

# **There Is Always A Reasonable Alternative (TIAARA); not TINA (There Is No Alternative)**

*A paper from Executive*

## **1 Introduction: Education and economics**

### **1.1 Background**

PPTA's constitution requires us to advance the interests of secondary teachers and secondary schooling. We have long held that the interests of secondary schooling include the interests of our students. To date, our policies to advance those interests have been founded in the broad educational and 'social good' beliefs of our members. In the past three years, it has become increasingly apparent to the Executive that, in order to fully engage in contesting for those interests, the Association would benefit from providing an economic perspective. This paper seeks to begin the process of policy development.

### **1.2. Cost not value**

Furthermore, external meetings between the PPTA and Government agencies, including Treasury and the Ministry of Education, tend to focus on financial constraints, not public education.

### **1.3. Education as an economic driver**

It is impossible to separate education and economics. Economies rely on their education systems to produce a skilled and qualified workforce. People seek higher education, at least in part, to increase their access to economic benefits. At the same time, education is essential to the future of a decent society in that it develops pro-social values, teaches tolerance, understanding and open-mindedness, and encourages the sort of debate and challenge that is essential in a democracy. High levels of education are strongly correlated with better physical and mental health, greater community engagement and less crime.<sup>1</sup> These in turn produce economic savings.

The relationship between a nation's education system and its economy should be a virtuous spiral. A better-educated society performs more strongly economically. Economic gains by individuals and businesses generate more tax. Where a society values investment in education and understands that its people are the most crucial resources to promote economic growth, the tax contribution can be reinvested, both into the social framework that underpins a decent society and into a workforce that produces greater economic gains in the future.

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<sup>1</sup> OECD, *Improving Health and Social Cohesion through Education*, OECD: Centre for Educational Research and Innovation, 2010, retrieved from: <http://www.oecd.org/edu/socialoutcomes/cohesion>

A World Bank analysis of international studies that measured the return to the state of an additional year of schooling suggests the rate of economic return averages 10% per annum for each additional year of schooling (though the rate may be closer to 7% for OECD countries).<sup>2</sup>

#### 1.4. Education and tax

The tax citizens contribute should sustain and grow the education system and is central to realising the benefits of education. When the tax system is fair, and when tax income is used to properly support schools, this creates a 'win-win' cycle.

## 2 There Is No Alternative (TINA) – but there is

### 2.1. Waiting for the wealth to trickle down

The 'no alternative' approach to economics was associated with Margaret Thatcher in Britain, Ronald Reagan in the USA, and Roger Douglas and Ruth Richardson in New Zealand. They advanced an economic position which shifted radically from the economic model that had prevailed for most of the 20th century, in favour of an approach that reduced taxes for the wealthy, cut all forms of social spending and opened up public assets for sale to private individuals or organisations. These policies were associated with 'trickle down' theories. The argument was that if a government actively supported the rich, the wealth of all citizens would rise.

### 2.2. New Zealand economic success: Not Achieved

It is nearly 30 years since these policies were introduced to New Zealand. There is little evidence that the theorised outcomes of this economic model have materialised. Rather, the weight of evidence indicates that the economic gap has widened.<sup>3</sup> Furthermore, over the same period there has been a deterioration in all the negative social indicators (crime, imprisonment, unemployment, poorer health outcomes and so on).

Evidence of the model's failure to deliver, however, has not resulted in a change in policy, nor serious discussion of its underlying assumptions. Instead, it continues to be strongly defended as a status quo framework for economic debate and economic policy. It is even applied, inappropriately, to other fields. The model's longevity might reflect the fact that a significant group of vested interests have gained economically or politically from its continuation.

<sup>2</sup> The OECD gives a relatively lower rate of return of 5% for completion of secondary education in New Zealand. The figure is moot since different methodologies will produce different rates of return. The main point is that investment in education by the state generates measurable financial gains by the state: OECD, *Education at a Glance 2008: OECD Indicators*, OECD, 2009.

<sup>3</sup> Comparisons with other OECD countries are available using a different measure, the Gini coefficient. Gini coefficients measure income inequality, with a score of 100 indicating perfect inequality and a score of 0 indicating perfect equality. The most recent OECD comparison (from 2004) gives New Zealand a score of 34, indicating higher inequality than the OECD median of 31 and a ranking of 23rd equal out of 30 countries. New Zealand's Gini score was below that of the United States (38), very close to those of the United Kingdom (34) and Ireland (33), a little above those of Canada and Japan (32), and a little further above that of Australia (30). Denmark and Sweden had the lowest income inequality with Gini scores of 23. In 2007 and 2009, the Gini score for New Zealand was slightly lower, at 33': Ministry of Social Development, 'The Social Report, 2010: Income Inequality', Ministry of Social Development, retrieved from: <http://socialreport.msd.govt.nz/economic-standard-living/income-inequality.html>

### 2.3. **TINA reinvents herself**

The 2008 global economic crisis, which was largely a product of this economic model, should have provided a fresh opportunity for pause and reflection. Instead, in New Zealand the Government set about cutting both taxes for the rich and public services, and re-framing the trickle-down philosophy to make it more palatable to an electorate that is highly suspicious of the underlying assumptions. Examples of the latter include the renaming of state asset sales as 'shared ownership', phrasing opportunities for overseas corporate takeovers in terms of 'mum and dad investors', calling spending cuts 'savings and reprioritising', and redefining privatisation as 'public-private partnerships'.

### 2.4. **Calculate the cost: Ignore the benefit**

Within this economic framework, education is seen as a cost not a benefit; as a tax burden rather than a societal investment in our future; and as a potential source of earnings for the private sector rather than a collective asset.

## 3. **Where does this leave public education?**

### 3.1. **Economic absolutism**

A public education system needs to be a safe place for policy debate, so as to identify those policies that may benefit students and sideline those that are damaging. There needs to be space to debate and contest different values within society. Instead, we have an economic model that has been successfully isolated from rational debate. Rather than inviting careful consideration of what is best for New Zealand in the broadest sense, the terms of discussion are narrowed to a set of tenets based on the free market and the scientifically dubious construct of humans as purely economic rationalists.<sup>4</sup> That is bolstered by a set of simplistic 'truisms': that government is inevitably bad; that the private sector is automatically superior to the public sector; that citizens respond only to economic incentives; that unemployment is caused by the welfare state; that representative democracy is inefficient; that the economy is better served by bodies of appointed business experts; that social and economic inequality is the result of individual choices and therefore acceptable; that individual choice is an inherent good; and that unemployment is caused by schools. Given the education system encourages our citizens to be active and informed thinkers and critics, it is not surprising that educational professionals and institutions tend to be regarded with distrust by those who support such a model.

It is also not surprising that the economic policies generated by this model have impacted negatively on public education across the countries that have implemented them.

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<sup>4</sup> For a viewpoint critical of the economic notion of human beings as 'rational utility maximisers' see Daniel Kahneman: TED: Ideas Worth Spreading, 'Daniel Kahneman: Behavioural Economics Founder', TED, [http://www.ted.com/speakers/daniel\\_kahneman.html](http://www.ted.com/speakers/daniel_kahneman.html).

### 3.2. **The educational market**

Tomorrow's Schools, league tables, national standards, public misunderstanding of the decile funding system, misrepresentation of the class size debate, forced competition instead of cooperation, inadequate funding models, teacher performance pay, and a movement of education funding from the public to private sector are all examples of the effects of this economic model on public education in New Zealand.

### 3.3. **Choice for the few**

The ideology has seen the creation and integration of many small schools in response to 'parent choice'. These small schools are relatively costly to operate and tend to draw both resourcing and students from other schools in the area. This reduces the funding available to existing schools, reduces roll numbers, staffing and available options, and thus undermines the education on offer to the majority of students in the area. These new schools are rarely low decile; nor do their parent communities lack political influence.

### 3.4. **Education cuts...**

There is no sign of any end to ongoing cuts to public education, with moves to a quarterly operational funding model for schools, cuts to adult education, additional financial appropriation to private schools, and the Government's introduction of public-private partnership schools in West Auckland. Such policies have already failed in the United Kingdom and United States, where governments have partly relinquished their responsibility to provide public education infrastructure. The results have been disastrous: communities have become disenfranchised with schools; the distance between government, educational governance, management and teachers has grown; and socioeconomic-based gaps in access to quality education have widened.

### 3.5. **...more money for private schools**

A nearer example of the extreme impact this economic philosophy has on education can be seen in Australia, where private schools now receive higher levels of capital funding than their state-run counterparts. Leading education economist Adam Rorris highlighted this disturbing conundrum in his 2008 report into Australian public school funding.<sup>5</sup> Rorris's report revealed that, at the height of the Howard Government in 2002–05, private schools received AU\$8 billion more funding than public schools.

### 3.6. **Well-being and being well matters**

In his 2008 book *Community, Conflict and the State: Rethinking Notions of 'Safety', 'Cohesion', and 'Wellbeing'*, academic Charlie Cooper examines the impact, within OECD countries, of educational policies based on this economic model. Cooper concludes:

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<sup>5</sup> Adam Rorris, 'Rebuilding Australian Schools', Australian Education Union, 2009, retrieved from: <http://www.aeufederal.org.au/Publications/2009/NPEF/ARorris.pdf>.  
Adam, Rorris. 'Rebuilding Public Schools-Investment Targets for 2020', A report for the AEU.

*the analyses presented bear witness to the profoundly harmful effects ... on societal wellbeing – evidenced by widening inequalities; an increasingly oppressed labour force; the erosion of democracy and critical thought; the breakdown of social solidarities; the increasing surveillance and criminalisation of specific ‘dangerous’ sub-cultures; and the increasing alienation of teachers and students from the learning process (leading to rising health problems).<sup>6</sup>*

#### **4. There Is Always A Reasonable Alternative: TIAARA**

##### **4.1. TINA’s cost**

It is impossible to rely on human self-interest alone to build economic growth and a strong and fair society. Countries that continue to follow such models find themselves beset by social problems and, inevitably, the financial problems that follow. Increased inequality creates dissatisfaction that spills over into public revolt. Margaret Thatcher once declared that ‘there is no such thing as society’, but she was wrong. People do not live in isolated silos. They live, work and play in a series of communities, in their homes and families, schools and workplaces.

##### **4.2. There are alternatives**

New Zealand’s current economic orthodoxy is inherently inadequate because it fails to adequately address the balance between social, labour and educational outcomes relative to the power of capital. In spite of the claims made for TINA, however, there are always alternatives.

##### **4.3. Everyone ISN’T doing it**

A number of European countries have avoided the extremes of economic inequality and the social problems that trickle-down policies have brought. They have done this by rejecting the underlying premise that their governments should abrogate responsibility for creating a better society to private interests.

##### **4.4. Fair societies can still be entrepreneurial**

They favour a more balanced approach that encourages economic growth through entrepreneurship and enterprise, while also allowing governments to play a role in wealth and resource distribution for greater social justice. They allow private citizens the right to create wealth, while ensuring each person shares in the responsibility for building a healthy, well educated and safe society.

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<sup>6</sup> Charlie Cooper, *Community, Conflict and the State: Rethinking Notions of ‘Safety’, ‘Cohesion’ and ‘Wellbeing’*, Palgrave Macmillan, 2008

#### 4.5. **Unemployment as an economic tool**

This approach advocates low unemployment and promotes education, because over time this leads to economic growth. New Zealand's model uses unemployment or under-employment as a driver of economic growth: this increases profits for the private sector but leaves the taxpayer to cope with an expanding range of social problems from a shrinking budget.

#### 4.6. **A civilized society**

The Nordic countries, the Netherlands, Switzerland, Germany and France have all retained balanced socioeconomic policies over the past six decades. Unlike the United Kingdom and the United States, they view government as a social partner to individuals and business rather than a costly and unnecessary regulator. Individuals and business are more trusting of governments to use their taxes to support society and growth. They reject the notion that government regulation is too costly, instead supporting the important role the state can play in growing the economic outcomes for all citizens at an equitable rate. They reject the idea that tax is a burden on individuals imposed by a disconnected 'state', for a social democratic view that the tax we pay is our contribution to a safe, secure and decent society within a state that we each individually and collectively gain from being part of.

#### 4.7. **Taking care of everyone, not just taking care of business**

A feature adopted by many of these countries is a social insurance, where employees and employers contribute towards a fund that will provide a social wage in the event of unemployment or under-employment. This system of self-catering has several advantages over the traditional low-rate, demand-driven welfare systems seen in the United Kingdom, United States, Australia and New Zealand. Each employee pays the social insurance throughout their working life, knowing that if the labour market fails them they will be provided with a social wage close to their current income in order to re-train or bridge the gap between jobs. The retraining component of the system allows for the natural labour market movements that occur in all economies over time, by upskilling and re-educating workers as needed. This creates a more cooperative relationship between labour, capital, business and government than the cost cutting, anti-welfare views found in New Zealand.

#### 4.8. **Looking after the environment**

The focus of this paper has been on the negative social consequences of unbalanced economic policies, but the price of untrammelled growth is destruction of the natural environment. This alone makes these policies unaffordable and unsustainable for any length of time.

## 5. Conclusion

### 5.1. Just leadership

It is impossible to escape the conclusions that the current economic philosophy has failed New Zealand, and that there is a widespread reluctance to even debate alternatives to this failed system. The explanation for this is likely to lie with an accusation raised against those who opposed TINA 30 years ago – provider capture and vested interests. A relatively small but politically powerful group of politicians, business leaders, banks, economists and media commentators who are beneficiaries of ‘trickle up’ policies support their continuation. They bewail the social consequences of the economic policies they promote, yet avoid their responsibilities, as leaders, for building a better and fairer New Zealand.

### 5.2. Bankrupt policies bankrupt countries

It is not acceptable to continue to propagate a system that widens socioeconomic inequality, capitalises private profits, and socialises market failures. Future generations of New Zealanders deserve to live in a country where everyone has the opportunity to prosper in a highly educated, people-centered economy.

### 5.3. The conversation starts here...

The purpose of this paper is to provide PPTA members with a platform to advocate for an alternative economic model that promotes the production of equitable wealth and educational opportunities.

## Recommendations:

1. That the report be received.

## **Appendix 1: A brief description of postwar economic models and their influence in New Zealand**

The model currently underlying much economic and other policy implemented in New Zealand is usually referred to as 'neoliberalism' or 'New Right' theory.

Following the upheaval of the Second World War, Keynesian policies of a strong welfare state, a significant role for central government, a strong social contract and state ownership of essential assets developed as the consensus economic approach to provide stability and security in the postwar Western world. These policies were derived from the work of John Maynard Keynes, a 20th century English economist. In essence, it was an approach that sought to prioritise the security of the state and of the citizens within it over the interests of business and individuals.

Keynesian policies were seen as the natural order of things in most of Western Europe. The competing economic philosophies were the communist economics of the Eastern Bloc and (largely American) liberal economic theory, which had its roots in the laissez faire economic policies (libertarianism) of the 18th and 19th centuries.

In the West, chronic economic crises throughout the late 1970s and 1980s (driven largely by a series of oil shocks) combined with the collapse of the communist bloc to provide the background for a growth in political opposition to interventionism in favour of free market reform.

The free market model was exemplified by Thatcherism in the United Kingdom during the 1980s. Thatcherism attempted to wind back Keynesian demand-side management by reducing state intervention, promoting entrepreneurialism, and privatising state assets.

In the United States, the Reagan administration supported the notion that, in order to lower prices and cultivate economic prosperity, policies should support producers over consumers. In other words, this meant prioritising business profit over social or worker security. Reaganomics used this supply-side economic theory as a base from which to liberalise (more likely to be called conservatism today) by deregulating markets.

The global spread of neoliberalism was implemented in similar forms throughout the world in countries including Australia, Canada, Chile, Hong Kong, Iceland, Japan, Mexico, South Africa and Argentina.

Nations that have introduced full neoliberal economic agendas have seen increased inequality, a movement of power from citizens to corporations, a decrease in social and educational choices for working people, poorer environmental outcomes, and a considerable increase in industrial accidents and occupational disease.

Put simply, neoliberalism sacrifices the socioeconomic goals of a society in favour of increased wealth for relatively small numbers of individuals.

Neoliberal economic philosophy suffered a significant blow in 2008 with the crash of the global financial system. Any thought that the private sector could fully self-regulate for public good disappeared as the public discovered banks and other

financial institutions owned more debt than assets. Today, we see the victims of this error on a daily basis.

### *Neoliberalism and the free market in New Zealand*

Contrary to popular belief, Roger Douglas was not the pioneer of neoliberal economic discourse. 'Rogernomics' was merely used to describe the foreign-inspired economic policies the finance minister followed after his appointment in 1984. In New Zealand, these policies were adopted without a mandate from the electorate. This represented a betrayal of both Labour Party ideals and National Party beliefs.

Rogernomics implemented a myriad of neoliberal policy tools, including privatising public assets, removing trade and tariff barriers, floating the dollar and deregulation.

Unsurprisingly, at least to its opponents, the new monetary and fiscal environment was met with an increased demand on the welfare system through considerably higher levels of unemployment. The Government failed to meet its debt reduction targets.

By the late 1980s, growing social decline led to increased public opposition towards Rogernomics and the fourth Labour government. Prime Minister Lange coined the phrase a 'cup of tea', to mean taking a break from implementing further neoliberal economic initiatives.

But, under the disguise of taking a 'cup of tea', neoliberal philosophy was further woven into New Zealand's social fabric. Lange appointed himself as Minister of Education and employed the supermarket supremo Brian Picot to produce a report on school administration in New Zealand. Unsurprisingly, the report *Administering for Excellence: Effective Administration in Education* (1988) recommended a process of decentralising schools. Public schools became individual Crown entities, governed by boards on which parents made up a majority. Funding for teachers and school operations was based on student numbers. This resulted in schools being forced to compete for students and the introduction of neoliberal terms such as marketisation and competitive advantage into the education sphere.

Following the collapse of the fourth Labour government, neoliberal economic discourse continued, now known as 'Ruthanasia', under a National government throughout the 1990s. Policies promoted by finance minister Ruth Richardson used annual appropriation statements (budgets) to privatise more state assets and shift the cost of deficit reduction from rich to poor by slashing benefits and family support. A feature of Ruthanasia was to sacrifice the ambitions of working people in favour of higher rates of income growth for the wealthy. This strategy was in stark contrast to what New Zealanders had been used to before 1984, when the various forms of Keynesianism, interventionism and the welfare state kept corporate excess in check.

The Labour-led government of 1999–2008 began to shift away from neoliberal free market policies. Minor adjustments to wealth distribution, through increasing the top tax rate, Working for Families and the introduction of interest-free student loans (after the 2005 election) were accompanied by strong economic growth. But there were no major changes to education policy during this period, although many secondary



schools became increasingly reliant on foreign fee-paying students to generate additional funds.<sup>7</sup>

Ironically, in the wake of the global economic crisis a currency dealer became the Prime Minister of New Zealand in 2008. In an attempt to make it more palatable to the electorate, John Key has reframed neoliberal philosophy. Examples of such 'Keyisms' include renaming state asset sales as 'shared ownership', overseas corporate takeovers becoming 'mum and dad investors', spending cuts becoming 'savings and reprioritising', and privatisation being renamed as 'public-private partnerships'.

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<sup>7</sup> M Thrupp & R Irwin (eds), *Another Decade of New Zealand Education Policy: Where to Now?* Wilf Malcolm Institute of Educational Research, 2010, p 207