

So Much to Do: Dr Sutch on Poverty and Progress

Commentary on Malcolm McKinnon's *Poverty and Progress in New Zealand: thoughts on WB Sutch's work in historical and intellectual context*. Stout Research Centre, 24 April, 2024

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When Bill Sutch was first told by his physician that he had advanced terminal cancer, he responded 'that can't possibly be true, I have far too much to do'. He died shortly after – fifty years ago next year – at the age of 68. Sutch had done so much in his life already we might wonder what else he wanted to do. Working through his publications – 14 pages in his festschrift – gives us an indication. Sutch is one of New Zealand's greatest intellectuals – especially in history and economics.

Dr Sutch would have been grateful for Malcolm's presentation reviewing his two key publications *Quest for Security* and *Poverty and Progress*. What would he have said if he had been asked to provide this commentary? We can guess. I shall try to, but I am not Bill Sutch.

My guess is that, after thanking Malcolm, he would have pointed out his two books were part of a trilogy. The third, *The Responsible Society*, was published two years after *Poverty and Progress* in 1971. The unity of the three is reinforced by each book being dedicated to his daughter, Helen.

Helen summarised her father's vision as:

He was a nation-builder who wanted to see an economically strong and socially fair New Zealand, free from colonial ties, whether economic or political. New Zealand had been a dependent colony, a monoculture which grew and processed grass, mainly sold to Britain as wool, meat and dairy products. Sutch saw the need to foster industry and employment, and to earn foreign exchange by exporting goods and services, as well as conserving foreign exchange through import substitution. Production had to be of high quality and make full use of human resources. Thus, he was a tireless advocate for the development of a national culture. People were at the core of his development vision: children were a key to the future, and women were entitled to equality both as a right and because it contributed to the broad social development. He advocated decentralisation to local authorities and was concerned with human rights. His vision was of an interventionist democratic state, promoting economic activity based on high-quality exports and providing protection and support via full employment and public education, health and welfare services

The origins of *The Responsible Society* are different from that of the other two which were first published thirty years earlier. The third is based upon Sutch's submissions to the Royal

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Commission on Social Security which sat from 1969 to 1972. While it includes history, this book is much more prescriptive. Commission chairman, Justice Thaddeus McCarthy, said of Sutch's submissions:

I see your plan here not as one standing by itself but as a part of what might also resemble a minor social revolution which you desire to see happening in the country in ways of our social living, our social approaches, which may be highly desirable.

The 1972 Royal Commission had a narrower remit, focused on the 1964 Social Security Act. The extent to which it engaged with Sutch's thinking is unclear, nor did Sutch write about the Royal Commission's conclusions in the thirty months he had left.

From Sutch's submission, we may be sure he would have commended the Royal Commission's principle that:

The community is responsible for giving dependent people a standard of living consistent with human dignity and approaching that enjoyed by the majority, irrespective of the cause of dependency.

No doubt he would have grumbled about how well the principle was implemented over the following 18 years. But he would have been astonished that it was so ruthlessly abandoned with the Richardson-Shipley 'redesign of the welfare state' in 1990.

It was not just that they cut benefit levels. They also changed the aim of the system. The Royal Commission had said that the aims of the incomes maintenance system should be:

First, to enable everyone to sustain life and health;
Second, to ensure, within limitations which may be imposed by physical or other disabilities, that everyone is able to enjoy a standard of living much like that of the rest of the community, and thus is able to feel a sense of participation in and belonging to the community; ...

The redesigned system of 1990 abandoned the second aim, focusing on the first with its minimalist (American-style welfare state) approach to income maintenance.

Had he been alive, the 83-year-old Sutch would have been appalled by the downgrading of the ambition. What would he have thought today – 34 years later?

He would still have been appalled by the redesign, but he would also have been concerned that 15 years of subsequent Labour Governments failed to reinstate the second aim. They increased support to dependants but it was still in the context of a minimalist welfare state.

Sutch was very ambivalent about how radical or socially committed Labour was in his time; this was before Rogernomics.

In fact, the world has changed since the Royal Commission's report. My book, *Not in Narrow Seas* – part written while a Stout Fellow at the Centre (thankyou very much) – describes critical assumptions to their policy proposals collapsing in the decade after, including:

- a changing labour market which meant reported unemployment rates were structurally higher;
- the inflow of women into the paid labour force from the unpaid household labour force together with the related shift to more flexible work hours;
- the changing family structure;
- Māori urbanisation.

It was those changes which led Ann Hercus, while in Opposition, to propose a second royal commission on social security in 1984. Unfortunately her proposal got transmuted into the muddle of the 1988 Royal Commission on Social Policy.

Additionally, since 1974 the household data base has developed, triggering the modern research program on poverty which has, among other things concluded that New Zealand's poor are mainly children and their parents/guardians, including those in working families. Had the 1972 Royal Commission had this evidence, it would have applied its principles to its policy recommendations differently; Sutch would have approved. In turn, today's standard household model, which I developed then, was greatly influenced by the writings of the Royal Commission and Sutch.

Even so, such changes do not explain why the principles of the Royal Commission were abandoned. This presents a problem for the underlying thesis of *Quest for Security* and *Poverty and Progress*. As indicated in their titles, they saw material conditions driving cultural, social and political change, a widespread view in the intellectual community since the nineteenth century.

It is a less fashionable view among New Zealand historians today. It was a major reason why the 1988 Royal Commission on Social Policy failed; it paid so little attention to the material foundations of social policy.

They are a centrally organising principle in *Not in Narrow Seas*, which in many ways is a successor to the first two books of the Sutch trilogy (although in other ways I diverge from Sutch's thinking). I add that neither Sutch nor I ignore the importance of ideas; in my case, as is evident from my frequent references to Keynes' peroration about their significance.

How did Sutch's great sweep of New Zealand development driven by the quest for security

and the elimination of poverty come to an end in 1990? Yes, we are more secure, and poverty today is of a different quality. But that is not enough to explain the change. What has replaced it – complacency and greed? That is a nasty vision of New Zealand's future.

I have struggled with this problem, not least in *Not in Narrow Seas*. So I am grateful for a critical insight from Malcolm's paper when he goes back to the 1883 debate between Harry Atkinson and Robert Stout. From today's point of view, it is strange that Atkinson, who is generally thought of as a political conservative, was advocating a welfare state not unlike that which was established 50 years later in 1938. On the other hand, political liberal Stout was vigorously opposed to it.

Stout focused on the opportunities created by New Zealand's development and the possibilities of self-improvement. It is ironic that Sutch paid so little attention to Opportunity-New Zealand in the two books. He was so scarred by the poverty in his childhood and in the Great Depression that he failed to reflect how marvellously he had succeeded. That was the stumble over his two drafts for the Centennial History – they weren't celebratory enough. Had he written 'Opportunity and Security' or 'Poverty and Opportunity' perhaps the offerings would have been acceptable.

There need not be a tension between the two. I omitted the second sentence of the primary essential principle of the Royal Commission on Social Security:

The community is responsible for giving dependent people a standard of living consistent with human dignity and approaching that enjoyed by the majority, irrespective of the cause of dependency. *We believe, further, that the community responsibility should be discharged in a way which does not stifle personal initiative, nor unduly hinder anyone trying to preserve or even enhance living standards on retirement or during times of temporary disability.* [my italics]

You can see the notion of 'opportunity' there. Perhaps it was never true that the state provided a foundation for opportunity for all to do better. Only a few made it if they came from the wrong side of the tracks and were of exceptional ability – like Sutch – or lucky. Today it is certainly true that there are young people who are not realising their ability because of a family background of poverty nor, instructively, is this much concern in the public rhetoric.

Malcolm's paper has only just triggered these thoughts. How they explain what happened after 1984 will have to wait on another occasion. In the interim, thank you Malcolm and Bill – there is so much to do.