

Speech to India States' Reform Forum 2000

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The New Zealand economy was transformed after 1984. We used to have a complex interconnecting set of economic prohibitions, levies and subsidies. These were supposed to protect domestic activity and to maintain local incomes. However, the result was a stagnant economy with economic growth and trade at much lower levels than almost all other OECD countries.

The overall thrust of the programme of economic reforms in New Zealand was to remove those controls that made it difficult for business to act in a market sensitive and efficient way, while maintaining those social programmes politicians and others believed were needed to defend a fair society.

The changes made between 1984 and 1988 were comprehensive and complex. In total they added up to a new approach to economic management in New Zealand. After 1988 reform largely stopped in New Zealand except for a brief period in 1990 and since 1996 has been going backward in a policy sense.

The areas I would to cover in this lecture –

- Where New Zealand was in 1984
- How New Zealand got into the economic mess it did
- Policies we put in place to rectify the problems we found
- Results that flowed from those policies

Lessons to be learned both economic and political from the New Zealand experience, which I believe to be universal. I am going to largely ignore what is happening in New Zealand currently which is likely to unwind a lot of what was achieved.

Past economic problems of New Zealand in a nutshell –

In the decade to 1984:

- New Zealand's economic growth rate averaged half the OECD average.
- Our inflation rate was 1½ times the OECD average rate.
- Government expenditure rose from 28% of GDP to 39% with additional costs hidden in various Government business agencies.
- Net public debt multiplied six times over and debt servicing mushroomed from 6½% to 19½% of total Government spending.
- Unemployment rose from 5,000 to 132,000 with no sign of stopping there.

In the 25 years to 1984:

- New Zealand's average annual increase in productivity was the lowest in the OECD.
- New Zealand's relative standard of living fell from third highest in the world to a mid-twenties ranking. To put it another way, had New Zealand succeeded in growing at the OECD **average** rate, the standard of living of New Zealanders by 1990 would have been double what it, in fact, was.

Main elements of regime of economic controls as at 1984

- Regulations freezing all wages, prices, dividends, rents, interest
- All prices and charges for Government supplied services frozen
- Exchange controls restricting all foreign exchange transactions to items approved by the Reserve Bank - the criteria largely prohibited capital transactions, restricted remittances for current transactions and ensured export earnings were repatriated
- Quantitative licensing of imports to preserve the domestic market for local manufacturers
- Extensive subsidies for all major export sectors
- Tariffs that were very high on items for which there were domestic substitutes and low or zero for intermediate inputs to industry
- Requirements on financial institutions to hold Government bonds at below-market interest rates
- Prohibitions in public sector pension funds investing other than in Government stock
- Extensive regulatory protection and/or Government ownership of the non-tradeable sectors - transport, energy, communications, finance, construction and others.
- Government policies distorted price signals from the world economy about the best use of resources - particularly tariffs and imports controls
- Macroeconomic policies focused on stability at the expense of growth through efficient resource use
- Regulatory policies (labour, trade and commercial laws) biased against efficiency and innovation and used for protection and stabilisation.
- Inflation and tax policies channelled resources into risky and low productivity activities.
- Financial controls brought about an inefficient capital market.
- Social policies resulted in high marginal tax rates and unaffordable universal benefits - still a major problem for New Zealand.

- Government businesses were badly managed, protected, subsidised and influenced a large share of the country's resources
- Government administrative activities were unresponsive to changing priorities and performing inadequately in terms of effectiveness and efficiency
- Low skill levels in the workforce and poor management

Policies to Address New Zealand's Economic Situation

- Devaluation followed by floating the exchange rate
- Remove regulations on financial markets.
- Remove subsidies to industry
- Tax reform to lower rates and broader bases
- Cut fiscal deficit by both revenue and expenditure measures
- Raise government revenue through user-pays
- Remove regulations on prices and incomes
- Remove quantitative restrictions on imports
- Cut tariffs and even up the levels
- Reform commercial regulations and laws to promote efficiency and innovation
- Corporatise and privatise government businesses
- Guaranteed minimum incomes for the poor
- Training schemes for unemployed
- Target welfare state support on those in need
- Reform social service delivery by government agencies in a search for greater equity and efficiency
- Labour market reform
- Reform commercial regulations and laws to promote efficiency and innovation
- Reform government management to achieve greater effectiveness and efficiency
- Firm monetary policy focused on medium term

Results – as they were in 1995 with comment where appropriate on direction since 1995

Fiscal Policy

- Government expenditure ratio peaked in 1991-92 at 44% and is now 35% and government plans to reduce it to 20-30%. (Since 1995 government expenditure has increased repeatedly up towards 40% GDP.)
- The government is running the first surplus for 17 years (continuing).
- Net public debt 30% GDP after peaking at 51% in 1992. (40% at the beginning of the reform period.) (Down to 20%.)
- Ratio of debt service to government revenue 11% down from 20%.
- Surpluses to be used to lower public debt from 42% GDP to half that.
- The net worth in the government balance sheet is still negative at about 6 billion bus is expected to turn positive within 3 years. (Now positive.)
- Interest rates peaked in 1987 (90 day 25%, 5 year 18%) and reached a trough in 1992-3 (90 day 7%, 5 year 6%) and have risen 2-3% since.
- Tax cuts only when debt and expenditure objectives achieved.

The country risk premium in interest rates has fallen. (Upward trend.)

Foreign investment inflows are the second highest in the OECD as a % of GDP. (Down.)

The OECD says the tax system is the least distortionary in the OECD.

Infrastructure

- Costs are down for key infrastructure as a result of reform:
 - ○ port handling charges down 60%
 - ○ rail freight down 50%
- Government businesses contribute 5% of GDP down from 12% and the remainder are very much more efficient and profitable
- Government administration is smaller (staff numbers down from 86000 to 36000) and more effective

Key Macro Results 1995 - 1996

- 0-2% inflation for 3 years
- 14% GDP growth since recovery began in 1991
- 6.1% GDP growth in the latest year
- 3.5 – 5.0% is reasonable long-term growth potential

Unemployment peaked at 11% and is now 6%.

Balance of Payments is in reasonable balance even with heavy capital goods imports.

Competitiveness greatly improved since 1988.

Total exports up 25% over 4 years.

Investment up 70% over 3 years.

Moody's upgraded the rating and S&P say 'New Zealand's fundamentals are unprecedented and unparalleled'.

I now turn to the questions I was asked to consider :

"How did you deal with the various stakeholders who were likely to lose out through these reforms?"

What we learnt in New Zealand was that it was important to implement reform by way of quantum leaps. The main risk to the policies put in place in New Zealand over the last 7 years arises from both parties' inability to recruit good people currently. A solution can only occur if enough people with guts, education and vision are willing to accept the tasks involved in doing something worthwhile for their country in the political area.

The low status of politicians in the community is a chicken and egg problem. It results from the shortsighted, excessively partisan approach so many of them take to their responsibilities. The fastest and the best way to transform the present status problem facing politicians is for a world-wide influx of quality people to enter government.

I think it is particularly appropriate to make such points to this audience. Politics is a mess because too many quality people are content to criticise from the sidelines. As long as that situation persists we will wait in vain for good government in democratic countries. Improvement will occur only if quality people take the trouble to get themselves involved.

By placing quality at the heart of all our endeavours, we break the old moulds that have discredited politics and politicians and led too many countries into avoidable economic calamity.

Principle

Implement reform in quantum leaps, using large packages.

Do not try to advance a step at a time. Define your objectives clearly and move towards them by quantum leaps. Otherwise, the interest groups will have time to mobilise and drag you down.

In New Zealand and world-wide, the conventional perception is that reformers are playing against a stacked deck of cards. Genuine structural reform is portrayed as equivalent to wilful political suicide.

That rule holds good where privileges are removed one at a time in a step-by-step programme. Paradoxically, it ceases to apply when the privileges of many groups are removed in one package.

In that case, individual groups lose their own privileges, but simultaneously the aggregate cost of paying for the privileges of all other groups in the economy is removed from them.

Paradoxically, it is harder to complain about damages to your own group when everyone else is suffering at least as much – and you benefit from their loss in the medium term.

The underlying fact is that whatever their own losses, each individual group also has a vested interest in the success of the reforms being imposed on all other groups.

Packaging reforms up into large bundles is not just a gimmick. Its political and economic efficiency rests on fundamental considerations that are the essence of good structural reform.

The economy operates as an organic whole, not an unrelated collection of bits and pieces. Structural reform aims to improve the quality of the interactions within the whole.

When reform is packaged in large bundles, the linkages in the system can be used to see that each action effectively enhances every other action and also improves its selling potential.

Winning public acceptance depends crucially on demonstrating that you are improving the opportunities for people as a whole while protecting the most vulnerable groups in the community.

Large packages provide the flexibility needed to demonstrate that the losses suffered by a group of people are offset by fundamental gains for the same group in some other area.

The public will take short-term pain on the chin, if the gains are spelt out convincingly and the costs and benefits have been shared with visible fairness across the community as a whole.

Question

"How did you manage the reform agenda, prioritise your interventions and deal with the issues of sequencing?"

What we learnt here was that speed is essential – it is impossible to go too fast.

Speed is essential and it is impossible to go too fast. Even at maximum speed, the total programme will take some years to implement. The short-term trade-off costs start from Day One.

When reform has been delayed for many years, the trade-off costs are inevitably considerable. Tangible benefits take time to become visible, because of the lags built into the system.

If action is not taken fast enough, the consensus that supports reform can collapse before the results become evident, while the Government is still only part-way through its reform programme.

Vested interests seeking to preserve past privileges will always argue strongly for a slower pace of change. It gives them more time to mobilise public opinion against the reforms.

On the other hand, vested interests cannot obtain the pay-off from change until the Government has moved far enough to reduce the costs imposed on them by the privileges of other interests.

The vested interests continuously underestimate their own ability to adjust successfully in an environment where the Government is rapidly removing privilege across a wide front.

They focused on symptoms, not fundamentals at every stage.

Many apparent demands for a slower pace, on closer analysis, express a powerful resentment that the Government is not moving fast enough to abolish privileges enjoyed by rival groups.

Farmers in New Zealand, who lost direct subsidies equivalent to 35c in every dollar they earned and because of a strengthening New Zealand dollar, received less New Zealand dollars for what they sold, survived because action was taken in New Zealand to reduce excessive protection elsewhere. E.g.

- Tariff reduced
- Railways restructured
- Ports etc.

It is uncertainty, not speed that endangers the success of structural reform programmes. Speed is an essential ingredient in keeping uncertainty down to the lowest achievable level.

When state trading departments were being transformed into commercial corporations, it became obvious that large-scale redundancies would occur in the coal and forestry areas.

Because some of those activities were located in depressed areas, the Government took its time to make the final decision, leaving thousands of employees in limbo for about six months.

Staff knew that some of them had no future in the industry, but did not know who. They could not leave before the corporation made up its mind, because they might lose their redundancy pay out.

The result was deep and intense bitterness, which the Government interpreted as being directed primarily against the policies themselves. It further eroded the willingness to take action.

Once firm decisions were announced, the feeling in those regions improved rapidly. A lot of those people always knew change was inevitable. The public often shows more realism than politicians.

What those people really wanted was an end to the uncertainty, so that they could decide how to get on with their own lives.

A great deal of technical debate has been aired world-wide about the optimum sequencing of structural reform, and the alleged sequencing errors of Governments, both in New Zealand and elsewhere.

My view is that these debates are largely irrelevant in practice.

Before you can plan your perfect move in the perfect way at the perfect time, the situation has already changed anyway. Instead of a perfect result, you wind up with a missed opportunity.

Some decisions take full effect the day they are made. Others take years of hard work before they can be fully implemented. Perfect sequencing, even if it existed, would not be achievable.

If a window of opportunity opens up for a decision or action that makes sense in the medium term, use it before the window closes.

When an economy has been driven down a blind alley and ends up facing a brick wall, what matters is to back it out as soon as possible and get it back on the high road to a better future.

Principle

Once you start the momentum, never let it stop rolling

Once you start the momentum rolling, never let it stop until you have completed the total programme. The fire of opponents is much less accurate if they have to shoot at a rapidly moving target.

If you take your next decision while they are still struggling to mobilise against the last one, you will continually capture the high ground of national interest and force them to fight uphill.

The Government can develop public awareness of the key issues by structuring the content and sequence of its packages to dramatise the relevance of the fundamental economic linkages.

The underlying process of structural change is very important.

Before you remove the privileges of a protected sector it will tend to see structural changes as a threat which has to be opposed at all costs.

After you remove its privileges and demonstrate that the clock cannot be turned back, the group starts to focus on removing the privileges of other groups that still boost its own costs.

On the other hand, exactly the opposite process occurs wherever some favoured group is allowed to retain its privileges and given ongoing protection from the broad thrust of the reforms.

Anxiety levels in protected groups rise steadily as reform progresses in the rest of the economy. They fear their turn may come next. Their internal organisation improves dramatically.

They boost their public profile. They entrench their opposition to conceal their vested interest in exemption from reform. They will aim to dictate the rhetoric that governs all public debate.

In New Zealand, for example, reforms designed to reduce waste and inefficiency across the widest possible front were consistently painted as adherence to the nastiest form of hard-line monetarism.

Commercialisation, designed to achieve more jobs and better living standards for everyone, was said to be driven by an uncaring New Right obsession with profit at the expense of people or service.

Efforts to improve the quality or quantity of health services for ordinary New Zealanders were portrayed as replacing public care with private profit at the expense of the ill and the elderly.

The strategy of this rhetoric is to obliterate public awareness of all medium-term benefits, exaggerate the short-term costs and portray these costs as the objective or sole outcome of reforms.

These groups end up making strenuous efforts to gain control of the political process in the reforming party, to stalemate any threat to themselves by terminating the total reform programme.

The answer is: Stop the rot before it begins. Remove privilege even-handedly across the board and give such groups, along with everyone else, a more constructive role in a better society.

Principle

Continuous credibility is essential to maintain public confidence in structural reform and minimise the costs. The key to credibility is consistency of policy and communications.

The voting public has seen governments come and go, all of them promising low inflation, more jobs and higher living standards. But for years, life has gone on exactly as it always used to.

Take the first step early and make it a big one. You have to break the pattern of the past dramatically enough to convince the community that, this time, somebody really does mean business.

When the government lacks credibility, people refuse to change until the clash between their old behaviour and the new policy imperatives has imposed large, avoidable costs on the economy.

As the reform programme rolls forward, a lot of people start hurting. Their confidence depends on maintaining the conviction that the government will drive reform to a successful conclusion.

Speed, momentum, the avoidance of ad hoc decisions, and an unwavering consistency in serving medium-term objectives are the crucial ingredients in establishing the government's credibility.

You know when you start to win the credibility battle. The media begin to put every government statement under a microscope, looking for inconsistent decisions and lapses of principles.

People begin to grasp the idea that wherever a group manages to hold on to privilege and protection, an avoidable cost is imposed on those who are facing up to the adjustment process.

At this point – the message from the voting public changes. It now reads:

Keep the reform process going – drive it to a successful conclusion or you are dead in the water at the next election.

Structural reform has its own internal logic, based on the linkages within the economy. One step inevitably requires and leads to another, to extract benefit for the nation as a whole.

Abolishing export assistance is fruitless, unless the costs of exporters are also reduced by lowering tariffs, deregulating internal transport and reforming ports and shipping services.

The fiscal gain from corporatisation or privatisation will vanish without trace of expenditure if an unreformed social services sector is left to rise without regard for efficiency. This was the downfall of the New Zealand experience.

The redundancies created as production is rationalised to improve efficiency may turn into more or less permanent unemployment if an inflexible labour market protects insiders against outsiders.

Where the logic of reform is not followed closely enough, the confidence of investors will be impaired and the ultimate sustainable growth rate achieved may be less than optimal.

Credibility takes a long time to win, but it can be lost almost overnight. Confidence then collapses. The costs of the adjustment rise. The time required expands. The political risk increases.

The battle for consistency and credibility is always ongoing and never finally won. It remains permanently central to every decision that comes before the government for consideration.

What lessons from New Zealand would be most relevant for a country like India?

What features were truly unique to New Zealand and what aspects have broader and more universal applicability?

I don't believe there were any truly unique features that applied only to New Zealand.

Most of the lessons from New Zealand, in my view, apply everywhere – although I readily accept they may prove more difficult to implement.

Let's look at some of them.

- Consultation - Yes
- Consensus - Not before policies are put into place

The process of change was characterised by consultation.

This did not mean that the government stopped while it asked what should happen next. Instead the government adopted a policy of announcing its intended direction and asking for feedback on specific issues. This process enabled the government to access expertise from many people. One very good example was the introduction of the goods and services tax (VAT). The process of consultation served both to reduce some fears about the new tax and also to resolve many technical concerns.

Consensus then for quality decisions does not arise before they are made and implemented. It develops progressively after they are taken, as they deliver satisfactory outcomes to the public. For this to happen **leadership** is required.

Change needs to be comprehensive

There is little point in tinkering with some areas while leaving others untouched. Eg. A change in border protection may be useful in reducing the costs exporters face but this is largely wasted in infrastructure costs remain high.

Another problem with simply fiddling with some areas while leaving others untouched is that the costs of the uncertainty you create might well be greater than the benefits of any change.

Other Lessons

Interaction

It is the interaction of policies that matters rather than any particular policy.

Clearly, the results and performance in the goods market depend on the success of the capital market and labour market. They also depend on the efficiency of government management.

There is no one major change that will change the economy by itself.

Incentives Matter – getting them right is vital

You have to ensure that when people follow their personal interest they can only do well for themselves when they contribute to society and not the other way around.

Secondary Effects

Ignoring secondary effects and long-term consequences of policy is the most common source of error.

e.g. proponents of tariffs - few jobs created than lost as a result

Transparency

NZPO, Social Policy funding

New Zealand Government Balance Sheet

Contestability for government services

- A form of privatisation
- Government Printer
- Works Department
- In New Zealand, CEOs of Government departments were largely freed up to buy product where they liked

Quality Decisions

Quality decisions are the key to structural reform and to political success in government.

The evidence of New Zealand's story is clear. Those politicians, who sought success through ad hoc solutions that evaded the real problems, damaged the nation and destroyed their own reputations.

A fundamental choice is always there. You can take the costs upfront for larger medium-term gains or focus on short run satisfaction and be sandbagged later by the accumulated costs.

The problem with compromise policies is simple. They do not work. So they come back to haunt those responsible for them.

Wherever the New Zealand government after 1984 implemented uncompromised quality problems, the polls today give a satisfactory rating to the issue or even better the issue has gone away.

Wherever the New Zealand Government did not or had not gone the whole way for quality reform (social policy in the main), government, approval ratings are always low and the issues remain at the top of the agenda.

Never fall into the trap of selling the Public short

The people out there in the community trade off short-term costs for long term benefits every day of their life. They take out mortgages and bring up children.

Faced with the need for structural reform, normally responsible politicians will confide privately: "I know it's needed, but people out there don't know! Politics is the art of the possible!"

Middle-of-the-road MPs maintain their personal security by making sure that their grip on reality is fuzzy round the edges: "Ups and downs are normal. Things will come right. They always do."

As the problems worsen the demagogues and opportunists move in: "We have just one problem – our political opponents are nuts! I can fix the lot with applied common sense and some No. 8 wire."

For years at a time, while the economy drifts on towards crisis or collapse, the public is offered nothing better than that, by way of information or diagnosis. So they give the demagogue a go.

Nobody stops to think that what people may really want is politicians with the vision and the guts to help them to create a better country for their children in the year 2000 and beyond it.

Successful structural reform does not become possible until you trust, respect and inform the electors. Do not mistake the fears of the politicians for ignorance, lack of guts or lack of realism on the part of the voting public. You have to put them in a position to make sound judgements about what is going on.

Tell the public, and never stop telling them, right up-front:

- What the problem is and how it arose;
- What damage it is doing to their on personal interests;
- What your own objectives are in tackling it;
- How you intend to achieve those objectives;
- What the costs and the benefits of that action will be;
- Why your approach will work better than the other options.

Ordinary people may not understand the situation in all its technical detail, but they have a lifetime of experience at work and at home to help them sift the wheat from the chaff.

They know when key questions are being evaded. They can sense when they are being patronised or conned, and do not like it. They respect people who front up honestly to their questions.

Principle

Don't blink: Public confidence rests on your composure

Structural reform in New Zealand involved Ministers in making some of the most radical decisions announced to the public for 50 years or so.

Relaxed, matter of fact composure is essential every time you face the public. Their confidence is always based on yours.

As the pressure of change comes on to the economy, the whole community starts watching every television appearance like a hawk, looking for the least twitch of Government nervousness.

Their confidence in, and co-operation with, the reform programme can be undermined by the least blink. Visible uncertainty among key Ministers spreads like a plague throughout the community.

Structural reform demands a major change in the ideas and attitudes which ordinary people grew up with. Such demands inevitably cause discomfort and uncertainty in many people.

Our qualitative research showed that, in the process, people become hypersensitive to any signs of similar anxiety in the politicians who are responsible for the reform programme.

They attend meetings and watch the TV news not just to find out what is happening and understand the ideas behind it, but also to probe the feelings and emotions of the people at the helm.

When they cannot understand the technical detail of the argument, they rely their own assessment of the speaker's mental and emotional condition to provide them with a basis for judgement.

That is another reason why it pays to make decisions of the finest quality. When you know you got it right and know the policies are on course, that comes out through their TV sets.

TVNZ told me they searched their film library for a clip of Roger Douglas looking nervous or uncertain and were disgusted to find that I looked "cheerful and relaxed the whole bloody time".

Knowing or believing that you have got it right provides a firm foundation for dealing with people in a relaxed, confident way when you are face to face with them, even at large meetings of quite angry people.

These remarks are not a recipe for arrogance. Listening to argument from sources of every kind is fundamentally important to policy making, as well as to selling policies successfully.

But all of that advice has to be measured against the Government's medium term goals. It is not arrogance to hold a sound course towards objectives that benefit the country.

Principle

Incentives, choice, monopoly: Get the fundamentals right

A sick economy cannot be regulated back into health. Economic dynamism is the liberated energy of people at every level personally choosing and using opportunities that benefit them.

Government's role is to create a framework that widens their opportunities for choice, improves the incentives to productive activity and sees that their gain benefits society as a whole.

Question

"If you could do it over again what would you do differently and why?"

I would ensure competition was introduced in the social policy areas as it was to other areas of the economy.

Competition

Competition is just as important in government as it is in markets.

Competition among government units is a disciplinary force. Unfortunately, the importance of competition in the public sector is often not widely recognised.

Wherever competition was introduced in New Zealand the results were truly remarkable.

Railways - lost monopoly rights and had to compete with trucking

Result :

- Real freight rates fell by more than 50%
- Helped regional growth rather than big cities
- Helped create employment growth (along with other policy changes). Unemployment peaked at 11% now 6% - although number employed in railways now 4,500 compared with 22,000 in 1984.
- Helped export growth

Principle

When in doubt, ask yourself: why am I in politics?"

Conventional politicians ignore structural reform because they think they are in power to please people and pleasing people does not involve making them face up to the hard questions.

They use the latest polls to fine-tune their image and their policies in order to achieve better results in their next poll. In other words, their aim is really to be in perpetual power.

Their adherence to ad hoc short-term policies which focus on their own immediate problems, rather than the country's long-term opportunities, leads to accumulating difficulties over time.

It became increasingly clear to people that the problems have not been solved and the opportunities have been thrown away. So such Governments end up being thrown out, neck and crop.

Political ownership i.e. leadership is vital – without it, reform is not possible.

Genuine structural reform carried right through fairly and without compromise, delivers larger gains in living standards and opportunity than those achievable by any other political route.

Because Labour implemented such a programme in its first three years, we were re-elected, notwithstanding significant adjustment costs, with a majority larger than our landslide 1984 win.

After the 1987 election, the Government lost some of the momentum that had sustained the reform programme in its first 3 years. The vested interests were able to marshal a counter-attack.

The then Prime Minister sought to re-establish a consensus by calling for a "breather" in the reform process and cancelled large elements of the reform package of December 1987 – an announcement made without consulting either Cabinet or the Caucus. The result was a fall in the government's poll rating from 5% ahead to 12% behind.

Mr Lange felt that some people needed time to catch up with the changes already made. He also feared that on-going reform would inevitably change some traditional social-sector policies.

Protected groups within the community, looking for ways to arrest the process of change before it affected their interests, and, if possible, to turn back the clock, seized their opportunity.

The Government became polarised internally between those who wanted to advance the process of reform a stage further to achieve improved outcomes and those who wanted to call a halt.

A stalemate developed, dramatised in the news media around a conflict of objectives and personality between David Lange as Prime Minister and Roger Douglas as Minister of Finance.

The Government lost its ability to take consistent account of the principles I have described today. Confidence was dissipated by public uncertainty about the future directions of policy. The result was that the Labour Government lost badly in 1990 and New Zealand did not succeed to the extent that it should have.