127) has been heavily implicated in the process of change. During the reforms, responsibility for some of the erstwhile functions of the central state devolved to local government. This devolution was somewhat contradictory, for the *Resource Management Act 1991* deliberately excludes provision for economic or social planning. Some local councils, such as Christchurch City Council, have however circumvented this restriction using the *Local Government Amendment Act 1989* in an attempt to attract resources (Perkins and Thorns, 1998: 19).

Christchurch was adversely affected by reforms. As its fortunes are intimately connected with the surrounding hinterland, the difficulties faced by agriculture as a result of economic liberalisation in the 1980s were amplified in the city. Similarly, Christchurch's industrial and manufacturing sectors were hit hard by the reforms, which led to the closure or relocation of many firms, frequently to Auckland. Despite its conservative reputation, however, Christchurch has a long history of political radicalism (McAloon, 2000b: 162) and this equipped it to deal with the restructuring of the 1980s and 1990s. In the 1890s, Christchurch was the powerbase of the radical William Pember Reeves; in 1914 the *Maoriland Worker* described Christchurch as "the home of militant anti-militarism and socialist activity" (McAloon, 2000b: 162); and by 1900, it had the strongest trade union movement in New Zealand. It was also the cradle of the Labour Party, the base of left wing literature (including *Tomorrow* and the *Monthly Review*), and historically displayed a firm commitment to municipal socialism (McAloon, 2000b: 191).

Hence when central government withdrew its support in the 1980s, the Christchurch City Council sprang into the breach, earning and then capitalising upon on its sobriquet as the 'People's Republic of Christchurch' (the coining of which is attributed variously to Douglas Myers and Roger Kerr, both influential members of the New Zealand Business Roundtable in the 1990s (Cookson, 2000b; McAloon, 2000b; Perry, 2000). From 1989 the social democratic approach was strongly supported by a left-leaning Council and a young, enthusiastic Mayor with a steadily increasing commitment to social justice.

As local government you can either sit back and preside over the funeral, or you can intervene and take a role. There are certain philosophies around intervention and what that involves and how much do you pick winners and things like that... So the theory is you intervene and take a role and try and influence outcomes. Otherwise you get sturdy, spiralling decline, and it manifests itself in lack of investment, lack of jobs, property values falling, general malaise coming across... So I believe local government as the government of the region has a lot of responsibility to take a role. And certainly, here in the People's Republic of Christchurch, we subscribe to the view that taking a role is important (Interview, CEO, Canterbury Development Corporation [the economic development branch of the Christchurch City Council]).

The City Council thus became involved in a series of activities outside the traditional ambit of local government in New Zealand. Interviews with influential figures in local government indicate that this was designed both to fulfil functions vacated by Wellington, and through the belief that the 'community level' was the most appropriate level for many functions carried out by central government in the past (although of course this could represent the justification of hindsight).

When I came into office, the view was always, that you would go to Wellington to ask for things. For 100 years, it had been that way. It's so bizarre. Like, why would you ever believe that they would know the problems, why would you believe that they could possibly do anything about the answer? Why would you think that they would even be interested in the answer? And how could they possibly answer this problem here in a way that was different from that problem there? I mean they're always ... there's the one size fits all solution – they can't do anything else (Interview, ex-Mayor of Christchurch).

The commitment of the Council to social development accelerated after the local government reform that occurred as part of the general restructuring process. The *Local Government Amendment Act 1989* resulted in the amalgamation of a number of smaller local entities into the metropolitan Christchurch City Council.

Four or five years ago [around 1996] when we had a council seminar, we said to ourselves, what is the worst that could happen to our society over 10 years, what is the best that could happen to our society over the next 10 years, and then how can we move from the bad scenario to the good? And... Vicki [the then Mayor] talked about the asset management plans, and she always used to say roads are boring, sewers are boring, water mains are boring – although she understood the necessity of the infrastructure! But she said OK we're putting all this effort into preparing these plans for asset management, for physical assets – what are we doing for our people? (Interview, ex-Chair of Finance Committee, Christchurch City Council).

The need for the Christchurch City Council to take an active role in social development was exacerbated by the socio-economic profile of the city. "If you look at the income in Christchurch, in the survey before last, the statistics census, ... there was something like 60 per cent of Christchurch people earn less than \$26,000 a year... Its interesting, because it looks like a wealthy community, but it's a very poor city" (Interview, ex-Mayor of Christchurch). The Christchurch City Council used a range of strategies to fund its social initiatives. One of the tactics used was the encouragement of regional economic development through its economic development branch, the Canterbury Development Corporation. Its community development programme was based on a social democratic commitment to the principle of equality in access to resources.

We... supported Project Early, which was based in Christchurch in schools, and their stats showed that if they dealt with a child who was 5 or 6, there was about a 70 per cent chance of that child returning to the classroom and behaving normally. But the time the child was about 9 or 10, it had fallen to about 40 per cent, and by 13 or 14, it's down to about a 20 per cent success rate (Interview, ex-Chair of Finance Committee, CCC).

So it's the other things that make that community strong that people identify with. All of us at some stage will need help from others – it seems to me to be a logical economic equation. When we're very young, we need help, when we're very old, if we make it, we'll need help. When we're sick we need help from others, and so on. Its not like you can ever exist, no matter how wealthy you are, without the support of others. Those others happen to be your community. So if you don't nurture the community when you need help... Its sort of an insurance policy – if its not there... Bad luck guys – die! Its simple as that. An economic equation, for those who don't buy into the emotional stuff – and most people do (Interview, Ex-Mayor of Christchurch).

To fund its social and economic initiatives, the Christchurch City Council capitalised upon the corporatisation and privatisation occurring during the 1980s and early 1990s.

Where did the resources come from for this? Because one of our boasts is that we are providing high standards of infrastructural services, and all these additional community services, and our rates are still low. Principally our trading enterprises. Because as you know, there was the move toward corporatisation and privatisation... There was this huge pressure to privatise, and it came partly from government, because the prevailing ideology was that government should get out of business, and that local government couldn't run businesses efficiently (Interview, ex-Chair of Finance Committee, Christchurch City Council).

The Council resisted the pressure to sell its public utilities in the 1990s. In 1993, it established Christchurch City Holdings Ltd, grouping its trading enterprises together and separating these from Council operations. These include substantial shares in the Lyttelton Port Company, the Red Bus Company, Christchurch International Airport and Orion, an electricity company (CCH Annual Report, 2000: 3).

Public utilities are fantastic cash cows – I mean all these things that have been privatised, they've all gone up in value... they're doing really well. I don't even think the government's sold its share in it yet, they've stuffed around they've been trying to do it for about 6 years. They're a minority shareholder, so they don't get the value out of the thing – the majority value (Interview, ex-Mayor of Christchurch).

During the 1990s:

the Minister of Electricity said you have to sell [the electricity company] cos you're a local authority and you can't own both. You have to sell either your network or your retail component. Well... that's a really hard choice, Max [Bradford]!! Here's something that requires this huge, has this major profit with no risk associated with it cos you're a monopoly industry, or here's something where you make a tiny little piece of profit and get 300,000 complaints! Now, which would you think....! (laugh)(Interview, ex-Mayor of Christchurch).

These 'cash cows' not only ensure the maintenance of these services for the good of the city (compared with Auckland City Council, which furiously divested, or is divesting, itself of its bus company and airport), but provide revenue which can be accessed for public spending.

And I mean, now here, there's a problem with the sewage outfall, and ... it will be, I don't know, 70 million bucks to fix. But actually in the scheme of things in Christchurch, 70 million is not a big ask - there is so much resource (Interview, ex-Mayor of Christchurch).

In addition, the Christchurch City Council has proved a canny business operator.

[Christchurch City Holdings] still owns all of Orion, which is now a huge industry. Orion has bought and sold Enerco, the North Island gas company, and made huge profits... Now they are major global venture capitalists... So they're investing in technology businesses. You will have seen that they are also investing in some locally... they've just been approved with Infratil... the government's venture investment fund (Interview, ex-Mayor of Christchurch).

Not everybody accepts the advantages of the Christchurch City Council model, however.

Business groups in particular remain committed to the desirability of the minimalist government. Canterbury Employers' Chamber of Commerce, for example, is extremely critical of the projected rates increases over the next four years, which in 2002 were predicted to rise by nearly twenty per cent over this period.

The continual claim of the 'public expects more so we deliver more, so it costs more' wears a bit thin, [CEO of CECC] said... 'The only way to drive down rates with such major capital expenditure [the new art gallery, the landfill at Kate Valley and the wastewater treatment plant] is to severely curtail expenditure in other areas, which is unfortunate but necessary' (CEO, CECC, quoted in Watson, 2002: 4).

The strong social democratic approach also placed the Christchurch City Council at odds with the dominant ideology of the 1980s and 1990s. My interview with the erstwhile Chair of the Christchurch City Council Finance Committee in the 1980s and 1990s emphasised that the

Council faced considerable pressure from both central government and the private sector, particularly the highly influential Business Roundtable.

They [the Business Roundtable] even advocated that we should sell our housing. Now you wouldn't believe it but Housing New Zealand sent two of their top men to make a submission to the city council to urge us to sell our housing, in 1995 or 1996 (Interview, ex-Chair of Finance Committee, CCC).

The Business Round Table used to make a submission to us every year... And Roger Kerr would come down and present it. Now, because... it annoyed Roger that we were doing things differently. I said to him once, look Roger, if our service is of a high standards, and our people are happy with what we are doing, and our rates are the lowest of any major city in New Zealand, does it matter if we've got the theory wrong? (Interview, ex-Chair of Finance Committee, CCC).

While the example of Christchurch appears to suggest that the devolution of power from the national level has resulted in generally favourable outcomes, there are considerable difficulties in expanding the model, for many of New Zealand's regions have not coped well with the demise of central government regional development policies. This is clearly evident in the experience of Christchurch City's neighbour, Banks Peninsula District. Sparsely populated and with a narrow rating base, the Peninsula's options are restricted. Ongoing demands for infrastructural expenditure in an area comprising steep and difficult country from a base of less than 7,000 rateable properties is leading to a steady erosion in the provision of services and maintenance of the district's resources (Interview, Mayor of Banks Peninsula). The Mayor strongly implied that the district is unable to cope on its income, leading its Council to consider alternative strategies, one of which is the controversial proposed amalgamation with Christchurch City Council.

Districts have responded to the retraction of the state in highly differential ways. The starkest contrast with Christchurch City Council is provided by Papakura District Council, which chose to adopt the neo-liberal minimalist approach to government at the local level. The ex-Mayor of Christchurch in 2002 jubilantly cited Papakura as an example of failure.

[The People's Republic of Christchurch] was the bête noire of the Business Roundtable.. And interestingly, the one that was the darling of the Business Roundtable, which was Papakura, has actually had a 50 per cent rate rise! (laugh)... It's falling apart at the seams, and they've now got a council that's much more middle-of-the-road ... They got carried away because of the praise they got, it got to the point where they were contracting out the contracting out!! (laugh). One of the guys on the council rang 3 or 4 months ago, and said if you're ever up here could you please come in. He said we've got main streets that are empty, we've got all these problems, we've got roading problems, we've got no infrastructure, our contracts are not being met because we've contracted them out... its just been a disaster. The social experience he said has just alienated our community, and we've just got major problems (Interview, ex-Mayor of Christchurch).

The way in which the role of the state changed in the 1980s and 1990s in New Zealand thus had an uneven influence, which is played out according to the histories, economies and characteristics of localities. The differential distribution of advantage has been exacerbated by the reforms, in the absence of active regional development policies. A further demonstration of the way that different localities have responded to the retraction of the central state has been the widely apparent increase in attempts by local government agencies such as Christchurch City Council to

market their localities as sites of production, consumption or investment (Perkins and Thorns, 1998: 20; Schöllmann, Perkins and Moore, 2000). Explicit attempts to lure investment and tourists are of course nothing new: nineteenth century 'boosterism' (Hamer, 1990) similarly involved small towns attempting to attract the attention of central government and private investors. Since the reforms, however, the scale has increased, as places attempt to make themselves distinctive using icons (the Ohakune carrot, the Taihape gumboot, the Cromwell apricot) and branding slogans ('Rotorua: Feel the Spirit!', 'Absolutely Positively Wellington', 'Christchurch, the city that shines'), frequently with the assistance of international advertising agencies. While this phenomenon is occurring world-wide as erstwhile productive areas are reinvented as sites of consumption (Pawson and Swaffield, 1998), the attributes marketed are intensely local (Schöllmann et al, 2000). Canterbury Tourism Council brochures, for example, draw on the surrounding hinterland, presenting Christchurch as a 'cosmopolitan city', surrounded by 'fascinating villages', 'wild nature' and 'rural abundance' (Schöllmann et al, 2000: 69). Developing an image of Canterbury as part of Christchurch involves incorporating outdoor activity and the 'adventure message' (for New Zealand is increasingly promoted in terms of its 'adventure tourism' potential), located in the scenic setting that is so important in advertising New Zealand as a whole (Cloke and Perkins, 1998a, 1998b; Schöllmann et al, 2000: 69). Consequently, Schöllmann et al (2000: 72) argue that the promotion of Christchurch is historically anchored and reflects a local search for identity, in the context of influential global forces.

Just as local authorities are differentially advantaged in their ability to fulfil the role vacated by central government, as the comparison of Christchurch City Council and Banks Peninsula District illustrates, so places are differentially advantaged with respect to their appeal. "Some places are advantageously located in relation to the competitive strategies of global and national capital, though many are not: old forestry towns, isolated rural towns, Maori settlements, working class suburbs bereft of the old income substituting industries" (Le Heron and Pawson, 1996: 119). Marketing depends on the existence of a product that can effectively be sold to consumers, and different regions have vastly differential abilities to attract investment.

Exemplifying the tensions at play under the new regime is the redevelopment of the Viaduct Basin in Auckland for the 2003 America's Cup. Once the malodorous but productive headquarters of Auckland's commercial fishing fleet, the Basin was extensively remodelled as a "landscape of consumption" (Pawson and Swaffield, 1998), with joint private and public investment aimed at luring tourists and investors. Residential apartments, hotels, restaurants, bars, a marina, and a maritime museum have been established. The result is a cosmopolitan development that bears little resemblance to its former pragmatic function. An iconic manifestation of the discourse of hyperglobalism, the rebranded 'Viaduct Harbour' does little to connote Auckland or even New Zealand: generic in its style, bristling with kentia palms and bar umbrellas, it represents the global homogenisation of cosmopolitan taste. While the refurbishment provided work for the construction industry and for waiting staff, the overall benefits for the region are debatable (Chapter Eight). Hugh Fletcher (2000) argued that the

“distinctive human affinity with the water” that Auckland’s harbour engenders creates a distinctive “place and identity” on which can be built an international competitive advantage in terms of the “international tourist destination” that the Viaduct development constitutes; and the fostering of a “world class boating cluster that provides an excellent example of the knowledge-based, high-product-value business New Zealand must pursue” (Fletcher, 2000: 119). Yet once the construction work finished, the bustling restaurants simply led to the displacement of diners from other parts of the city rather than the creation of new business, while the loss of the America’s Cup to New Zealand has undermined Auckland’s privileged position as headquarters: it is unlikely to remain part of the superyacht ‘cluster’ if the next round is held in Marseilles.

Furthermore, attracting growth, whether by encouraging tourism or investment, creates its own problems, as Auckland is discovering. Insufficient investment in the transport infrastructure, in conjunction with the narrow isthmus on which the city is situated, has created costly and inefficient traffic congestion. This compounds the problem that rapid growth tends to be associated with higher rates of unemployment (Molotch, 1976: 321), not to mention the ‘social limits to growth’ (Hirsch, 1976) of overcrowding, which exerts pressure on the capital infrastructure and social relationships. In the case of tourism this threatens the marketability of New Zealand’s ‘clean green’ image (see Chapter Nine). If Bourdieu (1989) is right, the tourism attracted through place promotion could prove a precarious and ephemeral foundation for economic prosperity, if its essence involves a ‘search for distinctiveness’, for places tend to be in vogue for a short time only before the novelty wears off. Further, investment policies aimed at securing foreign direct investment mean that “investment in host countries, such as New Zealand, is strategic and often transitory, hence the demand for ‘open markets’, deregulatory regimes, and privatisations which offer prime opportunities for short term profiteers” (Kelsey, 2000a: 123).

It remains highly dubious to what extent place promotion can be expected to take the place of industries superseded by restructuring in creating prosperity. While place promotion aims to attract flexible and mobile production, financial and consumption flows (Harvey, 1989) into places as a substitute for the manufacturing or agricultural bases eroded by neo-liberal restructuring, the overall benefits of the process are questionable. Whether entrepreneurial activities such as the promotion of sporting events such as the America’s Cup augment the general well-being of the public, rather than simply advantaging tourists, business, or the professional high income-earners, remains debatable. The imperative of globalisation masks the vying for power between coalitions of people which place-promotion involves (Molotch 1976: 312). In recognition of these factors, the Labour/Alliance Government reintroduced a regional development scheme. In 2000, the Deputy Prime Minister and Minister for Industry and Regional Development, Jim Anderton launched a three-part programme to foster regional development: the Industry New Zealand Enterprise Awards Scheme, the Regional Partnerships Programme and the Investment Ready Scheme. These are now administered by a newly established government

agency, New Zealand Trade and Enterprise (www.med.govt.nz, 2003)²⁵. That this occurred demonstrates the ongoing relevance of the central 'nation-state', illustrating that its retraction was voluntary, rather than summarily imposed by external forces of globalisation.

The number of jobs in society are determined by investment rate of return and central government decisions and on money supply, not on local decisions. Lack of population in particular areas reflects particular economic decisions to populate other areas instead (Molotch, 1976: 230).

The intent of the reforms was not to devolve power to local authorities but to divest central government of significant aspects of its former role through such strategies as privatisation. This was resisted by the Christchurch City Council, which assumed some of the functions previously fulfilled by the state. The devolution of power to the regions that was one consequence of the reforms is in principle reversible, as Anderton's reintroduction of regional development policies suggests, yet its consequences reinforce the impression of qualitative change. Global imagery is emphasised as regions within New Zealand seek to market themselves to the world, rather than through nationally coordinated strategies; while economic problems are increasingly blamed on external factors rather than the decisions of government. Observable changes and discursive reiteration of global connectivity reinforce the discourse of hyperglobalism, and contribute to the reification of globalisation itself.

Upwards devolution of power

The reforms undertaken by New Zealand governments in the 1980s and 1990s also led to an upward rescaling of power. This tendency has reinforced the impression of a disjuncture between past and present, and lent weight to the notion of globalisation, despite the fact that it reflects active decision-making. The effects of this are perhaps less readily observable in the daily lives of New Zealanders, but this tendency is critically important because of its significance in terms of constraining the options of the New Zealand state. In addition, this tendency relates closely to an important theme in the international globalisation debate, and further reinforces the notion of globalisation as an inevitable, external force being imposed upon New Zealand.

To understand New Zealand's external commitments, it is important once again to take a long view. Tiny, remote New Zealand has since its inception gained economic and political advantage from its allegiance with larger external entities. Tracing New Zealand's external connections from the end of World War Two, the issues facing governments throughout this time as they attempted to best position New Zealand vis-à-vis its international context closely resemble those confronting the contemporary government. A central strategy employed involved the pursuit of alliances with larger countries and with supra-national groupings, both regional and global.

The *intent* of governments in pursuing these agreements changed, however, in the 1990s. In the post-war era external agreements such as the GATT were understood as a vehicle enabling New

²⁵ In an interesting discursive shift, the Ministry of Commerce was also renamed the Ministry for Economic Development.

Zealand to take advantage of international trade opportunities by providing it with collective muscle that it lacked as a tiny player in the international economy. An important development occurred in the 1990s, however. In the context of restructuring, international agreements acquired a new *necessity*, and New Zealand's self-interest was subsumed beneath theoretical arguments for economic liberalisation. Agreements were signed on the assumption that free trade is both desirable and inevitable. For critics, external agreements became increasingly freighted with sinister connotations through the 1990s relating to the ability of external forces to affect New Zealand. The undemocratic process of the reforms led to a lack of trust and increasing concern at the secrecy with which these negotiations were being pursued. Parallel attempts to reposition New Zealand through macro-regional agreements, importantly including APEC, also became increasingly controversial. Opposition was expressed in New Zealand to the perceived threat posed by international agreements in terms of constraining the ability of the state to make domestic policy (Jesson, 1999; Kelsey, 1995, 2000a, 2002). This paralleled the violent 'anti-globalisation' protests occurring internationally, most explicitly at the WTO and APEC gatherings in the 1990s and 2000s, at Quebec, Seattle, Melbourne, and Genoa. This reinforces the impression that New Zealand's options were being constrained by an external force encapsulated in the notion of globalisation.

Macro-regional repositioning: APEC

New Zealand's long history of external positioning represents an uneasy balance between independence and compromise. New Zealand's anti-nuclear stance exemplifies the former, providing further evidence of New Zealand's willingness to trail-blaze (LBW syndrome). According to Dewes and Green (1999), possibly the world's first anti-nuclear lecture was delivered in Christchurch at the University of Canterbury in August 1945, a few days after the bombings of Hiroshima and Nagasaki.

Philosopher Karl Popper – then a lecturer at the university – addressed a packed auditorium with the words: 'When the first atomic bomb exploded, the world as we have known it came, I believe, to an end'. Ironically, this had been the academic home of New Zealander Lord Ernest Rutherford, who had been the first to split the atom and as late as 1938, had perhaps naively asserted that his discovery could not be used for destructive purposes (Dewes and Green, 1999: 9).

The first Hiroshima Day march took place in Christchurch in 1947, and in 1950 over 20,000 New Zealanders signed the Stockholm Peace Appeal, which collected 650 million signatures worldwide, calling for the absolute banning of the atomic weapon and the establishment of strict international control to enforce this ban (Dewes and Green, 1999: 9). The anti-nuclear theme was emphasised in 1958 by Nash, who asserted that "We stand for the suspension of nuclear tests, a complete ban on further production of nuclear weapons, and the destruction of existing stocks with facilities for inspection in all fields by agreement by the powers concerned" (NZPD vol. 318, 1958: 1744). In 1959, the Second Labour Government supported a UN resolution condemning nuclear tests, sought a nuclear test ban treaty, and helped develop the world's first nuclear weapon free zone in Antarctica (AJHR, 1960 A1; Dewes and Green, 1999: 10). Throughout the 1960s,

the National Government supported the US, but in the early 1970s under Labour, New Zealand took legal action against France at the World Court on behalf of Cook Islands, Tokelau and Niue as a demonstration of “our belief in the integrity of treaties and the rule of law” (Kirk, cited in Dewes and Green, 1999: 11). Encouraged by the Court’s order for France to cease nuclear testing in the Pacific, Kirk sent a frigate with a Cabinet Minister on board to Mururoa to mobilise world opinion to persuade France to comply with the court’s order. Kirk sent cables to leaders of 100 countries reiterating the importance of rule of law, especially in terms of security threats to small states (Dewes and Green, 1999: 11-15). Increasing public pressure condemning nuclear activity in the South Pacific finally culminated in 1987 in the *New Zealand Nuclear Free, Disarmament and Arms Control Act*. This powerful expression of independence infuriated the US and led to New Zealand’s expulsion from ANZUS (Dewes and Green, 1999).

New Zealand’s external alliances were also trade-related. In the late 1980s, with the US offside because of ANZUS and Britain’s use as an export destination circumscribed by the Common Agricultural Policy of the EU, tiny, externally-focused New Zealand required a new ally, and policy-makers in New Zealand accordingly began to turn to Asia. In this way, New Zealand’s actions reflect the macro-regional repositioning accelerating in the 1990s, labelled ‘triadization’ by Jessop (1999a).

If you look at the world as it stands at the moment, you see that America, Canada and South America are all forming themselves into a trading group. You see Europe, the EU is getting bigger and bigger – I predict that within 10 years Russia will be part of the EU. You say to yourself, what does this leave in the world, and it leaves you know, Taiwan, China, Vietnam, East Asia... all that part, and coming through Indonesia and the Philippines, and little old NZ and Australia at the bottom. And I firmly believe, again, that in 10 years, these countries may have forged themselves into an economic union. So there’ll be three big trading blocs in the world – the Americas, Europe, and Asia (Interview, GM of Ballantynes).

Rather than being left out in the cold, New Zealand consequently sought to reposition itself as part of what was becoming known as ‘Asia-Pacific’. This imagery represented a new discourse stemming from the government’s recognition of the potential of this connection, most blatantly expressed when in 1993 the Prime Minister, Jim Bolger, described himself as an Asian leader, and welcomed Japanese Prime Minister Miyazawa to “the farthest corner of Asia” (cited in the *Evening Post*, 1 October 2001). Such sentiments were echoed in the private sector.

No longer are we geographically isolated, competing with intransigent home farmers to supply contracting markets, but rather, we sit at the door step of the world’s largest population grouping which enjoys continuing GDP and trade growth (Apple Fields Annual Report, 1992: 7).

The juicy prospect of freer trade with a gigantic macro-regional market for a small agricultural exporter was emphasised by the General Manager of Ballantynes.

Where I think it’ll be of great advantage to New Zealand, is that because we’re so good at growing things, as the Asian market becomes more Western, they will want more of our produce. And I think we will gain, because Asia is really the manufacturing centre of the world now. All the ... a lot of the factories have closed down in America, Canada and Europe – a lot of European manufacturing is done in Eastern Europe, but most of the American manufacturing is done in Asia. And they’re high-tech, very good factories - low wage low labour cost. And we may find it

increasingly advantageous that we're in a trading group that has the best manufacturing at its core (Interview, GM of Ballantynes).

Of course, economic partnerships are one thing, whereas cultural and political ties are quite another. "That's if they'll have us as part of Asia – I don't think we've got our heads around how we would handle it" (Interview, General Manager Ballantynes). Bolger's optimistic notions proved unpalatable to the New Zealand public, unleashing a wave of anti-Asian sentiment. This is evident in the twelve per cent of the electorate that supported the anti-immigration MP Winston Peters and his New Zealand First party in the 2002 election. In terms of economic connections, New Zealand has however in recent years forged 'Closer Economic Partnerships' (the new terminology which represents a response to the bad press that 'Free Trade Agreements' have attracted) in recent years with Hong Kong and Singapore; as well as pursuing multilateral arrangements through APEC (Asia-Pacific Economic Cooperation).

The New Zealand government's embracing of APEC in the 1990s represented a further step in a long history of political repositioning, undermining the apparent novelty of recent macro-regional realignment.

For 35 years, New Zealand has been diversifying its relations from our former reliance on Britain. Australia, other European countries, North America and the Pacific were logical priorities. The next focus was on Asia and in this context, the Singapore CEP (Closer Economic Partnership), our CEP negotiations with Hong Kong and our participation in the AFTA/CER process are improving our profile in these markets. Until recently, however, little attention had been paid to the relatively untapped Latin American markets [leading to the 2000 suggestion that New Zealand pursue a CEP with Chile] (MFAT, 2003a: webpage).

In the 1960s, New Zealand and Australia's prosperity, high living standards and military involvement in Vietnam provided a stark contrast with the debt and political and economic instability of South-East Asia (Ravenhill, 1998: 283). Both countries were deeply suspicious of the 'yellow peril' represented by the threat of the 'domino effect'. During the 1970s, however, the relationship between the Australasian countries and Asia changed, in the context of the Vietnam War. Opposition to SEATO increased in New Zealand under the Third Labour Government, while in Australia, cooperation with Asia gradually developed, under the Hawke/Keating government of 1983 (Ravenhill, 1998: 271). As early as the 1970s, the declining importance of Britain in the Asia-Pacific region heightened the importance of new military and economic connections for Australia and New Zealand. By the end of the 1980s, Asia had become an important consideration in terms of trade and security, for both New Zealand and Australia.

In 1989, Australia sponsored a meeting of ministers from the Asia-Pacific region in Canberra, and APEC was established as an 'informal economic dialogue' to help coordinate views on trade and economic issues (Sum, 2001b: 12). APEC is a macro-regional grouping comprising countries

around the Pacific Rim²⁶. It could be viewed as the regional equivalent to NAFTA (the North America Free Trade Agreement), MERCOSUR and the EU (Blomström, Gliberman, and Kokko, 2000), although it includes several regional arrangements: the ASEAN Free Trade Area (AFTA), NAFTA, and the CER agreement between Australia and New Zealand (Parrenas, 1998: 234). APEC's 'triple policy pillars' include trade liberalisation, economic cooperation and trade facilitation (Burton, 1999). It serves both a political and economic function: countries join because integration promises certain economic benefits (Parrenas, 1998, Blomström et al, 2000).

APEC was a relatively low-key organisation until 1993, when Clinton's Under-Secretary of State for East Asian and Pacific Affairs, together with Bergsten (appointed by President Bush (senior) as Chairman of the APEC Eminent Persons Group), launched the idea of an Asia-Pacific free trade region. APEC was promoted from the ministerial level to a 'Leaders Meeting' involving the heads of state. Its leaders meet annually, providing the only institutionalised forum that brings together heads of government from the Pacific Rim countries (Ravenhill, 2000 : 320).

The notion of an APEC free trade region was supported by the IMF, World Bank and the WTO, and backed by multinational business and financial interests labelled by Wade and Veneroso (1998) the 'IMF-Treasury-Wall Street Complex'. Sum (2001b) depicts this as part of a process whereby the global hegemonic actor – the US – was seeking to regionalise the global neo-liberal 'regime of truth', packaged as the Washington Consensus, by 'docking on' to the Australian initiative of APEC (Sum, 2001b: 12). The increased hopes pinned on APEC reflected widespread frustration at the slow-moving Uruguay Round of the GATT on the liberalisation of services, and the threat presented by the rise of regionalism in Europe (EU) and the Americas (NAFTA). Thus at the 1993 Seattle Meeting, APEC became the forum to push for the implementation of the Uruguay Round so as to help facilitate global economic liberalisation. "APEC is, in essence, considering a whole new model of regional economic cooperation: a steady 'ratcheting-up' of trade liberalisation between the regional and global levels that would confirm its dedication to 'open regionalism'" (Bergsten, 1994: 218). By adopting the principle of 'Open Regionalism', which stresses that the liberalisation process must be undertaken on a most-favoured-nation (MFN) basis, APEC attempts not only to keep itself open to non-members within the WTO framework, but also to encourage the integration of the smaller regional arrangements into the global trading system (Parrenas, 1998: 234). Ambitious targets were established in the Bogor Declaration of 1994, setting the goal of free trade in the region by 2010 for developed and 2020 for less developed economies.

In many ways, APEC appears to represent a formidable political force, exemplifying all the threats of the negative connotations of globalisation. Its membership has expanded and it includes the three largest economies in the world: Japan, China and the US. With the inclusion of the

²⁶ APEC includes 6 ASEAN countries: Philippines, Thailand, Malaysia, Singapore, Brunei and Indonesia; 5 East Asian countries: Japan, China, South Korea, Taiwan, Hong Kong; 3 from Australasia: Australia, New Zealand, Papua New Guinea; 5 from the Americas: Canada, US, Mexico, Chile and Peru; as well as Russia and Vietnam (Sum, 2001b).

Russian Federation, APEC includes three of the five permanent members of the UN Security Council, and it collectively accounts for close to half of all world trade (Ravenhill, 2000). Hence in the early to mid-1990s, APEC became the target for 'anti-globalisation' criticism through its commitment to tariff reduction and freer trade. There are, however, clear limits on its effectiveness. Unlike the WTO process, with its demand of reciprocity, liberalisation under APEC is based on unilateralism. In practice, individual governments only respond where necessary, and not where politically inconvenient. The US, Hong Kong and Singapore, for example have tended to focus on trade liberalisation; Japan has focused on trade facilitation and has remained determined to avoid the 2010/2020 targets; and Malaysia has pressed for an Asian forum which would exclude the US and Australia. Unilateralism provides no certainty for foreign partners, makes assessment of comparability complicated and relies on peer pressure, and furthermore, the twenty-year time-lag minimises pressure on governments to act (Ravenhill, 2000: 322). Attempts by the US and Australia to gain commitments opening protected industry sectors to free trade, for example, foundered, when Japan refused to open fishing and forestry sectors. This stalemate was referred to the WTO in 1998, "merely re-affirm[ing] APEC's impotence" (Burton, 1999). The impotence of APEC in the face of the Asian Financial Crisis in 1998 further reduced its credibility. It has acquired various disparaging epithets, ranging from "four adjectives in search of a noun" (Kelsey, 1999) to "Ageing Politicians Enjoying Cocktails" (Burton, 1999), and, even more disdainfully, "A Perfect Excuse to Chat" (Ravenhill, 1998: 320). (Ravenhill does point out, however, that even chatting between the leaders of the region is no mean feat, given the international composition of APEC.)

It is also difficult under the unilateral approach for APEC to demonstrate that it has 'added value', even for its supporters. "It can be credited with *all* the liberalising actions that member economies have undertaken since its formation – or none at all" (Ravenhill, 2000: 322). Some economies have liberalised for reasons that have little to do with APEC, such as China, through its desire to join the WTO; and Chile, because it wants to join the North American Free Trade Agreement (NAFTA). "Besides these two, only a couple of APEC's smaller economies – New Zealand and the Philippines - have lowered tariffs substantially beyond their Uruguay Round commitments" (Ravenhill, 2000: 323). That New Zealand is one should come as no surprise. New Zealand embraced APEC assiduously, once again in the hope that this would provide the key to circumventing the agricultural protectionism of other countries. APEC thus provided New Zealand with a further opportunity to trail-blaze, with policy-makers of the National Government in the mid-1990s going further than anybody else (other than the Philippines) in its commitments (Ravenhill, 2000: 323).

APEC continues to provide a forum for continued trade liberalisation. At the APEC Leaders' Meeting in Brunei in 2000, the possibility of a 'Pacific Three' or P3 negotiation involving New Zealand, Chile and Singapore was raised, and endorsed at the APEC gathering at Shanghai in 2002 (MFAT, 2003a). Also in 2002, APEC leaders gathered at the Economic Leaders' Meeting in Los Cabos, Mexico "to strengthen economic growth by implementing the APEC

vision of free, open and prosperous economies” (APEC, 2002: 1). The Leaders’ Declaration committed APEC to contributing to the Doha Development Agenda (established at the WTO meeting in Doha in 2002) to encourage all economies to pursue substantive negotiations in all areas of the Agenda by the deadline of 1 January 2005 (ibid). In this way, APEC is an important vehicle assisting the achievement of WTO targets. While its commitments are not binding, it provides a forum for discussion which influences the rhetorical climate in which future options are debated, and encourages further economic liberalisation rather than widening the range of options considered.

While as a macro-regional force, APEC leaves much to be desired, in New Zealand its implications are significant. Kelsey (1999: 279) argues that while it is relatively impotent as a means of formally embedding neo-liberalism, APEC is symbolically important, confirming New Zealand’s economic orthodoxy. Kelsey (2000b) also notes that APEC’s non-institutionalised, informal process means that there is no need for governments to secure formal negotiating mandates (Kelsey, 1999: 281). Of course, this is the case with New Zealand’s foreign relations in general, which are conducted under the prerogative of the government, and not exclusive to APEC. This point draws attention however to an interesting constitutional question over the ability of the Executive to bind the New Zealand state to a future course of action:

The definitive expression of public policy is the function of Parliament, speaking through its statutes and in its grant of supply. The application of such policy is the responsibility of the Ministers who have the confidence of the House so as to be able to secure supply. They must not infringe the law pronounced by the Judiciary... Where Parliament has not spoken the management of public affairs cannot be permitted to fall into a vacuum. Provided it can secure supply and provided further it does not infringe any law of Parliament or the judge-made common law, the Executive may continue to act – as in the preparation of policy to invite Parliament to pass legislation or to grant supply. The limits of authority are to be found in the law, which includes the Public Finance Act 1989 and the Constitution Act 1986... In the absence of inconsistent law there is no impediment to the formation and execution of policy by the New Zealand Executive which is answerable for it both to Parliament and in due course to the electorate (W.D. Baragwanath, 2002: 20).

Of course, by the time ‘due course’ has elapsed and the electorate has answered, it is too late to revoke the decisions made.

APEC also opened further possibilities for New Zealand with the announcement of the Singapore-New Zealand free trade initiative at the APEC conference in 1999. APEC has thus provided a forum for the development of a much bigger prospect: a free trade area encompassing the ten nation Association of South East Asian Nations (ASEAN) and the New Zealand-Australia free trade area (James, 1999). In this way, APEC has added to the WTO impetus toward the liberalisation of world trade (Mandow, 1999). Changes brought about through APEC also contribute to the discourse of hyperglobalism, further promoting the sense that globalisation is unavoidable and unstoppable. This masks the fact that New Zealand’s commitments to tariff reduction were *voluntarily* made, well before any other nation has gone anywhere near as far,

rather than being *required* by APEC. Having made the commitments, however, New Zealand is compelled to honour them.

Despite the apparently social democratic inclinations of the present New Zealand Government, it retains commitment to the pursuit of economic liberalisation under the auspices of APEC and the WTO, influenced by the rhetorical climate in these international forums. Statements made by Clark reveal the operation of the discourse of hyperglobalism, evident in her apparently naïve faith the ability of increasing ‘free trade’ to benefit New Zealand, uncritically accepting globalisation as a ‘fact of life’.

Labour as a party accepts globalisation. It’s not only inevitable, but it has a lot of desirable features. However if it’s going to work for everyone, you’d have to strike that balance between market and the needs of society and that’s really the balance of the two APEC objectives – free trade on one hand but economic development on the other to spread the rewards (Clark expects..., 2000: 2).

Of course, social democracy has historically involved compromises with capitalism, and APEC could be seen as representing the contemporary equivalent of past compromises, in seeking to promote trade and development. Clark’s comments reveal, however, the operation of the discourse of hyperglobalism. This matters, because the Prime Minister is an important influence in the policy climate in New Zealand, affecting decisions that are made which commit the country to certain courses of action. Framing the decision process within a context of inevitability, novelty and globality narrows the options considered and discourages wide-ranging debate over alternative futures for New Zealand.

Global repositioning: GATT and the WTO

The current Labour Government has distanced itself from the ‘pure market’ approach of the previous National Government and is attempting to re-ignite and expand the debate over New Zealand’s options. Yet in crucially important ways it is *unable* to act in New Zealand’s interests, because of decisions made by the previous administration, as emerges when recent commitments to global forums are considered. It is important, however, not to reduce this to simplistic conclusions as to the effects of globalisation.

When Parliament gathered after the 1999 election, the Speech from the Throne confirmed that the new government would take a firm line in international forums in support of the country’s trading interests. This was endorsed in 2001 by Prime Minister Helen Clark, who stated that “New Zealand could not accept that improved access for agricultural products would not be part of any new world trade negotiations” (cited in Edlin, 2001c: 12), echoing Nordmeyer four decades earlier. In an interview in March 2003, Clark emphasised New Zealand’s (or rather, Labour’s) long support of the multilateral approach of the UN, invoking the comments of former Prime Minister Fraser of the First Labour Government on the advantages of such forums for small nations (Clark, *Sunday*, TV1, 7.00 pm, 2 March 2003). In this respect, the stance of Clark’s government is clearly different to that of the previous administration, for it emphasises the need

for ongoing international negotiation, rather than simply the unilateral removal of barriers to trade.

My analysis reveals that two tactics have been regularly employed by policy-makers in the attempt to secure favourable conditions for New Zealand, given the inevitability of its external interdependence since 1935. This 'jockeying for position' to augment New Zealand's external prospects demonstrates an external focus far removed from the insulation suggested by Fortress imagery. First, policy-makers have sought to align New Zealand with larger and more powerful nations, including Britain, the US and Australia. Secondly, New Zealand has committed to a range of multilateral international institutions since the 1930s. These include the UN, ILO, GATT, SEATO, IMF, ANZUS, the International Criminal Court, and the WTO; and unilateral agreements with a range of countries, including NAFTA (referring this time to the New Zealand and Australia Free Trade Agreement signed in 1966) and CER (Closer Economic Relations) with Australia. Signed by Muldoon prior to the restructuring, CER began liberalisation and complete free trade in goods was achieved in 1990, while the CER Services Protocol of 1988 established free trade in most services (NZYB, 2002: 66). New Zealand has also sought to secure new markets for its own goods through bilateral treaties stemming back to the 1930s. By the 1990s, New Zealand had commercial treaties, conventions and arrangements with nineteen non-Commonwealth countries, including China, Iran and Iraq (Robinson, 1993: 22).

The GATT and its successor, the WTO, provide an insight into the changing role of New Zealand's state over the past twenty years. Like the World Bank and IMF, the origins of the GATT extend back to the Bretton Woods Agreement of 1945. New Zealand signed the GATT in 1948, with policy-makers viewing it as one of the few mitigating devices available to help a small, agricultural economy weather the volatility of international trade, particularly as the agricultural commodities in which New Zealand specialises are precisely those most subject to protection by other countries. For Nordmeyer in 1959, the GATT represented an important tool for New Zealand. As "thirty per cent of national income comes from exports, New Zealand is thus very sensitive to world economic conditions. We are especially vulnerable because we depend on a narrow range of goods" (AJHR B6, 1959: 4).

New Zealand argues that there is no justification for industrialised countries to continue that protection of agriculture because this causes a deteriorating balance of payments problem in agricultural exporting countries and leads to industrial product protection (Nordmeyer, AJHR 1958 B6: 20).

The GATT was a multilateral agreement aimed at liberalising world trade and placing it on a secure basis, thereby contributing to economic growth and development. Under the stimulus of GATT, world trade increased tenfold. By 1993, the GATT had 105 signatories and governed four fifths of world trade (Robinson, 1993). For fifty years, New Zealand policy-makers adhered to the GATT, in the hope that this would improve New Zealand's export prospects by limiting the agricultural protectionism indulged in by other countries. Successive administrations from the

1950s expressed frustration at the way in which the prospects for New Zealand's export commodities were thwarted by other countries' protectionism.

Even if we achieve a substantial diversification of our economy, we will remain dependent in a large measure on earnings from agricultural exports... For this reason, we must make every effort to enlarge and diversify markets for our exports and to persuade other countries to moderate their policies of agricultural protectionism (Nordmeyer, AJHR B6 1960).

Every round of GATT negotiations brought fresh hopes for improvement in New Zealand's access to protected markets, but each brought frustration, as emerges in annual reports and Budget Statements from the 1960s, 1970s and 1980s and more recently.

New Zealand farmers are the lowest cost producers of dairy products in the world, and do not benefit from any subsidies. All our competitors have traditionally subsidised their farmers and it is only recently that the true cost of these subsidies is being recognised. Under GATT, these will be phased out... New Zealand stands to gain a price increase of 70 per cent on dairy after GATT liberalisation, according to US Dept of Agriculture figures (Apple Fields Annual Reports, 1991: 4; 1992: 12).

High hopes were pinned on the Uruguay Round, launched in 1986, for reducing agricultural protectionism. While agricultural liberalisation again failed to materialise, an important development occurred at the end of the Round in 1994 with the formation of the World Trade Organisation (WTO). Under the original Bretton Woods agreements of 1944, plans had been made for an International Trade Organisation but this never eventuated. The GATT remained the only international instrument establishing rules for international trade until the end of the Uruguay Round. New Zealand's National Government signed the Marrakesh Agreement, which established the World Trade Organisation (otherwise known as the WTO Agreement) in April 1994, and this came into force on 1 January 1995 (MFAT, 2003a, 2003b, 2003d; Small, 1998). In this way, the WTO now administers both the GATT and other multilateral agreements, including the GATS (discussed below).

The WTO is an organisation with 144 member countries that deals with international trade rules. "Its main function is to ensure international trade flows as smoothly, freely and predictably as possible, as long as there are no undesirable side-effects" (MFAT, 2003b). Successive New Zealand governments since 1984 have remained firmly convinced of the theoretical benefits of free trade and supported the WTO assiduously (to the extent of providing it with a Director-General, Mike Moore, who held the post from 1999 to 2002). The arguments mustered to justify joining the WTO echo those of earlier New Zealand policy-makers in the post-war era.

New Zealand benefits from clear trade rules that are applicable to all. Without the multilateral forum of the WTO, New Zealand would have to negotiate trade agreements with every single country we wanted to trade with... Without the WTO, New Zealand would be disadvantaged making deals with larger economies. With the weight of 143 countries behind us, New Zealand can make more ambitious demands of larger countries (MFAT, 2003b).

While international economic arrangements and trade treaties are nothing new, the multilateral agreements facilitated under the auspices of the WTO go far beyond any past commitments made

by New Zealand governments. Whereas the GATT prior to 1994 had dealt with trade in goods, the WTO is much broader, and its agreements now cover trade in services and intellectual property (MFAT, 2003b). Further, unlike its toothless predecessor, and the voluntary targets of the APEC process, commitments made through the WTO are binding. Since 1995, New Zealand's governments have ceded considerable sovereignty to international multilateral processes through the WTO, restricting the choices available to the New Zealand state in future.

Such restrictions on the autonomy of the New Zealand state are frequently interpreted as evidence of globalisation (Kelsey, 1999, 2002, 2003; Rosenberg, 2001b). This impression is reinforced by an important strand in the globalisation debate on the rescaling of power (Jessop, 1999a) and consequent decline of national sovereignty (Castells, 1997; Cox, 1997; Ohmae, 1995; Quiggin, 1998; Wade, 1996; Weiss, 1998; Woods, 2000). Yet viewing the challenges to sovereignty that the WTO has entailed as manifestations of globalisation disguises the chain of events that brought them into being. It was not globalisation but the National Government from 1990 to 1999 that committed New Zealand to particular courses of action that went a considerable way toward reducing the autonomy of the New Zealand state to determine domestic policy. Commitments made, however, bind New Zealand's future actions, as is clearly evident in the case of the GATS (the General Agreement on Trade in Services).

The General Agreement on Trade in Services (GATS)

The GATS constitutes Annex 1B of the Marrakesh Agreement of the WTO. It is binding on all Members of the WTO, and thus to withdraw from the GATS, it would be necessary to withdraw from the WTO Agreement itself (Small, 1998: 3). The GATS is a very complex Agreement, but of particular importance its leading provision, relating to Article II on most-favoured-nation treatment, which means that with respect to any measure covered by the Agreement, each WTO Member "shall accord immediately and unconditionally to services and service suppliers of any other member treatment no less favourable than it accords to like services and service suppliers of any other country" (WTO, 2003: www.wto.org). Like other countries party to the GATS, New Zealand attached a national Schedule setting out selected service sectors. This does not *require* countries to give unlimited access in that sector to the services of other countries, but determines to what extent, and with what limitations, the country will allow foreign services into its market. Once fixed, the Schedule binds the scheduling country and cannot be altered (Small, 1998).

The GATS covers a broad range of sectors. One sector in particular was repeatedly referred to in interviews that I conducted with influential figures in the cultural sector and the media (including the Chief Executives of the New Zealand Film Commission, the Screen Producers and Directors Association of New Zealand, Radio New Zealand, and the New Zealand Film Festival). It was also referred to by Laidlaw, an ex-All Black, Rhodes Scholar, ex-diplomat, ex-parliamentarian, broadcaster and Wellington Regional Councillor. Each of these people is closely associated with New Zealand's film and broadcasting industries, mostly in the public sector, and each expressed

concern at the implications of the GATS for New Zealand's cultural sector because of the commitments made by the National Government regarding audio-visual services.

One thing the Australians have always done, much more than us, by which I mean the Australian Film Commission, is they have focused heavily on international trade and services agreements and protocols. And they think about them very hard. So in the last GATS, the general agreement on trade and services, there was a protocol about... audiovisual trade. The idea of it, from the Americans' point of view, was to get a free trade agreement, meaning no protectionism. And nobody in the world has signed this except New Zealand (Interview, CEO, Film Commission).

The Chief Executive of the Film Commission referred me to the Chief Executive of the Screen Producers and Directors Association of New Zealand (SPADA), who has an active interest in the issue of cultural exceptions to international trade agreements. The Screen Producers and Directors Association has prepared several papers on the question of a local content quota for New Zealand broadcasters. The Chief Executive of SPADA provided me with a copy of a report obtained under the *Official Information Act* which outlined the extreme constraints that GATS has imposed upon the New Zealand government to make domestic policy. Hamstrung by the consequences of decisions made by the 1990 National Government, the present government is *prohibited* from implementing such a quota.

The Audio-visual Services section of the New Zealand Schedule to the GATS reveals that the New Zealand Government in 1995 *elected* to attach no limitations to market access. Limitations as to national treatment were restricted to a proviso ensuring that six per cent of the budget of the Broadcasting Commission would be devoted to Maori programming, and permitting government assistance through the New Zealand Film Commission, which is limited to New Zealand films. "New Zealand has therefore bound itself to imposing no limitations on market access in terms of Cross-border supply into New Zealand, Consumption abroad, and Commercial presence in New Zealand" (Small, 1998: 5, emphasis in original). Having thus committed itself to according full market access to all foreign countries members of the GATS, New Zealand is prevented from imposing limitations on the total number of service operations or total quantity of service output, such as restrictions on broadcasting time available for foreign films or films produced by foreign service providers in New Zealand.

It is therefore to be concluded that the introduction of a local content quota on New Zealand television (on the lines, say of the Australian Content Standard used across the Tasman) would be contrary to New Zealand's obligations under Article XVI.1(c) of the GATS... It would follow that the New Zealand Government could have avoided the conclusion reached... if it had included a reservation as to some form of quota system... That option was not taken, however (Small, 1998: 7).

The GATS does provide, in Article XXI, a mechanism by which after three years have elapsed, any specific commitment in its Schedule may be modified or withdrawn. There is however a sizeable drawback: any intention to modify the Schedule must be notified, and is subject to negotiations upon the request of any country affected by the changes.

Furthermore, such negotiations must in the phraseology of Article XXI be: 'with a view to reaching agreement on any necessary compensatory adjustment'. Such adjustment must also be

made available 'on a most-favoured-nation basis', ie. to all WTO members (Small, 1998: 15, emphasis in original).

If agreement is not reached, arbitration can be requested, the results of which are binding. If the country seeking to modify its schedule implements its proposed modification, any affected country may take retaliatory action by withdrawing substantially equivalent benefits. Small (1998: 16) concluded:

It can be assumed with some certainty that, as countries such as the US maintain a constant watch on the treatment of Audio-visual services, New Zealand would face inevitable challenge in terms of the rigorous procedure described above, if we moved to alter our present GATS commitments so as to validate the establishment of a local content quota or equivalent system. The dilemma then would be to devise any 'compensatory adjustment'. In the realm of services, New Zealand has already yielded up, in its existing GATS Schedule sectors as to services, probably all it can offer: the cupboard seems bare (Small, 1998: 16).

Thus unlike most other countries, New Zealand has nothing left to bargain with in terms of trading local content quota for concessions on other types of services. The fear that the sovereignty of the New Zealand state is being challenged by international agreements that limit the ability of the state to make domestic policy is thus well-founded in the case of New Zealand, because of the extent of commitments made in the 1990s. The increasing power of international institutions such as the GATS are frequently analysed in terms of 'globalisation', but this is highly misleading, for it rather reflects the penchant of New Zealand governments for trail-blazing, and the particular naïveté of the reformers of the 1980s and 1990s, who forged ahead, regardless both of domestic consequences and what New Zealand's trading partners were doing.

At the time of its election in 1999, the Labour Government promised to introduce a local content quota for television. Nothing happened until August 2002, when Steve Maharey became Minister for Broadcasting, taking over from Marian Hobbs. Maharey entered his new portfolio promising action on the question of a local content quota (Cleave, 2002) which he expressed as an important priority (Interview, Morning Report, National Radio 22 November 2002). At this time, he made no mention of the constraints on the government in achieving this objective. The difficulties surfaced, however, in a follow-up report two weeks later, which reinforced the GATS prohibition on legislating a local content quota (Morning Report, 5 December 2002). In this way, the virtually unconditional commitments made by prior New Zealand governments restrict the options of the New Zealand state, limiting the possibilities of retraction.

The 1995 GATS agreement included a commitment to ongoing negotiations over further liberalisation of services within five years, and a new round of talks began in 2000. This established deadlines: December 2002, when each country would list their demands; and March 2003, when Members of the GATS would specify in return further services that they were prepared to liberalise (Fallow, 2003; Kelsey, 2003). This process was conducted, however, with a signal lack of transparency, and towards the end of 2002, concerns over the New Zealand government's actions over the GATS began to gather momentum. Stringent opposition to further

commitments was expressed by the lobby group ARENA (the Action Research and Education Network of Aotearoa New Zealand, of which Kelsey and Rosenberg, vocal critics of the way New Zealand has handled the GATS, are members), and by the Green Party. These groups were also highly critical of the lack of public debate over the GATS in general and the forthcoming deadline in particular (Donald, 2003a; Kelsey, 2003, Rosenberg, 2003).

In late 2002, the EU's list of demands was 'leaked' to the public action website Polaris, which in 1998 had exposed to public debate the Multilateral Agreement on Investment (Donald, 2003a; Kelsey, 2003). According to Kelsey, a long-time critic of New Zealand's neo-liberal restructuring, the request from the EU to twenty-four countries including New Zealand included the removal of all vetting of overseas investment, and the removal of any right to local purchases of future privatisations. ARENA consequently lobbied the government, demanding that the negotiations and proposed commitments should be exposed to public debate prior to the deadline of 31 March 2003. Subsequently, the government made public the requests that New Zealand faced and released a discussion document in February 2003. This left less than two months for consultations and decisions – not nearly enough time to consider the ramifications, according to Council of Trade Unions secretary Paul Goulter (cited in Fallow, 2003).

Concerned at the implications of the GATS aim of progressively increasing the level of liberalisation in the service sector, the Christchurch City Council strongly urged the government not to sign away the rights of local councils to decide on how essential services are provided. Services covered by the GATS include water and sewerage, waste management, zoning regulations, and library and other community services such as childcare. Alister James, the Christchurch City Council finance committee chairman, said that while the government could limit the amount of access overseas providers have, all limits and exceptions must be set when a country initially offers a sector. After that, establishing new limits involves compensating all countries which have a right to enter the market, which is almost impossible (James, in Council urges..., 2002: A7). The council also urged the government to re-examine the effects of WTO agreements already implemented.

Trade Minister Jim Sutton emphasised the “essentially conditional and revocable” character of the offers to be tabled on 31 March 2003 (cited in Fallow, 2003), failing to mention that WTO agreements are binding, and indeed that without this provision they would achieve little. Sutton endorsed the government's general assurances that no public services would be jeopardised and that no more deregulation would occur, even if current levels could be 'locked in' (Fallow, 2003; Kelsey, 2003). This of course is not reassuring, given the problems evident in New Zealand's existing levels of deregulation, manifest in the ongoing problems in the electricity industry, the railways and Air New Zealand, where privatisation has failed, leading to re-nationalisation.

Heedless of these issues, the New Zealand Government signed the extension of the GATS agreement on 31 March 2003 – one of only five countries (including the US, Japan, Australia and

Canada) to meet the deadline (Cookson, 2003). The implications remain unclear. Kelsey (2003) attributes the Government's determination to meet the March 2003 deadline to a concurrent GATT deadline in which rules were being tabled on the further liberalisation of goods, and in particular, agriculture. Consequently, according to Kelsey, the Government committed New Zealand's services to further liberalisation under the 31 March 2003 in the hope that other countries would do the same in terms of agriculture (Kelsey, 2003). Once again, other countries failed to meet the deadline.

For Kelsey (2003) and Rosenberg (2003), this further commitment represents extreme foolhardiness, given the insufficient consideration of the implications of the commitments already made, let alone those of the *new* commitments. Kelsey draws attention to the lack of analysis on the effects of GATS thus far. The fact that the government appeared ignorant of the restrictions on its ability to implement a local content quota reinforces this concern. Indeed, there is a conspicuous lack of readily available information on the effects of GATS: I have been unable to unearth *any* serious analysis of its consequences.

The lack of public debate over GATS is further cause for concern for Kelsey and Rosenberg and the Green Party. "We should not have to rely on the European Commission demands being posted on the Polaris website" (Donald, 2003a: 1). Several of my interviewees also criticised the secrecy with which the GATS negotiations proceeded, for like the other WTO Agreements, GATS was signed with little publicity and no public debate over its merits and drawbacks.

I was at New Zealand on Air at the time, you see, and we were never involved much, because we were an agency not a policy organisation. And certainly, in the early 90s, the public sector was very strictly divided into the thinkers and the doers. The policy people and the people who carried out the policies. And they hardly spoke to each other, and had considerable disregard for each other most of the time. So I vaguely remember at New Zealand on Air getting something through that was checking the level of Maori programming that we funded at the time... Because statutorily, we had to provide six percent of the license fee money, and in fact we were delivering about twelve... And that's all I remember about GATS ... then it was just signed off. And I'm sure that people in officialdom knew quite a lot about it, but I don't remember any public information or fuss about it (Interview, CEO, Screen Producers and Directors Association).

This lack of public debate over the GATS was also noted by the Chief Executive of the Screen Producers and Directors Association who contrasted this against the hue and cry that surrounded the Multilateral Agreement on Investment in 1998, *after* it was exposed on the Polaris website. The Multilateral Agreement on Investment raised international fears and provided the focus for an extremely effective 'anti-globalisation' protest, that eventually resulted in its being shelved.

A couple of years later, courtesy of Pam Corkery and the Alliance, there was a huge ruckus about what they called the MAI, the Multilateral Agreement on Investment. And I remember talking to her, and she was going you've got to think about this, this is really important. I was going Oh god, no, its wet, damp Alliance stuff, not my patch... I was still thinking of it as damp but I did some digging and had a bit of a think, and thought my god! This is extraordinary because if the MAI had been signed, ... it would be disastrous. And fortunately it fell over, because a whole bunch of other countries found it far too hard. But that would have wiped out all cultural issues. And it fell away. So that internationally, the WTO has started thinking a bit more about bilaterals

and smaller multilaterals, not the kind of global notion that MAI was... Joe Blow on the street still doesn't understand much, and I don't profess to either, but you could say that there were some hard line officials and trade people, and foreign affairs people pushing this line, which would have been disastrous (Interview, CEO, Screen Producers and Directors Association).

While it is possible to dismiss Kelsey's concerns as ideologically informed protectionist activism, her criticisms as to the lack of transparency are well-founded, for it is almost impossible to develop a balanced view given the secrecy that surrounds the process. The website of the Ministry of Foreign Affairs and Trade (www.mfat.govt.nz) provides links to 'services' and the GATS, but the information provided is conspicuously short on detail. In April 2003, I could find no detailed description of the way New Zealand's negotiations have proceeded, nor precisely what it is that the 31 March 2003 extension to the GATS actually constitutes. Indeed, it is impossible to determine from the website whether New Zealand signed at all, and if so, *what* it signed. The website provides a list of benefits of the GATS (MFAT, 2003c): equality, consensus, liberalisation, flexibility, transparency (between WTO members, apparently, rather than between the governments and citizens), technology transfer, support and dispute resolution. No links are provided to any detailed analysis undertaken in New Zealand of the effects of the GATS agreement thus far. The only attempt to refute the criticisms of GATS is a heading entitled 'some misperceptions about the GATS', which of course implies that there are *no* drawbacks, only 'misperceptions'. Furthermore, this turns out to be a hyperlink to a document entitled 'GATS – Fact and Fiction' posted upon the WTO website (www.wto.org), rather than a New Zealand-specific analysis of possible effects of GATS (either positive or negative). The vested interest of the WTO in promoting the GATS goes without saying. It is thus extremely difficult to either confirm or deny Kelsey's criticisms. The lack of transparency, negligible public debate, and the apparent dearth of readily available official analysis of the effects of GATS are, however, indisputable, and it appears that MFAT has abdicated its policy advice responsibilities. The signal lack of democratic process in the development of these international trade policies, in conjunction with widespread evidence of the discourse of hyperglobalism, raises grave concerns that the broader possible ramifications of the commitments have been inadequately considered.

Globalisation and the state: interpretations

The dominant perspective evident in official sources in New Zealand is, therefore, that the wholehearted liberalisation of the economy is necessary and inevitable. Furthermore, it is presented as *positive*.

New Zealand already has one of the most open markets in the world. Getting there has had an overwhelmingly positive effect on the economy – improving the choice, price and quality of goods available, including those made here. Alongside this, the value of New Zealand's exports of advanced manufactured goods increased substantially during the nineties, from \$2.9 billion in 1990 to \$8.2 billion in 2001 (Statistics New Zealand, cited in MFAT, 2003c).

This suggests an implicit acceptance that the state must facilitate this process: that it has a role in *further reducing* its role, possibly reflecting a contradiction between the discourse of officials, and that of the government itself. My interviewees concurred that some degree of change in New

Zealand's style of government management was inevitable in 1984, emphasising the unsustainability of the previous regime in New Zealand, in the context of the cumulative economic downturn of the late 1970s and early 1980s which culminated in the foreign exchanges crisis of 1984. Muldoon's attempts to control inflation through the wage/price/rent freeze from 1982 to 1984 were depicted as evidence of the unsustainability of his style of management. Whilst accepting the need for change, without exception, however, my interviewees and several other sources were intensely critical of the *way that change proceeded*, indicting the style and the pace of the reforms, and the naïveté of New Zealand governments in the 1980s and 1990s in going further and faster than anybody else in the world, with no external compulsion.

New Zealand is one of the few countries... which more or less voluntarily adopted the kind of regime that has often been forced on the Third World. It is one of the reasons why it is the Third World. The consequences have turned out as they usually have in the past. That is, while a small minority has prospered, most of the people have suffered. The wealthy preach the free market to the poor and require them to practise it; they rarely, however, practice it themselves (Hubbard, 1998: C5, quoting Chomsky).

The Project Manager at the Christian World Service, the international aid and development arm of the Conference of Churches of Aotearoa New Zealand, reinforced the peculiarity of New Zealand's voluntary, wholehearted adoption of neo-liberalism.

[In Sri Lanka in the 1980s,] they were also into a privatisation process, and they were calling it a 'peopleisation process'. And it was so cynical, and it was seen as so cynical. So the people were going to own the buses. And a taxi driver said to me one night, see all those people standing there, they're waiting for a bus but it probably won't come. He said, the buses were privatised, and one person would get up the money to buy a bus, and put the bus on the road, so he would just run his bus forever, and when he ran it into the ground there was no bus. So people just ... that's the ultimate of the privatisation process, so they couldn't understand why anybody would do this voluntarily (Interview, Project Manager, Christian World Service).

A repeated theme amongst my interviewees was intense criticism of the enthusiastic 'trading naked' approach of New Zealand governments since 1984 because of its ideological extremity, echoing the criticism of the present Labour Government but going still further. They did not imply that rampant protectionism is a better proposition, but rather suggested that a path can be picked between the poles of the 'free market' and the 'fortress'. The black-and-white imposition of deregulation and liberalisation were approached was unanimously depicted as profoundly unworldly. This policy is attributed by my interviewees to the determination of New Zealand policy-makers to trail-blaze, providing further evidence of LBW syndrome.

This determination to go faster and more comprehensively than anybody else... It's completely nutty. Like, there was no culture to lose. New Zealand has charged down this route most unwisely. And that's why... that's one of the reasons why we can't have a quota in New Zealand, because we've signed this agreement which says we won't (Interview, CEO, New Zealand Film Commission).

It's the 'we'll be right, mate' approach. I mean, we refer to it, I think even in the quota paper, as taking off our clothes and standing in the middle of the road naked, waiting for everyone else to do the same thing. That's how it feels... The exception that was put into our GATS undertakings in 1994, ... only America and New Zealand signed that particular part of it. Which is just

outrageous. Outrageous. And ... New Zealand was trying to beat the world, trying to teach the world how to operate, and frankly, I think we got steamrolled (Interview, CEO, SPADA).

I mean, the saddest thing is we thought that if we led the way, by deregulating, by having no tariffs, all that sort of thing, that the world would be so amazed that they'd fall in behind. And of course they never did. It was brought home most noticeably, I think, a couple of years ago, when Clinton wouldn't allow New Zealand, which must be nought point one percent of American imports, wouldn't allow us in because of American farmers, and we thought, we've had our chest bared for years (CEO, Radio New Zealand).

Most sympathetic to the reformers was the Chief Executive of the Canterbury Employers' Chamber of Commerce, an organisation committed to economic liberalism, but his comments nevertheless reinforced the theme.

In the 80s when New Zealand went through its macroeconomic reform, everyone internationally said wow, you know, we've become the most competitive country, we were the most open economy in the world wow, what a brave little country! And it was, it was a hugely brave step. **We didn't do it that well**, but it was certainly brave (Interview, CEO CECC, emphasis added).

Evidence that New Zealand's approach was naïve emerges in the way in which the reformers assumed that if New Zealand went ahead and liberalised, its trading partners would do likewise – the necessary precondition for theoretical trade liberalisation to work. This, however, has not occurred. For instance, unlike New Zealand, Australia reserved the right to limit trade access for audio-visual services under its WTO agreements. Pointing out that WTO agreements including GATS view Australia's system of subsidy and regulation as a trade barrier, the Chief Executive of the Australian Film Commission in 2002 reinforced their importance to Australian culture and identity.

Australian film and television... would not be made without government intervention. The size of our domestic market is simply not large enough to sustain a production industry of even the modest size we currently cherish. If subject only to commercial considerations, many local cultural industries would be replaced by those from countries with greater financial muscle... For us, it is a stark choice: public support or no industry at all (Dalton, Australian Film Commission, 2002: 2).

The same stark choice faced New Zealand policy-makers, but the opposite conclusions were reached. France provides a further contrast with New Zealand's approach, offering further evidence of the very different ways in which countries have responded to recent changes in the architecture of international governance. This further emphasises the differential experiences of different localities that are masked if changes are understood as globalisation.

France, more clearly and decisively than perhaps any other western country, has understood the full implications of the forced march toward globalisation [previously defined in this context as synonymous with Americanisation]. It has staked out a particularly defiant position, as much for domestic social reasons as for any wider trade or other strategic considerations. At the heart of this motivation is the integrity of French culture. When the Americans announced such domestic cultural bastions as radio and television services should be opened up to full competition, all hell broke loose. France, like a variety of other countries, has formal quotas in respect of local content. These are strictly enforced and are regarded as an essential bulwark against the vast American music studios (Laidlaw, 2000: 6).

The French government established a tax on every ticket sold at every movie theatre, providing a funding base used to subsidise the making of French films. Without this, the industry would have foundered. “To anyone who questions the fairness of all this under WTO rules, the French simply shrug and tell them, with varying levels of politeness, to look elsewhere for soft targets. When it comes to cultural identity some things simply aren’t negotiable” (Laidlaw, 2000: 6).

GATS has significance and implications stretching far beyond the audio-visual. The widely differing approaches taken by countries illustrates that alternative ways of approaching international agreements are possible. It is thus hardly surprising that the same historical factors should continue to condition the ongoing agricultural protectionism of New Zealand’s trading partners, reflecting the fact that protectionism is profoundly political and cultural, and will not (as New Zealand policy-makers assumed) simply be removed in recognition of the theoretical economic advantages.

Protectionism... is highly cultural. Support for the countryside. It is ‘we need to pay these people to stay on the farms, small farms, so we don’t have gross monoculture spreading across the landscape, it all looks the same’. The way you put it in is by subsidising... apparently tourism in the UK is five times bigger than agriculture. So I don’t know what it is in France, but if tourism is so big compared with agriculture, the way the people from the towns feel when they go to the country is quite important. So a bit of subsidies to the farmers to make it look pretty isn’t a bad deal (Interview, CEO, CMA).

There is a clear economic argument in favour of ‘going first’ relating to the ability to capitalise on first-mover advantages in terms of agricultural protection, *if other nations follow*. New Zealand farmers, shorn of any protection, operate in *the* most competitive environment in the world, and if agricultural protection were removed, they would stand to gain. The assumption that other countries would necessarily follow the lead fails to recognise that agricultural protection in particular is as much a cultural and political issue as it is economic.

The most important factor (and the least cited) [accounting for agricultural protectionism], however, may be psychological... The Japanese [for example] cherish their agriculture and are prepared to pay for it (*The Economist*, ‘Patches of Light’, 2001c: 73).

In America and Europe, for example, well-organised and effective farm lobby groups apply pressure to governments to keep protectionist measures in place (Gaynor, 2002). This makes it immensely unlikely that agricultural protection will be removed, despite ongoing lobbying from organisations such as the Cairns Group, an association of agriculturally-exporting countries in the Americas and Oceania, including New Zealand, which wants to abolish such safeguard measures such as anti-dumping legislation entirely. “But Europe and Japan insist on their continued existence” (*The Economist*, ‘Patches of Light’, 2001c: 75).

New Zealand policy-makers continue to pin their hopes on WTO trade liberalisation measures to improve the situation for New Zealand producers. Taking a long view, however, these hopes are somewhat forlorn, for they have tantalised New Zealand policy-makers since the 1940s. Finance

Minister Nordmeyer considered that a key factor contributing to New Zealand's poor economic position was agricultural protection in industrialised countries, to which he strenuously objected.

Expanded output based on subsidies leads to oversupply of agricultural produce and prices drop. To maintain prices, countries restrict imports and New Zealand is hence disadvantaged, as stockpiles build up because of unrealistically high prices, depressing world agriculture prices. This distorts the pattern of trade, and hence New Zealand vigorously opposed such moves at GATT and FAO (AJHR 1958 B6: 20).

The perceived potential advantages held out by the GATT are also offered by the WTO, yet the same problems persist.

The changes to the New Zealand economy over the last five years have produced a more cost competitive sector. We are operating in a totally unsubsidised market onshore, but offshore, our competitors continue to enjoy subsidies and tariff barriers (Alliance Group Annual Report, 1989: 8).

The WTO framework has failed thus far to deliver a quantitative reduction in agricultural protectionism (Campbell and Coombes, 1999). New Zealand's most important trading partners continue to protect their primary industries as they have always done. Measuring subsidies as a percentage of farmers' total income, in 2002, the EU stood at 35 per cent, while the US had climbed to 21 per cent from a low of 14 per cent in the mid-1990s, while New Zealand's are, of course, negligible ('Rich farm subsidies...', 2002). Policy-makers, operating within the hegemonic discourse of hyperglobalism, remain convinced that it is only a matter of time before other countries liberalise their agricultural sectors. This disregards the fact that agricultural protection is not simply economic, but strongly connected to cultural and political factors – and, moreover, that it is historically improbable. In the US, for example, regardless of population each state is represented by two Senators, so small farming states can exert a disproportionate influence. Despite being a vocal exponent of free trade, the US thus continues to impose tariffs whenever it is domestically convenient (most recently evident in the introduction of tariffs on steel and lamb). Farmers were given a 67 per cent increase in subsidies in 2002 ('A US double standard', 2002: 6), because of the forthcoming half-term elections. This should not have been unexpected, for actual experience demonstrates that in practice the US has always been:

extreme in rejecting market discipline, gaining enormous wealth and power by producing textiles, steel, pharmaceuticals and so on, instead of pursuing its comparative advantage in exporting furs, in accordance with the stern principles of economic rationality (Chomsky, 1996: 101).

Producers in New Zealand thus continue to face the historical fact of life that other countries will protect their own.

While our new policies may eventually result in more efficient resource use in New Zealand, when our exporters have to compete against exporters from other countries, there are problems for us. Nearly all other countries' exporters have some form of assistance. If ours don't, we are at a disadvantage. Other countries are not following 'more-market' philosophies, so we are in fact applying a penalty to ourselves at export (Neil Taylor, director of New Zealand Meat & Wool Board's Economic Service, cited in East Coast Fertiliser Annual Report, 1986: 9).

The *inevitable* cultural and political dimensions of trade are thus paid insufficient attention in common invocations of the 'global economy' through the discourse of hyperglobalism.

Theoretical arguments in favour of free trade do little to elucidate normative questions over *why* protectionism is used, focusing instead on the idea that it *shouldn't* be. It remains essential however to engage with these questions in order to understand why, despite its 'inefficiency', agricultural protectionism continues to hamper New Zealand's export prospects in the 'era of globalisation' just as it has throughout the post-war era, despite the proliferation of multilateral trade agreements and the emphasis on the 'free-flowing global economy'.

Further inadequacies of the 'trading naked' approach emerged from an improbable quarter, with the observations of Joseph Stiglitz (1998, 2002), Nobel Prize winner and Chief Economist of the World Bank from 1997 to 2000. Stiglitz argued that trade liberalisation is "neither necessary nor sufficient for creating a competitive and innovative economy. As or more important than creating competition in the previously sheltered import-competing sector of the economy is promoting competition on the export side" (1998: 8). By 2002, Stiglitz's criticisms of unilateral economic liberalisation had become still more trenchant. He argued that while the removal of barriers to trade and the closer integration of economies arguably has the potential to enrich everybody (according to the theoretical principle of comparative advantage),

the way that globalisation has been managed, including the international trade agreements that have played such a large role in removing those barriers and the policies that have been imposed on developing countries in the process of globalisation, need to be radically rethought (Stiglitz, 2002: ix-x).

Stiglitz suggests that many decisions have been taken by the IMF and World Bank on the basis of ideology and politics, leading to actions that "did not solve the problem at hand but that fit with the interests or beliefs of the people in power" (2002: x). Stiglitz's intention is to redress the situation by tackling the dominant ideology of the 'free market' on the basis that policies introduced by the IMF in particular are not only producing poor results but are deeply undemocratic. "We are a global community, and like all communities have to follow some rules so we can live together. These rules must be... fair and just, must pay due attention to the poor as well as the powerful, must reflect a basic sense of decency and social justice" (Stiglitz, 2002: xv).

The global protests over globalisation began at the WTO meetings in Seattle, Washington, because it was the most obvious symbol of the global inequities and the hypocrisy of the advanced industrial countries. While these countries had preached – and forced – the opening of the markets in the developing countries to their industrial products, they had continued to keep their markets closed to the products of the developing countries, such as textiles and agriculture. While they preached that developing countries should not subsidise their industries, they continued to provide billions in subsidies to their own farmers, making it impossible for the developing countries to compete. While they preached the virtues of competitive markets, the United States was quick to push for global cartels in steel and aluminium when its domestic industries seemed threatened by imports... Not only have the poorer countries not received a fair share of the benefits; the poorest region of the world, Sub-Saharan Africa, was actually made worse off as a result of the last round of trade negotiations (Stiglitz, 2002: 244-5).

Whilst Stiglitz's remedies are somewhat idealistic given his implication that ideology and political bias can be eliminated through 'decency and democracy', his criticisms indirectly provide further evidence of the hegemony of the discourse of hyperglobalism through his scathing assessment of the policies of the IMF. He also reinforces the discrepancy between the theoretical arguments for free trade, and the 'really existing' situation that confronts countries: a distinction that was consistently overlooked by policy-makers in New Zealand in the 1980s and 1990s, who acted in utter disregard for what New Zealand's trading partners were doing.

For several of my interviewees, New Zealand's options are further narrowed by the contradictory effects of the superiority complex of LBW syndrome, which paradoxically casts New Zealand as performing unusually badly, but at the same time as disproportionately important in the international context. They emphasised rather New Zealand's tiny size relative to the rest of the world.

No one actually gives a rat's arse about how we are, and ... we get a reputation for being innovative in small ways, and by doing absolutely wonderful things, but we're better known as a sort of a good guy, peacekeeper, hardworking, quirky lot, really, I don't think we're taken too seriously... We get excited about the peacekeeping in East Timor as well we might, and its dangerous – two people have died, now, but **most of the world would say, where the hell's East Timor, just after they say where's New Zealand** (Interview, CEO, Radio New Zealand, emphasis added).

And nobody cares. I mean, in the end, would the US take New Zealand to the WTO if we made the next two parts of the [Lord of the Rings] trilogy with government funding? Would they? Of course they wouldn't... But we worry about the sanctity of all of this. Self-interest is something we're really only just beginning to work out (Interview, Laidlaw).

Yet it is only too probable, given the fanfare with which New Zealand has blazed the trail, and the importance that the US attaches to its audio-visual industries, that retaliatory action would indeed result, requiring compensation. Nevertheless, New Zealand has exhibited scant regard for self-interest, at considerable economic and social cost. Whether or not the changes were voluntary is in fact a red herring, for regardless, since 1984, the role of New Zealand's state *has changed substantially* as a result of the rescaling of power downward to local government, and upward to supra-national organisations. This reflects the actions of governments in New Zealand in the 1980s and 1990s, which have actively constrained the role of the state, meaning that it has *less* autonomy to determine domestic policy in 2003 than it did in 1984. At this level it is therefore nonsensical to describe the changes in New Zealand as the result of an inexorable external force called globalisation, except insofar as ideas from abroad were adopted in New Zealand. In this vein, Easton (2002a: 7), like Eckersley (2001) and Weiss (1998), notes that international institutions are the *creation* of states.

Historically, nations created the institutions which regulate domestic markets as the falling costs of distance integrated their markets... International institutions, such as the WTO, are today's global equivalents, a regulatory response to globalisation as a consequence of the falling costs of distance, rather than the drivers as they are often depicted, especially by anti-globalisers (Easton, 2002a: 7).

Easton's point is important but insufficient, for it fails to consider the effect of the *discursive* shift that has accompanied the changes to New Zealand's state management over the past twenty years. Examination of this discursive change reveals that in a critically important sense, globalisation indeed can be seen as the culprit. New Zealand's options are now widely understood as *externally constrained, globally determined and qualitatively unprecedented* – and the notion of globalisation encapsulates this mindset.

The discursive shift and the causal effect of globalisation

Whilst apparently endorsing a shift away from the 'trading naked' policies of the previous government, Prime Minister Helen Clark told the Labour Party at the 2000 Annual Conference that New Zealand had to embrace free trade to survive. Just back from the APEC leaders' meeting in Brunei, she used the conference to map out her agenda for the 2002 election, based on promoting trade, innovation, better use of new technology and improving education. While conceding that trade had to go hand-in-hand with social and economic development, Clark stated that globalisation was making borders irrelevant and that New Zealand had to 'upskill' its people, use technology, and be innovative. "Standing still is not an option.. Failure to adapt may mean failure to survive... as a first-world country" (Clark, in Edwards, 2000a: 6). The metaphor she employed endorsed the sense of catastrophe and the imperative for further 'transformation'.

Exports to Singapore increased 34 per cent this year. That could be partly due to the fall in the value of the New Zealand dollar, but was also due to New Zealand's higher profile in Singapore as a result of the negotiation of the closer economic partnership between the two countries. 'Where would we be if we stood aloof from those developments? Given the insignificance of our domestic market we have no option but to trade... There's an **escalator** moving here and you have to get on it' (Clark, in Edwards, 2000a: 3, emphasis added).

In this way, the hegemonic discourse of hyperglobalism continues to narrow the options considered through the dichotomous juxtaposition of present day 'globally connected New Zealand' against the Fortress of the past. This is encapsulated most explicitly in the Labour Government's 2002 Innovation Strategy (New Zealand Government, 2002), discussed further Chapter Ten. The government now uses globalisation uncritically as a description of contemporary reality. "Labour as a party accepts globalisation. It's not only inevitable, but it has a lot of desirable features" (Clark expects..., 2000: 2). The fundamental assumption that 'globalisation has happened', without ever stopping to consider what it actually *is*, is worsened because no analysis is provided of what is meant by globalisation, nor which bits of it are desirable or inevitable, and if so, why. In this, Clark uncannily echoes Mike Moore:

We need to reassure people that globalisation is generally a force for good. The last twenty years have seen a dramatic rise in living standards for many countries across the world... But let us be clear. Trade and openness is not the problem for those countries [surviving on less than one dollar a day]. Rather it is too little trade and not enough openness, not enough good governance and not enough democratic structures'... 'The temporary losses of a few should not prevent a country from reaping the much bigger and permanent gains from free trade' (Moore puts case..., 2000: 6).

Globalisation is thus depicted by Clark as synonymous with international trade, whose inevitability in New Zealand is indisputable. The two are, however, different. *International* trade is of course inevitable, if New Zealanders are to maintain the living standards to which they have become accustomed; but 'free' trade is not the only option. *Conditional* trade continues to be pursued by other countries, and New Zealand is almost alone in the extent to which it has (voluntarily) promoted 'free trade'. The invocation of globalisation as a causal effect by influential people including the Prime Minister thus reinforces 'global thinking'. The discourse of hyperglobalism, by emphasising global connectivity, novelty, change, limits the options considered, meaning that policy-makers commit New Zealand to a course of action that takes no account of the specificities of place. The merits of different forms of protectionism cannot be debated in such a climate, for economic protection *per se* is viewed as synonymous with Fortress New Zealand, Luddism and obsolescence.

The remaining autonomy: the arguments over economic liberalisation

Thus construed, the image of globalisation reinforces the notion that past methods of management are obsolete, yet the debate over the possibilities of protectionism is far from resolved. R.H. Tawney wrote that "a fair society requires not only an open road but also an equal start" (cited in Hutton, 2001: 5). This draws attention to old but unresolved questions over the *appropriate* role for the state, which in New Zealand retains the ability to manoeuvre, even if this is (as it always was) constrained. This in turn suggests the need for reinvigorating the debate over future possibilities for New Zealand.

While New Zealand's 'deregulation' is viewed as a *fait accompli*, the situation is more complex. The apparent dichotomy between 'regulated' and 'deregulated' societies is false: 'deregulated societies' remain mythical, which is why Pawson and Le Heron (1996) label New Zealand's restructuring re-regulation. This in turn exposes for analysis questions over what type of regulation is appropriate, and how and where it occurs (Daly, 1996). In the context of the present problems that neo-liberalism has created, useful insights relevant to the present can be drawn from Keynes (1933) and Polanyi (1957), faced with the consequences of the previous round of 'laissez-faire'.

Polanyi argued that the nineteenth century market-based order was socially unsustainable and destined to fail, because society could not tolerate the poverty, misery, and instability that it entailed. He asserted that as *laissez-faire* was neither natural nor inevitable, but created and enforced by the power of the state, what humans had created, humans could change (Boyer and Drache, 1996; Elliot, 2001b; Polanyi, 1957). Deconstructing the discourse of hyperglobalism and re-evaluating its apparent connection with the erosion of state power is thus critically important if New Zealand's options are to be assessed without the artificial confines of an ideological commitment to economic liberalism. While there is no alternative to international connectivity, given the fact that New Zealanders aspire to 'first world' living standards, how this is accomplished matters intensely.

At present, economic liberalism is pursued as if it were the only option, with globalisation as the justification. Yet a path can still be picked between 'trading naked' and 'closing the fortress', but this requires the degree of compulsion and the extent of autonomy that remains to be disentangled and explored, enabling the debate over alternatives to be reinvigorated. This requires grappling with normative questions that at present lack a forum for discussion. There is thus an important *moral* dimension in the question of the role of the state in New Zealand, relating to what kinds of regulation are to be instituted and what goals are legitimate. In this context, despite its retraction from the extremes of neo-liberalism, the approach of the Fifth Labour Government continues to prioritise economic imperatives above all others.

The hegemony of the discourse of hyperglobalism and its connection with the general equilibrium foundations of neo-liberalism masks the fact that alternative perspectives on the role of the state in the economy exist. The Government's 2002 Innovation Strategy displays a striking similarity to conclusions reached by the New Zealand Business Roundtable, which in 2002 endorsed a further free trade agreement, this time with the US. Murray Horn (Chief Executive of the ANZ Bank and former Treasury Deputy Secretary at the time of the savage liberalisation pursued by the National Government with Ruth Richardson as Finance Minister) and Roger Kerr (Chief Executive of the Business Roundtable and former Assistant Secretary to the Treasury in the Rogernomics era) emphasise, unsurprisingly, the link between economic liberalisation and economic growth. They continue to argue that other countries will follow New Zealand's example because the economic reforms over the last two decades offer incentives for other countries to adopt similar policies (Horn and Kerr, 2002). Yet as discussed earlier, other countries continue to protect their economies for a range of domestic reasons, notwithstanding this transgression of the theoretical principles of market liberalism. This should be sufficient to raise doubts about the apparent eroding effect of globalisation on the nation state, for states have responded in very different ways to recent changes.

The most obvious theoretical argument for state support is thus pragmatic, given the context of 'really existing free trade' (Chomsky, 1999). Free trade can only work if everybody does it. Much to New Zealand's chagrin, they don't.

Government needs to be more flexible in tariff removal, with an eye to the rate at which tariffs are being removed from trading partners. The 'level playing field' is a myth in international business: manufacturers in New Zealand face an international market place that is anything but level, with tariff and non-tariff restrictions and subsidised competitors (Somerville and Enderwick, 2000: 547).

In cutting tariffs, removing import licensing and making its agricultural sector self-supporting, New Zealand has been pursuing strategies that are endorsed by institutions such as the World Bank and WTO. This is based on a straightforward application of Ricardo's comparative advantage theory, which suggests that even if a country is incompetent, disadvantaged or otherwise of low productivity in every sector, it is worth specialising in doing the things it is best at doing in terms of relative opportunity cost (Earl, 2001): what drives trade is comparative rather

than absolute advantage (Krugman, 1996: 26). From this perspective, unilateral moves towards free trade can sometimes make sense even if domestic industries are destroyed because they can liberate resources that could be used to generate more foreign exchange by being switched to other lines of production so long as overseas tariffs are low enough and demand high enough to permit sales that produce such net foreign currency earnings (Earl, 2001). The only exception allowed in this line of argument is 'infant industry' protection which can allow firms to gain experience behind an initial tariff so as to later compete with established overseas rivals. Even this is however rejected by extreme free traders such as Baldwin (1969).

While economic liberalisation has been hegemonic in the West since the late 1970s, it is frequently misunderstood. Krugman (1996) indicts common misconceptions as 'pop internationalism', arguing that those who speak of international trade as a 'competition', and use private firms as an analogy for countries, frequently forget *why* trade occurs in the first place.

International trade is not about competition, it is about mutually beneficial exchange. Even more fundamentally... imports, not exports, are the purpose of trade. That is, what a country gains from trade is the ability to import the things it wants. Exports are not an objective in and of themselves: the need to export is a burden that a country must bear because its import suppliers are crass enough to demand payment (Krugman, 1996: 120-1).

The discourse of hyperglobalism has emphasised a persistent strain of misinterpretation over the nature of external competition and the role of productivity growth, encouraging this as a means in itself. Yet:

High productivity is beneficial not because it helps a country to compete with others, but because it lets a country produce and therefore consume more. This would be true in a closed economy; it is no more and no less true in an open economy; but that is not what pop internationalists believe (Krugman, 1996: 121).

Pop internationalism is evident in the way in which economic growth is conflated with international competitiveness and the requirement for open markets, as comments from Clark, Moore, and the Innovation Strategy cited above amply demonstrate. This has led to the belief that the government should pursue unconditional free trade. Despite his firm belief in the benefits of free trade, Krugman (1999) argues for caution, noting with apprehension the "return to Depression economics", whereby the same problems that characterised much of the world economy in the 1930s have recently resurfaced. Countries are being forced to endure recessions for fear of currency speculators, and major advanced countries are unable to generate enough spending to keep workers and factories employed. This leads Krugman to argue that a degree of state control can sometimes be appropriate.

What is true in the Washington [Consensus] view... is the belief in the virtues of free markets and in the evils of protectionism. There are qualifications to that view, but they are minor compared with the essential correctness of this position. What is false in the Washington view, at least as it has come to be interpreted, is the faith in sound money – the dismissal of the usefulness of an active monetary policy and of occasional exchange rate realignments (Krugman, 1999: 148).

In Krugman's view, the focus on supply-side economics over the past twenty years detracted attention from potential failures in *demand*. The principle was that shortfalls of overall demand would cure themselves if only wages and prices fell rapidly in the face of unemployment, but this has not happened.

The free-market faithful tend to think of Keynesian policies broadly defined – of deliberate efforts by the government to stimulate demand – as the enemy of what they stand for. But they are wrong, for in a world where there is often not enough demand to go around, the case for free markets is a hard case to make (Krugman, 1999: 157).

Krugman emphasises that it has proved inadequate to simply rely on free market policies, as economy after economy crashes.

I don't like the idea that countries will need to interfere in markets – that they will have to limit the free market in order to save it. But it is hard to see how anyone who has been paying attention can still insist that nothing of the kind needs to be done, that financial markets will always reward virtue and punish only vice (Krugman, 1999: 165).

Krugman's analysis emphasises the importance of acknowledging the nuances and realities of the international economy, rather than sternly adhering to the theory. This raises important questions over New Zealand's ongoing commitment to 'free trade' and further economic liberalisation, demonstrating that whilst trade might be desirable, alternatives exist over how it should be conducted. Krugman notes that the world is an unfair place, for wealthy countries have many more options and strategies at their disposal to avoid financial crises. As a precaution, for example, he suggests that inflation should not be allowed to fall too low in the good times, to avoid the liquidity trap. Over the longer term, it is necessary to re-establish 'firewalls', by cutting interest rates drastically, for example, in the case of a financial crisis. In poor countries, he argues that capital controls can be used if strictly necessary. "Just as the right to free speech does not necessarily include the right to shout 'Fire!' in a crowded theatre, the principle of free markets does not necessarily mean that investors must be allowed to trample each other in a stampede" (Krugman, 1999: 164). Other measures he suggests include the government discouraging local companies from borrowing in foreign currencies, and also from relying too much on borrowed funds in general (that is, reduce their 'leverage'), by taxing companies that borrow in foreign currency. In so doing, countries might retain the ability to allow their currencies to slide without provoking financial collapse. This has particular salience for New Zealand's conditions.

While the New Zealand government could control the local market, the usual situation would be a small New Zealand firm exporting to a much larger foreign market, which was being controlled by its government in the interests of the domestic producers... There is an economic argument that since protection is not in the interests of a nation as a whole, the protection will be reduced once the special interest lobbies are overcome. However it is not at all obvious that all protection is against the entire interest of a nation, once a realistic description of the production process is assumed... [and] the trading-naked approach has not been very persuasive (except to those whose direct interest is involved) (Easton, 2001b: 182-3).

These criticisms resonate with the conclusion of Dalziel (2002) and Hazledine (1998) that *really-existing conditions matter*. The theoretically informed reform process insufficiently recognised that past economic protection reflected pragmatic attempts to maintain the balance of payments, in

the inevitably international context of a small trading-nation determined to maintain high living standards.

Local companies such as our own make a substantial contribution to the country's balance of payments in two ways, by increasing exports and by producing locally, products which substitute for fully made up imported articles (LWR, Annual Report 1984: 10).

Hazledine (2000) is thus unsurprised that New Zealand's trade liberalisation has not led to economic gain, because of what Krugman (1994) labels economists' 'dirty little secret': the static or immediate gains from trade liberalisation are disappointingly tiny, for while consumers gain, producers and taxpayers lose. Hazledine takes issue with a 1999 study by the New Zealand Institute of Economic Research documenting the consumer benefits in New Zealand from tariff cuts on cars, household appliances, shoes and clothes at around 350 New Zealand dollars per person. He maintains that once the losses to taxpayers and producers, ignored by the NZIER (even though many consumers do pay taxes and earn wages or profits) are taken out, the remaining net efficiency gain is about 30 dollars – "truly a 'case of beer each', as one economist dubbed the typical magnitude of these allocative triangle gains" (Hazledine, 2000: 196). Hazledine further ascribes New Zealand's dismal economic performance to the increased transaction costs that have accompanied the onset of managerialism (with the ratio of managers to frontline 'productive' workers falling dramatically over 20 years from 1: 25 to 1: 4 in 2001).

Hazledine (2000) also disputes the suggestion that the reforms have paved the way for long-term dynamic gains from higher growth and competitive, open markets. Trade theory suggests that the amount of trade between two economies halves as distance doubles²⁷ (2000: 188), and New Zealand remains a very long way from anywhere else. Further, Helliwell's analysis of trade between Canada and the US demonstrated that a business person in Ontario is about *twenty times* more likely to do business with someone in British Columbia than with someone over the border (but no further away) in the US state of Washington, despite the near absence of trade barriers and the many evident similarities between the countries (Hazledine, 2000: 187). This implies that free trade does not in practice bring full integration because of the effect of 'social capital', or trust. In New Zealand, the adverse social effects of the reforms have undermined trust, and thus for Hazledine, 'Third Way' approaches ('for the market economy; against the market society', in the words of French Prime Minister Lionel Jospin) are misconceived, for "the terms on which we engage each other socially are actually fundamental to our success in operating a civilised and productive market system" (Hazledine, 2000: 187) – and it is these terms that have been undermined by the restructuring.

Each of these arguments demonstrates the way in which conditions in the 'real world' compromise the theoretical benefits of free trade. In addition, Daly (1993) notes that free trade can introduce new inefficiencies. Contrary to the implications of comparative advantage, more

²⁷ While New Zealand's long relationship with the UK would seem to disprove this, the dominion capitalist connection renders this an exception to the general rule.

than half of all international trade involves the simultaneous import and export of essentially the same goods. “Americans import Danish sugar cookies, and Danes import American sugar cookies. Exchanging recipes would surely be more efficient” (Daly, 1993: 11). He also points out that that whilst trade is important, it is not everything.

Another important but seldom mentioned corollary of specialization [the pursuit of comparative advantage] is a reduction in the range of occupational choices. Uruguay has a clear comparative advantage in raising sheep and cattle... Yet Uruguayans feel a need for their own legal, financial, medical, insurance and educational services, in addition to basic agriculture and industry. That diversity entails some loss of efficiency, but it is necessary for community and nationhood. The community dimension of welfare is completely overlooked by the simplistic argument that if specialisation and trade increase the per capita availability of commodities, they must be good (Daly, 1993: 11).

Finally, while free trade increases competition and lowers costs, it can do so in two ways – by increasing efficiency or by lowering standards. There are no analogous international bodies of law and administration, only national laws, and these differ widely. Free trade consequently encourages industries to shift production activities to countries that have the lowest standards of cost internalisation, which hardly constitutes a move toward global efficiency (Daly, 1993: 12).

Stiglitz (1998) criticises the Washington Consensus as too narrow and too ideological – and New Zealand proves a case in point. Gaynor (2000: 13), a supporter of deregulation, argues that for New Zealand’s reforms to work, it was necessary for *both* sides of the process to be recognised and provided for, and that they failed because this was inadequately recognised.

There was a belief [that] there were a lot of inefficient New Zealand industries, so what you did is by removing tariffs and barriers you made them efficient or they disappeared, and we were very successful at doing that... The other side was, once you did that, business would generate new businesses in New Zealand. All the capital and all the people who were employed in those old businesses that were restructured, would go into setting up new businesses, our money would be put into existing businesses that were stronger and internationally competitive. That second half of the equation hasn’t worked, hasn’t worked at all (Gaynor, 2000: 13).

Gaynor maintains that economic performance in New Zealand is stagnating because its policies are too ideological, and continue to be based on the idea that the government should have no role at all. The reality is that governments all over the world provide incentives – tax breaks for research and development, subsidies, and grants, so “it’s an internationally competitive market” (2000: 13). The irony about deregulation is that anyone can go anywhere, and that because of its ideological commitment, New Zealand will not offer anything to anybody, providing a disincentive for firms to invest here. Supporting this conclusion, the Chief Executive of Canterbury Manufacturers’ Association graphically depicted the disadvantages of operating on a ‘slanted playing field’.

So two firms doing the same thing in different countries and attempting to compete for the same market might at one level experience a particular balance of advantages, but this picture is complicated when policies are introduced into the mix. These generally aim at improving the conditions for the local players and tilt the balance. Now we look at public policy in terms of level playing fields, the things that Queensland might do, that Invercargill doesn’t. So now we’ve got this business where Queensland might tip the balance in favour of the Queensland

manufacturer, and now we've got the sort of things that the Right complains about, in terms of balance and interference. So let's suppose that there's an R and D write-off, of 150 per cent, or 275 per cent in Brisbane. Let's suppose there's an encouragement to train people in Brisbane that doesn't exist in Invercargill. Now, this company in Invercargill has a comparative disadvantage as a result of regulatory and compliance support policies in this place. It now starts to get extremely complex. So what does the niche player do? He does the best bloody job he can do, in whatever he faces (Interview, CEO, Canterbury Manufacturers' Association).

Persuasive arguments in favour of a degree of protection thus exist, yet in New Zealand, the options are obscured by the discourse of hyperglobalism, which limits possibility of domestic action. This exacerbates the impression that globalisation is undermining New Zealand's ability to determine its own future. Yet whilst the New Zealand state could *never* act with unconstrained autonomy, alternatives exist that could be considered, and applied, as they have been by many of New Zealand's trading partners. The example of France and Australia indicates that in practice, it remains possible for the state to act to protect various aspects of a country's economy and society. The principal reason that import controls, tariffs and capital controls are *not* considered in New Zealand is largely discursive, and reflects the internalisation of the discourse of hyperglobalism, rather than an externally imposed 'imperative of globalisation'. Yet it is *less* possible for New Zealand to protect its self-interest, *because of active decisions taken by successive governments*, demonstrating the performativity of the discourse of hyperglobalism.

Contradicting the dominant discourse of hyperglobalism, however, a counter-discourse was strongly evident amongst my interviewees that emphasised the agency that yet remains for the state in New Zealand to improve the prospects for the country.

We've tried our damndest, particularly in the construction of our quota model, ... and thought very hard about both CER and GATS. CER I don't see as an especial issue – that's easily sorted, but GATS is not. And that requires government to be really hard-nosed – a bit like nuclear ships. The only parallel I can see is nuclear-free – when the government basically stands up and says to the rest of the world, bugger off – this is our territory (laugh) (Interview, CEO, Screen Producers and Directors Association).

Similarly, the Chief Executive of the Canterbury Manufacturers' Association criticised the 'globalisation imperative', asserting that the government retains the ability to act to improve New Zealand's domestic circumstances, reinforcing the scope for action.

New Zealand is a small economy in a global system. XYZ company is an SME [small to medium enterprise] in a national system. If New Zealand can't control its destiny, then nor can the SME – but SMEs *are* controlling their destiny. So if SMEs are controlling their own destinies in this macroeconomic environment at the nation state level, then why can't the nation state control its own destiny in the macroeconomic environment which is the global scale? The alternative is to say we are all in this maelstrom of what's happening in the world and none of us have control. Well, a lot of us don't feel that way ... Now they [multinational firms] can make all the threats they like, in terms of we're going to Australia, but at the end of the day, if the competitive... the comparative advantage is here, whether it be wood, primary production stream or something else, then here they have to be. So on a competitive analysis, if you're going to spend government money, it seems to me that you don't spend it on the people who, on a rational basis, can choose to take it somewhere else! Why would you? (Interview, CEO, Canterbury Manufacturers' Association).

The differential way in which other countries have pursued international agreements further suggests that a range of possibilities exist, and the globalisation is no inexorable, uncontrollable force determining New Zealand's prospects.

Conclusion

The role of the state has certainly changed over the past twenty years. Many of the tendencies in New Zealand during this period appear to demonstrate the operation of globalisation in its 'global-factualist' form – the surrendering of sovereignty to international organisations, increasing economic liberalisation and the retraction of the state. This fails, however, to elucidate what has happened, and how. It would be a mistake to leap to global-fantasia conclusions: either that because external obligations were incurred by the state that the state can undo them, or that the state retains the same role that it had prior to the restructuring. As the current government is finding, alternatives are limited by commitments *made by previous governments on the basis of an ideological commitment to neo-liberalism*, rather than by globalisation.

In addition to the *actual* constraints resulting from decisions taken in the 1990s, a powerful *discursive* constraint restricts the activities of the New Zealand state. The discourse of hyperglobalism has become 'naturalised', narrowed the conceptual terrain on which policy options are debated, altering the way in which New Zealand's options are understood, and most importantly, the way that they are acted upon. New Zealand's contemporary options are thus widely understood as globally determined and novel. The goals of government remain the same, however: maintain the balance of payments, increase economic growth, raise living standards – but the protective tools once used for achieving these ends are politically unconscionable in New Zealand, proscribed by the hegemonic discourse.

Conditioned by the apparent inexorability of globalisation, government management continues in the same liberalising direction, heedless of New Zealand's self-interest and regardless of the practical results. This is protested fiercely by some people 'doing things' in New Zealand, who resent the undermining of New Zealand industrial base whose development took so many years, and so much taxpayer support to establish. 'Closer Economic Partnerships' continue to be signed, most recently with Singapore and Hong Kong, while the implications of New Zealand's multilateral commitments in the 1990s are only just beginning to be understood, even if not widely debated. Under the auspices of the WTO multilateral trade rules and through its ideological determination that free trade should be truly free, New Zealand is increasingly losing its ability to determine its own course of action because of past decisions taken (McLean, 2003).

The point is not that New Zealand should seek maximum insulation, but that societal debate over the broad spectrum of options is foreclosed by the discourse of hyperglobalism. Many interventions, including the explicit support for non-traditional exporters, or requirements for overseas investors to use local materials, introduce technology or locate outside the main centres, are ruled out or enfeebled by the rules enforced by the institutions of the new global economy

(Rosenberg, 2001b: 12). Finally, while New Zealand has ceded sovereignty to larger organisations and striven to increase efficiency, it continues to face the protective policies of its trading partners, who (unlike New Zealand) recognised the value of self-interest.

Altering the course requires acknowledging the continuity of New Zealand's past and future external connectivity and its *inevitably* constrained autonomy, but also the remaining possibilities for action. This requires an examination of local, particular, enduring and unique attributes of New Zealand, intensely relevant yet trivialised by the discourse of hyperglobalism. It further involves resistance to the overweening imagery of the global, with its connotations of inexorability and inevitability. My argument suggests that globalisation is illusory as an external causal force, but effective and powerful as a concept, for its imagery has helped to redefine the realm of the possible.

It is the performativity of the discourse of globalisation that lies behind the 'anti-globalisation protests' against the WTO – most recently in Sydney, but in previous years at Seattle, Washington, Prague, Melbourne, and Genoa. Whilst instigated by individual nation-states, commitments made are creating the very conditions which are widely supposed to have caused them, commonly labelled 'globalisation'. Through non-democratic multilateral agreements, nations have surrendered some of the autonomy that once was theirs – while autonomy in domestic policy-making was never complete, it has been substantially reduced by these commitments. Valid concerns exist at the consequences, particularly given the secrecy and lack of debate that surrounds them: environmental degradation (the result of 'free trade'), increasing social inequality, heightening of the gross maldistribution of the world's wealth, exploitation and injustice. Anxiety over this state of affairs is thus an important factor in the 'anti-globalisation' movement, attesting to the powerful cultural dimension of the discourse of hyperglobalism. This I examine in Chapter Eight.

Chapter Eight: New Zealand culture, identity, and globalisation

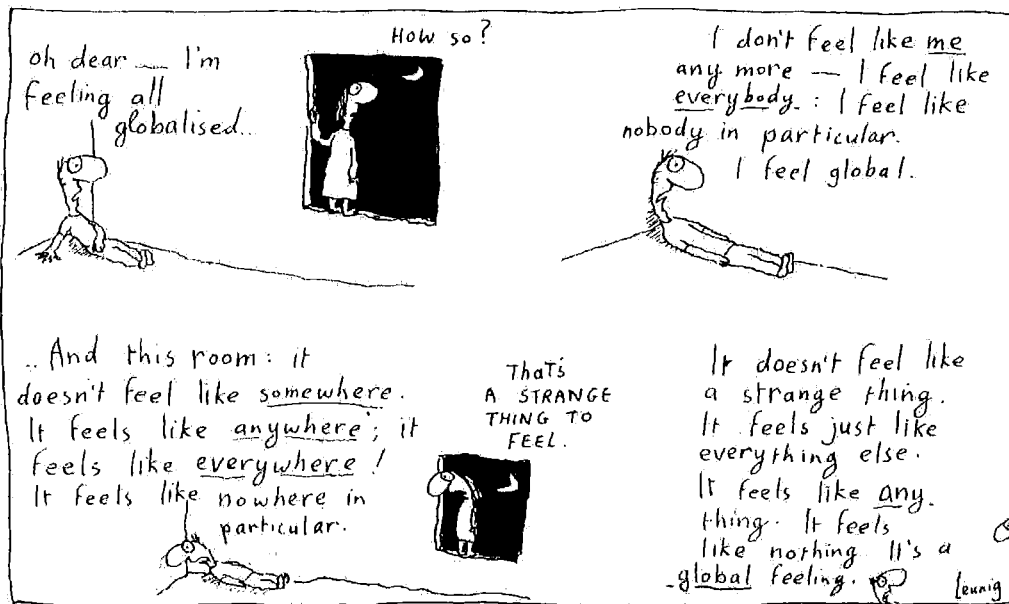


Figure 8.1: The 'global feeling': globalisation and culture (Leunig, 1999)

A further dimension of the globalisation debate relates to cultural changes. A central focus is the effect of technological advances over the past thirty years in communication, information and transport on different cultures and societies, and the extent to which cultural homogenisation is occurring, if at all. My interviews and recent reports suggest that the political and technological changes, which have caused a disjuncture between contemporary New Zealand and the New Zealand of the past, have a corresponding cultural dimension. The interpretation emerging from my sources is that New Zealand is no longer the isolated agricultural backwater of the Fortress years: over the past generation, it has become a cosmopolitan 'global player' with access to cosmopolitan trappings that rival anywhere else in the world.

The emphasis on change and international cosmopolitanism among my interviewees indicates once again the operation of the discourse of hyperglobalism, accentuating the generic, the global, and the novel, while disparaging the local, enduring and specific. It also denotes an overwhelming preoccupation among my sources with questions of *culture* and the way in which this connects with *identity*. While identity and culture are nebulous concepts, they provide crucial insights into the way in which New Zealand culture is understood, while further elucidating the 'global-local' nexus that preoccupies many international globalisation theorists.

My analysis suggests that the connected concepts of culture and identity are of central importance for two related reasons, each characterised by a paradoxical internal relationship between sameness and difference. The first aspect is the 'cultural facet of identity', which reflects the deeply felt desire, or even need, to *differentiate* New Zealand from the rest of the world by accentuating its uniqueness. Part of this differentiation is attempts to create a 'shared identity' among New Zealanders around the 'unique' characteristics of New Zealand, aimed at encouraging

a sense of belonging. Paradoxically, this sense of uniqueness in the world is juxtaposed against the desire, expressed equally forcefully, to sustain and develop the sense of New Zealand as a cosmopolitan 'global player', rather than as an (agri)cultural hick. This contradictory facet I label 'culture for culture's sake'.

Culture also has a second aspect which reflects a 'hard economic edge'. Faced with statistics of (economic) decline and the overriding preoccupation in influential quarters in New Zealand with what is seen as the country's relatively poor international performance (measured in economic terms), culture presents a means by which New Zealand can be recognised internationally as being 'as good as anywhere else' – once again, as a cosmopolitan, competitive global player. At the same time, however, the sense of New Zealand's 'uniqueness' requires augmentation in order for it to be differentiated, branded and marketed for economic gain. I label this facet 'culture for economics' sake'.

Whilst I separate them for ease of analysis, these two aspects of culture are not dichotomous or mutually exclusive but dialectically linked. Together, they encourage a complex and ambiguous picture of contemporary New Zealand, which cannot usefully be reduced either to the homogenisation implied by the global-factualist thesis, or the enduring cultural distinctiveness emphasised in the global-fantast perspective. The tensions between these aspects demonstrate the ongoing incursion of market logic and processes of commodification into previously non-marketed areas, further illustrating the constitutive effects of the discourse of hyperglobalism. Questions of culture and identity thus provide a fruitful way to explore the tensions between homogenisation and differentiation, central themes of the international globalisation debate.

Questions of culture

Culture is an important theme in the international literature on globalisation. Robertson argues that analysis of the links between culture and social structure and between culture and individual and social action enables the effects of globalisation to be explored (Robertson, 1992: 34). "It has become commonly accepted that the essential ingredient of social order is the institutionalisation or internalisation of cultural values" (Robertson, 1992: 44). Since Weber, Simmel and Durkheim, the social scientific debate over culture has been dominated by questions of materialist culture, hedonistic culture and the culture of materialism, and theme of consumerism (Featherstone, 1991). With the exception of Marx's interest in commodity fetishism, most pre-classical and classical sociology was concerned with the organisation and work which goes into the production and offering for sale of economic goods. Until recently, the focus of analysis was on questions of supply, and besides Veblen's work on conspicuous consumption, there had not been a sociological parallel of the Keynesian focus in economics on *demand*. This has changed in recent years: "whereas the focus on 'supply' encouraged the belief that culture is epiphenomenal, the focus on 'demand' now tends to encourage the belief that culture is in some way infrastructural" (Robertson, 1992: 45). Given this priority, it is hardly surprising that questions of culture are central to the globalisation debate.

While most sociologists focused on whether culture is more or less determined and whether it is determinative, Parsons examined the effects on culture of axial-global shifts in the economy, “the most fateful of which were and have been utilitarian individualism, *Gemeinschaft* romanticism, organic corporatism and Marxist socialism” (Robertson, 1992: 42). From this perspective stems the notion of the phenomenon of globalisation as the ‘post-industrial’, ‘post-modern’ phase of world history (Giddens, 1999a, 1999b; Lash and Urry, 1997; Rojek, 1995). More specifically, this implies that globalisation “involves pressure on societies, civilizations and representatives of traditions, including both ‘hidden’ and ‘invented’ traditions, to sift the global-cultural scene for ideas and symbols considered to be relevant to their own identities” (Robertson, 1992: 46). My reservations about the notion of globalisation as a ‘qualitatively new epoch’ have been clearly expressed and render me wary of the generic nature of this argument. Nonetheless, this approach helps elucidate the cultural effects of the macro-changes that have occurred over the past thirty years, discussed in Chapter Four in the context of the international shift transition described by Jessop (1999a, 2000a) as the tendency toward the Schumpeterian Workfare Post-national Regime (see Table 4.2).

Hall (1986: 6) views culture as “the actual, grounded terrain of practices, languages and customs of any specific historical society” (Hall, 1986: 26). The emphasis on symbolic expression, text, rhetoric, discourse and so forth, dialectically connected with broader social practices, is consistent with Fairclough’s (2003) perspective on the nature of social reality. The key focus for many cultural theorists is the expansion of ‘representational space’, and this has a strong bearing on the discussion of the global field through the concern with the perception of the Other, post-colonialism, and identity formation (Hall, 1997; Said, 1978), discussed in Chapter One. This is frequently expressed in terms of the increasing ‘individualism’ of identity as opposed to tradition, leading to ‘fragmenting identities’.

Hall (1994) examines culture and identity within the framework of the shift from modernity to post-modernity, arguing that “it is now a commonplace that the modern age gave rise to a new and decisive form of *individualism*, at the centre of which stood a new conception of the individual subject and its identity” (1994: 119). This does not imply that people were not individuals in pre-modern times, but that individuality was lived, experienced and conceptualised differently. The transformations of modernity apparently “tore the individual free from its stable moorings in traditions and structures” (Hall, 1994: 119). In turn, modern identities are being fragmented. For Hall, in late modernity, the conception of the modern subject became ‘dislocated’ through a series of ruptures in the discourses of modern knowledge, leading to the “final de-centring of the Cartesian subject” (Hall, 1994: 120). Marxism displaced the notion of individual agency, demonstrating that human social life is strongly influenced by historical conditions of which individuals are only partly the authors. Freud’s discovery of the unconscious undermined Descartes’ concept of the knowing rational subject with a fixed and unified identity, suggesting that individual consciousness is constrained by unconscious forces. Saussure argued that we are not in any absolute sense the ‘authors’ of the statements we make or the meanings we express. To

speak is to activate a vast range of meanings which are already embedded in our language and cultural system, with a range of supplementary meanings beyond our control. Foucault (1977) noted the paradox that the more collective and organised the nature of the institutions of late modernity, the greater the isolation, surveillance and individuation of the individual subject: the individual is created through a system of disciplinary power of a collective kind. Finally, feminism led to the questioning of taken-for-granted assumptions, challenging the social position of women as well as the formation of sexual and gendered identities (Hall, 1994: 122-4). The upshot of this 'decentring' was the reconceptualising of the process of identity formation and how it relates to culture (Hall, 1997), whereby identities have become reconceptualised as invariably conditional and unstable: the dominant identity is always ambiguous and unstable because it incorporates its negation, the marginalised Other (Grossberg, 1997). The important insight that emerges is that identities function as points of identification through their capacity to exclude (Hall, 1997: 5):

in common language, identification is constructed on the back of a recognition of some common origin or shared characteristics with another person or group, or with an ideal... In contrast with the 'naturalism' of this definition, the discursive approach sees identification as a construction, a process never completed, always 'in process'. Identification is in the end conditional... once secured, it does not obliterate difference... It requires what is left outside, its constitutive outside, to consolidate the process (Hall, 1997: 3).

The process of identity formation thus conceived provides an insight into the constitutive effect of discourse, and a sense of the inevitably fluid and contested nature of identities. I question, however, the tendency for cultural theorists to accept macro-epochal change as given, such as the transition to 'an era of globalisation' or 'post-modernity'. Cultural theorists such as Hall go too far in their apparent acceptance of globalisation as a qualitatively new epoch characterised by identity fragmentation.

We need to situate the debates about identity within all those historically specific developments and practices which have disturbed the relatively 'settled' character of populations and cultures, above all in relation to the processes of globalisation and the processes of forced and 'free' migration which have become a global phenomenon of the so-called post-colonial world (Hall, 1997: 3).

It is not however necessary to accept Hall's suggestion of the temporal unfolding of a process of punctuated equilibrium between epochs to conclude that the representation and discourses provides a useful perspective on the *way in which identities are formed*, although here too caution is needed. I am also uneasy with the notion of 'fragmenting identities', because this implies a past unity that is impossible to prove but seems to me improbable. As Massey (1994: 146) argues, the notion of 'fragmenting identities' and a 'loss of control' is profoundly ethnocentric, for it implies that there was an *unambiguous* unity in identity and a feeling of control in the first place, whereas colonised people have long felt 'out of control' and 'fragmented'.

My empirical analysis leads me to contest Hall's suggestion that the externally imposed processes of globalisation have changed cultures whose character was previously 'relatively settled'. I *do*

accept, however, that the material changes that occurred over the past thirty years have increased the *perception* of change, lending weight to the discourse of hyperglobalism. Widespread acceptance of the validity of economic statistics of decline as a proxy for well-being leads to the belief that New Zealand's living standards (in terms of income) have fallen relative to the rest of the world (discussed in Chapter Ten), injecting an uncertainty that perhaps was absent, or at least different, in the past. This had added a new edge to concerns with identity, which partly reflect economic necessity and the need to 'differentiate', as well as an apparent underlying insecurity about 'our place in the world' (cultural cringe). The process of identity formation is therefore an interesting way to approach an analysis of globalisation in contemporary New Zealand. It occurs through an 'othering' process which juxtaposes contemporary 'global players' against 'Fortress dwellers' of the past. In this way, cultural theory furnishes some useful concepts that I employ whilst remaining mindful of their shortcomings.

New Zealand Culture

Whenever I hear the word culture... I reach for my pistol (attributed to Göring²⁸).

I was initially reluctant to engage with questions of culture and identity at all, inevitably nebulous and contested as they are, but this proved necessary, recognising their use in elucidating an important aspect of the question of globalisation in New Zealand. I eschew much of the complex web of cultural theory in favour of a close analysis of culture and identity *as viewed by my interviewees and other sources*. I thus draw explicitly on a straightforward dictionary definition of culture, as "the customs, civilisation and achievements of a particular time or people" (Concise OED, 1995: 328)²⁹. It is in this sense that my sources depict the qualitative change in *New Zealand culture* over the past generation, and it is in this sense that I use it. This includes noticeable changes in the lifestyle and consumption patterns of contemporary New Zealanders compared with the period up to and including the 1970s.

My interviewees invoke a further definition of culture when seeking to explain particular *aspects* of this change. This aspect of culture refers specifically to "the arts and other manifestations of human intellectual achievement regarded collectively" (Concise OED, 1995: 328): what might alternatively be labelled 'high culture' (Giddens, Held, Hubert, Loyal, Seymour, and Thompson, 1994), in full awareness of the bourgeois connotations (which are themselves apposite given the

²⁸ This actually comes from *Schlageter* act 1 scene 1: "Whenever I hear the world culture... I release the safety-catch of my Browning!" (Johst, 1933, in Partington, 1992: 377), but the attributed version is more apt.

²⁹ I note that Robertson (1992) avoids a substantive definition of culture for several reasons, including "the fact that culture as an idea has, particularly in the Western world, a very long history... commencing with the ancient Greek philosophers, suggests that we ought to entertain seriously Nietzsche's dictum that that which has a history cannot usefully be defined" (Robertson, 1992: 33). He goes on to argue that the mere fact that there have been so many definitions of culture produced by social scientists suggests the need to discuss the 'problem of culture' rather than 'culture' itself. He draws attention to the need to be wary about *a priori* definitions, for culture's significance varies considerably in a society's or a civilisation's history, as well as across societies and civilisations (Bellah, 1964). Instead, Robertson argues for a focus on *metaculture* – to address links between culture and social structure and between culture and individual and social action (Robertson, 1992: 34). This seems to me unnecessarily pedantic and unhelpful. My definition has the advantage of simplicity and incorporates the requisite temporal dimension.

composition of my interview sample). This is the term that I employ in order to maintain the analytical distinction between this and *New Zealand culture* more generally.

The notion of identity is more complex, but similarly critical when interpreting *why it is that culture is seen as significant by my sources*. Identity is “the quality or condition of being a specified person or thing” (Concise OED, 1995: 674). For my sources, culture is an important aspect of ‘New Zealand-ness’, and is thus linked to the construction of identity. Indeed, the two are frequently used synonymously. I accept, however, the utility of aspects of the theoretical approach to ‘identity formation’ through the ‘creation of the Other’ (Grossberg, 1997), but use it cautiously to avoid the unnecessary creation of binaries.

The fact that my sources emphasise change is perhaps unsurprising, given that comprehensive changes have occurred over the past thirty years in the technological, political and economic spheres of life (Chapters Six, Seven and Nine). Whilst agreeing that change is afoot, my sources diverge profoundly in their interpretations of contemporary change for New Zealand society. Each aspect of change appears contested and ambiguous, with narrators sometimes contradicting themselves in the different implications that they draw of contemporary New Zealand and its international connectivity. In this chapter, I focus in particular on domestic factors, although international developments at the macro scale contribute to the sense of change. These include such things as demographic change (the ageing population, the declining birth-rate, increasing urbanisation); the indigenous resurgence occurring in many ‘post-colonial’ societies; the increasing feminisation of the labour force and corresponding changes in the lives particularly of Western women; and the implications of the advances in information, communication and technology for particular localities. The last is particularly salient for physically remote New Zealand, as it offers hope for overcoming the tyranny of distance (Chapter Six), permitting New Zealand to become a ‘global player’, a notion constructed through the ‘othering’ of the past as a Fortress.

Fortress-dwelling: New Zealand prior to the 1980s

In the first part of this chapter, I examine representations of New Zealand culture, and how these have changed. Post-war New Zealand up to the 1970s is commonly depicted by my sources through a set of cultural images that reinforce the Fortress metaphor discussed in Chapter Five. These are perhaps most explicitly depicted in Austin Mitchell’s 1972 caricature of New Zealand, *The Half-Gallon Quarter Acre Pavlova Paradise*, a cutting stereotypical catalogue of New Zealand culture, or lack thereof, in the 1970s.

A spectre is haunting New Zealand. It is the spectre of Overseasia.... Three million people can’t cultivate their garden without the occasional peek over the fence at the three thousand million jostling outside. Being small makes Kiwis insecure and gives them a unique love-hate relationship with Overseasia... Just as New Zealanders insulate the economy, they protect their society with the Pohutukawa curtain. They keep colourful scenes out of their films, colourful language out of their books, and colourful people out of their portals. Visitors come, but to the careful purdah of hotels no New Zealander can visit... Travel broadens only the overseas deficit

so New Zealand has an elaborate system of exchange control to ensure that as few as possible go overseas and that those who do go suffer the maximum inconvenience (Mitchell, 1972: 139-40).

Similar imagery also appears in McLauchlan's *The Passionless People* (1976).

The time has come now to see ourselves as we really are – a racially and culturally homogenous group of people who have nurtured in isolation from the rest of the world a Victorian, lower-middle class, Calvinist, village mentality, and brought it right through into the 1970s (McLauchlan, 1976: 2).

The invocation of Fortress imagery for purposes of identity formation is thus a strong cultural tradition in New Zealand, surprising some European observers, whose impressions of New Zealand relate more to its cleanness and greenness (although of course the two sets of images are not necessarily contradictory).

Life in Germany was increasingly seen as overburdened with military and environmental pollution... The personal Utopia of life in a clean, unpolluted environment led [immigrants] to go looking for an earthly paradise... New Zealand emerged as a clear favourite for various reasons. Its isolated situation seemed to guarantee security; its sparse population promised enough space for one's own ecological needs; the climate was said to be pleasant; and a total ban on all forms of nuclear energy from the mid-1980s gave New Zealand the aura of a small, exemplary and courageous country at the end of the world (Bönisch-Brednich, 2002: 108).

This perspective of New Zealand as an earthly paradise rarely surfaced amongst my sources. They invoked two discourses, both of which recall different aspects of Fortress New Zealand imagery. Apparently contradictory, these discourses sometimes appeared in the same narrative, as interviewees considered different cultural aspects of New Zealand's relationship with the external context. They are not, therefore, dichotomous, but represent alternative dimensions of the same phenomenon. In turn, they echo the cultural imagery caricatured by Mitchell, and many other contemporary commentators.

Snug inside the protective Fortress

The first discourse, derived principally from my interviews with people in the productive sector, comprises a set of positive images that emphasise the security and affluence of the 'happy golden years' in New Zealand after the war. The imagery suggests a combination of commodity-fuelled affluence, luck, naïveté and innocence, based on the export of agricultural commodities from the 'offshore farm' to the Mother Country.

It was all fine while we were the garden of England (Interview, CEO, CECC).

We were living in this tight little island with big walls around it, and we were pretending that it was pretty good. And it had been good – the Korean War, wool, all those things... A lot of people got really rich – cockies had done really well (Interview, CEO, Tait).

Conditions were improving socially and economically [in the decade after World War Two], for most people, and while there were halts – and some now claim it was an awfully restrictive time – there was always more than enough happening to stimulate me and occupy my time. Our family and friends had a lot of fun; there was a variety to life as we experienced it. The few who complained regularly about a lack of choice were told to stop moaning and be grateful for what

they had, and to go away and contemplate what actually brought 'true happiness' (Turner, 2002: 186).

An element of nostalgia is evident in the sense of affluence, security, stability and simplicity of 'old New Zealand', when life was easier and more harmonious. At the same time, the clear impression emerges that things were good – 'too good to last'. This connection of 'good times' with unsustainability echoes the Fortress discourse in political and economic spheres.

Locked inside the oppressive Fortress

A second discourse also emphasised the security of the Fortress, but emphasises the *constraints* of post-war New Zealand.

From the Depression, New Zealand was characterised by 'insulationism'. For fifty years, security often overshadowed growth as a policy objective. Living standards stabilised, and then rose. But gradually it became evident that living standards in New Zealand were not as high by international comparison as they had been, and dissatisfaction grew (NZYB, 2000: 379).

The combination of New Zealand's remoteness, isolation and the extent of its government regulation together reinforce the image of repressive, conformist authoritarianism.

There was a desperate need to break the shackles of interventionism, which reached its zenith with Muldoon... When Muldoon was at his worst, because I was involved in politics in those days, and... people who knew a lot more about politics than I did said there are undertones of fascism in this country, and he's the sort of... not the Hitler as much as the Mussolini of the South Pacific! And it's interesting, because Sam Neill's first film came out in 77, called *Sleeping Dogs*. And ... it was about government manipulation and events and all that sort of stuff, and I thought... shit, New Zealanders are so bloody gullible, this could easily happen (Interview, CEO, CSO).

In this context, conformity and repression were frequently linked with the notion of post-war New Zealand as a (high) cultural desert. The access of the New Zealand public to international cultural production was certainly curtailed by the combination of government restrictions and censorship, physical remoteness and technological difficulties. Colgan (1996) commented upon this in the International Film Festival programme commemorating fifty years of the Film Society in New Zealand.

Suddenly, after the wartime drought, a comparative deluge. As Professor J.C. Reid was heard to comment, 'There's always something doing at the Film Society. This month we're having *The Cabinet of Dr Caligari*, next month it's to be *Battleship Potemkin*, the month after that *The Cabinet of Dr Caligari*, and the month after that *Battleship Potemkin*. There's always something doing at the Film Society!' (Colgan, 1996: 167).

For people with a cultural bent, pre-war New Zealand, at least until the early 1960s, is remembered as homogenous, boring, and cloying, as opposed to the cosmopolitan diversity of the present. What little cultural fare was available was reverentially treated.

Fifty years on, memories abound. We few, we happy few. And all so solemn. Mesmerised by *The Seashell and the Clergyman* (1926), all Freudian sexual symbolism, with characters entering and leaving rooms in reverse on their heads. And none of us questioning. 'Shhhh, this is Art'. Then somebody bold enough to whisper 'Could it have been reeled backwards and inside out or something?' It had! (Colgan, 1996: 168).

The notion of New Zealand as a colonial backwater starved of culture resonates with commentaries from the 1950s and 60s in which artists, writers, Maori and women rebelled against what they saw as New Zealand's conformity and homogeneity (Consedine, 1989; Kedgley, 1993; May, 1992; Pearson, 1979; Roth, 1959). Just as "The measure of success [for women in the 1950s] was not the honours board of elevated degrees or breadth of knowledge but simply being married" (Coney, 1990: 41), Ausubel, a visiting American psychologist, visiting in 1958, noted:

for as long as New Zealanders persist in deluding themselves that all is well in the sphere of race relations, the only realistic prospect for the future is the emergence of a brown proletariat segregated in the urban slums and living in a state of chronic tension with their white neighbours (Ausubel, 1960: 165).

The scathing criticism of writers Pearson (1952) and Glover (1962), playwright Mason, poet James K. Baxter, artist Colin McCahon, among others, depict New Zealand society as stultifying, tall poppy-chopping, conservative, hidebound and snobbish.

New Zealand is a maddening country for artists, particularly for those drawn to the theatre... The situation in New Zealand in the 1960s for the artist and intellectual is often so intolerable, the smugness and complacency so monumental, that paradoxically, the climate may soon be ripe for a masterpiece (Bruce Mason, in McLeod, 1968: 256).

Glover in particular depicted Christchurch as the arch-culprit:

Christchurch today is one vast lawn cemetery. It is flat, smooth, dead. The trees are all in order. The grass is cut. The gutters are running with water pumped up from artesian bores as numerous as club members ... and it is, above all, smug (Glover, 1962: 61).

Ogilvie (1999: 42) notes that whilst Glover considered Christchurch "snobbish, self-absorbed, insular, brittle and reactionary", it was in fact rather vibrant. Painters in 'The Group' (Rita Angus, Louise Henderson, Rata Lovell-Smith, Olivia Spencer-Bower and others) had made Christchurch the undisputed centre of New Zealand's visual arts from the 1930s, while New Zealand literature flourished in the 1950s and 1960s with the Caxton Press in Christchurch promoting writers from across the country, including Pearson, Frame, Sargeson, Glover, Brasch, Curnow and many more. A range of alternative journals was also produced, chronologically including *Phoenix*, *Tomorrow*, and *Landfall*. Nevertheless, New Zealand culture in the 1950s and 1960s was criticised, and is frequently remembered, for its the lack of diversity: "homogeneous, dull, conformist, philistine, puritanical, bourgeois, materialist, Anglo-Saxon and hostile" (Peter Simpson, cited in Jones, 1989: 198). Critics forcibly reinforced this impression in the 1970s: "People manage to conceal what little diversity there is. They do this so well that they become positively anxious about diversity if it ever crops up" (Mitchell, 1972: 11). "It's not only a fear of finding irreconcilable differences, but also a fear of finding disturbing passions that would give tumescence to our shrivelled, ordered, materialistic lives" (McLauchlan, 1976: 27). "Blinded by complacency, ill-informed by the media and doubtless influenced by her own incipient racism, New Zealand was able to slumber on" (Pearson, 1979: 291).

Whether or not this perspective of New Zealand prior to the 1980s is *fair* is beside the point (security is an understandable preoccupation for a country seared by international depression, world wars and a host of regional conflicts in South-East Asia). More importantly, the discourses of Fortress New Zealand, with their emphasis on security and insulation, reinforce the sense of *disjuncture with the past*. The Fortress is juxtaposed by my sources against images of contemporary 'globally connected New Zealand', characterised first and foremost as qualitatively *different* from the isolated, agricultural, monocultural New Zealand of the past.

Contemporary New Zealand: globally connected and cosmopolitan

Many examples were invoked by interviewees or in reports, which demonstrate the way that New Zealand culture has changed since the 1970s. These range from food and wine to music, movies, radio, television, arts, drama, multiculturalism and so forth. The overriding impression derived from my interviews in particular is the emphasis on contemporary *cosmopolitanism*.

Cosmopolitan can be defined as "of or from or knowing many parts of the world" (Concise OED, 1995: 302). It is of course hardly surprising that my interviewees should note this tendency, given that they were chosen particularly for their 'important positions', therefore, without exception, they are well-educated, middle class, and relatively affluent. In addition, they are predominantly New Zealanders of European descent. It seems reasonable to conclude therefore that of all New Zealanders, these people are the most likely to have experienced this increasing cosmopolitanism. Nevertheless, the interviews provide important insights in the contradictory ambiguity of their interpretations of contemporary New Zealand.

The depiction of contemporary New Zealand as internationally connected and cosmopolitan implies the operation of the discourse of hyperglobalism, emphasising the global, generic and novel, this time in the sense of New Zealand as a site of 'global culture'. This is however offset against an equally discernible and apparently contradictory discourse of 'unique New Zealand', which emphasises New Zealand's *difference* and peculiarity, and frequently highlights elements of continuity. As my historical analysis demonstrates, New Zealand was always a 'global player', yet the discourse of hyperglobalism explicitly constructs this as something new through 'othering' the past as a Fortress. This emphasises the global scale, in the process favouring external ideas and remedies rather than those developed locally, and international recognition remains the benchmark for local success.

Of course, the search for external validation itself is nothing new. Hyperglobalism draws on an influential older discourse of cultural cringe, demonstrating the way that discourses are recombined to produce new discourses. Here again the notion of post-colonialism is useful in the sense that the 'otherness' established through British colonialism, premised on the difference between New Zealand and Britain, has left a legacy. This has a contradictory effect, for being a 'successful global player' in the 'international economy' requires New Zealand to have identifiable *positive* differences that can be exploited. How then is New Zealand to differentiate? Its comparative advantage is embarrassingly agricultural, and does not fit the image of a

'knowledge society'. While we emphasise our ability to be 'innovative', 'cosmopolitan', 'just as good as everyone else'; this risks rendering New Zealand the *same* as everyone else. Hence the discourse of hyperglobalism emphasises the contradictory point that we need to be *as good*, but *different*.

The remainder of the chapter explores the contradictory understandings of New Zealand culture. This requires an ongoing oscillation between culture for culture's sake, and culture for economics' sake, each aspect comprising a tension between the desire for sameness and the desire for difference. As noted above, two critically important dimensions of culture and identity emerge from my interviews, linked in a dynamic tension system, which correspond to the cultural importance of identity and the economic importance of culture.

Cosmopolitan New Zealand

My interviews repeatedly emphasised the new opportunities available to contemporary New Zealanders in terms of choice, depicting New Zealand's contemporary cultural diversity as a welcome change compared with the past. Many of my interviewees emphasised their pleasure at being able to participate in the cosmopolitan delights not available in the Fortress.

It's like Starbucks, more recently, I mean I love it that there's a Starbucks – so you can be here and have access to the world, but keep the best of what is home – of what is you. And I think it's also one of the main tourist plusses (Interview, ex-Mayor of Christchurch).

The diversity of restaurants and produce now available in New Zealand would surely baffle a time traveller from the New Zealand of the 1950s or 60s. During years spent in Europe, Simpson noted:

I grew used to eating out regularly and well, and faced my imminent return to culinary New Zealand [in 1980] with dread and foreboding. Prior to my departure for Europe, New Zealand had not been a mecca for gourmets... [Yet] in the space of a few short years, New Zealand had ceased to be the virtually restaurant-less food wilderness of my recollection... [and] it has become possible to eat well in even the remotest places (Simpson, 1999: 8).

Bailey and Earle (1993: 261) note that in 1965, Garlands advertised itself as the only restaurant in Wellington with a three-course lunch and dinner. From 1961 to 1986, however, the number of restaurants in Wellington increased from 67 to 298 and in Auckland from 96 to 455, according to Yellow Pages listings (*ibid*).

In the new millennium it is possible – if one has the inclination and the means – to enjoy an array of wines, espresso, biscotti, porcini, olive oil of every hue and origin; ciabatta, sushi, papaya, bok choy and truffles titillate the senses; whereas thirty years ago, if available at all, most were the exclusive preserve of the adventurous, discerning or energetic. For many of my interviewees, these eclectic delights are contrasted against the imagery of Fortress New Zealand: lukewarm tea, pies, rugby, racing, and beer. New Zealand-made wine, if available at all, is remembered as often fortified, not very good, and from the 1960s, usually confined to first flagons and then cardboard casks.

The changing profile of alcohol consumption over the past thirty years offers revealing insights. Annual reports from the liquor industry in New Zealand over the past forty years confirm that a transition has occurred in New Zealand alcohol consumption from beer to wine, paralleling the development of the New Zealand wine industry. In the 1960s New Zealand had the third highest beer consuming population in the world (DB Annual Report, 1980: 18). The Dominion Breweries Annual Report stated unequivocally in 1971: “beer is, and always has been, New Zealand’s national drink” (1971: 53). The connotations of the ‘national drink’ were depressingly barbaric: poet A. R. D. Fairburn made the comment that

Walking into some of our city bars, the stranger from abroad might be forgiven for wondering how long it will be before a completely circular system of beer-drinking is introduced by the big brewing interests that control them: the pumping apparatus on the bar being connected up to a urinal on the rear wall (cited in Bollinger, 1967: 4).

While grapes had been grown in New Zealand since Busby’s attempts in the 1830s (McAloon, personal communication), the trend acquired momentum in the 1970s. At this time, the lion’s share of grapes comprised hybrid varieties.

They are easy to grow, they handle very well, they don’t get phylloxera, they don’t get quite a number of diseases, so they were a good bet for a nation that didn’t take wine very seriously (Interview, viticulturist, Lincoln University).

New Zealand’s potential for wine-making and selling was however identified early. In 1962, DB acquired a small shareholding in wine-maker McWilliams (DB Annual Report, 1962: 20). By 1967, with the lifting of import restrictions and the end of ‘six o’clock closing’ (Bollinger, 1967), DB had expanded its beer operations (with 130 outlets around New Zealand) and also increased its minority holding in wine companies Corbans and Penfolds (DB Annual Report, 1980: 24).

Wine sales also continue to improve, and as the quality of New Zealand wines reaches higher levels they are finding a wider and more appreciative group of consumers. Their sales are enhanced also by an import licensing system which is inhibiting the importation of competitive products (DB Annual Report, 1977: 28).

By the 1980s, New Zealand’s potential for varietal wine-making was increasingly being recognised and acted upon. This reflected a combination of interest in New Zealand, the importing of experience from abroad with the arrival of such people as well-known wine-maker Danny Schuster from Austria, and a range of experts from Germany, France and America, as well as New Zealanders who had been abroad to train (Interview, viticulturist, Lincoln University; Tipples, 2002). Wine also presented an opportunity for a new export crop, and its development was accordingly supported first by Muldoon, and then in an uncharacteristic move by the 1984 Labour Government.

V: If they were going to get rid of what had been planted they would have to go to export so that’s when they started taking exports seriously... The Labour Government then, they supported vine clearance. They realised this... was a new government, this was pre-enterprise... they did a very un-Labour thing and gave quite a lot of money for people to pull out the bad grapes. It was quite a big thing – everyone who had planted grapes that were not suitable were able to pull them out.

Me: So most of the hybrids were swapped over then?

- V: A large number were. Other varieties that were not doing very well were pulled out too. But it was mainly the hybrids that were given the heave.
- Me: And was that with an eye to improving the exports?
- V: Yes. They realised if they were going to export they had to improve the quality rather than having these rubbishy varieties (Interview, viticulturist, Lincoln University).

New Zealand wine production in 2000 reached 60 million litres, of which 20 million litres was exported (Wine & Grape Industry Statistical Annual, 2000). While this industry represents an important diversification of New Zealand's exports, the allure of the industry overshadows its actual contribution.

It's a glamour industry – there are other industries – someone pointed out to me a little while ago that in Marlborough everyone talks about the grapes and what a wonderful place it is for it, but more money comes into Marlborough from mussels than grapes (Interview, viticulturist, Lincoln University).

The improving quality of New Zealand wine, coupled with government initiatives and international expertise, have contributed to its popularity, while beer consumption continued to decline (DB Annual Report, 2001: 1). There have been highly successful attempts to change its image with the marketing of exclusive 'boutique beers': while the popularity of mainstream beer continued to decline, Monteiths grew twenty per cent in 2001 (DB, 2001: 9). Several of my interviewees drew attention to the concurrent perceived development of the New Zealand palate.

The process proceeds hand in hand – someone makes good wine so if you drink good wine you can tell bad wine (Interview, viticulturist, Lincoln University).

A recurring theme in my interviews thus consequently related to the growing *appreciation* in New Zealand of recently acquired cosmopolitan trappings, amounting to a 'cultural education' process.

The profile of the wine drinker as someone who is interested in wine, that... their discernment already says taste. Their discernment in wine usually extends to discernment in other areas, so they can determine the difference between... a rock covers band and new rock. There's a certain cultural intelligence there, right? (Interview, CEO, Canterbury Fare (a firm marketing luxurious Canterbury produce internationally via the World Wide Web)).

The images are naturally highly stereotypical and reflect the exclusivity and prosperity of my interviewees, able to benefit from, and affected by, such changes. Masked by the overwhelming sense of novelty in the cosmopolitan delights available to contemporary New Zealanders is the fact that there are strong elements of continuity in each of these developments. New Zealand's cultural development has long been characterised by a process of *hybridisation*, brought about through 'overseas experiences' exposing New Zealanders to international influences, products and ideas and changing expectations. While the range of products available was certainly narrower in the 1970s, some enjoyed boutique wines and foods, just as at present they are not universally available to contemporary New Zealanders. Further, these delights are limited in their applicability. This was recognised by the Chief Executive of Radio New Zealand.

We've talked about how careful we have to be, because on a Saturday morning, when we have a recipe, it's often the sort of cooking of the haute bourgeoisie, with truffle oil and saffron, and stuff like that, and you say for god's sake, people in Fairlie do not have access to much saffron or

truffle oil – this is very Auckland, and where’s this all ending (lots of laughing!) and we have to remember that we should be reflecting the whole society (Interview, CEO of Radio New Zealand).

The heightened sensibility of contemporary cosmopolitan New Zealand was further alluded to by the Directors of the New Zealand International Film Festival and Christchurch Arts Festival, who emphasised both the increased availability of culture from abroad, and the high quality of contemporary New Zealand production. They contrasted this against images of the past, echoing Colgan:

From nights of hard seats in draughty halls, of cans mislaid in transit, projector breakdowns and abuse from the darkness, silent classics re-viewed, English language films so distorted they might as well have been in Chinese, early post-war groans from Hollywood-conditioned audiences when the occasional commercial release indicated ‘subtitles in English’. To the closing years of the century of established ‘art houses’, of viewers attuned to the numerous languages of international movies, comfortable cinemas, cappuccino in the foyer, 28 years of Film Festivals (Colgan, 1996: 168).

My interviewees attributed these changes to the increasing incursion of trends, influences and tastes from abroad into New Zealand. An important contributing factor is growing appreciation of New Zealand’s increasing cultural diversity, such as the range of foods, restaurants, music, art and cultural performances now available. In Auckland in particular, there is increasing interest in Pacific culture, demonstrated in the burgeoning of such things as the annual Pasifika festival (over 100,000 visitors in 2003) and the popularity of South Auckland band ‘Nesian Mystik’ among New Zealand youth. Coca-Cola recognised this popularity, featuring Nesian Mystik in its advertising campaign in 2003, demonstrating a curious nexus between local and global influences. Of course, the incursion of tastes and trends from abroad is nothing new – Dalmatians have made wine in West Auckland since the nineteenth century, and migration from the Pacific Islands has a long history. For my interviewees, novelty lies however in the increasing *acceptance* of diversity in contemporary New Zealand. Far from ‘homogenisation’, this is depicted as appreciation and tolerance of a range of different ethnic backgrounds. This is contrasted as a change, compared with the *amalgamation* policies of the post-war era, in which cultural differences were suppressed by the emphasis on assimilation.

New Zealand’s increasing access to international cultural influences has been assisted by technological developments which help to speed up the interaction between New Zealand and the rest of the world. This contributed to the sense of fundamental change, and the notion that it is somehow *less of a drawback* to be located in New Zealand than it once was, again emphasising the sense of international cosmopolitanism.

Everything’s got a lot faster... The first film festival I had any involvement with would have been the festival in 1979 when I was very much on the sidelines, but I know that the films that showed in that festival were all 3 or 4 years old, and now we show films direct from the Cannes Film Festival. The films we have now have only been seen for the first time 6 weeks earlier... Technology has got a lot to do with it, in the way that the world has definitely got a lot smaller. In those days, in the 70s, films that came here were mostly films that had had some kind of commercial life in Australia, and had ended their commercial life, so the prints were sitting there,

and they used to be booked in, booked by Christmas for the following July. The prints all arrived a month before they screened, and they'd make their leisurely way through the censorship process, whereas now, *24 Hour Party People* arrived 24 hours before its first screening and had to be censored that day (Interview, Director of International Film Festival).

My interviewees depict the increasing exposure of New Zealanders to 'international' trends as immensely positive in terms of the increasing cosmopolitanism that this process enables, diminishing the sense of New Zealand's insulation. In addition, interviewees noted that regulatory liberalisation has assisted in breaking down the ramparts of the Fortress. State control was radically diminished with the restructuring of the 1980s and 1990s, impacting upon the availability of goods, ideas, and cultural influences affecting New Zealand. Film censorship, for example, has become increasingly liberal (and this is not universally appreciated, evident in the concern at declining morals expressed by the Society for Promotion of Community Standards (Moynihan, 1995)):

Film festivals are no longer the domain of kind of special consideration by the film censors... As soon as porn became legally available in New Zealand, people stopped looking to film festivals as an umbrella for showing stuff they couldn't see anywhere else. Which is absolutely fine by me. I mean I still bridle when I meet people who think that... who kind of nudge and wink when they hear the film festival mentioned. On the other hand, its having a sort of touch of ... the allure of the forbidden thrust upon us by the Society for the Promotion of Community Standards, this year, who tried to prevent us from showing a couple of films... That did us no harm at all, in terms of... It's funny, though, because if people are interested in seeing sleazy films, they can wander in to virtually any video store these days – its all there. Hard core stuff. So that's definitely been a change (Interview, Director, International Film Festival).

At the same time, interviewees also emphasise that the government retains an important role in New Zealand's cultural sector. This echoes a familiar theme from the past, unsurprisingly, for despite its increasing international connectivity, New Zealand's population has only just reached (in April 2003) four million people. This imposes limits on the opportunities for private enterprise, and curbs the possibilities of making a living through cultural initiatives. Thus the small population and geographic remoteness have long hampered creativity in New Zealand.

All artistic questions and evaluations in New Zealand reduce to one simple fact: fewer than three million people, thinly spread over an area somewhat larger than the British Isles. The standard of living is high, to be sure, but the country is not a rich one in the modern sense. It is still primarily a European farm, an economy of milk and honey rather than nuts and bolts (Mason, in McLeod, 1968: 240).

Tension emerged in my interviews between the opportunities now available to New Zealand through technological advance reducing the significance of place and the perennial difficulties of being located at considerable distance from 'the rest of the West'. Despite the ongoing improvements in external connectivity, an ongoing constraint referred to repeatedly by interviewees operating in the cultural sector relates to New Zealand's small population size and the associated limits on the commercial viability of cultural initiatives. For many of my interviewees, this makes a degree of government support necessary if cultural initiatives are to be pursued. That cultural initiatives *should* be pursued was accepted almost without question by my interviewees. This was implicitly justified as necessary for New Zealand society, in terms of

forging a sense of pride and cultural identity, viewed by many interviewees as an important end in itself. At the same time, there is an ongoing tension between recognising that there is immense value in promoting *New Zealand culture*; and wanting to be like everywhere else, in terms of having access to cultural initiatives from abroad. In the remainder of the chapter, I consider the tension between homogenisation and differentiation, examining the tension between ‘culture for identity’s sake’ and ‘culture for economics’ sake’, remaining mindful of the inevitable dialectical tension between the two.

The homogenisation/differentiation dialectic

Broadcasting and cultural identity

For many of my interviewees, broadcasting plays a key role in New Zealand’s cultural development. It also demonstrates the juggling of commercial imperatives against the ‘public good’, elucidating the tension between ‘culture for culture’s sake’ and ‘culture for economics’ sake’; and that between homogenisation and differentiation. In New Zealand, the primary media through which people obtain information about the world are television, radio and print, and the former two provide an interesting contrast. As described in Chapter Six, radio broadcasting has occurred in New Zealand since the 1920s, and it has long served political purposes as well as acting as a medium by which domestic and international cultural experiences could be disseminated. In the 1990s, radio was deregulated as part of the restructuring, and a plethora of commercial stations began operating. The Crown retained ownership of Radio New Zealand:

In 1995, we got a charter in the legislation that set us up as a stand-alone company. And that charter you can now wave at Treasury and say, you’ve asked us to do these things, this charter is the desires of the public, what they want on public radio, therefore it costs this and this and this (Interview, CEO, Radio New Zealand).

Having ridden out the deregulation storm, Radio New Zealand, a Crown entity, continues to provide three publicly funded networks, National Radio, Concert FM and the AM Network, that are available throughout New Zealand, while Radio New Zealand International provides an overseas short-wave service to the South Pacific. Radio New Zealand is designed primarily to fulfil a public service role. Its Chief Executive, staunchly committed to the ideal of public broadcasting, represented this as important institution for New Zealand society.

And I suppose one of the things that I should be thankful for is that we have... we’ve evolved with the changing society, but those absolute verities still hold, that you should be able to say, there’s no bias on National Radio, because even though I heard a bad-tempered interview at 8 o’clock, I know in the period of current interest that there’ll be a range of opinions on that subject, whatever it is. We’re not perfect by any means, but there’s that sense of being called to account. So I think that in television terms, that’s... not quite the same (Interview, CEO, Radio New Zealand).

The public expenditure (\$22 million per year) was justified on the basis that public radio fulfils an important *social function*, in meeting the needs of the New Zealand public in terms of information *that lacks a commercial imperative*.

In any society there does need to be a place where people can go, however reluctantly, and know that they will get some semblance of the truth, and some sense made of it. So I suppose we stand for, however many times we fall short, for a set of values and beliefs about reflecting the society, and that's worth trying to preserve (Interview, CEO, Radio New Zealand).

National Radio and Concert FM are thus the only mass media in New Zealand that operate without advertising (except for their own programmes). For most people in New Zealand, however, the primary source of news and information is not radio, but television. In Britain, eighty-five per cent of people obtain their primary information about the world from television (Vidal, 2002a), and the proportion in New Zealand is considered to be comparable (Laird, 2002: 10). Making up for lost time given its late arrival in 1961, New Zealanders rapidly adopted television, and by 2002, 98 per cent of households had at least one set (NZYB, 2002).

The fundamental characteristic of television compared with radio is that it is tremendously expensive to make programmes. This presents problems for a small country.

One hour of drama on National Radio probably costs about \$50,000. One hour of home-grown television drama costs anything between 500,000 and a million, so always in television, because more people are involved, you know – I used to do television, and just to get me to say good evening there were about 30 people involved! So you have this infrastructure, and high costs, and they've never come down, and so at some stage, New Zealand, who have got really good television, because we waited until 1960 and we've always had really good quality technical telly, um... realised that probably we'd have to take some commercial advertising to offset the costs of the television. If you wanted to make programmes, you'd have to get some advertising (Interview, CEO, Radio New Zealand).

Reinforcing the point, in 2001, 346 hours of television drama were made at a cost of \$134 million, twenty eight per cent of which was financed in New Zealand by government agencies including New Zealand on Air as well as the television companies, meaning that the bulk was funded offshore (SPADA, 2001: 26). In the same year, 574 hours of 'entertainment' television, including 'reality' programmes, were made at a cost of \$31 million, most of which was domestically funded; while 253 hours of documentary programming were made at \$36 million, seventy four per cent sourced locally (SPADA, 2001: 28 – 32). Funds are provided from general taxation through New Zealand on Air, the broadcasting commission (which in 1998 spent \$44 million on television programmes). Many of local programmes are hybrid in nature, importing genres from elsewhere (such as the hospital drama *Shortland Street*), but modifying them to suit New Zealand. Hence whilst the model is international, such programmes potentially and sometimes actually provide a forum for articulating topical local issues.

Lofty 'public service' ideals for the role of television as a crucible for cultural identity formation are however confronted by an inflexible budget constraint. Horrocks (2003) depicts New Zealand television as a colonial hybrid based on compromise, for neither the largely commercial approach of the US (given its large population) nor the fully government-funded approach of the UK (again with its large population and commitment to the BBC) appear viable in New Zealand. Some government support is necessary because of the restricted commercial viability (given the small

size of the population), but there is insufficient political will to provide wholly publicly funded television. Hence in New Zealand, two companies control the major free-to-air television networks. Television New Zealand, a state-owned enterprise, operates two national channels (TV One and TV2). It is charged with being a commercially successful business, and its main source of revenue is advertising (NZYB, 2000: Chapter 11). TV3 and TV4 are operated by a privately-owned network, TV3 Network Services, which is fully owned by CanWest Global Communications Company, based in Canada (NZYB, 2000) while 'pay to view' Sky TV (which is 66 per cent owned by INL) is also available (Lealand and Martin, 2001: 26).

Thus while state agencies contribute some funding, television in New Zealand is primarily *commercially focused*. "The public service ethos regards access to accurate and representative news and to public debate about issues of the day as a citizen's right. For this to happen, freedom of the press is a necessity" (Lealand and Martin, 2001: 133). Several of my interviewees view New Zealand television highly negatively, arguing that commercialism usurps its 'public service' potential. At issue are questions of 'identity formation', characterised by tensions between 'culture for culture's sake' and 'culture for economics' sake'. This emerges in the contradictions between increasing appreciation of New Zealand culture and the desire to be cosmopolitan; and between the desire to encourage identity formation through cultural expression, and the harsh reality of affordability. The example of television encapsulates the tensions explored in the international globalisation debate between homogenisation and distinctiveness, for it is seen among my sources as a potential vehicle for promoting New Zealand identity, but simultaneously as an insidious influence on New Zealand culture, its potential for fostering New Zealand culture undermined by the commercialisation that television in New Zealand inevitably entails.

The corollaries of commercialism

Elucidating the tensions at play, a recurring theme in my interviews emphasised the importance of the 'public service ethos' and the need to rise above the inevitably partisan constraints of private media ownership, which is held to determine their content.

The newspapers are OK, but that's a Murdoch thing, where Murdoch pulls the strings behind the scenes, and commercial radio is there to make a profit for the owners, not to necessarily raise altruistic notions, so I think... So I think there is a place for [public radio], if only to note the changes (Interview, CEO, Radio New Zealand).

Indeed, why should owners such as Murdoch or Packer publish critical material or programmes that are not palatable to audiences, when their revenues and hence the viability of their business comes from advertising? Yet of course, the issue is contested. In 2003, the Chief Executive of Television New Zealand roundly criticised TV3 presenters for a promotional advertisement which stated:

In uncertain times who can you trust? Yes, it's important to remember that propaganda can come from all sides, so our job is to be independent, to tell the truth as well as we are able. At 3 News we are not cheerleaders. We're not state-owned. We are journalists... Our job is to ask the questions – no matter who we might offend (Campbell and Hirschfeld, cited in Drinnan, 2003).

The TVNZ Chief Executive resented the implication that its reporters are “under the boot of the government”, as well he might. The important issue is, however, more subtle. Leaving to one side the highly contestable question of direct ownership and control and the insinuation of the state as ‘big brother’ controlling the content, the way that television is structured in New Zealand and more generally does have consequences for what is screened, which issues are presented and how. TV3’s statement suggests that their ‘news’ is providing an unbiased account of happenings in the world, and suggests the existence of an objective ‘truth’ there for the uncovering. This is naïve as it masks the discourses, power dynamics and complexities inherent to television.

Material screened on television is limited by ‘filters’ inherent to the medium (Chomsky, 1988). McQueen (1998: 95) argues that ‘news values’ are similar internationally, and reflect the hegemonies and ideologies of societies reporting the news. The news has several key features which affect its content: ‘personalisation’, where events are seen as the actions of individuals rather than larger forces; ‘negativity’, for negative hard news is given priority, privileging dramatic incidents of violence and spectacle; locality (cultural proximity) for Western news dominates, while news of so-called ‘developing’ countries reinforces the idea that what is newsworthy about them is their disasters (the underlying causes of which go unexamined); timing, for events with a beginning and an ending are favoured, while ‘today’s news is tomorrow’s fish and chip wrapper’; and pictures, as visuals are seen to provide evidence of ‘truth’; and simplicity and clarity, favouring black-and-white reporting over depth and complexity (Lealand and Martin, 2001: 151-2). ‘Soft news’ (Lealand and Martin, 2001: 144) where time is not crucial and where the content is of human interest (such as Russell Crowe’s wedding, or the visit of Tom Cruise to New Zealand) is favoured over ‘slow news’ (Pilger, 1998) such as global warming and other important events which go unreported because they lack immediacy and are not visually exciting (such as the suffering of children in Iraq as a result of Western sanctions) (Lealand and Martin, 2001: 144). It must also be possible to fly in a television crew, to express the issues simply in the fifteen minutes available between advertising breaks, to provide ‘pictures’. Hence whilst it is possible for information to travel globally almost instantaneously, what is shown is not remotely representative of events happening in the world at large, or indeed their significance.

In addition, New Zealand’s small size and correspondingly tight budget constraint affects its ability to produce ‘news’.

Because the media in New Zealand cannot afford to maintain their own foreign correspondents, they have to adopt a scavenger approach... The result is a diverse mix of international agencies and sources, and if there is a prevailing cultural influence it is not American but British (Norris, 2000, cited in Lealand and Martin, 2001: 142).

Its resulting dependence upon external news sources is significant, for news organisations across the world have access to the same information. News is socially constructed and highly selective, and acts as an important means of circulating discourses within the culture producing it. All mass media rely on the voices of established power institutions: news agencies (which commodify news by selling it), the police, political parties and government agencies (Lealand and Martin, 2001: 144). These ‘primary definers’ (Hall, 1997) define their own discourses and act as

gatekeepers controlling information. The media using this information are thus 'secondary definers'. Hence the discourses of the news are hegemonic and alternative realities are not considered. In this way, the news has a normative influence on the society producing it (Lealand and Martin, 2001: 144). News stories thus reinforce particular understandings of the world and are an important vehicle for shaping public opinion (Lealand and Martin, 2001: 148). This has two implications: first, 'imported news' lacks local genesis, but secondly, the discourse of hyperglobalism is hegemonic amongst 'opinion leaders' whose views are reported through the news. This serves to perpetuate a discourse that emphasises disjuncture, novelty, and the global context, even though the historical evidence makes each facet disputable (Chapter Three).

The content of the news is thus highly prescribed and circumscribed. New Zealand's budget constraint leads in addition to heavy reliance on advertising as a source of revenue, and limits local production. The primary requirement for commercial media is to stay financially viable, given the fact that state support is insufficient to fund the enterprise, and this means attracting and retaining advertisers. New Zealand television has apparently the highest proportion of advertising in the developed world (Laird, 2002: 10), with the highest expenditure on advertising as a percentage of GDP among the developed countries, exceeding the US and Australia and only equalled by Britain (Laird, 2002: 10), amounting to \$516 million in 2002 (Wallace, 2003). The government's contribution in New Zealand is minimal at \$19 per head per year, according to Wallace, compared to \$46 in Australia and \$128 in Britain (adjusted for comparable exchange rates). Just as the quantity of advertising has increased over the past two decades in New Zealand at any rate, it has also become more sophisticated, enabling specific sectors to be targeted.

When McDonald's decided to come to Christchurch, to the South Island, TV advertising in those days couldn't be broken up regionally as it is now... And so for some years prior to 87, McDonald's had been beaming television commercials into Christchurch, and the South Island [with no outlets available to meet the created demand] (Interview, McDonald's franchisee).

Advertising in news bulletins is crucial on commercial television. The intention of commercial television is to increase 'ratings', "self-reported records of presence in a room where a television set is on". Information is gathered from a 'representative' sample of 470 television households in New Zealand through an electronic device called a 'Peplemeter' (Lealand and Martin, 2001: 133). Ratings drive the format, content and delivery of news; while news bulletins commodify viewers by securing them for the advertisers (ibid: 143). Because the primary imperative is profit, programming must 'work' for advertisers.

Director: And Alister [Barry]'s film.... *In a Land of Plenty* is quite hard work. Its an extraordinary achievement to bring all that stuff together, it sort of grinds you down, doesn't it.

Me: That's right. I was interested to hear him speaking about the difficulties of getting it shown.

Director: Its ridiculous, really, isn't it, that television here is so afraid of work like that, because its polemical stance is so apparent, that they ... that it unnerves them. And this concept of balance is a polemical stance in itself that they will never show things like this. Its definitely not commercial television, as he says himself, where would we put the ads? And who

would want to advertise in that film! Consumer Magazine? (Interview, Director, International Film Festival).

Hence according to the Director and to Barry himself³⁰, this film, which explores the impact of the restructuring of the 1980s on unemployment in New Zealand, will not be shown on public television. Conversely, Marcia Russell's 1996 documentary *Revolution*, also on the adverse impacts of the reforms, was screened on television. Secondly, the budget constraint also affects the content of programmes by limiting local production.

The size of New Zealand means that commercial exploitation of documentary material is not particularly attractive to anybody... This year we programmed incredibly impressive documentary work from Australia, ... including one film with no real Australian content at all – *Wedding and Mother*, about a Palestinian family, and you have this funded by the ABC, by public TV in Australia. And you'd never in a thousand years see anything like that happening here (Interview, Director, International Film Festival).

Several of my interviewees suggested that 'local production' fulfils an important social function as a vehicle for cultural expression and hence as a medium for the formation of New Zealand identity. The paucity and quality of New Zealand-made programmes is therefore cause for concern, for several reasons. First, whereas in the UK, local content comprises 75 per cent of public broadcasting on television, in New Zealand the local content is never over 25 per cent (Horrocks, 2003). For Horrocks, like my interviewees at the Film Commission and the Screen Producers and Directors Association, local production is *the* central contemporary issue of public broadcasting in New Zealand, because of the *social role* that it serves, both in terms of reflecting society, and acting as a vehicle for discussing it. The desirability of encouraging local production has a strongly normative dimension relating to the need for encouraging New Zealand cultural development, which is seen to be limited by the commercial imperative and by the influx of international programmes. This in turn implies the need for government support, financially and in the form of a local content quota. My interviewees view the active encouragement of New Zealand culture through public funding as centrally important for New Zealand society (the 'cultural imperative'), and also elucidates why my interviewees from the cultural sector are so concerned about the potential limitations imposed by the GATS agreement (discussed in Chapter Seven).

There are two further corollaries of New Zealand's television structure. Because of the cost, local production and the dissemination of *New Zealand cultural values* are limited, even though not precluded (see the earlier example of *Shortland Street*). Further, the *types* of cultural value disseminated are determined by the commercial focus. My interviewees focused on the *normative* aspects of the commercialism of New Zealand television, drawing attention to the role of television in the formation of identities as 'consumers'. My interviewees focused particularly on the insidious and comprehensive influence of television on New Zealand children, who spend an average of 25 hours a week in front of it – about the same time as they spend in the classroom (Laird, 2002: 10; Lealand and Martin, 2001: 11). Children's television has attracted a great deal

³⁰ Barry made this point his speech introducing his film at the 2002 International Film Festival in Christchurch.

of research attention and remains the focus of much debate (Lealand and Martin, 2001: 205) for several reasons. Narratives in children's programming are frequently highly formalised and repetitive, while much children's animation is centred on simple moral tales of good and evil, or overcoming error or adversity (ibid). Further, television programmes (such as *Pokemon*) have increasingly become the starting point of complex networks of merchandising (computer games, books, clothing, food) "which become badges of membership of contemporary youth or children's culture" (Lealand and Martin, 2001: 206). Purveyors of fast foods and toys particularly target children's television (according to Donegan and Webster (2002), three-quarters of surveyed four to seven year olds in France left their McDonald's 'happy meal', only wanting the included toy). The dominance of fast-food advertising lies behind the heated debate over whether children's advertising should be curbed given the soaring rate of child obesity (Donegan and Webster, 2002; Thomson, 2003). A study of 2200 primary school children in Auckland in 2002 found that 14 per cent were obese, and amongst Pacific Island children the rate is one in four, increasing the probability of serious health problems including diabetes, high blood pressure and hip and joint problems (Thomson, 2003). In addition to these issues, for several of my interviewees, it is highly undesirable that the major medium by which New Zealand children learn about the world is commercially-focused and geared to producing a generation of 'consumers'. The consequences of consumerism are explored in the final section of the chapter.

There emerges, however, a further set of concerns aside from those relating to encroaching consumerism, which again recalls the tension between homogenisation and differentiation. One manifestation was revealed in the change noted by the Chief Executive of Radio New Zealand, a former radio announcer trained in the 1960s to speak in well-modulated 'accentless' English, quite different from the broad New Zealand vernacular. She noted that contemporary radio announcers frequently have pronounced New Zealand accents, interpreting this as an 'acceptance' of 'our' identity as New Zealanders, rather than 'wannabe' Brits. At the same time, she commented that this trend displeases many older listeners who prefer the enunciation of BBC English. A second manifestation of the tension between homogenisation and differentiation is that, as described earlier, many of my interviewees expressed pleasure at the increased incursion of international culture into New Zealand and its increasing cosmopolitanism. At the same time, however, their delight is tempered by their identification of a contradictory trend, which suggests to them that particular *forms* of international culture are threatening the distinctiveness of New Zealand culture. Horrocks (2003) suggests that New Zealand television's 'natural habitat is the global', but as several of my interviewees pointed out, it is in fact dominated by one particular country.

TV's an interesting one, isn't it, because TV was so late coming to New Zealand, and its now, I mean, more than anything else, it makes us all part of a sort of cultural global village, that has a distinctly American accent (Interview, Director, International Film Festival).

The domination of American programmes on New Zealand television is depicted by my interviewees as extremely negative. This aspect of New Zealand's contemporary connectivity and

'globality' is profoundly unsettling, particularly as it is closely connected with *mass culture* and *consumerism*, discussed further below.

I do think that television has a lot to answer for. Certainly, it impacts on the way people think a huge amount. No doubt about that. Whether its ... its definitely a force for globalisation, if you look at the ... at just the American cultural impact on our society (Interview, Mayor, Banks Peninsula).

Concerns at encroaching American 'pop culture' are of course nothing new, as the Mazengarb Report of 1954, discussed in Chapter Three, amply demonstrates (Special Committee..., 1954), yet they continue to be deeply held. While supporting Giddens' (1999a) suggestion that television is changing social relations, the Mayor disputes Giddens' suggestion that this is leading to commonality or 'shared values'. Rather, in his view, the programmes that dominate television in New Zealand are causing *desensitisation*, undermining the norms and values of society.

I remember years ago making a programme about Ed Hillary, and ... I had a couple of people who I brought down from Nepal, a couple of Sherpa people, and they weren't exposed to television, and we were rehearsing the show in the afternoon, and they were waiting in a green room off to one side, and we were sort of watching them and looking out for them, but there was a TV going in the corner. Someone came out and got me and said you'd better come into the green room cos Mingma and Andulie are really really upset. So I went in, and they were hugging each other and Andulie was crying, and I said well does anyone know what the problem was, and they said no, they were just sort of quietly watching TV. And I said well what was on TV, and someone said oh there was a Western, and what happened was, one of the actors pulled out a gun and held it to the head of another person. Now, they interpreted that as somebody actually pulling out a real gun, and holding it to the head of a real person, which was a very violent thing. And it is, when you think about it, and we... for us, this was just wallpaper – it was just going on in the background, we didn't think twice about it. So if you translate that that's the impact of something like television, which is this visual, aural medium, and therefore very very powerful in terms of how we interpret it, and you think about children, who in a sense also aren't ... earlier anyway until they get a bit older, aren't probably consciously observing television, and yet in an average night they'll see how many murders, and how many other things – its got to have an effect – I can't believe that it doesn't (Interview, Mayor, Banks Peninsula).

While the Mayor's concerns echo attitudes expressed repeatedly over the past forty years (Day, 2000), they also reveal that broadcasting and television in particular are sites of conflict over the contradictory processes of homogenisation and distinctiveness. Television emerges as a vital medium connecting New Zealand with international influences, which permits increasing cosmopolitanism, but at the same time threatens New Zealand's uniqueness. While the domination of television by commercial imperatives is interpreted as eroding its potential as a critically important vehicle for the development of New Zealand culture, hopes are still pinned on its potential, evident in the way in which my interviewees emphasised the ongoing need for its support by the government. This emphasis links to the second part of my argument, relating to the role of the government in supporting 'high culture' in New Zealand. This represents a further elucidation of the swirling and contradictory tensions between culture for the sake of identity, and culture for the sake of economics, each characterised by an internal contradiction between homogenisation and differentiation.

Cultural development and government support

Given New Zealand's small size, a perennial problem for New Zealand artists is the difficulty of earning a living.

I trained as an actor in the early 80s. I come from the first generation of ... of performing artists who actually really could make a living permanently, as an actor. Of course it's always tenuous – I moved into management. The generation before me, the people who started up Downstage and Circa and the Mercury and so on, generally, to get there what they had to do was to have another job, a day-job, you know. It was either Radio New Zealand drama department, Radio New Zealand drama, or as a teacher, teaching at teachers college – what they needed was a job that was willing... that valued them enough to actually give them time off to go and act in a play. So they'd rehearse in the evenings, do a show, and keep up their day-job (Interview, CEO, Christchurch Arts Festival).

In the same way, it could be argued that during the 1950s and 1960s, the School Publications Branch of the Department of Education effectively provided a subsidy for poets who worked there, including James K Baxter and Denis Glover (Ogilvie, 1999; Oliver, 1983). Without such support, it remains difficult for artists to support themselves.

Director: I've watched a whole generation of very talented filmmakers make a couple of films here and leave ... There's not a lot of activity, really (Interview, Director, International Film Festival).

Among many of my interviewees, particularly the representatives of public organisations connected with the cultural sector in New Zealand, government support is seen as essential to foster the development of New Zealand culture. This has historical precedence: under Heenan, Under-Secretary of the Department of Internal Affairs, state support for the arts increased from 1946. A New Zealand Literary Fund was established, and the first grants from the Fund were announced in 1948, while in 1946, a Cultural and General Arts Fund was founded to provide subsidies to authors or publishers and general encouragement of the arts. Expressing a similar imperative, the CEO of Creative New Zealand noted:

From our point of view, part of [marketing New Zealand arts overseas] is widening the market for New Zealand arts, because we're tiny – a tiny market, the domestic market is tiny. So we've got 3.8 or whatever it is million people, and that's quite a limited market for an arts organisation. So some of the organisations we fund find that they can actually stay viable by using that international marketplace... So I think some of it is about the viability of the arts sector (Interview, CEO, Creative New Zealand).

The apportionment of government support is however controversial, because there are always more causes than funds, despite the increased level of government support for the arts introduced by Helen Clark's Government (see below).

Well you know the Film Fund that was set up, that money that the PM created when she announced her Arts package, they've funded two films, one's Niki Caro's *Whale Rider*, and the film fund money... there has to be 40 per cent money, 40 per cent local funding... There has to be significant overseas commitment. And there was a German commitment to *Whale Rider*, and there was an American commitment to Gaylene Preston's film that is shooting on the coast at the moment. I understand the American money fell over and the Film Commission had to rescue it, which is quite controversial amongst filmmakers who haven't been eligible for film fund funding

because they haven't had any overseas investment (Interview, Director, International Film Festival).

Once again, this controversy is nothing new. The state-supported Literary Fund met with grumblings from *Landfall* (itself a later recipient of assistance) that the selection committee did not represent all writers, and from A.R.D. Fairburn, who sneered at Frank Sargeson receiving state assistance (Bassett, 1997: 136). Fairburn's 'Note on the State Literary Fund', written in November 1947 (cited in Ogilvie, 1999: 241) observed:

Here is a piece of wisdom
Learned at my mother's knee
The mushroom grows in the open
The toadstool under the tree

Yet "the steady flow of grants mollified critics. In 1949 three writers – Alan Curnow, Antony Alpers and David Ballantyne – each received grants for overseas travel" (Bassett, 1997: 136-7). Bassett notes that the press was generally supportive of the fund's efforts, partly through Heenan's shrewd political judgement. The newly established cultural section of Internal Affairs was now regularly in touch with the wider artistic community. "A new relationship between the State and the arts had been forged" (Bassett, 1997: 139).

For many of my interviewees, state investment remains both necessary and desirable to promote New Zealand culture. This investment reflects two motives, which sometimes appear contradictory. The first relates to the connection between culture and identity, for cultural initiatives are depicted as fundamental in the fostering of a sense of New Zealand-ness, uniqueness and difference from the rest of the world. This is held to be important *as an end in itself*. This is simultaneously offset against the desire for New Zealand to stamp its mark as cosmopolitan citizen of the world, as culturally adept as anybody else. Once again, a tension emerges between encouraging a sense of *sameness* in terms of international quality, and encouraging a sense of *difference* as 'uniquely New Zealand'.

The second motive for state investment in New Zealand's cultural sector is closely but ambiguously connected with the first. Given the difficulties confronting New Zealand artists, there is an inevitable *economic* dimension, leading some to label it 'capitalism with an arts policy'. This motive is once again characterised by a tension between sameness and difference: the struggle to be cosmopolitan and 'as good as anywhere else', yet at the same time 'unique'. Reflecting both motives, several public organisations exist in New Zealand whose purpose is support the arts. In addition to Radio New Zealand and New Zealand on Air, Te Mangai Paho funds Maori language programmes, while Creative New Zealand is the main arts development organisation in New Zealand consisting of the Arts Council, Te Waka Toi and the Arts Board, and the Pacific Arts Community. The arts are defined as spanning "all forms of creative and interpretative expression", ranging from the grassroots to the professional and institutional (Creative New Zealand Strategic Plan, 2001). Similarly, the New Zealand Film Commission is a

public body charged with the development of New Zealand films. Funding is thus provided to support the New Zealand cultural sector, both for high-minded reasons of ‘culture and identity’, and for economic reasons in the hope of cultural contributions to New Zealand’s GDP through the export of ‘cultural production’ and by augmenting the New Zealand tourism industry.

Several of my interviewees emphasised that the significant increase in government support since the election of the Labour-Alliance Government in 1999 has boosted New Zealand’s cultural sector considerably. Labour’s arts policy was an important plank in the 1999 election campaign, with Helen Clark stating explicitly that upon election, she would be Prime Minister and Arts Minister. In 2000, Clark, by this time Prime Minister and Minister for Arts, Culture and Heritage, launched the \$86 million ‘cultural recovery package’ (Creative New Zealand Annual Report, 2000: 7). Clark emphasised heavily the imperative of ‘culture for culture’s sake’: “New Zealand’s writers, dancers, sculptors, musicians and other artists help to shape our identity as New Zealanders. A world without these people would be a soulless place indeed” (Clark, *Uniquely New Zealand*, 2002).

Simultaneously, however, my sources suggest that there is more behind the government’s support of the arts than simply the desire to foster creativity and bolster New Zealand identity. Clark and Creative New Zealand reinforce this suggestion:

The epic *The Lord of the Rings* trilogy, filmed throughout New Zealand and directed by New Zealander Peter Jackson, proves that the arts have economic as well as intrinsic benefits. Late last year I announced a multi-million dollar funding package to capitalise on the massive tourism, software and other spin-offs which can flow to New Zealand from the trilogy. As the arts thrive, so New Zealand will thrive. Let’s keep it that way (Clark, ‘*Uniquely New Zealand*’, 2002).

Our artists, performers, writers and creative thinkers also serve to remind and inspire us about what makes us – and can make us even more so – a remarkable, competitive and prosperous country (Creative New Zealand Annual Report, 2001: 5).

The notion of the arts as a potential vehicle for improving New Zealand’s economic performance emerges explicitly in Labour’s Innovation Strategy (New Zealand Government, 2002). Its ‘vision’ presents:

A land where diversity is valued and reflected in our national identity
A great place to live, learn, work and do business
A birthplace of world-changing people and ideas
A place where people invest in the future (New Zealand Government, 2002: 5).

The ‘creative industries’ are one of the three industries (along with ICT and biotechnology, discussed in Chapter Ten) chosen for their potential “to grow in their own right and, because of their horizontal nature, positively improve productivity across the economy” (New Zealand Government, 2002: 48). Despite rhetoric indicating that ‘culture for culture’s sake’ is valued as important in itself, both the Innovation Strategy and Creative New Zealand emphasise the *economic* advantages of cultural investment.

The arts and artists add so much to this country. They enhance our quality of life, build strong communities and provide **significant economic benefits**. We're a small country and **to make any impression on the global market**, we need to be innovative and creative – two characteristics that New Zealand artists have in plenty (Creative New Zealand Annual Report, 1999: 3, emphasis added).

Reinforcing the point, support for the 'creative industries' is targeted at "events such as the America's Cup and *The Lord of the Rings*" (New Zealand Government, 2002: 14), intended to promote New Zealand's image abroad.

Well, there's no doubt under this government that there is a strong sense that the arts are one of the ways they can position New Zealand internationally, as a kind of innovative nation. They want to sell it as that (Interview, CEO, Creative New Zealand).

The notion of the 'creative industries' attests to the operation of the discourse of hyperglobalism and the importing of generic notions, in this case from Britain, where the idea emerged in the context of the worrying decline of manufacture and industry.

A belief was pushed that 'knowledge, skills and creativity' help establish high productivity – not raw materials, land and access to cheap labour and not agriculture and manufacturing, the bedrock of industrial development. In other words, the government was short of a PR-slogan that would appeal as indicating dynamic thinking. In hindsight, the British government's hasty embrace of 'creative industries' can be seen as simply adapting to trends that look good, but are in fact problematic (Brooke, 2001: 14).

Thus internationally, in recent years the 'creative industries' have gained prominence as a hitherto unrecognised cash cow. The potential of culture for economic exploitation thus represents a global strategy being applied to New Zealand, in the desperate attempt to find yet another 'point of difference'. "At the intersection of the cultural sphere and the capitalist economy" (Jessop, 2002a), the exploitation of culture for economic gain involves commercialisation, demonstrating the further incursion of market imperatives into previously non-market areas.

Accordingly, the Innovation Strategy explicitly attempts to shed New Zealand's past baggage.

Offshore perceptions of New Zealand are outdated. While there is some awareness internationally of our 'clean green image' from a tourism point of view there is too little awareness of New Zealand as an innovative country at the leading edge of knowledge. We need to develop and promote a contemporary and future-focused Brand New Zealand which projects New Zealand as a great place to invest in, live in, and visit (New Zealand Government, 2002: 48).

The emphasis on *change* in this passage (to which I return in Chapter Ten) is notable, representing what I label 'agricultural cringe': the rejection of New Zealand's 'old image' (sixty million sheep), and the 'outdated' idea that New Zealand's natural advantages are important. The focus on novelty and the devaluing of New Zealand's primary attributes belies the fact that seventy per cent of economic activity (including tourism, forestry and fishing as well as agriculture and horticulture) continues to stem from primary resources (discussed in Chapter Nine). Further contradicting the message, the website of Tourism New Zealand directly links New Zealand's 'creative industries' to its scenic attributes (Figure 8.2).



Figure 8.2: Aragorn, Legolas and Gandalf with Southern Alps (www.newzealand.com, 2003)

Yet in spite of the central role that New Zealand's natural advantages continue to play in its economic fortunes, the Innovation Strategy emphasises innovation – depicted as synonymous with new and high-tech – as New Zealand's key point of difference.

The emphasis on the *economic* worth of the creative industries as an *investment* proposition presents a considerable contrast to the view of my other interviewees of cultural development as an *end in itself*. The Chief Executive of Creative New Zealand emphasised the economic returns from cultural funding.

In the kinds of arts we work in, some subsidy is really important. But I think that we need to understand that it is a *subsidy* – that the government is not paying for all that activity, it is subsidising it. And for instance, in the arts organisations that we fund, for every dollar the government puts in, they generate another \$2.30 or something on each, and in some cases it's much higher than that... But our point of view is, for the government, it's an investment that we think should continue. Because it is an investment – we're investing in New Zealand's profile abroad, we're investing in New Zealand's creative industries, in terms of economic impact (Interview, CEO, Creative New Zealand, emphasis in interview).

It consequently appears that the government is pinning high hopes on its economic potential of the cultural sector for New Zealand's economic recovery, in a context conditioned by widespread perceptions of New Zealand's poor economic performance, measured internationally, to which the discourse of hyperglobalism contributes.

Tourism New Zealand and other government agencies are thus to market New Zealand culture overseas as a way of 'adding value' to the existing tourism industry, which is viewed as insufficiently lucrative. The motive for this strategy was depicted by the Chief Executive of Creative New Zealand as a reflection of the changing preferences of visitors. This perhaps attests to her desire to avoid the implication that external cultural promotion reflects an explicit attempt to commodify areas previously uncolonised by the market.

The overseas visitor comes to New Zealand now not only because we have a great natural environment, not only because we are so called '100 per cent pure' [recalling the Tourism New

Zealand branding campaign, which employs this slogan], but also because we are culturally interesting. The people are interesting. And I'm not talking just about the indigenous culture, I'm talking about the wider sense of the arts, and heritage, and culture. So... we're sort of making some inroads into the tourism area, I think, and that's an increasing trend. Where it comes from, I think, is from the growing sophistication of the tourism industry, where they've surveyed visitors to find out what they want, and their finding that **what they want is more than the outdoors and scenery**. They're finding that **people want to connect with the indigenous people, that they want to know about our arts, to visit heritage sites** (Interview, CEO, Creative New Zealand, emphasis added).

This assessment seems somewhat optimistic, even though tourists visiting Rotorua have for over 100 years done so partly to experience New Zealand's indigenous culture, for most tourists still visit New Zealand for reasons not unconnected with its scenic attractions. The attraction of encouraging the 'cultural dimension' of tourism is naturally understandable.

CEO: So if we can attract tourists, and it's interesting that are interested in cultural tourism, the statistics seem to suggest that they stay a bit longer, they are sometimes older and a bit more well-heeled.

Me: And a different market to the adventure tourism.

CEO: That's right – **they're not the backpackers, they're the people who come and spend money** in hotels and restaurants, and they want cultural experiences (Interview, CEO, Creative New Zealand, emphasis added).

While an important factor in the renewed vitality of the arts in New Zealand in recent years has been the additional government support, based on dual motives of 'culture for culture's sake' and 'culture for economics' sake', concurrently there *has* been increasing international interest in New Zealand's cultural sector, and increasing success in the exporting of New Zealand creative endeavours.

The 90s started to get a bit more sophisticated, to look further afield, because we're so aware we are quite a small country, that we've got to start selling our work off-shore. And, that's currently where we're at (CEO, Christchurch Arts Festival).

I guess that is part of our strategy to get New Zealand art offshore, because that's an important part, we think, of what we do, and we think the art is ready to go, and the world is ready for it! (Interview, CEO, Creative New Zealand).

Successful external marketing depends, however, on a product which can be differentiated. This raises questions, however, about just what it is that the 'world is ready for', and which particular aspects of New Zealand culture are being marketed abroad.

Differentiation: 'Uniquely New Zealand'?

One attribute frequently mentioned by my interviewees as 'unique' to New Zealand echoed the cultural mythology of 'kiwi ingenuity', implying that isolation throws New Zealanders back on their own resources, encouraging creativity. Differentiation on the basis of 'cleverness' is however offset against an equally discernible discourse of cultural cringe, which depicts New Zealand as 'different and inferior'. The Chair of Creative New Zealand fastened upon ingenuity in the creative sectors as a source of competitive advantage, explicitly invoked to 'differentiate' New Zealand in the context of the 'homogenisation' connoted by globalisation.

New Zealand artists and creatives [sic] enjoy a unique set of conditions... Geographic isolation, the Kiwi entrepreneurial can-do attitude and our mix of cultures result in creative products that are original, clever and incredibly diverse. These factors give us a strong competitive advantage in a world jaded by sameness (Biggs, Creative New Zealand, 2002a: 12).

This recalls the colonial discourse of New Zealand as ‘a new and better Britain’ (Canterbury Horticultural Society, 2001): fresh, young and vibrant as opposed to tired old Europe. The image of the unbridled creativity and innovative attitude of New Zealanders emerged repeatedly in my interviews.

Really small towns... there was no entertainment, so they had to go and figure out their own and create a fantasy world. And that... they sort of developed their own language because they didn't realise that anybody else in the world was working on it... a lot of them work from south of Christchurch, Otago and Southland area, and most of them ... They sort of hadn't realised that you couldn't do it so they'd done it! Like, how do you make armour and things – in Hollywood they used to knit it! And how do you make a sword that didn't break cos they used to break them all the time... So it's a lovely story – its very similar to Taylor out of Animation Research Ltd ... talking about how they started their animations... real shoestring stuff (Interview, ex-Mayor of Christchurch).

Some of my sources further linked ‘kiwi ingenuity’ to the striking prominence of New Zealanders in international terms, despite the small population size, labelled ‘cultural overproduction’ by Belich (2001a). Examples commonly cited in my interviews, in the Innovation Strategy (New Zealand Government, 2002) and which are invoked by Helen Clark (Uniquely New Zealand, 2002) are the America's Cup (discussed below) and *The Lord of the Rings*, both of which are seen to exemplify New Zealand innovation.

The transformation of Tolkein's *The Lord of the Rings* into a film represents a monumental achievement for New Zealand-born producer and director, Peter Jackson, and for New Zealand-based production company Weta Ltd. Part one of the trilogy, *The Fellowship of the Ring*, was one of the top five international box office successes of all time within a year of its release (Shelton, 2002: 77). Interestingly, in December 2002 it was vying for the first place with the latest James Bond, *Die Another Day*, directed by New Zealander Lee Tamahori; while New Zealand director Roger Donaldson then took the top spot in January 2003 with *The Recruit* (Agnew, 2003: E5). *The Lord of the Rings* is presented in the Innovation Strategy (New Zealand Government, 2002) as an example that apparently proves the exportability and profit-making potential of New Zealand culture. This suggestion is, however, highly debatable. First, in advance of the Wellington premiere of *The Two Towers*, the second part of the trilogy, Peter Jackson launched a broadside of invective at the New Zealand Film Commission, accusing it of being unsupportive of the film industry in New Zealand, and stating that its representatives would be unwelcome (Agnew, 2002: A1). Secondly, whilst largely filmed in New Zealand and sporting a New Zealand director and producer, some New Zealand animation, and a little funding from the New Zealand Government, *The Lord of the Rings* is indubitably a hybrid ‘global production’, largely American-funded, and its revenues are distributed accordingly.

For its makers, *The Lord of the Rings* has been a colossal success. As a strategy for rescuing New Zealand's economy, however, the hopes pinned upon it in the government's Innovation Strategy seem misplaced. Its filming had a major impact upon New Zealand screen production, with employment in the industry soaring to over 31,000 positions in 2001 from 14,000 the year before (SPADA, 2001: 5), but most positions were fixed short-term contracts. While *The Lord of the Rings* led to an increase in the financing of feature films from \$15 million in 1999 to 308 million in 2001, 96 per cent of this was derived from offshore investors (SPADA, 2001: 23). The film would thus appear to have little to do with the promotion of New Zealand identity for 'culture's sake', its success has little to do with government support, and its recurring invocation suggests that it is viewed by Clark and the Innovation Strategy simply as a convenient cash cow.

This observation does not detract from the substantial, disproportionate achievements of New Zealanders on the world stage, but it serves to draw attention to the notable fact that for the government and several of my interviewees, and indeed more widely within New Zealand, *international recognition is the benchmark of success*: a long-standing feature of the colonial cringe. As Janet Frame observed upon returning to New Zealand in the late 1950s:

I had built up a reputation known as an *overseas reputation* and therefore valued apparently more than a reputation *within New Zealand*. (The growth of jet planes and the building of airports known as *international* resulted in the decline of *overseas* as an adjective of prestige and its replacement with *international* – an *international reputation*)... Had I not lived and worked *overseas*? Had not my books been noticed *overseas*? Why, I was asked, as if there were no possible reason, should I want to return to New Zealand? (Frame, 1985: 160).

The persistence of 'cultural cringe' throws into relief once again the tension between pride in the *uniqueness* of New Zealand culture, and the desire to be *internationally recognised*, representing the ongoing interplay between relations of similarity and difference.

Protection is feeble. Overseasia pours in, filling the television screens and the papers. It provides the dynamics of change and uncertainty in a contented, conservative society. Skirts are tugged up and down by foreigners. Fashions are imported. Are American students revolting? Are politicians overseas talking about pollution? Large numbers of importers earn a living by copying overseas trends... Smallness makes New Zealand provincial and incomplete. The able and ambitious go overseas where the top rungs of so many career ladders lie. The nation exports brains and imports brawn. It has sent a whole range of people overseas from Rutherford to a pretender to the throne of Poland... Some slip out the back door like John Rowles, others walk across the Tasman like Graham Kerr. New Zealand produces the best expatriates in the world. Overseasia sends back second-class brains and its faded talents (Mitchell, 1972: 163).

This theme is the explicit focus of Harris's (1971) *The Fly Away People*, which profiled prominent New Zealanders from a range of backgrounds and careers that had chosen to leave New Zealand permanently. The 'cultural cringe' figures prominently in the stereotypes of New Zealand, referring to the sense of inadequacy in dealing with the outside world, the desperation to prove ourselves, often attributed to New Zealand's colonial past. It was noted repeatedly by my interviewees, as they sought to make sense of contemporary New Zealand.

This obsession with what is the world out there... are we on the map... There's a constant craving for some kind of recognition, that we are OK, that we're part of the big world (Interview, Laidlaw).

Frequently employed metaphors reveal the operation of the cultural cringe, indicating that New Zealanders are obsessed with their place in the outside world. Three clichés employed regularly are 'putting ourselves on the map', 'batting above our average' and 'punching above our weight'.

More than ever before, the arts sector is creating and presenting innovative, excellent work to New Zealand and international audiences. Our talented artists are constantly putting this country on the world map. In the past year, they have won international awards and presented their work to much acclaim overseas (Creative New Zealand Annual Report, 2000: 5).

The fact that two of these metaphors are sporting is not coincidental, for it is particularly in the sporting arena that New Zealanders have become internationally notable, ever since the success of the first All Black side to tour internationally in 1905. The metaphors thus contain a kernel of hope, implying that international success is *possible*, for a doughty little David pitched against the global Goliath. At the same time, they express the negative sense that domestic recognition is an insufficient benchmark for success, and that somehow, New Zealand's present performance is somehow *inadequate*. This sense is reinforced by the importance attached by government and my interviewees to the statistics of decline, which emphasise New Zealand's relatively poor international performance vis-à-vis other countries in the OECD.

The sense of inadequacy has two powerful dimensions relevant to the notion of globalisation in New Zealand. The first is pragmatic, and relates to the real changes that are the subject of the negative economic statistics. The second is the 'cringe' itself as a cultural accessory that refers to the sense of inferiority evident in the need for New Zealand to 'prove itself' internationally. In turn, the sense of inferiority raises once again the spectre of LBW syndrome in both its manifestations, 'leading the bloody world' but also lagging behind it (discussed in Chapter Five). New Zealanders are not content to be mediocre: they must be best, or worst. Once again, this recalls the tension between homogenisation and differentiation.

Whilst many New Zealanders have succeeded overseas, this focus obliquely echoes LBW rhetoric, explored below. For others, however, 'innovation' and creativity are the exception, all the more notable because of the homogeneity and conformity of most of New Zealand society. The Chief Executive of the Christchurch Symphony Orchestra, for example, suggested international success reflects the individual merits of those involved, and occurs *despite* the constraints of contemporary New Zealand. This refers to what is widely known as 'tall poppy syndrome': the apparent tendency for New Zealanders to disparage success.

This might sound arrogant, but I've found New Zealand as a country a strange sort of place. We have this ability to produce genuine geni who strut on the world stage, and probably on a per capita basis, we do better than many countries. But I think it's because of the unique strength of those individuals which to some extent the brooding landscape and the isolation and the lack of competing entertainment forms... you know, has given them this edge, and they've been able to break through the shackles of convention and conservatism that hold people back. It's a paradox

how that can happen, but as a society, I think we are incredibly simplistic (Interview, CEO, CSO).

This has strong overtones of Fortress imagery, despite the overwhelming focus on recent change. Nonetheless, kiwi ingenuity and ‘number 8 wire mentality’ are a resilient strong cultural discourse permeating many of my interviews and emerging in discussions of New Zealand’s cultural sector. An example frequently cited is that of Richard Taylor, a director at Weta Ltd (the film production company associated with *The Lord of the Rings*) and winner of two Oscars in 2002.

It’s not that we’re any better than the rest of the world. We’re just uniquely different to the rest of the world (Taylor, cited in *On Arts*, Creative New Zealand, 2002a: 6).

On Arts goes on to quote the views of other New Zealanders cited as ‘international successes’. These include designer Karen Walker, who emphasises the “inventiveness, adaptability, ‘adoptability’ and casualness” of New Zealanders; Michael Parmenter who notes the “physical boisterousness of our lifestyle reflected in our contemporary dance”, and Mike Chunn, who talks about the “incredible diversity of New Zealand music, which calls on European, Maori and Pacific cultures to produce music that’s breaking new ground” (Creative New Zealand, 2002a: 6). The emphasis on *novelty* and *innovation* correspond strikingly to the discourse of hyperglobalism, and are reinforced by the continued operation of the historic New Zealand discourse described above whereby international recognition is the benchmark for success.

The viability of ‘innovation’ as an international marketing strategy is hence undermined by the persistence of ‘cultural cringe’. Yet marketing any product for economic gain requires a product to be differentiated, so if it is to be sold abroad, New Zealand culture must be distinctive. At the same time, it must be ‘internationally acceptable’, particularly from the cringing perspective of New Zealanders, not wanting to be labelled (agri)cultural hicks. The problem is that ‘New Zealand culture’ is notoriously hard to differentiate, because of its hybrid nature.

I have this radio show on Sunday morning, and I am constantly asking the question, what is New Zealand music? What are they singing about? Is this part of our culture? Is it just because a New Zealand singer sang it? It might have been recorded in Hong Kong, or from a concert in LA, and produced in Taiwan – where’s the ... is there a kind of quintessential New Zealand component here? ... I mean, everything is imported. And we worry about these things unnecessarily, I think. We’re all interlopers – we’re all late-runners, flash Harrys that have arrived in some ship or another, ship, boat, canoe, whatever (Interview, Laidlaw).

Laidlaw linked the hybridity of New Zealand specifically to globalisation:

One of the other dimensions of globalisation – who is unique? Maybe the Inuit, in Alaska, Northern Siberia, Greenland – maybe there are integral cultures that haven’t been subject to ... to much... gene modification! All the rest of us aren’t. Think about the English – there’s always been a strain of the English, but the English have had infusions of questionable genes, the Romans arrived, the Celts, the Normans, then the rest of the world arrived and started intermarrying with all these people... there’s nothing pure-blooded about the English, if there ever was. Probably less than any group of people in the world. So what is identity? (Interview, Laidlaw).

Fortunately for those seeking to promote New Zealand culture internationally, however, *one aspect of New Zealand culture can, however, be clearly differentiated and thus marketed.*

Pacific New Zealand

The need for an identifiable product was resolved explicitly in the Innovation Strategy.

Maori have a unique contribution to make in [the development of Brand New Zealand]..., and the government is working with Maori to find ways of leveraging this for the benefit of all New Zealanders (New Zealand Government, 2002: 48).

Whereas in geopolitical terms the New Zealand Government has since the early 1990s been seeking to reposition itself as part of the Asian triad through the imagined community of the 'Asia-Pacific' (see Chapter Seven), in *cultural* terms the government is seeking to brand New Zealand as part of the Pacific. This represents an explicit attempt on the part of the government to distance New Zealand from its embarrassing, colonial, European, bastard origins.

There's really quite a burgeoning feeling about Pacific arts and Pacific artists in this country, and so that's another area, which is part of our demographic and part of our international image. **We're a Pacific country** (Interview, CEO, Creative New Zealand, emphasis added).

Several government agencies are hence supporting Pacific cultural initiatives as prospective exports. In 2002, Creative New Zealand supported the attendance of New Zealand artists at the Adelaide Performing Arts Market, where performing arts groups showcase their work (Creative New Zealand Annual Report, 2002: 7).

Other countries from the Asia Pacific area were there – Singapore and so on, where people perform, and presenters and festivals and things like that from around the world come to shop... [We took] Black Grace Dance Company, Taki Rua theatre, they did Witi Ihimaera's play *Woman Far Walking*, and From Scratch, who are a performing group that are percussion, quite Pacific in their approach, and they've been around in New Zealand a long time. **So all of these groups that we took had a distinctive and in some ways an indigenous ... character**, and they were all well received (Interview, CEO, Creative New Zealand).

It therefore appears that 'indigenous' is synonymous with Polynesian. The 'indigenous character' is evident in the selection of artists to represent New Zealand in its inaugural presence at the 49th Venice Biennale of Art in 2001.

Last year for the first time, New Zealand went to the Venice Biennale. Now, the Venice Biennale has been around since the 1890s, it's the oldest visual arts event of its kind in the world, and still the most prestigious, and the New Zealand visual arts people have been saying we should be there for maybe 30 years, at least... We took two artists to the Biennale to represent New Zealand. It was a major project for us, and it was very successful, and it was very well received (Interview, CEO, Creative New Zealand).

The two artists chosen to 'represent New Zealand' were Jacqueline Fraser and Peter Robinson, both of whom are not only Maori but also of Ngai Tahu descent (Creative New Zealand, 2002a: 6). "The New Zealand exhibition at the... Biennale... and performances by the Ngai Tahu kapa haka group, Pounamu Kai Tahu, projected us as a young, fresh, confident and thoughtful country... New Zealand's inaugural presence at this prestigious Biennale is an extremely positive model of how we can position ourselves as a creative country" (Creative New Zealand Annual

Report, 2001: 6). Mane-Wheoki, one of the selectors, commented that the fact that there was no negative reaction to this selection suggests we've matured as a community and as a country. "We can now recognise and acknowledge, without resentment, excellence and originality in whatever cultural or ethnic community they occur" (Mane-Wheoki, in Creative New Zealand, 2002a: 6). It is, however, entirely plausible to view the selection from another perspective, which emerges with equal force in another of Creative New Zealand's recent initiatives.

A tactic stemming from the government's cultural recovery package that explicitly seeks to differentiate New Zealand culture through Maoridom is the 'toi iho Maori Made Mark', introduced by Creative New Zealand in 2002 (see promotional brochure in Figure 8.3). This is a registered trade mark used to promote and sell "authentic, quality Māori arts and crafts... When people purchase a Māori artwork labelled with the toi iho Maori Made Mark, they are guaranteed that the product was made by a person of Māori descent, and is of quality" (Creative New Zealand, 2002b: 3). The rules governing the use of the toi iho Maori Made Mark are complex. The Mark is intended to authenticate that the work is made by 'a person of Maori descent' and 'provide a mark of quality'. Applicants are required to provide their whakapapa back to the koroua (grandfather) and kuia (grandmother), and this must be verified by either a kaumatua or kuia of the applicant's Iwi, a representative of an Urban Maori Authority, or "a person recognised by Creative New Zealand as a highly regarded person in the Māori community" (ibid: 20). The Mark is administered by an arts board, Te Waka Toi, on the basis that it will help to "maintain the integrity of the Māori art culture", and "promote Māori art and artists nationally and internationally" (The Arts Council of New Zealand Toi Aotearoa, 2002: 2).

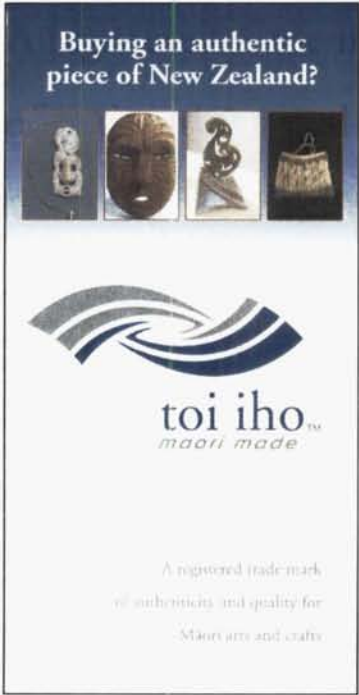


Figure 8.3: toi iho Maori Made Mark: benchmarking 'authenticity' (Creative New Zealand)

As my interviewees suggested, promotion of the arts by government agencies is inevitable. This *form* of promotion is however somewhat dubious. The *toi iho* Maori Made Mark represents an explicit attempt to commodify Maori art by benchmarking it so as to render it saleable. The deliberate attempt to ‘prove’ its authenticity has the implicit implication that work reflecting Maori themes that is not made by a person of *whakapapa* is not ‘authentic’, even if the artist *identifies* as Maori (as the New Zealand Census allows). Neither is there a comparable trademark guaranteeing that a work is the product of a ‘New Zealander’, implying that the only worthwhile culture in New Zealand is Maori – which happens to be differentiable and therefore marketable.

The *toi iho* initiative thus exemplifies the problematic questions relating to identity that underpin New Zealand culture, that are inadequately addressed by the government’s ‘cultural recovery package’, which emerges as a largely *economic* recovery package. In addition, the focus on Maoridom not only fails to encapsulate the identity of most New Zealanders, Maori or not, for some New Zealanders the focus is actively negative. Whilst most of my interviewees skirted this particularly fraught subject, one in particular, associated with New Zealand’s primary production industries, drew attention to the negativity connected with the government’s overriding focus in recent years on ‘bicultural New Zealand’. The interviewee drew attention to the divisive issue of the Treaty of Waitangi, which for some represents hope for resolving old problems and for others the threat of new problems posed by potential land losses; and to the fact that the ‘bicultural’ image of New Zealand masks the multiethnic reality. New Zealand society’s demographic composition is changing rapidly, particularly in Auckland but also in Christchurch, where in 2002 for the first time Asian people outnumbered Maori. Lacking supporting interview data, however, it is impossible to proceed further in this direction, yet a cutting excerpt from Mitchell (1972) can still inspire a cringe, for in many ways little progress appears to have been made.

New Zealand needs the Maori. He is the national fig leaf. The academics can study him, the artists pinch his motifs, and the liberals sympathise with him, even if he doesn’t appear to understand what they are talking about. Moreover, as long as he’s there a stretch of white suburbia whose attitudes are evocative of a Rhodesia without Africans can pose as multi-racial, racially tolerant and other nice things. The whole process is quite painless. The Maoris (sic) are just a large enough population to make the rest feel virtuous and not large enough to inconvenience them, unless they live next door, which none of those who talk about the Maoris ever do (Mitchell, 1972: 22).

Leaving the questions of multiethnic New Zealand to the side where they appear doomed to remain vexed, the *toi iho* Maori Made Mark also draws attention to a further implicit theme that emerged in my interviews relating to questions of identity. My interviewees noted that in New Zealand, identity questions are terribly important. This emerges at the local level between different regions, and at the national level. Fierce parochialism appears to affirm the ongoing operation of the discourse of ‘colonial cringe’ through the sense that New Zealand is somehow lacking and must ‘prove itself’. The importance of identity appears to relate to some extent to the importance of ‘culture for culture’s sake’ – to fulfil a societal need for belonging. At the same time, my interviewees provided further evidence of culture for *economics’* sake.

Identity, insecurity and parochialism: one-eyed and proud of it

My research emphasised that New Zealand is characterised by strong regional differences, despite its small population. These are reinforced by culture and tradition and bound up with identity, and provide further evidence of the cultural cringe. That these are an important part of regional identity construction is suggested by the stereotypes invoked by my interviewees, which ‘otherised’ different parts of the country. When asked if the Film Festival tailors its programme to different regional settings, the Director commented:

We do in terms of the Asian films – the Korean films, for example... the Korean population in Wellington is negligible. Sometimes we can only have a film for a week, so we decide... If it’s a Korean film, the decision is not even a decision [it automatically goes to Auckland]. So... yeah, we do make some decisions like that. And as for Christchurch... mmm! (bursts out laughing!)(Interview, Director, International Film Festival).

The Director’s differentiation of Wellington, Auckland and Christchurch strongly insinuated the cultural barbarism of the latter.

It’s a very outdoorsy city, isn’t it. It’s a sports-crazy place... It’s a significantly larger city than Wellington, but we sold 65,000 seats to the Film Festival here, and this year, 17,000 in Christchurch, which is... its our best since we moved out of the Regent. The Regent used to be... an 800 and a 400 seat cinema, and when it got quadruplexed, Hoyts were charging far too much, so we had to move to the Rialto. In the days when we were in the Regent, which was ideal for us, the best we ever did was 20,000, and that was the year we had *Heavenly Creatures*, which had the Christchurch connection... When I was down there this year, I mean, people were very pleasant, the people I talked to and met in the foyer that were going to the festival... were very civilised people... But it’s always been hard work (Director, International Film Festival).

The different regions of New Zealand thus retain strong identity associations and stereotypes, both within the regions and between them. For some Cantabrians, parochialism appears to be an important aspect of identity, most explicit in the ‘one-eyed’ stereotyping that I regularly confront as an expatriate Aucklander. Despite having lived in Canterbury for seven years, I am frequently and mercilessly labelled a ‘Jafa’³¹, in a joshing manner that has, however, a nasty undertone that implies a degree of snarky insecurity. I have for example developed a fail-safe approach to introduce myself in Christchurch which evokes a laugh and invariably a comment:

I’m Lucy, I’m from Auckland, but don’t hold it against me!

To which the inevitable reply is, “I suppose you can’t help it!”.

The Jafa complex appears to reflect a process through which some Cantabrians establish a sense of belonging. It differentiates Auckland from Christchurch on the basis of rather spurious and negative stereotypes which take little account of the multiple Aucklands that in fact exist, resting instead on the stereotype of the affluent, central city-dwelling, suit-wearing, chardonnay-swilling bourgeoisie blithely unaware of life ‘south of the Bombay Hills’. This is epitomised in the social pages of *Metro*, an Auckland lifestyle magazine, where unidentifiable people are disparagingly

³¹ ‘Just Another F***ing Aucklander’.

labelled 'a visitor from Hawke's Bay'. This image has little to do with the parallel realities of Polynesian Auckland, Asian Auckland or West Auckland. I attribute the generalisations and JAJA references in part to resentment at the attention that Auckland commands within New Zealand, comprising as it does one third of the population of New Zealand and more than the entire population of the South Island. Auckland has not only benefited from the continuation of the northward drift which has stemmed from the centralising tendencies of firms since the 1980s, to the disadvantage of regional centres such as Christchurch, but in addition, it enjoys far greater pecuniary support for its activities than the rest of the country. This emerged in Christchurch Mayor Garry Moore's exhortation at the Local Government New Zealand conference in 2003 for Auckland rate-payers protesting at the considerable increase in Auckland Regional Council levies to 'stop whingeing', as that the rest of the country was fed up with funding their chronically under-funded infrastructure (Morning Report, National Radio, 29 July 2003). "Every time I put \$20 of fuel in my car I put a dollar toward Auckland roads" (Garry Moore, in Watson, 2003: A6). This 'favouritism' was mentioned by several of my Cantabrian interviewees.

There's a huge funding discrepancy. The Auckland Philharmonia had a 350 thousand deficit which got funded by Creative New Zealand, and it got a funding increase, we had a deficit, but we didn't get anything. And even as I talk now to Creative New Zealand bureaucrats, they can't seem to get their heads around the fact that the strategic advantages of being based in Auckland, with four times the population base to draw on, probably 60 or 70 per cent of New Zealand's corporate headquarters up there - huge advantages. And then they get an extra whammy advance when they get three times our funding (Interview CEO, Christchurch Symphony Orchestra).

Creative organisations in New Zealand's provinces face ongoing battles to attract funding, exacerbating negative sentiment as the foundation for regional identity construction through deepening insecurity. My interview with the Chief Executive of the Christchurch Symphony Orchestra turned up an unexpectedly interesting illustration of this process. The Chief Executive explained that regional orchestras such as the Christchurch Symphony Orchestra, in a city of less than 340,000 people, face ongoing difficulties to attract and maintain funding, which is required in order to attract good players. It is necessary that a high standard is maintained, because a bad orchestral experience can put an audience off for life. The Chief Executive's plan to lift the standard of the orchestra by importing foreign players of a high standard at comparatively small cost backfired, however, because of the threat that this proposal posed to regional identity.

Coming back to the central thing of globalisation – it's interesting from an orchestra point of view, where we have benefited ... We have an orchestra in the city now that I would say is probably one of the most cost-effective in *the world*... And the NZSO gets 30 to 40 times our funding. Now, how have we achieved this? Simply on the back of the results of glasnost and perestroika. Because what that did – in the old Soviet regime, the arts industry was a favoured industry – they were subsidised to hell, and suddenly when they joined the rest of the world, those subsidies were just dropped. Suddenly you got this huge supply of very talented musicians looking for job opportunities in the West... A Ukrainian conductor suggested to our chairman in the Theatre Royal, he said look, I could give you some very good players and they wouldn't cost you much. So we started off with testing four players for one year. And that led to quite a heavy contingent. **But what we got of course was a negative, xenophobic, knee-jerk reaction which is still going on** (Interview, CEO, CSO, emphasis added).

The knee-jerk reaction amounted to a mutiny of the Christchurch Symphony Orchestra players, who formed themselves into a group called SCORE: Save Christchurch's Orchestral Employment (Brett, 1998: 70; Bruce, 1997: 14). SCORE objected to the importation of foreign players from the Ukraine, who were paid more than locals and were seen to be taking jobs from home-grown talent and undermining Christchurch's music infrastructure; while management argued that there were not enough local players of the standard required (Bruce, 1997: 14). The Chief Executive protested that top class players are critically important if the quality of the orchestra is to be maintained and that the fiscal constraint is horribly tight.

What we said was as and when resources allow, we'll consolidate – we'll say we need a bloody good principal cellist, so let's get one. We need this... and so on. So that was the strategy, but the problem was we only had about two players in our ranks at the time that were worthy of that, but the challenge was there. We said, look, you get your act together – and at the moment, our whole percussion section is made up of local people, and a lot of them very young kids – one of them became at the age of 14 the New Zealand Junior Percussion champ. You know. So there was every opportunity for people to come on board, but they had to be of the right standard. And that was what it was about – it was literally like the person who applies for a job, doesn't get it, and criticises the organisation (Interview, CEO, CSO).

What made the Chief Executive still more furious about the SCORE incident was what he saw as the hypocrisy of Christchurch opponents of the scheme (meaning letters to the editor and the Christchurch *Press* in general), for in his view, the issue of regional or national origin is utterly irrelevant to rugby supporters, *despite* their parochial one-eyedness.

There is still a residue of resentment out there... here's another paradox. It doesn't happen in other areas of life. In rugby, in the Super 12, Norman Berryman, Caleb Ralph and people like that – Norm Maxwell, they all came from Northland, and Ralph came from Auckland. And I didn't hear people in Jade Stadium booing Berryman – he became the favoured son! (Interview, CEO, CSO).

According to the Chief Executive, despite the fact that eighty per cent of the Orchestra were either from Christchurch or Auckland – as opposed to the Ukraine – the question of regional origin mattered to orchestral supporters; yet rugby fans appear uninterested in the fact that rugby players are drawn indiscriminately from all over the country, if not the world, for in Canterbury, a powerful expression of regional identity emerges in relation to rugby. In 2001, an estimated 150,000 people dressed in red and black attended the parade in the centre of Christchurch, celebrating the victory of Canterbury Crusaders in the Super 12 competition (a professional rugby competition in which regional New Zealand teams are pitched against those from South Africa and Australia). The crowd included people of all ages, including myriad schoolchildren, despite the fact that it was held on a Friday (a school day).

Despite the fact that the Super 12 competition is, like most senior-level rugby in New Zealand, entirely male-dominated, it remains widely and fiercely supported in Christchurch. When the local side is playing in Christchurch, the city is bedecked in red and black, the topic dominates both conversation and the media, and gloom settles over the city after a loss. Rugby is hard to avoid, even for the most disinterested, or even uninterested, observer, whereas in Auckland,

unless one has a burning interest it is quite possible to have no idea that the local side is playing at all. My interview with the ex-Mayor of Christchurch was conducted shortly before the final Crusaders game of the season, and took place in a café on High Street. This proved a vantage point providing a glimpse of a sea of black and red dominating central city shop windows. The ex-Mayor attributed the regional preoccupation with rugby to a basic societal need for belonging to a collectivity, viewing it as an important focus for regional identity, valued as important in itself.

It isn't about rugby – it's almost a tribal affiliation... a community that is bigger than yourself... It's the same at a Neil Diamond concert – you're sitting in this huge crowd, and ... I don't know really what it is – that sense of belonging. It's just so... amazing. I don't like rugby but actually I get very caught up with it, with what's going on in the field or the concert or whatever... that's why these things are so important (Interview, ex-Mayor of Christchurch).

Apparently reinforcing this suggestion, my experience in Christchurch suggests that 'red and black' parochialism is a point of honour for the city, and a source of cultural pride for many of its residents. This connection is carefully promoted and capitalised upon by retailers, most explicitly in the advertising of Canterbury Draught beer (appropriately labelled in red and black) with the slogan 'one-eyed and proud of it'.

The close of the 1990 financial year also marked the launch of Canterbury Draught, a beer especially developed to appeal to patriotic Canterbury drinkers and to carry on the traditions established for more than 100 years by Wards Beer... Growth is expected to continue as the product builds its strong associations with the Canterbury region. Marketing programmes aimed at cementing this association include the sponsorship of the Canterbury Rugby and Cricket Teams (Lion Nathan Annual Report, 1990: 3)

Ironically, Lion Nathan is an Auckland-based company. This careful brand development reflects the 'invention of tradition' identified by Hobsbawm and Ranger (1983: 1).

'Invented tradition' is taken to mean a set of practices, normally governed by overtly or tacitly accepted rules and of a ritual or symbolic nature, which seek to inculcate certain values and norms of behaviour by repetition, which automatically implies continuity with the past... Insofar as there is such a reference to a historic past, the peculiarity of 'invented' traditions is that the continuity with it is largely factitious.. It is the contrast between the constant change and innovation of the modern world and the attempt to structure at least some parts of social life within it as unchanging and invariant, that makes the 'invention of tradition' so interesting (Hobsbawm and Ranger, 1983: 1- 2).

To explore the question of rugby, regional identity and the invention of tradition further, I interviewed the Chief Executive of the Canterbury Rugby Football Union.

Me: The Canterbury red and black ... it's a really interesting manifestation of regional pride – it seems more noticeable here than in other parts of New Zealand, and I wondered what you make of it.

CEO: It is, although success is a wonderful driver of regional pride. And I recall, Todd Blackadder was talking, he was comparing the current era of success and people wanting a part of it and being very proud of it, to about 10 years ago when Canterbury rugby was not performing well, and he said there was about 400 people in the stand and they're all your family. So there is a lot of pride, but you do need to be successful, to get the feeling that's around now – its special, cos it comes on the back of success. There's always an element of interest, there's no

question about that, but the sort of spring in the step and red and black pompoms in Ballantynes and all the rest of it – that’s all largely around a successful era (Interview, CEO, CRFU).

The Chief Executive of the Canterbury Rugby Football Union thus firmly believes that the widespread and fervent support of the Canterbury Crusaders stems from the rugby team’s recent successes, and that it should *not* be viewed as representing a sort of intrinsic regional parochialism characteristic of Canterbury, as I had earlier suggested.

A lot of the latent support [for regional rugby] is there anyway – I’m not saying it disappears completely – but they might start to watch games on the TV instead of coming to the park. They see the team doing well and winning, and think crikey, when’s the next game? I might go along... So its not that they’re not interested in rugby – they remain very interested in it – but the actual outflow of energy around it bubbles to the surface with the success (Interview, CEO, CRFU).

Using the example of the East Coast rugby team, the Chief Executive of Canterbury Rugby Football Union further reinforced the explicit link between success, regional identity formation and parochial support. This demonstrates the way in which regional identity can be encouraged to develop around an iconic entity such as a rugby team or provincial colours, even if the entity has little connection to the region itself.

CEO: A good example was in Ruatoria. A very depressed area – high unemployment low socio-economic area. They’ve had some success with their rugby team over the last three years, and suddenly they’ve got people from all over the place coming to watch them. And they’ve got backing through Ngati Porou, and they call themselves Ngati Porou East Coast, and so Ngati Porou throughout the country are starting to take some pride in what they’ve achieved.

Me: That’s great – it must be just what a region like that needs.

CEO: Its hugely positive. They’ve had some flak around it – they’ve done it by... manipulating is too strong a word. They’ve used the rules – they’ve bought in outside players. They’ve almost created a team, but because they’ve got the Cambridge blue jersey on, the locals still support it. So that’s absolutely success, and pride in the result (Interview, CEO, CRFU).

These comments strongly imply that *success* is more important than the origins of the players in the courting and cultivation of regional popularity and the inspiring of regional identity formation – unless of course there exists some primitive human propensity for colour which helps to evoke this response. The Chief Executive of Canterbury Rugby Football Union further explained that following a poor season in 1996, the Canterbury Rugby Football Union scouted the country for good players and created a team.

Now, while those players aren’t all from Christchurch, a lot of those players have been there for a considerable time. **They’re as local as you or me** (Interview, CEO, CRFU) [ironically, given my Jafa origins].

I commented on the difference between the success of this strategy and the failure of the attempts of the Christchurch Symphony Orchestra’s Chief Executive to raise the standard through external imports.

CEO: I think again, success just smoothes it all out. You know – if there were a lot of players that Canterbury didn’t regard as local, and they were failing, then you’d have problems. But when they put on the red and black jersey, they become local. Its kind of the badge – you’ve

earned the right to put that jersey on. And they give them a fair bit of support. Perhaps the symphony orchestra needs a uniform!

Me: Or to do very well!

CEO: Yes! But ... support is fickle. We know in the 80s and early 90s when the Auckland team dominated for about 8 years, and they won everything always, then the support started to vanish because of the success. They thought well we'll just go down there and watch them annihilate someone again – why do we bother. So ... it's a hard thing to ride. It will be interesting to see whether if we have ... if we continue with our success, whether we start to find that people take it for granted (Interview, CEO, CRFU).

Probing the example of rugby further, however, it furnishes a further example of the contradictory tension between homogenisation and differentiation. To understand the significance, some background is necessary. Rugby holds iconic status in New Zealand as the 'national game', but since the 1990s the once-amateur game become 'professionalised', and in the process, 'globalised'.

After the code had lived on a diet of fresh air and love for well over a century, it was [in 1995] that three major national Rugby Unions of the southern hemisphere signed a deal with a massive media corporation guaranteeing them over half a billion American dollars in return for a decade's worth of television rights. In reply, an organisation called the World Rugby Corporation launched a stunning counter-coup, contracting most of the planet's best players from all the major Unions to an alternative competition set up on a *global* basis (FitzSimons, 1996: 1).

The professionalisation of rugby stemmed from the model developed by Packer in 1975 and first applied to cricket. Packer's Channel Nine television network analysed future marketing trends and decided the most exciting potential lay with sports programmes. If these could be made to produce a mass audience, they could attract huge sponsorship (Blofeld, 1978: 15). To achieve this, the network had to offer exclusive coverage to guarantee the advertisers a sufficiently large audience. The Australian Cricket Board of Control was not prepared to provide this guarantee, so Packer established his own 'World Series Cricket' one day cricket test series from 1977, paying huge money for top sportsmen and securing lucrative sponsorship deals. In the same way, the transition to the professionalism of rugby was the outcome of bold attempts by rival media barons Kerry Packer and Rupert Murdoch to commodify a cultural tradition in order to secure the screening rights. From 1995, rugby became professional, with revenue was produced from marketing rights, merchandising rights, ticket sales, catering rights and most particularly, television rights (FitzSimons, 1996: 20).

The nostalgic nationalisms associated with rugby – loyalty, tradition, pride (personal communication, Len Richardson, Lincoln University, 20 May 2003) have proved extremely marketable because of the place that it occupied in New Zealand's historical development, particularly in Christchurch. It was thus a tremendously brandable, differentiable and marketable entity well suited to commodification. This has been tremendously successful in financial terms, although professionalisation has also provoked fierce criticisms, clearly articulated in Wright's (1993) *Betrayal: the struggle for cricket's soul*, and Romanos' (2002) *The Judas Game: the betrayal of New Zealand rugby*.

Every aspect of rugby that can be sold has been... It's a commodity, to be milked financially at every turn. The All Blacks aren't a team any more; they're a brand (Romanos, 2002: 20).

The commodification of national and regional identity

My interviews strongly suggest that identity is a fundamentally important aspect of culture, fulfilling a strong social function relating to the need for people to feel a sense of *belonging*. The development of identity through culture is frequently pitched, particularly (and unsurprisingly) by high-ranking public sector officials, as being intrinsically important for New Zealand society. At the same time, the notion of identity acquired a more *utilitarian* connotation as interviews progressed. For several of my interviewees, the ongoing preoccupation of New Zealanders with identity has fused with the economic imperative in the form of the 'branding' of New Zealand. The Innovation Strategy explicitly states the need to 'brand New Zealand' *in order to gain international recognition and economic gain*.

We need to develop and promote a contemporary and future-focused Brand New Zealand which projects New Zealand as a great place to invest in, live in, and visit (New Zealand Government, 2002: 48).

Branding focuses upon the specific and local as a basis for differentiation in order to 'market' a product. The attempt to differentiate closely corresponds to the tension between sameness and difference that emerged repeatedly throughout my interviews: the need to be 'as good' yet 'unique'. Of course, this in itself is nothing new, evident in the long-established European 'brands' stocked by exclusive retailer Ballantynes.

And another thing, the brands we've got – particularly in the homeware, there's the Lladro, the Royal Doulton concept, the Waterford concept, Villeroy and Boch, now we've had such wonderful long associations with these firms, they go back well over 100 years (Interview, GM, Ballantynes).

My interviewees drew attention to the way in which New Zealand society has become increasingly 'brand-conscious'. This is depicted as an important demonstration of the difference between present and past New Zealand.

GM: Niches are terribly important, as are brands. We live in a very branded world.

Me: Do you think increasingly so?

GM: I think it's becoming even more important – there's two sets of customers, there are the customers who can't stand it, who are typically the environmentalists, greenies, you know, the ones who hate the branding of the world. They choose to buy other, unbranded stuff. And then there's the others, who love the brands, and the brands of course promote very very heavily, to attract those people who are easily swayed. And so we will... rather than seeing the predominance of a firm, like Ballantynes as a well-known firm, the brands go directly to the consumer, and they market to the consumer. They are right in the top of the consumer's mind, so the consumer says to themselves, where can I buy Nike? Where can I buy Chanel? Where can I buy MAC? And then they come down and they say well, there's Ballantynes, there's Smith and Caughey, Kirkcaldie's... so the brands have taken over the marketing for a lot of our products (Interview, GM, Ballantynes).

My interviewees suggest that recently, a related change has occurred with the incursion of marketing language into analyses of previously uncommodified areas of contemporary New

Zealand, and the incursion of marketing principles into their management. This is amply evident in the repeated invocation of the notion of 'branding' by my interviewees, most of whom uttered the term as if it were in inverted commas – recognising the sort of unsavoury connotations and unashamed 'PR' nature of the term, but aware of its *relevance*, given the central importance and prioritisation of economic imperatives in contemporary New Zealand.

It's the branding now that works – it's the brand that matters, not the composition. It's like the colour of the paint, rather than all the chemicals that go into it to get that colour. The brand... it doesn't much matter – the brand is so strong, like the colour of the paint, it's so powerful, that all the rest of it is incidental. And that's why, even in New Zealand, the franchising of rugby teams on a regional basis can actually work, with players from all over the place, all around the country, who are not necessarily... And in surprising areas, where there is a fierce local brand identity. Like Canterbury. Half of those players, most of them, are from somewhere else. But we don't hear that (Interview, Laidlaw).

Further exposition of the exploitation of identity for economic gain emerged in the Chief Executive of the Canterbury Rugby Football Union's explanation of the complex, deliberate and extensive marketing involved to drum up and maintain support for regional rugby.

CEO: This current team has a style of success which pleases people. The rugby they play is attractive, and it looks like they're enjoying it, and they're disciplined, and then they're humble with it, and everyone relates to that and feels good about it. There's none of that brash swagger about their success either – it is very humble, dignified, attractive. Strong.

Me: And marketable?

CEO: Well very marketable – that's the kind of thing... we try to **brand** our entire organisation with – is fun, excitement, but humble, take nothing for granted, hard work – and the players ... the motto for the team is work conquers all... There are a lot of those one-liners – you know, the harder I work, the more luck I seem to find – all those phrases, they know that, they work very hard at making it happen (Interview, CEO, CRFU, emphasis added).

Faced with the fact that rugby in New Zealand is overwhelmingly male-dominated, the Canterbury Rugby Football Union has sought to brand and promote Canterbury rugby in such a way as to appeal not only to non-playing men, but also to women and families more generally, as part of the commodification of the 'national sport'.

That's why there's so much pre-match entertainment, making it a night out and all the rest of it, so that the family can have a night out and enjoy themselves. It worked very well (Interview, CEO, CRFU).

In the case of the Crusaders, the 'brand' is shamelessly exploited: one end of Jade Stadium is inhabited by a mock castle, matches are preceded by horsed knights galloping madly, and each point the Crusaders score is accompanied by a rousing and emotive theme-song and a whoosh of flame up into the sky from the castle ramparts. Further, the increasing professionalisation of rugby has led to the internationalisation of the regional brand in recent years.

One of the things... the Super 12 is already an international competition, with Australia and South Africa, I think maybe the future for international professional rugby – sorry, not international, but global, may well be some sort of wider competition in the Northern Hemisphere. So then suddenly your brand is in front of gazillions of people, and commercial opportunities. So I think we're following, or we're going along with the tide where links are going to become greater and greater (Interview, CEO, CRFU).

The Chief Executive of the Canterbury Rugby Football Union interpreted the 'global exposure' of the brand *not* as further evidence of the 'cultural overproduction' of New Zealand, but as evidence of the success of the branding strategy. This, in conjunction with success and the iconic red and black, has the unintended side-effect of promoting regional identity.

The strategy seems to be successful because it stimulates identity formation and reinforces an inherent 'need', for both cultural reasons in terms of a sense of belonging, and for economic reasons. There is no evidence from my interviews that this need has been diminished in any way by increasing external connectivity and 'global' exposure. To the contrary, my evidence suggests that identity differences have become increasingly important.

Me: And do you think, with the All Blacks, I suppose it's the same principle, with the success, and overseas – the brand.

CEO: Oh yes – it's the biggest brand in world rugby. They've got some major issues trying to... What happens is, when you host a game, you keep the gate. Now, what happened, there's a lot of money at stake. The biggest brand is the All Blacks, so one of the reasons the Poms keep... the IRB is dominated by the Northern Hemisphere, so they dearly love the All Blacks to go and play up there, because they can fill the ground. Our guys, the NZRFU, are saying we need to come to some arrangement to share this revenue, because you're making all this money on the back of the All Blacks. Then of course they turn around and buy the players and the coaches anyway – so the brand values are actually starting to undermine the potential for the brand to continue to be successful (Interview, Laidlaw).

The correlation of identity with *success*, however, suggests a further negative side to identity construction, related to *beating* the opposition.

It's a real feel-good thing – this year, it's as much about the success, but also because we beat the Australian team, on the back of the World Cup thing [New Zealand losing the right to co-host the Rugby World Cup with Australia in 2003], and all the problems of having an Australian rugby team beating us over the last little while. So there were a lot of good feelings about payback time – getting one back. And all that sort of stuff. And I know it's been well commented on – when ... I think you can relate it provincially, but when the All Blacks don't play well, the country feels miserable, and ... the 99 elections, I mean they were never going to win – I don't think they [the National Party] would have won anyway, but with the All Blacks having a poor year, people think we've got to change something! Well, we can't select the players, or change that, so we'll change the government! (Interview, CEO, CRFU).

Parochialism and 'poor sportsmanship' thus appear to be connected with regional and national identity construction, reinforcing the suggestion of the Chief Executive of Canterbury Rugby Football Union that success is intrinsically important to identity construction.

The tensions surrounding identity construction, homogenisation and differentiation can be further explored through the America's Cup yacht racing series held in Auckland in the summer of 2002-3. The America's Cup was preceded by the round robin of the Louis Vuitton Cup. This concluded in January 2003, establishing that the Swiss-based Alinghi would challenge Team New Zealand, the Cup defender. For months prior to the racing, New Zealand was bombarded with advertising encouraging 'loyalty' to New Zealand's 'black boat' (portrait in Figure 8.4), again

attesting to the curious link between identity and colour, in an attempt to harness nostalgic nationalisms in the manufacture of tradition.

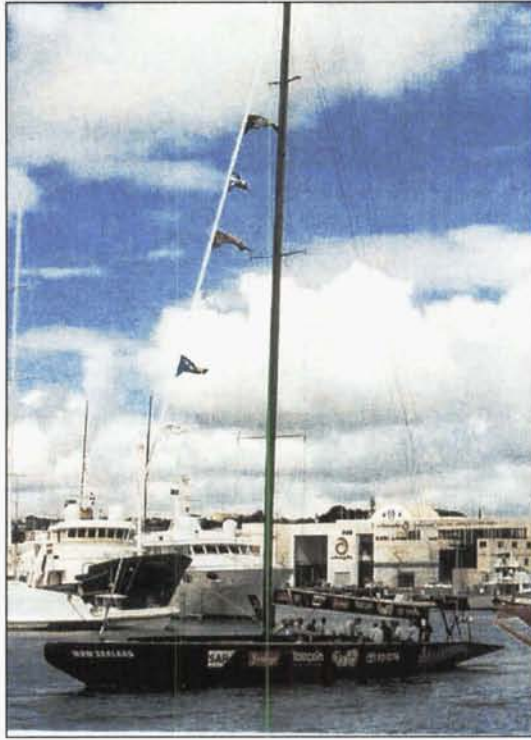


Figure 8.4: The 'black boat' (Philp, 2002: 34).

Indeed, the high profile of the America's Cup and its connection with national identity reflects a highly successful public relations campaign carried out in the 1980s and hence the explicit manufacture of an extremely recent tradition. Prior to the challenge that preceded the 1987 America's Cup, New Zealand had "absolutely no tradition in 12 metre [the class of yachts used in the Cup] sailing" (O'Meagher, 1986: 25). The idea of a New Zealand Cup challenge stemmed from Australian businessman Marcel Fachler, for whom the 1987 challenge in Freemantle, near Perth, provided an opportunity for a New Zealand challenge. This attracted a group of business people and New Zealand's premier yacht designers (Holland, Farr and Davidson), who commissioned public relations guru Cedric Allan with publicising the venture. "We had two clear objectives – to convince the New Zealand people we could win, and to organise a challenge that knew what it was doing and could raise the necessary money. It had to be seen as a challenge from the nation instead of a private expedition of wealthy yachtsmen" (Allan, in O'Meagher, 1986: 26).

Having gained the backing of Michael Fay from the merchant bankers Fay, Richwhite, the syndicate built two yachts: KZ3 and KZ7. The goal was explicitly not just to win the America's Cup but "to win the America's Cup industry... To say the least, it'd be good in terms of Auckland's waterfront development" (Fay, cited in O'Meagher, 1986: 27). Confident that they had the means to win the Cup – the boats, the sailors, the designers – the syndicate set out to find somebody else to pay for the challenge. To attract the attention of large corporate sponsors, a campaign based on appeals to nationalism was launched, employing New Zealand's best and most

expensive advertising, public relations and sports marketing companies (O’Meagher, 1986: 28). Despite considerable public ignorance about the America’s Cup, such a campaign was considered possible because “New Zealanders idolise their top sportsmen and our record in all water sports is outstanding” (Fay, in O’Meagher, 1986: 28): Peter Blake’s recent success in the Whitbread race had raised the profile of yachting upon which the Cup could capitalise.

The lure worked, and the Bank of New Zealand (BNZ) was persuaded to undertake its biggest sponsorship deal ever. The ‘BNZ Challenge’ Club was officially launched, and a song called *Sailing Away* was released. Based on *Pokarekare Ana*, it “was written into the original proposals as an opportunity to build national pride like never before seen” (Eagle Marketing representative, in O’Meagher, 1986: 26). *Sailing Away* was a blatant appeal to patriotism. Designed by advertising agency Colenso, and featuring notable New Zealanders, it was a highly successful method of currying support, selling more than 40,000 copies to make it New Zealand’s biggest ever selling single. “We hoped like hell to have a hit – people are suspicious of ads but a record sets up an emotional plateau to then put your hand out... which is what you want – their money” (Colenso copywriter, cited in O’Meagher, 1986: 29). Six weeks after the song and the supporters club were launched, the Club had 20,000 members who had each paid to join. A travelling roadshow with a replica yacht travelled New Zealand, accompanied by a bombardment of advertising. “Media relations have been astutely managed by the challenge. The success of the roadshow and *Sailing Away* would have been limited in their appeal to nationalism without wholehearted endorsement from the electronic and print media” (O’Meagher, 1986: 32), which uncritically ensured that the Cup remained in the public eye. “That’s the importance of having your [David] Langes and your [Mike] Moores at launchings – they turn it into a national challenge. With them there it’s harder for someone else to sustain criticism. I think the general public perceive it as sport – with a business backing” (Cedric Allan, PR manager in campaign, cited in O’Meagher, 1986: 34).

The connection between the America’s Cup yachting and ‘kiwi pride’ was thus successfully established, and this was once again exploited in the 2002-3 Cup campaign. In apparent acknowledgment of the importance of the event for New Zealand’s national pride, the government provided some of the funding for Team New Zealand, as it had in the campaigns of the 1980s, endorsing the sentiments explicitly depicted in the ‘loyal’ advertising campaign launched by American-owned Telecom, a major sponsor (trademark in Figure 8.5). This was once again accompanied by a song – this time ‘Loyal’, sung by New Zealand musician Dave Dobbyn. The manufacture of tradition is evident in the way that Telecom’s ‘loyal’ television commercials link the quest of Team New Zealand with New Zealand identity by depicting New Zealanders, standing shoulder to shoulder with arm across breast, from Bluff at the southern extremity of the South Island, all the way north to Auckland’s Viaduct Harbour and onto the boat itself, demonstrating support for Team New Zealand (and implicitly for Auckland). The improbability of this in light of my discussion of parochialism and the Jafa complex needs little emphasis.



Figure 8.5: Branding loyalty

Controversy surrounded the Cup, centring on Russell Coutts, the New Zealand-born skipper who had clinched New Zealand's victory in the previous Cup. An outpouring of nationalistic sentiment followed the transfer ('defection') of Coutts and six other ex-Team New Zealand members to Alinghi. The newspapers depicted this as a 'betrayal' of New Zealand, throwing support behind the new Team New Zealand skipper, Dean Barker, as a youthful but capable 'kiwi battler' (van Beynan, 2003: 1).

Patriotism is the last refuge [of scoundrels]. Certainly, the Cup is good for business. However, much of their publicity trashes Coutts and co. 'Coutts could have been the new Edmund Hillary... He never will be now. He'll be regarded as the pariah of sportsmen' (Walsh from BlackHeart, the organisation supporting Team New Zealand, cited in Ansley, 2002: 17).

The preoccupation of newspaper and television coverage of the America's Cup is interesting for several reasons, which help to elucidate further the complex connections between nationalism, identity formation, and success. America's Cup yachting is depicted as 'our' (we New Zealanders) iconic 'national' event. Yet the national connection is tenuous: 'Team New Zealand' has considerable local input but is funded by a variety of organisations predominantly abroad; while the 'Swiss' team Alinghi is funded by Ernesto Bertarelli, a billionaire who invested \$US 65 million US in the event (Fisher, 2003: 31).

And the money! The billions! What on earth is New Zealand doing here? Oracle owner Larry Ellison boasted that he once might have bought the whole country for its navy... The America's Cup has ever been the plaything of rich men trying to buy sporting immortality (Ansley, 2002: 16, 20).

'Our' national event is thus extremely elitist. "The Royal Perth Yacht Club resigned its official role in Cup affairs [in 1992], saying that [it] was a contest between commercial organisations rather than sailors... What would it have made of the 2002-3 regatta?" (Ansley, 2002: 20). In addition, the vast majority of New Zealanders have no access to yachting: large yacht racing in particular is mainly the preserve of the affluent; and sailing in general is geographically restricted to harbour towns, among which Auckland (the 'City of Sails') is particularly suitable, with its warm and sheltered Hauraki Gulf.

Of course, as the popularity of rugby demonstrates, inaccessibility of participation need not detract from the ability of an event to act as a focus for regional or national pride and identity formation. In the run-up to the latest America's Cup, numerous articles in the media reinforced comments from my interviewees which emphasised the *international achievements* of New Zealand yachting (Wickham (2002) and van Beynan (2003) among many others). Indeed, New Zealand's domination of the event in terms of crew (including three of the skippers, Chris Dickson, as well as Coutts and Barker), yacht designers, yacht builders, past victories, in addition to providing the venue for the 2003 campaign, provides further evidence of 'cultural overproduction' (Belich, 2001a). The reiteration of this very fact, however, attests to LBW syndrome, representing the determination to 'put New Zealand on the map', and that international recognition is required to clinch domestic success.

As well as demonstrating the manufacture of tradition, the Cup also illustrates the process of negative identity construction, via the assertion of difference through unsporting attitudes related to success or the lack thereof: identities can only function as points of identification because of their capacity to exclude (Hall, 1997: 5). Alinghi won the event convincingly with five races to nil. During the first three races, Team New Zealand, plagued by a sequence of breakages, was applauded in the media as the valiant underdog, with Coutts' skill denigrated as luck. A sequence of breakages on the 'black boat' led to an evaporation of support: in the penultimate race, however, a further breakage on the 'black boat' was attributed to Barker's relative inexperience, with the implication that a 'better sailor' could have avoided it (Longley, 2003: 1). Concurrently, Coutts, the victorious skipper, was not lauded in the media as the superb yachtsman that his unblemished record suggests, nor as the most successful skipper in America's Cup history: winner of three series, including two for Team New Zealand, and unbeaten in 14 races since 1995 (Fisher, 2003: 31). Rather, the discourse of 'defection' and 'abandonment' persisted (Ansley, 2002: 17).

The banal nationalisms (Billig, 1989) mustered during the America's Cup by the media again invoked the competitive metaphors of 'putting ourselves on the map' and 'punching above our weight'. This, in conjunction with the 'loyal' campaign and government support, represent the 'invention of tradition', aimed at differentiating New Zealand and stimulating pride through the cultivation of a sense of national identity. Examining the America's Cup in light of the regional example of rugby, however, suggests a further dimension of this explicit attempt to differentiate New Zealand. In terms of the importance of the event to national identity, it is worthwhile noting that the America's Cup activity comprised 0.6 per cent of New Zealand's GDP in February 2002 (*Morning Report*, 24 February 2002), although the reliability of such figures is infinitely debatable.

The defensiveness demonstrated by Cantabrian musicians, New Zealand rugby fans and the 'loyal' supporters of Team New Zealand attest to the tension between local pride in 'kiwi ingenuity' and New Zealand 'uniqueness', and the insecure desperation for global recognition. In

addition, while 'culture for culture's sake' is certainly an important part of New Zealand's differentiation in terms of fostering a sense of belonging, or identity, so is 'culture for *economics*' sake'.

Whenever someone criticised New Zealand... there is the usual 'how dare she' indignation, same as it ever was, that anyone notices – up in arms if they dare to say anything bad or worse, thrilled if they actually say anything good,... who gives a shit! Why is it so important that we feel the need to squawk the old featherbrained hope that someone will put New Zealand on the map? So we're busy putting ourselves on the map – this is really what life is supposed to be all about. But it's also partly related to... I mean, there is a hard edge to this, **there is a hard economic edge. We have to brand our products in that way in order to get recognition, and it helps to generate more... more income**, um... And we have to try... This whole business of brand New Zealand and the way that develops (Interview, Laidlaw, emphasis added).

Cosmopolitan society and global culture

Thus far, the tensions surrounding identity formation and New Zealand culture demonstrate ongoing contradictions between homogenisation and differentiation and the paradoxical demands of culture both for its own sake, and for the sake of economics. The tensions crystallise in the fusion between culture and economics that elide in understandings contemporary New Zealand identity. This interpretation furnishes a critical insight into the negative connotations of globalisation, drawing attention to the results of the linking of consumerism and identity.

The increasing cosmopolitanism of contemporary New Zealand is a fraught and contradictory topic. Whilst the expanding ethnic diversity, deregulation and liberalisation in New Zealand since the early 1980s have contributed to the explosion of *choice* in terms of food and drink and culture, as well as other forms of *consumption*, my interviewees are simultaneously suspicious of the flip side to the incursion of 'global culture'. The negative aspect of this increasing choice, noted by my interviewees, closely corresponds to fears expressed in the 'anti-globalisation' debate over the benefits and disadvantages of 'global consumer society':

Recently I went to Oslo. And I was so excited, because you hear all these things about Scandinavia, and I do embroidery, and so I was very interested in that side of it, so I set out from the hotel which was if you like at the bottom of the main street, which has no cars in it, it's a cobbled thing that goes up to the Royal Palace, and in the first half mile of walking, there was a Body Shop, there was a Burger King, and there were 2 McDonald's. And I thought, I could be anywhere. Even though there were wonderful shops with Scandinavian things, as you'd expect, but it was like... It used to be the Catholic Church, that you went to Latin Mass anywhere in the world, and Latin Mass would be the same wherever you were. That has of course gone, but now you go up whatever it was Johannesgate or whatever its called, and you see everything you can see at home. And you don't actually want to see that. You really want to see people eating different things. **So that's why we should jealously guard some of the things we have, like the landscape**, believe it or not – I am a great one for locking away Fiordland – I'll never walk over Fiordland, completely unfit, but it's nice to think its there, it represents some purity, and some of the Maori experience you won't get anywhere else. Because, goddamit, its sad to see the Bodyshop (Interview, CEO, Radio New Zealand).

Several of my interviewees commented on the increasing prominence of 'global brands' in New Zealand as an undesirable trend.

Starbucks, ah... an international rip-off chain... The McDonalds of the coffee world (Interview, CEO, Canterbury Fare).

Many different examples were cited, but those referred to most regularly were American in origin. For my interviewees, the worst offender was McDonald's – the quintessential emblem of globalisation and the target of anti-globalisation sentiment world-wide. McDonald's was invoked regularly as shorthand for a global brand inducing homogeneity and inculcating in New Zealand the negative aspects of American culture. Again, it is worth emphasising just whom it is that I interviewed: predominantly middle-class, educated people who are explicitly not the target of McDonald's fast, cheap food and advertising. This preoccupation with McDonald's as an emblem of everything that is undesirable about contemporary life recalls Ritzer's (1993) assessment of the 'McDonaldization of society'.

For Ritzer, the internationalisation of McDonald's itself has been paralleled by the global spread of the principles by which McDonald's operates. The core values of efficiency (speed), calculability (emphasis on quantitative aspects of products rather than quality), and predictability (the same the world over) have been internationally generalised. Ritzer depicts McDonald's as an agent of cultural imperialism, not simply because its own outlets operate very successfully outside the US, but because local rivals seek to emulate its mode of operation and types of products. More than simply Americanisation – which represents the ongoing and inevitable cultural hybridisation characteristic of human life, McDonaldization is significant because it is applied to a vast range of products and services, *eroding the practices and procedures of particular cultures and enforcing uniformity*.

Yet accepting that McDonald's and its *modus operandi* have arrived in New Zealand *en masse* is very different to accepting it as an agent of cultural imperialism leading to homogenisation. For a New Zealander travelling to Australia, Britain or America, just as for an Australian, Briton or American visiting New Zealand, the extent of cultural differences remains striking. To explore the paradoxes further, I interviewed Alan, who is the franchise-holder of seven of the fourteen McDonald's restaurants in Christchurch. He began by probing my interest in McDonald's, forcing me to admit the link to my bigger question of globalisation in New Zealand.

We've got the situation ... we do, regrettably, from my point of view, sitting where I do, come in for a lot of unjustified ... we are used as a ... lightning rod or a focus, if you talk about globalisation, people think McDonald's. If you talk about the fat content of food, they think about McDonald's. Um... and sometimes, often, it's not really cricket but it is what happens (Interview, McDonald's franchisee).

For Alan, the negative connotations of McDonald's are unfair and unjustified. To understand why, it is necessary to consider his background and connection with McDonald's. McDonald's opened its first restaurant in New Zealand in 1976 in Porirua. Having visited McDonald's in America, Alan saw the potential in New Zealand for the concept and applied for a franchise, opening his first restaurant in Whangarei in 1981. He is thus one of the 'pioneers' of McDonald's

in New Zealand and remains a keen supporter. McDonald's Restaurants New Zealand Ltd oversees the standards and quality control of the restaurants and the products. In Alan's view, the negative connotations of McDonald's reflect a widespread ignorance of how McDonald's works.

Harking back to the globalisation factor, in reality, I'm a private businessman. I own my own business, it happens to be called a McDonald's, and it's no different to somebody who owns a corner dairy, or someone who owns a hamburger bar – they own it. The difference is simply that McDonald's have this system, and I'm referring to the products that we sell, the branding of them, the method ... the recipes, the construction, things like that. So my franchise requires me to ensure that I'm only selling McDonald's approved items, in accordance with the McDonald's procedures of manufacturing those items. **But beyond those sort of things, I run the business as I choose, just the same as anybody else** (Interview, McDonald's franchisee).

Employing over 350 people, Alan is indeed a successful Christchurch businessman. He emphasised the value of being associated with a larger organisation, whereby the approximately 27,000 McDonald's restaurants across 125 countries can share information and 'best practice'. Conceding that whilst he is bound by the rules of the larger company in terms of the products he can sell, he can influence the decision. To illustrate, Alan cited the example of another New Zealand franchisee, Brian Old, who invented the Kiwiburger. He approached McDonald's, who agreed to trial it, after which it was adopted New Zealand-wide. "So whilst I don't have the right to stick anything up on the menu board, I have the ability to influence that decision" (Alan). Alan remains perennially frustrated, however, by the negativity associated with McDonald's.

At the end of the day, I think you have to look upon McDonald's not as being just one great big company – it's a brand, that is comprised of thousands of businesspeople like myself, who own their own businesses and run them as they deem to be fit, all under this umbrella of the McDonald's brand. As opposed to other companies – and I'm not saying that McDonald's is unique – but many other companies who are global, the decisions are made in a corporate office, and that's the way everything happens. Whereas that's not the way ... one of the strengths of McDonald's and the reason for its success, in reality it is the franchising system, where these restaurants are owned by entrepreneurs, who bring their own flair, their own ideas, their own inspirations. Whereas, I wouldn't be the slightest bit interested in managing this group of restaurants without the ability ... without autonomy. So that's why... **McDonalds is targeted as a symbol of globalisation – but what are they opposed to? I mean, I'm a kiwi! I've got millions of dollars of my own money invested in my own businesses, ... what's wrong with it? I mean, we're using New Zealand beef, we use flour in our buns that's grown in Canterbury, potatoes are grown in Timaru and Fielding – what's wrong with that? Globalisation – I'm not sure what they mean. You tell me!** (Interview, McDonald's franchisee).

The example of McDonald's thus exemplifies the tensions and ambiguities of the way in which processes of cultural hybridisation are experienced. McDonald's remains the quintessential expression of globalisation – but for this highly successful Christchurch businessman, it is simply a further choice available to consumers. Alan readily admits his partiality, and draws attention to the contradictions between the image and the fact that McDonald's, while global, is simultaneously anchored in local contexts, with practical results. Nevertheless, the bad reputation of McDonald's persisted amongst my interviewees as an expression of the shady underbelly of global culture in New Zealand, and the mindless conformity that connotes. Part of the reason relates to the sense of homogenisation, which is strongly resisted by my interviewees.

But I still think that people want to go and see something really different, and that's why I'm sort of offended by McDonald's in the end. It wouldn't have *occurred* to me in Oslo to set *foot* in McDonald's, because why would you (Interview, CEO, Radio New Zealand).

A further factor in the negative perception relates to the persistent strain of anti-Americanism in New Zealand (see Chapter Three). Yet why should it be that people resist McDonald's more than other forms of cultural influence? In Queen Street in Auckland, for example, a McDonald's restaurant is located in a neo-Palladian building representing hybrid Greek, American and colonial origins.³² Why should it be that the building should attract no condemnation, whilst its contents do? My interpretation emerged as my interviewees expanded further on the impacts of global *consumption*, exacerbated through increasing levels of branding and marketing.

The economic, environmental and social effects of global consumer culture

Among my sources, the target of much of the criticism of the increasing access to international cultural trends over the past generation, and the cultural change that this has brought about in New Zealand, relates to the spread of consumer culture.

Talking about globalisation, we used to read with derision about how the Americans were victims of planned obsolescence, so that they'd get a gadget and it would break, it would go out of date very quickly so they'd have to buy another one, so that's how the American economy worked. And I always thought Och! But it's happened to us. I have got cupboards of things – the worst kind of sandwich makers that were immediately supplanted by another sandwich maker that was better, oh! **You should get into someone's cupboards and it would be the story of consumerism writ large. We're now caught up in it** (Interview, CEO, Radio New Zealand).

In New Zealand prior to the 1980s, the availability of goods was curtailed by government regulation that limited imports and encouraged exports, narrowing the range of products available. This was aimed at maintaining the balance of payments and supporting economic growth in New Zealand. The strategy changed with economic liberalisation, which has vastly increased the range of consumer goods available to buy. There have been profound economic consequences in terms of domestic job losses (discussed in Chapters Four and Nine), but there are also social and environmental consequences. These, rather than 'tribalism' or 'xenophobia' are a significant reason behind the resistance my interviewees display to 'global consumer culture'.

The expansion of goods has been encouraged by vast increases in advertising and the expansion of credit shopping. Farmers Trading Company was a pioneer of credit selling in New Zealand. From October 1924, they sold furniture on twelve month terms with a 25 per cent deposit and 10 per cent interest.

The climax of this phase of credit development came in 1938 when the new terms were advertised in the Catalogue under the heading 'Credit for All'. In recent years, two major advances have occurred – the widespread acceptance and use of credit cards, and the installation of new point-of-sale cash registers, making computerised accounts possible (FTC Annual Report, 1978: 10).

³² I am indebted to John Holmes for this point.

With the deregulation and liberalisation of the 1980s and 1990s, credit facilities expanded and the range of products increased. By 2001, 2.5 million credit cards were in circulation in New Zealand, and credit card spending is growing by thirty five per cent per year (Heeringa, 2001: 80). According to the head of American Express in New Zealand, “New Zealanders have the highest use of plastic per capita in the world... This is a very technology-savvy and sophisticated market” (Hynes, cited in Heeringa, 2001: 80). As market penetration has increased, a range of other ‘designer cards’ has also appeared to suit different sectors of society (farmers, the state sector workers, and so forth). “New Zealand and Australia are unique in their range of cards... We’re inventing many of these cards here in New Zealand” (Hynes of American Express). As Heeringa notes, “So we’re the first to head into designer debt. What an honour!” (ibid, 80).

For several of my interviewees, the rise of ‘debt spending’ has been accompanied by a normative shift in New Zealand culture towards the *acceptability* of this trend. Not only is it now necessary for many students to borrow money to complete a degree, my interviewees observe that it is increasingly common for people to live outside their means through credit. In February 2003, \$1,547,500,000 was financed on credit cards used in New Zealand (Statistics New Zealand, 2003: 63). In New Zealand, shopping has become a recreational activity, as mall attendance at weekends amply attests, following patterns from abroad and particularly from the US and UK. This contrasts sharply with the depiction of life in the 1970s offered by my interviewees, where weekend shopping, if it occurred at all, was confined to Saturday mornings. Frequently, an element of nostalgia also emerges, characterised by a normative judgment of the *undesirability* of present levels and forms of boundless consumption (yet, one imagines, often while still doing it).

Global brands were emphasised as emblems of this undesirable tendency. Many are evident in New Zealand, ranging from foods (McDonald’s, Burger King) to clothing (Levi’s, Louis Vuitton), footwear (Nike, Adidas), cars (BMW, Mercedes) and myriad more. The increasing *obviousness* of brands is imbued with normative implications for many of my interviewees, who appear to be reacting against the apparent tendency for contemporary New Zealanders to define their identities through *consumption*. My interviewees view this as an undesirable tendency in itself, implicitly juxtaposing ‘consumerism’ against an idyllic past innocence in which identity was defined through participation in society or in ‘higher’ cultural pursuits. Recalling international criticisms of Goldsmith and Mander (1996) and Korten (1995), they also depict it as unfair, for people lacking money are excluded from ‘consumer society’ except insofar as they can muster sufficient credit.

The inroads of global consumerism are also seen to be leading to the homogenisation of New Zealand culture:

When I was growing up, which was back in the 1950s, if you stayed in a small country hotel, or any hotel for that matter, at 7 o’clock in the morning someone would knock on your door, rain hail or shine, and force a cup of tepid tea and a couple of soggy biscuits through the door – that was the way it was done! And this carried on until the 60s, when more tourists started to come, and they began to complain about this. And I remember about the bringing of American experts

into the country, saying well you know if you want to have American tourists, you've got to have this kind of hotel... So we have got a history of having been moved forward in a series of jolts rather than smooth transitions by sort of establishing something that we're comfortable with, and then someone telling us its no longer suitable, so we go and... I think we lose out, in one sense we lose out on the things that make us particularly distinctive. Like decimal currency – I mean I grew up with pounds, shillings and pence – I still vividly remember the day and the date of the changeover to decimal currency, and that was like losing something, not gaining something. It wasn't any easier, for me, it was just like selling out. Its just like metrics... it makes sense on one level, it's a simpler system, but its like you're selling out something that's basic. **I think we're a bit too keen, sometimes, to give away those sorts of ideas, or systems. I don't really know that it adds a huge amount to life** – its just like the bureaucracy says here's a great new idea, lets bring this in, it keeps the wheels of the bureaucratic industry ticking over (Interview, Mayor, Banks Peninsula).

The Mayor is criticising what he sees as widespread failure to recognise that in processes of change, things stand to be lost as well as gained. The 'cultural cringe' makes New Zealand only too willing to abandon its peculiarities in favour of generic influences from abroad (paralleling the 'trading naked' approach to economic management). This implies that the tension between similarity and difference is weighted in favour of the former, despite the fact that the latter is what counts in terms of the development of New Zealand identity and sense of uniqueness – whether this is pursued for commercial gain, or as an end in itself, emphasising New Zealand's persistent disregard for its own self-interest.

It is this perceived threat to New Zealand's uniqueness that lies behind the fears expressed by my interviewees over the GATS agreement (Chapter Seven). Indeed, in the absence of detailed analysis by the Ministry of Foreign Relations and Trade, concerns would appear to be well founded. In March 2003, a radio news bulletin stated that because the GATS allows unrestricted foreign ownership of services in New Zealand, including education, presenting a threat to Maori culture and the Treaty of Waitangi. The bulletin gave the example of a book used in New Zealand schools whose story revolved around a Pakeha mother and Maori father and their three children, which was published by a New Zealand company. An American publishing company bought the publisher in 2001, and the book was re-released with an African American father and using American spelling (Mana News, 18 March 2003, 6.45 am). The incursion of Americanism was depicted by many of my interviewees as profoundly influential and negative.

I was just thinking about it the other night, watching a couple of shows and thinking about how different they were, these families were, compared say to a New Zealand family in their attitudes and the age at which kids are dating and whatever else it might be. And young people, I'm sure, are under a degree of stress from these kind of conflicts – growing up here in a Kiwi way, yet watching other fictitious families, which to all intents and purposes are real, because you can see and hear them, they're visual and aural as well, so in terms of our psyche, they're almost there. And we're spending a lot of time listening to them and absorbing it (Interview, Mayor of Banks Peninsula).

Perhaps reflecting their generally high levels of education and cosmopolitan experiences, in addition to the normative views on the adverse social consequences identified of consumerism and the incursion of 'mass global culture' on New Zealand, my interviewees drew attention to a

further, highly undesirable aspect of global consumer society. This relates to the physical effects on people and the environment.

The social and environmental consequences of global consumption

To explore these effects in the context of New Zealand, I interviewed the Project Co-ordinator and the National Campaign Manager at Christian World Service, the development, justice and aid programme of the Conference of Churches of Aotearoa New Zealand. Christian World Service works worldwide with forty local projects in twenty-two countries, providing funds for community projects to tackle poverty and build self-reliance. It campaigns to tackle the root causes of global poverty and injustice, such as Third World debt and unfair terms of trade (Christian World Service, 2002). Unsurprisingly, my interviewees had strongly developed views on globalisation, recognising its ambiguity, and sought to make it clear to me that the changes that have occurred over the past twenty years are not unambiguously bad, for technological development has enabled them to act as part of an international network of organisations to combat global problems such as poverty.

There's really good things happening – the globalising of information, although, of course, there'll be billions of people outside any of the information networks that are available to the rest of us... I mean, that can be harnessed, because it was in opposition to the Multilateral Agreement on Investment. That was probably one of the quickest examples of globalising of the opposition (Interview, Campaign Manager, CWS).

The Campaign Manager was, however, quite clear in her view on where the problems lie.

I think the thing that makes me the maddest is that there is the assumption that one particular economic model, and set of conditions, are important for everybody – they are imposed, really, and sometimes quite viciously, and against the wishes of the government, the local government, let alone the local people. And they've failed – and they've failed so massively all round the world that if it were any other organisation, you'd have to say how come you haven't learnt by now? And yet they keep on doing this, because one small group is benefiting (Interview, Campaign Manager, CWS).

Therefore, for my Christian World Service interviewees, the links between the changes over the past twenty years, the internationalisation of the neo-liberalism and the burgeoning of inequality and poverty are real and damaging. Focusing initially upon changes within New Zealand, the interviewees noted the adverse effect of job losses consequent upon economic liberalisation, and the fact that these impacted the most strongly upon the sectors of New Zealand society least able to cope, being already marginalised through socio-economic deprivation. They were intensely critical at the way in which inequality was worsened through commitment to an ideological position and a consequent restructuring programme that appears to a large extent to have been voluntary, at least in terms of its comprehensiveness and extremity.

I think the funniest was going to Sri Lanka in the mid-80s, in the middle of the Rogernomics period, and being asked to say something about our own country, and I had said well this and this and this is happening, and their eyes were getting bigger and bigger, and they said are you under the IMF or something!... And I said no, we're doing it voluntarily! They said we can't believe it! (Interview, Campaign Manager, CWS).

A further change in New Zealand that they noted, however, is the way in which despite the burgeoning choice of products available, in an important sense, options are *constrained*: even if consumers want to, they are unable to 'buy New Zealand made'.

I know even buying kids' clothes now, that used to be made in New Zealand, are all now made in China (Interview, National Coordinator, CWS).

The implication of *not* being able to 'buy New Zealand made' for these interviewees is not simply the lack of New Zealand employment, but the fact that in many cases, the goods now available carry no guarantee that their manufacture has taken consideration of environmental and social standards mandatory in New Zealand. Of course, the benefit, also noted by these interviewees, is that these goods are cheap.

Other people benefit from it – I mean we as consumers benefit from it, but consumers are also disempowered because we don't have a choice any more. We were doing the child labour campaign, and there was nowhere we could send people to buy soccer balls that are definitely *not* made by child labour (Interview, Media Manager, CWS).

The Christian World Service recently undertook an education campaign as part of an international effort by similar organisations to reduce world poverty and in particular the exploitation of child labour, under the slogan, JUSTice – DO IT!, parodying Nike's advertisement.

If you were an Indonesian worker making sports shoes you would have to work for 57 centuries to earn the same annual income as Nike's boss... **You are not an Indonesian sports shoe worker but you can make a difference to those who are.... Be part of the solution** (CWS, 2002: emphasis in original).

In New Zealand, however, it has become impossible in many cases to 'make a difference', for in the case of many goods, if one wishes to buy them at all, there is no alternative to buying goods produced under indeterminable but probably adverse conditions. As my Christian World Service interviewees pointed out, it is impossible for example now to buy a pair of running shoes in New Zealand that is not produced by transnational corporations such as Nike and Adidas, which now 'outsource' production to factories in parts of the world that, according to critics of 'globalisation', lack adequate social or environmental standards. While top-level running shoes never were made in New Zealand, thirty years ago they were manufactured in countries such as the US where environmental and social standards could be clearly monitored. The internationalisation of the chain of production has however made it possible to expand profits through producing in low-cost locations and selling in high-value markets.

In the past we would have known where the soccer balls were made... And if they're not made by child labour, they're made by exploited adult labour. And ... the demand around the world is that people want cheap products (Interview, CWS).

In the experience of the General Manager of Ballantynes, an exclusive Christchurch retailing firm with a 140-year history, most people today are unconcerned about the origins of products and the environmental and social devastation that accompanies production.

Why do people purchase? They couldn't really care less where it came from – the only person that cares where something is made is a tourist, who actually wants something made in New

Zealand, like possumdown or something. And they get very annoyed when they see a whole lot of merchandise, particularly if it's made in Taiwan or Thailand. So that's when it becomes very important. But for ordinary Joe Blow, the same around the world – if you want a pair of Nike shoes, you couldn't care less where they're made. Probably the less you know about them the better! (Interview, GM, Ballantynes).

The success of The Warehouse, a giant retailer along the lines of US firm Wal-Mart, attests to the unconcern of most New Zealand consumers of the origins of products – or at least that their concerns are allayed by the cheapness and abundance of the products now available, or constrained by their lack of choice given inadequate incomes. In 2002 I attended a presentation by The Warehouse's Environmental Manager, which revealed some supporting comments. The Warehouse has introduced a 'triple bottom line' reporting system, which aims to address social and environmental concerns as well as the economic, but the manager was adamant that the latter retains primacy. Eighteen per cent of The Warehouse's stock is New Zealand-made, although even this proportion is difficult to achieve because of the erosion of the manufacturing base, and the fact that *cheapness* is the overriding demand of The Warehouse's customers. For example, twenty five per cent of timber used has FSC (Forestry Stewardship Council) certification, which guarantees that the timber was produced under sustainable conditions (without exploitation of indigenous rainforest, for example). The other seventy five per cent does not, and consequently it comprises Indonesian hardwoods and other indigenous and often unsustainably harvested materials. The Warehouse intends to increase this the certified proportion to 60 per cent by the end of 2003, but it is hampered by the fact that *no* New Zealand forests are currently certified, although Carter Holt Harvey and Fletchers are pursuing certification. Thus whereas many European retailers are prevented from selling non-certified timber, there is inadequate consumer pressure in New Zealand to force retailers here to do likewise (Morley-Hall, 2002). The ending of import restrictions thus has encouraged an explosion in the quantity of goods sold with no consideration of their origins.

In addition to the humanitarian plea from organisations such as Christian World Service for consumption to be tempered by increasing demands for ethically produced goods (and the increasing population of 'fair traded' goods in the UK provides hope), there is a further implication of the increasing international movement of goods and the rise of consumer society relating to the environment. The physical interchange of goods and people is costly in terms of fuel consumption, the emission of greenhouse gases, pollution and so forth. New Zealand has ratified the Kyoto Protocol, committing to a reduction in carbon dioxide emissions to 1990 levels, yet its commitment to achieving this result would seem to be contradicted by the ongoing encouragement of economic liberalisation which in turn encourages international trade. This contradiction is however more moral than substantive, through the anomaly that emissions from international travel lie beyond the jurisdiction of any particular country. Hence carbon dioxide emissions from long-haul flights to New Zealand are not deemed New Zealand's responsibility (Becken, 2002).

Conclusion

There is thus a hard *social and environmental* edge to the economic changes that many of my interviewees view as imperilling New Zealand culture. Local decisions made have international effects, leading to environmental destruction, the exploitation of people, poverty and even terrorism. Labelling these connections 'globalisation' undermines the sense of agency felt by my interviewees, many of whom are aware of these adverse consequences but feel unable to act:

Yes well there are various types of globalisation – there's cultural, and economic, and political... And I think the ... the globalisation that is affecting the cultural side of mankind is some of the worst. And I think this is why the Iraqis and Iranians and Afghanistans can't stand America... cos they see them taking over the world culturally, and the emblem is McDonalds and Burger King. And it is, its bad – these cultures are very special, and grow up through centuries, and start to get ... homogenised, around the world. But in an economic sense, globalisation is a good thing as it provides jobs in poor countries, to get them going. That's as long as the government doesn't take it all from them, and people are fair to them, and they do get some economic benefit. So I think the vision of becoming a global economy, so long as some of the money gets to some of these very very poor areas, which it doesn't seem to. Its very sad. **But you and I can't do anything about that** (Interview, GM, Ballantynes, emphasis added).

This alludes to awareness of the internalisation of norms of consumption as a defining influence in identity formation, which has led to the privileging of consumption above other considerations. The easy access of contemporary New Zealanders to global consumer culture is conditional upon environmental degradation and social exploitation. This accounts for the unease expressed by many of my interviewees at the extent of change that has occurred over thirty years.

Globalisation appears a useful term encapsulating these changes, and it is through their cultural implications that globalisation has acquired its negative connotations. Use of the term, however, shifts the locus of agency away from human decision-makers toward globalisation itself, masking the sites of resistance and curbing the possibilities for human action. This obscures the fact that the global and local scales are intimately connected, and culture and identity are important points of articulation. Policy decisions and consumption in New Zealand have implications that stretch much further afield, and it is precisely this connotation of 'globalisation' that affords the greatest concern for my Christian World Service interviewees. Their concerns recall those of international 'anti-globalisation' campaigners such as Pilger (2001) and Klein (2000), and provide some insight into the protests in recent years at Seattle, Genoa, Prague and Melbourne, among others. For these people, globalisation is synonymous with the inequality and injustice that have followed economic liberalisation, driven by the increasing spread of the norms of consumption.

Contemporary New Zealand culture is an elusive chimera characterised by ambiguity, contradiction, and myriad interpretations. Culture proves an integral element of identity and simultaneously a commodity, and a source of distinctiveness connoting pride and concurrent embarrassment, which provides further critical insights into the question of globalisation in New Zealand. Paralleling the appreciation and enjoyment of cosmopolitanism is a widespread recognition of its costliness in social, cultural and environmental terms, both within New Zealand

and internationally. Paralleling the pride in New Zealand's culture is an ongoing sense of insecurity and the need for an external reference point to validate domestic success. Paralleling the sense that cultural development is integral to the maintenance of New Zealand society, identity and a sense of belonging is the ongoing pressure to commodify aspects of its culture that can be readily differentiated, concurrent with an awareness of the murky downside of the process of commodification.

The tension between differentiation and homogenisation is irreconcilable. Tarnishing my interviewees' appreciation of the changes is the recognition that whilst it has become increasingly cosmopolitan, recent changes to New Zealand culture have entailed losses as well as gains. LBW syndrome in conjunction with the discourse of hyperglobalism reinforces the impetus for cosmopolitanism, while at the same time encouraging an obsessive focus on Maori and 'high culture' as the only aspects of New Zealand culture worthy of attention (cynically reflecting their ability to be differentiated). This contributes to international problems relating to poverty, injustice and exploitation, but also has the effect of devaluing the cultural worth of 'old New Zealand'.

The nostalgia expressed by two of my interviewees implies, however, that other perspectives are possible, which stem from the tentative flickering of confidence and pride in New Zealand. One aspect mentioned in particular which is undervalued by the discourse of hyperglobalism is 'quality of life'. Hyperglobalism draws on discourses of decline, including economic statistics such as 'GDP per capita', in which New Zealand's relative performance appears relatively poor. LBW syndrome encourages these international comparisons, and reinforces the sense that New Zealand is internationally uncompetitive. Yet there are aspects of New Zealand's quality of life that these indicators do not consider, and which, if included and valued, would propel New Zealand's relative performance considerably further up the international comparisons table. Factors contributing to New Zealand's quality of life that are insufficiently valued by GDP as an indicator might include New Zealand's relative lack of corruption, its relatively high environmental and social standards, its relatively low crime rate, and many other aspects, in addition to its definite scenic attractions, which are not to be sniffed at. Or, as Raybon Kan put it:

Like many New Zealanders, I wanted Team New Zealand to win... for one reason: the economy. I'm not sure why a strong economy is good: it seems the stronger our economy, the less I can afford at the Viaduct. I'm not even sure I'm part of the economy. I feel more like a spectator at somebody else's economy. But I guess if you're going to be a spectator, better to be an actual spectator than a virtual one...

Before the race began, I felt obliged to have a Loyal tattoo applied. This was a temporary tattoo, which sums up my brand of loyalty. Real, painful, lifetime needles-and-blood body art would be way too loyal for me...

On TV, with the boats neck and neck, it was quite thrilling. We were winning by a metre. Then, within 10 minutes, our economy had begun to take on water. We saw one of the Team New Zealand crew bailing water from the deck, using what was presumably the official bucket of the America's Cup. Then one of the sails began to fall off. A separate sail then began flapping quite

artistically in a Priscilla Queen of the Desert way. The economy ground to a halt. The only reason they didn't throw in the towel was because the towel was soaking things up...

I suppose the moral is, we shouldn't rely too much on yacht racing for our economy. Maybe if the world economy was based on yacht racing, and we determined our rank in the OECD by which countries we beat, then it would be worth it (Kan, 2003).

In Chapter Nine, I turn to the economic implications of globalisation in New Zealand, and the effect of the discourse of hyperglobalism.

Chapter Nine: The New Zealand Economy and Globalisation

Perhaps the most familiar and contested of the dimensions of globalisation is economic. Connotations frequently relate to the progressive integration of financial, product and labour markets across national boundaries made possible by recent technological developments, and the implications for national economies, people and the environment of the increasing internationalisation of chains of production and consumption. Amongst my sources, an overriding theme was the extent to which New Zealand's contemporary economic prospects are *different* to those of the past. Interviews and recent government reports in particular emphasise New Zealand's relative economic decline, both compared with its own past performance, and against the better recent performance of other countries, emphasising the need for *transformation* if the situation is to be remedied. My sources attribute New Zealand's declining OECD ranking in terms of relative GDP per capita to poor past economic management, and New Zealand's particular economic structure, leading to the overwhelming assumption that New Zealand's comparative advantage is no longer advantageous, and that we must follow the example of more successful countries to meet the challenges of the 'era of globalisation'. Apparently novel strategies are proposed to achieve this end.

In this chapter, I demonstrate that the current debate over New Zealand's economic prospects is characterised by neophilia. Conditioned by the discourse of hyperglobalism, this asserts the novelty of New Zealand's present global connectivity and disregards the relevance of past experience, despite the persistence of obvious parallels. This leads to New Zealand's comparative advantage being disparaged and under-valued, and narrows the conceptual terrain within which New Zealand's contemporary and future options can be debated. Rejecting the artificial constraints of the discourse of hyperglobalism and starting instead from New Zealand's distinctiveness and the ongoing relevance of past experience leads to an entirely different perspective on New Zealand's prospects.

Relative decline

Dominating my interviews and recent government reports is the notion that all is not well with New Zealand's economy. There is an overriding sense that contemporary *global players* require different coping strategies compared with past *Fortress-dwellers*. This reinforces the sense of disjuncture derived from observable changes in technology, and in the political and cultural aspects of New Zealand life, which together have changed New Zealand, in important ways, since the 1970s. In Chapters Six to Eight, I explored the ways in which this sense of *disjuncture* is reinforced and perpetuated by examining its technological, political and cultural aspects. In this chapter, I turn to the critically important economic dimension.

Further emphasising the differences with the past, my sources emphasised New Zealand's relatively poor economic recent performance, over the past generation, measured both internationally and by contrast with its own past performance. Particularly influential were

statistics released by Treasury in 2001, which demonstrated that New Zealand's relative position within the OECD in terms of GDP per capita (in terms of purchasing power parity) fell from ninth place in 1970 (below Australia and the Netherlands and above Germany, France, the UK, and Japan) to twentieth place in 1999, just above Portugal and Korea (Scobie and Mawson, 2001). During this period, no other country fell nearly as far (Wade, 2001). In 2002, New Zealand's GDP per capita was US\$13,100, compared with Australia's US\$18,400, the UK's US\$23,900 and the \$35,400 of the US (Statistics New Zealand, 2003). Worse still, by some widely publicised measures, New Zealand looks set to fall still further down the OECD rankings to twenty-third place in from an already inauspicious twentieth among member nations, "leaving it ahead of only Greece, Mexico and Turkey" (Cohen, 2002).

The overriding impression is that New Zealand's economic position vis-à-vis its external context has changed for the worse over the past generation: that New Zealand is losing the international competition and 'slipping behind' its OECD counterparts, and must do something to 'lift its game'. Frequent invocation of the statistics of decline catalysed a sense of urgency, exacerbated by potent metaphors widely employed in the media and throughout my sources. These reinforced the urgency of the need for *change*: the crossroads, the watershed, the rising tide, the race that New Zealand is losing (Alexander, 2002; Clark, 2001).

I remember talking to Len Cook, the Government Statistician, who said that whereas New Zealand is still the second-wealthiest country in the world, when you take our natural capital and divide it by our people, the wealthiest is Saudi Arabia because of its oil, but if we're the second wealthiest country in the world per capita, and **we're running the risk of sliding off the first world**, which we are, what's going on? **Something is fundamentally wrong** (Interview, CEO, CECC, emphasis added).

In light of the image of the world that this invokes and New Zealand's precarious geographical position upon it (Figure 1.1), this conjures up the impression that if New Zealand slides much further it will drop off altogether.

New Zealand's poor present performance is contrasted against the prosperous heydays of the 1950s and 1960s, when New Zealand's comparative advantage in primary production was lucrative and living standards were high. As demonstrated in the previous chapter, the impression of being 'snug inside the protective Fortress' was strongly connected with the exporting of primary commodities.

I remember when I was a little kid, seeing ships... just loading ship after ship with stock and frozen lambs, butter going out in boxes, and cheese going out in big boxes, we were just shipping it all off and it was all fine while we were the garden of England. We're not the garden of England any more (Interview, CEO, CECC).

While past economic management was deemed partially responsible for New Zealand's present plight, a further contributing factor, widely noted by my interviewees, is New Zealand's comparative advantage in primary production, dismissed as obsolete in an era of globalisation. The overriding impression is that clean green grass growing no longer constitutes an adequate

competitive advantage, and that New Zealand's problems reflect its failure to escape the 'commodity basket'.

The sense of disjuncture with the past and the assertions of declining relative performance have a powerful discursive dimension that reinforces the inevitability of globalisation through its convergence with a series of domestic discourses. Among others, I have argued elsewhere (Baragwanath, McAloon and Perkins, 2002; McAloon, 2002a) that declinist perspectives dominate recent analyses of New Zealand (exemplified in Bassett's (1998) analysis of the state; Belich's (2001a) recent history of New Zealand; and Brash's (2001) indictment of New Zealand's economic performance). "The assumption of declinism is that, measured by one or more aggregate economic indices, economic performance has been deficient and that, in principle, this deficiency is, or was, remediable" (Tomlinson, 1996: 731). As discussed earlier, Fortress New Zealand imagery thus implies that New Zealand's past economic performance reflected better luck than management. It suggests that successive post-war governments prioritised social welfare (in particular, full employment) over economic efficiency, and that maintaining this trade-off grew increasingly costly, culminating in economic crisis and the need for restructuring in the 1980s. Reflecting its emphasis on novelty, the discourse of hyperglobalism disparages New Zealand's historical comparative advantage as 'dumb luck'. Reinforced by Fortress imagery, this implies that even where the economy performed well, it was unsustainable and contained the seeds of its own destruction, because of the nature of its economic structure. This is evident in the repeated demonisation of primary commodity dependence:

So when you look at where we've come from, we've come from this commodity-based agriculturally dependent economy, which is internationally dependent, but very much commodity-driven. Which is one of the reasons why we have been underwhelmingly inefficient in utilising our natural resources over the last years, you know... I think, coming back to my earlier comment about how we haven't done much well (Interview, CEO, CECC).

With past management effectively vilified, the focus of influential decision-makers thus turns *outwards* in order to see what it is that other countries have been doing whose economies have performed better. This 'pop internationalist' focus on the 'global context' demonstrates further the operation of the discourse of hyperglobalism, which leads to the significance of locally specific conditions being overlooked. The discourse can also be discerned in the assertions of *change* and in particular the focus on the *novelty* of contemporary circumstances. It is evident in international comparisons, which implies that economic strategies for success are somehow *generic*, rather than developed in particular localities on the basis of path-dependency and comparative advantage. It also emerges in the sense that New Zealand's options are now determined within the *global economy*, and that this was not the case in the past.

The statistics of relative decline act together with the imagery of globalisation as an inexorable external force in emphasising the novelty of New Zealand's present conditions, its apparently unprecedented global connectivity and the need for economic transformation. New Zealand-specific experience is disparaged through this emphasis, in favour of imported, generic recipes

and comparisons. Yet as my historical data revealed, an alternative representation exists of New Zealand's economic circumstances, past and present. This discourse, which I labelled *constrained autonomy*, provides a counterweight to hyperglobalism in three important ways: in emphasising the specific rather than the generic; the enduring rather than the novel; and the local rather than the global. This juxtaposition risks a rather binary interpretation, which must be resisted, for each aspect is characterised by a *tension* between these contradictory discourses. I persist with the contrast, however, because of the way in which my recent data display a strongly one-sided representation, within which the discourse of hyperglobalism is clearly hegemonic. In the remainder of the chapter, I offer an alternative representation of New Zealand's economic structure, emphasising its distinctiveness, the parallels with the past that persist, and the inevitable constraints operating upon a small country with a comparative advantage in primary production containing a population with aspirations as to living standards as high as any in the world. This interpretation leads to an entirely different framing of policy options and consequently actions, masked by the hegemonic discourse of hyperglobalism.

Unique New Zealand

As I analysed my recent data, I was struck by the differences that emerge between recent *interpretations* of New Zealand's circumstances, and those of the past. Recent sources depict New Zealand's economic prospects as externally determined and constrained. Noting that the economy had grown by four per cent in the year to June 2002, the *New Zealand Herald* reported "research by Treasury economists shows the strongest influences on the New Zealand economy are the global economic cycle and export and import prices" (Fallow, 2002: webpage), as if this were somehow novel. By contrast, prior to 1984, my official sources depict New Zealand's options as externally determined, but suggest that within these parameters there existed a considerable degree of autonomy (Chapter Seven).

While interpretations of New Zealand's position vis-à-vis the external context have changed, strong similarities endure with respect to the themes, preoccupations, and considerations of policy-makers. This is hardly surprising, because in several critically important respects, New Zealand's circumstances remain highly unusual, if not unique, in comparison with other countries. Its population only just reached four million in April 2003; it is highly dependent upon international trade; and the primary sector continues to contribute the lion's share of economic activity. New Zealand's distinctiveness is further marked by the combination of these factors with the high living standards that its population has historically enjoyed. Located at the opposite end of the world to the wealthy industrial giants, New Zealand's living standards are nonetheless more comparable with these than with other tiny agricultural exporters.

The distinctiveness of New Zealand's economic structure reflects its historical connections with the global economy, which stemmed from particular comparative advantage. As previously discussed, international connections were New Zealand's *raison d'être*: New Zealand was brought into the global economy because of the commercial possibilities its natural resources offered

British, Australian, American and French capitalists. Exploitation of primary commodities established an economic structure heavily dependent upon export, concentrated first in the direct mining of resources (Armstrong, 1978) and then in primary production, pursued at levels vastly in excess of the quantities demanded by the small domestic population. In turn, New Zealand's prosperity reflected Imperial interdependence and British demand for primary produce. By the late nineteenth century, the average income in New Zealand and Australia was higher than that of the US (Schedvin, 1990). New Zealand's living standards declined, however, to third in the world by 1950 behind the US and Canada, and equal to Switzerland (Gould, 1982). This provides the essential backdrop to the relative decline since 1970.

New Zealand's economic development thus reflected the exploitation and export of natural resources. Seals, gold, timber, whales provided the earliest commodities to be quarried and traded, followed by pastoralism from the 1850s (Chapter Three). Wool, and after 1880, meat and dairy produce provided New Zealand with a steady, if oscillating export income, further supplemented by continued diversification into auxiliary agricultural, horticultural, forestry and fishery development and exploitation – largely destined for export markets (McAloon, 2002a). This enabled New Zealand to approximate the living standards of industrialised countries with far greater populations, as Britain's 'offshore farm', at the cost of the inevitable vulnerability that accompanies international trade.

New Zealand is therefore a highly *atypical* example among the so-called 'developed' (bearing in mind my earlier qualification) or 'Western' countries despite its comparable living standards, because from the outset, international trade comprised a high proportion of its economic activity. While the proportion of international trade has recently increased in the economies of many industrialised countries, it remains generally *low*: Krugman (1996: 9) and Wade (1996) emphasise for example that in the US, only ten per cent of GNP relates to international trade. Where the proportion of international trade is low, the major effect on the standard of living in a country relates to domestic factors (Krugman, 1996: 8). By contrast, throughout its history, New Zealand has been heavily dependent on *international* trade, and thus *external* factors have been critical in determining its fortunes. In 2001, New Zealand's exports comprised 28 per cent of GDP (\$31,939 million out of the \$112,316 million GDP) (Statistics New Zealand, 2003), and thus New Zealand's economic growth and standard of living have always been, and remain, heavily influenced by the terms of trade.

Even in the 'era of globalisation', New Zealand's distinctiveness remains highly pertinent to its economic performance, as the rest of the chapter demonstrates. Its unique conditions engender three sets of implications, which I explore in turn. First, its economic structure and comparative advantage in primary production imposes particular constraints quite unlike those of either industrialised or dominion capitalist countries. Secondly, primary production is not the sum total of New Zealand's economy, which has diversified markedly over fifty years, despite the fact that New Zealand firms face particular constraints which their overseas counterparts do not. Thirdly,

the principle of comparative advantage remains intensely relevant: New Zealand's particular advantages are by no means worthless, yet they are undervalued by the hegemonic discourse of hyperglobalism. Close examination of the circumstances belied by the discourse exposes an alternative perspective that widens the conceptual terrain within which New Zealand's options can be evaluated.

The comparative (dis?)advantage of New Zealand

I came from New Zealand, Nueva Zelanda, I said, the land of sheep, wool, butter... I tried to give the impression that New Zealanders were unlike the rest of the world in being clean, pure, unprejudiced, well disposed towards all members of the human race. And New Zealand was a beautiful country. It was *God's Own Country*... I knew that in speaking thus of New Zealand I was showing little sense or perception, but to affirm New Zealand in this way was habitual to one who had been taught so insistently to equate survival with sheep, wool, butter, or, rather, death with the failure to export sheep, wool, butter: *export or die* (Frame, 1985: 45-6).

New Zealand's reputation is undeniably agricultural, and exports historically have comprised a high proportion of its national income, in turn furnishing relatively high living standards. New Zealand's economic structure continues in 2003 to be dominated by primary production – the very feature that attracted British capitalists to invest in New Zealand in the first place. This facilitated New Zealand's past prosperity and continues to provide hope for further exploitation for economic gain. Nevertheless, New Zealand's high dependence on primary production for export returns entails a three-fold catch, which has historically plagued New Zealand's economy, and continues to do so. First, the commodities in which New Zealand specialises have historically been, and remain, particularly subject to severe price oscillations on the world market; secondly, they are particularly subject to the protection policies of New Zealand's trading partners; and thirdly, over the past thirty years, they have declined in value relative to 'elaborately transformed manufactures'.

Price oscillations

The international prices of primary commodities are notoriously volatile, evident in the regular boom-bust wave pattern of New Zealand's post-war economic history. Wool provides an excellent example of the effect of international price oscillations on New Zealand's domestic economy. In 1855, wool comprised 25 per cent of total exports, potatoes another 25 per cent, and grain 22 per cent. By 1860, wool alone accounted for 76 per cent of exports and in 1861, wool and gold comprised 93 per cent of New Zealand's exports (NZYB, 1966: 609). From 1946 to 1968, it was New Zealand's most valuable export item (External Trade, 1968: 7), frequently contributing up to one third of overseas earnings. Heavy dependence on wool increased New Zealand's external vulnerability because of its historically volatile international price. In 1950, for example, the Korean War sparked a boom in the price of wool, causing a 35 per cent increase in the value of New Zealand's export commodities between 1950 and 1951 (Table 9.1).

Table 9.1: Value of exports (Source: NZYB, 1950: xxv, 1952: xxii)

Calendar year	Butter £ (000)	Cheese £ (000)	Frozen meat £ (000)	Wool £ (000)
1948	33 758	11 197	28 624	44 496
1949	35 450	12 674	27 230	46 553
1950	34 856	14 312	28 496	74 653
1951	41 362	16 650	25 394	128 176

Appreciating the windfall but recognising its likely ephemerality, Prime Minister Holland commented: “For 1950, as compared with the previous year, wool receipts will be up by over £25 million, but in another year we could easily have an adverse movement of equal magnitude” (AJHR, 1950 B6: 4). Sure enough, the price of wool peaked at a Christchurch wool sale in mid-1951, touching 240 shillings per pound, but at the resumption of sales later that year, prices fell severely, dropping 65 percent on the highest prices attained earlier (NZYB, 1952: 1060). Similar dramatic oscillations in the international price of wool provoked further disarray in New Zealand’s economy in 1957, 1961 and 1966, with each downturn provoking different policy responses within New Zealand. In 1966, there was a 5.2 per cent decrease in the value of exports, because of a severe recession in the demand for wool (External Trade, 1968: 3), and the value of wool exports declined from \$231,938,770 in 1965-6 to \$174,104,902 the following year. This precipitated a protracted struggle to maintain the balance of payments which was worsened in 1973 by the first Oil Shock and Britain’s entry into the EEC, culminating in the economic decline discussed in Chapter Three. The second Oil Shock in 1979 further increased the economic difficulties, which continued into the 1980s. From 1984 onward, external prices combined with internal decisions to reduce economic protection, further impacting upon the wool industry.

The direct effect on New Zealand’s economy of oscillating wool prices is now less obvious because of ongoing diversification. Still the third most important export commodity in 1990, wool had declined to tenth position by 2000 (Statistics New Zealand, 2002). Nevertheless, the volatile international price of primary commodities continues to play an important role in determining New Zealand’s prosperity, as became evident after the terrorist attacks of 11 September 2001 which induced a 60 per cent decrease in the price of merino (Keene, 2001). There is thus a ‘hard economic edge’ to the concern expressed by my interviewees and in recent government reports at New Zealand’s ongoing agricultural dependence.

Agricultural protection

Since the restructuring began in 1984, the dominant ‘more-market’ emphasis in New Zealand policy-making assumes that economic protectionism is inherently inefficient and costly, and hence commitment to neo-liberal policy prescriptions caused New Zealand to remove almost all forms of economic protection in the 1980s and 1990s (Chapter Seven). Yet as I demonstrated in Chapter Seven, New Zealand’s trading partners continue to protect their own markets, particularly against agricultural commodities. The historical constraint continues to operate: as a tiny nation hell-bent on maintaining First World living standards, New Zealand must trade internationally,

but this condemns it to accepting the terms of larger players, as New Zealand itself is far too small to be able to price-make³³.

Unlike most other New Zealand industries, our major farming industries are basically producing for export. The bulk of their production must be sold on world markets under highly competitive conditions and the prices received are determined largely by forces beyond their control (AJHR, 1969 B6: 18).

The 'freedom' of the global economy thus remains a chimera. In the 'real world' New Zealand's export prospects continue to be hampered by the protectionist decisions taken by other nations. This is, however, overlooked in New Zealand because of widespread adherence to the discourse of hyperglobalism that emphasises the *theoretical* rather than practical arguments for free trade. This is encapsulated in the government's confident assertion that "countries that are rich, and are becoming richer are those that are well integrated into the global economy" (New Zealand Government, 2002: 15), against all evidence to the contrary (Chapter Seven), for policy decisions over international trade have inevitable cultural and political dimensions that in practice override theoretical purity.

Relative decline in value

Contributing to the difficulties inherent in New Zealand's historical comparative advantage is the fact that it is no longer as lucrative as once it was.

If at the end of the day you accept that we have a comparative advantage, it used to be the fact we could grow grass well. That comparative advantage is getting less and less valuable by about a factor of five in the last century, four since 1950. Milk, fibre and meat on relative benchmarks are about quarter of what they were in the 1950s ... Plastics, electronics, and the value of those things, there's simply more stuff in the world. I don't think that milk, fibre and meat is in fact much cheaper or less economically valuable – there's just a lot of other things that have pushed in (Interview, CEO, CMA).

Reinforcing the point, according to Walley (2001: 7), in 1950, it was possible to buy a vehicle with one tonne of wool, which today could acquire perhaps the front suspension.

The value of what we have relative to what we want is falling. In 1960 we could buy the pharmaceuticals we needed 20 times over with the value of the meat exported. Meat exports have grown... but even so, the value of meat against the value of the 'pills' we want has fallen by a factor of four during the period (Walley, 2001: 7-8).

The declining profitability of primary production partially reflects the fact that the demand for food is inelastic relative to that of other commodities, and consequently as countries grow wealthier they spend an increasing proportion of their discretionary income on items other than food.

³³ Bové (2001: 30), leader of a French farmers' lobby group opposed to the removal of agricultural subsidies, opposes this view, noting that world prices are not a criterion for determining the direction that agricultural production should take. "Those prices concern only a tiny proportion of world output and consumption. The international wheat market accounts for only 12 per cent of global output. Moreover international trade is carried out at prices that are determined not by the totality of the trade in that commodity, but by the price offered by the most competitive exporting country. **World milk and dairy product prices are determined by production costs in New Zealand, even though that country's share of world milk production between 1985 and 1998 was only 1.63 per cent.** The world wheat price is governed by that of the US, whose output accounted for only 5.84 per cent of global production between 1985 and 1998 (Bové, 2001: 30, emphasis added).

What that then forces is a high added value economy, because you can't live with apples any more. I don't care how good the apple is, even if it's organic and its never seen a bit of pesticide in its life, there's only so much I'm going to pay for it (Interview, CEO, CMA).

Countries that have a strong bias to manufactured goods have consequently tended to achieve higher levels of GDP per capita in recent years than countries such as New Zealand whose income derives from agriculture.

So we've gone like this [traces a downward curve]. And that says something about our role in the international community, and our inability to really make our mark as an international, high-value trading enterprise, because what we've done, we've been totally dependent on commodities, and we have slid. All commodity prices over the years have gone like this [downward slope], it doesn't matter which one you look at, they've all gone down. And we've just ridden down with them (Interview, CEO, CMA).

Implications drawn

Hence while New Zealand's comparative advantage accounted for its initial development and its past prosperity, it has become decreasingly lucrative. Price volatility of primary commodities coupled with declining value contribute to the negative perceptions that emerged in the course of my research, exacerbated by the fact that the export value of primary commodities is also particularly compromised by the protectionism practised by other countries. The discourse of hyperglobalism thus encourages New Zealand's comparative advantage to be dismissed as obsolete and unprofitable. In turn, this encourages the suggestion that New Zealand should follow the example of nations that have been more successful in the 'international competition', frequently by using solutions suggested by international management consultants (Chapter Ten), causing New Zealand's distinctiveness to be overlooked, despite its central significance.

New Zealand's poor economic performance is frequently compared, adversely, with that of a range of countries, including Singapore, Australia, Ireland and Denmark. These examples were repeatedly used by my interviewees, particularly those in the manufacturing sector, who naturally have a vested interest in this line of argument, and in recent government publications, including the Innovation Strategy. These echo Gaynor and Brash:

New Zealand's share of world trade in its main export categories has increased but world trade growth in these areas has been relatively low. Since 1985 most of the world's trade growth has occurred in manufactured products, which is why Finland and Ireland have done so well. International trade growth in food, agriculture and other commodity products has been much lower and New Zealand has been disadvantaged as a result (Gaynor, 2002: webpage).

As recently as 1990, New Zealand's GDP per capita was roughly on a par with Ireland's and Singapore's. By 1999, both countries had very considerably surpassed us. In 1990, Australia's GDP per capita was only some five per cent above New Zealand's; by 1999, it was nearly 40 per cent above New Zealand's (Brash, 2001: 1).

Ireland is frequently used as a shining exemplar, given its recent rapid economic growth and apparently successful transition to the 'knowledge economy' through its high-tech industrial development. Its proximity to the large population of Europe, the role of EU subsidies in its development, and the substantial state support are frequently not considered. Similarly, Singapore

is cited as a further example of economic rectitude, again with striking lack of recognition of the ongoing salience of location, nor its repressive political management.

Look at our situation per capita income – 20 years ago, we would be double – well, four times Singapore’s – and now we’re half (Interview, CEO, CECC).

Denmark and Finland provide further comparisons, again with little consideration of location, history or comparative advantage. Finally, Australia is relatively close to New Zealand, and its culture and post-colonial circumstances mean that it is perhaps more similar to New Zealand than any other nation. There are, however, fundamental differences in its economic structure. First, its population of almost twenty million provides a considerably larger domestic market and greater economic opportunities for Australian producers. Secondly, while agricultural exports provide an important contribution toward its GDP, Australia has other lucrative resources, including uranium and many other valuable minerals, that buffer it from the volatility of the international market facing primarily agricultural exporters such as New Zealand. Thirdly, unlike New Zealand, Australia, like Singapore, has (comparatively speaking) jealously guarded its domestic economy and culture, eschewing the ‘trading naked’ approach and restricting its economic liberalisation to areas that confer greatest advantage to its domestic producers. Hence while each country has an element of comparability, none shares the precise combination of factors experienced by New Zealand.

The invocation of these examples demonstrates that the discourse of hyperglobalism is hegemonic amongst these influential opinion-shapers, masking and devaluing the salience of New Zealand’s specific attributes. In combination with the statistics of decline and discourses of unprecedented change, and given the emphasis on the global rather than the particular, such examples reinforce the impression that present conditions are unprecedented, that New Zealand’s economic performance is unusually bad, and that economic transformation is needed. They mask the fact that New Zealand’s circumstances are, however, more or less unique, even in an ‘era of globalisation’, and moreover, that the past remains highly relevant to understanding New Zealand’s contemporary economic conditions.

While paradoxically it was the ‘global connections’ with the Empire that made New Zealand’s first world incomes attainable in the first place, the problem is rather that New Zealand’s export profile is no longer furnishing the income to which New Zealanders have become accustomed. Interpretations of relative decline routinely overlook the fact that New Zealand’s past high performance in the international ranks was itself an historical fluke arising from its place in the Imperial division of labour. Indeed, comparing New Zealand’s *existing* economic structure with that of other countries, it emerges as a profound oddity. While New Zealand is used to viewing itself as a member of the ‘developed world’, and indeed, its OECD membership and generally high, Western, standard of living validate this view, if export commodities are used as an indicator, its reference group appears less flattering (Table 9.2).

Table 9.2: New Zealand's international reference group in 1998 (Source: CMA, 2001: 10)

Agricultural Raw Material as a percentage of exports			Food as a percentage of exports		
Rank	Country	Percentage	Rank	Country	Percentage
123	Ireland	0.6	135	Israel	3.8
100	Israel	1.7	108	Ireland	10.1
75	Denmark	2.9	78	Australia	20.2
40	Australia	6.5	73	Denmark	22.5
21	Ethiopia	13.1	52	Burkina Faso	41.3
20	Gabon	13.0	51	Zimbabwe	45.9
19	New Zealand	13.6	50	New Zealand	46.2
18	Papua New Guinea	16.7	49	El Salvador	46.6

Raw agricultural materials comprise a minimal percentage of exports in Israel and Ireland (raising the question why Ireland is even worried about agricultural subsidies), Australia and Denmark. By contrast, these comprise a proportion of New Zealand's export income comparable with Ethiopia, Gabon and Papua New Guinea – hardly a flattering comparison for a nation trying to distance itself from its agricultural past. Similarly, food comprises one fifth of the exports of Denmark and Australia, and less than one tenth of that of Ireland and Israel, it accounts for almost half of New Zealand's – on a par with El Salvador, and more than Zimbabwe or Burkina Faso. As Walley emphasises, “the least tenable position to take is to aspire to first world standards and have a third world bank account” (Walley, 2001: 10), yet this is precisely New Zealand's position.

New Zealand's present economic circumstances are thus determined by the fact of its high dependence on international trade, the declining value of its comparative advantage, the practices of other countries, and the ongoing oscillation of the prices that its exports command. At the same time, its population, accustomed to the path-dependent perks of dominion capitalism, continues to demand living standards as high as any in the world. This combination provides the hard economic edge to the recurring expressed need to ‘lift New Zealand out of the commodity basket’. There is also a strong discursive dimension which reflects embarrassment (agricultural cringe) at New Zealand's unfashionable comparative advantage. It is hard to be an urbane, sophisticated, cosmopolitan, ‘high-wage’ Knowledge Society when one's reputation is associated with thirty-odd million sheep.

A comparative advantage in primary production certainly has drawbacks, and it is worthwhile considering alternatives (Chapter Ten). These are, however, further restricted by the Fortress New Zealand imagery inherent to the discourse of hyperglobalism, which dominates the interpretations of New Zealand's economic structure displayed among my recent sources. This not only masks the fact that New Zealand's comparative advantage persists, as is discussed below, but also under-values the significant economic diversification that has occurred over the past half century. Indeed, while New Zealand's exports are often derived from primary resources, many are not ‘raw commodities’, but high-value products enhanced through the application of technological innovations, in a process facilitated by private enterprise and the state.

Diversification and economic development

Through a range of policies, successive post-war governments sought to encourage the earning of export income and the diversification of the economy, in order to reduce New Zealand's external vulnerability. The market diversification strategy was extremely successful, and while Britain remained important to New Zealand until the 1990s, its share of exports declined from 60 per cent in 1950 to under 20 per cent in 1975 (NZYB, 1950; 1975). Concurrently, through the same mechanisms, New Zealand's range of export products continued to widen into fisheries, forestry, horticulture and other sectors.

As Chapter Seven demonstrated, Fortress imagery masks the fact that through the encouragement of the state, New Zealand's export markets diversified considerably prior to 1973, with Britain's share of New Zealand's exports declining substantially from 1955 to 1975. Concurrently, the state encouraged the diversification of export *products*. In 1966, New Zealand's exports were almost entirely the product of pastoral, agricultural and forestry industries, with meat, dairy produce and wool accounting for at least 80 per cent of the value of all exports of New Zealand produce (External Trade, 1968: 2). Except for the growth of trade in pulp and paper products, the composition of New Zealand's exports in 1966 did not vary greatly from that of pre-war years (NZYB, 1966: 609). By the end of the twentieth century, by contrast, manufactured goods and machinery and transport equipment made up 29 per cent of New Zealand's exports, compared to just over one per cent in 1950; and meat, dairy and wool – the 'traditional exports' – provided only 33 per cent of total exports (NZYB, 2000: 380). This suggests a history of ongoing adaptation and change, within a context of inevitable external interdependence, and suggests that strong parallels persist in the strategies available to New Zealand firms, past and present.

As the following discussion emphasises, many of the circumstances confronting decision-makers in both public and private sectors remain very similar to those of the past, although these are obscured by the emphasis of the discourse of hyperglobalism on the novelty of contemporary conditions. Yet since 1935 at least, decision-makers have been preoccupied with New Zealand's small population and hence constrained domestic market prospects; New Zealand's heavy dependence on international trade and hence its vulnerability; New Zealand's narrow range of export commodities and hence the need to diversify; New Zealand's distance from other countries, and hence the tendency for hopes to be pinned on technological advances to overcome the tyranny of distance; and finally the need to increase New Zealand's economic growth in order to maintain and improve quality of life. Recognising these parallels led me to examine how New Zealand's goal of economic growth was encouraged in the past: through encouraging external agreements with other countries and multilateral agreements; through state support of economic modernisation through investment in communications and transport infrastructure; and through assisting domestic producers to produce for export and through import-substituting industrialisation. It therefore emerges that many of New Zealand's past experiences remain relevant.

Coping strategies: why size and location matter

Discarding the artificial parameters imposed by the discourse of hyperglobalism, it becomes possible to re-evaluate strategies employed by both private firms and the state to examine how New Zealand's economic development occurred. In response to the constraints imposed by the small population size and geographic remoteness, a range of coping strategies have been employed by New Zealand firms which remain relevant in the present era. First, in order to increase profits, firms have sought to expand. One strategy for achieving this was to establish a national presence.

[In the late 1960s] it was obvious that the company would need to get involved in brewing in other centres in New Zealand if it was to become a truly national operation and with new breweries, there would be a need for further hotels to guarantee them an outlet for their products (DB Annual Report, 1980: 22).

In order to accomplish this, some firms acquire or go into partnership with established firms in other parts of the country.

In 1985, Waste Management Ltd had branches in Auckland, Hamilton, and Christchurch. 'I knew from experience at Andrews and Beaven and then Repco that to be effective in New Zealand you have to be operating from Invercargill to North Auckland' (Bill Beaven, in Williams, 1999: 24).

Christchurch manufacturer Andrews and Beaven bought an Auckland company in 1965 to provide access to a chain of North Island operations and their markets. Similarly, Crown Corporation integrated with Canterbury Farmers' Cooperative Association Ltd in 1981, extending its reach from Otago to Auckland (Crown Annual Report, 1981: 8), while Hamilton firm A. M. Bisley Ltd purchased Maw and Hellewell at Ashburton in 1979, so as to consolidate their South Island holding (A. M. Bisley Annual Report, 1980). For the same reason, Farmers' Ltd bought New Zealand Farmers' Co-operative Association of Canterbury Ltd's thirteen stores in the South Island (previously branded Haywrights) in 1982, in order to establish a national chain (Farmers Annual Report, 1982: 10).

Expanding out of a familiar local market and doing business nation-wide is however fraught with difficulties, because of New Zealand's geographic size, low population density and the regional concentration in the north of the North Island and particularly in Auckland. Despite technological advances in transport and communication, sheer physical distance presents a perennial obstacle, even within New Zealand, with high freight costs and substantial time lags, despite ongoing improvements in communication and transport.

[Over the past year,] freight to the South Island increased by 70 per cent and the cost of malt was increased 21 per cent, making the development of the Timaru brewery imperative (DB Annual Report, 1980: 28).

Ever-increasing freights, particularly across Cook Strait, continue to isolate the North Island from the South. The cost of freighting machinery from Hamilton to Christchurch is now so excessive that we are investigating the practicability of expanding our manufacturing services in Christchurch (A. M. Bisley Annual Report, 1977: 2).

We should again state that South Island companies are the victims of the most inefficient and costly internal transport system (Andrews and Beaven Annual Report, 1979: 4).

The implications of freight and transport costs vary, depending on the industry and the location of its main market. Some North Island manufacturers established plants in Christchurch so as to offset the cost of freight, such as the agricultural machinery manufacturer A. M. Bisley, which established a new site at Hornby in Christchurch in 1971 (A. M. Bisley Annual Report, 1971: 3). More common, however, is the northward trend evident in the frequent relocation of head offices (Firestone, 1991) and indeed factories to Auckland.

This move [from Christchurch to Auckland] has enabled Ernest Adams to develop its relationships with the country's largest business and population centre while continuing to maintain a strong national presence... We have two operations in Christchurch, the heart of New Zealand's wheat industry, one in Palmerston North, geographically central to most major markets in the North Island, and another in Auckland, close to the country's largest population as well as export markets (Ernest Adams Annual Report, 1998: 9).

Location has thus featured as a prime concern for companies in New Zealand, accounting for the tendency toward centralisation in New Zealand's economic development. This largely proceeded northward, although with some exceptions, which can in part be attributed to the 'cluster effect' whereby economies of scope can be attained through close proximity. This is evident in the Canterbury Technology Park development in Christchurch, which contains several 'high-tech' firms seeking to benefit from the cluster effect (Titus, 2002). This strategy is naturally not the preserve of the present or of New Zealand: identified by Marshall in the 1890s, it has been studied in numerous locations (for example by Piore and Sabel (1984) in the context of the Italian fashion industry).

In Christchurch we succeeded in acquiring an extremely suitable area of between five and six acres, located in the Waimairi County and work is already well advanced in erecting thereon a 'cluster' of buildings, specially designed to meet the requirements of our several companies operating in that area. The final development will undoubtedly be pleasing to the eye, whilst at the same time ensuring the most efficient conduct of all our manufacturing and distributive operations (Consolidated Metal Industries, Annual Report, 1977: 10).

Similarly, Apple Fields developed the Canterbury Produce Park based on the principle of centralisation, clustering rural-based industries at one site (Apple Fields, Annual Report, 1989: 8). Apple Fields warrants an explanatory detour, as it employed several interesting strategies. The firm was floated in 1986, ostensibly as a large orcharding operation in the vicinity of Christchurch. In 1988, the Annual Report noted:

The effect of last year's sharemarket crash, and the economic restructuring, is having a dramatic effect on all sections of New Zealand society... In the business sector, the result is a definite tendency for value to be attributed more and more to those companies who actually produce something... Furthermore, there is a realisation that primary production, especially in its more competitive components, will continue to be New Zealand's principal foreign currency earner (Apple Fields Annual Report, 1988: 7).

In 1989 Apple Fields expanded into dairying, becoming one of the largest dairy farmers in New Zealand (Apple Fields Annual Report, 1990). In 1991 it employed 1800 people, and was fast

becoming Canterbury's largest employer (1991: 4), while its dairy herd increased fifty per cent to a considerable 11,800 cows. During the 1990s, however, its Annual Reports became increasingly critical of 'compliance costs' of the Apple and Pear Marketing Board and of the protectionism practiced in Europe, although its profits continued to increase. From 1996, however, profits began to nosedive, and suddenly in 1997, Apple Fields announced a fundamental change in direction. "Management have closed down the orchard operations, sold the company's investment in Dairy Brands Ltd and are continuing to develop the company's valuable property holdings in and around Christchurch" (Apple Fields, 1997: 2). Coincidentally (!), all of its orchards were in areas on Christchurch's urban periphery newly released for subdivision. Apple trees were felled and properties sold, but despite the windfall from property sales, Apple Fields accumulated losses of \$37 million from its property enterprises. In 2002 it had only just re-emerged from debt for the first time since 1995 (Apple Fields..., 2002: 5).

Another strategy pursued by firms in order to expand and to spread the risk is to diversify their activities. Fletcher Challenge's diversification and internationalisation strategy was enormously successful: in 1987, the year of the international stockmarket crash, which had particularly catastrophic consequences for many New Zealand companies, its profits increased 48 per cent and it became the first New Zealand company to earn over \$300 million, accounting for 11.2 per cent of New Zealand's total exports (Fletcher Challenge Annual Report, 1987: 4). Also in 1987, it became "a truly international company" (ibid), purchasing 48 per cent of British Columbia Forest Products. By this time, over 50 per cent of its earnings were located offshore, over half of which were produced by the forest industry.

The benefits of internationalism are nowhere better seen than in the contrast between the economic environment in two of the major countries in which we now operate. In New Zealand, the economy showed low or negative growth rates in many sectors as they faced the restructuring arising from government moves to deregulate the economy and expose it to international competitive forces. At the same time the real exchange rate was firming. However, in Canada the economy continued to strengthen at a healthy rate with unemployment at a five year low and both interest rates and exchange rates at favourable levels (Fletcher Challenge Annual Report, 1987: 4)

Fletchers thus weathered the 1987 crash remarkably well. 1988 profits increased by 50 per cent on the already considerable profits of the previous year, of which international earnings contributed 58 per cent. In that year they acquired further interests in BCFP, in Australia Brazil, Chile and the US; and in New Zealand, they acquired the Winstone Group, Petroleum Corporation, Consolidated Metal Industries and Panelcorp. Exports from New Zealand rose 29 per cent, and by this point they comprised 12.9 per cent of New Zealand's total export revenues (Fletcher Challenge Annual Report, 1988: 2). The Annual Report of 1988 gleefully ascribes this to its boldness:

The October 1987 stock market crash created new uncertainties throughout the world. For many, this created an attitude of defensiveness and insecurity. But for those who charted their course conservatively and have the capacity and courage to dare to move boldly, there are unparalleled opportunities to develop their companies. It is this willingness to move in quantum leaps, both internationally and domestically at times when other will not, that is one of the keys to the

success of Fletcher Challenge. This boldness has enabled us to produce record results at a time when the economy in which we are headquartered has been one of the most depressed, albeit one of the most radically changed, of all developed nations over the past four years (Fletcher Challenge Annual Report, 1988: 4)

External diversification therefore proved a useful strategy for Fletchers in the late 1980s and early 1990s. In 1982, when the New Zealand government began to reduce restrictions on companies investing offshore, over 90 per cent of its activity was based in New Zealand. By 1988 nearly 60 per cent of its earnings were produced outside New Zealand. New Zealand provided 48 per cent of turnover, North America 30 per cent, and other countries 22 per cent; while North America provided 48 per cent of earnings, New Zealand 42 per cent and other areas 10 per cent. At this time group employed 40,000 people directly around the world (Fletcher Challenge Annual Report, 1988: 10). Fletcher Challenge itself had resulted from the 1981 merger of Challenge Corporation, Fletcher Holdings Ltd, and all the shares in Tasman Pulp and Paper not already held by the first two. Together these formed Fletcher Challenge Ltd, the largest publicly listed company in New Zealand.

The purpose of the merger was to bring together three successful companies that already had an association and empathy to create an organisation of sufficient strength to be capable of actively participating in some of the major opportunities that are available for developing New Zealand's resources (Fletcher Challenge Annual Report, 1981: 5).

Between 1960 and 1981 over 170 listed companies disappeared due to mergers (Jones, 1994: 57). Mergers are a salient feature of New Zealand's most lucrative industries, of which the dairy industry represents a good example. Expansion of the dairy industry became possible with the innovation of refrigerated transport and the rail network towards the end of the nineteenth century. The early pattern of development involved many small factories located close to the producers, conditioned by poor internal communication and transport networks (Calvert, 1949). As these improved, the dairy companies gradually consolidated. Tai Tapu Dairy Company (which registered the Fernleaf trademark in 1893) had a long history of small mergers, and celebrated its one hundredth anniversary in 1987 by merging with the Temuka Co-operative Dairy Ltd to form Alpine Dairy Products Ltd.

The merger has clear economic advantages which will flow through to the suppliers. It also unfortunately carries with it a major human cost resulting in a number of redundancies... and a feeling of insecurity and uncertainty at all levels. Inevitably, some parts of the company are more severely affected than others, and in our situation this has been Christchurch (Alpine Dairy Co. Annual Report, 1987: 5).

The dairy company merger trend accelerated towards the end of the twentieth century. Kiwi Co-operative Dairies Ltd (started in Taranaki) merged in 1997 with the Otago Co-operative Dairy Company, and soon after merged again with Southland Dairy Farmers Co-operative. The following year, this combination merged again with Alpine Dairy Products Ltd, forming the South Island Dairy Cooperative (SIDCO) in 1998 (Alpine Annual Report, 1997; Dairy Brands Annual Report, 1998: 3; Kiwi Annual Report, 1997). In turn, in 1999, SIDCO merged with the North Island-based New Zealand Dairy Group (Dairy Brands Annual Report, 1999: 4). The dairy

merger process culminated in 2001 in the ‘mega-merger’ that spawned Fonterra (ibid, 2001: 3), now the largest company in New Zealand. Giant Fonterra is the only large dairy company that remains of the 152 dairy companies that existed a century ago (Wellwood, 2001). Roadley, the former CEO of SIDCO, attributed the formation of Fonterra to the pressures of globalisation.

Let us take part in globalisation and let us bring the profits back from the market, rather than the market take the profits – or most of them – out of us (Roadley, in Edlin, 2001b: 31).

This statement masks two important points: first, the ‘mega-merger’ outcome in the dairy industry represents not the inevitable consequences of globalisation, but rather the end result of the deregulation (or rather, re-regulation (Le Heron and Pawson, 1996)) processes in the 1980s which removed erstwhile barriers to agglomeration. Secondly, there had previously been a wave of mergers in the early 1960s, and again in the early 1970s (Jones, 1994): this is an ongoing characteristic of ‘doing business’, both in New Zealand and elsewhere. This focuses attention however on an important issue, for changes in the regulations that govern business have broad implications. Deregulation raises the spectre of monopolistic rent-seeking. For the general public, the issue of concern is the monopolistic control over the production, manufacture, distribution and selling of dairy products in New Zealand. Fonterra is not only New Zealand’s largest company, but unusually for a New Zealand company it is also large in international terms as the sixth biggest dairy company in the global dairy market. Dairy farmers are concerned that the single buyer will leave individual dairy farmers with no control, no options as to where they sell their produce and therefore no real influence over Fonterra (Russell, 2001). Supporters view the mega-merger as a way for New Zealand to increase its market presence externally, however, as one of the largest dairy companies in the world.

Fonterra is the world’s largest exporter of dairy products, responsible for a third of international dairy trade across open borders. Fonterra’s global supply chain stretches from our shareholders’ farms in New Zealand to customers and consumers in 140 countries. Collecting more than 13 billion litres of milk a year, we manufacture and market over 1.8 million tonnes of product annually, making us the world’s leader in large scale milk procurement, processing and management, with some of the world’s best known dairy brands (Fonterra, 2003: website).

The ‘global emphasis’ suggests that Westland Co-op Dairy Company and Tatua Dairy Company, the only two independently owned dairy companies that remain in New Zealand, must compete in the world market and under perpetual threat of take-over (Wellwood, 2001). Nevertheless, the niche focus of these two minnows has led to far greater profitability than that of the whale since the mega-merger occurred, with their farmers enjoying much higher payouts than those with Fonterra (discussed further below), vexing Fonterra farmers.

Why did Fonterra have to borrow even for that payout, probably the lowest in the developed world? If Fonterra needed its near-monopoly to get market power, why can it not simply demand higher prices from its customers? (R. Thomson, 2002: 8).

The merger trend is also evident in the wine industry. Cooks and McWilliams merged in 1984 “in order to rationalise and cope in an extremely competitive domestic market with strong

discounting” (Cooks Annual Report, 1984: 8). Similarly, New Zealand’s two largest wine-makers (Corbans and Montana) merged in 2000.

The New Zealand wine industry is witnessing a significant amount of capital expenditure on land, vineyard development and wineries as the market looks to developing offshore markets as their primary source of growth. The amalgamation of the country’s two largest winemakers should create advantages particularly in international marketing and distribution (DB Annual Report, 2000: 5).

Of course, the opposite also occurs. Ironically, in the late 1990s Fletcher Challenge moved in the opposite direction, separating its business into its various specialities. Similarly, Donaghys divested itself of Scott Technology in 1997, establishing it as a separate publicly listed company (Donaghys Annual Report, 1997: 8). In 1996, Fletchers divested its operations into separate forestry, energy and paper companies, while Carter Holt Harvey in 2001 split its operations into smaller groupings, each with its own chief executive. The thirty-two new business units were designed “to take decision-making closer to the customers and encourage more entrepreneurial behaviour from managers” (Carter Holt Harvey Annual Report, 2001: 28). The fact remains, however, that merging and disaggregating are both responses to the conditions facing firms in New Zealand, past and present, that both strategies have their advantages and drawbacks, and that both the dynamics of the international market and changes in government policy play an important part in determining their incidence.

Other firms pursue international connections in order to obtain capital to finance offshore expansion, often resulting in partial or total buyouts. The ownership of PDL in 2001 passed from the family of founder Sir Robertson Stewart to French multinational Schneider Electric (Webb, 2001). Similarly, Scott Technology Ltd, which designs, manufactures and installs high technology equipment which produces components in volume for sheet steel industries, became fifty per cent owned by Met-Coil of the US in 1989, having established bases in the US already (Donaghys Annual Report, 1989: 12). This tendency has been resisted, however, by Christchurch manufacturer Tait Electronics. Sir Angus Tait set up a trust to ensure his company could not be sold, reflecting his commitment to policies such as the reinvestment of virtually all profit and the fostering of a successful electronics industry in Christchurch (Interview, CEO, Tait; Webb, 2001).

Some New Zealand firms have exploited links with international firms so as to capitalise on pre-existing brand equity. Anchor (the brand of Kiwi Co-operative pre-Fonterra) secured a lucrative contract supplying mozzarella cheese to Pizza Hut International in 1996; while Mercer Stainless Ltd in 1994 secured a contract to supply kitchen equipment to McDonald’s restaurants in sixteen countries throughout South-East Asia (Broadway Holdings Annual Report, 1994: 3). In the case of the latter, however, the contract was soon lost when its prices were undercut by a South-East Asian producer. A further strategy involves local entrepreneurs undertaking the franchises of international firms, such as McDonald’s and Burger King restaurants and Brumby’s bakeries.

Multinational investment in New Zealand also has a long history from 1840 onwards. From the 1920s, General Motors and the Ford Motor Company, among others, opened car assembly plants in New Zealand (see Chapter Six), while Dunlop Rubber, Joseph Lucas, HVM, Phillips, Cadbury, and James Hardie & Co also undertook production in New Zealand (Jones, 1994: 55). “The opportunities for the manufacture of these new and often sophisticated goods were not neglected by local enterprises, and where they felt they might compete against foreign suppliers they did” (Jones, 1994: 55). Shacklock, for example, produced its first range 1925, while New Zealand Motor Bodies Ltd commenced production in Wellington 1926, and Reid’s New Zealand Rubber Mills 1934 (Jones, 1994). In this way, local firms could capitalise on the equity of established international brands and supply the local market, with advantages for both partners: minimising set-up costs and risk, while enabling international firms to take advantage of local market experience (Earl, 2001).

A related strategy involves the forging of external alliances through external mergers. This process increased substantially after deregulation began in 1984, with a substantial increase in mergers with or takeovers by offshore companies. In 1989, for example, Elders Resources of Australia merged with New Zealand Forest Products.

Forest Products Group has reassumed its rightful position as a respected and influential New Zealand-based producer and manufacturer and competes effectively and confidently on world markets; Mining group has made a major thrust into coal, and as a result the Company is now an important participant in the future of Australia’s most promising export earning industry... (Elders Resources NZFP Annual Report, 1989: 3).

The following year Carter Holt Harvey bought 52.7 per cent of the Elders NZFP from Elders IXL Ltd, before announcing its intention to effect a full merger (Elders NZFP Annual Report, 1990: 1). Since the mid-1990s, the tendency toward increasingly large groupings has been explained in terms of “the need to compete in global markets” (Airways Annual Report, 1999; BIL Annual Report, 1999; Donaghys Annual Report, 1990), and companies increasingly seek to brand themselves as ‘international’, Australasian or Asia-Pacific operators. This reflects in part the fact that it is becoming logistically increasingly possible to operate across greater and greater distances, with advances in transport and ICT enabling companies to take advantage of economies of scope and scale. Donaghys in 1989 unveiled its new logo: a globe with an enormous New Zealand the only country on it. These ‘identity shifts’ increasingly emphasise on the ‘global’, demonstrating the ongoing modification that firms must undergo to remain competitive. This tendency could be viewed as evidence of ‘triadisation’ (Jessop, 2001c), whereby world trade is consolidating in three dominant blocs of Europe, North America and the Asia-Pacific. Certainly, from the mid-1990s there is an increased emphasis by many of the larger companies of their Asian connections, reflecting the tendency identified in Chapter Seven. An extreme example is BIL (Brierley Investments Ltd), which re-branded itself in 2000 as an ‘Asia-Pacific company’, relocating its head office to Singapore.

I cannot emphasise enough the importance of the Company’s move to a major financial centre, which has not only placed us in the hub of the rapidly growing Southeast Asian region, but has

allowed us to compete in a capital market with excellent growth prospects (BIL Annual Report, 2000: 2).

The emphasis on 'global competitiveness' could also be seen, however, as a rhetorical device to shed responsibility, invoked as the reason for rationalisations and job losses, and the movement of firms out of the New Zealand market altogether. This type of rhetoric further fuels the discourse of hyperglobalism by enforcing the apparent *international non-competitiveness* of New Zealand, reinforce the notion that such developments are the result of the process of globalisation. This interpretation masks the historical parallels, whereby firms perpetually jockey for position through numerous strategies such as those mentioned above, none of which is restricted to the present.

The export imperative

Current New Zealand firms face the same imperatives imposed on New Zealand firms wishing to export in the past. Firms seeking to expand face the inevitable limitation of the small domestic market.

Build a very good distribution channel in New Zealand, you can maybe get your company up to 35 people. That's it! That's all the local market can support... Unless you hit on something that is ubiquitous that everything wants, that for some reason nobody else in the world is making so you can get big margins, there are all sorts of intrinsic limits when people are trading that stops you ripping the market off, or getting a really good living out of a small market... So now you've got to get access to foreign markets – Australia is first, and maybe others afterwards (Interview, CEO, CMA).

For most New Zealand firms to expand, there is often no alternative but to export. This decision occurs extremely early in the development cycle, compared with firms operating in larger markets.

If you want to grow, you have no choice... But that leap into the foreign market takes place at 35 to 50 people – somewhere in that area. Now **in the US, at 35 people, you're probably not trading interstate**... Because if you take even a small state like Arkansas has more people than New Zealand... **So the problems that a New Zealand company faces are relatively complex relatively early on in the growth cycle**... But if they're going to grow, that's what they've got to do. And not a lot do, hence they're all less than 50 people. So it's a market dynamic that creates the demographics, not the demographics that creates the market (Interview, CEO, CMA, emphasis added).

New Zealand firms thus confront very different circumstances than those operating in countries with larger populations. This in turn implies that models designed to suit these contexts are inappropriate, or at least require modification, to suit New Zealand. Among the most successful New Zealand exporters, for example, many have minimal, if any, market involvement in New Zealand.

Scott Technology Ltd, whilst not a large company, is at the leading edge of manufacturing technology and is an example of the best of New Zealand's technical skills being applied in the international market place. More than 85 per cent of its production is for offshore customers (Donaghys Annual Report, 1992: 10).

So most of our business is offshore – I'm not sure of the exact statistic in terms of the amount of merino that's consumed in New Zealand, but it would only be probably 10 per cent, so the

market for merino in New Zealand is truly a global one. It's going to all parts of the world, it's going into all different types of apparel... (Interview, Marketing Manager, Merino New Zealand).

Tait, by far the largest Canterbury high-tech manufacturer, exports almost everything it produces. Its products are shipped to 80 countries and it has offices in 13 (Webb, 2001: 1).

While exporting is an obvious expansion strategy for New Zealand firms, achieving and maintaining high-value export industries is much easier said than done. This is particularly the case because New Zealand is located at the wrong end of the world in terms of proximity to wealthy markets in the Northern hemisphere.

Export business does not come easily. Sales are achieved as the result of a great deal of expense and consistent hard work against world-wide competition, and despite rapidly changing political and economic conditions in the market-place (A M Bisley & Co. Annual Report, 1977: 2).

Illustrating some of the difficulties of operating outside New Zealand, Lane Walker Rudkin was forced to close its Australian division, L'Eggs (Australia) Pty Ltd, in 1984 because of differences in the market compared with New Zealand, despite the fact that Australia is New Zealand's closest neighbour and the most similar of any international comparison.

The most significant reason for our lack of success was **the differences between the New Zealand and the Australian retail scene which were not at first apparent**. The market research, undertaken in conjunction with research executives from L'Eggs USA, was objective and thorough and we were able to operate within the initially established cost structures. The difficulties arose in achieving and controlling retail distribution as **a comparatively unknown supplier in the Australian market**. It has been an extremely expensive lesson but much has been learnt. We cannot disregard the Australian market in the future, but we will adopt a very cautious attitude on Trans-Tasman projects, even if the resulting progress is comparatively slow (LWR Annual Report, 1984: 8, emphasis added).

Many difficulties confront New Zealand exporters, including unknown markets, freight costs, and external competition.

To compete outside New Zealand it is also necessary to consider a range of other problems such as the need to be available 24 hours because of the time differences (Interview, CEO, Lignus).

The primary goal for firms is to survive, followed closely by a growth imperative to increase profits, and it is the latter that encourages firms to export. Individual firms will export only if it is in their commercial interests. They have obligations to their shareholders, and the development of export markets is costly and difficult. Their primary reason for exporting is thus *not* to deliberately assist the national economy, even though it may have this side effect, although in the 1970s, several New Zealand firms used this as justification for their strategies.

Although we could place the whole of our production on the local market we are conscious of the government's desire to stimulate exports and we will make available a moderate share of our production for export (Andrews and Beaven Annual Report, 1973: 15).

Of course, subscribing to the notion of the 'invisible hand of the market', whether or not firms *intend* to assist the national economy is beside the point, for it is in pursuing their own interest

that the outcome results. “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest” (Adam Smith, 1776/1991: 13). Nevertheless, in practical terms, exporting is critically important for the New Zealand economy if high living standards are to be maintained, for imports must be funded. Throughout the post-war era, people in New Zealand have *assumed* that they can enjoy living standards as high as any in the world. Indeed, it is the recent *decline* in living standards – measured by GDP per capita – which remains a central preoccupation amongst my sources, and accounts for the sense of panic and drives the demand for economic transformation. Further, it was its acknowledgment of the importance of high living standards to New Zealanders that led the New Zealand state in the post-war era to take responsibility for maintaining the balance between the desire for imports and the ability to fund them.

Annual reports, past and present, and my interviewees in the productive sector, identified the role of the state as a critically important influence on the performance and strategising of firms. The ongoing importance of the state in affecting the private sector is masked by the misleading term ‘deregulation’: after all, the restructuring did not *remove* regulations, but simply *changed* them, leading Le Heron and Pawson (1996) to label the process *re-regulation*. As I discussed in Chapter Seven, the real debate is not over free trade, but over what kinds of regulation are to be instituted and what goals are legitimate (Daly, 1996: 14), but this is masked by the naturalisation of the discourse of hyperglobalism, which draws heavily on an assumption that the principles of economic liberalism are inevitable. This in turn engenders the implication that the state has a decreasingly significant role in determining the economic fortunes of a country – with the further implication that this is not only inevitable but also desirable. So on one hand, my sources emphasised the importance of regulations in determining the conditions in which they operate. Common examples relate to the effect on the performance of individual firms of different forms of legislation. Important themes included the compliance costs of government regulations, and particularly the *Resource Management Act 1991* (Interviews with Chief Executives of Canterbury Manufacturers’ Association, Canterbury Employers’ Chamber of Commerce, Canterbury Development Corporation); the (onerous) level of taxation; the lack of support for firms undertaking research and development; and the difficulties for New Zealand firms in developing an export market, in the absence of the protection enjoyed by their overseas counterparts.

Yet the ongoing and significant effect of government regulations that they identified was contradicted by the concurrent and dominant emphasis on *change* and the focus on the *global scale*, reflecting the discourse of hyperglobalism. Ascribing recent changes to inevitable external pressures of globalisation in this way masks the fact that New Zealand’s government retains considerable ability – or at least, the *constrained autonomy* – to affect firms operating within New Zealand. As I discussed in Chapter Seven, the ability of the state to act is thus discursively constituted and restricted through the focus on the novel pressures imposed by the ‘global economy’, and further restricted by the ongoing commitment to a relatively *laissez-faire* attitude to economic management. One common notion is that the New Zealand government is limited in

its taxation options because of the threat of 'capital flight' (Chapter Four). The preoccupation with maintaining beneficial conditions for multinational corporate investors is an important theme in the international globalisation debate. For several of my interviewees, however, this is based on a misunderstanding of the nature of corporate behaviour, the structure of firms in New Zealand (predominantly small to medium-sized), and the ongoing scope for government intervention in the economy.

I for instance can't criticise a company ... in Australia and New Zealand, looking at two plants, and saying these two plants make porridge, for example, and the one in Sydney is two thirds full, the one in New Zealand is a third full, that third will fit into my Sydney plant, so I'm going to close New Zealand. Now that's bad for New Zealand, but it's good for that company – it's a perfectly rational decision... Now, from New Zealand's perspective, or from the town that pulls that out, it's a really bad outcome. So what do you do about that? Well... for **one thing you don't do is create any sort of support or intervention system that helps those companies that make those sorts of decisions.** You refuse to deal with any sort of help for multinationals – you only give help to your SMEs [small to medium enterprises], the locally-owned, locally operated. **You think about where intervention should be placed in the economy,** I think it should be on SMEs, whether they be regional, provincial or whatever – I don't think we should be giving any help to the big corporates (Interview, CEO, Canterbury Manufacturers' Association, emphasis added).

The CEO of Canterbury Manufacturers' Association emphasised that it is possible for the government to consider different options, and to explore where its intervention can be most profitably employed in maintaining or developing New Zealand' comparative advantage.

I think you say to [the multinational firms], you make decisions based on your world, that are perfectly rational and we won't criticise, but we're going to make a decision based on our world, which is the New Zealand taxpayer, which would only support SMEs [small to medium enterprises]. For instance, you say we are going to give research and development support, because we want new products and we want better products, we want a heightened commercial advantage. Well, if we've got the knowledge base here, it's very difficult to pick it up and shift it to Australia (Interview, CEO, CMA).

The difficulties confronting New Zealand firms seeking to export thus broaches an important issue, for the inadequacy of New Zealand's export income remains a perennial bugbear for policy-makers seeking economic growth. The 2002 Innovation Strategy notes:

Many New Zealand firms have not found it easy to move into export markets from a small domestic market... For a small country, New Zealand's exports as a share of GDP are lower than most other small OECD countries at around 33 per cent of GDP in 2001 (New Zealand Government, 2002: 15).

This comment masks two key factors. First, this difficulty had long been recognised, which is why the successive governments from 1935 to the 1980s actively encouraged export expansion, through a range of instruments considered below. Secondly, the difficulties confronting New Zealand firms wishing to export were compounded in the 1980s and 1990s. The unilateral removal of tariffs, subsidies and import controls, coupled with the loss of state-provided development finance, increased the difficulties confronting firms wishing to export, particularly as to do so successfully they must compete against counterparts in other countries who continue to enjoy the economic protection of their own governments. Yet the persistence of the external

circumstances confronting New Zealand suggests the utility of reappraising the ways in which New Zealand's exporting industries were encouraged in the past.

Economic involvement of the state

The successful export performance of firms in New Zealand is now frequently attributed to individual entrepreneurialism, and of course, this is an important factor. Yet the development of many of the exporters now viewed as 'success stories' was assisted by the state. The notion of state intervention to achieve economic growth became intensely unfashionable during the reforms of the 1980s and early 1990s, which were explicitly designed to reduce the role of the state in New Zealand's economy. Its role was therefore massively curtailed, with insufficient recognition of why the state became involved in the first place. Given New Zealand's tiny population, the state has historically proved a critically important actor enabling past innovations to be capitalised upon. Operating in a context devoid of economic protection makes it much more difficult for firms to compete internationally.

In the period from 1935 to 1984 the New Zealand state not only supported the traditional export industries through providing subsidies to farmers, but also sought to encourage diversification of the economic base. Manufacturing in particular was encouraged because it reduced pressure on the balance of payments both through import-substitution and through export development, seen as particularly desirable because secondary commodities are insulated from the international price volatility of primary commodities.

Local companies such as our own make a substantial contribution to the country's balance of payments in two ways, by increasing exports and by producing locally, products which substitute for fully made up imported articles (Alliance Textiles Annual Report, 1984: 10).

Hence by the 1950s, the export of manufactured goods was being encouraged as a potentially fruitful area for expansion.

The economy of New Zealand is by no means isolated from the movement throughout the world towards freer trade; it is necessary, therefore, for goods manufactured in the Dominion to be produced as cheaply as possible in order to meet competition from overseas imports, and to make semi-mass production worthwhile... Although the products of primary industries will remain the main source of wealth for New Zealand, it may be possible for certain manufacture of goods – those in which the country has certain advantages – to be exported and earn overseas exchange (Linge, 1957: 12).

Assisted by state support, numbers employed in the manufacturing sector increased 65 per cent from 1950 to 1960 from 182,200 to 223,100. Reflecting a combination of technological advancement, attempts to diversify the export base, and the policy of import-substituting industrialisation, the pulp and paper industries grew fastest, along with rubber and engineering industries and a range of electrical goods production (AJHR, 1960 B6: 16). State initiatives not only encouraged import-substitution, but also led to the encouragement of export industries.

The Tiwai Point aluminium smelter was conceived on basis of low cost and competitively priced electricity, and by 1991 was New Zealand's largest single plant export-earner, with 90 per cent of

production being exported. It is the fifth principal export of New Zealand, contributing 6 per cent of New Zealand's exports in 1988 (Comalco Annual Report, 1988: 3, 1991: 6).

Of course, Annual Reports are designed to convince shareholders, and many critics argued that the power was given too cheaply, but the point is still worth noting. The government also encouraged export diversification through a range of initiatives throughout the 1960s. These included the Trade Promotion Council established in March 1962, "recognised as essential to earn more overseas exchange to continue to improve the standard of living for a steadily increasing population and to expand economic and national development" (NZYB, 1966: 620). An Export Development Conference was instigated in 1963, which resulted in the introduction of an export assistance scheme providing guarantees to exporters against losses that could not be insured with commercial insurers. An Agricultural Development Conference was held in 1965 followed by a National Development Conference in 1968, and exhibits were arranged at overseas fairs to promote New Zealand's manufacturing. The Fishing Industry Board was established, an oil refinery designed to save more than £3 million annually in overseas exchange was built, and forestry, mining, tourism, fishing, and a range of manufacturing activities were also encouraged (AJHR 1965 B6: 6).

A major aim of Government is to ensure continued increases in production and to bring about rising living standards for the people of New Zealand... Expansion and development in all these fields are the principal sources of economic growth on which improvements in the living standards of our growing population ultimately depend (AJHR 1965 B6: 25).

Import licensing from 1938 provided a further impetus to production, as discussed in Chapter Three. Firms such as HMV and Fisher and Paykel, formerly distributors, began their own manufacturing. By 1950, 2,827 industrial plants in New Zealand employed between 11 and 100 people, compared with 1,941 firms that employed such numbers in 1940 (Jones, 1994). As well as providing import controls and subsidies, the state established the Development Finance Corporation (DFC) in order to provide venture capital to encourage the development of New Zealand industry, principally for export.

New Zealand has to export because of its small size. Here help is sometimes needed, which the Development Finance Corporation strategy aims to provide. It also aims to contribute to New Zealand's balance of payments by the expansion of exports and by efficient import substitution, and to involve the further processing of New Zealand's natural resources and primary products (DFC Annual Report, 1977: 2).

Foreshadowing the preoccupation of contemporary government reports, the Development Finance Corporation Annual Report from 1979 emphasised the need for industrial development and the need for the private sector to invest in research and development.

The value to New Zealand industrial development and economic growth of increased support for research and linked development activities within private firms cannot be stated too strongly. Historically, New Zealand in comparison with other developed nations has undertaken a relatively low level of national investment in research and development, at less than 1 per cent of GNP. Some of these countries with economies similar to New Zealand's such as Canada, Australia and Sweden now commit 1.5 per cent of GNP to research. It is significant that in New Zealand about 70 per cent of this expenditure is undertaken by the government, whereas in other

developed countries 60 – 75 per cent is contributed by private industry. The Corporation attaches great importance to the Govt funded Applied Technology Programme. The Board believes New Zealand should aim to invest 1.5 per cent of GNP in research and development... with an increasing portion of this to be undertaken by the private sector (DFC Annual Report, 1979: 12).

Tait Electronics, a highly successful exporter of 'high-tech' electronic equipment frequently held up as one of New Zealand's success stories, received its initial boost from the Development Finance Corporation, enabling it to expand into export markets.

We had difficulty raising money we are because a private company... the banks were limited as to what they would do for us. Enter the DFC. Which is a much-maligned structure in later years... The DFC was originally put together as the 'lender of last resort'. An old phrase – you've got to be old like me to remember that! And their job was development finance. It was the early efforts of government to ... dare I say, 'pick winners' – it wasn't quite doing that, but it was willing to lend money to people who the banks didn't like. And that was a critical... We borrowed a quarter of a million ... dollars – which is small beer today, but this was in the late 1970s and that was a fortune. And that enabled us to build a complete new product line which gave us seven league boots, and we paid all that money back (Interview, CEO, Tait).

Through a combination of technological expertise and state support, Tait Electronics was able to develop the foundations for the present highly successful business.

We started off the second time round, in 69 or 70, and we were fortunate in a number of ways. We had the technology, we had leading edge technology which we had developed in the old company but hadn't exploited. We were able to exploit it with the new company... So we caught the technology wave, we caught Muldoon's enthusiasm for handing out money, and we said thank you very much, we'll travel with that. So during the 1970s we laid the foundations for the business now (Interview, CEO, Tait).

The establishment of Tait Electronics thus represents a textbook case for the provision of venture capital, demonstrating the rationale behind the establishment of the Development Finance Corporation. It reflected the awareness of the New Zealand government of the value of industrial development and the need for research and development. Yet during the 1980s, the Development Finance Corporation was re-cast as a prime instigator of economic inefficiency.

Bill Birch in particular, and one or two others of the extreme right who were constantly throwing rocks at it... And I used to delight in getting up and saying 'the DFC was the best bloody thing that ever happened'! And in fact it's very interesting that out of the ... this has triggered my memory to tell you about it – when the old industry faded away, and threw up its hands, there were three electronics industries left. There was ourselves, there was Fisher and Paykel, there was a small company in... Masterton but they've since been sold out. Anyway, one common factor – they'd all had DFC funding (Interview, CEO, Tait).

The Development Finance Corporation also assisted in the development of the tourism industry. By 1982, tourism was its second largest area of investment at \$86.5 million, compared with the \$413 million it contributed to manufacturing industries (DFC, 1982: 3). Again, this proved a worthwhile investment, for tourism comprises an increasingly important component of New Zealand's GDP. It directly contributed \$2.9 billion (3.4 per cent) to New Zealand's GDP in 1995, compared with agriculture (5.6 per cent). Tourism was also New Zealand's top foreign exchange

earner, bringing an estimated \$4.3 billion in 1995, amounting to 15.8 per cent of GDP (Statistics New Zealand, 2002).

Hence from 1935 to 1984 the state helped to 'tilt the playing field' in favour of New Zealand producers, so as to increase economic growth, augment export income and substitute for import costs. In the 1980s, however, the role of the government in New Zealand changed. Active attempts to control the balance of payments through export encouragement and import substitution were replaced by the 'hands-off', 'trading naked' approach, designed to encourage efficiency. Accordingly, in 1988, the government sold the Development Finance Corporation to the National Provident Fund and New York-based investment bank Salomon Brothers, thus removing an important source of venture capital from New Zealand exporters.

The discursive reconstruction of the role of the state

Little had changed in terms of New Zealand's physical characteristics or in its relations with the outside world before and after 1984. It remained small, isolated, and highly trade-dependent, and producers seeking to export continued to face considerable barriers. What had changed, however, was the *rhetoric and ideology* informing policy development. Through neo-liberal policy prescriptions, New Zealand governments of the 1980s and 1990s set about removing import controls, tariffs and subsidies. Even with their extensive export networks laid down prior to 1984, Tait Electronics struggled to cope with deregulation and particularly the ending of export incentives.

So enter 1984. We'd had DFC funding, we were going quite well. Roger Douglas arrived,... immediate impact on us? We lost the export incentives – OK, well, yes, it was a good thing, we rode it, as long as it was there. When they took it away, well it wasn't going to kill us... We were beginning to operate in the outside world and to be cost-effective. By 1986, it was apparent that New Zealand was never going to be the same again. The world has flooded in to New Zealand, we live in an international environment in terms of manufacture... So we proceeded to borrow about ... 5 or 6 million dollars – we poured money into the place. And actually it bloody nearly killed us... we came within... within spitting distance of going bust again... I had to do some pretty hard talking and some persuasion of the bankers and I managed to escape (Interview, CEO, Tait).

In 2003, New Zealand's small population, isolation and trade-dependence continue. The barriers facing New Zealand firms wishing to export have however *redoubled*: not only has domestic protection been removed, but in addition, overseas counterparts continue to enjoy the protection of their *own* governments. This renders the comparison with Ireland and Singapore additionally spurious, for in both cases, active government support has accompanied and assisted their economic success.

Tait: In the 90s we came into the era which was started off by Roger Douglas and carried on by National, in which the phrase was 'the market forces shall determine where you are going to go'. Now I give you a picture... The whole image that I've developed is that New Zealand's economy sat becalmed in that period, and a lot of other countries around us were paddling furiously. So here we are, sitting... arms folded and looking around, thinking well this is all right... But the Irelands and the Singapores and the various others were all furiously at work, paddling, to use the analogy, but in fact **their governments were doing something about bringing them into... or**

funding them, securing them into a new, technology-driven world. Whether you like it or not, they are being dragged into it.

Me: yes

Tait: So we're now... at the end of the century and into this decade with a new government, and surprise surprise, they're looking around and saying 'Oh yes'! We're going to do something! (Interview, CEO, Tait, emphasis added).

The constraints of the small population size, the dependence on international trade, and the difficulty of establishing export networks have thus been worsened in the absence of government support, particularly as producers in New Zealand must compete against those elsewhere who continue to enjoy economic protection. Comments made by the then Prime Minister Jim Bolger in 1994 appear deeply ironic:

New Zealand is an outward-looking culture – a culture that looks to exports. Indeed, we export to survive. The thrust of thinking in New Zealand, especially in the last decade, has been to create a framework that enables our firms to compete successfully abroad, and attracts foreign investment to our shores. We have a superb physical environment for business, with clean and abundant natural resources. In government, we're working to complement that with an equally fertile political and economic environment (Jim Bolger, cited in Heinz Annual Report, 1994: 7).

Given the 'more market less support' approach, it is hardly surprising that New Zealand's export prospects remain a primary concern for New Zealand's contemporary prosperity. Gaynor (2002) attributes New Zealand's relatively low levels of growth over past decades directly to the country's poor export performance.

New Zealand's exports, both goods and services, have risen by only 58 per cent in real terms over the past decade. This is well below the OECD average and a long way behind a number of other small countries ... New Zealand's per capita exports are only US\$3500 (\$7360), far lower than any other country included in the table except Australia. The low figure for our trans-Tasman neighbour is understandable because countries with larger populations are more self-sufficient and relatively less dependent on international trade for their economic prosperity (Gaynor, 2002).

Gaynor notes that the issue of exporting was not raised in the 2002 election campaign, whereas twenty years before, export performance was an important priority because of the huge emphasis placed on the subject by the export tax incentive scheme. For many contemporary listed companies, exports are no longer a priority, and only a few of the market's larger companies are export oriented and most of the new listings in recent years have had a domestic focus (Gaynor, 2002). Concerns over New Zealand's poor export performance also emerge in the Innovation Strategy:

Less than four per cent of New Zealand firms export, and of those that do, only a very small number have become genuine global firms; in 2001, only 151 firms exported more than \$25 million and 51 more than \$75 million. This means that many New Zealand firms remain small, constrained by the size of the New Zealand market (New Zealand Government, 2002: 18).

Of course, not all firms can be expected to become exporters. Nevertheless, the lack of commitment to exporting appears to be a direct consequence of the 'more market' approach, for companies will after all only export when it is in their interests – which is why the state became

involved in the first place. Yet exports remain centrally important to New Zealand's economic prospects. Finance Minister Nordmeyer's assessment from 1959 remains apposite.

A disquieting trend is that export income has been static for four years, despite increases in production and an 18 per cent rise in volume of exports, showing that prices have moved strikingly against us. At the same time, the population has risen 9 per cent, equating to a substantial decline in export income per head. To maintain our standard of living we must increase export incomes and make better use of our own resources. Government policy aims to increase exports by expanding production; finding new markets; utilising domestic resources, using overseas loans to develop economy in a way that they can be repaid; and encouraging the establishment of overseas industries in New Zealand whilst protecting natural resources from exploitation (AJHR, 1959 B6: 28).

At very least, the continuation this state of affairs should encourage a degree of debate over the ways in which the situation might be improved. Of course, this requires an admission that the policies pursued over the past eighteen years have not only failed to *solve* New Zealand's problems, but have in many ways actively worsened them.

Acknowledging New Zealand's distinctiveness: the deleterious effect of restructuring

The discourse of hyperglobalism is deterministic, obscuring the ability of human agents (including, importantly, the state) to act, behind a façade of inevitability: focusing on the global limits the possibilities for local action. This deflects attention from the role of government, despite the fact that this continues to be a decisive factor contributing to New Zealand's economic performance. Rejecting the constraints of the discourse of hyperglobalism expands the conceptual range of possibilities, and permits recognition that constrained autonomy remains.

And this means you have to really say what are our strengths and what are our weaknesses, and I don't think we really did this. The countries that seem to have done best seem to have a judicious mix of private, public – I know even Japan is in the doldrums now, but for many years it was the growth engine of the Pacific, and people talked about Japan Inc. You know? And I think that's where New Zealand has gone wrong (Interview, CEO, CSO).

Conspicuous by its absence in concerns over New Zealand's declining GDP is any consideration of a *further* unique element of New Zealand's contemporary situation: the *comprehensiveness* of its restructuring in the 1980s and 1990s. Invocations of the examples of Ireland and Singapore in New Zealand frequently overlook the critical role played by the governments of these countries in their economic success, while also disregarding the magnitude of the deleterious effect on New Zealand of the reforms, examined by Dalziel (2002), Hazledine (1998, 2000) and Kay (2000) and discussed in Chapter Four. While the restructuring impacted harshly upon *producers* (with the removal of tariffs, subsidies and export incentives, for example), it improved the prospects for consumption, considerably expanding the choice and reducing the price of goods available. This strategy demonstrates cardinal lack of recognition that production and consumption are in fact linked, accounting for New Zealand's burgeoning overseas debt. It would therefore appear that a strong case can be made for attributing New Zealand's present economic plight to the 'boots and all' approach of the reformers of the 1980s and 1990s. A first step in improving this state of

affairs might therefore be to *acknowledge* this situation, and to expose New Zealand's contemporary economic management to debate.

Particularising the general: the ongoing importance of comparative advantage

All evidence thus far suggests New Zealand's uniqueness as a Western country with 'champagne tastes on a beer budget', whose earning capacity is constrained by its particular comparative advantage and further damaged by twenty years of careless restructuring. Yet ironically, rather than reinforcing New Zealand's uniqueness, this combination is interpreted among my sources as further evidence of disjuncture with the past: the 'happy golden years' of the post-war era (the result of 'dumb luck' rather than good management) are juxtaposed against the harsh constraints of the global economy.

During my interviews, a range of novel terms were used to describe the *new strategies* that must be employed if New Zealand is to hoist itself 'out of the commodity basket' and lift its international performance. These include the need for New Zealand to find 'niche markets', to 'add value', to establish a 'point of difference' and to apply innovation so as to 'leverage' resources for economic gain.

Because the key to our future internationally, the absolute key, is differentiation. We can't afford to be like everyone else. We have to look at our points of difference. In our economic growth strategy, and our international positioning, it is through points of difference that we will be ultimately ... we will ultimately succeed (Interview, CEO, CECC).

Upon closer examination, however, the novelty of each of these terms is compromised by the fact that they simply attest to the 'new planetary vulgate' (Bourdieu and Wacquant, 2000), which ascribes new labels to old principles. Once again, many of the lessons of the past remain relevant, a fact masked by the apparent novelty of the discourse of hyperglobalism.

Niche marketing

Several of my interviewees emphasised the need for New Zealand to develop the ability to exploit 'niches' in the global economy (Chief Executives of Canterbury Employers' Chamber of Commerce, Canterbury Development Corporation). This resonates with the emphasis in recent publications from the public sector. In its 'vision for New Zealand', the Science and Industry Advisory Council, in its proposed 'innovation framework for New Zealand', included a '*future*' (a situation yet to be achieved) in which:

Our companies and enterprises are well founded and well run;... they are global in outlook and competitive internationally in their chosen niches... Their products and equity are sought after and companies grow in value as talent and investment flow their way. Our new entrepreneurs think global from Day One (SIAC, 2001: 2).

This passage emphasises the 'novel requirement' of a global focus and the need to exploit niches. One might note, however, that New Zealand's small population size limits economies of scale, making 'mass marketing' impossible except in the highly atypical case of Fonterra. This would seem to imply that a 'niche marketing' approach is almost inevitable, yet my interviewees express

this as a novel requirement for New Zealand firms. It was however the ‘niche market’ for wool, frozen lamb, and butter that provided the foundations for New Zealand’s economic success (although it might be argued that the New Zealand approach focused on *bulk* rather than quality). More recently, New Zealand firms have capitalised on agricultural expertise to fill other niches.

Agricultural expertise and management is one area where New Zealand is an acknowledged world leader, and the Company believes this ‘know-how’ can be marketed overseas. During this year, Wrightson NMA acquired a 35 percent interest in ANZDEC, a leading New Zealand firm operating as international agricultural consultants. ANZDEC is currently conducting negotiations for work in many parts of the world, particularly in Asia and the Middle East (Challenge Annual Report, 1975: 4).

As it is difficult to compete on the basis of *quantity*, and as economies of scale are hard to achieve in an economy of New Zealand’s size, many firms have successfully targeted niches where quality is more important than price.

Our climate...is better suited to the production of medium yielding grape varieties producing wines of delicacy with low alcohol and fruity flavour. The marketing exercise therefore requires a diligent search for the fastidious markets of the world where price is less material to the consumer than quality [because they were unable to achieve economies of scale for low-cost high production of wine, producing just 250,000 cases by 1981] (Cooks Wine Co. Annual Report, 1980: 9)

Consistent with the niche focus, a common tactic in New Zealand is to aim at the ‘champagne end of the market’ (Interview, CEO, CECC).

Our branding is emphasising youth, creativity, and excitement that adds to our traditional product range and builds on core attributes of taste, wholesomeness and trust. A significant change to our marketing strategy in the past year has been to emphasise the **quality** of our products and position them as deserving **premium** prices (Ernest Adams Annual Report, 1998: 10, emphasis added).

I don’t think we’ll continue to see manufacturing in New Zealand except niche – very niche production, at the **middle to the top end** (Interview, GM, Ballantynes, emphasis added).

Many small New Zealand firms (relative to international counterparts) have established themselves as exporters of high quality high value products. New Zealand’s successful niche exploitation consequently accounts for its past economic success, and is not the preserve of the present.

The Fonterra mega-merger represents the opposite tendency, as a New Zealand-based company seeks to compete on the basis of *quantity*. Fonterra in 2003 is New Zealand’s biggest company, with revenues in the 2002-3 year of \$13.9 billion, generating 20 per cent of New Zealand’s export earnings and seven per cent of GDP (Fox, 2003: 1). The ‘bulk focus’ appears, however, to demonstrate the pitfalls: Tatua and Westland Dairy Companies consistently provide a higher payout to farmers, because they have aimed at the niche end of the market (Fox, 2002: 6, 2003: 1; Thomson, 2002).

Fonterra claims 'bigger and better' to justify the mega-merger. So why does the biggest New Zealand company have the lowest payout, while the smallest company has the highest? (Thomson, 2002: 8).

Returns vary because of the end products produced: Fonterra in 2002 turned the 13.1 billion litres of milk it received into 1.8 tonnes of manufactured products, exporting 96 per cent (1.6 million tonnes). Of this, 1.1 million tonnes were commodity products – milk powders, cheese and butter, which command much lower returns than added value products such as casein. By contrast, Tatua avoids milk powder, cheese and butter, instead producing specialised, highly developed products for the top earning end of the market. In 2002, Fonterra farmers received \$5.30 per kilogram of milk solids, while Tatua suppliers received \$6.77, much to the fury of the former. In 2003, Fonterra estimates that it will pay farmers \$3.60 a kilogram of milk solids, while Tatua has told its farmers to budget on a \$5 payout (Fox, 2003: 1), which would appear to reinforce the point.

Adding value

A repeated theme amongst my recent sources is that 'adding value' to primary commodities can help to insulate producers from the price volatility of external markets.

Our openness and innovation can make us a centre of the world knowledge economy... Adding value to our successful biologically based industries is the means to renewed prosperity (Maharey, 2002b: 18).

This is depicted as a novel strategy, yet the concept of value-adding was the reason behind the state support for product diversification since the 1930s. The Alliance Textiles report in 1972 focused on the importance of incorporating 'substantial added value' in the belief that New Zealand should not continue to export its indigenous raw material in a greasy state. The imperative for adding value increased with the relative decline of commodity prices, causing many traditional primary processors to seek new ways to increase the value of their products.

Value added is the wealth created – the difference between the sales revenue earned for the year, and the cost of resources and materials purchased from third parties. The value added by the use of Feltex's resources of people, land, buildings, plant, machinery and finance pays wages, operating costs and taxes, and provides finance for the company's future growth and development (Feltex Annual Report, 1981: 16).

There have been many extremely successful attempts to 'add value' over many years, and many industries which have performed well recently are those which have capitalised upon New Zealand's historical comparative advantage: dairy, meat, and wool.

Alliance Foods Division is an excellent example of the company's commitment to adding value. From the basic raw materials of sheep, lamb, beef, and even fish, vegetables and fruit, a range of products are (sic) produced. Freeze dried meals, ingredients, smoked meats, oil and shortening, proteins, meat stocks. For some years now Alliance has pursued a policy of adding value. This policy was adopted mainly to reduce the risk associated with the vagaries of the world's commodity markets (Alliance Group Annual Report, 1989: 3).

New processing techniques and brands have been employed to 'leverage' the traditional commodities in an attempt to provide a buffer from the volatile prices of their raw state.

The dairy industry. Big industry. 7 billion dollars. Warren Larsen, Chief Executive of New Zealand Dairy Board, says within 10 years there will be a THIRTY billion dollar industry, because they apply technology to milk. **Milk isn't milk any more** – it is a protein, some of which might stop your teeth rotting, some of which might make you go to sleep. I mean, it's the future (Interview, CEO, CECC, emphasis added).

In the same way, Merino New Zealand has sought to 'add value' to the traditional export of wool, by repositioning it in the international marketplace as an exclusive 'fibre', rather than boring old wool.

So for example we would go to Loro Piana,... that's an Italian fabric mill based in Biellia in Italy – Biellia is the hub for the premium worsted fabrics in Italy. ... So Loro Piana was a company that produced high quality fabrics, and then we were able to link in to the likes of Hugo Boss, Bryony, and some of these other suit manufacturers... **The idea is... has been to lift wool – well, Merino – we don't talk about wool, we talk about merino or fibre!** And not treat it as a commodity... and the objective of our business has been to **lift it up out of the commodity basket** and ... try to **add some value** and market it. And ... we've been reasonably successful at doing that (Interview, Marketing Manager, Merino New Zealand, emphasis added).

Leading Christchurch retailer, Ballantynes, attests to the success of this strategy:

I've just been round the world... and it's fascinating to see how much New Zealand wool is appearing in manufactured goods. Just about all merino... comes out of Australasia... And the famous Italian cloth-making house, ...La Parino ... you see many fabrics or clothes made of that fabric, and their merino product comes out of contracts they've got with New Zealand farmers (Interview, GM, Ballantynes).

Hopes are pinned on 'adding value' to provide a way out of the 'commodity basket'.

And the watershed is - how do we transform the old economy into something that is better? Now, it isn't the 'knowledge economy', it isn't the 'new economy', it is still going to be 'The New Zealand Economy', but in my opinion... the future for this country is to take our natural capital, which is our forests, our farms, our fisheries, our scenery, and **leverage it** with technology (Interview, CEO, Canterbury Employers' Chamber of Commerce).

Yet despite the new terminology, this strategy is precisely that pursued by successful New Zealand entrepreneurs over the past two hundred years. Technological advances have long broadened the scope for New Zealand producers, permitting the exploitation of new opportunities in the global economy. Once again, however, the overriding impression is of novelty and change, reinforcing the impression of disjuncture with the past.

Innovation

'Innovation' is a further buzzword connoting novelty, most explicitly invoked in the government's 2002 'Innovation Strategy'.

Innovation is more than creating and applying new ideas and knowledge: it's an *attitude*. It is about taking risks, embracing success, and valuing difference... The world is quickly separating into two kinds of countries: those that offer conditions in which innovation flourishes attract FDI, trade and prosper, and those that do none of these things, and so stagnate (SIAC, 2001, citing a Boston Consulting Group briefing note from July 2001).

Whilst invoked as a novel requirement of the present, innovation has long been a fundamental component of business success. This was encapsulated in Schumpeter's (1939) notion of the 'creative destruction' of capitalism, whereby ongoing developments emerge in response to the profit imperative, in which strategies that once provided a competitive advantage are competed away, requiring ongoing innovation. An important aspect of this process are the reconfigurations of the policy environment and changes in the international market which invariably lead to redistributions of advantages and disadvantages. Industries favoured in the post-war regulatory climate in New Zealand suffered under the new from 1984 (such as agriculture and manufacturing), but other firms have done well.

GM: Its gone the full cycle, so its become from global, to very closed-shop and inward-looking – protected exchange rates, everything orchestrated by the government, to quite an open country. And part of the global market. .

Me: Interesting. And how has your firm responded to that?

GM: Well you either respond, or you go out of business. And this is why a firm like The Warehouse has done so well. [Tindall] was just starting up when a lot of these changes came about. He had done a lot of training in the retail trade, in his own family business, George Court's or John Court's, in Auckland. He knew a lot about the East. He decided to leave and start up his own business. The rules changed, and he knew exactly where to go and what to do. I think he'd also worked in America at Wal-Mart – he modelled the Warehouse on Wal-Mart, and the growth has been spectacular. So he was well positioned, and knew his potential far faster than anybody else, because we'd all got so used to working in a very safe, closed framework (Interview, General Manager, Ballantynes).

The General Manager's comments demonstrate the way in which individual experience is critically important in allowing innovation and entrepreneurial taking advantage. The Warehouse, a mass retailer which supplies goods to the cheap end of the New Zealand market (discussed in Chapter Eight), has been very successful at taking advantage of parallel importing and the ending of import restrictions. Consequently, innovation is a fundamental requirement of a successful firm. This is hardly new, yet is routinely interpreted as such.

Point of difference

My interviewees emphasised the need to cultivate a 'point of difference' for economic exploitation that is different from that of the past.

I mean our point of difference in those days was that we were the garden of England. It was great... it was wonderful... wealthiest little country in the world... but we're not the garden of England any more, so we have to find other points of difference (Interview, CEO, CECC).

Once again, however, New Zealand's entire economic success stems directly from its exploitation of its natural resources and its ability to capitalise on this 'point of difference'. Similarly, New Zealand's comparative advantage remains gardenish, although no longer exclusively the preserve of England. Pejorative 'commodity basket' rhetoric masks the fact that the primary sector *continues* to form the basis of New Zealand's economy.

About 60 per cent of the economy locally is still driven by the primary production sector. We base that on the information that when you look at the regional statistics in terms of economic inputs and you look at things like transport and farming and agricultural production. It's still

quite significant – Christchurch is very much a market town for our rural hinterland (Interview, CEO, CECC).

In 2002, 64 per cent of Canterbury's exports were edible (Environment Canterbury, 2002). Notwithstanding the changes apparently wrought by globalisation, Christchurch remains the 'artisan town' serving the surrounding hinterland that it has been since its establishment in 1850 (Burnard, 2000). Similarly, at the national level, food and agriculture continue to comprise a substantial proportion of exports, amounting to 46 per cent in 2000 (NZYB, 2000). This is considerably higher than the 22.8 per cent of Greece, Australia's 18.8 per cent, Denmark's 18.1 per cent and the Netherlands 17 per cent (Gaynor, 2002). These figures mask, however, the critically important fact that New Zealand's natural advantages are in fact connected with the vast majority of its economic activity, in terms of horticulture and tourism as well as food and agriculture, horticulture, forestry and fishing. Once these aspects are included, it appears that New Zealand's primary resources are linked with over seventy per cent of the country's economic activity (NZYB, 2002).

While there is certainly merit in discussing the structure of New Zealand's export industries, demonising 'primary commodities' *per se* seems risky and foolish. The commodities from New Zealand's primary industries are not generally as high-value as those from the manufacturing sector, they continue to provide a substantial proportion of New Zealand's existing GDP. Similarly, whilst the government is hoping to encourage *cultural* tourism (Chapter Eight), it remains the case that most tourists still visit New Zealand with other goals in mind, namely snowy peaks, dense rainforest, verdant pastures and unspoilt coastlines.

Hence New Zealand's present comparative advantage, and its key point of difference, rests on the very factors depicted by the discourse of hyperglobalism as its Achilles heel. This includes its remoteness, small population, and comparative advantage in primary resources; coupled with its reputation for cleanness and greenness. The discourse of hyperglobalism, with its emphasis on novelty, disparages and undervalues this unique 'point of difference'. This is most apparent in the dichotomy suggested between 'standard of living' and 'quality of life', which assigns minimal advantage to the latter, despite its importance. It also leads many recent commentators to overlook a fundamental aspect of New Zealand's historical advantage which remains a highly valuable point of difference potentially enabling New Zealand to exploit a lucrative niche in the global economy. This critically important 'point of difference' relates to the historic *perceptions* of New Zealand's natural resources. New Zealand has a priceless asset, or to invoke the new vulgate, considerable 'brand equity', in the image of remoteness, cleanness and greenness. This pragmatic factor has numerous multipliers, yet the value attached by the discourse of hyperglobalism to novelty and generic propositions such as the exploitation of high-tech industries to enhance the 'knowledge economy' trivialises its importance.

The brand equity of 'clean and green New Zealand'

Over the past fifteen years, firms in New Zealand have sought to capitalise on the 'clean, green' New Zealand brand.

New Zealand enjoys a reputation for its blue skies, clear waters and green pastures. We hope to build on this by using extensive quality control systems capable of independent audit, thereby offering retail multiples a guarantee as to the quality and health status of branded product supplied by Apple Fields (Apple Fields Annual Report, 1992: 6).

One of the great appeals of New Zealand and especially the South Island is its unspoilt countryside and increasing attention applied to the management of the environment (Christchurch International Airport Annual Report, 1993: 6).

The 'natural New Zealand' imagery has been used to considerable effect by the merino industry in an attempt to differentiate wool – previously seen as the quintessential sunset industry – and improve its marketability by selling the 'merino story' (a natural, rugged, wild, high country romance) so as to provide a degree of separation from the 'commodity basket'.

So the States, being the home of synthetics, if you like, and consumer and retailer perception of wool, has been heavy, itchy, scratchy, horrible stuff. So what we're doing is using the likes of Icebreaker and Smartwool as a conduit to communicate the story about merino. And all that effort is going into the active outdoors market. There's huge numbers there in terms of consumer participation and consumer expenditure in that market segment. So we see a real opportunity in that market (Interview, Marketing Manager, Merino New Zealand).

This strategy is explicit in the way in which New Zealand clothing firm Icebreaker is marketing its products:

100 per cent New Zealand superfine merino wool. Proudly made in New Zealand – the world's greatest adventure playground (packaging from Icebreaker top, 2002).

The New Zealand Tourism Board has also jumped on the bandwagon, launching a global marketing campaign in 1999 with the "unique, compelling and very simple" message: "100% Pure New Zealand" (Tourism New Zealand, 2000/2001: 4) promoted assiduously on its website (www.newzealand.com) and in its television and print commercials that "showcase New Zealand's diverse landscapes, people and tourism activities" (ibid: 5) (Figure 9.1).



Figure 9.1: 100% Pure New Zealand (Tourism New Zealand, 2003)

The 'brand equity' of clean and green has become increasingly valuable with recent developments in the Northern Hemisphere. One aspect relates to the increasing concern with food safety over the past decade. Food safety awareness began to increase in New Zealand in the 1970s, evident in the freezing industry with the introduction of the Meat Hygiene Regulations in 1971, necessitating vast expenditure (Alliance Group Annual Report, 1973). Depicted in successive Annual Reports as a cumbersome compliance cost, safety was not recognised as a marketable commodity until the 1990s, when BSE (bovine spongiform encephalopathy) erupted into public prominence in Europe. This led to a dramatic upturn in demand for New Zealand meat because of its perceived *safety*.

The season was preceded by a severe winter which reduced stock numbers available for slaughter... There was a progressive increase in market prices for sheepmeats over the year due to increased demand, declining global supply, the effects of BSE on beef consumption (Alliance Group Annual Report, 1996: 3).

New Zealand's 'safe' reputation thus further reinforces the ongoing importance of the imagery with which it is associated. This is a by-product of its historical economic development, its particular economic structure and the centrality of pastoralism and rurality, its spectacular scenery and small population, which together have granted it the perception of cleanness and greenness. A further opportunity noted by my interviewees is that New Zealand's unpolluted waters have enabled the development of highly profitable aquaculture ventures.

The future prospects for New Zealand seafood are excellent due to our worldwide reputation for clean waters and the recognition of the health and nutritional benefits of fish (Carter Holt Harvey (part-owners of Sealord) Annual Report, 1988: 26).

In order to capitalise on these associations, in 1997, Alliance Group introduced the 'Farm Assurance Programme' in recognition that "consumers in the markets which provide our best returns are demanding the highest standards of food safety, animal welfare and product convenience" (Alliance Group Annual Report, 1997: 5). BSE revelations in Britain, followed closely by foot-and-mouth disease and perennially accompanied by outbreaks of salmonella, have further fuelled demand for New Zealand produce. In the first two months of 2001, New Zealand's lamb exports to Britain increased 20 per cent as a direct result of such developments (Edlin, 2001a: 6). New Zealand meat thus enjoys the advantage of perception: clean, green, remote and disease-free. This provides New Zealand producers with an opportunity for further differentiation.

If you're looking at it from the perspective of beef, say, ... you should be able to go into a restaurant in Hamburg and say 'I want a New Zealand steak, please'. The first thing you know is that the steak is from New Zealand because it's got the information trail. It's not an Argentinian steak disguised as New Zealand steak. The second thing you know that because it is a New Zealand steak, it's a product of integrity. So it has not been treated with chemicals, the animal has been slaughtered humanely [and so forth] (Interview, CEO, CECC).

To ensure quality and integrity, further benchmarks have been established. Landcorp, for example, introduced the 'FarmPride' trademark in 1998 in an attempt to brand and market food safety.

'FarmPride' embraces Landcorp's commitment to the production, processing and marketing of premium quality farm products... [it] is a major initiative by Landcorp and an ongoing challenge which meets consumer demand for traceability and auditable quality assurance throughout the entire production chain (Landcorp Annual Report, 1998: 13).

For the same reason, New Zealand firms seeking to compete internationally seek to conform to international standards and benchmarks so as to differentiate themselves from their competition by providing a 'guarantee' of quality. As the first apple producer in the world to gain ISO 9001 certification, Apple Fields had "increasing demand from retail multiples in Europe and the UK for our quality differentiated product" (Apple Fields Annual Report, 1992: 3).

Concerns with food safety in Europe have led to the widespread endorsement by food providers, including British supermarkets such as Sainsbury's, of quality assurances that their produce is 'GE free'. In 2002, for example, evidence of mistakes by biotech companies caused an explosion of public awareness in Britain of the threats posed by 'Frankenstein foods and Superweeds'.

Why is Britain so hostile to it? Maybe because it is rich and small so people are more concerned about the environment than people in larger or poorer countries. Maybe also BSE has made public suspicious of unfamiliar agricultural practices and reassuring scientific pronouncements... Maybe it's because GM has become a totem for the anti-globalisation movement, which is stronger in Europe than America. Maybe because organic farmers are an increasingly vociferous lobby including Prince Charles. Maybe because GM is a good excuse for keeping out foreign food (*The Economist*, 'The grim reaper', 2002b: 42-3).

Whatever the reason, some New Zealand producers have recognised the opportunities that this situation entails, and are exploiting this opportunity further, so as to capitalise on the existing 'clean green New Zealand' image.

We have become associated with the idea of fresh produce which is organically grown and also now GE-free, which is ... it's true. And I've also got another brand that I'm developing called Honest Foods, which means that people who don't have GE free or organically grown food, you can still have full disclosure labelling with the website... So you buy this coffee, you go to the Canterbury Fare website and you can find out where the coffee came from, following the link to where it came from (Interview, CEO, Canterbury Fare).

The image provides a marketing opportunity exclusive to remote New Zealand. Also helping in this process is the fact that New Zealand has the association not only of cleanness and greenness, but also 'integrity'. This aspect has also been latched upon with an eye to its utility as a differentiating device.

I mean we're well liked, we've got no corruption, we do what we say we'll do we're well regarded internationally in terms of our trading because we've always been there, and people like dealing with New Zealanders. The missing links are the links of justification that if we are going to position New Zealand on a platform of integrity, we need to justify our products and services. You see, quality nowadays is a given. Quality is passé. Integrity is the next step (Interview, CEO, CECC).

Connected with the image of New Zealand's 'integrity' is the notion of 'kiwi hospitality', a further aspect of New Zealand identified by some of my interviewees as an important part of New Zealand's attractiveness to tourists.

The fact that people talk to you in the street – if you're lost you can ask someone where to go, they're likely to invite you home for a barbeque - all that openness. Its absolutely one of the best features of living in New Zealand, and one you don't necessarily get in many other places now. The safety and all those things that feel like they're here, **whether they are or not** (Interview, ex-Mayor of Christchurch, emphasis added).

The insight of this remark lies in the fact that whether or not New Zealand *is* actually safe, and likewise, whether the environment *is* in fact 'clean and green' has little to do with it, so long as the *perception* remains intact. Of course, if reality becomes too remote from the image, the dissonance created would spoil the opportunity. Roche (2001) for example suggests that demand for New Zealand produce could decline if perceptions of safety are generalised to meat *per se*. Similarly, terrorism, disease or contamination could damage New Zealand's reputation of clean, green, safety, and hence the prospects for tourism as well as food exports.

Further buttressing New Zealand's clean, green image is its anti-nuclear legislation.

If a country like New Zealand cannot say no to nuclear weapons, what country could ever say no to nuclear weapons? If a country like New Zealand cannot be secure in the absence of a nuclear deterrent, what country can ever be safe without it? (Lange, 1989: 5).

European concerns with nuclear war further render New Zealand a highly desirable destination, as I noted earlier. New Zealand's well-established reputation as an unpolluted, isolated Utopia (Bönisch-Brednich, 2002: 108) adds a further dimension of physical safety to the 'clean, green' brand. These considerations were accentuated still further with the terrorist attacks on New York in 2001, which further rendered the idea of isolation and safety undeniably desirable.

We've still got to be a global player if we want to grow our economy, but what it does is change I think the tactical focus. If we were making a case that New Zealand was cost-effective and a quality producer of goods and services, the focus now is on what can we sell that brings people to us, rather than vice versa? Because I think the third element that's been put in there that is going to become important after the immediate term, is going to be safety... **Bringing people here around the safety element is going to be important** (Interview, CEO, CDC, emphasis added).

As a result, the 'brand value' New Zealand's comparative advantage has become increasingly important and marketable. Beck's (1995, 1997) notion of the *risk society* provides an important insight into the nature of this development (Altvater and Mahnkopf, 1997; Beck, 1997; Grove-White et al, 1997; Roche, 2001), emphasising the value of the perception of 'clean, green safety'. Beck suggests that modern society has become a 'risk society' playing 'survival roulette'. He suggests that the situation is unprecedented in that society faces first, the 'end of nature', whereby the risk is shifted to the populace as a consequence of decisions made by others (as opposed to external risks being posed by nature); and secondly, the 'end of tradition' in the face of manufactured uncertainties (Beck, 1997: 18-33). Beck's notion of the 'risk society' proves useful in the analysis of how people perceive change. The sense that there is a 'new riskiness to risk'

(Grove-White et al, 1997) is exacerbated by the pace of technological advance, the increasing lack of faith in politicians in the face of the economic failures of the reforms, and scientists in the face of technological 'failures', accompanied by suspicion at the imperatives and motivations of industry and commerce. This is leading to a new sensitivity to risk, heightened fears of unknown consequences and anxiety over the future, suggesting a world 'out of control'

The perception of safety, cleanness and greenness, coupled with New Zealand's physical location, far removed from the pollution of the Northern Hemisphere, provides New Zealand with an unparalleled marketing edge in the context of the 'risk society'. An example of a potential benefit for New Zealand emerged in August 2002, when the British Government announced a multi-million pound plan to more than double the amount of organic food produced in Britain.

This will provide five million pounds for research. Schools and other public sector consumers will be encouraged to buy organic British produce, and three large supermarket chains (Sainsbury's, Marks & Spencer and Waitrose) have already signed up, promising to increase the proportion of British produce. 802 million pounds of organic food was sold in the UK in 2000-01, a 33 per cent increase on the previous year, but only 25 per cent was produced there. The action plan aims to increase that to 70 per cent (Branigan, 2002: 9).

The subsidy represents a chance to 'leverage New Zealand's organic industry', for it will create demand for organic produce that British farmers cannot meet in the off-season that New Zealand could meet. The strategy has further implications if it leads to a decline in demand for conventional produce, offering potential for 'clean, green, organic' farmers in New Zealand. Similarly, fears at genetic engineering in Britain are increasing demand for food that can be guaranteed 'GE free'.

Heightened perceptions of risk, whether related to disease (BSE, food and mouth, salmonella), terrorism (September 11, 2001) or more vaguely the sense of unease at the increased pace and uncontrollability of the contemporary world appear to provide scope for New Zealand to capitalise upon its reputation as 'clean, green and safe'. In economic terms, this is a selling point for international tourists, and purchasers of New Zealand commodities abroad, providing scope for the further development of New Zealand's export industries. Many of my interviewees recognise this potential. Whilst exhibiting evidence of the discourse of hyperglobalism in their emphasis on novelty and change, my interviews revealed the simultaneous operation of a contradictory discourse which emphasised rather the importance of not only valuing, but also maintaining, New Zealand's historical comparative advantage.

You don't hear of many people who have been to New Zealand who have been disappointed. They love it – the lack of people, the roads are easy to drive on, its beautiful, clean rivers and coastline... That's what we've got to guard against, the danger with the dairy industry is the pollution of the waterways (Interview, GM, Ballantynes, emphasis added).

My data therefore suggest that New Zealand's comparative advantage remains intensely valuable in the contemporary context, as an exporter of primary produce in both its raw and processed state, and as a destination for tourists. New Zealand's most important economic asset would

appear to be the brand equity of its 'clean, green and safe' brand. Through better luck than management, New Zealand has more or less retained the brand thus far, although the image is becoming increasingly strained, *because the importance of the reputation is undervalued through the discourse of hyperglobalism.*

The blasé attitude toward New Zealand's comparative advantage emerges in the somewhat cavalier attitude to border control, which prioritises the importing of vast numbers of cars and tyres over the potential hazard that biosecurity risks represent (Chapter Six). In environmental terms, despite the much-vaunted *Resource Management Act 1991*, which represented one of the first attempts world-wide to enshrine the principles of sustainable management into law, New Zealand lags far behind many developed countries in its environmental management, sparking the criticism that New Zealand is only clean because the population is small, and green because that's the colour of sheep-food. Bührs (1999a) argues that in some respects, New Zealand's environmental performance or conditions are worse than those of many other countries. Energy consumption per head of population is increasing, and the level of energy intensity (the amount of primary energy used per unit of GDP, is high by OECD standards. Further, although New Zealand's contribution to greenhouse gas emissions is a very small proportion of the world total, it is higher on a per capita basis than that of many other countries (Bührs, 1999a: 2) excluding the US which remains the world's greatest polluter. It remains difficult to assess just how 'clean and green' New Zealand is, and whether its problems are worsening or diminishing because of the lack of information available, making it possible to maintain (temporarily) the perception that it is indeed one of the cleanest and greenest countries in the world. In the absence of comprehensive data and a coherent strategy, the image is not only in constant danger of being shattered, it is perpetually nibbled at the edges through the public exposure of cases of PCP poisoning, the release of dioxins, the manufacture of 24D, pollution scares (such as the truck crash in 2002 which released formaldehyde into the Waikato river, which is one of the sources of Auckland's drinking water), the creation of new landfills (such as that suggested for Kate Valley in Canterbury), traffic congestion at Milford Sound, the discovery of sites contaminated with chemicals, and so forth.

Dissonance between image and reality is increasing. My interviewees repeatedly emphasised that clean, green safety represents an important and ongoing aspect of New Zealand's comparative advantage, but these values are under-appreciated because of the dominance of the discourse of hyperglobalism. This was evident in the debate in 2002 over the ending of New Zealand's moratorium on genetic engineering. Organic producers viewed the moratorium as a golden opportunity for New Zealand to satisfy the demands of consumers in export markets for guaranteed GE-free produce. Opposing this view, pro-GE groups such as the Life Sciences Network argued "on large animal research, we are ahead of the rest of the world, but unless we commercialise it we will lose that advantage" (Wevers, in Watts, 2002: 7). Clark's government, concerned at the windfall this issue represented for the Green Party in the run-up to the election,

presented the opposition to genetic engineering as ‘fundamentalism’ – an extremely loaded term in the post-September 11 environment.

The behaviour of the Greens has tipped over into madness. They are threatening to pull down a progressive government that is among the most environmentally friendly in the world, Ms Clark told the Guardian (Watts, 2002: 7).

The casting of the opposition in this way by the Prime Minister removes from the agenda any serious discussion of New Zealand as ‘GE-free’, despite the fact that New Zealand has more at stake in the debate over genetic engineering than other developed nations because it depends on the export of food and agriculture for almost half of its economic activity, a figure substantially higher than the average for the world’s wealthiest nations (Watts, 2002: 7). This bias also emerges explicitly in the government’s Innovation Strategy, which deliberately seeks to insulate New Zealand from its agricultural reputation. Failing to recognise that a bird in the hand is worth two in the bush, the New Zealand Government nailed its colours to the mast in 2003, supporting the complaint that the US has taken to the WTO against the EU for refusing to allow the sale of genetically modified food and crops. The moratorium is widely supported by, and indeed resulted from the actions of, EU consumers, and is thus unlikely to be lifted (Schifferes, 2003: 2), yet New Zealand has aligned itself vociferously with the US. Genetic engineering is supported because biotechnology fits the criteria of novelty, and little serious analysis seems to have been undertaken of what stands to be lost or foregone. There has been a dearth of discussion over the potential damage that this might represent to New Zealand’s reputation, yet a study in 2003 showed that the economic benefits of genetic engineering to New Zealand are highly debatable. New Zealand’s actions demonstrate disregard for its own, unique point of difference.

The ‘clean green safe’ brand is further devalued by domestic discourses which support the notion of a dichotomous history demarcating past *Fortress-dwellers* from present *global players*.

Coupled with embarrassment or (agri)cultural cringe at New Zealand’s pastoral heritage, these factors condition the options considered by policy-makers, in their desperation to “return New Zealand’s per capita income to the top half of the OECD rankings and maintain that standing” (New Zealand Government, 2002: 5), come hell or high water. This has several implications. First, an important aspect of New Zealand’s comparative advantage and hence its potential export earnings is under threat, because ‘clean green safety’ is under-valued and therefore decisions are being made that risk compromising New Zealand’s long-established and still-valuable reputation. Secondly, from a non-economic perspective, these risks have the potential to damage aspects of New Zealand valued by New Zealanders for their own sake. I explore this implication further in Chapter Ten.

Clean, green economic decline?

The overriding impression that emerges in my sources is therefore that New Zealand’s economic performance is inadequate, that its comparative advantage has declined, and that it must follow the example of other countries if the situation is to improve. This reinforces the impression that

New Zealand's economic prospects are *different*, and worse, in the era of globalisation, and that new strategies are required. As I have demonstrated above, however, 'innovation', 'adding value' and finding a 'point of difference' are hardly novel solutions.

According to Wade (2001), New Zealand's declining relative GDP per capita is considerable cause for concern. In order to maintain the present living standards, let alone to increase them, economic growth is required: it is insufficient to simply be satisfied with our quality of life, because this will eventually be eroded in the absence of economic growth, for the lack of money causes the system to become degraded.

[T]he option of sinking gently in the world income hierarchy while the population gets on with living full and non-materialistic lives is not an option, especially because of network effects. Once a threshold density of skilled people is lost the rate of out migration is likely to accelerate, companies and public organisations will have increasing trouble meeting staffing needs, the quality of public services will decline, the tax base will erode, and so on. My hypothesis is that it becomes very difficult for a country to rejoin the organic core once it has fallen out. Think of Argentina (Wade, 2001: 19).

Several of my interviewees in the business and manufacturing sectors concurred, vividly explaining what happens in the absence of economic growth, and indeed economic activity more generally.

I'm saying that business is an integral part of our community, business is good for the community. The linkage between sustainable, profitable business, using that word sustainable in its correct context, sustainable, profitable business, community well-being and individual welfare is absolutely compelling. If you don't believe me, I'll take you to Reefton, and show you a community that doesn't have business (Interview, CEO, CECC).

This raises the perennial question of how New Zealand's economic performance might be improved, particularly as many of the proposed 'solutions' (adding value, innovating, finding a point of difference) have been tried before. To hoist New Zealand's GDP per capita back into the top half of the OECD (as the Innovation Strategy aims to do) is no easy task. Finance Minister Cullen in 2002 stated his intention that New Zealand's long-run GDP growth should proceed at 2.5 per cent, but even this is difficult:

This is one and a half times the 1990s rate and three times the 1970s – 80s rate. Dr Cullen wants this within five years. But that needs productivity growth to double, which is a very big ask. The aim is the top half of the OECD from No. 21 now. At 2.5 per cent that would take 20 to 30 years. Don't hold your breath (James, 2002a: 11).

Easton (2003) goes still further, arguing that the demand that New Zealand should return to the top half of the OECD in GDP by 2011 is totally unrealistic.

In the early 1980s, New Zealand's per capita GDP was at the OECD average. Calls to accelerate economic growth rate led to policies that reduced our relativity to 85 per cent of the OECD average. It is broadly the same ideologies and pressure groups making the higher growth demands today, even to the extent of advocating similar policies (except Treasury) (Easton, 2003: 38).

Echoing Hazledine (2000), Easton argues that if productivity growth is pushed too hard using the same sorts of policies used in the 1980s and 1990s, the effect could be to actually *inhibit* economic growth.

My analysis suggests that in order for productivity increases and economic development in New Zealand to be improved, a realistic assessment of New Zealand's prospects is required. This is hindered by the neophilia of the discourse of hyperglobalism, which *narrows the conceptual terrain within which New Zealand's economic prospects can be debated*. It is inadequate to depend upon *generic* solutions developed in other locations, and to disregard the specificity of New Zealand's distinctive *local* circumstances and the ongoing innovations and responses that they have engendered. This raises questions over the use of international management consultants peddling generic advice, who are repeatedly employed at considerable expense by the New Zealand government as well as the private sector (see Chapter Ten). My research suggests the need for a flexible, hybrid approach that can take notions from elsewhere but adapt them to local conditions.

The discourse emphasises the *generic* conditions affecting contemporary states, all apparently subject to the dictates of the global economy. Yet New Zealand's options continue to be entirely different from those of larger nations, and require different, *specific* strategies. Failing to acknowledge fundamental differences by invoking comparisons from abroad offers little to the debate over New Zealand's future prospects.

Australia I think is seven times bigger than New Zealand economically. The US is 160 times bigger than New Zealand economically. So when I look at the things going on in the US right now, the one thing they don't have is a shortage of economic power to address the problems they face. And in the end, it was the economic power that beat the Germans and the Japanese in the Second World War (Interview, CEO, CMA).

The way in which the discourse of hyperglobalism emphasises novelty also devalues New Zealand's comparative advantage, disregarding its immense brand equity in the international economy, where the perception of 'clean, green safety' is a precious and rare commodity. This is not to suggest that New Zealand cannot *create* or augment this comparative advantage, nor to condemn it to a narrowly agricultural future. It is rather difficult, and indeed, undesirable, for New Zealand to *compete* with nations such as Singapore and Ireland on their terms, not only in terms of 'technological external economies' but also because of 'pecuniary external economies', in particular relating to population size (Krugman, 1996: 97), and this element of New Zealand's character must be confronted.

Finally, the emphasis on novelty and change also masks the fact that the basic principles underpinning New Zealand's economic success remain the same in many critical respects. New Zealand remains a small, isolated, trade-dependent nation comprising a population that demands high living standards, in terms of goods and services. This exactly parallels the situation in the past: what has changed is the *political will* over how this is to be achieved. Where once the state

was actively involved in import-substitution and export promotion so as to fund further imports, now it is left to the market. The inadequacy of the market approach is evident in the ongoing difficulties in increasing New Zealand's exports, yet debate is forestalled by the dominant discourse, which constrains the options considered despite the fact that alternatives exist (Chapter Seven).

It therefore appears that a significant change has indeed occurred in New Zealand's circumstances over the past twenty years. The temptation to understand this as a shift from 'Fortress New Zealand' to 'globally connected New Zealand' should be resisted: after all, New Zealand always has been globally connected. The change was not externally determined, and certainly is not attributable to globalisation (except to the extent that the ideas behind neo-liberal restructuring spread internationally), but rather relates to changes in the accepted role of the state. In the past, as in other countries, the state was considered a critical player in helping the development of New Zealand's export industries, which face high barriers to successful external competition. Given the fact that other countries continue to assist their producers, and particularly as New Zealand's restructuring has *disadvantaged* producers, it would appear timely for the question of state assistance to be debated outside the confines of the discourse of hyperglobalism or the ideological limits of neo-liberalism. Aspects to consider include the highly successful process of diversification in terms of New Zealand's export products over the past forty years, which involved considerable 'innovation' and the 'leveraging of natural resources', and the way in which these were assisted by the state. These achievements are, however, consistently undervalued because of the concurrent ideological underpinning of economic analysis stemming from the discourse of hyperglobalism. 'Fortress New Zealand' imagery is seen as synonymous with state interventionism, and seen as undesirable and unachievable in 'globalised New Zealand'. Yet many of New Zealand's most successful export businesses established their position through government support strategies including export incentives, subsidies, and import controls. Other countries continue to use such policies to great effect, yet in New Zealand, such options are not on the agenda. In Chapter Ten, I turn to recent responses to New Zealand's apparently parlous plight, which demonstrate the operation and effect of the discourse of hyperglobalism, reinforcing the need for the debate over New Zealand's future to be broadened.

Chapter Ten: Globalisation, New Zealand and the Knowledge Economy

The preceding four chapters demonstrated the way in which the myriad technological developments and cultural, political and economic changes that have occurred over the past generation reinforce an impression of disjuncture between contemporary New Zealand and the New Zealand of the past. This has encouraged the tendency that emerges across my sources for New Zealand's options to be evaluated within the hegemonic discourse of hyperglobalism. In this chapter, I explore the constitutive effect of this discourse, which, through its invocation by people in prominent positions in New Zealand society, has come to artificially narrow the conceptual terrain within which New Zealand's options are debated. This conditions an image of reality that leads to certain actions and practices that reinforce the notion of globalisation.

International comparisons of economic performance, measured in terms of GDP, are used to create the impression that New Zealand risks dropping off the developed world. This interpretation is widely recognised, and has engendered a strong response from policy-makers determined to remedy the situation, who have come to pin hopes upon the 'Knowledge Economy', as both a vision for an improved future for New Zealand, and as a way of achieving it. My analysis raises grave doubts, however, about both the definition of the problems, and the Knowledge Economy as the solution. Reflecting the discourse of hyperglobalism that spawned it, the image of the Knowledge Economy being promoted by influential policy-makers disparages New Zealand's comparative advantage as embarrassing and passé, underrates its uniqueness, and devalues its points of difference, leading to practical results.

In this chapter I explore the origins of the concept of the Knowledge Economy in international academic and political debates and in New Zealand, and examine the ways in which cultural cringe has encouraged its adoption in New Zealand as a potential escape hatch from the 'commodity basket'. The Knowledge Economy offers a techno-optimistic appeal with its promise of a 'better future', providing a strategy and a vision to guide 'transformation'. Its attractiveness relies on its international currency and fashion, assisted by its lack of conceptual clarity and consequent capaciousness. I explore these themes through my analysis of the New Zealand Government's 2002 Innovation Strategy, which encapsulates the themes identified throughout this thesis, demonstrating the way in which discourse is translated into action, why this matters, and how alternative perspectives might be developed.

The Knowledge Economy concept in New Zealand

The impression that has emerged from my sources over the past four chapters is overwhelmingly that New Zealand faces circumstances that are qualitatively different from those of the past; that economic indicators are fundamentally important; and that on the basis of this measure, by international comparison New Zealand's prospects are not looking good. The overriding impression that emerges across my sources is that New Zealand's economic performance is inadequate, and that *transformation* is needed if 'first world' living standards are to be

maintained. This is reinforced by metaphors that encourage a sense of crisis (Chapter Five) and reinforce the notion that New Zealand's perilous plight needs urgent attention.

[There is] very little dissent on the necessity to be thinking hard about ... new ways of **how to save this poor little country**. Because **this poor little country is in deep shit**, we know this. And the prospects 20 years out are not looking good, **unless we take some pretty radical action...** [to] **do nothing is not an option** (Interview, CEO, SPADA, emphasis added).

Right at this moment... **we're at a watershed. And the watershed is – how do we transform the old economy into something that is better?** (Interview, CEO, CECC, emphasis added).

In New Zealand, the notion of the 'Knowledge Economy' has been frequently and widely hailed as the potential solution for New Zealand's economic problems, in media commentaries, in the public and private sector reports that I have analysed, and in my interviews. It is important to understand the genesis of the concept, for the Knowledge Economy represents the convergence of international and local influences, both discursive and material, and provides a clear demonstration of the way in which the discourse of hyperglobalism narrows the conceptual terrain of policy debates, artificially restricting options considered.

The notion of the Knowledge Economy emerged internationally within the rubric of the globalisation debate. It has various synonyms: the digital age, informational capitalism (Castells, 1996), the knowledge-driven economy (Jessop, 2001 forthcoming), the knowledge society (Giddens, 2001), the information age (Fukuyama, 1995), the new economy (Thrift, 2001). While the terms are used virtually synonymously, I use 'Knowledge Economy' deliberately, avoiding 'Knowledge Society', for while its implications affect society more widely, the driving force is fundamentally economic. Like globalisation itself, the Knowledge Economy can be analysed both as a *description* of contemporary reality (or a tendency within it), or through examining the implications of understanding it as such by analysing globalisation as a *discourse*. Both are relevant to this discussion.

The idea of the Knowledge Economy reflects a global-factualist perspective that reinforces the sense of disjuncture with the past and the impression that different action is necessary. As discussed in Chapter Six, Castells (1996, 1997), Fukuyama (1995) and Kenney (1996) consider that a qualitative shift has occurred into the 'post-industrial society' of the 'information age'. This is clearly articulated by Giddens:

In a somewhat similar way [to their scepticism over globalisation], many on the left were inclined to doubt the existence of the knowledge economy, or at least to downplay its impact. Manufacturing production, they argued, remains central to every modern economy, since physical commodities are essential necessities of life. Moreover, they continued, those who speak of the decline of the working class are making a mistake. Even where people work in service or 'knowledge industries', many jobs come to resemble those in manufacture so far as conditions of work are concerned [for example, supermarket checkouts] ... There is still much disagreement about how the knowledge economy should be understood and what its dynamics are. But there is no longer any doubt that the new economy is real and that its impact is omnipresent (Giddens, 2001: 4).

Jessop (2000a, 2001 forthcoming) also views the 'knowledge-driven economy' (for he considers that this term provides a sense of the inherent dynamism in the process) as a new capitalist accumulation strategy. He depicts it as concerned with both economic and extra-economic conditions, and is sponsored by states and international bodies (such as the WTO, EU, and management consultants). It involves wide-ranging social reorganisation of institutions, organisations and discourses, and is linked to a new vision of social life. He therefore views it as a new hegemonic project, involving actual and potential transformations in the life-world, if it is realised. Unlike many theorists, he draws attention to the fact that people seldom ask just what the knowledge economy actually is, and suggests four possible ways to understand it: is it just a factor of production? Is it a social relation? Is it a fictitious commodity? Is it a collective resource, or intellectual property, and is it part of society, or part of the economy?

Jessop maintains that the knowledge-driven economy is qualitatively different from anything in the past, framing his discussion within the shift from Fordism to post-Fordism. He maintains that whilst the 'crisis of Fordism' is "inevitably overdetermined" (2000a: 4), a major contributing factor was the undermining of the national economy as an object of state management. This gave rise to new contradictions: a disassociation between abstract flows in space and concrete valorisation in place; a growing short-termism in economic calculation versus an increasing dependence of valorisation on economic factors that take a long time to produce; and the contradiction between the information economy and the information society as between the private control in the relations of production and socialisation of the forces of production (2000a: 4).

Jessop, Castells, Kenney, Fukuyama and Giddens thus emphasise the *qualitative change* that has occurred, or is occurring, in contemporary social relations. The arguments are played out at the *global scale* and are pitched on the basis of *generic* developments. They support the dominant view emerging from my sources, which I have characterised as the discourse of hyperglobalism. Their conclusions represent a stark contrast to my grounded research, which rather emphasises the ongoing importance of local differences and specificities, and the *continuities* that confront contemporary New Zealand, when compared with the past. Other commentators have focused however upon the *discursive changes* that have occurred in recent years, and their perspective has proved fruitful in explaining the notion of the knowledge economy in New Zealand, and its implications.

Fairclough and Graham (2002) refer to developments over the past decade as 'new capitalism', "the emergent form of capitalism, variously referred to as 'globalisation', the 'global economy', the 'knowledge economy', the 'information society' and so forth" (2002: 2). They argue that its salient characteristics include the importance of international and 'global' institutions, and the ways in which the actions of such institutions are integrated with national, regional and local scales. More particularly, they emphasise the related "systemic emphasis on commodifying the most intimate aspects of human existence, including thought, language, attitudes and opinions"

(Fairclough and Graham, 2002: 2). They focus on the ways in which language and other discursive artefacts are of greater importance to this new socio-economic formation than to its predecessors.

The very idea of a 'knowledge-based' economy, and its counterpart, 'information society', entails a discourse-based economy and society... [M]ore or less valuable knowledges presuppose more and less valued ways of knowing, which are always institutionally defined as such in discourse... Moreover, the cycle of knowledge production, exchange, and consumption includes on one hand the 'operationalization' of knowledges (discourses) as social practices, as ways of acting and interacting; and on the other hand the 'inculcation' of knowledges (discourses) as ways of knowing one's self and the world, as ways of being, as identities (Fairclough and Graham, 2002: 2).

This perspective offers scope for understanding the social construction of novelty through the new planetary vulgate. A further twist is provided by Thrift, who considers how the rhetoric of the 'new economy' (yet another synonym) has produced consequences. He argues that the 'new economy' "was a rhetorical fabrication, which, through the ability of stakeholders like the cultural circuit of capital, was able to define what the facts consisted of and to train up bodies that bent to those facts" (Thrift, 2001: 412). This benefited the financial sector, which used 'new economy' rhetoric to engineer a financial bubble, illustrating the link between discourse and material consequences.

Rhetorics and frames produced practices and knowledges which have consequences. But this was not a mechanical causality. Rather, the new economy was a performative legitimation, a realignment of knowledge and power which could take in and work with middle-class management bodies and desires by shifting "between different evaluation grids, switching back and forth between divergent challenges to perform – or else" (McKenzie, 2001: 19, cited in Thrift, 2001: 413).

Thrift suggests that 'stakeholders' promulgated the narrative of the new economy. Comprising what might be viewed as the capitalist class, these included international management consultants and 'gurus', business schools, the media, governments and the technology itself, which he argues has developed its own agency, of a sort. This 'agency' comes from four separate directions: sunk costs; expectation of usage, complete with its own morality where 'good' companies have and use ICT; new means of apprehending the world; and through software, rules of conduct are laid down, the informational equivalent of walls and barriers. The narrative of the new economy:

set up a frame of action and expectation... [which] depended upon a vision of what was outside it. In this case, it was the 'old economy' of heavy industry, bureaucratic ways, a deficit of entrepreneurial spirit and general lack of economic sparkle. This othering was crucial since it provided an economic negative, a mirror world of all the things that cannot and must not be (Thrift, 2001: 418).

Thrift suggests a key factor in the popularity of the idea of the 'new economy' was the desire for the economy to be 'more than business' – as he puts it, "it's the romance, not the finance, that makes the business worth doing" (his 2001 title). Focusing on the 'creative', 'innovative' imagery associated, he points out the constitutive role of the media with financial journalists' views, uncoupled from any responsibility, feeding into the myth. An important underlying aspect

was the Euro-American technological determinism, which suggests “everything is possible, given the technology” (2001: 429). The narrative gained force, pushing the NASDAQ up until finally the speculative bubble popped.

Just as the ‘stakeholders’ that Thrift identifies are relevant to understanding the Knowledge Economy in New Zealand, the discourses that he highlights in connection with the ‘new economy’ – innovation, creativity, technological determinism and novelty – and his discussion of these are manifest and the consequences that follow, are highly pertinent for understanding the effects of Knowledge Economy rhetoric and the discourse of hyperglobalism which it reflects.

To write it off as simply a discourse is to misunderstand discourse’s materiality... Most importantly of all, though many of the investments in the new economy will be written off, many of the practices and products of the new economy will carry over into what follows (Thrift, 2001: 430).

While Thrift’s work provides an insight into the narrowing effect of the Knowledge Economy rhetoric, to explore its constitutive effect it is necessary to look at *who* is using it, and *how*. The work of the leading scholars outlined above does little to explain the emergence of the concept of the Knowledge Economy in New Zealand, even if it helps in analysing it. A more direct international influence was the rhetoric of the Third Way, particularly that articulated by the UK Prime Minister, Tony Blair.

Our success depends on how well we exploit our most valuable assets: our knowledge, skills and creativity. These are the key to designing high-value goods and services and advanced business practices. They are at the heart of a modern, knowledge-driven economy. The new world challenges business to be innovative and creative, to improve performance continuously, to build new alliances and ventures. But it also challenges Government to create and execute a new industrial policy (Blair, 1998, cited in Fairclough, 2000a: 35).

The present Labour Government in New Zealand echoes sentiments similar to Blair’s. Steve Maharey, Associate Minister of Education in 2003, for instance, maintains:

a knowledge economy and society means investing in research and development, ‘wiring’ the nation and encouraging clusters of firms drawing on science and high-tech to produce specialised products for sale on the world market. Establishing New Zealand as an exciting member of the world community means investing in arts and culture, promoting top-quality tourism, exerting all the influence a small sophisticated nation can on the world stage and opening up new markets for our products (Maharey, 2002b: 17).

Also instrumental in promoting the notion of the knowledge economy in New Zealand are management consultancy firms and accounting conglomerates, such as McKinsey and Company and the Boston Consulting Group (BCG), and international ‘management gurus’ such as Michael Porter. Over the past fifteen years it has become increasingly common for international consultants to be called in to tender advice to New Zealand government. The imagery of the Knowledge Economy (or its synonyms) features prominently in this advice, and has provided management consultants with a useful concept to sell. The Global Competitiveness Report by Porter et al (2002), for example, maintains: “Countries face very different challenges and priorities as they move from resource-based to knowledge-based economies” (Porter et al, 2002:

17). Among the prerequisites for success in this endeavour are widespread access to ICT, where Porter et al rank New Zealand twenty-first in the world, with twenty per cent of inhabitants connected to the Internet, in comparison with Australia's 38.4 per cent (ibid: 272). A high quality business environment is defined by lack of 'hidden trade barriers': New Zealand consequently scores well (ibid: 273). One of the indicators of 'global competitiveness' is 'reliance on Professional Management', in which New Zealand ranks sixth in the world (ibid: 273). The attraction of the notion of the Knowledge Economy to management theorists and consultancies is, therefore, obvious, and has proved an important influence in the development of government policies.

The combination of these international influences is reinforced by several domestic factors. First, the allure of the notion of the Knowledge Economy for the manufacturing sector is understandable, as it seems to provide an escape hatch from the strife the sector suffered during the neo-liberal reforms of the 1980s and 1990s. During this period, domestic economic protection was removed from most New Zealand manufactures, forcing them to operate in a viciously competitive international marketplace in which most other countries retained domestic industry protection. The notion of the Knowledge Economy therefore provides hope for future government support, for it emphasises that 'high value-added' manufactures hold the key to New Zealand increasing its income. This offers potential for assistance, if not in the form of industrial protection, at least in terms of research and development initiatives or tax concessions, as my interviewees in the manufacturing sector and in the business organisations that support it noted. Secondly, and unsurprisingly, some universities have also sought to capitalise on the notion of the Knowledge Economy, vividly aware of their tenuous position in the market-led, minimally publicly funded environment of the new millennium. Specifically, the University of Auckland hosted the 'Catching the Knowledge Wave Conference' in 2001, but Knowledge Economy rhetoric features in the advertisements of all the universities. Thirdly, drawing on Blairite notions of the Knowledge Economy, the government has actively embraced the concept as a strategy for New Zealand's economic recovery that will help to propel it back up into the upper echelons of the OECD rankings.

While the idea of the Knowledge Economy has proved popular in New Zealand, there is thus no shared understanding of what it constitutes: an achieved reality (the 'information age'), a desired endpoint (the 'Knowledge Society'), a strategy for getting there ('through high-tech innovation), or a storm in a teacup. The notion has, however, three important characteristics that reflect the discourse of hyperglobalism. First, novelty is the fundamental premise of the Knowledge Economy, evident in the assumption that we are experiencing unprecedented conditions (globalisation), and that this requires a new approach. Secondly, the Knowledge Economy is viewed as a generic strategy, applicable in any context. This is manifest in two ways: through the invocation of international comparisons, despite the fact that few countries, if any, share New Zealand's highly distinctive circumstances (small population, high expectations as to living standards, remote location, agricultural dependence); and secondly in the use of the international

management consultants already mentioned, that peddle generic advice regardless of context, whether private firm or government. Thirdly, and related, the focus is unambiguously global, trivialising the significance of local idiosyncrasies.

The Knowledge Wave Conference: the discourse articulated

The 'Catching the Knowledge Wave Conference' held in Auckland in 2001 represented an important articulation of Knowledge Economy rhetoric, stimulating media debate and raising the public profile of the notion of the Knowledge Economy. As many of my interviews were conducted in 2001, several of my interviewees had attended the Conference or had some involvement with it, and it was frequently mentioned.

The Conference was instigated by the University of Auckland and supported by the Labour-Alliance Government. Conceived in an atmosphere of crisis, hard on the heels of the release of Scobie and Mawson's (2001) statistics demonstrating New Zealand's relative decline (Chapter Nine), the government's involvement also reflected solicitude for the interests of Auckland where elections are traditionally won or lost, as Prime Minister Helen Clark reinforced in her opening speech. "Auckland in particular ranks well as a global city and place to live. We have to turn that to our national advantage. Were Auckland growing now at the rate of our export oriented regions, our national growth rate would be significantly higher" (Clark, 2001).

The conference was presented as a forum for discussion of New Zealand's future options. In practice, the discussion was restricted in several important respects, with powerful implications for the findings that emerged. These in turn helped to condition the development of government policy. Two factors conspired to limit the debate: the list of participants, and the way in which knowledge was construed. McAloon (2001b: 4) notes that for a conference with a declared focus on knowledge, the list of participants was rather odd, being overwhelmingly dominated by politicians, senior civil servants, chief executives and senior personnel from finance companies and management and accounting consultancies. There were few practicing academics or scientists, and most of the New Zealand universities were represented solely by their Vice-Chancellors. In addition, "[t]he farming sector was glaringly unrepresented, as were significant New Zealand manufacturing industries. Nor were significant iwi organisations well-represented" (McAloon, 2001b: 4).

Secondly, papers presented demonstrate that the type of 'knowledge' being envisaged was strongly geared to the novel, generic and global, suggesting the operation of the discourse of hyperglobalism. The Knowledge Economy and its synonyms featured as a prominent theme amongst many of the papers. Drawing heavily on what McAloon describes as 'managerial commonplaces', many of the invited speakers delivered a rigid line of neoclassical economics, welfare restructuring, and private sector or individual responsibility for social services (McAloon, 2001b: 4). Considerable media coverage focused on the speech of Don Brash, then Governor of

the Reserve Bank, who employed Fortress New Zealand imagery to emphasise the inadequacy of past management (Brash, 2001):

we squandered a very large amount of capital investing in projects of very low or negative value in the late seventies and early eighties.... because of very high effective rates of protection in many parts of the manufacturing sector, we probably squandered even more capital over several decades by investing in industries where New Zealand had no prospect of ever being internationally competitive (Brash, 2001: 3).

The unsustainability of Fortress New Zealand proved a common theme, emphasising the widespread adherence to the discourse of hyperglobalism through the implied disjuncture between past and present. Even social justice commentators Waldegrave and Pole (2001) uncritically accepted the idea that New Zealand's idyllic society was caught unawares by Britain's entry to the EEC, and that "the raw agricultural and colonial base of the New Zealand economy was ill-equipped". They continue that "Debt, inflation and unemployment escalated as economic growth plummeted" (2001: 3), creating pressure for change in economic practice culminating in the structural adjustment from 1984.

The Deputy Secretary-General of the OECD, Sally Shelton-Colby, supported Brash's neo-liberal evangelism. Uncontroversially, Shelton-Colby observed that productivity growth is the key to economic growth. Like Brash, she exhibited a strong techno-optimism: "ICT has emerged as a key technology with the potential to transform economic and social activity and has led to more rapid growth in countries where the conditions for macroeconomic stability are in place" (Shelton-Colby, 2001: 4), and hence to encourage growth, ICT must be promoted "in the context of further deregulation" (ibid: 5). Research and development must be encouraged via "competitive funding instruments and strong evaluation [which] are needed to improve the quality of research and focus on the areas of greatest value" (ibid: 6). A cultural transformation was seen as necessary to lift New Zealand's performance by "instil[ling] a positive attitude towards entrepreneurship" (ibid: 8). Recommendations were also made regarding preserving macroeconomic stability, low inflation, and labour market mobility (ibid: 9). Explicit criticism was made of the *Employment Relations Act 2001* (ibid: 11), and the government was advised to reduce income tax and increase consumption taxes again. While making such detailed criticism of public policy, Shelton-Colby admitted that she had never before visited New Zealand. As McAloon (2001b: 4) notes, here Brian Easton's term FIFO expert – Fly In Fly Out – is irresistible.

Two speakers stood out against the dominance of neoclassical analysis: Robert Wade, professor of Political Economy at the London School of Economics, and former Australian Prime Minister, Paul Keating. Drawing on Dalziel's (1998) comparison with the "more successful, because less extreme and more inclusive, reform programme undertaken by the Hawke-Keating Australian Labor Party government with that bulldozed through in New Zealand by Douglas and Richardson" (McAloon, 2001b: 4), Wade stressed "the argument that most speakers have made explicitly or implicitly [that neo-liberal reform has not gone far enough] flies in the face of the facts" (Wade, 2001). Wade also emphasised that, despite its free market rhetoric, the United

States offers huge support to industry through military and other spending; and commented that a sustained co-ordination of effort and the institutionalisation of compromise are necessary for national recovery, drawing attention to the necessity of distinguishing ‘really-existing conditions’ from economic liberalisation hyperbole (discussed in Chapter Seven).

Several influential discourses were apparent in the speech with which Prime Minister Helen Clark opened the conference, including declinism, pop internationalism, and the ‘transformation’. Clark notes “widespread apprehension that New Zealand is on a long term downward drift relative to other countries” and that arresting this decline required “decisive action” (Clark, 2001).

Permeating the Prime Minister’s address and the conference generally is the suggestion that the application of knowledge for economic gain is something new. “A more prosperous future must see us committing to being innovative, creative, enterprising, wealth generating, collaborative, caring, and achieving globally” (Clark, 2001: 1). This dismisses New Zealand’s historically high level of international interdependence and the considerable degree of success achieved in the past evident in the high living standards enjoyed by New Zealanders, and the role of local innovation and knowledge in achieving them.

The Prime Minister obliquely alludes to the social costs of the neo-liberal reforms of the 1980s and 1990s. “Social inclusion and social cohesion are themes for the conference.... Our aim must be for the rising tide to lift all boats.... Economic and social policy must be integrated” (Clark 2001: 2). The Knowledge Economy appears to offer a way to avoid confronting issues of power: nebulous references to a rising tide that lifts all boats is of course an easier political option than reversing the tax and benefit cuts of the 1990s. The metaphors Clark uses provide a clue to the economic assumptions underpinning the drive for change. The potent imagery – once again the crossroads, the watershed, and the Knowledge Society itself – all hint at chronocentricity; while the imagery of the rising tide, coupled with that of a race that New Zealand is losing reinforce the sense of urgency.

Overall, Clark’s speech indicates an understanding of the Knowledge Economy as a vision of a particular endpoint: increased economic growth. It also emerges as an explicitly commercial strategy for repositioning New Zealand in its international context: “The aim is to rebrand New Zealand as a land of innovation, which is not only clean and green, but also which emphasises innovation and excitement as well as lifestyle” (Clark, 2001). The Prime Minister’s comments imply that New Zealand in the past was non-innovative and un-enterprising, that wealth has not been generated and that the country has not achieved globally. Her emphasis on a new reinforces the idea that the old economy is obsolete. Her style is authoritative, and excludes any recognition of alternative views. She attempts to develop consensus around a shared vision based on the assumption that a ‘new economy’ must be built, suppressing any possible differences in meaning and implication over what this might involve. As emphasised earlier, her comments matter, because of the importance of her role in New Zealand’s policy-making environment.

Despite the Prime Minister's observation that "the knowledge economy is as much about having enough skilled modern tradespeople and technicians as it is about having enough scientists and technologists" (Clark, 2001), most of the discussion at the conference focused on high technology in general, and computers and the Internet in particular. Such neophilia was evident in Waldegrave and Pole's contribution:

Knowledge, its development and application by us as New Zealanders is becoming the primary resource on which the strength of our economy will rely. This transformation to a knowledge driven society is occurring rapidly, resulting from an increasing globalisation, a world wide process of deregulation, a revolution in telecommunications and information technologies, increasing levels of automation in manufacturing processes, a growth in knowledge intensive business, and the use of knowledge to solve business, social and environmental knowledge. These forces have the potential to transform the economic prospects of countries, the structure and nature of both social and economic institutions, the operation of firms, the nature of work, and of how we define ourselves as a people. They also have the potential to challenge the underlying nature of relationships and power within and between groups within society (Waldegrave and Pole, 2001: 1).

The emphasis on novelty was reinforced with the observation: "a fundamental shift in production from sole reliance on capital and labour to a major focus on innovation and knowledge is taking place globally" which constituted "another transformation, as significant as the Industrial Revolution" (Waldegrave and Pole, 2001: 5, 10). Whitten-Hannah (2001) proceeded in similar terms:

The emergent societies have been given numerous different labels including 'The Information Age', 'Network Societies', 'The Knowledge Age', 'Post-Industrial Societies', and 'The Digital Age... Three key drivers of the transformation are globalisation, the use of electronic networks for communication, and the increasing importance of information as a raw material of production (Whitten-Hannah, 2001: 2).

The Conference stimulated debate and raised important issues for discussion, but the debate was narrowed through the prevalent discourse of hyperglobalism. To see the full implications, however, it is necessary to turn to the policy outcomes.

Implications of the conference: rhetoric into action

It's really hard [to stimulate discussion] – it's a hard subject, and just publishing discussion papers isn't enough, you need a decent communication strategy. Its how do I get an article in the Listener discussing this? How do I get some coverage on Assignment, to say this is what we're thinking about doing and this is why we think New Zealand Inc should be thinking this way. Much as they were attempting to do with the Knowledge Wave, which, sneer as people did about it, and I was fortunate enough to be there, it was an idea whose time had come. There was a remarkable range of people in the room, there was dissention around the edges as you could imagine of the various hows of it, but very little dissention on the necessity to be thinking hard about it, and figuring out new ways of how to save this poor little country... And that's what that conference stimulated (Interview, CEO, SPADA).

The Knowledge Wave Conference certainly stimulated debate, to the extent that some accused it of being simply a 'talkfest'.

The test is, what are you going to do differently Monday... You apply this sort of stuff to the knowledge wave, there was really nothing substantive there of what you're going to do Monday.

And a lot of the stuff there is relatively strategic, to be kind, and ephemeral to be unkind, in the way it is put together (Interview, CEO, CMA).

Talk is, however, powerful, if it comes to determine the way that problems are understood and acted upon. Attesting to the performativity of the Knowledge Economy discourse, the Conference proved to be an important stepping-stone in the development of the government's Innovation Strategy, summarised in a document referred to in previous chapters entitled, and aimed at, *Growing an Innovative New Zealand* (New Zealand Government, 2002). This was developed by the Ministry of Economic Development, drawing on work undertaken by the Science and Innovation Advisory Council, LEK Consulting and the Boston Consulting Group, in response to concerns at New Zealand's economic performance. The biological metaphor of the title is deeply ironic, for the document, pervaded by the discourse of hyperglobalism, disregards and disparages New Zealand's economy, culture and history.

James (2002b: 1) noted that "lashings of private sector thinking" contributed to the government's strategy for 'transforming' the economy. He presents this as remedial action following Labour's policies in 1999 which "scandalised business with policies friendly to their core supporters but hostile to business", apparently referring to the replacement of the *Employment Contracts Act* 1991 by the *Employment Relations Act* 2001. The Prime Minister's annual statement to Parliament in February 2002 drew heavily on work by private consultants, at the initiative of some Auckland business leaders: Andrew Grant of McKinsey and Company, Theresa Gattung of Telecom, Chris Liddell of Carter Holt Harvey, Craig Norgate of Fonterra, Scott Perkins of Deutschebank and Stephen Tindall of The Warehouse. A private sector board, code-named 'Gainz' (for Growing an Innovative New Zealand) was established to monitor the government's implementation of the policies (James, 2002b).

Now, having 'started balls rolling last year', Ms Clark says – mixing figures of speech in a mind-boggling fashion – 'we are building on that'. Starring role in her statement will be stimulation of 'horizontally enabling sectors'. Hiding behind this eye-glazing jargon is the notion that, as railways were vital to the development of the nineteenth century economy, ICT systems, biotechnology and the creative industries are vital to this century's economy. The rationale is that these sectors don't just represent high-value-added activities in themselves but can catalyse other industries (James, 2002b: 2).

The objective of the Innovation Strategy is "to return New Zealand's per capita income to the top half of the OECD rankings and maintain that standing" (New Zealand Government, 2002: 2). Framed within a discourse of crisis and impending catastrophe, the summary document strongly emphasised that nothing short of transformation was needed if New Zealand were to achieve this goal. The Prime Minister's introduction drew on the sense of crisis, emphasising the 'major structural problems' in the New Zealand economy: "the current account deficit was very large and we continued to be over-dependent on the production and exporting of commodities" (New Zealand Government, 2002: 1). To achieve this transformation, and "to move New Zealand onto a higher growth plane" the strategy aimed at: enhancing the existing innovation framework; developing, attracting and retaining people with exceptional skills and talents who are able to

innovate and so contribute to increasing our overall productivity; increasing our global connectedness to overcome the tyranny of distance; and focusing innovation initiatives in areas which can have maximum impact (ibid). Because “government financial and human resources are limited”, the Government chose to focus upon “three areas which have both the potential to grow in their own right and, because of their horizontal nature, positively improve productivity across the economy” (New Zealand Government, 2002: 5): biotechnology, information and communication technology, and the creative industries. In these areas that the Government has launched a number of important initiatives, which it hopes will provide new export industries and reinvigorate New Zealand’s economy.

Assessing the strategy

The government has thus latched onto the Knowledge Economy as both a desirable end-point (the knowledge society), and a means of getting there (by becoming *innovative* and *globally-competitive* through *adding value* and encouraging *high-tech development*). This is intended to enable New Zealand to become a high-wage society that can proudly regain the upper echelons of the OECD. There are, however, significant drawbacks to the strategy that render it insufficient as both a goal for the future, and as a means of achieving it. First, the explicitly economic objective of the strategy has no accompanying social objective, perhaps reflecting an economically deterministic belief that social benefits will necessarily follow economic improvement (discussed further below). Further problems emerge, however, if the strategy is analysed in light of the discourse of hyperglobalism that informs it.

Novel, generic and global

The strategy emphasises that nothing short of transformation is required if New Zealand is to reach the requisite levels of economic growth.

Transformation requires New Zealand seeing itself as part of the global economy in terms of goods and services, people and ideas. To earn first world incomes, the New Zealand economy needs to have global reach and not be constrained to being simply a small country at the bottom of the South Pacific (New Zealand Government, 2002: 15).

In invoking the need for ‘transformation’, the strategy overlooks the fact that transformation has been attempted before, and that it is a heavily freighted concept in New Zealand, given the experiences of the 1980s and 1990s. As discussed in Chapter Seven, my interviewees stressed repeatedly that New Zealand’s preparedness to ‘transform’ runs the risk of losing the baby along with the bathwater, particularly in combination with ‘cultural cringe’ that leads to a notable lack of self-interest. For many in the primary production and manufacturing sectors, for example, the last attempt at transformation both failed to improve the economic situation, and also actively worsened it (Dalziel, 2002; Hazledine, 1998; Kay, 2000).

This variety of ‘pop internationalism’ also masks the fact that New Zealand was never simply a “small country at the bottom of the South Pacific”: small, admittedly, but always internationally connected. Indeed, as Chapter Three demonstrated, its past prosperity and entire social and

economic development can *only* be understood in the context of the Imperial division of labour, an entity with an international, if not 'global' reach. Further, its international interdependence is precisely what enabled New Zealanders to achieve the standard of living that they historically enjoyed. By the late nineteenth century, the average income in New Zealand and Australia was higher than that of the US (Schedvin, 1990). This casts rather a different light on the decline in New Zealand's living standards to third in the world by 1950, ninth by 1970, and twentieth by 1999.

Improving New Zealand's prospects and 'earn first world incomes' thus requires more than 'global connectedness'. This is particularly the case as global connectivity comes at a price: vulnerability to shifts in the volatile global economy. This effect is magnified because New Zealand's comparative advantage lies in the exploitation of primary resources (Chapter Nine). My research suggests however that the Innovation Strategy is over-zealous in dismissing New Zealand's comparative advantage as 'outdated', and that with its determination to rid New Zealand of its embarrassing pastoral associations, opportunities stand to be lost or foregone. The strategy states:

Offshore perceptions of New Zealand are outdated. While there is some awareness internationally of our 'clean green image' from a tourism point of view there is too little awareness of New Zealand as an innovative country at the leading edge of knowledge (New Zealand Government, 2002: 46).

This passage, which I cited earlier, raises several additional issues. Most obviously, the sectors on which the strategy concentrates demonstrates that 'innovation' is narrowly construed, with an emphasis on the high-tech, instrumental, commercially applicable and novel. In promoting the areas of biotechnology, ICT and the creative industries, the Innovation Strategy demonstrates the emphasis on novelty characteristic of the discourse of hyperglobalism. Further chronocentricity emerges in the statement: "We need to become a more innovative, more confident, more flexible economy which is able to compete successfully on the international scene" (New Zealand Government, 2002: 5). This implies that innovation, confidence, flexibility and global competitiveness are somehow new, whereas of course, each factor has been important to past success. The implicit disparaging of the past adds to the sense of disjuncture between present and past, undermines the value of experience, and reduces the sense of agency in the ability of New Zealanders to tackle New Zealand's problems.

The Innovation Strategy thus has the unintended consequence of devaluing New Zealand's comparative advantage and the existing economic structure, from which productivity increases must necessarily stem except insofar as it can be shoehorned into the new through biotechnology or ICT. Yet the 'outdated' aspects of New Zealand remain central to the seventy per cent of the economy that relates to the exploitation of natural resources, including tourism, discussed in Chapter Nine. This does not limit the scope for ongoing diversification, but the 'clean green' image is a fundamental element of New Zealand's character that must be confronted.

Going still further, a repeated theme in my research, noted in Chapter Nine, was the ongoing value of New Zealand's association with 'clean, green safety'. Interviewees gave many examples of ways in which this imagery, and New Zealand's traditional comparative advantage, could be 'leveraged' using a range of innovations, not simply in the areas of ICT and biotechnology. Examples included Merino New Zealand's success at rebranding wool as a high quality, 'natural' fibre, marketed in terms of a 'story' that emphasises the rugged high country origins of the wool; and the way in which New Zealand's unpolluted waters have enabled the development of highly profitable aquaculture ventures. It therefore appears rather risky to disparage New Zealand's connection with natural resources and trivialise the value of New Zealand's well-recognised international reputation, which is not only still valuable, but also in need of protection. As Chapter Nine discussed, clean, green safety represents an important and ongoing aspect of New Zealand's comparative advantage, but these values are under-appreciated: genetic engineering for example is supported, because biotechnology fits the Knowledge Economy vision.

In a similar way, the high-tech focus leads to high-tech solutions being pursued, even if these are inappropriate. As one of my interviewees noted:

You take two companies – two companies that make similar stuff, about the same size, selling into roughly the same market, largely the same customers if they're in New Zealand, in Christchurch so drawing off the same labour force, ... One company's problem might be a production problem. The other company's problem might be an IT problem. [But] the world [today] – it's about e this and e that, information systems – in the heads of both of those companies might be the idea that they've got to upgrade their computer systems. The reality is for this company with the IT problem, it'll work. For the company with the production problem, it'll do nothing (Interview, CEO, CMA).

The discourse of 'international non-competitiveness', linked with observation that countries which export elaborately transformed goods have done better than those that export food, has led to the implication that investment in ICT or biotechnology – the 'high-tech' industries – will provide the answer (Krugman, 1996: 4). Both reflect the neophilia inherent in the Knowledge Economy discourse, being sufficiently 'novel' and far removed from the 'old economy' (embarrassingly pastoral) to be considered appropriate horses to back in the 'information age'. Hence whilst it is indeed important that New Zealand's social and economic problems should be discussed, the Knowledge Economy represents an insufficient arena for discussion because of its narrow formulation of both New Zealand's problems and possible solutions.

The Knowledge Economy in New Zealand therefore represents first, an economic strategy that offers hope for New Zealand to 'lift its game' and regain the upper echelon of the OECD. Secondly, it is a political tactic harnessed by the Labour Government which promises a better future. It is, however, also a powerful representation and constitutive discourse. Through its promulgation in influential quarters, the narrative of the Knowledge Economy has influenced government policy-making, affecting the apportionment of funding and the direction of economic support. The rhetoric of the knowledge economy has thus helped to establish a frame of action and expectation dependent upon an image of what is outside it (Thrift, 2001): in this case, the 'old

New Zealand economy' of primary production as unsustainable and inefficient. This 'othering' process, rooted in the domestic declinist imagery of Fortress New Zealand, created an economic negative of "all the things that must and cannot be" (Thrift, 2001). The knowledge economy discourse is therefore constitutive, for it contributes to narrowing the debate over New Zealand's future through its narrow definition of knowledge and its acceptance of the discourse of hyperglobalism, each of which is considered below. This brings into being material outcomes through the apportionment of funding to some areas and not others, and through the marginalising of alternatives that do not fit the Knowledge Economy discourse.

Weaver (2003) interprets the Knowledge Economy vision as:

a challenge to the core of the nation's identity in many respects. For a country that prides itself on its 'can-do' attitude of Kiwi ingenuity, its egalitarian anti-intellectualism, and whose national heroes have been predominantly known for physical rather than cerebral abilities, re-imagining and rebuilding New Zealand on the basis of a knowledge society requires a fundamental reorientation of some key national characteristics (Weaver, 2003: 3).

Whilst I agree that the vision poses a challenge, I fundamentally disagree with this articulation of the problem, for ingenuity has long required the application of knowledge, and in many ways New Zealand has a distinguished intellectual pedigree. From my perspective, 'identity challenge' is not the problem of the Knowledge Economy vision, but rather its narrowness, exclusiveness and disregard for history and geography. Whilst high hopes are pinned upon the Knowledge Economy as a 'silver bullet' for New Zealand's problems, I question both the notion of the Knowledge Economy as a silver bullet, and the definition of the problem itself.

The problem with the 'silver bullet'

The inadequacies of the strategy are overlooked because it dovetails neatly with a set of familiar discourses. First, given New Zealand's geographic remoteness and ingrained sense of isolation, in conjunction with New Zealanders' "strange rage for novelty" (Siegfried, 1914), the notion of the Knowledge Economy has particular allure. Techno-optimistic hopes are pinned on time-space compression (Harvey, 1989) through advances in information and communication technology that offer the possibility of overcoming the 'tyranny of distance' (Blainey, 1966) which has dogged New Zealand's development. As I discussed in Chapters Six and Nine, this reflects an over-optimistic, chronocentric view of the ability of new technologies to render location meaningless, for in practice, New Zealand's location continues to play a significant role in determining its fortunes. Isolation is a two-edged sword: it is critically important in the differentiation of New Zealand as a tourist destination and as a 'clean green' food exporter; but the cost, time and trauma of long-distance travel continue to plague businesspeople, tourists and travellers.

Secondly, the knowledge economy appears to offer the prospect of 'escaping the commodity basket' and disassociating New Zealand from the declining profitability of the 'old economy' and particularly the primary sector. In light of the success of countries such as Ireland and Singapore in achieving high levels of economic growth, hopes are pinned on high-tech manufacturing to

improve New Zealand's economic performance, evident in the acclaim surrounding the 'innovation cluster' at Canterbury Technology Park.

Pundits fret the New Zealand economy is headed for a low-tech, agrarian backwater. But in Christchurch dozens of electronics and software companies follow in the footsteps of South Island innovators like jet boat inventor Bill Hamilton and motorcycle designer John Britten (Titus, 2002: 82).

The electronic communication developer Tait Electronics and software producer Jade are the largest and most cited members of the high-tech cluster. The largest six technology companies that comprise the Canterbury Electronics Group employ nearly 2500 people. These firms produce around 40 per cent of New Zealand's electronics goods, and the business they create underpins 12,000 Canterbury jobs (Titus, 2002: 86). A recent 'Big Six'-funded Lincoln University report estimated that they would generate one billion dollars in sales and downstream activities in 2002 (Titus, 2002: 84). Whilst the success of these firms is laudable, it however is interpreted through chronocentric techno-optimism which masks the fact that the lion's share of the regional economy is otherwise occupied (Chapter Nine) in areas still associated with the primary sector. Krugman (1996) argues that the misconceptions of pop internationalism encourage the fallacious idea that international competition is about who gets the 'high value' (high-tech) sectors.

In a two-good Ricardian model in which one country is more productive in both industries, the more productive country will have a higher wage rate and therefore whatever sector that country specialises in will be 'high value', that is, will have higher value-added per worker. Does this mean that the country's high living standard is the result of being in the right sector, or that the poorer country would be richer if it tried to emulate the other's pattern of specialisation? Of course not (Krugman, 1996: 122).

Thirdly, the interpretation of statistics demonstrating New Zealand's relative decline (measured in terms of GDP) has a powerful discursive dimension, which connects with an ongoing debate within New Zealand over *appropriate* economic management (Chapters Three, Four and Five). 'Fortress New Zealand' imagery dominates, implying that past economic management could have been better, and this is intimately connected to the demonisation of commodity dependence. Governments prior to 1984 are blamed for an isolationist, insular and over-protective approach to economic management, which apparently created a slothful 'dependency culture' which discouraged 'innovation' in the private sector. The need for innovation is emphasised as a central characteristic of the successful Knowledge Economy. Experiences from the Fortress of the past – inefficient, under-productive and obsolete – are rejected as irrelevant to the 'Knowledge Society' of the present or the future. The further association with social democracy implicitly buttresses neo-liberalism by dismissing past management techniques as obsolete. This is heightened by LBW (leading the bloody world) syndrome (Chapter Five), which implies that New Zealand's comparative advantage is not only unfashionable but also no longer advantageous, necessitating transformation.

New Zealand's historic comparative advantage is thus damned and disparaged and the Knowledge Economy appears to provide a possible escape hatch for New Zealand's problems. Through this

combination of factors, the vocabulary of the Knowledge Economy has come to feature widely and prominently in official publications as well in the media and in business reports. It includes a battery of images and terms, which serve to reinforce the suggestion of novelty. Prominent examples of the new rhetoric include 'innovation', 'differentiation', finding a 'point of difference', 'niche marketing', 'spot marketing', increasing the 'value-added' and so forth, forming part of the 'new planetary vulgate' (Bourdieu and Wacquant, 2000). In combination with chronocentric assumptions of novelty, the rhetoric masks the fact that New Zealand's economic success throughout its history has reflected attempts to exploit its 'point of difference' and 'niches' in the international economy; and indeed that many of these same advantages continue to provide the basis for recent successes: history and geography remain intensely relevant but are insufficiently recognised.

Inattention to geography

The Knowledge Economy discourse is aspatial, trivialising the relevance and importance of the specificity of places in favour of generic propositions that can be applied regardless of context, deriving from the assumption that solutions are generically applicable. This tendency is amplified by the global focus that characterises the discourse, and emerges in two ways: first, through comparisons with other countries and the importing of strategies tried elsewhere; and secondly through the use of international management consultants. In Chapter Nine, I demonstrated the fallacy of the first assumption, for in many ways, New Zealand's circumstances are unique, implying that recipes developed in Ireland, Singapore and even Australia will require extensive modification to suit New Zealand's circumstances. These include its path-dependent record of indulging champagne tastes of 'Western' living standards on the beer budget of primary export production, and the deleterious economic and social consequences that have followed the extreme neo-liberal reforms. This much might appear obvious, but the dubious utility of international management consultants in the development of domestic policy in New Zealand remains significantly under-examined. I therefore focus upon this second aspect, as it helps to demonstrate the operation and effect of the discourse of hyperglobalism.

The use of international management consultants by the government suggests a strong commitment to the notion that generic recipes hold promise for solving New Zealand's problems, and that solutions developed in different contexts can be unproblematically applied in New Zealand. This tendency is reinforced by 'cultural cringe' and the desire to be 'internationally competitive'. Given the emphasis throughout my thesis on the *specificity and distinctiveness* of New Zealand's circumstances, this appears a somewhat risky assumption. It is therefore necessary to briefly consider the pros and cons of management consultancy in general, which in turn raises particular questions about the role of such consultants in the tendering of *public sector* advice.

The Boston Consulting Group played a central part in the development of the Innovation Strategy. Established in the US in 1963, the BCG is an "international strategy and general management

consultancy group whose mission is to help leading corporations create and sustain competitive advantage” (www.BCG.com ‘this is BCG’). Initially established to assist *firms*, it has become increasingly common for international consultants to advise *governments*. This is most clearly evident in the career of Michael Porter, whose reputation was established in the first instance through his advice for firms seeking to improve their competitive positions (Porter, 1986), but whose influence expanded as he extrapolated the same principles to apply to government management (Porter, 1990). International management consultancy advice has followed the trajectory from the private to the public sector. This represents a logical leap in a neo-liberal climate where ‘pop internationalism’ prevails (Krugman, 1996) and the management of countries is seen as analogous to the management of firms.

Reflecting this tendency, The New Zealand Government’s use of international consultants represents the continuation of a tendency that began in the 1980s. The first expression of this in New Zealand that I have found was in the Treasury briefing papers from 1984 (see Chapter Four): “In looking at the question of their efficiency and the accountability of management for their [state-owned enterprises] performance, it is useful to consider the way these issues are resolved in the private sector” (Treasury, 1984: 120). As the restructuring proceeded through the 1990s, the private sector analogy was taken still further. In 1991, the New Zealand Government paid Michael Porter NZ\$1.5 million to advise on “upgrading New Zealand’s competitive advantage” (Crocombe, Enright and Porter, 1991), shortly after he expanded his expertise into the public sector (1990). Emeritus professor Brian Henshall at Auckland University proposed the idea of a study into New Zealand’s international competitiveness using Porter’s framework. The political climate was conducive, with Minister of Trade Mike Moore and Minister of Finance Roger Douglas of the Fourth Labour Government both interested (Edwards, 1991: 40). This occurred during the period of intense, ideologically-driven neo-liberal restructuring in New Zealand, in which the catch-cry was to ‘get government out of business’ and, more importantly, ‘business into government’, and it has since become common to employ management consultants, both at local and central government levels.

In New Zealand, the ‘rolling back of the state’ that neo-liberal restructuring entailed reduced the size of the public service dramatically. Where once the Ministry of Works and Development undertook all aspects of road maintenance, for example, now external contractors are employed; and by extension, where once the government employed civil servants to develop policy, it now contracts externally. As a result, by 2002, international consultancy firms featured prominently in the development of the government’s strategies, including the Innovation Strategy. A further example is a report prepared by LEK Consultants Ltd in 2002, which led to the introduction of a fast-track ‘talent visa’ allowing businesses to bring in employees with certain skills with a minimum of red tape (James, 2002b). Linked to this report is the KEA project, sponsored by Tindall (founder of The Warehouse), Professor David Teece of the University of California at Berkeley and the Law and Economics Consulting Group, headed in New Zealand by former Treasury Secretary Graham Scott (James, 2002b). A second example is the New Zealand

Government's commissioning of the Boston Consulting Group in 2002 to assess New Zealand's ability to attract foreign direct investment.

There are several reasons why private sector consultants are used. Carefully selected consultants may provide a solution if none is forthcoming within an organisation by expanding the repertoire of alternatives. Consultants can therefore potentially play a key role in the 'gale of creative destruction' (Schumpeter, 1939) assisting innovation and enhancing the adaptation abilities of organisations within an ever-changing context, un-grooving the managerial thinking and highlighting new possibilities. Consultants may help to identify, for example, under-exploited resources within a firm, enabling it to take advantage of organisational slack (Earl, 1984). Consultants can also provide expertise on matters outside the scope of the general business of an organisation: in some cases, when dealing with matters outside the core competency of an organisation, it is cost-effective and efficient to employ an external adviser. This seems to be the approach followed by Wellington City Council, which uses external consultants more than most (Crean, 1999, Zatorski, 1999). Similarly, independent consultants can play an essential role in preventing an organisation being 'mugged' (Kay, 1982, in Earl, 1984) by external change, which might result if an organisation only uses permanent employees indoctrinated into its core philosophy. Hence if a balance is struck between the existing organisational culture and the input of new ideas (Earl, 1984), organisations can potentially adapt successfully with the help of consultants, and enjoy continued prosperity. Finally, consultants can also play a useful role as scapegoats, to implement controversial strategies (O'Shea, 1997: 9). If managers of organisations are aware of the advice that consultants are likely to give, they can use this to advantage in implementing potentially unpalatable proposals.

Consultants therefore have, in principle, an important role in economic systems as advisers to firms. Yet their employment is not a cost-free exercise (as rate- and tax-payers understand full well, with Christchurch City Council spending \$3 million a year on consultants, while Wellington spends \$18 million (Crean, 1999)). In addition to the \$1.5 million the government paid in 1991 for the Porter Report, Porter demanded a first class around the world ticket to make it worthwhile coming to New Zealand. "The locals gave this some thought, and decided to grant Porter's wish. No one wanted to upset the guru and risk his taking his name from the project and leaving New Zealanders with no result" (Edwards, 1991: 40). Further, assuming that consultants have knowledge not available to managers (and generally managers would not employ them if they did, except as scapegoats), and that they are often employed precisely to advise in areas *outside* the core competency of an organisation, firms – and countries – are potentially vulnerable to opportunism. Consultants are paid hefty fees to offer good advice, with the expectation that they will suggest some sort of change.

If they can come up with useful suggestions, of course they will. But if not, they will certainly come up with something. If the client company is centralised, they will suggest decentralisation. If it is already decentralised, then they will propose a 'concentration of core competencies' (Staute, 1998).

The 2002 Boston Consulting Group report on foreign direct investment, for example suggests that the types of investments to be targeted are “those which directly increase activity, exports and skilled employment”, and particularly ‘greenfield investment’. As “an international strategy and general management consulting firm whose mission is to help leading corporations create and sustain competitive advantage” (www.bcg.com ‘This is BCG’), it would naturally be surprising if the BCG were critical of foreign investment: advice tendered in the report was not offset against an opposing perspective.

The conclusions of the 1991 Porter Report (Crocombe et al, 1991) were similarly predictable: Porter’s model suggested that four sources of national competitiveness exist: the resource base, domestic demand, domestic rivalry, and support industries. Competitive advantage means that firms can compete internationally by product differentiation and quality as well as cost. Porter’s model was explicitly interventionist, providing a guide for ‘picking winners’. He advocated government assistance to industry through specialised technical education, and suggested that industry should be regulated, especially through quality control standards and tough anti-monopoly legislation. Rankin (1991: 49) noted the inconsistencies of Porter’s model. Porter’s theory:

is fully compatible with the successful export-promoting strategies of the Muldoon years, [yet] the book seeks to blame ‘Muldoonism’ – caricatured as a ‘Fortress New Zealand’ mentality – for our present economic difficulties and to promote the *laissez-faire* ideologies of recent governments [insisting that] we persevere with the tough macro-economic policies of recent years, even though this does not follow from the model (Rankin, 1991: 49).

The Porter Report presented the size of the social welfare budget as a cause rather than a consequence of New Zealand’s economic troubles, and advocated dismantling the welfare state to finance their recommended policies. This suited the neo-liberal political climate of the times, “Yet, given that the Porter model sees sophisticated demand as a key source of advantage, a policy that accentuates many people’s poverty is hardly a recipe for national competitiveness” (Rankin, 1991: 50). Rankin thus argued that the promising theoretical approach of the book is undermined by its political agenda.

In portraying the victims of economic mismanagement as culprits, the tone is distinctly Orwellian. New Zealanders are seen as unimaginative, unskilled and lazy people who (despite being ‘technologically innovative’) require attitude-correction. Michael Porter says we must change. His team has been blind to the harm that misguided change has already done to New Zealand (Rankin, 1991: 50).

Michael Porter’s role as envisaged by the New Zealand Government may thus have been to provide the authoritative rationale for policies that it wanted to pursue anyway. His influence certainly helped to shape the new discourse in which ‘accountability’, ‘contestability’ and ‘competitiveness’ have become appropriate governmental policy goals, rather than the notions as altruism, morality, democracy and decency which emerge in the pre-1984 policy rhetoric.

The employment of international consultants to tender public sector advice has thus become normalised: the Innovation Strategy is but the latest example. Yet this trend has important implications that warrant close scrutiny but seldom receive it. First, the primary role of consultants is to ensure their *own* ongoing viability, not necessarily that of the organisation they are advising. Consultants are not liable, morally or financially, for the consequences of their actions (Saul, 1992: 368), highlighting the potentially dangerous role of those paid large salaries to give advice uncoupled from responsibility. In addition, the frame of reference of particular consultants fundamentally affects their advice, and hence their role. If the premise of bounded rationality (Simon, 1957) is understood as universally applicable, and if the limitations on the role of consultants are recognised, consultants should be seen as providing a *contrasting* perspective, which in conjunction with that of others widens the range of options available. This limitation is however overshadowed if the consultant is seen to be the 'objective' possessor of the 'solution', rather than an aid to internal management, as seems to be the case in the government's unproblematic acceptance of the Innovation Strategy.

Secondly, organisations are particularly vulnerable in areas beyond their experience. The government's concerns at New Zealand's economic performance, interpreted through the lenses of hyperglobalism, encourage a distorted view of the role that consultants can play, and this effect is heightened when the consultants in question enjoy the formidable reputation of large consultancy firms such as the BCG or McKinsey & Company, or of gurus such as Michael Porter (O'Shea, 1997). If the reputation is additionally underwritten by the kudos enjoyed by Harvard Business School, as is Porter's, it is understandable that those employing consultants might be blinded to the fact that the consultants too are highly constrained by a particular frame of reference. While a variety of people become consultants, from those with hands-on experience in particular industries to academics and graduates, business schools contribute disproportionately as the proliferation of MBA degrees attests. The prestigious Harvard Business School is an obvious example³⁴, given the eminence of figures such as Michael Porter (professor there) and agencies such as McKinsey & Company, which employs ten per cent of Harvard Business School graduates (Saul, 1992). Harvard Business School aims at "preparing people to practice management" (Saul, 1992: 119). It claims that the management methods taught are empirically grounded, but Saul observes that this cannot be so, for the method starts with a solution, shoehorning reality to fit a prescribed formula – a *generic* recipe that can then be applied, regardless of context (1992: 121). The Harvard Business School programme is designed around Taylor's (1911) concept of 'scientific management', which has "directly or indirectly dominated business school methodology and changed business structures around the world" (Saul, 1992:

³⁴ Each individual institution will have its own particular flavour. For a critique of the Chicago School version, see Kronman's (1998) work, 'The Value of Moral Philosophy'.

120). Taylor's (1911)³⁵ proposal was that tightly specified management and written instructions would curb the opportunism of workers, thus raising productivity. His principles have gained currency during the past century, contributing to the commonly accepted discourse that assumes that there is indeed such a thing as 'generically applicable management' (as the very existence of business school management degrees implies). This is critical, for if 'management' were not seen as transferable, there would be no role at all for 'roving managers' (or consultants).

Hence generic management recipes are *de rigueur* in the consulting industry, evident in the association of certain consulting agencies with particular formulae. In the early 1980s, for example, McKinsey's would frequently recommend 'M-form restructuring' (splitting large firms into divisions each with their own management, production and marketing structures, rather than relying on a unitary management structure), while the Boston Consulting Group would focus on experience curves and learning curves (Kiechel, 1982). The widespread acceptance of Porter's (1986) recipe of "domestic competition to enhance international competitiveness" not only by some industries but also by some governments, attests however to widespread acceptance of the principle that 'generic recipes' can be universally applied regardless of context.

Thirdly, the use of generic management strategies helped to facilitate some of the great industrial achievements of the twentieth century, such as in the application of Taylor's principles to the Model-T Ford production process. The degree to which 'management' is generic is however highly questionable, and has strong implications for the role of consultants. Chandler (1977) described 'managers' as learning the ropes on the job. From this perspective, there is no role for external 'roving managers' or FIFO consultants who can swoop in, advise, and then leave. Williamson (1975, cited in Earl, 1984) emphasised the dubious logic of 'scientific management' principles by describing an essential component of knowledge as idiosyncratic, dispersed and unable to be written down, calling into question the utility of generic consultants. Penrose (1959) suggested that two forms of managerial knowledge exist: first, technological know-how, which can in principle be transferred; and secondly, 'genuine experience' which is a result of immersion in the corporate culture, including the way that different people work together (Earl, 1984). Changes in this *second* type of knowledge, which includes understanding of how the current collection of individuals can function as a working group "not only causes the productive opportunity of a firm to change in ways unrelated to changes in the environment, but also contributes to the uniqueness of the opportunity of each individual firm" or organisation (Penrose, 1959: 52, cited in Earl, 1984: 108). Hence "knowledge that is gained in one area may, in the event, be hopelessly unsuited to another field which seems, on the surface, to have similarities" (Earl, 1984: 109). If this perspective is accepted, consultants could play a useful role in

³⁵ Taylor's firm belief was that maximum prosperity, which he believed should be the principal object of management, could only be achieved when the individual reached his highest state of efficiency, "that is, when he is turning out his largest daily output" (Taylor, 1911: 11). To reach this level of efficiency, Taylor proposed the task idea, in which each man is first systematically trained, then receives detailed written instructions describing his task, and the means he is to use in achieving it, based on measured observations of the minimum possible time in which it could be achieved (1911: 39). If he reaches the specified requirement, he is given a wage incentive. Taylor believed that the result would be increased national prosperity. An applied example was Ford's production line operations in producing the Model-T, in which subsequent profits soared through elimination of organisational slack by tight specification of every part of the production process.

developing the first type of knowledge, but not the second. If, for example, problems are related to 'corporate culture', a recipe that works perfectly well in one organisation might not in another. In the case of the Innovation Strategy, the explicit focus on narrowly-defined, instrumental forms of knowledge heightens the risk that tacit, non-specifiable knowledge will be overlooked.

If 'scientific management' recipes are accepted as generically exchangeable, the logical corollary is that people must be too. If humans are seen as exchangeable as well as fundamentally opportunistic (as Taylor suggested), the presumption follows that people need an environment of fear to motivate them in a way that maximises productivity (Earl, 1999). Consultants indoctrinated in 'scientific management' techniques seek to eliminate organisational slack by tightly specifying employment contracts and introducing prescriptive job descriptions and close supervision of workers. The effect of this advice was manifest in New Zealand's *Employment Contracts Act* 1991. Yet what if the assumptions behind the role of consultants as 'generic managers' are faulty?

Lazonick (1992) challenges the assumptions of 'scientific management', arguing that the ability to benefit from technological or organisational change depends on management being able to elicit effort from the workforce (Robertson, 1996: 140). This depends on cooperation, and 'good jobs' (with a career path and job security, as well as attention to working conditions) generating trust in employers, inspiring workers to make additional effort. This view of workers as central to productivity is far removed from that of managerialism, epitomised by human resource consultancies, which operate on the premise that human resources are not part of the core functions of a firm, and thus can most efficiently be 'outsourced' (Hutchinson, 1998). If Lazonick is right, advice from managerialist consultants, such as Porter with his competitive 'divide and rule' strategy, could be extremely damaging (Robertson, 1996: 142) to the economic system. From this perspective, it is hardly surprising that the managerialism introduced in the 1980s and 1990s should have led to declining productivity. Resonating with critiques supplied by Hazledine (1998) and Dalziel (2002), this draws attention to the erosion of trust ('human capital' in Hazledine's terms) that the neo-liberal restructuring entailed, which has further added to the transaction costs of the market economy because it failed to recognise the central importance of the 'non-contractual element of contract' (see Chapter Four).

The idea that 'generic solutions' developed in highly dissimilar contexts to New Zealand raises the further problem that New Zealand's unique circumstances will be inadequately understood and provided for (Chapter Nine):

Even at early stages [of the Porter project] there were doubts as to whether Porter's methodology sat comfortably with New Zealand and its industry. With the exception of Singapore, a study never completed, and Denmark, Porter's huge 10-country study had focused on large industrial-based economies. New Zealand has a small, rural-based economy... Getting Porter's name meant using Porter's methods. A workable system devised for New Zealand's needs would not do (Edwards, 1991: 40).

Similarly, the BCG's 2002 report on foreign direct investment, based on 'generic' principles, notes that "Although the precise relationship between foreign direct investment and growth continues to be a matter of significant debate among economists, even the most ardent critics must admit that FDI levels are generally high in countries with fast-growing economies" (BCG, 2002). This is a sweeping and misleading statement in the context of New Zealand, which according to the UN's World Investment Report 2000 (WIR) is the "most transnationalised developed economy in the world" (Rosenberg, 2002b: 13).

Our transnationalisation – an index constructed from four measures of the degree to which the country is dependent on FDI – is two-and-a-half times the average of those developed countries for which the index could be calculated. If anyone has high FDI levels, we have. But wasn't it because our economy isn't fast growing that we devised this strategy? (Rosenberg, 2002b: 13).

In the same way, the solutions proposed in the Innovation Strategy are the generic propositions suggested as the way forward for New Zealand. A further implication of the 'high-tech' focus is that, in pursuing a 'knowledge economy' strategy, New Zealand is following generic principles being applied elsewhere by countries with vastly greater resources and commitment to these ends, which have been funding precisely these areas for many years. British academics Bob Jessop and Ngai-Ling Sum are for example at present conducting an international research project into the 'siliconisation' strategies employed in a number of countries. It seems that little account has been taken of whether it is advisable to be focusing so strongly on portable technologies that are being strenuously pursued elsewhere (evident in the success of Hyderabad in software development, Ireland in a range of 'high-tech' industries, and the support for genetic engineering in the US). This implies that generic strategies such as these should be approached with caution.

Finally, the widespread acceptance of generic management assumes that private sector consultants can (or even should) contribute to the development of public sector policy, and the persistence of the requirement for government to be 'efficient' further supports the analogy. The 'mission' of the Boston Consulting Group is "to help leading *corporations* create and sustain competitive advantage" (www.BCG.com, emphasis added), while its website claims that "As a truly international firm, our strong global presence offers *clients and employers* a wealth of cross-cultural experience". No mention is made of clients that are *governments*, nor is there any suggestion that the strategies needed might be quite different, calling into question the credentials of private firms such as these for dispensing *public sector* advice. Critical differences exist between firms and countries. Firms exist to make profits, unlike countries, which must balance multiple and often contradictory objectives and considerations, conditioned by the path-dependency of history and geography. The application of "short-term profit methods in an area which is only indirectly and in the long run profit-oriented could not possibly have worked. Expecting business methods and market forces to do the job of government... makes no sense at all" (Saul, 1992: 265). As my thesis has illustrated, New Zealand's circumstances are highly specific, even in a context of 'globalisation'. The problems facing New Zealand are unique, and a 'global' firm specialising in the creation of corporate competitive advantage seems a dubious place to search for a silver bullet for New Zealand's problems, yet international management

consultants continue to be hired by the New Zealand government to advise in critically important areas.

The fact that New Zealand's government employed an international management consultancy firm, the Boston Consulting Group, to develop the 'vision for New Zealand' and the strategy for achieving it, is thus highly revealing. It demonstrates a profound commitment to the discourse of hyperglobalism through the inherent acceptance of the global scale and generic recipes for solving New Zealand's problems; and a corresponding disregard for the distinctiveness of New Zealand's circumstances and the parallels with the past that continue to confront policy-makers.

Inattention to history

The Knowledge Economy discourse as it emerges in the Innovation Strategy also exhibits profound ahistoricism. It rests on a narrow definition of knowledge and is profoundly exclusive, equating to the 'high-tech' spin-offs of the microelectronics revolution. This has several effects. It chronocentrically implies that the application of knowledge for economic gain is somehow novel. Several of my interviewees expressed irritation at the way in which 'Knowledge Wave' imagery is dismissive of the contribution of past innovations to New Zealand's economic development. The CEO of Canterbury Manufacturers' Association articulated this forcefully:

The knowledge wave was an example of idea capture. An idea grows up, and suddenly it captures, not the popular imagination – they don't care, but the people out there trying to think about the world get captured by this. But what it loses is the pragmatic dimension, which if people sat and thought about it – what have Tait's been doing since Angus was 59? What's PDL, what's Skope, what's Betacom? All of these companies – what's Davin, what's Checker Packaging been doing? They've all been doing that (Interview, CEO, CMA).

The discourse also draws on an extremely narrow, technical and instrumental conception of knowledge, focusing on recent technological advances. Yet the high profile 'high-tech' companies on which the Innovation Strategy concentrates attention comprise an extremely small share of the New Zealand economy. The three high-productivity sectors identified (ICT, biotechnology, creative industries) are also geographically concentrated, and "it is not clear therefore that [the strategy] addresses the problems of regional development which will become increasingly urgent if the textile, clothing and footwear industry is largely destroyed by tariff cuts" (Rosenberg, 2002: 22). Neither does the strategy support firms that operate in areas outside these fields.

The strategy draws heavily on Fortress imagery.

Until 30 years ago, New Zealand relied on its relationship with Britain to overcome the tyranny of distance. When this support was removed in the 1970s, New Zealand was forced to diversify both in terms of export markets and the types of goods and services exported. This has proved difficult. Many New Zealand firms have not found it easy to move into export markets from a small domestic market (New Zealand Government, 2002: 15).

This statement contains several misleading fallacies. First, it draws on Fortress imagery, implying that diversification of New Zealand's export products and markets only began with the entry of Britain into the EEC (Belich, 2001a, 2001b); whereas my historical evidence demonstrates that

massive diversification of New Zealand's economy occurred from the late 1950s onwards. Secondly, the statement masks the fact that the difficulties inherent in exporting have long been recognised, which is why the successive governments from 1935 to the 1980s actively encouraged export expansion, through a range of economic instruments (subsidies, tariffs, import controls), loans, and a succession of conferences to encourage discussion of New Zealand's future prospects (Chapter Nine). Thirdly, the statement takes no account of the fact that the difficulties confronting New Zealand firms wishing to export were compounded in the 1980s and 1990s with the unilateral removal of tariffs, subsidies and import controls, coupled with the loss of state-provided development finance. This increased the difficulties confronting firms wishing to export, particularly as to do so successfully they then had to compete against counterparts in other countries that continue to enjoy the economic protection of their own governments (Chapter Nine). The Innovation Strategy continues with the highly debatable claim that:

Countries that are rich, and are becoming richer, are those that are well integrated into the global economy in terms of the flow of goods and services, people, ideas, knowledge and technology (New Zealand Government, 2002: 15).

Far from being 'well-integrated into the global economy', the vast proportion of the US economy is unrelated to international trade (according to Wade (1996) and Krugman (1996) ninety per cent of economic activity is domestic), yet the US is the largest, richest economy in the world. It is also the arch-hypocrite in terms of the discrepancy between its free trade rhetoric and its use of subsidies (Chapter Seven).

Further, there is no recognition that countries that have enjoyed the greatest economic growth rates in recent years are precisely those whose governments have actively supported the economy, through protection and investment.

The whole image that I've developed is that New Zealand's economy sat becalmed in that period [during the 1980s and 90s], and a lot of other countries around us were paddling furiously. So here we are, sitting... arms folded and looking around, thinking well this is all right... But the Irelands and the Singapores and the various others were all furiously at work, paddling, to use the analogy, but in fact their governments were doing something about bringing them into... or funding them, securing them into a new, technology-driven world. Whether you like it or not, they are being dragged into it (Interview, CEO, Tait).

"It is stated [in *Growing an Innovative New Zealand*] as an apparently unrelated fact that New Zealand's real per capita income was among the highest in the world in the 1950s when the economy was less open" (Rosenberg, 2002a: 22). The report takes no account of other successes of the post-war period, such as full employment and low foreign debt until the mid-1970s. Neither is there real analysis of the weaknesses from which lessons could be drawn: the Think Big programme of the early 1980s is seen as its natural culmination of a history of inefficient interventionism. "Yet by then, the Muldoon administration had begun the process of opening the economy, though not as fast as the largest corporations would have liked" (Rosenberg, 2002a: 22). Finally, this statement fails to recognise the discrepancy that I noted in Chapter Seven

between the rhetoric of free trade: New Zealand, in 'trading naked', remains one of the only nudists on the beach, joined only by countries forced by the IMF to abandon economic protection.

The implied novelty of knowledge economy rhetoric further disguises the fact that it in fact represents the re-emergence of an old discourse reflecting the propensity for people to search for silver bullets to solve problems. Beggs (2002) notes that rapid technological change in the economy has been a permanent feature of capitalism since the industrial revolution, and that this has often been accompanied by visions of emergent high-tech utopias: for example, 'new economy' rhetoric emerged in America in the 1920s, invoked as a beacon of hope for post-World War One economic reconstruction. I discussed the same techno-optimistic tendency in Chapter Six. In the specific context of New Zealand, recent knowledge economy rhetoric echoes that of earlier times:

New Zealand's main assets can only be the skill, experience and intelligence of her people. Small countries like Finland, Denmark and Switzerland have even fewer natural resources than we have. Yet because of the skill of the people they are important manufacturing countries (Sutch, 1957: 21, in Endres, 1986: 25).

The explicit Innovation Strategy tactic of 'picking winners' is not too far removed from old-style approaches to economic management. While there is less direct government support, the impetus appears the same as it was at the time of the National Development Conference of 1968 that aimed to reinvigorate New Zealand's export industries and consequently improve its economic performance. Nevertheless, because of the declinist rhetoric, historical parallels and local specificities are disregarded, and direction is taken from international management consultants instead.

The conception of the Knowledge Economy thus draws on a range of domestic discourses that include declinist perspectives of Fortress New Zealand, negative economic statistics, and neophilia. It is invoked by business leaders and government as a vision of a desirable future, and provides the justification for the distribution of funding in the hope that New Zealand's route to future prosperity will emerge from the science and technology sectors. The term fits within the rubric of globalisation, and reflects many of the same tendencies and assumptions of the hegemonic discourse of hyperglobalism, overemphasising novelty at the expense of continuity. Through the extremely narrow definition of knowledge invoked, which centres upon 'high-tech' development in particular in software and biotechnology, other 'knowledges' are suppressed. Despite its ongoing value, the 'old economy' is disregarded, except insofar as it can be shoehorned into the 'new' (through genetic engineering or ICT). The discourse narrows the conceptual field and leads to all the eggs being put in one basket (siliconisation, the development of 'high-tech' centres and 'incubators') rather than asking what New Zealand can do that nobody else can. New Zealand-specific expertise is rejected in favour of international management consultants that peddle the same advice regardless of context (country or firm) (Krugman, 1996; Thrift, 2001). This masks the observation that New Zealand's circumstances are essentially unique: its first world aspirations, the 'path dependency' of its economic structure, its remote

geographical location, its tiny domestic population, and its savage neo-liberal restructuring. With the past comprehensively damned and local recipes indicted, recipes are sought externally, reflecting a long-standing tendency for home-grown solutions to be under-appreciated until they are internationally recognised, despite the fact that external advisors frequently have little understanding of New Zealand's specific circumstances.

Whilst exhibiting evidence of the discourse of hyperglobalism in their emphasis on novelty and change, my interviews revealed the simultaneous operation of a contradictory discourse, which emphasised rather the importance of not only valuing, but also maintaining, New Zealand's historical comparative advantage (Chapter Nine). The importance of the 'clean green and safe' brand is commonly asserted in my sources, but its value is masked by neophilia that emphasises instead the desirability of novel, 'high-tech' industries. The brand is further devalued by domestic discourses which support the notion of a dichotomous history, with 1984 demarcating past *Fortress-dwellers* from present *global players*. Coupled with embarrassment or (agri)cultural cringe at New Zealand's pastoral heritage, these factors condition the options considered by policy-makers, in their desperation to "return New Zealand's per capita income to the top half of the OECD rankings and maintain that standing" (New Zealand Government, 2002: 1).

The narrow definition of knowledge and disparaging of alternative versions means that the report fails to consider whether it is advisable to be focusing so strongly on portable technologies which are being pursued elsewhere, rather than focusing on expanding New Zealand's own comparative advantages. This reflects the further operation of 'cultural cringe' and the desire to *distance* contemporary New Zealand from the 'old economy'. Finally, because its sole aim is to hoist GDP, the strategy appears as a cynical attempt to exploit previously uncommodified areas of New Zealand life – such as the 'creative industries', understood as cash cows awaiting milking.

The 'Innovation Strategy' thus reveals a profound shift in the way in which New Zealand's contemporary options are understood. Whereas past New Zealand governments recognised the inevitably global context within which New Zealand operated, and sought to promote New Zealand's self-interest as far as they were able, the conceptual ground has shifted. The discourse of hyperglobalism curtails the options, restricting the vision of contemporary policy-makers to the global, the generic, and the novel. This not only masks alternative views of New Zealand's options – the local, the specific, the enduring – but also brings into being the very reality that the discourse purports to describe.

The problem with the problem

As noted earlier, the Innovation Strategy displays a naïve economic determinism in its implied assumption that increasing GDP will solve all New Zealand's problems. In Chapter Nine, I accepted temporarily the premise that economic growth is important and desirable, and that New Zealand's declining relative GDP per capita is cause for concern (Wade, 2001), because of the

way that it erodes the wealth of the country undermining the quality of life. It is now time to address this highly questionable assumption.

Growing an Innovative New Zealand not only provides evidence of the discourse of hyperglobalism but also demonstrates the way in which economic imperatives have become pre-eminent in determining policy. It certainly acknowledges that economic growth must be balanced with other goals:

This government does not believe we can put on hold social and environmental progress and concentrate solely on economic growth. Implicit in the quality of the growth we are seeking will be integration of the economic, environmental and social pillars of sustainable development (New Zealand Government, 2002).

Despite this assurance, the sole goal of economic growth remains pre-eminent. My analysis of globalisation in New Zealand through my exploration of the Knowledge Economy elucidates a fundamental feature of contemporary New Zealand society: the preoccupation and repeated invocation across my sources with GDP growth as a *goal in itself*. The *appropriateness* of relative GDP as the quintessential indicator of economic success has become naturalised or taken-for-granted, beyond question or debate, yet it remains highly debatable, for several reasons.

Focusing on the measure of GDP itself, Kay (2000: 4-5) notes that New Zealand has an unusually large gap between GNP and GDP. The difference lies in net property and investment income from abroad. In 1997, when the difference was widest, GDP exceeded GNP by around ten per cent. He thus argues:

GNP is the most appropriate measure in assessing the standard of living of the New Zealand population, GDP in measuring New Zealand output. New Zealand is a richer country than New Zealanders. There are several associated reasons why this difference is so large, some connected with the reforms and some not. New Zealand has run a persistent balance of payments deficit: in part, presumably, as a result of consumption being maintained despite falling or slow growing incomes. There have been substantial capital inflows and there is extensive foreign ownership of New Zealand debt. New Zealand's public overseas debt has been a policy priority (and largely successfully achieved), private overseas debt has risen very rapidly (Kay, 2000: 5).

Yet statistics showing declining relative GDP are nonetheless regularly used by influential decision-makers as benchmarks of economic performance, with little analysis of their appropriateness or relevance.

Secondly, the hope that GDP growth is tantamount to the solution to New Zealand's problems is rather forlorn, for GDP is a notoriously crude measure that excludes vital aspects critical to the operation of society and within it, the economy (Hazledine, 1998; Waring, 1988). GDP *excludes* a substantial component of a country's economy, and thus provides very little insight into the conditions and living standards of the people within it. Marilyn Waring, a radical feminist and Member of the New Zealand Parliament from 1975 to 1984 provides the clearest exposition of this issue. While Waring was Chair of the Public Expenditure Select Committee, New Zealand

revised its System of National Accounts in accordance with the changes suggested by the United Nations.

I learned that, in the UNSNA (UN System of National Accounts), the things I valued about life in my country – its pollution-free environment; its mountain streams with safe drinking water; the accessibility of its national parts, walkways, beaches, lakes, kauri and beech forests; the absence of nuclear power and nuclear energy – all counted for nothing (Waring, 1988: 1).

Items such as these are excluded from private consumption expenditure, general government expenditure, and gross domestic capital formation – and these are the accounting systems used to determine all public policy. Waring argued that in consequence, there could be no ‘value’ placed on policy measures which would ensure the preservation of the environment. Neither is this the only omission, for Waring also noted “the severe invisibility of women and women’s work”.

[A]s a politician, I found it virtually impossible to prove – given the production framework with which we were faced – that child care facilities were needed. ‘Non-producers’, housewives, mothers who are ‘inactive’ and ‘unoccupied’ cannot, apparently, be in need. They are not even in the economic cycle in the first place. They can certainly have no expectation that they will be visible in the distribution of benefits that flow from production (Waring, 1988: 1).

In this way, Waring draws attention to the considerable proportion of economic activity which GDP statistics *systematically exclude*. The UN System of National Accounts is an international system of economic measurement. Any annual report of the World Bank, IMF, UN agencies, or national governments is based on national account statistics. These are used to analyse past and current developments in the national economy, and are the basis of projections of the possible effects of changes in policy. Of course, national accounts do not indicate what economic policies a government should implement, for they simply record a pattern of economic activity. “But from the outset, the figures are rigged” (Waring, 1988: 2).

The fact that GDP takes no account of New Zealand’s ‘quality of life’ means that New Zealand occupies a poor relative position against countries which do better in terms of GDP, *despite the fact that it is highly probable that for some people, quality of life has value in itself*. GDP excludes aspects critical to the operation of society and indeed, the economy. Comparisons of New Zealand with Singapore, Ireland or Finland collapse still further if the ‘brand equity’ of clean and green is incorporated into the valuation of New Zealand’s ‘standard of living’, rather than restricting this to ‘GDP per capita’. Nevertheless, the GDP comparison remains the usual benchmark:

We’ve got a good quality of life in New Zealand – everyone accepts that. But we’ve got a lousy standard of living. The difference between quality of life and standard of living – that’s the quality of life [gestures out the window], and this [reaches into pocket] is the standard of living. And we can look at our situation per capita income – 20 years ago, we would be double – well, four times Singapore’s – and now we’re half (Interview, CEO, Canterbury Employers’ Chamber of Commerce).

If, for argument’s sake, a dollar value were assigned to the quality of life in New Zealand, the comparison with Singapore might acquire an entirely different hue. Yet reducing ‘standard of

living' to a dollar value is equally problematic, for comparisons with apparently high-achieving (in terms of relative GDP per capita) performers such as Ireland and Singapore, coupled with declinist embarrassment at New Zealand's pastoral heritage, overlook the *other types of value* that people living in New Zealand place on the 'quality of life'.

The quality of life comes into it as much as anything... It would be one of Canterbury's biggest benefits. Especially in the next five or ten years, it's a huge advantage for the city. Especially in the higher... in technical things, they are all here. And they like the lifestyle... It's great (Interview, CEO, Lignus).

Whilst hegemonic, the acceptance of GDP is resisted by a contradictory counter-discourse also apparent in my interview narratives. Having clearly stated his view as to the importance of New Zealand's poor standard of living, the Chief Executive of the Canterbury Employers' Chamber of Commerce complicated the picture, introducing a second, contradictory discourse which rather emphasised the value of New Zealand's 'quality of life'.

CEO: I've got a son who's sitting overseas at the moment, saying I want to come back and finish off my medical degree, Dad, but I'm just making so much money over here... if only we could lift the standard of living in New Zealand, I could then enjoy the standard of living AND the quality of life, I'd be back like a shot.

Me: Yes

CEO: He's decided to come back anyway because **quality of life is so important to him**, compared to working on a building site in Ireland or whatever (Interview, CEO, Canterbury Employers' Chamber of Commerce, emphasis added).

From an alternative perspective, New Zealand's relative cleanness, greenness and safety are critically important elements in their own right. Many European immigrants, for instance, revel in the lack of pollution (Chapter Eight); political refugees appreciate the relative freedom and lack of corruption; and the returning 'brain drain' regularly forgo substantially higher incomes overseas in favour of this very factor, often for procreational purposes.

[11 September 2001] really provided an opportunity to attract innovative, wealthy New Zealanders back to New Zealand. Particularly if they're saying Mm – don't want to be in Central London bringing up my kids, I'd rather go home (Interview, CEO CDC).

If measured by other indicators than relative GDP, New Zealand's performance fares better by international comparison. In January 2003, for example, the unemployment rate fell to 4.9 per cent – a fifteen year low – well below the OECD average of 7.1 per cent, and tenth best across the 26 nations of the OECD (Unemployment Falls..., 2003). Nevertheless, the Innovation Strategy objective, and the widespread obsession with statistics of relative decline measured in terms of GDP, affirm that GDP is widely accepted as a goal in itself, despite its inadequacy.

Can you imagine the nation's annual budget becoming a realistic description of the well-being of the community and its environment, a reflection of real wealth and different values? The budget would answer all of the following. Who does what work and where – paid or unpaid? What is the position of the nation's poor and the aged? Who is not housed adequately? What changes have occurred in water and air quality levels, and why? (Waring, 1988: 255).

Waring's approach demonstrates a deeply problematic aspect of GDP, which excludes many aspects integral to the quality of life in New Zealand, and indeed its economic management. Her

work connects with a third critique of the notion of GDP growth *as a societal goal in its own right*.

Until rather recently, the 'quality of life' in a nation was assessed simply by enumerating GNP per capita. This crude norm did not even make salient the distribution of wealth and income, and thus routinely gave high marks to nations such as South Africa, with its tremendous inequalities. Still less did it ask about the connection of GNP to other areas of human functioning that are important indicators of quality of life: areas such as life expectancy, infant mortality, educational attainment, and the presence or absence of political liberties. More recently, a plural-valued approach inspired by Aristotle has begun to have considerable influence on the ways in which the international agencies make normative assessments (such as the UN *Human Development Report* 1995: 15-23)(Nussbaum, 1997: 1199).

The nirvana Nussbaum (1997) identifies has not arrived in New Zealand, where statistics of relative GDP per capita are not only taken as synonymous with living standards, but where GDP remains an important goal in itself. Nussbaum attributes the ongoing preoccupation with GDP growth as evidence of the deep commitment to the commensurability of all an agent's ends that permeates law and economics, whereby any suggestion of *plural* ends is negated. This assumption derives from neo-classical economics and rational choice theory, which provide the fundamental foundations of neo-liberalism. These perspectives suggest that it is possible to deliberate rationally only about the instrumental means to ends, and not about the content of ends themselves. Hence the Innovation Strategy has the *sole goal* of restoring New Zealand's relative GDP to the top half of the OECD (New Zealand Government, 2002). This could be interpreted in two ways: first, as evidence of *economic determinism*, implying that if this is achieved, New Zealand's problems – social or economic – will be solved. Alternatively, it could be seen as demonstrating *the normative acceptance of the primacy of economic goals over other areas of social life* – in other words, that growing GDP has become accepted as an appropriate goal *in itself*.

The lack of debate over the content of ends themselves – such as over the appropriateness of increasing GDP as a societal goal – reflects a further assumption derived from neo-classical economics, that ends are hard-wired by exogenously given tastes (Nussbaum, 1997: 1208). This interpretation is seriously undermined by the recognition of the *endogeneity* of preferences.

In other words, we have *some* control over the shaping of our tastes, through laws, policies, institutions, personal self-shaping and so forth. Recognising this in turn makes it possible to ponder the question of whether this shaping can be done more or less well (Nussbaum, 1997: 1208).

As Nussbaum emphasises, in fact people deliberate about ends all the time. This deliberation is therefore relevant to the model's predictive value, and any deliberation that fails to include this kind of 'specificationist' approach is bound to be blinkered and (normatively) *irrational* (Nussbaum, 1997: 1209). This further implies that the simplistic perspective offered by the discourse of hyperglobalism, which encourages an emphasis on the global, the novel, and the generic, acts in conjunction with the narrowing effect of neo-classical analysis. Assumptions from both quarters are amply evident in my data, in the interviews that I conducted, and in recent

official documents in particular. This is evident not only in the preoccupation with GDP as *the* quintessential measure of economic performance, but also in the lack of discussion over alternative ends, different futures, or alternative benchmarks of success that are not reducible to ‘standard of living as reflected in relative GDP per capita’. It should therefore be possible to articulate the ends to which New Zealand society could be heading and expose these to debate – yet the overriding assumption consistent with the discourse of hyperglobalism is that GDP growth will suffice as a societal goal.

Nussbaum’s contribution focuses attention on the need to *debate* appropriate societal goals, raising a fourth set of questions. GDP places no value on quality of life as important in itself, and masks the fact that this is uncontrovertibly one of New Zealand’s sources of comparative advantage. Yet New Zealand’s highly unusual circumstances offer unique possibilities.

The one thing that is possibly OK is that New Zealanders won’t starve. I think that’s right, but I think that you could be looking at a New Zealand that has a lot of characteristics of Fiji by the end of the century, unless something changes (Interview, CEO, CMA).

Unlike many countries, New Zealand has sufficient resources to feed its population. Its hydro-electric capacity means that it is also self-sufficient in electricity production, and this could conceivably be harnessed to substitute for imported and unsustainable energy inputs such as petroleum. Whilst it is most improbable that New Zealanders would choose to embrace a bucolic lifestyle of rural self-sufficiency even if it could, and while the demise of Muldoon’s ‘Think Big’ strategy undermined the political possibilities of such choices being pursued, this extreme example suggests that *options remain*, but that they are masked by the obsessive focus with GDP as an end in itself. More realistically, discarding the artificial constraints of the discourse of hyperglobalism and the deeply inadequate goal of expanding GDP exposes *other sorts of societal goals* to debate.

Flyvbjerg (2001: 167) emphasises the need to contribute to society’s practical rationality in elucidating where we are, where we want to go, and what is desirable according to *diverse* sets of values and interests, by reformulating the goal as contributing to society’s capacity for value-rational, rather than means-rational, deliberation and action.

[I]t can be dangerous for individuals, groups and societies when their capacity for value-rational deliberation is eroded. Today the erosion of such capacity seems to many to be rapidly taking place and coincides with the growing incursion of a narrow means-rationality into social and political life. Simultaneously, there is a marked need for discussion and reorientation of values and goals; for example in relation to environmental risks, work, health, international security, and political stability’ (Flyvbjerg, 2001: 168).

Accepting that GDP excludes a vast proportion of economic activity, Hazledine (1998) argues against assigning monetary value to aspects of life excluded from conventional measures: “life is too rich and varied to be measured by the rod of monetisation” (1998: 142). He rather suggests that *less emphasis* should be accorded to economic measures such as GDP.

The good things in life are not free, but nor – as Mae West once said – are they ‘very, very expensive’. A decent day’s pay for a decent day’s work; freedom from fear; hope for the future; a sense of living in a just society; civic pride; an environment that is not abused... These are all, I believe, within our grasp as a nation. To get there, we need to change how we look at ourselves: specifically, to cease our grotesque obsession with economic ‘growth’, narrowly measured as changes in gross domestic product (Hazledine, 1998: 147).

Hazledine draws attention to the absurdity of GDP as a *generalised* measure, reinforcing my criticisms of the generic emphasis of the discourse of hyperglobalism. He notes that improving productivity is easier in some sectors than others. While it might be possible to continually increase productivity in manufacturing, becoming more and more efficient, in the service sector, productivity increases are limited. “*The whole point of a service is that it does take time! The input is the output*” (Hazledine, 1998: 61, emphasis in original). Hazledine uses a preposterous fictitious example to make the point: “the NZSO has now achieved a shattering breakthrough: they have cut their performance time of Beethoven’s Fifth Symphony – the world-accepted benchmark of orchestral productivity – to just *four minutes* [by playing all four movements at once]” (Hazledine, 1998: 60). It would seem that New Zealand’s comparative advantage in tourism, for example, limits the potential for ongoing economic growth if this concurrently degrades the environment, further undermining the desirability, and the utility, of increasing GDP as a goal in itself.

Hazledine also raises a critically important further issue in his emphasis on the lack of congruity between economic performance measured in GDP and *well-being*, in an attempt to raise questions over just why it is that GDP growth is sought in the first place. He cites a New Zealand survey (The Family still rules..., 1993: A4) which found that eighty-three per cent agreed with the proposition that life is better here than elsewhere. Only seven per cent said that work was more important than anything else in their lives, but seventy-three per cent enjoyed their work. For eighty-three per cent, family was the most important thing of all, and eighty-six per cent got passionate about their country’s natural environment.

We may not be particularly surprised with numbers like these, but do we take them seriously enough? Is the path that New Zealand is currently pursuing likely to lead to a future in which work and play, family and colleagues, love and duty are integrated in the way we seem to need and wish? (Hazledine, 1998: 145-6).

Whether his statistics are supportable or not is irrelevant: the important point is Hazledine’s criticism of GDP growth as an adequate goal in itself, on the basis that economic growth has *very little to do with well-being*. Of course, this assumes that the intent behind the government’s goal of increasing GDP *is that this should in turn lead to increasing well-being in New Zealand generally*. As I argued above, there is little evidence supporting this assumption, for it rather seems that the goal is simply increasing GDP *per se*, as an end in itself, rather than as a means to an end. Accepting, however, for the moment that GDP growth *is* being pursued by the government in an attempt to increase well-being, there are important reasons why it won’t.

Why GDP is an inadequate proxy for well-being

The discourse of hyperglobalism leads to the widespread acceptance of a goal which is deeply inadequate, even if it can be achieved, which is itself doubtful, for the connection between increasing GDP and well-being is tenuous in the extreme. It dismisses from consideration *why* economic growth should be pursued: it is no longer justified, as it was by Nash (see Chapter Three), in terms of increasing material standards of living, or achieving happiness, but is accepted simply as an appropriate goal in its own right.

Several approaches have sought to explain the apparent paradox that increasing economic growth does not lead unproblematically to well-being. First, economic growth, technological advancement, and affluence have led to virtually limitless choice in consumption; but increasing choice is a mixed blessing, for it requires us to make endless decisions about increasingly irrelevant things. “The perpetual expansion of choice has not diminished the importance attached to the goods being marketed: the results of a particular washing powder are treated with the solemnity otherwise reserved for nuclear war” (Galbraith, 1975: 210).

Secondly, Hirsch (1976) suggested that economic growth and increasing affluence do not necessarily lead to well-being because of the ‘social limits to growth’: the fruits of economic growth are most succulent when not everybody can enjoy them, for over-crowding exerts pressure on the capital infrastructure and social relationships (one’s BMW provides less well-being if roads are congested with traffic as cars become increasingly affordable). Alternatively, Scitovsky (1976) proposed that increasing affluence cannot guarantee well-being because the aspirations of people adjust to their attainments: economic growth will thus only ever have a temporary effect on achieving well-being. Hazledine proposes that “happiness is apparently almost totally dependent on relative income position in one’s own country, not absolute income” (1998: 60). While increasing GDP may increase *absolute* incomes, it rather misses the point if a ‘leisurely life’ and sense of well-being have more to do with issues of *distribution*, which are undermined by feelings of ‘relative deprivation’.

A third, related reason why increasing GDP might not lead to well-being is thus that the fruits of gains reaped from increasing productivity are unequally distributed. This is particularly relevant in New Zealand for the restructuring involved the abandonment of ideals of equality and the active redistribution policies of the state. The consequent gap between rich and poor and consequent sense of relative deprivation is dangerous in a climate conditioned by advertising, in which identity is defined through consumption, and given the rosy glow that surrounds any talk of economic growth. A fundamental reason behind the societal striving for economic growth might be that it represents an ideal which holds the promise of leisure and comfort, even though thus far it has failed spectacularly to provide it.

Fourthly, rising material consumption in turn draws attention to a further dimension of the dissonance between GDP growth and well-being which relates to the “ecological limits to growth” (Daly, 1996; Ehrlich and Ornstein, 1989; Meadows *et al*, 1972). Increasing production through industrialisation has environmental consequences, directly evident in such issues such as the diminishing ozone layer and global warming. In addition, Godbey, Lifset and Robinson (1998: 21) argue that increasing affluence has resulted in a ‘throwaway culture’, manifest in the explosion of goods available, particularly evident in New Zealand since the reforms. Some of the effects arising from consumption in conjunction with affluence include less maintenance of items purchased, leading to a shorter useful life and discarding of more items; more impulse buying leading to less efficient purchases, many of which are discarded; increased buying of fast food that comes in non-recyclable packaging, increased use of highly processed foods which are more highly packaged, a declining likelihood that yard and kitchen waste will be recycled, and more likely deterioration of unused perishable items (Godbey *et al*, 1998: 21).

The link between economic growth and well-being is further undermined by two sets of environmental implications. The first centres on the increasing *perception* of a risky ‘world out of control’, undermining ‘peace of mind’ and disrupting well-being, encapsulated in Beck’s notion of the ‘risk society’.

There is no longer sufficient time to rely on the normal pace of cultural evolution to deal with today’s dilemmas. We are facing problems of a scale and speed of change for which our biology and history have left us poorly prepared. Problems of global warming, AIDS, and the rapid depletion of animal species increase our sense of urgency (Ehrlich and Ornstein, 1989: 83).

Secondly, economic growth is also inherently self-limiting, for productivity increases cannot continue indefinitely. Daly (1996) argues that the regenerative and assimilative capacities of the earth cannot support even current levels of resource consumption, much less the manifold increase required to generalise higher standards worldwide implied in the notion that increasing economic growth solves problems. The economy is thus an open system within the closed system of the biosphere, which ultimately limits growth.

The economy may continue forever to develop qualitatively, but it cannot grow indefinitely. We need to make the elementary distinction between *growth* (a quantitative increase in size resulting from the accretion or assimilation of materials) and *development* (the qualitative evolution to a fuller, better, or different, state) (Daly, 1996: 236).

The focus on increasing GDP as an unproblematic goal disguises this critical distinction. Growth is pursued, despite its deleterious social and environmental effects. Indeed, it is increased and encouraged by economic liberalisation, providing another factor in ‘anti-globalisation’ sentiments. Blind pursuit of growth thus risks exacerbating both social and environmental problems and, ironically, New Zealand’s economic problems, given the potential erosion of the image of ‘clean green safety’. Bührs (1999a: 13) for example, notes the “lukewarm, at times no more than symbolic, political commitment to environmental issues, in contrast to the uppermost importance attached to economic goals” (‘imperatives’).

The dissonance between economic growth and well-being is further exacerbated from another direction. Utopians such as More and J.S. Mill believed that it was possible that people would reach a point where they have no desire to be richer; Marx considered that sooner or later the rich become so rich that they run out of things on which to spend money; and Keynes believed that appetites for material things are satiable once material needs are met (Linder, 1970: 123). This reflects Gandhi's 'principle of enoughness': that people might recognise that the planet can provide 'enough for everybody's need but not their greed', and hence curb their consumption once material needs are sated. In 2003 there is, however, little sign that this is occurring. Linder's (1970) *Harried Leisure Class* explored the paradox that despite vast increases in work productivity and increasing affluence, life in the West has failed to become more leisurely, as might be expected, but has rather become increasingly frenetic. His argument rests on the problematic foundation of general equilibrium theory, and stems from his contention that whilst affluence can continue to increase, time provides a non-negotiable constraint which leads to harriedness. It is not necessary to accept his argument in its entirety, but extremely useful to consider its implications.

For Linder (1970), the increasing Western preoccupation with achieving high growth rates since World War Two has paradoxically, increased with income because of the perpetual striving to raise material standards of living, contrary to the prediction of theorists such as Keynes who believed that interest in economic matters would decline as incomes increased (Linder, 1970: 131). Economic growth has become an end, not a means, and people are increasingly prepared to settle for the costs of progress, if it enables more consumption (Linder, 1970: 134). Galbraith (1967) argues that wants *could* be exhausted but *are not being* because of the 'dependence effect' engendered by advertising and emulation, which mean that wants come to depend on output without need to eliminate scarcity (discussed Chapter Two).

This leads, however, to a further argument that wants are in fact insatiable, and that it is impossible to achieve a state of permanent well-being because of the 'fisherman's wife' syndrome³⁶: Veblen (1902) argued that conspicuous consumption is rooted in the fear of loss of self-esteem, which people attempt to offset by excelling their neighbours. The resulting competitive culture breeds a relentless cycle as people become accustomed to wealth and the novelty wears off, engendering a constant desire to widen the pecuniary gap between themselves and their fellows and the perpetual struggle for comparative advantage (Coser, 1977: 268). Veblen's argument is endorsed by the observation that even those on stratospherically high incomes seem to enjoy their high consumption – there seems to be little hope that suddenly satiation will arrive. Propelled by feelings of relative deprivation, each class aspires to the lifestyle of its superordinates rather than enjoying the fact that material needs have been satiated; while those at the top use conspicuous consumption to mark their distinctiveness. This in turn

³⁶ In exchange for releasing a fish (which later turned out to be a wizard) back to the sea, the fish offered the fisherman anything he wanted. He wanted for nothing, but his wife was insatiable and demanded to progress sequentially from hut to house to mansion to palace, but once she wanted to be God they lost the lot and had to go back to the hut.

undermines well-being, for competitive spending takes time, and displaying wasted time is a primary goal in an emulative society, but over-spending is time consuming and stressful (Eby, 1998: 16).

Rising material consumption certainly appears to be an undeniable, readily observable characteristic of contemporary Western lifestyles, and the feeding frenzy at shopping malls on sunny weekends raises questions over the well-being that consumption brings. If well-being is undermined by feelings of relative deprivation, this explains why even amongst the materially affluent and productive societies of the West, poverty exists. The lack of correlation between well-being and income resonates with the old cliché that ‘money can’t buy you happiness’: on this basis, it is unsurprising that affluence and productivity increases should not lead to a leisurely lifestyle, for there is absolutely no reason why they should.

Economic growth therefore emerges as a dubious societal goal in itself. Yet in New Zealand, economic indicators are the pre-eminent gauges of well-being, as the preoccupation with economic performance among my recent sources demonstrates. This bias is reinforced through the unparalleled power of Treasury amongst government departments (see Chapter Four) and ‘big business’ among interest groups. It is reinforced by changes since 1984, which have a powerful discursive component whereby it has become acceptable to speak of economic factors as an end in themselves rather than as a means to an end. This was not always the case (Chapter Three) as the ‘Applied Christianity’ of the First Labour Government emphasised, in which economic growth was sought as a way of achieving the “betterment of human conditions”.

Uncertainty and the loss of a societal vision have contributed to a process whereby past high-mindedness has been replaced by a materialistic conception of humanity. McLauchlan identified the beginning of this process in the turbulence of the 1970s, in the context of Muldoon’s authoritarian attempts to control the economy.

‘Quality of life’ was an optimistic, resonant phrase at first, one which implied some broad agreement about a goal, what the good life really is. But then a couple of election campaigns stripped it bare and revealed that we New Zealanders have no moral or social philosophy, no dream of the future, beyond the orthodox good health of that pagan god, The Economy (McLauchlan, 1976: 2).

GDP continues to be used as a proxy for national well-being, even though “it pays no heed to the preservation of natural resources or to the labour of the majority of [the world’s] inhabitants or to unpaid work” (Waring, 1988: 3). It takes no account of time used in consumption, the environmental externalities of growth, or happiness, yet further growth seems justified (Linder, 1970: 138). Yet increasing economic growth, measured in terms of GDP, will not lead inevitably to increasing well-being, for many reasons – social, environmental, economic, redistributive, and psychological. Of course, there is little indication in the goal of the Innovation Strategy that it is intended to. Economic benchmarks are not only accepted as indicators of national success, but have become *goals in themselves*. The discourse of hyperglobalism contributes to this process,

through the focus on the novel, the global and the generic, distracting attention from other ways in which New Zealand's contemporary conditions might be understood. In a risky world 'out of control', New Zealand's historical comparative advantage remains valuable, and offers hope for its future differentiation, marketability and economic success; yet this is devalued by the discourse of hyperglobalism. This also encourages the systemic incursion of market principles into other sectors of society and their prioritisation above other values.

In 2003, a second Knowledge Wave conference was held, again hosted by the University of Auckland and cast this time as a 'Leadership Forum'. The focus was substantially different from the 2001 forerunner, and the discourse of hyperglobalism was even more apparent in the prominence of private sector representatives and international consultants including those from McKinsey and Company, Saatchi and Saatchi, Harvard Business School, and Professor Richard Florida. This time, however, the government sought to distance itself from what Clark identified as the increasingly neo-liberal agenda of the conference organisers, the Knowledge Wave Trust, which comprises a range of 'big business' representatives.

We do not accept the unspoken agenda behind so much of the rhetoric about the need for vision, leadership and change. Decoding that rhetoric generally reveals discredited and discarded agendas of the 1980s and 1990s which produced growing inequality, social fragmentation and despair in many quarters. The pace of change in those years may have been exciting for some economic elites, but they were simply terrifying to many in broader society. In our change agenda, we will be looking to work with people, not against them, and to build the maximum possible consensus around vision and goals (Clark's speech to conference, 2003: 14).

As Einstein apparently said, problems cannot be solved by the same thinking that created them. Yet in response to her identification of the undesirable Conference agenda, Prime Minister Clark simply restated the Innovation Strategy vision, committed to New Zealand realising its potential as:

a birthplace of world changing people and ideas; ii) a place where people invest in the future; iii) a great place to live, learn, work and do business; iv), a land where diversity will be valued and reflected in our national identity. That is the vision articulated in the government's growth through innovation framework (Clark, 2003: 14).

The prioritisation of 'world-changing people and ideas' invokes the 'cultural cringe' and invocation of external approval as the benchmark for success. The 'place where people invest in the future' is prioritised over the 'great place to live, learn, and work'. The recognition of diversity and New Zealand's national identity is not manifest in the government's Innovation Strategy, except insofar as Maori themes can be incorporated for purposes of 'differentiation' (Chapter Eight). Stating that this "is a vision which can be widely shared, but there will be much debate about how it is best achieved" (Clark, 2003: 14), Clark did not revisit the proposed direction for change, which remains that clearly articulated in *Growing an Innovative New Zealand*.

In the end the nature of the change agenda will be driven by the values of those in the driver's seat. In the driver's seat in my government are people who are deeply committed to social

cohesion and inclusion, to participation, to partnerships, **and to economic growth producing a strong social dividend** (Clark, 2003: 14, emphasis added).

Her comments thus reaffirm the Innovation Strategy goal, and demonstrate explicit economic determinism. The financial metaphor of the 'social dividend' is no accident, but reveals the disembedding and privileging of economic considerations above all else.

The disembedding of the economy

The notion of the Knowledge Economy as a desirable future vision and as a strategy for achieving it, measured in terms of economic indicators that are widely accepted as a proxy for 'quality of life' in New Zealand, demonstrates the privileging of economic factors over other societal objectives. The fact that it is commonplace to value New Zealand in terms of GDP per capita reflects the widespread internalisation and normalisation of market imperatives. The discourse of hyperglobalism plays a central role in bringing this situation about. Its emphasis on novelty, enables the specificities of path-dependence to be ignored. Its emphasis on the *global* and the *generic* removes the possibility of local control – and narrows the scope for action.

The privileging of economic indicators over other measures of societal well-being, and the incursion of market imperatives into previously non-commodified parts of life can be understood in terms of the 'double movement' identified by Polanyi (1957), in which the economy has become disembedded from its social context, and re-embedded in a new form of social order, the 'market society'.

Man's [sic] economy, as a rule, is submerged in his social relationships. He does not act so as to safeguard his individual interest in the possession of material goods; he acts so as to safeguard his social standing, his social claims, his social assets (Polanyi, 1957: 46).

In Polanyi's view, people are not atomised individuals operating independently, but primarily social beings, whose historical interactions reflected the principles of *reciprocity*, *redistribution*, and *householding*, or 'oeconomia': production for use rather than production for gain. While the sale of surpluses need not destroy the basis of householding, gain is a motive peculiar to production for the market (Polanyi, 1957: 54). Polanyi argued that all economic systems until the end of feudalism were organised either on the principles of reciprocity or redistribution, or householding, or through some combination: while there were many individual motives, gain was not prominent. From the sixteenth century onwards, markets were numerous and important, and in a mercantile system they were a main concern of government, *yet there was still no sign of the coming control of markets over human society*, for markets remained subject to human control. Conversely, by the nineteenth century, instead of economy being embedded in social relations, social relations became embedded in the economic system (Polanyi, 1957: 55-7), the same fundamental point made by Marx.

A self-regulating market demands nothing less than the institutional separation of society into an economic and political sphere... In neither tribal, feudal nor mercantile conditions was there a separate economic system in society – nineteenth century society, in which economic activity

was isolated and imputed to a distinctive economic motive, was a singular departure (Polanyi, 1957: 71).

The market cannot function unless society is subordinated to its requirements – hence a market economy can only exist in a market society. To include elements of industry – land, labour and money – means to *subordinate the substance of society itself to the laws of the market*. “The extension of the market mechanism to the elements of industry – labour, land and money – was the inevitable consequence of the introduction of the factory system in a commercial society” (Polanyi, 1957: 75). Human society had become an accessory of the economic system, although the spreading of the market mechanism was not ‘natural’:

There was nothing natural about *laissez-faire*; free markets could never have come into being merely by allowing things to take their course. Just as cotton manufactures – the leading free trade industry – was created by the help of protective tariffs..., *laissez-faire* itself was enforced by the state... The road to the free market was opened and kept open by an enormous increase in continuous, centrally organised and controlled interventionism (Polanyi, 1957: 140).

Polanyi’s double movement involved first the disembedding of the market from the earlier institutional context of feudalism and the development of *laissez-faire*. This provoked a counter-movement from society, expressed in various attempts to re-embed market forces in social institutions, and thereby to regulate the market mechanism (Jessop, 1999b: 6). The first stage of disembedding is the separation of the economy from society, evident in the fact that “the commodity form of relations between people and likewise between humans and nature is accepted as an unquestionable self-evident truth” (Altvater and Mahnkopf, 1997: 454). The disembedding of economy from society can express itself as the destruction of political democracy to the advantage of the “economic democracy of the dollar” (ibid, 455), attested to in New Zealand by the use of GDP as a proxy for well-being and its unquestioned acceptance as a societal goal. In this process, historical time span is reduced to a single point in time whose coordinates are to be found in the economic rather than natural domains (Altvater and Mahnkopf, 1997: 456). The emphasis on novelty, a central feature of the discourse of hyperglobalism, means that the present dominates both past and future.

Political life is gripped by this present-oriented thought. The past is just as important for the social memory and consciousness relevant to action, for the identity of the individual and for the history of societies, as is the ‘future-oriented project’ [such as the knowledge economy]: the assumption that you can shape the future according to the wishes, needs and utopias of citizens which are the object of permanent conflict-laden discourses. Without this time-and space-boundedness, a democratic society is in principle impossible. But the rhythms of the political process create a systematic over-emphasis on the present vis-à-vis the future; in the interests of the present generation over those of future generations (Altvater and Mahnkopf, 1997: 457).

The hegemonic discourse of hyperglobalism is thus conducive to the adoption of the knowledge economy as a vision for society – whose achievement will be measured in New Zealand’s increasing GDP per capita – reflecting the rejection of the relevance of New Zealand’s past economic and social history. Yet these specifics remain intensely relevant to New Zealand’s present social conditions. The process of disembedding does not, however, leave society with no

role in regulating the market, for the excesses of neo-liberalism have resulted in a call for regulatory mechanisms. 'Deregulation' is a misnomer, for it rather entails the *redistribution* of regulation – or 're-regulation' (Altvater and Mahnkopf, 1997; Le Heron and Pawson, 1996). Recognising this, it becomes possible to acknowledge that there is nothing 'natural' about open economies, for the form and extent of regulation reflects the active decisions taken by states. This in turn permits consideration of *possible alternative forms of regulation*, discussed in Chapter Seven. The possibilities are however restricted by the hegemonic discourse of hyperglobalism, which narrows the conceptual terrain within which options can be debated by emphasising the global, the novel, and the generic. This is reinforced by a host of domestic discourses which assume the unsustainability of past forms of regulation, which in turn are viewed as synonymous with social democracy. As a corollary, neo-liberal principles are adhered to as the *only alternative*, despite their deleterious consequences (Dalziel, 2002; Hazledine, 1998, 2000). By disparaging specifics in favour of generic notions, the discourse further ensures that the connection is not made between New Zealand's poor economic performance and poor social indicators, and the reform process.

Policy-makers are thus operating within a specific context dominated by taken-for-granted neo-liberalism. Recent policy documents attest to this 'naturalisation', which prevents the *direction of policy* and the context within which it is developed being questioned or challenged. This appears to reinforce the tendency noted by Jessop (2002b), who argued that just as capitalism survived the crisis of the 1920s and world wars because the market economy became re-embedded in a market society, neo-liberalism is following the same trajectory. Disembedded from the social democratic post-war matrix of social and political regulation, policy-makers at the end of the twentieth century faced the limits of the market as a steering mechanism and as a basis for social cohesion (Jessop, 2002b). The knowledge economy thus represents a response to the failures of the neo-liberalism of the 1980s and 1990s – in Jessop's terminology, it represents an attempt to *re-embed capitalism in a new, rescaled form of market society*, with new institutional architecture. Jessop describes this process as the pursuit of a new accumulation strategy based on privatisation, liberalisation, deregulation and the intro of market proxies and benchmarking into public sector, and internationalisation or globalisation. Because it emerges within this discursive context, however, and is imbued with the discourse of hyperglobalism, it provides little hope as a solution.

While the discourse of hyperglobalism is hegemonic, it is not unresisted: counter-discourses emerged throughout my interviews, demonstrating a more nuanced understanding of globalisation than the dominance of hyperglobalism implies.

I do have problems when you get a kind of headspace that globalisation is good, and I think the grownup approach is to say many aspects of globalisation are good, there are some aspects that haven't been clearly thought through, which have different implications, and that we should raise those implications does not mean that we should get slagged as hard left or hard right, or any of the silly labels. It just means that there is no system or path that is without rocky bits. And **if we ignore the rocky bits by simply slinging mud at the people who say here's a rocky bit, then we're not being very bright** (Interview, CEO, SPADA, emphasis added).

Yet the dominance of the discourse of hyperglobalism narrows the conceptual terrain. The remaining agency for action, by both people and the state, is eroded by the sense of inevitability and helplessness about New Zealand's increasing external connectivity, despite the fact that increasing external connectivity has been a fundamental characteristic of New Zealand since its earliest development, and that actions taken by the state have played an important part in this interaction. This precludes deliberation over options, making it extremely difficult to discuss New Zealand-specific issues, for the focus is overwhelmingly global. Importantly, there is little possibility for talking about things such as desired societal ends and goals, and this leads to the formulation of goals and strategies that take little account of New Zealand's idiosyncrasies and unique circumstances.

The 'new world order' partially constituted through the discourse of hyperglobalism does not reflect the abandonment of market principles, but rather, the internalisation of the idea that there is no alternative to free markets. The discourse reinforces the sense of disjuncture with the past, emphasises novelty, underplays the significance of local specificities, and encourages a generic view. The disparaging of local specificities in turn encourages a sense of apathy, undermining the power and ability of people to act. Agency thus shifts from localities to external bodies – consultants, larger international groupings such as APEC or the WTO, minimising the ongoing significance of local and national action in determining New Zealand's future prospects.

Providing hope is the fact that while the discourse of hyperglobalism is hegemonic, it is *resisted* by a parallel discourse exists with vestiges of earlier notions of constrained autonomy, which acknowledge the possibility of alternative visions for New Zealand's future. One counter-discourse is manifest in recent actions taken by the government. While concurrently accepting the economic constraints of the discourse of hyperglobalism, the New Zealand Government has taken a strongly independent stance in political and military terms in its position on the war in Iraq. Rejecting the 'global imperative' in terms of the fears of economic retribution from its major trading partners, the government has chosen to follow its *own* course, rejecting that of the US, Britain and Australia. New Zealand's "new non-alignment policy" (Birss, 2003: C1) is in fact anything but novel. The government's actions echo the strongly independent political stance taken by past New Zealand governments, evident in New Zealand's support of the establishment of the UN and in the Nuclear Free New Zealand legislation of 1987. Rejecting 'generic' approaches developed elsewhere, the New Zealand Government has demonstrated that it retains the capacity to act independently. Its stance also represents a firm commitment to a societal vision based on *a different set of values* aside from the solely economic, explicitly expressed by Prime Minister Clark in March 2003:

I question whether anyone is seriously suggesting that the New Zealand Government should commit young New Zealanders to a war it does not believe in, in order that it might get some material advantage in trade (Clark, National Radio, 31 March 2003, 5.40 pm, cited in 'Kiwis before trade', 1 April 2003).

In opposing the stance taken by the US, UK and Australia over the war in Iraq in 2003, the New Zealand Government demonstrated a high level of commitment to *independence* and recognition that New Zealand's options are not necessarily *determined* by the external context: in short, a rejection of the discourse of hyperglobalism. This hints at the possibilities that emerge if the discourse is named, resisted and challenged and the imperative of globalisation rejected, broadening the debate over the options for contemporary and future New Zealand.

Chapter 11: Conclusion

Globalisation in New Zealand

Globalisation is frequently used in an indiscriminate way to refer to contemporary developments. Global-factualists argue that globalisation represents a novel departure from the past; while global-fantasists insist that it is nothing new, yet both elide in tackling globalisation as a description of an *actual phenomenon*. Each position can be strongly defended and contains elements of truth, although the insights gained are inevitably partial. At this level of analysis it is possible to enter the globalisation debate on the basis of an empirical case study, in order to examine just what, if anything, is different about the present. The sense of disjuncture implied by globalisation causes past experiences to be dismissed as obsolete or irrelevant to New Zealand's present or future. This in turn leads to an underestimation of the ongoing importance of both history and geography, both of which continue to influence contemporary New Zealand in fundamentally important ways.

Comparing the present with the past, New Zealand remains small and sparsely populated, isolated, internationally trade-dependent, and globally connected, just as it has always been. Similarly, since 1935, decision-makers in both private and public sectors in New Zealand have been preoccupied with very similar issues. These include New Zealand's small population and hence constrained domestic market prospects; New Zealand's heavy dependence on international trade and hence vulnerability; New Zealand's narrow range of export commodities and hence need to diversify; New Zealand's distance from other countries, and hence the tendency for hopes to be pinned on technological advances to overcome the tyranny of distance; and the need to increase New Zealand's economic growth in order to maintain and improve quality of life.

The ongoing relevance of history and geography is important and bears emphasising, given that it is frequently overlooked in contemporary discussions of the effects of globalisation in New Zealand. It is, however, insufficient simply to draw attention to the persistence of past parallels, for whether or not these exist, *the term globalisation is used, regardless, to refer to contemporary circumstances*, by influential decision-makers whose views have practical consequences.

It is therefore essential to undertake a closer examination of the term globalisation. As a description, the term globalisation is misleading, as it seems to ascribe unity and specificity, masking the fact that it is used in a multiplicity of ways to refer to widely differing phenomena: globalisation is not simply a neutral expression, but a profoundly value-laden interpretation of contemporary events. The difficulties inherent in using globalisation as a description can be transcended if an analytical distinction is drawn between the analysis of globalisation as a *description* of contemporary reality, and the analysis of the *discourses* of globalisation at a conceptual level. This leads to the unmasking of globalisation as a powerful concept that has

acquired its own causal efficacy. In turn, this insight has permitted me to critique the dominant policy discourse of hyperglobalism.

Globalisation as a concept

The widespread use of the term globalisation suggests commonality in meaning. Yet the surface similarities language can present should not distract us from the important differences in the way concepts are used (K. Moore, 2000: 226): “We remain unconscious of the prodigious diversity of all the everyday language-games because the clothing of our language makes everything alike” (Wittgenstein, 1967: 224).

The diversity of phenomena labelled globalisation make it necessary to examine the *ways in which the term is used*, by whom, and to what effect. This is the element missing from many analyses of globalisation, which seek to trace broad macro patterns rather than starting with analysis from the ‘ground up’. By contrast, my analysis of globalisation as a concept emerged from empirical examination. Anchoring my analysis in the specific historical and geographical context of New Zealand and Canterbury in particular led me to recognise the way in which the context fundamentally influences the way that globalisation is interpreted. This has implications for both the material context of daily life, and the discursive climate within which options are discussed.

Analysing globalisation as a concept rather than as an actual phenomenon means that rather than seeking to provide yet another definition, the term must be anchored in its specific spatial and temporal context, so that the different ways in which it is used can be examined, and the consequences of understanding or interpreting it in these ways can be understood. My analysis emphasises that New Zealand’s historical development has been inevitably influenced by the global context since earliest European contact, and this conditions the path-dependency of contemporary New Zealand in both material and discursive terms.

Materially, there have been vast changes in New Zealand – as elsewhere – since the 1970s. Technological advances, in conjunction with cultural, political and economic changes, exacerbate the sense of disjuncture with the past. The term globalisation provides a useful short-cut to refer to these developments, but this is in turn but a short step from viewing globalisation as a causal influence responsible for them. Discursively, the dominance of pop internationalism and declinism is conducive to the prevalent sense of impending crisis and the catastrophising of New Zealand’s contemporary prospects, lending urgency to the calls for transformation. Interweaving both discursive and material aspects is New Zealand’s path-dependent history: not only did the Imperial connection establish New Zealand’s economic profile and enable the achievement of living standards far higher than those of most exporters of primary produce, it also helped to engender a set of discourses through which material developments are interpreted. The nexus of (agri)cultural cringe and LBW (leading the bloody world) syndrome, Fortress New Zealand and the obsession with international competitiveness attests to the entwining of material developments

and discursive interpretations, which together have conditioned the way in which globalisation is understood and acted upon.

Analysis of company reports and government policy documents, and interviews with influential people in Canterbury and Wellington, provided evidence that the discourse of hyperglobalism is hegemonic in New Zealand policy-making. Comments made by influential figures reveal a focus on *novelty*, *generic applicability* and the *global scale*. Whether in technological, political, cultural or economic terms, the overriding impression that emerged reinforced the sense of a qualitative disjuncture with the past, evident in the reiterated distinction between contemporary 'global players' and the 'Fortress dwellers' of the past. My interviewees specifically used the term globalisation to describe these differences; yet as the interviews progressed, the disjuncture became blurred, as they reflected upon the nuances of contemporary circumstances, often resulting in a reaffirmation of the similarities with the past. My historical comparisons further elucidate the continuities and parallels that persist for a small, isolated country with a small population aspiring to high living standards, whose income is perennially inadequate to cover its wants, yet amongst contemporary sources, the sense of change overrides. Changes since the 1980s reinforce the sense of disjuncture, which has come to be understood as externally driven, and is frequently attributed to a process called globalisation. This has the effect of minimising the relevance and significance of factors that do not fit these parameters, removing from consideration New Zealand's uniqueness and peculiarity, and similarities with the past that persist.

It is highly significant that influential decision-makers up to and including the Prime Minister are framing their decisions through the lens of hyperglobalism. Opinions are shaped through this process because of the power that such figures command which ensures that their views are not only reported, but are authoritative, and come to be acted upon. This has the effect of marginalising opinions that do not correspond to the dominant discourse, affecting what is given credence, and what can and cannot be discussed. The practical implication is that views that emphasise continuity rather than novelty, the local context rather than the global, or New Zealand-specific experience over generic international advice, are subjugated and rejected as obsolete, irrelevant, or 'anti-progress'.

Understanding the concept of globalisation as a set of discourses runs the risk of implying that globalisation is 'simply talk', a fashionable buzzword extrapolated too far. Sayer (1989: 670) suggests that buzzwords are initially attractive because they offer the promise of escape from old concepts whose limitations are all too familiar and whose strengths bore rather than impress, but that they quickly die because their promise proves to be false, and their unities and generalisations full of holes. Yet viewing globalisation as simply a buzzword is to misunderstand the materiality of discourse and its dialectical link to practice. The fact that the concept of globalisation conditions the framework within which influential policy-makers evaluate options influences the way in which problems are defined and policies developed, encouraging chronocentricity through the implication that we are experiencing something qualitatively different to anything that went

before. This causes a narrowing effect: as Maslow observed, if the only tool you have is a hammer, you tend to see every problem as a nail. If the dominant concept is globalisation, alternative interpretations are limited by the 'new planetary vulgate'.

The discourse of hyperglobalism encourages a focus on *novel solutions*, thereby effectively dismissing New Zealand-specific experience, despite the persistence of many past constraints. It also implies that the circumstances facing countries in an 'era of globalisation' are *generic*, evident in the comparisons with other countries seen to be performing more successfully in the 'international competition' (such as Ireland or Singapore), and in the hiring of international management consultants. This trivialises the significance of New Zealand's highly distinctive circumstances – its comparative advantage in natural resources, the small size of the domestic market, its high living standards – and dismisses the relevance of New Zealand-specific expertise to the country's current and future prospects. In emphasising the historical context and the ongoing salience of New Zealand's location, my analysis necessarily draws attention to the *dissimilarities* of New Zealand compared with the rest of the world. This challenges the tendency toward generic solutions, calling into question the value of generic management consultancy advice if it is not balanced against New Zealand-specific analysis; and raises questions over the value of external comparisons that fail to consider the differences between New Zealand and the countries considered. Finally, the discourse emphasises the *global* scale. This is necessarily the case in a small, trade-dependent country such as New Zealand, yet long-sightedness occurs at the expense of local conditions. Politicians have for twenty years focused more or less on the global context, viewing the world as a seamless whole governed by the principles of general equilibrium theory. Yet in fact, the world remains as segregated and partitioned as ever, despite free trade rhetoric and the image of global connectivity. The global focus has blinded New Zealand policy-makers over the past twenty years to this ongoing feature of the global economy and global society, with profoundly detrimental effects for New Zealand, for policies have been pursued with scant regard for New Zealand's own self-interest. This implies the need for a re-valuing of the local scale and a reappraisal of the remaining room that policy-makers in both public and private sectors in New Zealand have to manoeuvre, albeit necessarily within the context of the global.

By emphasising the novel, the generic and the global, the hegemonic discourse serves to distract attention from the *really existing situation* in New Zealand. Yet New Zealand's future options can only be usefully discussed if the specificities of its historical and geographical context are acknowledged, along with the recognition that the government can and does maintain an active role in determining the future for New Zealand, just as it has always done. To tackle the issues confronting contemporary New Zealand, my evidence suggests the need to acknowledge its distinctiveness – indeed its uniqueness – in terms of its remote geographic location, the path-dependency of its economy, its small population size, its comparative advantage (both tangible and perceptual, in terms of the 'clean, green and safe' image), *and the effects of government activity over the past twenty years*. These factors remain as relevant to New Zealand's

contemporary prospects – social, environmental, political and economic – as at any previous point in its history, but are masked by the discourse of hyperglobalism.

Reappraising the options without the globalisation imperative

My analysis suggests that the term globalisation requires careful reappraisal, demanding more than simply a redefinition of what it is. If it is understood as a concept rather than a description, its performative power can be recognised through the analytical device of discourse analysis. Recognising and providing for the constitutive effect stemming from the nominalisation of globalisation, it becomes possible to re-evaluate the options confronting New Zealand. The concept cannot be understood unless it is contextualised in the specific history, discourses and domestic and international conditions within which it is used. Each of the dimensions of globalisation can be elucidated if the discourse of hyperglobalism is recognised and resisted.

First, the implications of technological advances shift if the effect of the discourse of hyperglobalism is recognised and provided for. Recontextualising recent developments within an historical trajectory of increasing interconnections injects a note of caution into the techno-optimism that accompanies discussion of ‘high-tech’ solutions to New Zealand’s problems. While international communication and travel has been enhanced with recent technological developments, time-space compression and distanciation remain intensely relative, the ‘tyranny of distance’ continues to operate in New Zealand both materially and discursively, and location remains of pivotal importance in determining New Zealand’s prospects.

Secondly, New Zealand’s contemporary political circumstances can be better understood if globalisation is divested of its causal efficacy. This encourages questions over how New Zealand’s self-interest might best be pursued within the inextricably global context, and the remaining autonomy of the state in facilitating this process, permitting a reassessment of the agency that remains. Removing the external imperative of globalisation enables the power of ‘global institutions’ such as the WTO vis-à-vis New Zealand’s domestic government to be reappraised, encouraging debate over what stands to be lost or foregone as well as gained by further commitments. This broadens the arena for debate such that alternative perspective can be encompassed and considered, rather than rejected as obsolete or irrelevant in an ‘age of globalisation’.

Thirdly, the tensions that exist between cultural homogenisation or hybridisation and the cultural differentiation of New Zealand can be explored if an overriding external imperative of globalisation is rejected. Attempts to promote ‘New Zealand culture’ within a context shaped by globalisation has led to the current emphasis of aspects that are visibly different, evident in the construction of tenuous links between authenticity, identity and ‘indigenous’, or rather Maori, culture. Refocusing on the inevitable and historical connection between local and global leads to a more inclusive appreciation of the *cultures* of New Zealand and the multiple identities that exist,

enabling these factors, as well as fears over encroaching commercialisation, to be discussed in a context that takes regard simultaneously of the global and local contexts.

Finally, shedding the globalisation imperative enables questions to be reintroduced relating to New Zealand's economy that are overlooked within the discourse of hyperglobalism. Beyond question, New Zealand will remain dependent on international trade, if its living standards are to be maintained, as has always been the case. At the same time, there is considerable room for debate over the way in which international trade is to be conducted, and my approach suggests the need for further analysis of how markets *should* be regulated. This requires consideration of normative questions relating to ends as well as means, such as *why* we want GDP to increase, whether other goals might be more apposite, such as economic *development* rather than growth, and how much New Zealand's quality of life is valued. The debate is currently artificially restricted. Because hyperglobalism is hegemonic and unquestioned, trade discussions are dominated by the neo-liberal perspective that 'open markets' are the only possibility, despite empirical evidence to the contrary. For the same reason, non-democratic actors such as the OECD, APEC, and the WTO continue to set the parameters for New Zealand's domestic regulations, binding the future New Zealand state to particular courses of action. The New Zealand government presents this as the inevitable consequence of globalisation, sustaining the focus on the global rather than the local, on generic propositions rather than locally-developed alternatives, and on novel developments rather than enduring features of New Zealand's economy and society. Yet each aspect can be contested, if the imperative of hyperglobalism is resisted.

By emphasising the historical context and the ongoing salience of New Zealand's location, my analysis necessarily draws attention to the *dissimilarities* of New Zealand compared with the rest of the world. This challenges the tendency toward generic solutions, by emphasising the different circumstances, which in turn implies different strategies, calling into question the value of generic management consultancy advice if it is not balanced against domestic analysis of the prospects; and the value of external comparisons that fail to consider the differences between New Zealand and the countries considered.

The novel, global and generic emphasis encouraged by the discourse of hyperglobalism is exacerbated by the 'strange rage for novelty' that characterises New Zealand policy-making, in conjunction with the 'thin' political structure, which in practice has led to the cavalier disregard of the practical human, economic and environmental impact of comprehensive, rapid change. This is evident in the New Zealand penchant for 'transformation', which encourages a 'start from scratch' approach to policy-making. My approach has implications for policy-making, for it suggests that 'transformation' should be approached with caution, as it precludes learning from past lessons, despite the persistence of many parallels. An alternative to transformation rather lies in a pragmatic and incremental approach in which the effects of small changes can be monitored and tested against social, economic and environmental goals that have been articulated, followed by evaluation and more adjustments (Horn, 2002). This suggests that the 'baby and bathwater'

approach should be avoided in favour of incremental changes to ensure that what is good about the existing state of affairs is valued and preserved.

My appraisal challenges the notion of a novelty in the global focus, emphasising that for New Zealand at least, this is nothing new, and indeed that New Zealand's development can only be understood in the global context. At the same time, this suggests attention to New Zealand's existing conditions and self-interest, rather than a generic view of the world as undifferentiated. This implies a turn toward the local in understanding what is happening, *necessarily within the context of the global*.

My argument also draws attention to the chronocentricity inherent in many invocations of globalisation. Examining the historical parallels demonstrates that many of the issues confronting contemporary New Zealand governments have in fact emerged repeatedly throughout New Zealand's history. This is hardly surprising, for many of New Zealand's characteristics have remained the same: its small population, its remote location, its comparative advantage, the high expectations of its citizens, the difficulty in matching earnings with outgoings. Policy-makers in the post-war era operated within a context conditioned by a discourse of constrained autonomy, making decisions that influenced the way in which the external context impacted upon New Zealand even if they could not *control* it. Contemporary policy-makers operate within very similar conditions, yet the options considered are artificially restricted by the discourse of hyperglobalism, which has brought into being both discursive and practical limits on government action.

In offering an alternative perspective from that which dominates policy-making in New Zealand, a wider range of options emerges that the hegemonic discourse obscures. This not only provides new possibilities for action, but also raises the possibility that still other alternative perspectives exist. That calls for an ongoing critical engagement with dominant policy discourses, in order to explore what they obscure, what they constitute, and what are their results. Instead of relying *exclusively* on the wide-open lens of globalisation, my analysis suggests a reappraisal in which globalisation emerges as *one* of the concepts through which we can understand what is going on in contemporary New Zealand society, but not the only one. A consequence of this thinking is to recognise the existence and value of distinctiveness, of the multiple layers of contemporary reality as it is experienced in New Zealand, shedding light on the way globalisation is understood and acted upon. My thesis demonstrates the way in which the discursive constraints operate and how they might be otherwise constructed, offering an alternative point of view and thereby broadening the options available for consideration.

Deconstructing the concept dethrones globalisation from its position as *the* quintessential characteristic of the contemporary world. Viewing globalisation as a set of discourses within which hyperglobalism is hegemonic, it becomes possible to resist the image of globalisation as an externally imposed force demanding New Zealand's acquiescence, and to escape the conceptual

groove dug by the concept of globalisation. This requires examining where we are, so we can then decide where we want to be and how to get there. This in turn requires a close examination of the existing circumstances, and a strong distinction between rhetoric and practice. This process can be assisted by ideas imported from elsewhere, but these must be viewed critically in light of New Zealand-specific analysis stemming from our own particular experiences. This requires an understanding of our history, which is not as irrelevant as is frequently implied. My thesis offers the possibility of jumping the rails and escaping the groove by recognising and resisting the constraints of the concept of globalisation, which remains the dominant representation of life in New Zealand.

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Appendix: Research Details

The specific annual company reports to which I refer are fully referenced in the text. Each of these companies is also listed in the References. The annual reports that I used are archived in the Lincoln University Library and the Macmillan Brown Library, as are the government documents that I used.

For the ethnographic component of my research, I obtained permission to conduct in-depth interviews from the Human Ethics Committee at Lincoln University. Interviews were conducted in 2001 and 2001 with the following people. Each interview lasted between thirty minutes and two hours, and was carried out at the individual's place of work. Each interviewee was offered confidentiality and anonymity but none requested these, except where indicated (*). Each gave permission for their comments to be used in any publication that I write, including this thesis.

CEO, Canterbury Employers' Chamber of Commerce
CEO, Canterbury Manufacturers' Association
CEO, Canterbury Development Corporation
CEO, Tait Electronics
CEO, Lignus
General Manager, Ballantynes
Marketing Manager, Merino New Zealand
Marketing Manager, BMG Music
McDonald's Franchisee, Christchurch
Director, Canterbury Fare
Lecturer in viticulture, Lincoln University
Lecturer in agriculture, Lincoln University
High country runholder*, Canterbury
CEO, Te Runanga o Ngai Tahu
Former Mayor of Christchurch
Chair of Finance Committee, Christchurch City Council
Mayor of Banks Peninsula
CEO, Film Commission
CEO, Creative New Zealand
CEO, Radio New Zealand
CEO, Screen Producers' and Directors' Association
Director, International Film Festival
CEO, Christchurch Symphony Orchestra
Director, Christchurch Arts Festival
CEO, Canterbury Rugby Football Union
Programme Director and National Coordinator, Christian World Service
Media Manager, Christian World Service
Chris Laidlaw, former All Black, Rhodes Scholar, and parliamentarian; currently a broadcaster and Wellington Regional councillor (identified by name in interviews because of his multiple roles)
Economist, University of Queensland
Political scientist, Lincoln University
Social scientist, Landcare Research