

**INITIATIVE
MATTERS**

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Colbert's legacy lingers on

In pre-revolutionary France, the finance minister had a finger in every business pie

To avoid any confusion, of course there is not enough of American comedian Stephen Colbert in New Zealand.

In fact, we could do with a bit more political satire on TV if only to make the sad state of politics at least a laughing matter.

Where we do have an oversupply of Colbert in New Zealand, however, is in the Jean-Baptiste Colbert (1619-83) variety of politics.

Colbert was the great mercantilist minister of finance under the French "Sun King" Louis XIV. He is famous for his thoughts on the ideal way to tax: "The art of taxation consists in so plucking the goose as to obtain the largest amount of feathers with the least possible amount of hissing."

The idea is that it is perfectly legitimate to tax excessively as long as you do not kill the goose that lays the golden egg. This is something that politicians of all parties have taken to heart until the present day.

Colbert's main claim to fame is that he was the founder of mercantilism.

It is a theory that bizarrely favours exports over imports (ignoring that we only do the former to pay for the latter).

It is also a view which sees the government as the driving and regulating force behind the economy. In modern parlance, we would call this interventionism or, when things get a bit too intimate, cronyism.

In Colbert's France, the government had a finger in every business pie. It regulated the quality of products, granted monopoly rights, controlled the labour market, handed out subsidies and tried to substitute imports by promoting locally produced goods.

It played the role of a central planner almost 200 years before Karl Marx invented socialism. And it was deeply anti-globalisation and anti-modernity 350 years before Winston Peters.

Even though Colbert was successful at filling his government's coffers by steeply increasing taxes, his lasting legacy was that the industrial revolution bypassed France, leaving it to Britain to

become the leading economic power of Europe.

As Murray N. Rothbard wrote in *Economic Thought before Adam Smith*, "even though the population of France was six times that of England during the 16th century, and its early industrial development had seemed promising, French absolutism and strictly enforced mercantilism managed to put that country out of the running as a leading nation in industrial or economic growth."

Economic dirigisme failed and the more liberal economic approach across the Channel prevailed.

The modern day heirs of Colbert in New Zealand can be found in parties across the political spectrum. They are also active in lobby groups calling for more government involvement in their own affairs, particularly when it comes in the form of handouts and other favours.

Today's Colbertism has modern faces but its basic trademark is the same: a belief that government knows what is best for business and it shows in a variety of proposals.

One is the government as a builder of affordable homes. The Colbertists ignore that houses are expensive only because politically imposed restrictions on property rights, particularly around the use of land, have pushed up the cost of land and the cost of building. Others propose that by subsidising homebuyers a little more housing could become more affordable. It remains their secret how a supply shortage could be remedied with a demand subsidy.

In another field of politics, the Colbertists have decided the education system does not produce the skills the country needs. It might not be possible to tell what the right mix is in a system so distorted by subsidy and edict. But even if they were right, proposals to set up three new ICT graduate colleges still miss the point.

A better way would be to rethink course subsidies and to make sure that students, ideally at secondary level, get

better information about what jobs are available and how much they pay. We should also remember that all the tertiary subsidies and ICT graduate schools in the world will not help much if our high schools fail to produce many graduates who understand calculus and algebra.

In Colbert's France, key workers were simply forbidden from leaving the country so there was no need to call them back. So what's next? Travel restrictions for anyone with skills on the government's skills shortages list?

Some of the proposals we have been debating over the election campaign – a national insurance company, a nationalised electricity market, a sovereign wealth fund to finance politicians' pet projects, higher taxes on income and capital gains, and a ban on foreigners buying domestic assets – seem to come from another era. This era is not even Muldoon's New Zealand but pre-Enlightenment mercantilist France.

There is another famous saying linked to Jean-Baptist Colbert. However, it was not Colbert himself who coined the phrase but a certain Monsieur Le Gendre, who at the time led a group of French businessmen.

When Colbert asked them what he and the French state could do for them to help their commerce, Le Gendre's response was simple: "Laissez-nous faire!" or, not quite literally, "Leave us alone!"

This should be the response of New Zealand business to the grand promises of modern Colbertists, too.

We do not need big plans and visions and we do not need government to think on our behalf. We need the state to guarantee property rights, enforce contracts and provide a stable set of political and economic institutions.

This is also an old economic conception. However, it is Scottish, not French – and it is not Colbert's but Adam Smith's.

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