



THE CHANGING SIZE AND SHAPE OF THE NEW ZEALAND STATE

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Generalisations about changes to the New Zealand state

Reform ... and 'counter-reform' ?

- Public Management – from old Public Administration to new Public Management / post NPM (Boston & Eichbaum)
- Political Commentary – 'the Quiet Revolution' (James; 1986), Neoliberal 'experiment' (Kelsey)
- Public policy – stop the government doing 'what it was inherently poor at managing' (Scott)

Did the alleged changes happen? How & when?

Can we find significant changes ***in the data?***

So what does the state do?

- Taxes
 - Spends
 - Produces, consumes, employs
 - Owns assets & Invests
 - Regulates*
 - Steward of a portfolio
-
- Do these interventions show the same trends since mid-'80s?
 - For both local and central government?
 - Are there longer term developments?

Government as Taxer

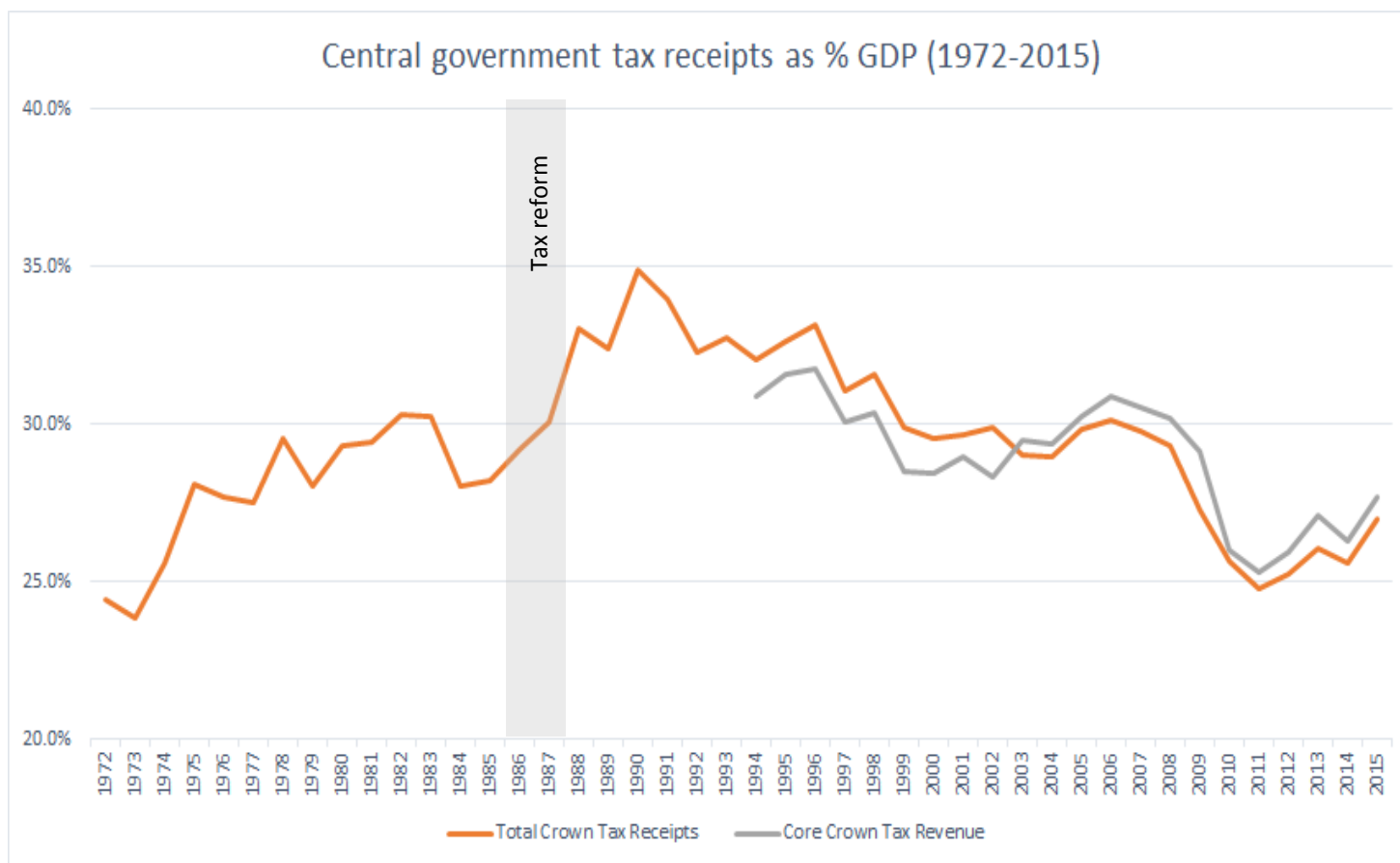
The Sequence of the 1980s Public Sector Reforms

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 |
|--------------------------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Public Sector Reform | | | | | | | | | | | | |
| Trading Organizations | | | | | | | | | | | | |
| Corporatizations | | | x0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Privatizations | | | x0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Government Departments | | | | | | | | | | | | |
| Private Sector Employment Conditions | | | | | x0 | | | | | | | |
| Output Contracting Arrangements | | | | | x0 | | | | | | | |
| Information Systems | | | | | | x0 | 0 | 0 | | | | |
| Accrual Accounting | | | | | | x0 | 0 | 0 | | | | |
| Taxation Reforms | | | | | | | | | | | | |
| Fringe Benefit Tax | x | 0 | | | | | | | | | | |
| Goods and Services Tax | | | | | x0 | | | | | | | |
| Dividend Imputation | | | | | | | | x0 | | | | |
| Accrual Taxation of Interest | | | | | x0 | 0 | | | | | | |
| Tax Avoidance Measures | | | | | | x0 | | | | | | |
| Income Tax Rate Cuts | | | | | x0 | | | | | | | |
| Budget Reform | | | | | | | | | | | | |
| Government Expenditure Cuts | x | 0 | 0 | 0 | 0 | | | 0 | 0 | 0 | | |
| Shift to User Pays | | x | 0 | 0 | 0 | 0 | 0 | 0 | | | | |
| Social Welfare Cuts | | | | | | | | x0 | | | | |
| Fiscal Responsibility Act | | | | | | | | | | | x0 | |
| x Major Policy Announcement | | | | | | | | | | | | |
| 0 Implementation Milestone | | | | | | | | | | | | |

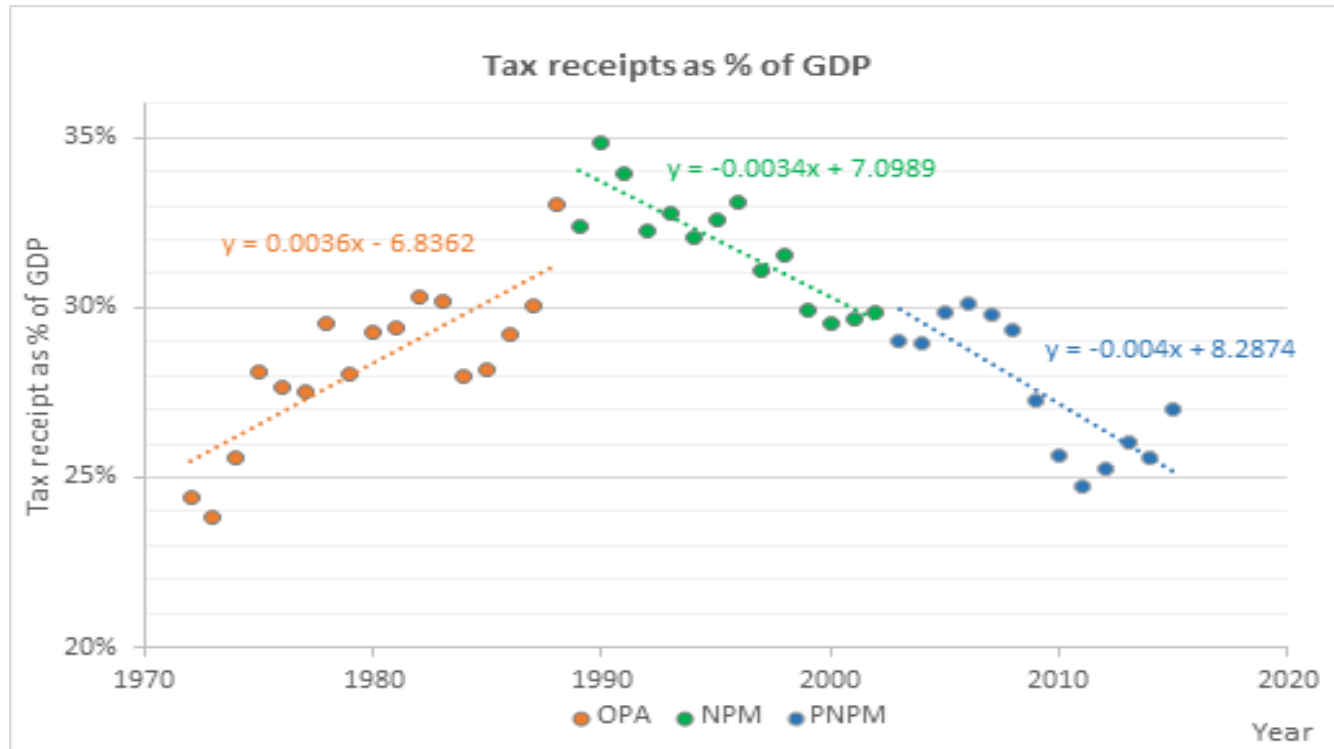
Source: Grimes, Wilkinson and Teece (1996)

Government as Taxer:

Tax Receipts/Revenue, 1972-2015



Trends in tax overtime

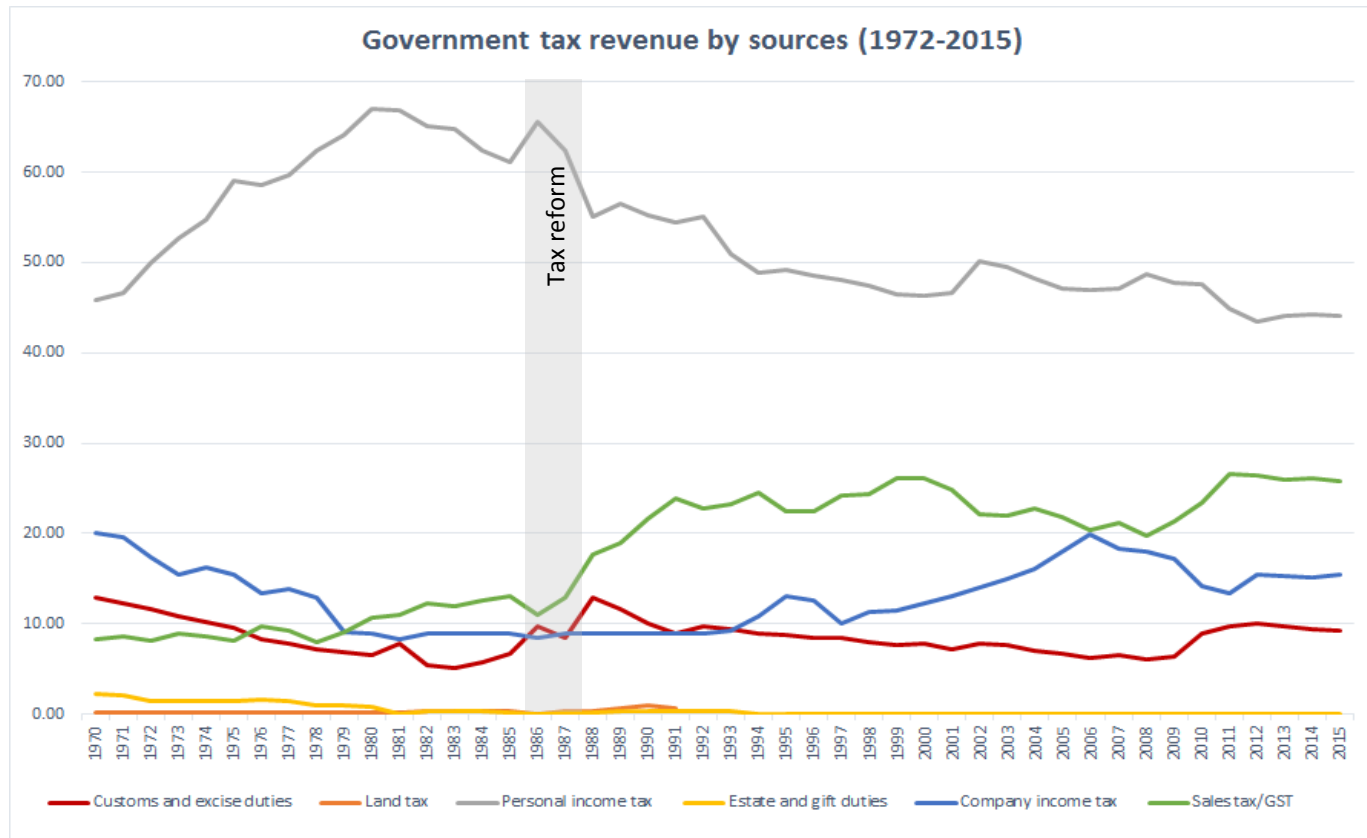


What are the trends?

How/when do they change?

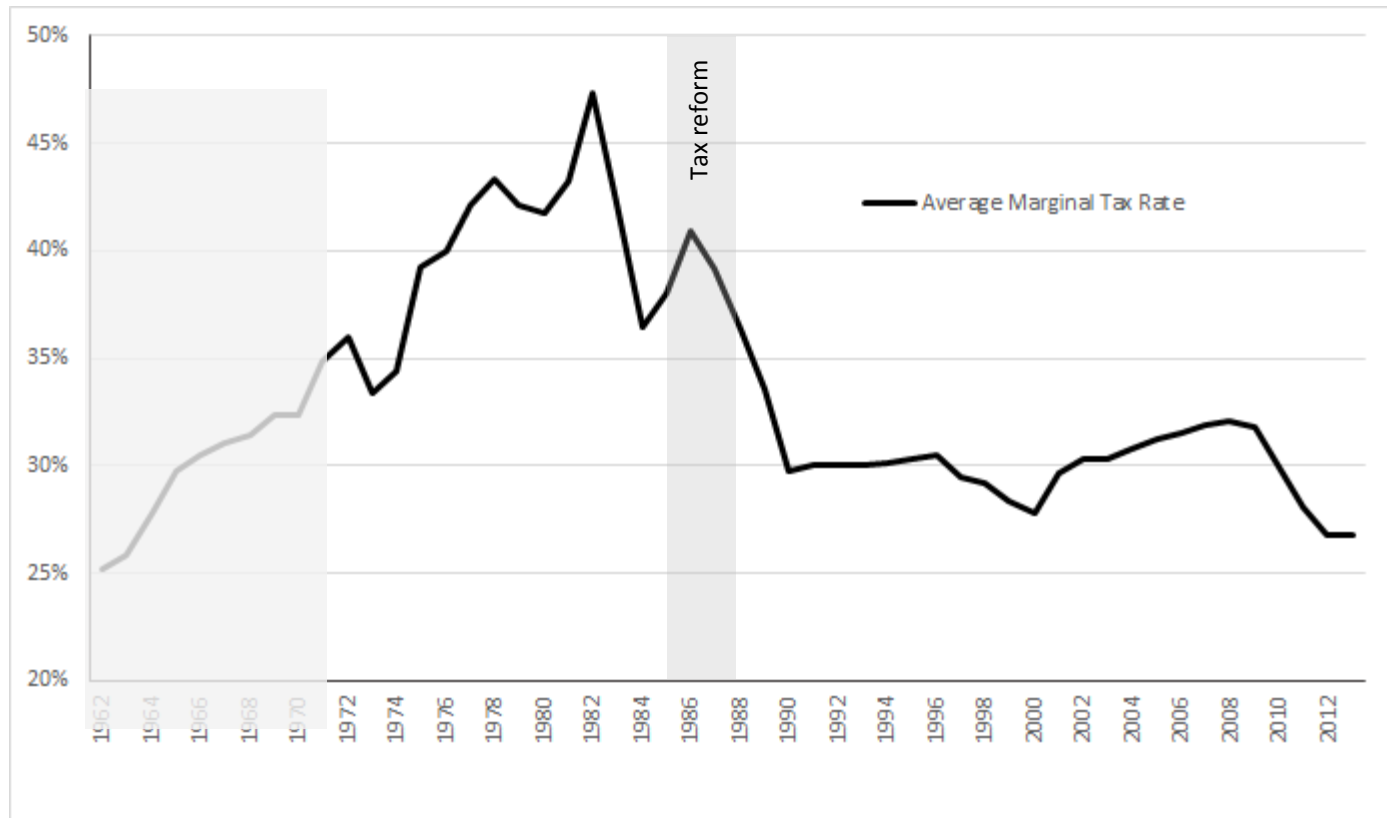
... After taking account of cycles and other factors?

Tax Revenue Composition, 1970-2015



Personal Income Taxes:

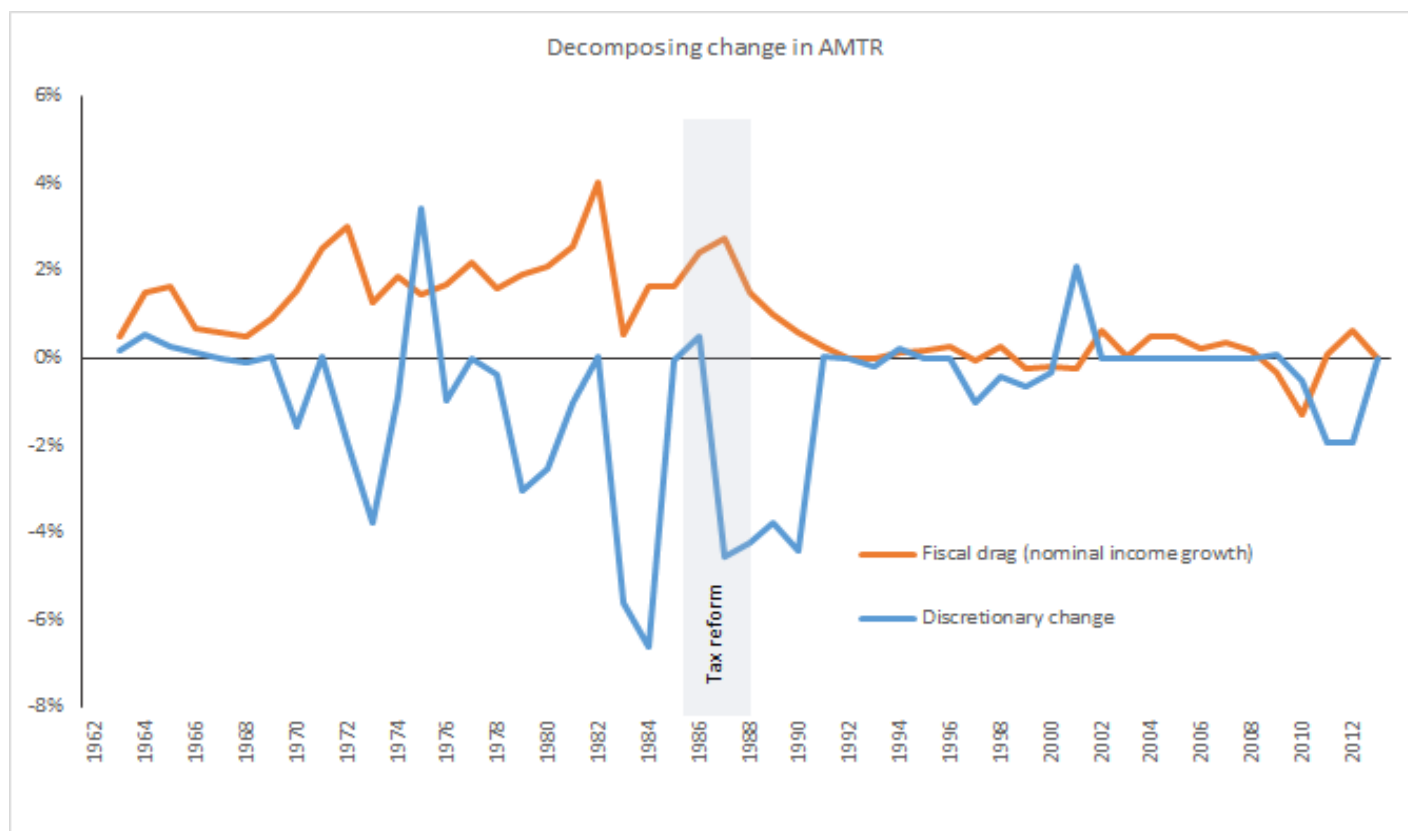
(Weighted Average) Marginal Rates of Income Tax, 1972-2013



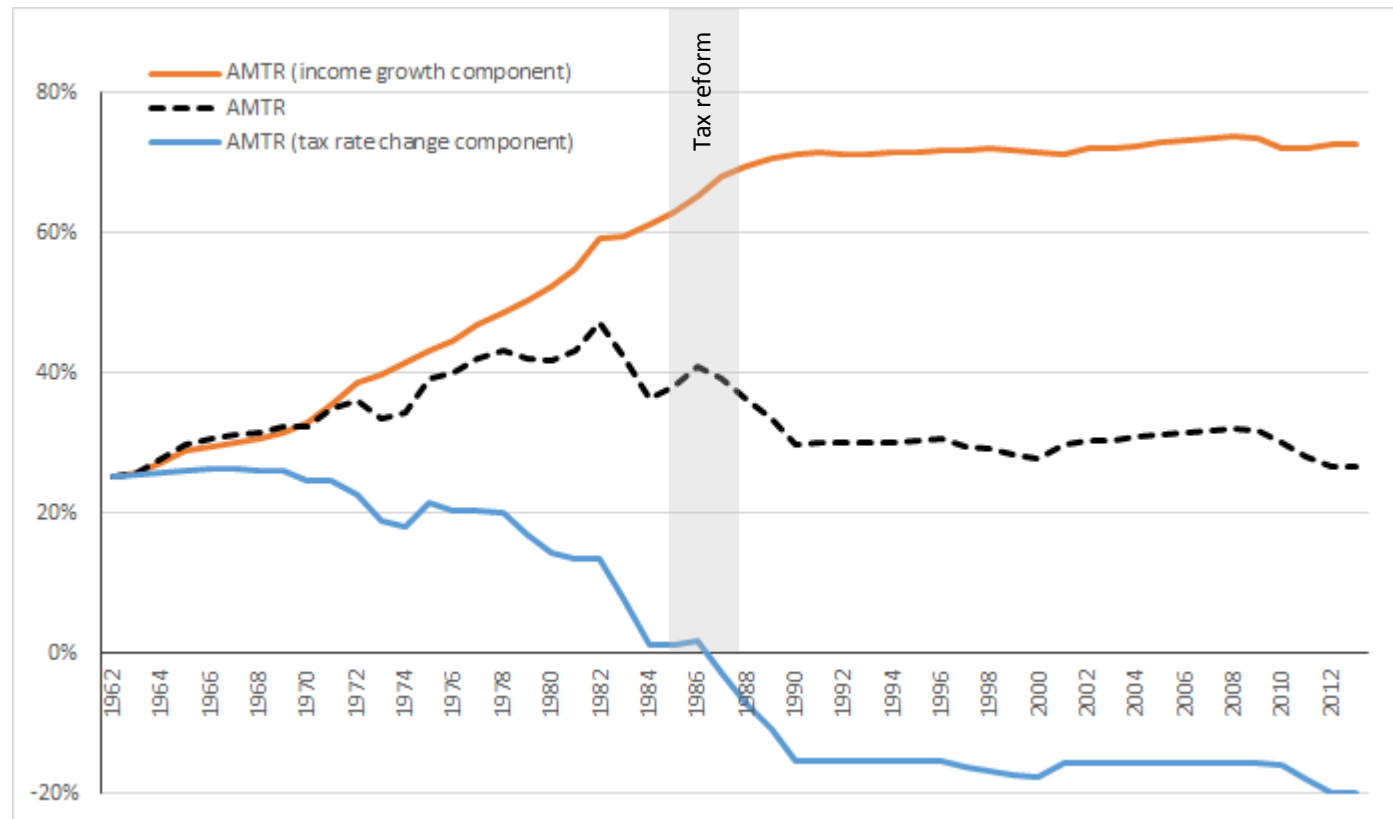
AMTRs affected by;

- Discretionary tax changes
- Fiscal drag (nominal income growth)

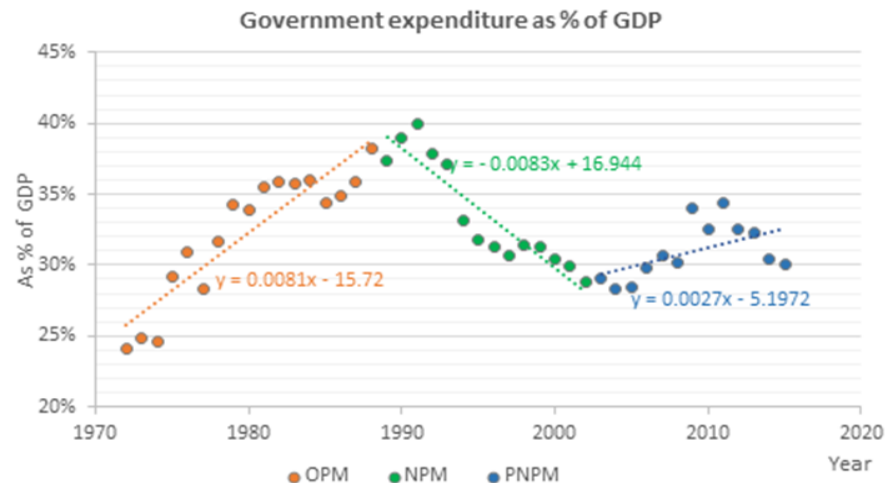
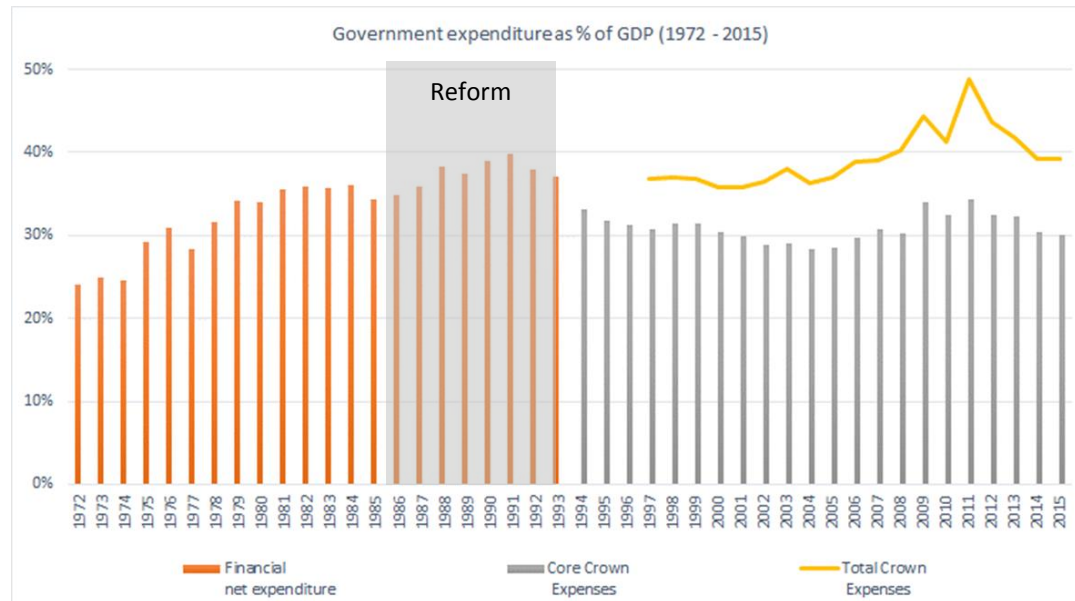
Income Tax AMTR Components (changes), 1962-2013



Income Tax AMTR Components (levels), 1962-2013

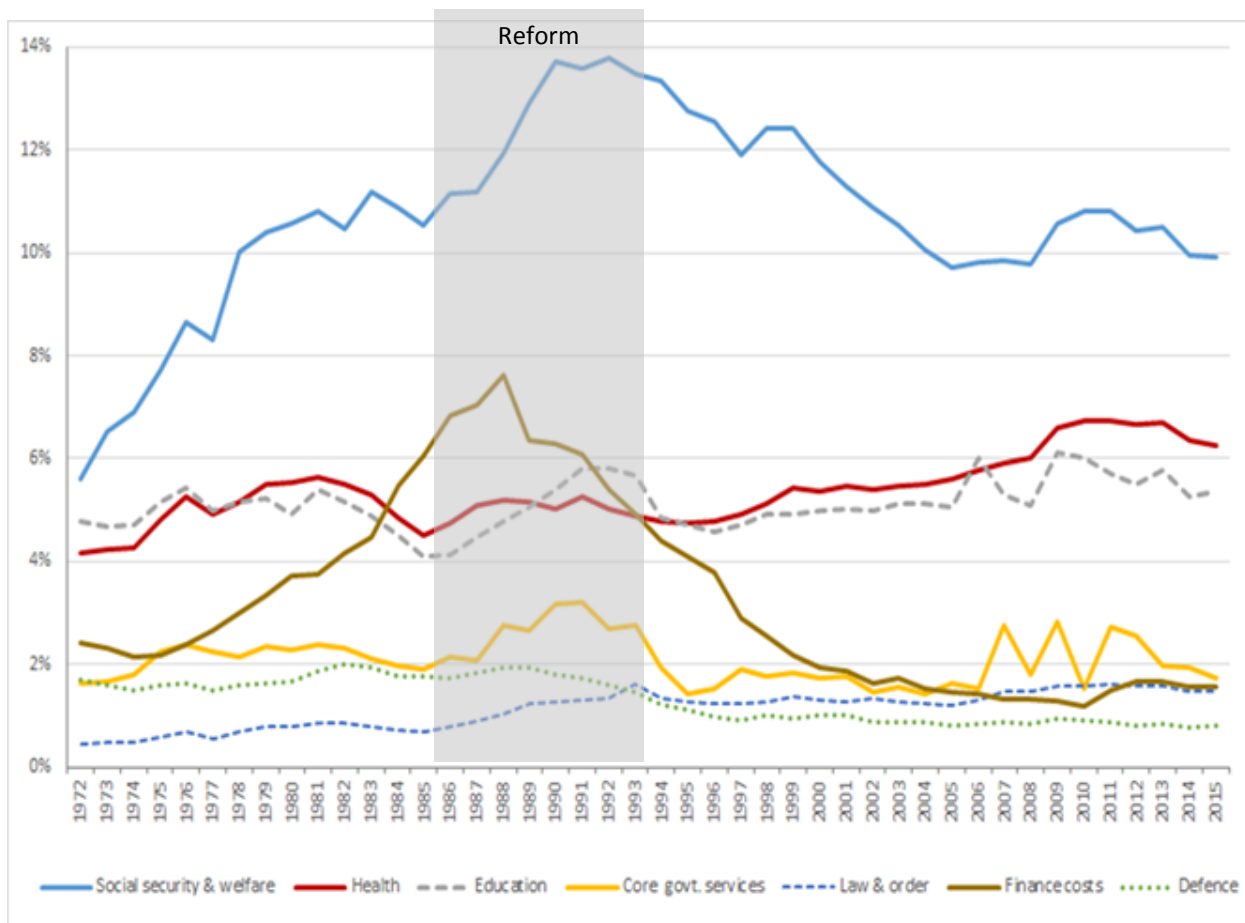


Central Government as spender

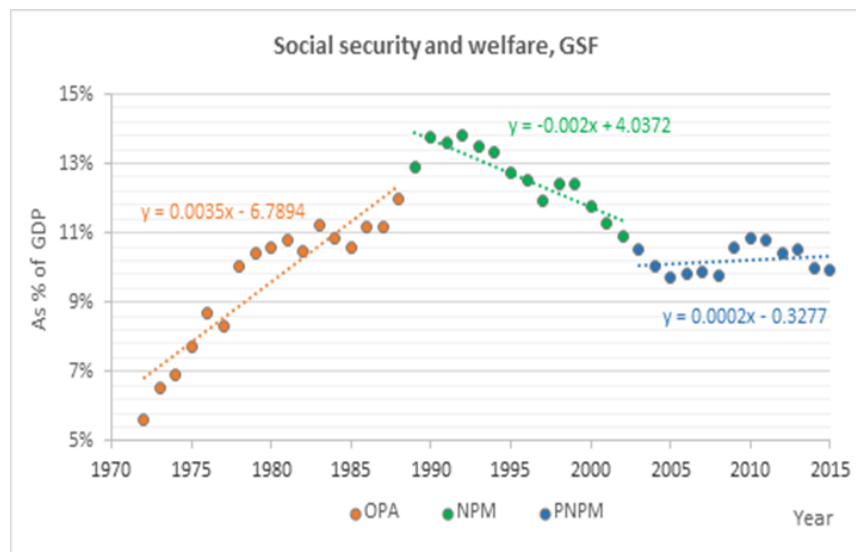
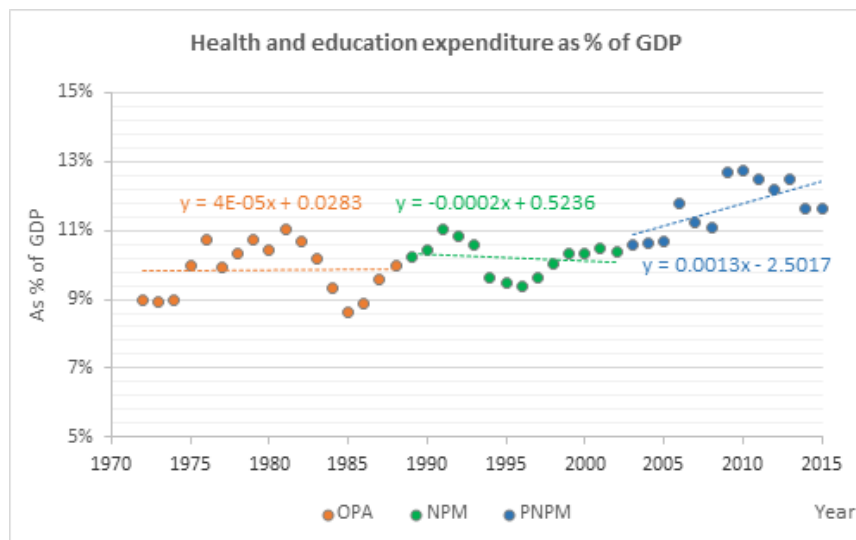


Government spending by function

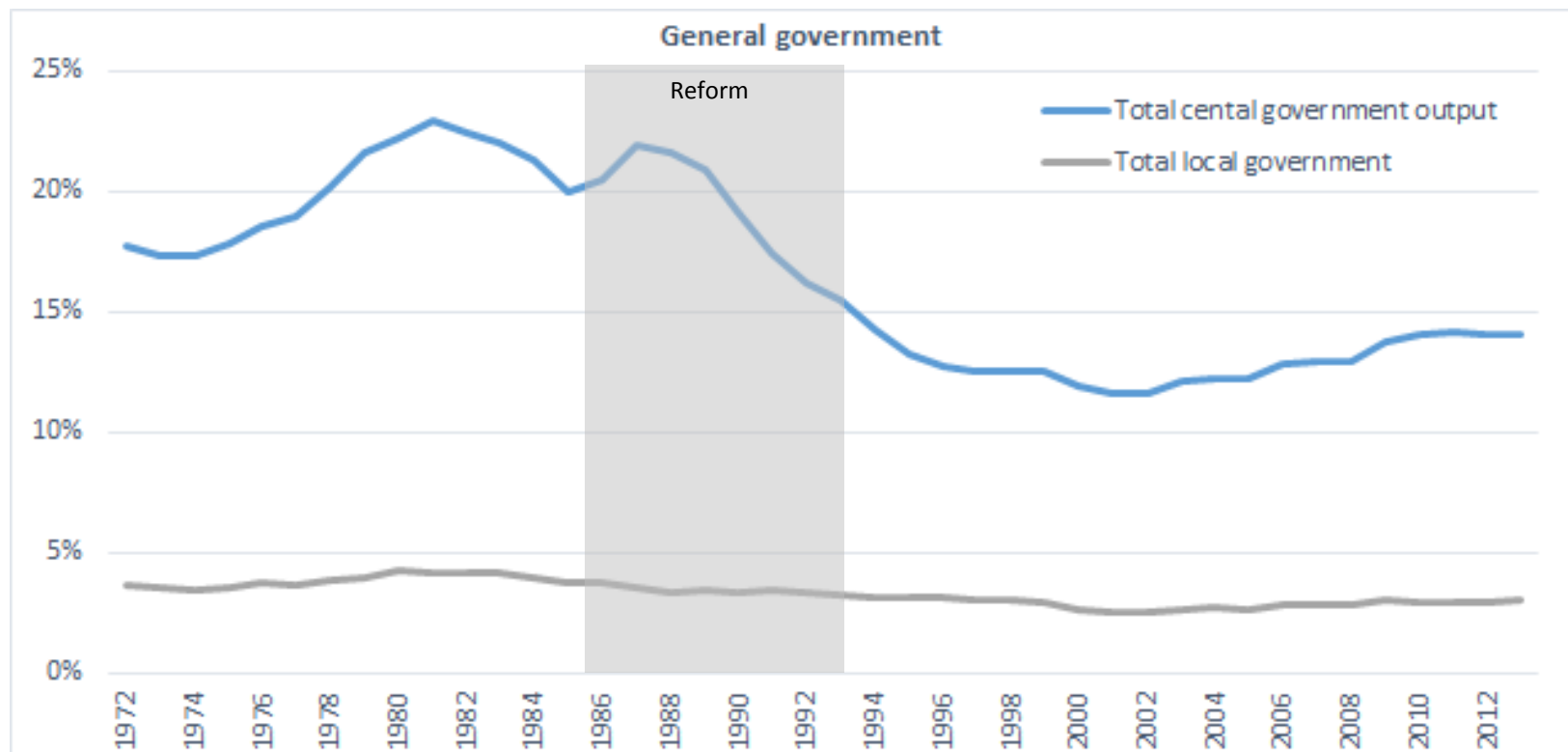
Percent of GDP



Trends in functional government spending

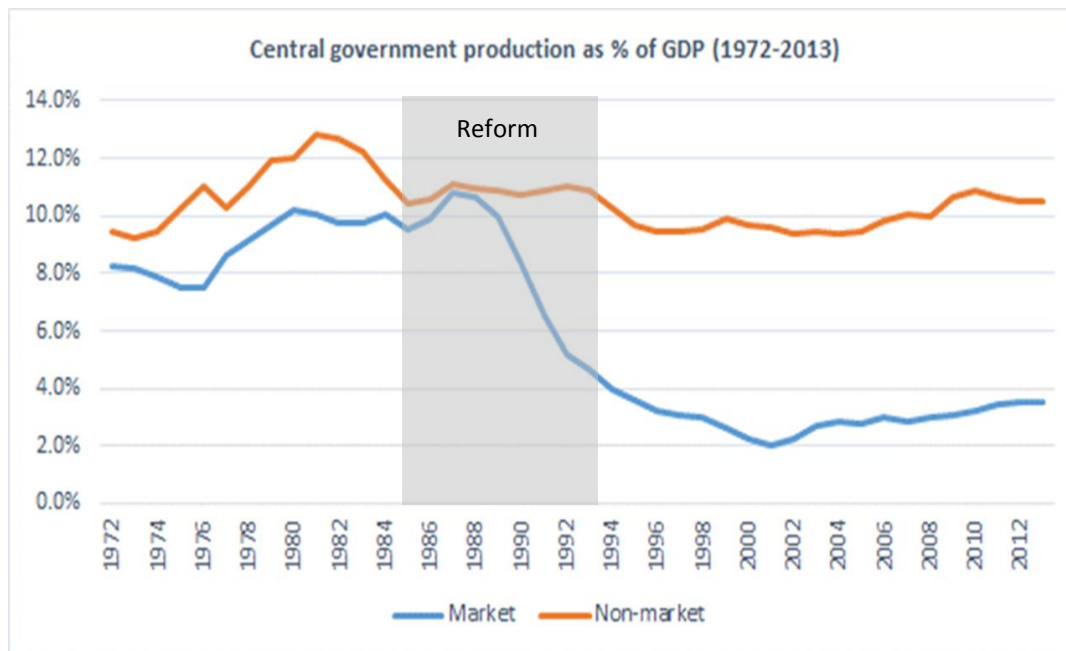


Government as a producer (GDP)

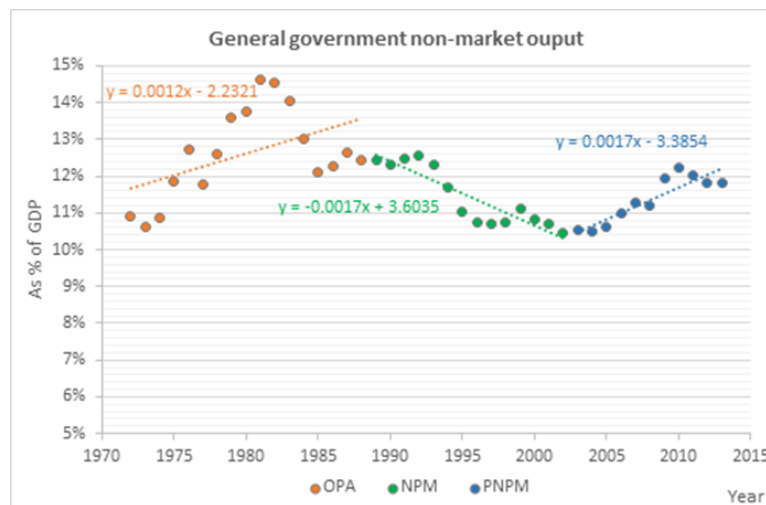


Central versus Local – reform-induced changes are *Central*

Government as a producer (GDP)

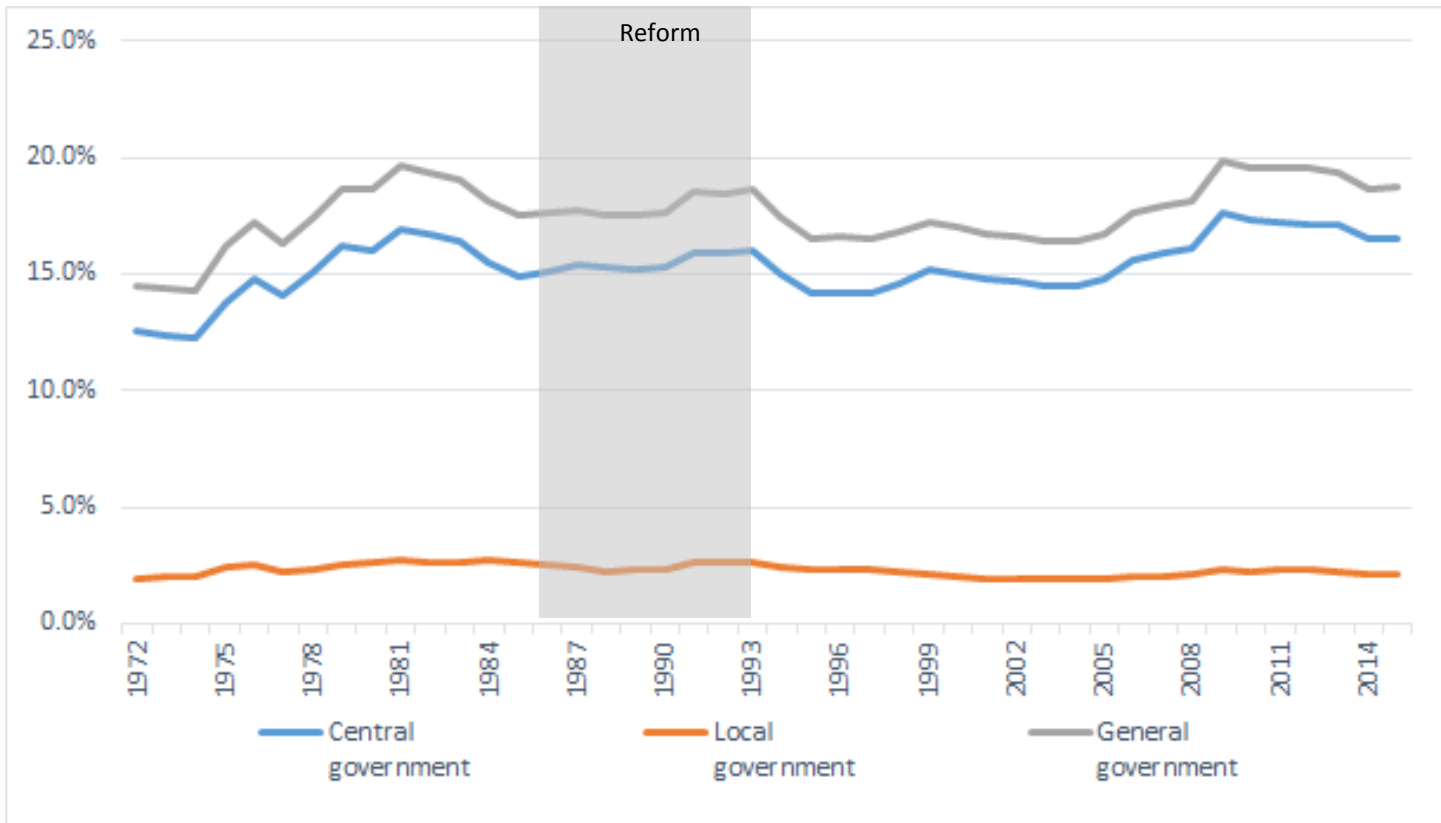


The big fall in production is *market* sector (= privatisation)



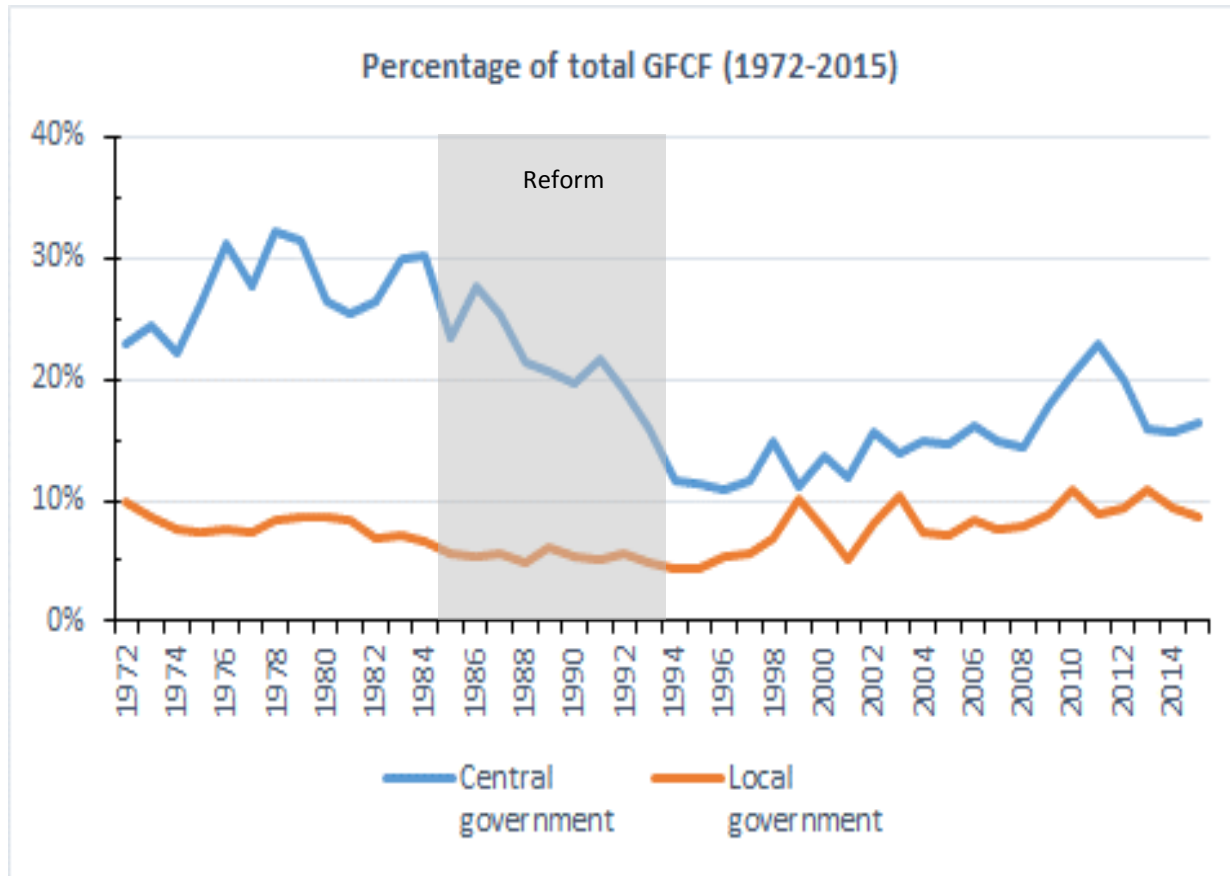
Non-market production falls much earlier (1981)

Government as a consumer (% of GDP)



... Not much reform effect overall on government *consumption*

Government as an investor

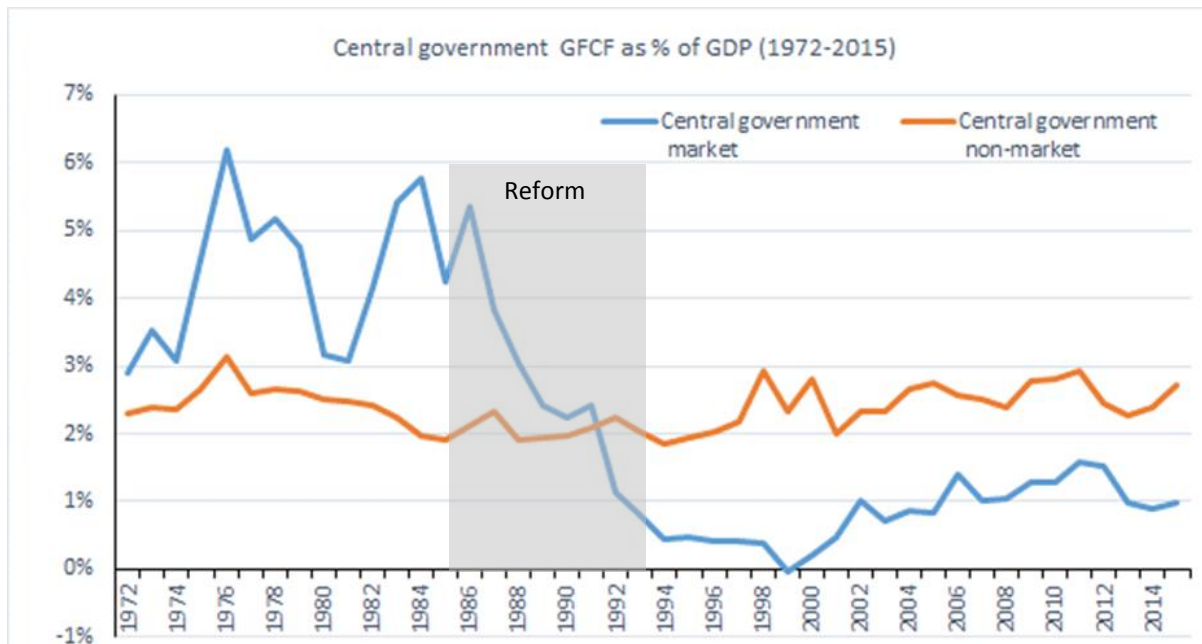


Investment decline is restricted to *Central* government

... starts before 80s reforms?

Government as an investor

Central v Local & Market v Non market



Investment decline is restricted to *Market* sector

Interim Conclusions

- Different lenses, different patterns, different turning points
- 'Usual suspects' often don't explain patterns or turning points
- Shape of the state has changed more than size
- Big reform movers:
 - Market sector output / privatisation
 - welfare spending and debt interest
- Hard to find unconditional evidence of:
OPA \Rightarrow NPM \Rightarrow PNPM ... but more work to do!

Long-term data available soon at www.data1850.org.nz