

# Newman Weekly

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The New Zealand Centre for Political Debate

## Unbridled Government

It was a Professor of History at the University of Singapore, Cyril Northcote Parkinson, who first developed the law that explains the relentless growth in public sector bureaucracies. Parkinson's Law states that *work expands so as to fill the time available for its completion*.

Through his extensive experience with the British Civil Service, Prof Parkinson observed that in spite of the decline of Britain's 'overseas empire', the number of employees at the Colonial Office continued to grow. That line of inquiry led to the finding that bureaucracies expand relentlessly at a rate of between five to seven percent a year "irrespective of any variation in the amount of work (if any) to be done".

He believed there were two key reasons for bureaucratic growth. The first is that officials do everything in their power to avoid rivals, employing multiple subordinates rather than equals or someone better, in order to retain their position in the hierarchy. And secondly he believed that officials focus their efforts on making work for each other.

In his new book "Out of the Red", Richard Prebble, this week's NZCPD Guest Commentator, provides a fascinating insight into the New Zealand public service as he shares his experiences of being appointed as the first Minister of State-Owned Enterprises back in 1987. His challenge was to turn around twenty-one government businesses, from loss-making "disasters", into profitable corporations. In the end, this remarkable public sector transformation was achieved in just three years.

Richard describes the public service mindset in this way: "The bureaucrats who propose the rules have as their incentives to make more and more

rules that require more and more bureaucrats". He gives a poignant example: "The general manager of New Zealand Rail, when he was losing one million dollars a day, was the third highest paid civil servant. Why? Because he had so many staff. The more he employed, the more he was paid. If some general manager had reduced staff to a third and doubled the freight being carried at lower rates, a pay cut would have been his reward".

When we look at the present state of the public service, we can see that Parkinson's Law is alive and well. Back in 1999, when Labour was first elected, there were 29,000 public servants. Today there are more than 40,000. With such a massive bureaucratic army focused on generating new laws and regulations to better control our lives, it is little wonder that the average Kiwi is feeling increasingly over-governed as each day goes by.

The pay in the public service is not too shabby either. There are 2,651 public servants who earn over \$100,000, their 32 Chief Executives earn between \$200,000 and \$500,000, and 13 other state employees, like the Commissioner for the Environment, earn over \$200,000. The top earner was the former Commissioner of Police whose remuneration was between \$680,000 and \$690,000 a year.

Few would disagree with the view that ... state power has been on the rise since the year 2000, reversing the trend during the 1990s towards a dominant market. Many signs point towards this: an expanding state budget, a growing number of government bureaucrats, increasing and now overwhelming state ownership of national ... resources, growing engagement by government in the running of large private businesses, a stalling of

reforms designed to reduce bureaucratic tape and inspections, and the control by the government over much of the television media...

In particular, with government spending having risen to 42 percent of GDP (in comparison to Australia's 35 percent) and tax surpluses having reached a record \$11.5 billion - the equivalent of \$8,000 per household - readers could be excused for thinking that the above quote is about New Zealand. It's not. It is about Russia! The article "State versus Market: Forever a Struggle?" by Johannes Linn of the Brookings Institution, is a rather grim indicator of just how far down the socialist path New Zealand has strayed under this Labour government.

The point is, that there are a myriad of examples from all around the world to show that the way to make a nation prosperous and to increase the wealth of citizens, is not through a bloated bureaucracy delivering more and more central planning and regulatory controls, but through lower taxes, a smaller government, and lightly regulated markets.

We need to continually to remind ourselves that low taxes and productive businesses are what really make a country prosperous. That is why Labour's on-going claims that tax cuts are unaffordable, when the tax surpluses persist in exceeding forecasts by hundreds of millions of dollars a month, are disingenuous.

If our goal is to raise the living standard of every New Zealander in order to improve our quality of life, then our priority must be to improve productivity throughout the economy. It is only a productive economy that can pay high wages, and generate a first world quality of life.

The key to achieving this goal is to ensure that New Zealand businesses are as productive as they can be. This can be achieved by lowering company tax, reducing compliance costs, and creating a more flexible labour market. It also means ensuring that the current critical shortage of labour, that has now become such a serious constraint on national productivity that the government is planning to bring in unskilled migrant Pacific Island workers, is addressed.

With this week's Household Labour Force Survey indicating that over 83,000 people are unemployed and looking for work, it is beholden on the government - who has a monopoly in running the welfare services - to ensure the unemployed take the available jobs. A failure to do this will not only compromise the productivity of those businesses that need workers, but it will prevent New Zealand from achieving the high living standards that we so urgently deserve.

**The poll this week** asks whether you believe that increasing the core public service improves our quality of life?

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