

Trade, Growth and Anxiety: New Zealand Beyond the Welfare State. By S. Harvey Franklin. Methuen, Wellington, 1978. xvii, 402pp. N.Z. price: \$29.95.

PROFESSOR FRANKLIN has long had a reputation as an interesting, shrewd and witty commentator on New Zealand society. His latest book will enhance it. In one sense, the title well describes the content of the book since Franklin is concerned with the economic problems facing New Zealand, the vague but nevertheless strongly felt disquiet about trends in social justice and community happiness, and doubts about the tenability of long-standing policy stances. In another sense, the book succeeds as a vehicle for Franklin's observations on a wide range of issues and the connections among them matter very little. It is an unusual and interesting collection of topics, held together by Franklin's penetrating intelligence.

Trade and growth are covered in the conventional economic topics such as population, trade, manufacturing and farming. In each case, the discussion is sound and often penetrating although particular points can be questioned. Thus, Franklin gives due emphasis to the limited degree of policy control there can be over population trends, but he is too inclined to link population rather than income to market size. He gives a well-balanced account of trade trends but misses the opportunity to focus on value-added rather than on total output; manufactured exports can do little for the balance of payments unless they use imported inputs more productively. Growth is treated too much in terms of government policy and 'productivity' is used too loosely. Anxiety is discussed very much in terms of the problems of cities, about which Franklin is especially clear headed but it is preceded by a fascinating discussion of the regions which shows the value of seeking material from outside Wellington.

Franklin tries to integrate all this and more in two ways. He employs various kinds of 'systems' analysis. One is a SECOURS diagram which shows links between social and economic, capital and output, and urban and regional systems. It may be helpful for some readers to have these links made explicit, but it must be obvious to most that the input-output table is a representation of economic activities, that these imply business firms, people and houses, and that these must have a geographical location. Similarly, no reader of this book can be unaware of the movement of people between residential areas and central business districts as a prime cause of dissatisfaction with city life, and little is added by insisting that the city has to be seen in terms of a number of systems. Still, it does no harm to have forceful reminders of the interconnections between various aspects of society's affairs.

The second element of cohesiveness is Franklin's overall argument. This is a very simple one. The welfare state was created in New Zealand to modify the harsher implications of a free enterprise economy (which is what I take to be the meaning Franklin attaches to capitalism) and has been successful in doing so. But it was never intended to supplant capitalism and has not done so, thus ensuring that 'contradictions' between the output to which private decisions lead and the goods demanded by society as a collection of individuals and as an entity need not coincide. (The latter could better be stated as the possibility that the rewards that individuals and groups think deserved by their efforts can add to more than the total income available in the economy.) Furthermore, the welfare state has created vested interests that oppose the changes in the economy which are now needed to ensure further economic growth and to ameliorate the discontent which

exists in the present society. Franklin obviously thinks that this argument is novel and radical, which suggests that there are advantages in listening to people in Wellington and not accepting too readily the view of the regions that bureaucrats are out of touch with reality.

There are two disadvantages to the freedom with which Franklin attributes effects, both favourable and unfavourable, to the welfare state. First, while he is well aware of New Zealand's place in an international economy and of its openness to the influence of trends in western civilization (American fads?), he never stops to identify what is peculiar to the New Zealand welfare state. The issues of government expenditure, of protectionism, and inflation are all topics which have concerned many countries and Franklin gives no guidance towards the extent to which they are under local control.

Secondly, Franklin's work is profoundly unhistorical. Simple errors such as writing of the abolition of exchange control in 1955 (p.191) and treating the Overseas Investment Act of 1974 as entirely novel (p.193) are insignificant alongside an unwillingness to concede that there have been changes in New Zealand in the 1950s and 1960s. Franklin uses 'welfare state' indiscriminately to refer to New Zealand's record of full employment, its use of government expenditure and (surprisingly rarely) its tax system, without considering the different ways in which these have been employed over the last thirty years or so. All government policy is treated as part of a simple and static structure which can be called the 'welfare state'. When such a view is rejected, the New Zealand culture and economy is seen to have been responding to both internal and external pressures and one looks for ways in which this will continue with the current issues rather than tries to peer into a complete unknown.

But while both of Franklin's unifying forces are unsatisfactory, the book is held together by his shrewd observation and neat turn of phrase. He has a keen eye for absurdity but also a sympathetic tolerance, and a powerful intelligence which might scatter shots widely but scores sufficiently often to guarantee that the work can never become dull.

G.R. HAWKE

Victoria University of Wellington