

Sir Roger Douglas Receives The Friedrich A. von Hayek Medal

Roger Douglas was today awarded the "Friedrich A. von Hayek-Medal 2002 to become the 5th winner of this award. In presenting the award, the German Hayek Society said :

"This medal is given to outstanding politicians, entrepreneurs and scholars who stand for the aims and values of a free society and who, as you did in your whole political life, courageously defend the principles of classical liberalism in our days."

Previous winners of the Hayek-medal are :

- Dr. Erich Hoppmann, Professor of Economics, who followed Hayek on this chair in Freiburg and who developed Hayek's theory of the spontaneous order further.
- Dr. Wernhard Möschel, Professor of Law, a specialist in modern competition law, who introduces Hayekian perspectives into public policy debates.
- Mr Heinz Greiffenberger, an entrepreneur who runs a middle-sized company and served on important federal commissions to privatise state owned German companies.
- Professor Dr. Manfred Streit, former head of the Max-Planck-Institute for Economic System Analysis in Jena, who is one of the leading German Ordo-liberals.

This award was the third such award that Roger Douglas has received in Europe, the other two being:

- 1996 Max Schmidheiny Freedom Prize for his contribution to the preservation and development of a free social and economic order.
- Ludwig Erhard Prize for Economic Journalism.

In accepting the award Roger Douglas said:

33 years ago I entered Parliament as a Labour Party member (read Socialist), in the belief that only Labour really cared about the disadvantaged and the poor.

33 years later, I still want to help disadvantaged people. But what I have seen over the last 33 years has made me realise the type of help I once advocated was part of the problem - it simply did not work - it could not work.

In fact, it not only did not work, it made matters worse, it helped create the very conditions I was trying to overcome. What started in New Zealand as an economic rescue package in 1935 during the Great Depression, has become an ongoing bureaucratic monster that has changed every New Zealand citizen's relationship with government.

The attitude that the government will help us is so widespread that it is difficult to decide where to begin.

For almost any social problem there is a government agency that will take responsibility. This is why government in the social policy area has grown out of control. The people of New Zealand have turned over their responsibilities to the government.

Rather than organising our personal lifestyle and the New Zealand economy in a way that we can take care of what was once regarded as personal matters such as:

- Caring for the aged.
- Looking after our children and ourselves.

We have effectively asked the government to do it for us.

The result of 60 years of heavy government involvement in trying to improve the lives of New Zealanders is that we are arguably no better off than when we started. The percentage of people living on welfare has risen dramatically over the past 20 years. The number of children, many of them with severe psychological problems, walking the streets with nowhere to call home has skyrocketed. Drug use is on the increase. Violent crime has been on the increase for at least 25 years.

Many of these people are hidden. They have no distinguishing marks, no telltale signs by which we can easily identify them.

None of this would have been a surprise to Hayek. I quote: "The most important change which extensive government control produces is a psychological change, an alteration in the character of the people. This is necessarily a slow affair, a process which extends not over a few years but perhaps over one or two generations new institutions and policies will gradually undermine and destroy that Liberal Spirit."

Hayek also stated that "the essence of the Liberal position, is the denial all privilege, if privilege is understood in its proper and original meaning of the state granting and protecting rights to some which are not available on equal terms to others".

In New Zealand the removal of privilege was at the heart of the economic changes we made during the 1980s. The removal of privilege included:

- Quantitative import licensing
- Subsidies
- High tariffs
- Opening government sector to competition
- Labour market reform
- Reform of commercial regulations

Regrettably, Roger Douglas said, these economic policy changes did not extend to the social policy areas to any extent.

Roger Douglas went on to say that it was clear from New Zealand's experience that the problems with the public sector were deep seated and included the fact that there is no in-built pressure to reduce costs. In fact providers of government services often find the only way to increase their income is when costs go up. (Education)

Government generally offers a one-size-fits-all approach that means the government is generally unable to deliver what the consumer really demands (health and education).

The one-size-fits-all approach forces participants to pay compulsory taxes in exchange for various welfare, health and education benefits. This approach prevents workers from choosing better options (accident compensation).

The escalation of costs within health, education and welfare far exceeds the rate of inflation. This costs an average family a large number of \$ per week. Subsidising

something always results in you getting more of it (USA poverty programmes of the 1960s).

A lack of constitutional rules results in everything within the political process being subject to change. This results in organisations fighting more and more about how to share the existing pie rather than grow it.

Income transfers often cause damage to those who receive them e.g. tax breaks often lead to levels of investment that are not sustainable markets for products produced simply not available at an economic price or lead to people ignoring real problems e.g. disaster relief schemes.

The system ensures that politicians continually respond to what is top of the mind in terms of public issues and spend money in the areas rather than deal with long-term issues, hence the lack of investment in some important areas of infrastructure. Lack of quality decisions ensures problems are not solved only shelved for a while.

Objectives are often not well defined and when they are, are often conflicting (quality v's quantity v's cost) given scarce resources. Government investment planning results in "pork barrel politics" - waste is the result. This political process cannot work (e.g. Think Big in NZ).

Government is invariably fed inaccurate information on what to base its investment decisions (managers, whether government or private, with a vested interest in the outcome ensure that this is so). (Future electricity consumption.)

Government finds it hard to keep up with the rapid changes that are taking place in the market - technological, new products, changing demand etc. The present system encourages the public view that government intervention can solve any problem it can't (poverty). Taxes are too high as a percentage of GDP. This costs growth and jobs.

Politicians are too involved in day-to-day political decision making. This enables well-organised special interest groups to continue to do great harm to the remainder of the population.

Lack of competition within government organisations leads to inefficient operations. Managers of public sectors, unlike their private sector counterparts, seldom benefit from introducing lower costs or improved performance.

Poor performance (declining education achievements) are often used to demand more money, not reform the system. Government is continually suppressing the symptoms of the problems rather than dealing with the real issues (cost plus system in hospitals).

Providers of many government services depend more on the government (i.e. the system)

than their consumers (patients). Public feel insecure. They have no choice, having paid 40% of their income to government; they have to rely on government services many of which they have little or no faith in.

There is a lack of profit motive within government. In New Zealand the results which flowed from the introduction of a profit motive were consistent in Railways, Post Office, ports, telecommunications. Prices went down, quality of services went up, services levels expanded. The least well off suffer most under the present system (bottom of health waiting list).

Government by trying to do too much ends up failing to deliver as well as it should on those things it and only it can do (supplying goods the market cannot). The self-interest of taxpayers, politicians and bureaucrats are not aligned. This is costly in terms of economic development.