

organization as being ‘interested in new ways of tackling the serious economic problems that had shown up in the seventies and early eighties’ (p.417). But there proved to be so many ‘new ways’. How was it that the personnel of this one government produced over the next decade leaders of no fewer than five political parties (ACT, United Future, Labour, NewLabour, Alliance) spanning the ideological spectrum?

*Working with David* is both memoir and history. The memoir makes absorbing reading; the history has provided the most detailed account yet of the workings of the fourth Labour government. It has also advanced an interpretation; it is now the turn of other historians to respond to that interpretation and to propose other, more compelling ones.

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*We Won, You Lost, Eat That: A Political History of Tax in New Zealand Since 1840.* By Paul Goldsmith. David Ling, Auckland, 2008, 384pp. NZ price: \$39.99. ISBN 978-1-877378-22-5.

*WE WON, YOU LOST, EAT THAT* is both an enjoyable historical account and a plea for low and proportional income taxation in New Zealand. It turns out that Paul Goldsmith’s wish, like that of today’s ACT Party, is more about low taxes than about flat taxes, given his discontent with the increased levels of ‘redistribution’ that supposedly continued to take place despite an almost flat income tax scale being introduced in 1988. The low flat tax wish will not be fulfilled, as Goldsmith acknowledges, although the opportunistic Roger Douglas came close in the 1980s. With a proportional electoral system from 1996, and a voting population that Goldsmith suggests has more ‘takers’ than ‘givers’, further fiscal reforms in the direction he advocates are not electorally viable. Right-wing parties, to get elected today, must acquiesce to social democratic politics.

The ‘redistributive rot’ began, almost by accident, with the imposition of a graduated scale of death duties by Daniel Pollen’s administration in 1875. Before that, the main argument had been between indirect taxes on imports and direct taxes on wealth. The popular guiding principle had been that the best tax was a tax that someone else paid. In the early years Maori paid a substantial proportion of customs duties. Direct taxes, on the other hand, had the effect of exempting Maori. Further, direct taxes of any form invariably had exemptions for the relatively poor majority.

One of the key passions of the late nineteenth century that Goldsmith outlines was the demand for graduated land taxes to capture the ‘unearned increment’ in rising land values. While New Zealand had many followers of Henry George, Goldsmith wisely underplays George’s influence on fiscal thought in New Zealand, while emphasizing the arguments of John Stuart Mill with respect to the influence of public progress on private land values. The graduated income tax, which would soon become the predominant form of direct tax, was introduced by Ballance in 1891 as an almost incidental by-product of the land tax to which the newly elected Liberals were committed. Like many taxes — including ‘green taxes’, to which Goldsmith is sympathetic — the land tax had multiple objectives. While revenue was the primary objective, some forms of tax-avoiding behaviour were also desirable; in this case the subdivision of large estates into smaller farm units.

Customs duties, and indirect taxes in general, tended to be regressive (disproportionately paid by the poor). They would be less regressive in the twentieth century, however, with the advent of the motor car. An uneasy balance was reached by the later nineteenth century. A mixture of regressive indirect taxes and progressive direct taxes would make the overall incidence of tax roughly proportional. Someone with ten times more wealth would pay approximately ten times more tax. Yet, through tinkering with graduated

income tax scales — higher percentage rates for higher levels of income — and through inflation and economic progress, direct taxes inevitably increased at a much faster pace. The semblance of proportionality could never last. Governments, unwilling to reduce their revenues, would find new reasons to justify progressive taxation. Highly graduated income taxes — seen as taxes on labour and enterprise — are criticized as disincentives to hard work and productivity. Goldsmith is most critical of the graduated company tax that prevailed through much of the twentieth century. It may have been a major reason why so many New Zealand companies remained small. Revenues from company tax were unusually high in New Zealand.

Principles of public property rights run through the New Zealand tax story, though they are only mentioned in passing. Labour Finance Minister Walter Nash (1935–1949), for example, was strongly influenced by English dissident political economist J.A. Hobson, whose writings in the 1900s emphasized that a significant amount of national income was socially generated, and that such wealth ought to be appropriated for the purpose of social spending. Rather than disagree with this principle, Goldsmith, who believes that the only correct distribution of income is that dictated by private property rights, seeks to undermine Nash with a paragraph about ‘defunct economists’ from previous generations. Yet, one of Goldsmith’s heroes — Theodore Nisbet Gibbs, author of the 1951 Gibbs Report on taxation — disagreed with Mills’s ‘unearned increment’ argument because ‘public property right’ arguments for taxation could apply to all types of assets and not just unimproved land.

Key strengths of *We Won, You Lost, Eat That* are its accounts of increased taxation of incomes during both world wars and during the 1930s Depression. Taxes in the 1950s and 1960s could never have been as high today as they were — with top marginal rates at or above 67.5% — without these events requiring new taxes; taxes which governments found very hard to dispense with after the emergencies were over. A positive influence for Goldsmith was the unemployment emergency tax, introduced by Gordon Coates during the Depression, which morphed into Labour’s social security tax in 1938. This was a flat tax, essentially without exemptions, that required a proportionate contribution from all. Such taxes do not incur the inefficiency (‘deadweight’) and avoidance costs associated with selective and highly graduated taxes.

Perhaps wisely, Goldsmith’s historical narrative stops at the turn of the millennium, when tax scales were at their lowest and flattest. The text closes with a section on ‘artful dodgers’, and with a reflective epilogue that ties together the history and the philosophy. Goldsmith unapologetically uses the word ‘redistribution’ as a normative concept, tantamount to theft. (Hence the book’s title, derived from a misquote from Michael Cullen, Labour Finance Minister 1999–2008.) Unequivocally, the pure market distribution of income and wealth is seen as the correct distribution. However, many of those whose writings he quotes approvingly — for example Ross, author of the 1967 Ross Report on taxation — use ‘redistribution’ in its positive sense, as simply a different distribution from that which occurs ‘naturally’, where ‘naturally’ can be taken to mean ‘in the absence of public property rights’.

One annoying flaw is the lack of a bibliography. In one place, where I was noted as an opponent of tax reform, the reference to me was in the wrong footnote, and was listed simply as ‘cited by Davidson’. Nowhere could I discover in the many previous footnotes what book or article ‘Davidson’ referred to. (I gather it is a 2005 Business Roundtable text by Sinclair Davidson.)

Overall the book was a good read, well written, at times colourful (for example, ‘fornication was on everyone’s minds’ when one tax bill disadvantaged married couples), and able to provide some counterpoise to more conventional accounts of the rise of the welfare state. Indeed, Goldsmith included discussion of the full range of benefits introduced — correctly seen as negative taxes — in his brief. *We Won, You Lost, Eat*

*That* serves as a contentious yet valuable reference work on a crucial aspect of political history in New Zealand.

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*Parliament's Library.* By John E. Martin. Steele Roberts in association with Dunmore Publishing, Wellington, 2008. 270pp. NZ price: \$59.99. ISBN 978-1-877448-43-0.

NEW ZEALAND'S LIBRARIES HAVE NOT BEEN WELL SERVED by historians. There are several handfuls of slim compilations by dedicated librarians and local amateur historians, nearly all in response to an anniversary celebration, and only four major published studies: Wynne Colgan on Auckland Public in 1980, Rachel Barrowman on the Turnbull in 1995, and now in 2008 Mary Ronnie on Dunedin Public and John E. Martin on the Parliamentary Library, all commissioned to mark an anniversary. The tide of the history of the book, so strong in Europe, North America and Australia, which has stimulated historians to examine libraries and their place in social and intellectual history, has only gently lapped the shores of New Zealand. The handful of collectors — Alexander Turnbull, Sir George Grey, A.H. Reed and Thomas Hocken and the library administrator Geoffrey Alley, have done remarkably well by comparison.

John Martin's full-length study of the library of Parliament is a welcome and distinguished contribution to New Zealand's library, social and intellectual history. Martin chronicles the development of the General Assembly's library from a small collection of reference books in Auckland in 1856 which — through international exchanges of government publications, donations from parliamentarians and collectors, and a regular annual budget for acquisitions — grew to a 'colonial treasure house' by the end of the nineteenth century. Over time it went from being New Zealand's de facto national library in Wellington, to being a narrowly focussed and technologically sophisticated reference and research service for Parliament, after it shed most of its collections to the National Library.

A strong narrative framework is woven from the major strands identified by Martin. Dominating the narrative are the conflicts, inevitable because of the number of players with a stake in the library: the two Houses of Parliament, their clerks, their library committees and their Speakers, and the executive, which had to find the money and the buildings. In an institution saturated in politics and abundantly supplied with egos, the 'hopeless method of control' criticized by Alister McIntosh in the 1930s could result only in administrative incoherence. Due weight is given to the influence of personalities such as the members of the library committees, other parliamentarians and the chief librarians. Underlying everything is the inexorable growth of the collections (Martin juxtaposes the statistics with examples of specific books or categories to bring to life vividly the shaping of the collections) and their insatiable demands for space, all set within the wider social forces shaping New Zealand society.

Minor themes include problems and issues shared with other New Zealand libraries in the nineteenth century, the swings of economic fortune, constant breakdowns in the supply of books and periodicals from British agents, the rapidly evolving demand for recreational fiction, pressures for greater public access and the difficulty in maintaining reliable records of borrowing.

A diligent editor would have picked up the error on p.53 (the black letter texts were not printed before moveable fonts were used), added to the abbreviations on p.223 those for Archives New Zealand's record groups, and queried the necessity for some of the cited sources. Endnote 111 for Chapter 4, for a passage of 10 lines, has some 30 cited sources;