# The Manapouri Protest and New Zealand's Long Term Decline

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It is a common refrain that the campaign to stop the raising of Lake Manapouri was a "coming of age" for New Zealand, in terms of environmental advocacy and protection and more widely Saving Manapouri – The Campaign that Changed a Nation by Mike White in the North & South, June 2019 advocates that view but unfortunately there is a bigger picture – which is much less positive and uplifting which also needs to be understood if New Zealand is to prosper instead of continuing its slide into penury! It includes the economy and its performance and the living standard of New Zealanders – and why it has steadily declined over some decades compared to Australia and most other countries.

In 1960 New Zealand's GDP/captia was amongst the top three countries in the World.

Yes, living standards are about more than GDP but it is the key measure of the capacity of the economy to provide economic, social and environmental benefits to its citizens, whereas "well-being" is about, how the "capacity" is used- what it is "spent" on and how effectively. But without GDP and its increase per capita and productivity is critical for this there can be no sustainable increase in incomes, living standards. So don't be conned by the political contortions.

However, in policy terms these are really hard work. They need a strong, growing, well-structured economy with sound investment in productive capital. They require real experience, commitment and often tough decisions. The results lag years behind! In contrast the spending bit is easy – and accountability minimal in a well-being framework.

By the early 1970's New Zealand had dropped out of the top 10 and is now in the 30s and below the OECD average. This disastrous decline mainly reflects poor political leadership and the preference of politicians for the benefits of power ahead of public service and National Interest; and for the easy spending, well-being policy stuff rather than the tough productivity, investment and growth stuff – I have written extensively on this since 1981.

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We citizens are not blameless in this. We elect the politicians who make these poor decisions. But, it is reasonable to expect that people standing for high public office will have a strong sense of public duty and will act in the nation's best interest but, unfortunately this fell off the wagon quite a while ago! And, the values and attitudes of New Zealanders (Can NZ Rise to the Competitive Productivity Challenge/New Zealand Values Study, Perry & Webster, 1989) are such that "a major paradigm shift is needed if there is to be a more viable future economy.

In addition, more that 60% of New Zealanders pay no net tax and so are beneficiaries of high government spending and are always looking for more; and politicians understand this all too well.

The fact that the spending is unsustainable and ignored because of lack of economic capacity (GDP/capita) has always been tomorrow's problem – but that time has now arrived and it is now todays problem, evidenced by the low GDP/capita ranking and the many (at least 50 and still rising) major social, environmental and econ9omic problems that we are confronted with on a daily basis- including low incomes, poverty, low productivity, polluted waterways, threatened species, mental health, limited access to costly new drugs, youth tooth decay, diabeti3es, obesity, road fatalities, suicide, housing/homelessness, urban congestion, lack of regional services and so on.

The fundamental policy failures are directly reflected in weak productivity growth, low investment in productive capital, the poor performance of the tradable goods sector compared to the non tradables and GDP growth largely based on population growth low value (excessive immigration) meaning little per capita GDP growth. Over decades governments camouflaged these serious failings by applying band aids – more spending, especially on benefits – Working for Families takes first prize but income increases not based on increased productivity are unsustainable and precious resources have been increasingly applied to ban aids and not productive capital, innovations and higher productivity.

Unfortunately incompetent policies are particularly damaging for a small, relatively isolate economy like New Zealand's. Economies of scale are limited and it tends to be more trade dependant because it is competitive in producing fewer goods and services and imports a higher proportion of them. Trade tends to be more than 20% of New Zealand's GDP but, in contrast is nearer 5% for the USA. Any disadvantages can be overcome buy better policies and performance but New Zealand's history in this regard is also poor. The vision of being "the Switzerland of the South Pacific" got little traction, low value resource – based exports dominate and the share of innovative, higher value added elaboritively government policy from time to time.

So how does this all relate to Manapouri? The stories lauding the Manapouri protest rarely put it in the wider, including economic context. Government's position leading up to the 1960 Agreement with Comalco was strongly driven by its economic concerns, particularly the high trade dependence and often negative trade balance. Without foreign currency – earned from exports or borrowed, imports, critical for the economy and household, were unaffordable. In fact at one recent point the situation was so bad that publication of the Monthly Abstract of Statistics was covertly delayed for some weeks because it would show inadequate foreign currency reserves. Meanwhile the Government desperately tried to borrow, unsuccessfully until the infamous Stg 10m Midland Bank Loan, secured with the help of the UK Government. The funds were put into a NZ Government account, interest was paid but the funds could not be withdrawn/spent, but they could be counted in New Zealand's foreign currency reserves.

In these circumstances converting electricity to internationally tradable metal was a very attractive option, which explains the Governments quick and forceful initial response when it became aware of the smelter possibility and how it responded to the various challenges in bringing the project to fruition. Importantly, it not only increased exports but widened the export base, replaced imports and increased R&D, innovation and productivity.

At the time Comalco was obliged by the Weipa leases to process the bauxite (refine and smelt) in Queensland if this was economically feasible. It was building a refinery in Gladstone but smelting only became possible much later when a very large coal fired power station was built at Gladstone, so it was looking at PNG and hydro electricity from the Fly or Purari rivers for smelting when the New Zealand prospect was brought to its attention. So, ignoring the economic implications of the Protest is very misleading. It misrepresents the Governments position and its priorities and misrepresents what was at stake – treating a Protest win as a no-cost win, whereas there was actually a lot at stake economically, even though the benefits of lake raising might be less than initially expected (this is not certain).

I was involved in a number of economic studies by NZIER before I joined Comalco. They initially showed an economic return to New Zealand of 10% pa, in real terms, which was good but is increased significantly in later studies. In my judgement the government's investment in the Manapouri Power Scheme was one of the best investments it ever made.

Unfortunately, Muldoon, post smelter startup, forced major changes on the power agreements under threat of legislation to the detriment of Comalco and its two Japanese partners. This was also seen as a no-cost win. But, more than a decade later, when the Japan-NZ Business Council was meeting in Japan, a senior executive of a major New Zealand company complained that a major Japanese company had said it would not agree to a major joint investment in New Zealand because of a lack of trust, given the way that Comalco and its Japanese partners had been treated.

Like the Manapouri Protest, we too easily conclude that there is no price to be paid. And the ultimate irony is that New Zealand's environment, in many important respects, is now more polluted and threatened than even before and certainly more so than in the 1960's, largely due to New Zealand's poor economic performance and the lack of economic capacity to address many already serious and still burgeoning environmental and social problems. Personally I am outraged by the pollution of waterways, including the Southland river I swam in as a child, and the only very modest efforts being made to improve things. The problem was not caused, specifically by the Protest and the failure to raise the Lake but the thinking behind the protest and the passion it aroused is symptomatic of seriously misguided thinking about National priorities and the neglect of the real fundamentals. Meanwhile the tourist continue to trash our environment and especially “freedom campers”.