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**FROM THE PAST TO THE FUTURE:
IDEAS AND ACTIONS FOR A FREE SOCIETY**

CHAPTER THIRTY-SEVEN

IDEAS AND ACTIONS FOR A FREE SOCIETY
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Ideas and Actions for a Free Society

Politicians come in every hue. Some are cause driven, some are conviction driven and some dare I say it are driven only by their own ego.

But because it is a mission of mine to see the vocation of politics rehabilitated, I want to take the high ground in this presentation.

Public policy matters – a lot, and so the environment in which policy is fashioned and championed matters much.

A degraded body politic, bereft of ideas and trust, can only presage degraded economic and social outcomes.

The voters generally get it (that is where a democratic right can be exercised).

The recent resounding victory by Britain's Boris shows that with the right set of ideas, messaged in a modern and catchy way, voters can be persuaded to do the right thing.

The two sets of radical reform episodes in New Zealand demonstrated in the mid-eighties and early nineties, that momentum for fundamental reform could be maintained through electoral cycles, and even better, sustained beyond the political life of the prime movers.

The ideas came first, then the institutions.

Start with ideas. The champion of New Zealand's much documented transformation was the idea of opening up; that allowing the free flow of money and markets would pay handsome dividends. As we turned our back on a closed economy dominated by state ownership, protectionism and high burdens of tax and regulation, the pay-off for the whole-hearted embrace of that idea came in the form of economic and job growth and a dramatic reining in of debt and deficits. Farming without subsidies, businesses facing markets not Ministers for their footing and their future, unilateral free trade and a de-regulated labour market all combined to foster a new dynamic.

Having tested a controlled economy to its near destructive death, opening up was the remedy.

But ideas need to be buttressed by institutions to ensure that they are not just bedded in, but sustained.

The pledge that monetary policy would never again be captive of politicians trying to inflate their way to victory, saw NZ pioneer the institution of an autonomous, but accountable central bank dedicated to the mission of price stability.

The pain of recurring blow outs in debt and deficits, saw the remedy of rules for fiscal prudence instituted with transparent and comprehensive accounting for public finances.

The waste and inefficiency in the public sector saw performance management regimes instituted for civil servants and corporate disciplines imposed on state owned enterprises hand in hand with regulatory reform and privatisations.

Some three decades on these ideas and institutions remain the centre of political gravity.

Let me move from then to now.

The forces of disruption that we see demonstrated every day in the business world, have unsurprisingly extended to the domains of politics.

The events governments grapple with have seen established orthodoxy turned on its head.

Central Banks doing ‘whatever it takes’, the constant cry to abandon fiscal prudence, some even calling it a fetish (the head of Germany’s central bank no less), market systems derided daily and pedalled is the belief that wellbeing springs from state rather than private actors.

Layer over that the big geo-political disruption which is the inexorable rise of China with fundamental challenges to notions of democracy, international rules-based systems, private property rights and personal liberty.

The real risk for the West is that Governments lose their footing, trust is trashed, the economy flounders while citizens demand greater share of the collective pie.

A fellow thinker Downunder, Maurice Newman, put it well when he wrote in December of “a West tormented by indecision and social division. Belief in its values, institutions and systems is waning”

By my reckoning any successful anti-dote to all this democratic, economic and social turmoil will require political action to be anchored in first principles.

Central governments are by definition an exercise in intervention.

Sorting the intervention logic is what matters.

In office there is a constant tension between events and anchors – by which I mean a principled framework for governing.

So often events overwhelm the anchors; the intervention logic of principle is abandoned in favour of the expedient of the moment.

Rather than table a technical analysis (Boris’s right hand man, Michael Gove famously declared “people in this country have had enough of experts”) let me give you an erstwhile political practitioner’s roadmap of governing for the times.

The **spirit** that drives the intervention counts most.

A spirit of freedom in all its forms both optimizes the outcomes, whether they be economic or social, political or personal as well as the democratic buy in.

Just take the pulse of a Hong Konger to know that the idea of liberty is not an abstract – it is visceral and personal.

And take the pulse of a new conservative voter in the north of England to know that the freedom to make decisions for one's own country rates above most all other matters.

The unambiguous link between markets without sand in their works and job growth validates both deregulation and the institution of rules of the game to counter monopolistic efforts to shut down markets.

Then there is the **shape** of the hard and soft infrastructure that underpins performance.

Noble gestures at vast public expense in the name of advancing hard infrastructure are the new fiscal 'fetish'.

Beware roads to nowhere. The business case, the cost benefit analysis, who funds and who pays for the ongoing maintenance all demand rigorous analysis. This must not be a political equation, but a sound growth and development enabler.

The soft infrastructure of human capacity is as critical as it is impervious to structural education reform. The very domain that should be the most dynamic is generally the most resistant to change. Politicians with purpose have managed to sponsor change at the margins, but the centrifugal force has proved to be organised producers not pupils who more than ever need skills passports to prosper.

Last on my roadmap list is the imperative to foster the **spark** of innovation.

While the shape of future discovery is unknown, what we do know is that it will be individuals and enterprises who will be the spark. We hear a lot about the licence to operate which so often is a stalking horse for regulation, control or outright prohibition. An atmosphere and a policy environment that gives the innovator the license to operate is of the essence.

Education excellence, ease of doing business, predictable tax regimes, frictionless trade all combine to produce the innovative DNA which is the stuff of future progress.

Francis Fukuyama of our MPS host, the Hoover Institution, famously wrote of the 'End of History', much misquoted.

Charting the 'Beginning of the Future' is for the bold, but I feel there are some golden rules of political action that will determine success or ultimate failure.

For sure Nations will make different choices, that's the attraction of policy freedom.

Nations governed with respect for the freedom of individuals and the law to back it, interventions that foster innovative DNA, governments that understand that wellbeing is best promoted by private dynamic not state actors and having the

benefit of high quality policy settings reflecting these imperatives for me spell success.

Nations whose citizens are required to trade economic progress for political dictate, where technology is the master not the servant, where centralised conceit usurps private decision making and are made to be prisoners of poor public policy will suffer.

In an age where there is serious flirting with socialism, the rise of a new would be hegemon who doesn't play by any of the freedom rules and distracted democracies it is worth noting that time and again it is markets that deliver the goods, individuals who innovate, and freedom that people strive for above all else.



RUTH RICHARDSON
FORMER MINISTER OF FINANCE, NEW ZEALAND

As New Zealand's Finance Minister from 1990 to 1993, the Honorable Ruth Richardson drove the nation's reform agenda and laid the foundation for its economic turnaround. Richardson was first elected to Parliament in 1981. In 1987, she was promoted to shadow minister of finance. Once in office as the Minister of Finance in 1990, she set about making radical reform, implementing market-style policies to secure New Zealand's economic recovery. These involved a major fiscal correction, deregulation of the labor market, recommitment to price stability, and early initiatives in redesigning social policy. On the back of those reforms, the economy grew by 20 percent, and New Zealand recorded the highest rate of job growth within the international Organisation for Economic Co-operation and Development.

Since leaving Parliament in 1994, Richardson has been in demand as a policy consultant to governments around the world on lifting standards of governance; on privatization; and on comprehensive macro, micro, labor market, public sector, and social policy reforms. Richardson mentors public and private figures extensively and has an extensive governance career, currently as the Chairman of the Kula Fund and New Zealand Merino Ltd., and as a director of Synlait Milk Ltd. and Bank of China (NZ) Ltd. She was previously director of the Reserve Bank of New Zealand. Richardson has received the Lincoln Medal from Lincoln University and honorary doctorates from the University of Canterbury and the Universidad Francisco Marroquin (Guatemala). In 1995 she published an insider account of the politics of reform in *Making a Difference* (Christchurch, NZ: Shoal Bay Press).

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