

governments compete to maximise the 'locational surplus' of their jurisdictions. (Locational surplus refers here to all the advantages of living in one jurisdiction rather than another). Such competition, by and large, is conducive to efficiency; grants between governments are likely to reduce efficiency, although they may be justified on equity grounds. Scott and Bloss argue that competition between jurisdictions is likely to lead to reduced tax rates on capital (which is mobile) and on land (because the landed interest is easy to mobilise politically). Labour is likely to be disadvantaged by such competition.

Bernard Berber examines the condition of American federalism and finds that it is quite healthy. Because the federal government has not, for example, invaded the sales tax area, subnational governments have revenue-raising capabilities that are commensurate with their expenditure responsibilities. The need of the US federal government for additional tax revenue to overcome its budgetary problems may threaten this happy state of affairs, however. Cliff Walsh argues, by contrast to Spahn, that the Australian federation would benefit from reduced emphasis on cooperation between governments and greater emphasis on decentralisation and competition. Walsh sketches the changes to the machinery of Australian federalism that would be necessary to encourage competition between governments. One should not expect government officials to be an exception to the rule, formulated by Adam Smith, that 'People of the same trade seldom meet together, even for merriment and diversion, but that the conversation ends in a conspiracy against the public, or in some contrivance to raise prices.'

In summary, these essays make a proper tribute to Russell Mathews' career to date. They draw attention to the continuing relevance of his work and contribute some interesting ideas to the debate about the redesign of Australia's institutions.

New Zealand After the ANZUS Split

*Denis McLean, Visiting Fellow at the Strategic and Defence Studies Centre, Australian National University, reviews **The Armed Forces of New Zealand and the ANZUS Split: Costs and Consequences**, by Peter Jennings (New Zealand Institute of International Affairs, Wellington, 1988).*

The New Zealand Armed Forces have an uphill battle at the best of times. And this is not one of those times. Since the ANZUS fiasco, precipitated by the anti-nuclear policies of the Lange Labour Government, they have — almost literally — been cut off without a penny by the Americans. This extremely well-researched and useful study by Peter Jennings examines what it means for small armed forces to be cast adrift in this way.

Interaction with US forces was by no means the be-all-and-end-all of New Zealand military activity. As Jennings points out, ANZUS military collaboration is a relatively recent phenomenon, only really beginning to blossom since the 1970s. What was important about it, however, was its strategic and practical relevance for the New Zealand military. The Pacific is where it is all at for New Zealand, as for Australia. US forces in the Pacific, their operational procedures, communications and logistics systems will surely dominate military arrangements in the region for a long time to come. American military equipment is prominent in the inventories of most countries, aligned or non-aligned, in the region. It is, moreover, always important for small armed forces to be able to measure themselves against the mighty. In that way commanders will be reassured that their military standards have not slipped from training in isolation. Morale is likewise boosted when the smaller force, aware that they may not be the best

equipped in the world, find that they nevertheless can do well with what they have.

For the New Zealand Armed Forces the inherent problems of smallness of scale were accordingly offset and, to a degree, masked by interaction with the US. The New Zealand tradition, like that of Australia, is founded in contributions to collective security. In such a framework small armed forces could operate effectively without pretending to be self-sufficient. Now, with the collapse of the New Zealand role in ANZUS there is a good deal of pretence on the part of the politicians. A valuable US/NZ Memorandum on Cooperation in Defence Supply, which would have assured access to stores and ammunition, has lapsed. The nostrum is that New Zealand will henceforth be 'independent and self-reliant'. The New Zealand national economy, however, cannot provide economies of scale, and is only partly industrialised; defence is subject always to tight budgetary restraint.

Extra funding was made available for a few years after the rift with the US in early 1985 to provide for a build-up in stockholdings. Crocodile tears, in the form of great political indignation, were shed over the poor state of the inventory. Undue reliance on ANZUS was said to have eroded the country's defences. As Jennings points out, the one proposition that was not examined was why it was necessary to flout a working alliance relationship. In ANZUS the small New Zealand defence forces did not have to stockpile expensive stores, because they could get them when they needed them. Likewise, the ANZUS framework provided a focus for operational training, gave access to specialist training for individuals and provided for the flow of intelligence and military assessments: all of which are difficult, if not impossible, for small armed forces to provide for themselves.

Outside of ANZUS it is necessary to try to face the evidence that 'independence and self-reliance' is not something which can simply be conjured up by political statement. Of course, as Jennings points out, the ANZAC connection has come to

the aid of the New Zealand Armed Forces. Australia has made considerable effort to offset the disadvantages under which New Zealand labours in operational and individual training. As the Australian Armed Forces themselves actively pursue the opportunities for training with the US, however, it is clear that Trans-Tasman links will not compensate for what has been lost.

Mr Jennings has meticulously separated the various components in this story. He is slightly off-beam in ascribing some elements of ANZUS cooperation to the UK-USA post-war arrangements, which are effectively confined to collaboration in intelligence matters. But no matter. He makes an excellent fist of presenting the inherent inter-connectedness of things in this field of military professional development. The central issue for the New Zealand Armed Forces is laid bare: the difficulty in ensuring commitment and seriousness of purpose without the opportunity to relate to wider and more comprehensive military experience.

Military people are required to prepare for the worst. Play-acting or political Panglossianism, pretending that all will be for the best in the best of all possible worlds, cut no ice. Within ANZUS the New Zealand Armed Forces had the knowledge of a support system that could make them genuinely battle-ready should

the need arise. Meanwhile it was credible to train and to exercise against that backdrop. The daily military round without it must look increasingly unreal. How then to maintain that essential spark of morale and spiritedness?

Peter Jennings produces figures for personnel losses, particularly of junior to middle level officers, which can only be read as confirming fears that it may prove impossible to hold a coherent defence system together. There are those in New Zealand who would not care too much if that happened. There are many others who would think more deeply about the implications, in terms of sovereignty and the capability to look after national interests. It is idle to pretend that there are no unique difficulties in maintaining effective armed forces in a country as small as New Zealand: difficulties like a shortage of skilled people, the many other demands on national expenditure, the absence of threat and therefore an insistent questioning of the whys and wherefores of defence among the community. The ANZUS affair has deeply compounded the problems.

Mr Jennings's book could become a starting point for an even more important study. How do small Armed Forces cope if they cannot relate to larger collective security arrangements? The examples of Latin

America are hardly encouraging, and even there the Inter-American pact arrangements presumably provide more by way of access to US training courses and supply arrangements than is available to New Zealanders. What's the bottom line to military effectiveness? Is there a point below which the attempt to maintain military capabilities becomes nugatory? These are serious questions. Those of an activist persuasion in New Zealand who, four or five years ago, happily coordinated action against American warships which may or may not have been carrying nuclear weapons, probably did not imagine such issues might present themselves as a result. As Cromwell said, no man goes as far as he who does not know where he's going.

In large measure the Armed Forces reflect the best of New Zealand: coherent, well-organised, modest and sensible. It is a sorry thing to see them going through so much travail. The ANZUS burden is now being compounded by a ludicrously mechanistic reorganisation in the name of the modern state sector talisman: Corporate Management. There is certainly resilience enough, and to spare, to see off such harassments. There are, however, fundamental questions about the ability to stay credible in a military sense. This must be worrying, not least to Australia.

Notes for Contributors to *Policy*

1. Submissions should be about 2000-3000 words in length, but longer items will be considered. Manuscripts should be typed, double-spaced originals (not photocopies), and on an IBM PC or Apple Macintosh disk if possible.
2. Submissions should be written in a brisk, jargon-free style, and should avoid footnotes. References to publications should as far as possible be included in the text. Tables and graphs should be included only where necessary.
3. In case submissions need to be refereed, authors can ensure their anonymity is preserved by keeping personal details separate from the main manuscript.
4. Subheadings are encouraged both to improve the final appearance of the article and to provide a quick indication of its contents.
5. Unsolicited contributions are welcome, but should be accompanied by a stamped SAE.
6. If you have any enquiries, please call the Editor, Michael James, on (03) 458 3175.