

Return of zombie economics

Chris Bishop obviously has a point when he blames the current recession on “the macro-economy”. He does not, however, seem to have read or understood much macro-economics.

His party certainly took office at a time when the Reserve Bank had used its interest-rate weapon to slow economic activity. But his Government then put the economy into an outright nose-dive by fiscal austerity, project cancellations, sweeping policy announcements that paralysed new investment in a morass of uncertainty, limits on wage increases, attacking benefits and beneficiaries, and now killing off pay equity.

The interest rate and the Reserve Bank have played only a minor role in the latest economic downturn. The big impacts have come from fiscal settings, policy u-turns, the frontal assault on Māori rights under Te Tiriti, the increasingly bad quality of knee-jerk policy-making and legislation, and the outright refusal of Government ministers to acknowledge economic reality.

I would encourage both Bishop and Nicola Willis to read up on the failure of the 1931 Forbes-Coates Government’s economic policies in the face of the Great Depression. Those policies rested on the 1929 British “Treasury View”, in opposition to which Keynes wrote his General Theory. Alas, zombie economic doctrines keep coming back.

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The actions of Chris Bishop’s Government have put the economy into an outright nose-dive, writes one correspondent.