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# Despite decades of cost cutting, governments spend more than ever. How can we make sense of this?

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By Ian Lovering\* of **THE CONVERSATION**  
(<https://theconversation.com/au/>)



International relations academic Ian Lovering delves into some of the history and social structures at play behind decisions about the national budget. Photo: RNZ

*Analysis:* Recent controversies over New Zealand's Ka Ora, Ka Ako school lunch programme have revolved around the apparent shortcomings of the food and its delivery. Stories of inedible meals (<https://www.rnz.co.nz/news/te-manu-korihi/547486/petition-launched-against-horrible-disgusting-and-inedible-school-lunches>), scalding packaging (<https://www.rnz.co.nz/news/national/545065/school-lunch-that-burnt-student-heated-in-package-not-intended-for-commercial-reheating>) and general waste have dominated headlines.

But the story is also a window into the wider debate about the politics of "fiscal responsibility" and austerity politics (<https://www.investopedia.com/terms/a/austerity.asp>).

As part of the mission to "cut waste" in government spending, ACT leader and Associate Education Minister David Seymour replaced the school-based scheme (<https://www.rnz.co.nz/news/political/531524/government-unveils-rebooted-school-lunch-menu>) with a centralised programme run by a catering corporation. The result was said to have delivered "saving for taxpayers" of \$130 million (<https://www.beehive.govt.nz/release/smarter-healthy-school-lunches-programme-serves-130m-savings>) - in line with the government's overall drive for efficiency and cost cutting.

While Finance Minister Nicola Willis dislikes the term "austerity", her May budget cut the government's operating allowance in half (<https://www.rnz.co.nz/news/in-depth/561811/breaking-it-down-budget-2025-in-charts>), to \$1.3 billion. This came on top of Budget cuts last year (<https://newsroom.co.nz/2024/05/30/budget-details-public-service-cuts-to-pay-for-tax-cuts/>) of around \$4 billion.

Similar policy doctrines have been subscribed to by governments of all political persuasions for decades. As economic growth (and the tax revenue it brings) has been harder for OECD countries to achieve over the past 50 years, governments have looked to make savings.

What is strange, though, is that despite decades of austerity policies reducing welfare and outsourcing public services to the most competitive corporate bidder, state spending has kept increasing.

New Zealand's public expense as a percentage of GDP increased from 25.9 percent in 1972 to 35.9 percent in 2022. And this wasn't unusual. The OECD as a whole saw an increase from 18.9 percent in 1972 to 29.9 percent in 2022.

How can we make sense of so-called austerity when, despite decades of cost cutting, governments spend more than ever?

## **Austerity and managerialism**

In a recent paper (<https://www.tandfonline.com/doi/full/10.1080/09692290.2025.2504453#d1e111>), I argued that the politics of austerity is not only about how much governments spend. It is also about who gets to decide how public money is used.

Austerity sounds like it is about spending less, finding efficiencies or living within your means. But ever rising budgets mean it is about more than that.

In particular, austerity is shaped by a centralising system that locks in corporate and bureaucratic control over public expenditure, while locking out people and communities affected by spending decisions. In other words, austerity is about democracy as much as economics.

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We typically turn to the ideology of neoliberalism - "Rogernomics" being the New Zealand variant - to explain the history of this. The familiar story is of a revolutionary clique taking over a bloated postwar state, reorienting it towards the global market, and making it run more like a business.

Depending on your political persuasion, the contradiction of austerity's growing cost reflects either the short-sightedness of market utopianism or the stubbornness of the public sector to reform.

But while the 1980s neoliberal revolution was important, the roots of austerity's managerial dimension go back further. And it was shaped less by a concern that spending was too high, and more by a desire to centralise control over a growing budget.



Godfather of 'rational' budgeting: US Secretary of Defence Robert McNamara (right), with US president Lyndon B Johnson (centre), in a Cabinet meeting, in 1968. Photo: Yoichi Okamoto - Public Domain

Many of the managerial techniques that have arrived in the public sector over the austerity years - such as results-based pay, corporate contracting, performance management or evaluation culture - have their origins in a budgetary revolution (<https://press.princeton.edu/books/hardcover/9780691167381/thinking-like-an-economist>) that took place in the 1960s at the US Department of Defence.

In the early 1960s, Defence Secretary Robert McNamara was frustrated with being nominally in charge of budgeting but having to mediate between the seemingly arbitrary demands of military leaders for more tanks, submarines or missiles.

In response, he called on the RAND Corporation, a US think tank and consultancy, to remake the Defence Department's budgetary process to give the secretary greater capacity to plan.

The outcome was called the Planning Programming Budgeting System (<https://www.rand.org/pubs/papers/P4124.html>). Its goal was to create a "rational" budget where policy objectives were clearly specified in quantified terms, the possible means to achieve them were fully costed, and performance indicators measuring progress were able to be reviewed.

This approach might have made sense for strategic military purposes. But what happens when you apply the same logic to planning public spending in healthcare, education, housing - or school lunches? The past 50 years have largely been a process of finding out.

What began as a set of techniques to help McNamara get control of military spending gradually diffused into social policy (<https://www.press.jhu.edu/books/title/1635/warfare-welfare>). These ideas travelled from the US and came to be known as the "New Public Management (<https://www.ebsco.com/research-starters/social-sciences-and-humanities/new-public-management-npm>)" framework that transformed state sectors all over the world.

## **What are budgets for?**

Dramatic moments of spending cuts - such as the 1991 "Mother of all Budgets" (<https://teara.govt.nz/en/photograph/33885/the-mother-of-all-budgets>) in New Zealand or Elon Musk's recent DOGE crusade (<https://fortune.com/2025/02/12/house-republicans-join-elon-musk-doge-crusade-slash-stunning-national-debt/>) in the US - stand out as major exercises in austerity. And fiscal responsibility is a firmly held conviction within mainstream political thinking.

Nevertheless, government spending has become a major component of OECD economies. If we are to make sense of austerity in this world of permanent mass expenditure, we need a broader idea of what public spending is about.

Budgets are classically thought to do three things. For economists, they are a tool of macroeconomic stabilisation: if growth goes down, "automatic stabilisers" inject public money into the economy to pick it back up.

For social reformers, the budget is a means of progressively redistributing resources through tax and welfare systems. For accountants, the budget is a means of cost accountability: it holds a record of public spending and signals a society's future commitments.

But budgeting as described here also fulfils a fourth function - managerial planning. Decades of reform have made a significant portion of the state budget a managerial instrument for the pursuit of policy objectives.

From this perspective, underlying common austerity rhetoric about eliminating waste, or achieving value for money, is a deeper political struggle over who decides how that public money is used.

To return to New Zealand's school lunch programme, any savings achieved should not distract from the more significant democratic question of who should plan school lunches - and public spending more broadly.

Should it be the chief executives of corporatised public organisations and outsourced conglomerates managing to KPIs on nutritional values and price per meal, serving the directives of government ministers? Or should it be those cooking, serving and eating the lunches?

*\* Ian Lovering is a lecturer in international relations, at Te Herenga Waka Victoria University of Wellington.*

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