



Trailblazers: The New Zealand Story

Discussion Questions

1. Richard Prebble described New Zealand as “a benign North Korea. Everything was controlled by the government.” Examples included:

- a. Having to obtain a permit to travel on holiday (vacation).
- b. Six-month waiting lists to buy a car which then put you into a lottery, etc.
- c. A letter from a doctor to eat margarine instead of butter.
- d. A letter seeking permission from the treasury in order to subscribe to a British magazine, explaining why you couldn’t read it in a library.

Tyranny usually involves bloodshed, making it is easy to forget that control is central to tyranny. New Zealand had a tyrannical government. In what ways is the United States government tyrannical, i.e. exercising control in areas they should not?

2. Bill Cashmore noted that a pair of work boots, for instance, cost 3-4 times what they did in the United States. This kind of excessive control over an economy imposes costs by both paying the bureaucratic structure to regulate, and the increased costs for businesses to meet the requirements. All of this cost is passed on to the consumer through higher taxes or prices on goods and services. While laws are necessary, many industries claim to be suffering from too much regulation.

- a. What is the optimal amount of regulation? If you could repeal three laws that you think hold people back, what would they be?

3. New Zealand fell from being the richest country in the world in 1956, to third most prosperous in the 1960s, to 23rd in the 1980s. After decades of scoring in the top three, the United States has fallen to 16. The top five in order are: Hong Kong, Singapore, New Zealand, Switzerland, and Canada. Canada used to score in the teens until a series of reforms similar to New Zealand’s (Source: Fraser Institute).

- a. The categories used to calculate such ratings are:
 - i. Size of government
 - ii. Legal system & property rights
 - iii. Sound money
 - iv. Freedom to trade internationally
 - v. Regulation
- b. What reforms might the United States take to get back into the top 5?



4. Governments can offer incentives that shape behavior, sometimes with negative unintended consequences. Economists call this a moral hazard. New Zealand's "skinny sheep" policy subsidized \$1 per sheep, with no regard to quality or the environment. The result was to put as many sheep as possible on a given piece of land. Taxes can also shape behavior, as when taxes are raised on tobacco to induce people to quit smoking. Here are examples of how taxation affected architecture:

- a. In the 18th century, English property taxes were assessed by the number of windows on the front of a house. Not only did this lead to building narrower houses, but even the "bricking-in" of windows to lower taxes.
- b. When England taxed homes by how many doors it had, closets were designed less often in houses and instead stand-alone wardrobes would hold clothes.
- c. Similarly, "shot-gun houses" in New Orleans – so called because the homes are so narrow that one blast could go all the way through – are said to have evolved especially in poorer areas to avoid property taxes that assessed the width of the front of the house.
- d. The characteristically narrow and tall houses in Amsterdam are a response to taxing the width as well. The houses are so narrow that furniture is lifted with ropes through the window, each house having hooks on the exterior above each window for such purpose.

Modern examples might include restricting competition through needless licensure (hair braiding, flower arranging, children at lemon aid stands being told they need licenses, etc.), cities refusing to allow Uber to compete with taxis, etc. What examples can you think of where government subsidies have shaped people's behavior for the worse? Where taxes have shaped their behavior for the worse?

5. To provide manufacturing jobs in New Zealand, the government arranged for televisions to be partially disassembled in Japan, then sent to New Zealand to be put back together and stamped "assembled in New Zealand." During the American Great Depression, two make-work jobs that existed were capturing tumbleweeds and cataloging the different ways there are to cook spinach. Do we have examples of "make-work" today at the federal, state or local level?

6. The post-1984 economic reforms in New Zealand were dramatic, not gradual. Within six months wage controls, interest rate controls and subsidies were all cancelled. Opponents of such radical change usually declare that the economy will crash. While things may have gotten lean for some, the opposite of a crash occurred. The economy (really, the people) now unleashed, growth occurred. Farmers went from 1% gains per year to 5.9% average gains. What economic reform do you think would create growth?



7. New Zealand's Quota Management System (QMS) was installed in 1986, creating property rights for fishing. This averts the tragedy of the commons problem, in which a common resource is over used because the incentive becomes "use it before someone else does." QMS wisely left the method of capture to the experts (the fishermen) and instead regulated only the catch limit. The percent allotments became the property right to be used or even sold. The industry flourished, it became easier to catch fish, and where fish are caught is documented to prevent overfishing. Similar approaches have been used to save rainforest, elephants, etc.

- a. Can you think of an economic problem that could be solved or improved by such an approach? Perhaps a neighborhood or household problem? (Hint: assigning chores to each family member eliminates the "nobody picks up around here" tragedy of the commons.)

8. Free markets are often blamed for unleashing "greed," leading to quality being cut, animals/people being treated unethically, etc. In the video, the fish were being killed with a traditional Japanese technique that causes them to die without stress. This also makes them taste better, as many animals emit stress hormones if killed in a highly stressful way, making the meat taste worse. The profit of better tasting fish or meat encourages the handlers to treat the animals in a way we would consider ethical (if eating meat is ethical). Thus, profits increase ethical behavior.

- a. Can you think of examples in which businesses should be "greedier," i.e. serve the customer better to make more profit?
- b. What business do you know of that you are surprised is still in business because of how mediocre the product or service is?

9. Entrepreneurs exploit pockets of hidden knowledge. When they are successful, it is because they tapped into a need or desire that was unmet by current market participants. Roger Beattie lost his farm and became an abalone diver, or as Kiwis call abalone, paua. His experimentation led to farm-raising them to ensure better control of the product and discovering a way to induce smooth, symmetrical pearls that can be made into jewelry. Feeding the paua kelp led to him to become expert in kelp production and then creating a line of kelp products like kelp pepper.

- a. Entrepreneurs often improve existing products. James Dyson invented bag-less vacuum cleaners with see-through bins. Industry experts said no one would want to see the dirt coming up from their carpet. Dyson thought it was satisfying knowing you were capturing dirt. Consumers agreed overwhelmingly. You no longer can find brands without clear bins.
 - i. What is your favorite product that has greatly improved your life?
 - ii. What is your favorite app on your cell phone?
 - iii. What product do you wonder how we ever lived without it?
 - iv. What is a product that has an obvious flaw?

- Do you think American voters are increasingly unwilling to allow freer markets for fear of this dynamism?
- American politicians?
- Do we risk freezing our economy in attempt to eliminate as much risk as possible?