

Looking to the horizon

Growth, resilience, inclusion, and more

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Rārangi upoko – topics

- productivity and the Commission
 - changing the way we think in an increasingly fragile (economic) world
- ProdComm inquiries
 - frontier firms, immigration, resilience, a fair chance
 - committing to a long-term effort
- our (collective) future(s)
- what's next?



Opinion **The FT View** + Add to myFT

Virus lays bare the frailty of the social contract

Radical reforms are required to forge a society that will work for all

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Volunteers pull carts full of food donations in London. The coronavirus pandemic has exposed the brittleness of many countries' economies © Hannah McKay/Reuters

The editorial board APRIL 4 2020

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If there is a silver lining to the Covid-19 pandemic, it is that it has injected a sense of togetherness into polarised societies. But the virus, and the economic lockdowns needed to combat it, also shine a glaring light on existing inequalities — and even create new ones. Beyond defeating the disease, the great test all countries will soon face is whether current feelings of common purpose will shape society after the crisis. As western leaders learnt in the Great Depression, and after the second world war, to demand collective

Wero facing 21st century Aotearoa

NB: this is slide I first used in 2010



GDP growth
resource depletion
populism
inequality
technology
robotics
synthetic foods
crypto currency
climate change
social structures
and cohesion
gig economy
demographic
upheaval
racism
colonialism
free v fair trade
minimum wage
living wage
pandemics

Productivity and wellbeing: our role as kaitiaki

the **guardianship** of resources



enrich

protect

taonga
assets, resources

reap

Keys to productivity, sustainability, and resilience ... *investment, investment, investment* in our resources

- training and skills development
- transport and communications networks
- environment restoration and regeneration
- community supports, facilities, and connections
- innovation eco-system nurturing creativity and a mature attitude to risk
- R&D, knowledge, science, technology

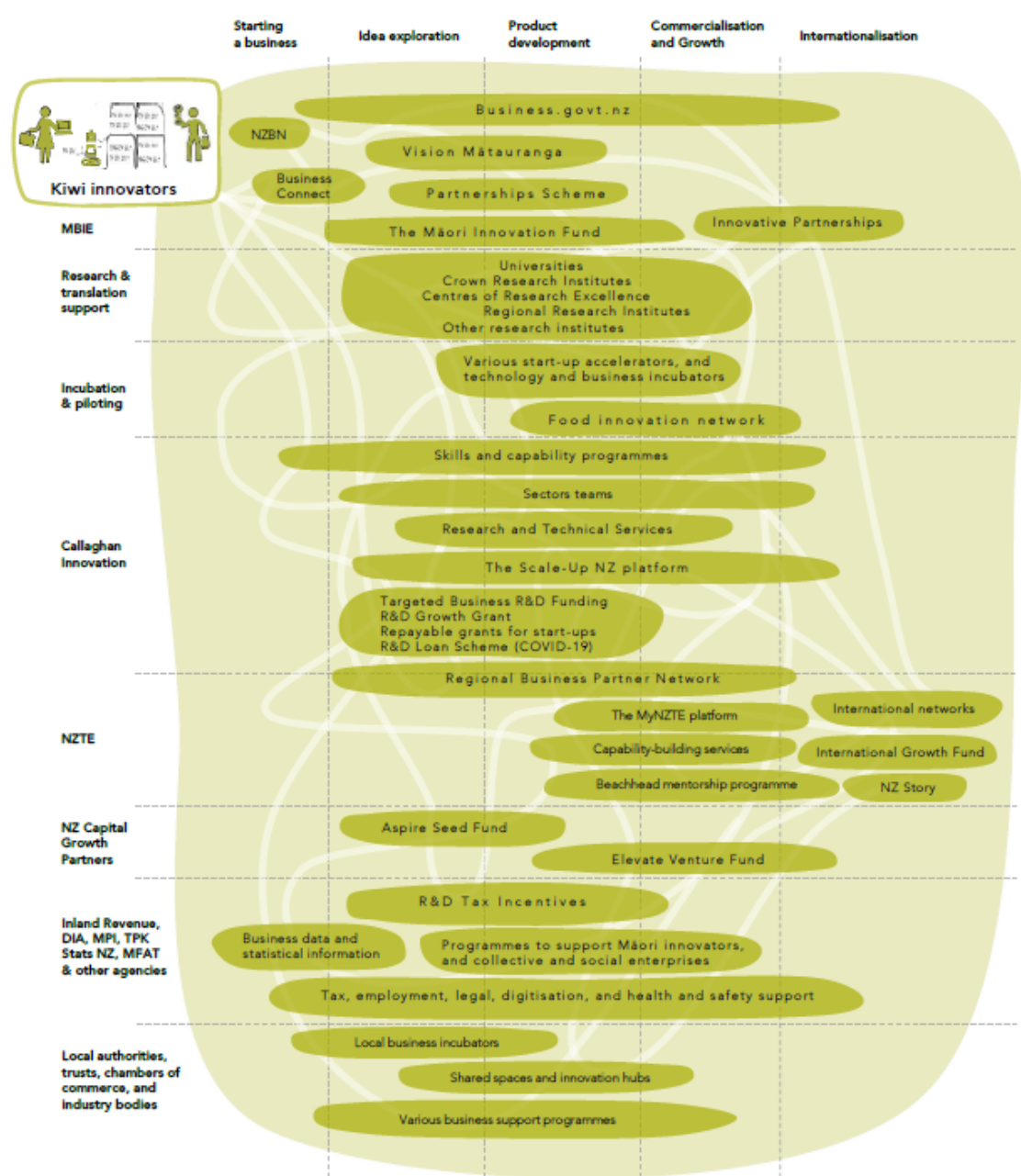


New Zealand firms: Reaching for the frontier



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Innovation support picture

- a picture of myriad programmes, links, stages, players, and organisations
 - internationalisation stage thin
 - links tangled
 - organisation goals unclear
 - funding spread

Notes:

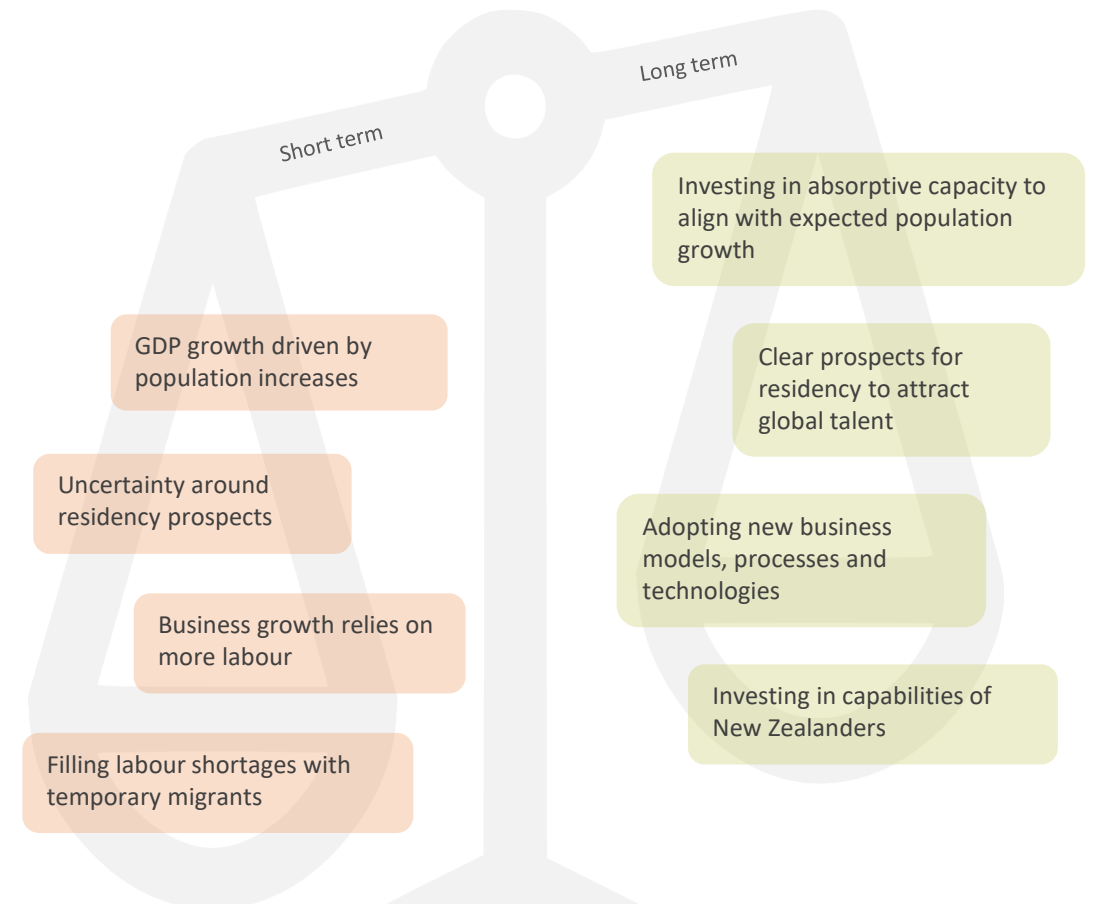
1. The diagram illustrates major innovation support programmes that government partly or fully funds, and that interact directly with Kiwi innovators. Appendix B provides a brief description of these programmes.
2. The diagram presents the innovation journey as having five stages. In practice, a firm's innovation journey is seldom straightforward or linear. Firms may move backwards and forwards between stages or, at the same time have different projects at different stages.



Immigration – Fit for the future

Our core recommendation: Immigration Government Policy Statement

- **reflect Te Tiriti o Waitangi**
- **clarify immigration policy objectives** and connections to
 - education and training policy
 - investments in absorptive capacity
- **set relative priorities** balancing short- and long-term
 - explain how demand for temporary and residence visas to be managed
 - support infrastructure planning and investment, and education, training and labour market policies by projecting future migration rates and composition
- **engage** with Māori, communities, and businesses by compiling data and performance indicators regularly



A Fair Chance for All

Breaking the cycle of persistent disadvantage



What needs to change? macro-level system settings (and assumptions)

economic growth is the goal	purpose	beyond economic growth
we all have the same opportunities	prioritisation	constraints are real and support is needed
everyone has the same political power	power	power imbalances will not self-correct
short-term interests dominate	timing	long-term interests need attention
Government knows best	participation	better outcomes from public participation



Improving Economic Resilience

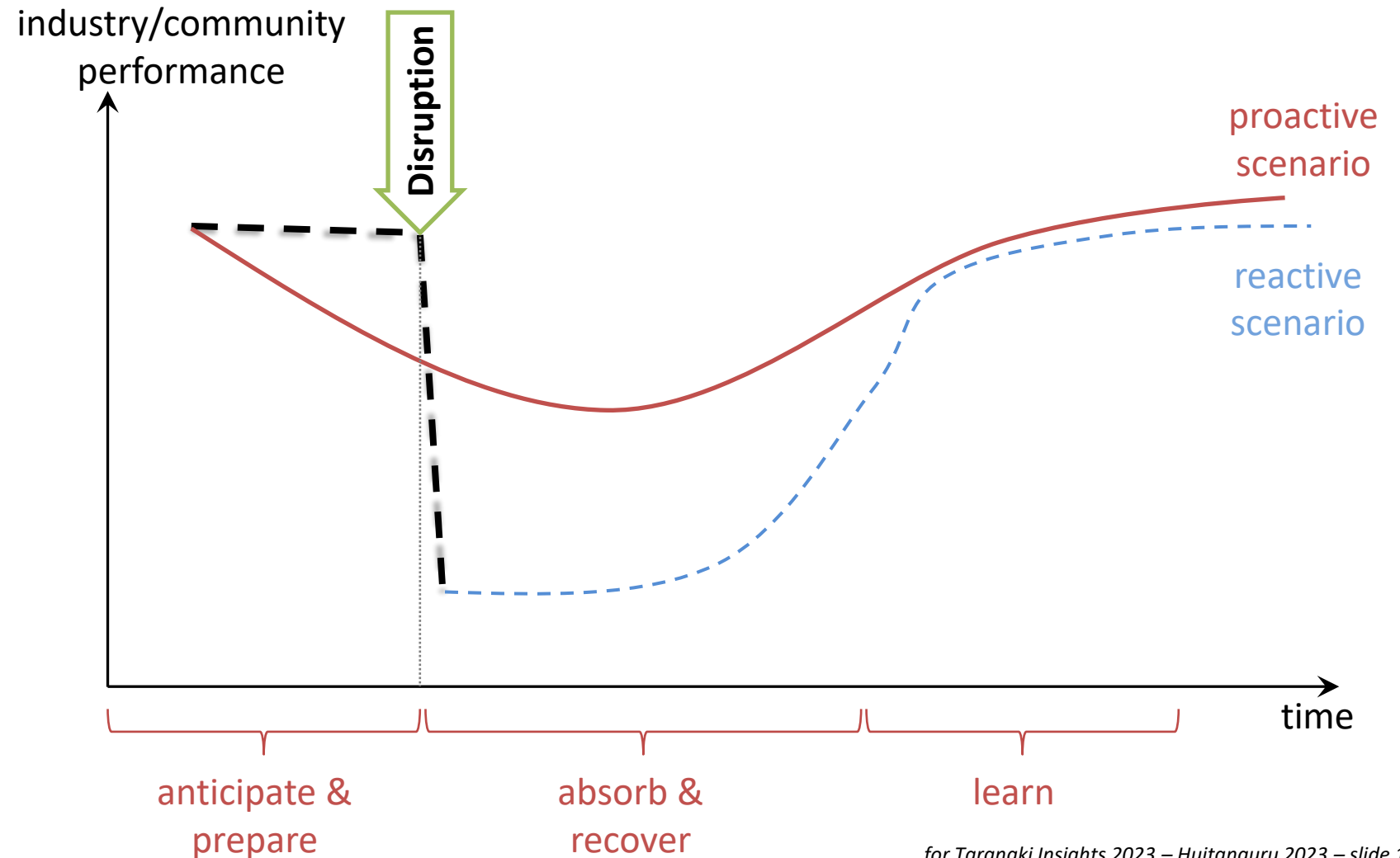
to identify policies and interventions that can enhance the resilience of New Zealand's economy and wellbeing to supply chain disruptions

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Potential disruption – stylized choices/options

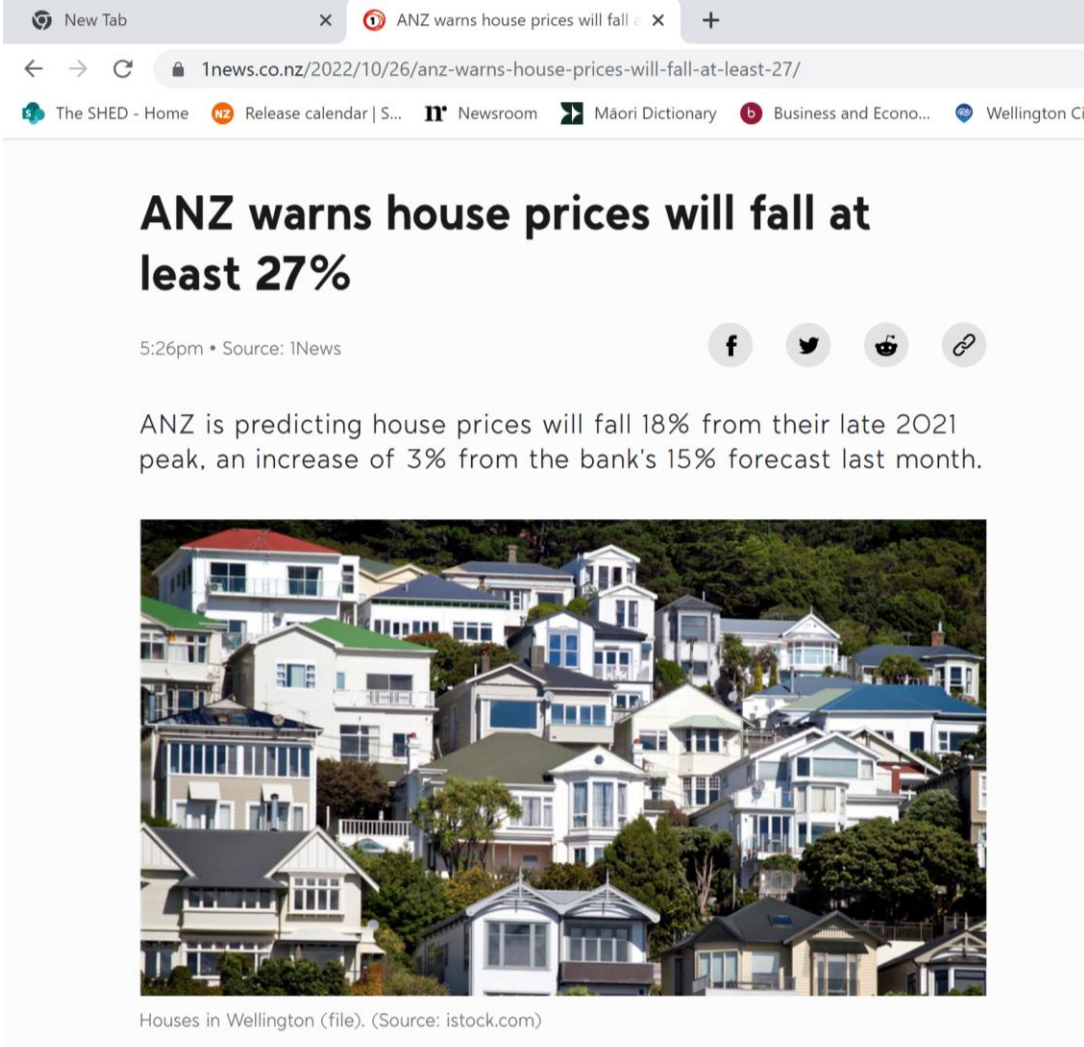
- **reactive**
 - how big is (potential) disruption?
 - costs to absorb & recover
 - who bears brunt?
- **proactive**
 - investment (cost?) to anticipate & prepare
 - who pays?
 - who benefits?
- question: what is our time horizon?



Oh shit! The
economy!!



The sorry tale of house prices ...



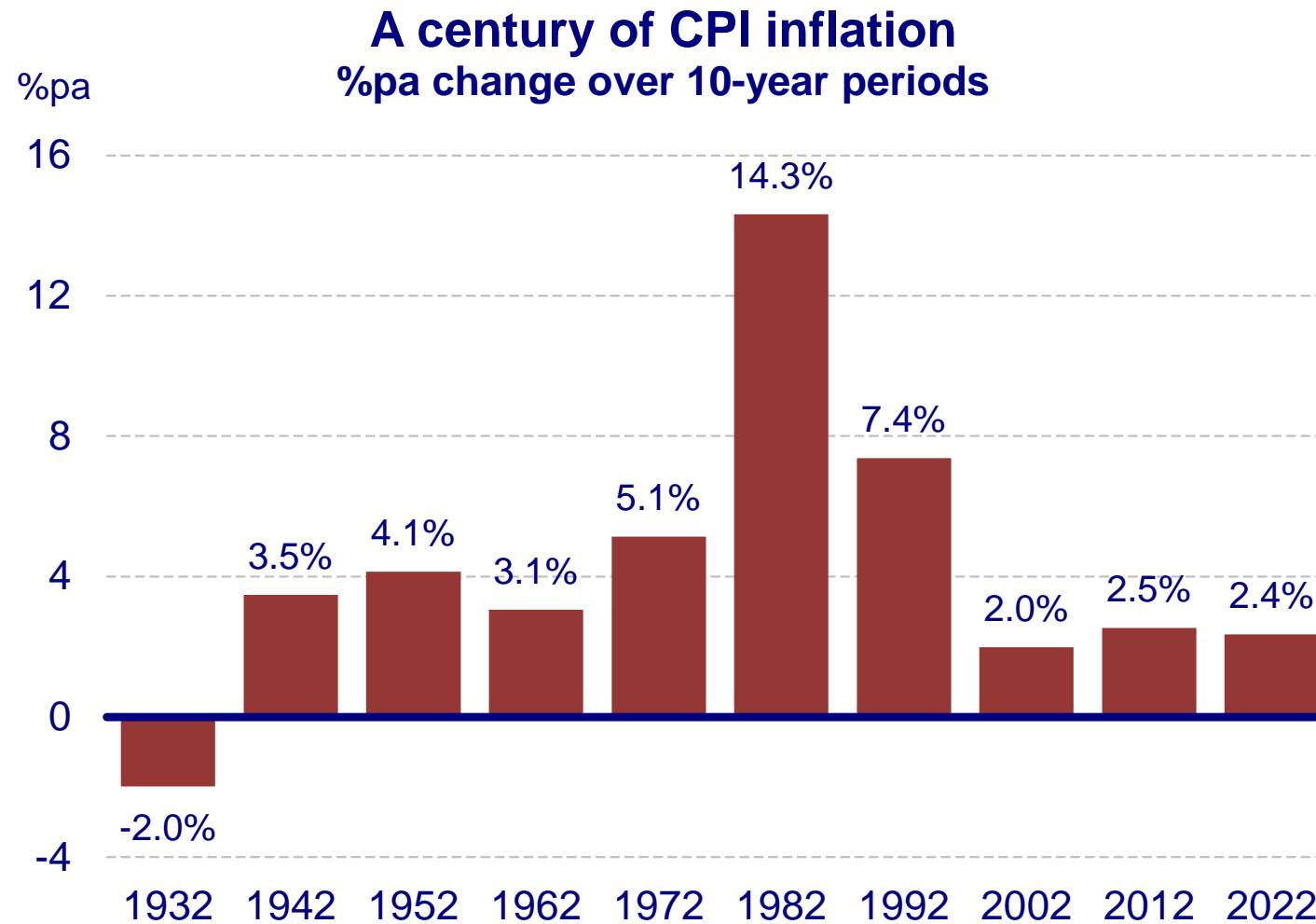
The screenshot shows a web browser with the URL 1news.co.nz/2022/10/26/anz-warns-house-prices-will-fall-at-least-27/. The article title is "ANZ warns house prices will fall at least 27%". Below the title, it says "5:26pm • Source: 1News" and includes social media sharing icons for Facebook, Twitter, and LinkedIn. The main text reads: "ANZ is predicting house prices will fall 18% from their late 2021 peak, an increase of 3% from the bank's 15% forecast last month." Below the text is a photograph of a residential area with many houses built on a hillside. The caption below the photo reads: "Houses in Wellington (file). (Source: istock.com)".



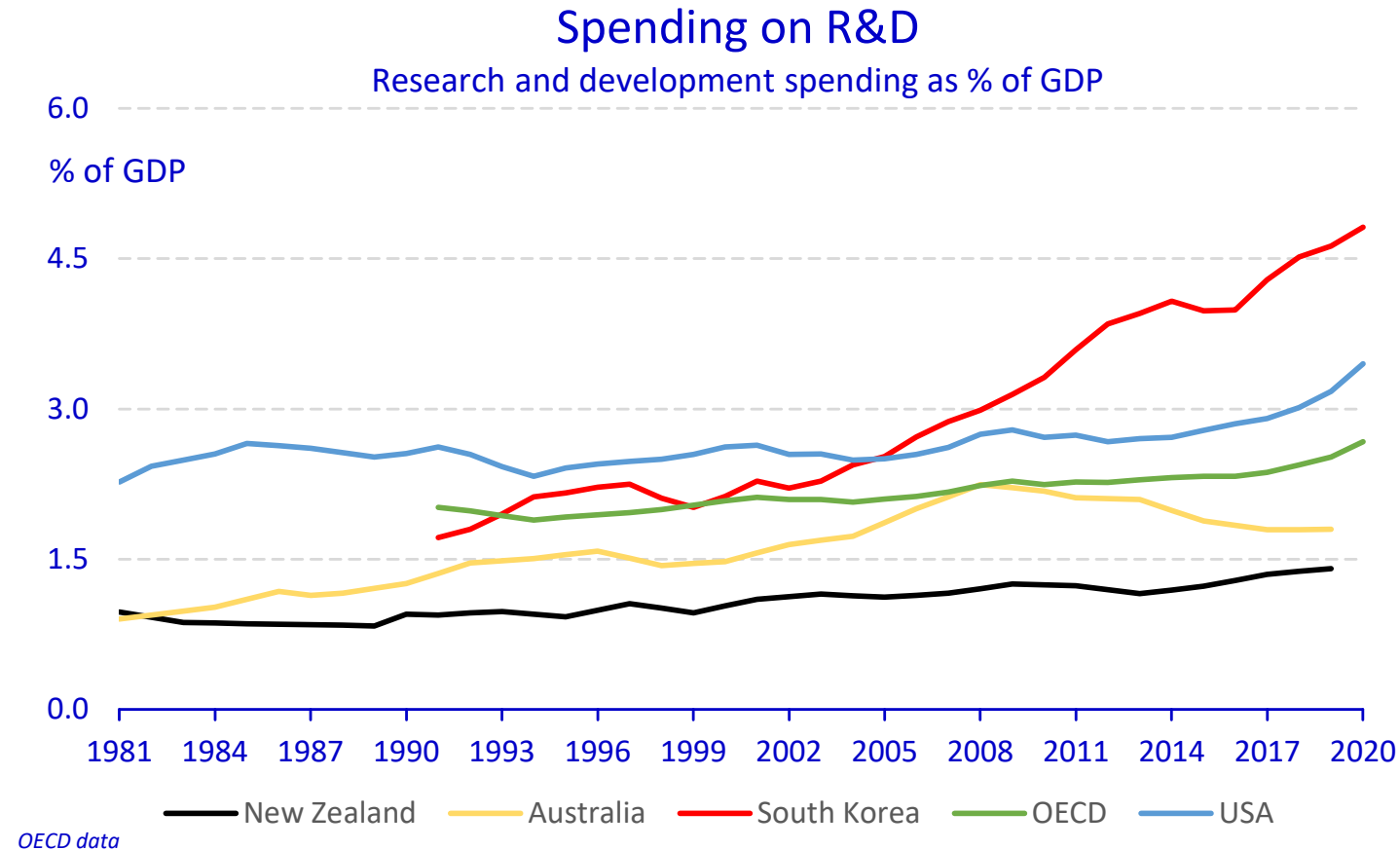
**Clickbait
headline**



Fighting the inflation ghosts ...



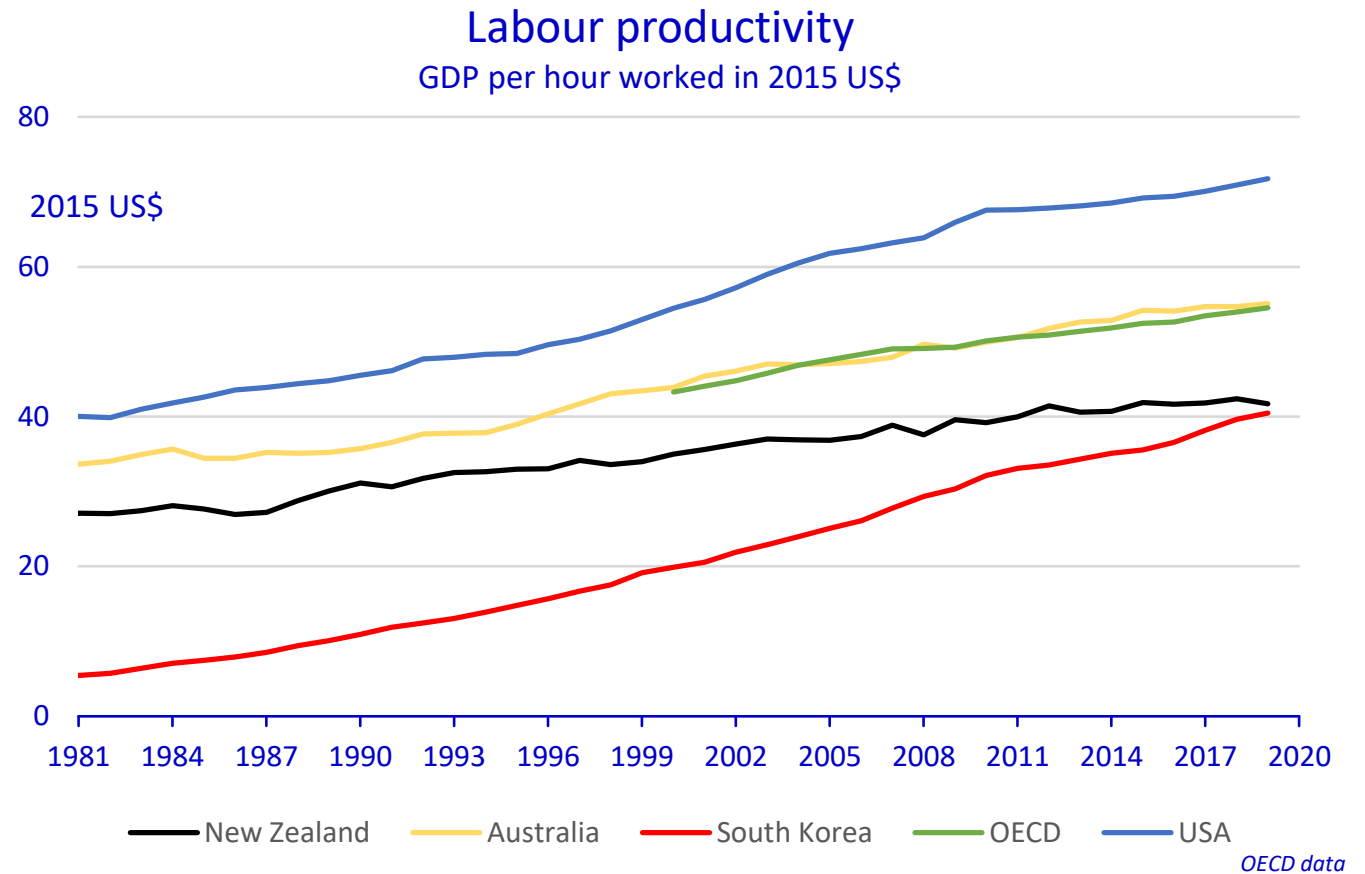
Spending on Research and Development



- R&D indicative of
 - entrepreneurship
 - an appetite for innovation and risk
 - exploring creative solutions and new techniques
- spend across OECD over past 30 years averages 1.9% to 2.7% of GDP
 - NZ yet to break 1.5% over past 40 years

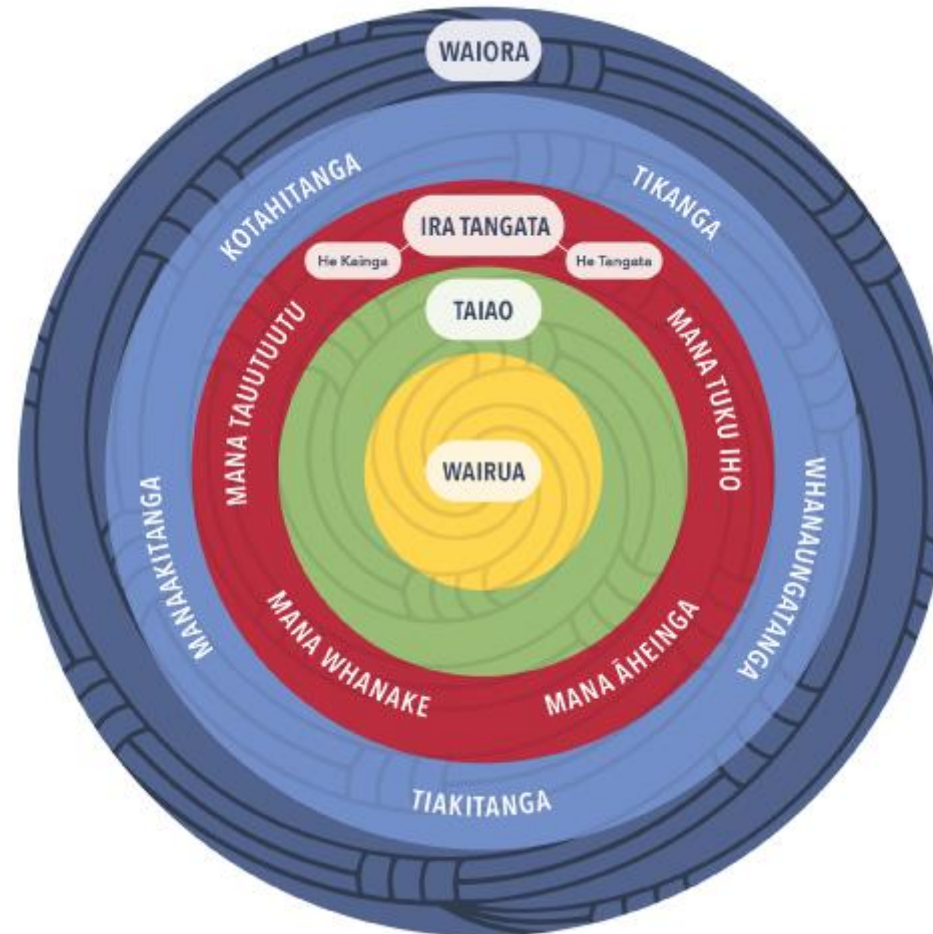
A familiar productivity picture (uses GDP measure)

- note GDP
 - short-term measure
 - ignores depletion of resources, non-traded activity (eg. caring) and distributive impacts
 - infected by distorted market valuations
- but GDP data is consistent
 - so can compare across time and across countries
 - suggests NZ story not great ... and is reflected in difficulties in addressing long-term challenges



He Ara Waiora

- mana tauutuutu
connection, balance
- mana āhienga
aspiration, capability
- mana whanake
prosperity
- mana tuku iho
identity, belonging



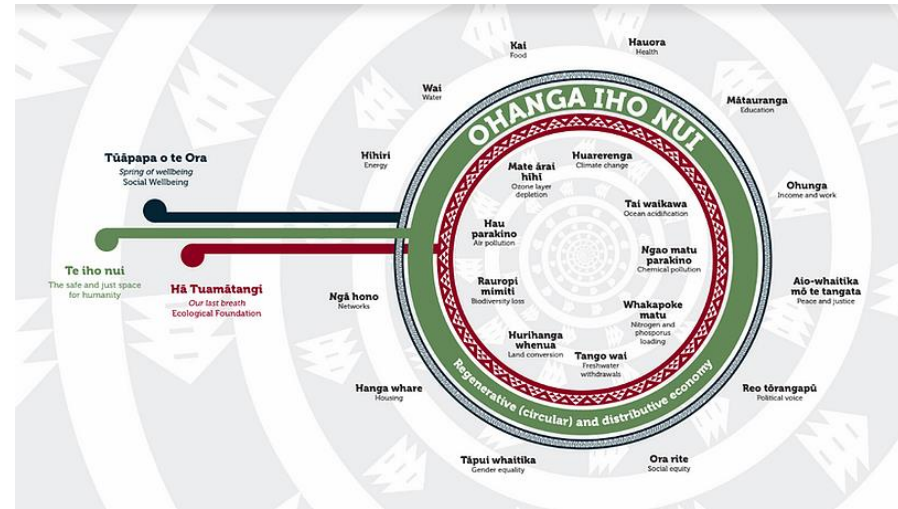
- kotahitanga
unity
- whanaungatanga
positive relationships
- manaakitanga
care, respect
- tikanga
protocol
- tiakitanga
guardianship

Refs:

McMeeking et al, (2019), He Ara Waiora: background paper on the development and content of He Ara Waiora, <https://ir.canterbury.ac.nz/handle/10092/17576>
and <https://www.budget.govt.nz/budget/2023/bps/he-ara-waiora.htm>

Potential (newish) perspectives on “the economy”

- doughnut
- circular
- regenerative
- resilient
- inclusive
- rights-based



An indigenous interpretation
Teina Boasa-Dean

<https://www.projectmoonshot.city/post/an-indigenous-view-on-doughnut-economics-from-new-zealand>



Doughnut Economics
Kate Raworth (2018)

Required long-term response held hostage

by short-term considerations and status-quo voices

- embracing sustainability, advancing productivity, and innovation – a must

productivity, sustainability, and resilience requires

investment, investment, investment

→ in our people, in our products, in our planet

for the long term



Financial Times – 04 April 2020

... w(h)ither the social contract?

“... Radical reforms — reversing the prevailing policy direction of the last four decades — will need to be put on the table. Governments will have to accept a more active role in the economy. They must see public services as investments rather than liabilities, and look for ways to make labour markets less insecure. ...”

Papatūānuku

