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Thanks very much for the invitation to speak today, and I'm somewhat humbled to follow such a lot of people - especially young people. It is a real pleasure to see that there is an upwelling of progressive thinking among the younger generation in New Zealand. Most of it is in the form of an external critique of the failures of our government, and I want to talk about the structural situation from which those failures come.

I have lifted, to start with, two images from Laura's presentation this morning (with her permission I hasten to add) because, seeing them, I thought: here is the economic history of capitalism in the developed world over the last hundred and fifty years in a nutshell. If you have read Thomas Piketty's book *Capital in the 21<sup>st</sup> Century* you'll be familiar with the charts he draws of inequality in income and wealth as it developed over 150 years, from 19<sup>th</sup>-century high levels of inequality into the 20<sup>th</sup> century when inequality came right down by the middle of the century, and then going out to the end of the 20<sup>th</sup> century it went steeply up again so that we are now back at high inequality. That U-shaped trajectory of inequality reflects major shifts in the balance of economic power within the societies that make up Western capitalism.



The top diagram represents the 19<sup>th</sup> century, with a corporate, dominant, power-holding elite basically in the position to exploit a relatively disorganised and powerless mass of the



population. The bottom diagram represents the history of the first half of the 20<sup>th</sup> century when a whole series of things came together to completely transform the political landscape and the political economy of Western capitalism.

Those things were

- first the mode of production - mass production - which brought workers together and gave them a common shared interest against capital;
- second a massive rise in the power of worker organisations (unions); and
- third, accompanying that, an intellectual package of socialist enquiry and policy development that gave them a platform to work with, alongside
- growing popular mobilisation as the suffrage was extended. More and more people got the vote and for the first couple of generations really made the vote count - they exercised a great deal of citizenship agency.



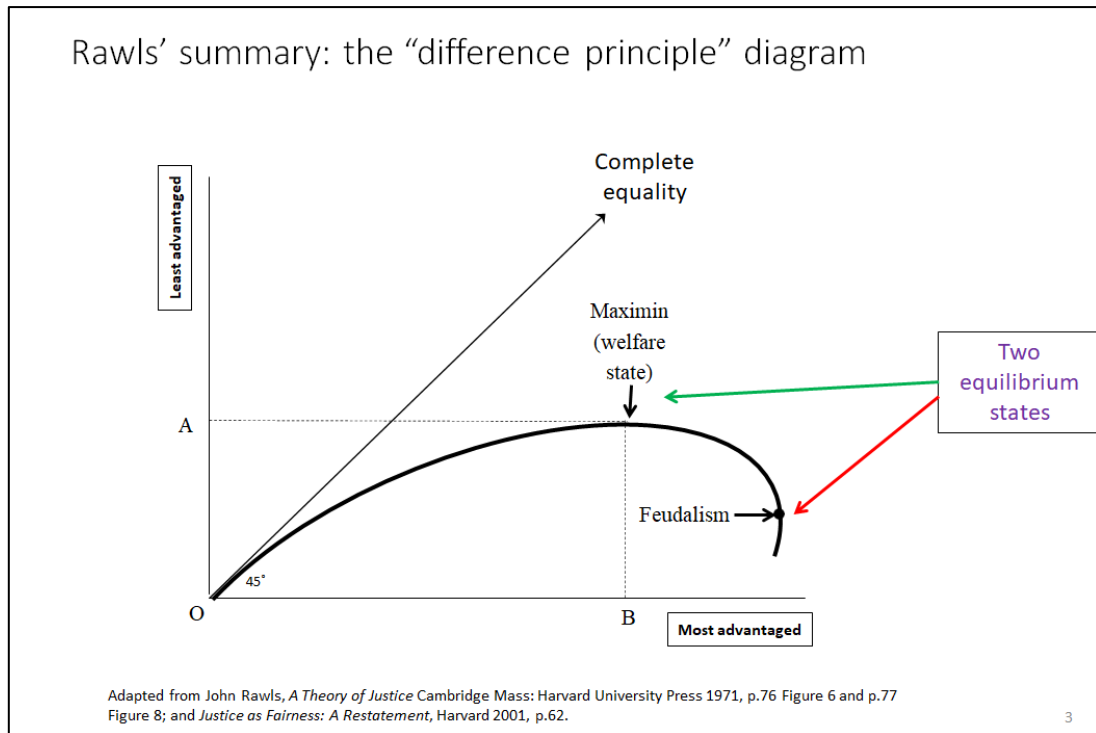
Then the tables turned, and the top diagram is again the history of the last 50 years. The turnaround is palpable in the rising inequality statistics, in the loss of power by the organised working class, and in the transformation of the mode of production of capitalism from mass production with large numbers of workers in homogeneous occupations to dispersed workers, often on contracts, with insecure positions and subject to divide and rule from the dominant corporate interests.

So I have three large theses to put to you today and I'll just try and do them in about two or three minutes.

The **first thesis** is that when you read Piketty, what he shows is that there are at least two equilibrium situations for capitalism. (This is assuming that you don't overthrow capitalism - because we did have a try at that, it didn't work out, and I don't think overthrowing capitalism is actually on the agenda at the moment. We are, for better or worse, stuck with the capitalist economy for the moment, and most of what we've been saying today has to be located within some sort of reformed capitalist framework.)

So Piketty shows us that there are these two equilibria. There is first the equilibrium of deregulated capitalism, where market power is allowed to work its way through unchecked, and where therefore concentrations of economic power develop, and that power is exercised to produce inequality and to greatly limit the scope of political action.

Then there is the other equilibrium - the mid-20<sup>th</sup> century one - which we call the welfare state or the mixed economy, where the exercise of agency by a motivated citizenry, in the context of electoral democracy and with strong worker organisations to provide a countervailing power to balance the power of capital, can establish a much more egalitarian framework. But to sustain that framework requires hard work on an ongoing basis, and the lesson of the 20<sup>th</sup> century was that we did not sustain that set of fences to keep the capitalist monster contained. As a result we have got the uncontained capitalist monster, and that is a large part of the reason why it's so difficult to get the policies in place that you're talking about today.



This is a diagram from John Rawls's theory of justice<sup>1</sup>. It's one of my favourite diagrams because it captures in one diagram the two equilibria I'm talking about. If you think about well-being for the least-well-off up the vertical axis, and well-being for the most-well-off - the most advantaged - along the horizontal axis, with complete equality you would grow the economy up along that 45° arrow. Reality says you can't run economies - especially market economies - on that basis. Some inequality is going to emerge as you do a capitalist development process. But over some considerable range everybody can indeed share in the rising prosperity. That is, in a nutshell, not a perfect representation but the sort of thing that was going on in the mid-20<sup>th</sup> century - a sharing of prosperity. Not "trickling down" because it wasn't a matter of leaving the stuff to trickle down - you went and got it. That involved the exercise of both political and economic clout by organised collective bodies of people.

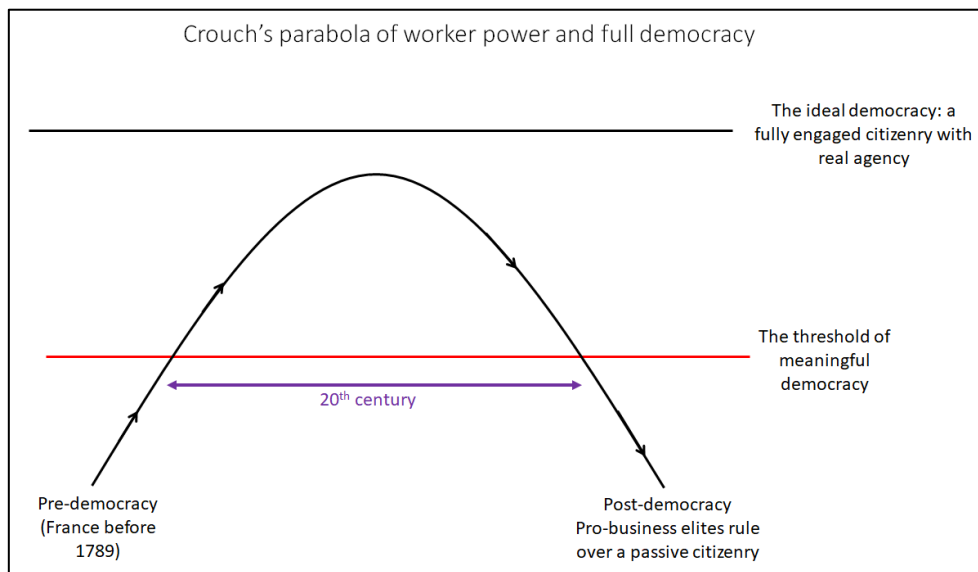
Then, if you continue to push on to the right in the diagram, you move from the maximum welfare state where everybody gets the best possible deal out of the capitalist system, to the most-advantaged getting a bigger and bigger and bigger share of the pie as the rest are squeezed back out. GDP growth can continue as you go on down there, but it's concentrated in the hands of the very top part of the population as the elite consolidates its control and power. At the end of that processes is the equilibrium which Rawls, without a trace of irony, called "feudalism", and which I call (looking forward) the new feudalism, towards which I think Western capitalism has been heading as we establish rentier elites with an increasing amount of the resources of the globe under their control and

<sup>1</sup> Adapted from John Rawls, *A Theory of Justice* Cambridge Mass: Harvard University Press 1971, p.76 Figure 6 and p.77 Figure 8; and *Justice as Fairness: A Restatement*, Harvard 2001, p.62.

an increasing part of the population simply reduced to, not exactly serf status, but nevertheless very subordinate status within the system.

**Thesis Two** is that the failing of collective political will, and of the ability to sustain the mid-20<sup>th</sup> century social contract between capital and labour, has left policy-making open to capture by business -focused elites which are inherently unresponsive to progressive agendas. That is the reason a lot of the speeches today are essentially being hurled against this impenetrable façade of the New Zealand state, which has some degree of responsiveness but nothing like what you might have looked for in an electoral democracy in a situation such as we currently confront, with an election just weeks away.

So the “committee of the bourgeoisie” is back in charge. The problem for neoliberalism and for the bourgeoisie is that the intellectual poverty of neoliberalism leaves them without a legitimating ideology that is going to last very long, and they are scrambling therefore to find new legitimating ideologies to sustain their position, and some of those come in particularly ugly forms. But it is at the moment the case that the right wing is initiating a lot of the new ideas in politics, and not all of them are encouraging.



This is a diagram that I have drawn to represent the arguments made by Colin Crouch, a British sociologist who wrote a paper in 2000 for the British Fabian Society about coping with “post-democracy”<sup>2</sup>. Crouch’s thesis was that democracy rose in the first part of the 20<sup>th</sup> century from a pre-democratic state, where the electoral suffrage was really limited and popular power was very small, to a position where nearly (but not quite) his ideal of an engaged citizenship, with agency to actually engage with policy formation and to have real influence, was achieved. You’ll notice that it was not

<sup>2</sup> Colin Crouch, *Coping with Post-Democracy*, London: Fabian Ideas Vol.598, 2000, working paper version at [https://pdfs.semanticscholar.org/d3cf/c64c8b64c7787f476a77f9255f328eb2b544.pdf?\\_ga=2.43124133.1421332815.1595049139-991588915.1595049139](https://pdfs.semanticscholar.org/d3cf/c64c8b64c7787f476a77f9255f328eb2b544.pdf?_ga=2.43124133.1421332815.1595049139-991588915.1595049139).

perfectly achieved. There's a gap, a deficit, between where we got to at the best point of democratic development and the ideal, and that gap is where you find the issues of race and gender and colonialism and the environment - things that got not quite onto the agenda at the height of democratic strength.

And then comes the transition to post democracy - the sliding away of participation in meaningful elections, the rise of increasingly trivialised elections where parties are brands marketing themselves with slogans rather than engaging in serious discourse on the issues of the day.

The **third thesis** is that there is scope for at least two activist agendas to run in parallel in Aotearoa/New Zealand. One of them is what we have heard a lot of today, and that is to strengthen collective agency and popular ownership at the periphery of the public sector, and try to thereby push the public sector forward.

The other lies at the heart of political power, in the Parliament, where there is an "iron cage" around policy at the moment, of neoliberal statutes that were passed in the last few decades and which are going to have to be confronted head-on and in many cases repealed and replaced, or in other cases radically amended, if we are to open the way for the sort of things that people are aspiring to today. Some examples are the Commerce Act 1986, the State-Owned Enterprises Act, the State Sector Act, the Employment Contracts Act that still lies around in modified form, the Public Finance Act, the Electricity Industry Reform Act, the Overseas Investment Act..... There's a whole panoply of laws on our statute books which are profoundly corrosive of the agenda that this meeting is concerned with.

I spend a bit of my time writing about those statutes and what should be done about them. In fact I'm about to publish an article on the Commerce Act in the next couple of weeks<sup>3</sup>.

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<sup>3</sup> Geoff Bertram, "Why the Commerce Act 1986 is unfit for purpose", *Policy Quarterly* August 2020; and *Is the Commerce Act 1986 fit for purpose? A blueprint for a new Commerce Act*. IGPS Working Paper 20/02, June 2020, [http://www.geoffbertram.com/fileadmin/publications/WP-20-02-Is-the-Commerce-Act-1986-fit-for-purpose\(2\).pdf](http://www.geoffbertram.com/fileadmin/publications/WP-20-02-Is-the-Commerce-Act-1986-fit-for-purpose(2).pdf).