

# ***POLICY BRIEF***

An electronic publication of  
The Allegheny Institute for Public Policy

---

May 27, 2004

Volume 4, Number 19

---

## **Dramatic Lessons From New Zealand**

It seems upside down but governments and schools in Pennsylvania, Allegheny County, and Pittsburgh could learn a lot from a country from “down under”. Historically, we have thought that good ideas about governance flow from the USA to the nether regions, however, since the 1980s the flow should have been from South to North.

As we learn from Maurice McTigue, a former cabinet member in New Zealand, the country’s economy and its school system were floundering in the early 1980s with very high unemployment, declining living standards, and ever more expensive schools whose academic performance was slipping behind other industrialized nations. For decades New Zealand had sunk deeper and deeper into a morass of socialism, which, as it always does, wrecked the economy of a country that in the 1950s had the third highest per capita income in the world.

Amazingly and fortunately, in 1984 New Zealanders elected a reform minded-government that immediately began a series of wholesale and dramatic changes in the country’s policies. Massive privatization, tax reductions, elimination of trade restraints and reliance on market based solutions led to a revitalized economy. Government employment was cut by a stunning 66 percent.

### *Cutting the size of government*

New Zealand’s successful experience should encourage local governments—especially the City of Pittsburgh—to abandon their obstinate rejection of privatization and other market based initiatives aimed at reining in the cost of government. Certainly, in light of the failed top-down government driven economic development schemes to deliver the promised prosperity and tax base growth, the City ought to be willing to turn away from the stultifying, smothering policies of big government and try the New Zealand reforms.

After all, government does not exist to provide employment; it exists to provide the core services that only the public sector can provide. Growing American cities spend 30 to 40 percent less per resident to provide services and have 30 percent fewer city employees per thousand residents than Pittsburgh. And, unlike Pittsburgh, they make minimal use of municipal authorities, which in turn enables much better control by accountable elected officials. It also prevents the kind of wholesale involvement in activities that are better left to the private sector.

Since the voters of Pittsburgh were unable or unwilling to elect reform minded leaders, a state appointed oversight board has been put in place to fix the City. Hopefully, the oversight board can learn from New Zealand’s experience and move Pittsburgh in the direction of a smaller, lower tax and more market friendly government over the next few years.

Meanwhile, it may not be too late for Pennsylvania and Allegheny County to adopt New Zealand type reforms including substantial reductions in the size and scope of government through privatization and eliminating all activities that are not necessary to carry out government's legitimate core functions. One thing is an absolute certainty: absent a change in Pennsylvania's political mindset, government programs and spending will beget more government programs and spending until the economy is a total disaster.

### *Fixing the schools*

At the same time it was remaking New Zealand's approach to governance, the reform government took the almost unthinkable step of eliminating every Board of Education in the country. Each school was then placed under the control of a board of trustees elected by the parents of students at the school. The schools were allocated funds based on the number of pupils with no strings attached except that parents were given the right to choose where their children would attend school, including private schools. The results were stunning. Educational achievement quickly reversed its slide and rose dramatically in just a few years.

Sadly, Pennsylvania is unlikely to ever consider undertaking such a change. Despite having a school system that statewide has SAT scores that rank 45<sup>th</sup> in the US and per pupil expenditures that are among the top spending states, Pennsylvania is forever wedded to a model of public education that accepts mediocrity in performance and attempts to solve every problem by throwing more money at it. Besides being a drain on taxpayers and creating an unfriendly climate for business, the system is shortchanging Pennsylvania's children, which should be considered immoral. To force children to go to failed schools and force taxpayers to fund those schools has to be the most egregiously wrongheaded public policy imaginable.

At the very least, Pennsylvania ought to make the New Zealand school plan an option for school districts that would like to give it a try. Surely, there must be districts across the state that are tired of seeing tax money spent on poor schools and who would like to try a radically new approach. Of course, there are details to work out. But this plan, which is essentially a voucher plan on steroids, offers a meaningful and hopeful alternative to the mindless continuation of the status quo.

---

**Jake Haulk, Ph.D. President**

---

*Policy Briefs may be reprinted as long as proper attribution is given.*

*For more information about this and other topics, please visit our website:*

[www.alleghenyinstitute.org](http://www.alleghenyinstitute.org)

If you have enjoyed this or previous Policy Briefs and wish to support our efforts please consider becoming a donor to the Allegheny Institute. The Allegheny Institute is a 501(c)(3) non-profit organization and all contributions are tax deductible. Please mail your contribution to:

The Allegheny Institute  
305 Mt. Lebanon Boulevard  
Suite 208  
Pittsburgh, PA 15234

Thank you for your support.