

# Paradise Lost! The Shocking Failure of New Zealand's Political Leadership & Urgent need for a Royal Commission on Policy

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## PREFACE

The New Zealand political system, corrupted by the personal ambitions and/or incompetence of its leaders and others, has clearly demonstrated its inability to deliver good policies or outcomes for its citizens.

This critical review rates the performance of recent governments highlights their failings and recommends a Royal Commission on the causes and remedies.

When the economic engine of a democracy fails social and environmental imperatives become unaffordable. But rather than fix the economy our politicians obfuscate and spend more of the nation's precious capital on political band aids - reinforcing the downward spiral. This is happening in New Zealand now and many (50 or more) important policies are serious failures including:

- World-lagging productivity growth.
- Leading to low incomes, living standards, poverty and deprivation.
- Immigration - excessive low economic value immigrants; no planning or supporting policies.
- Housing availability/affordability/quality.
- Many government services
- Environmental management & capacity, particularly waterways.
- Waste management.
- Auckland
- Water.
- The leadership and performance of the Public Service
- Mental Health
- Building standards (leaks, steel, earthquake/fire standards, certification).

- Construction industry.
- Border protection/management, bio security (kiwi fruit, dairy, kauri dieback, etc)

## THE CONTEXT

Productivity growth is critical for increasing incomes and living standards:

- “Productivity growth....is the most important source of income growth and has an important bearing on people’s wellbeing” and
- “New Zealand’s productivity performance has been relatively weak.... the main reason why per capita incomes are below the OECD average” (Conway, NZ Productivity Commission, 2016).
- Between 1970 and 2007 New Zealand was the worst performing of the World’s developed economies in terms of total factor productivity (Conference Board, Total Economy Database/M Reddell).
- After 2007 it continued to be one of the worst performers and is falling further behind the median of the Advanced countries.
- “New Zealand has been in productivity recession since 2012” (StatsNZ, JB Were/Doyle).
- This poor productivity performance is inevitably reflected in New Zealand’s low incomes, living standards, poverty and social deprivation.
- Low productivity also underlies the failure of many government services to perform to an acceptable standard and the current legacy of many seriously inadequate and underperforming policies.
- Sustainable productivity growth requires a well-designed package of consistent and effective policies. These policies have many important micro and macro benefits but they do require expertise, consistency, leadership and determination.
- “.... it will be the growth in labour productivity that will ultimately determine NZ’s future....” (Whitehead/Treasury).

But what about the World-leading “Rock Star” economy? Well its all smoke and mirrors, a con - based on aggregate GDP not GDP per capita growth, with little benefit to New Zealanders via higher incomes and living standards - but a lot of damaging consequences which will last for decades!

- “In the absence of productivity gains the economy relied on more people working more hours. Net migration provides a conveyor belt of fresh labour....” (JB Were/Doyle).

## THE FUNDAMENTAL PROBLEM

The fundamental problem is that New Zealand’s recent political leaders preferred self-serving (getting re-elected) objectives and policies ahead of effective policy leadership based on sound analysis and the national interest. They were supported by many

biased/incompetent commentators who don't understand productivity and/or the difference between aggregate and per capita growth measures.

The critical issues are:

- The lack of governments' political will and leadership to prioritise the national interest and deal effectively with important economic, social and environmental issues.
- The failure to build economic capacity, which is having a damaging impact on many policies and outcomes.
- The cost of addressing numerous social problems is reducing the capacity for productive investment to improve the economy and future living standards.
- High immigration rates continue to dig a deeper hole.
- New Zealand now lacks the leadership and political, economic and social capacity to deal effectively with these problems.
- Major changes are essential hence the urgent need for a Royal Commission.

## THE PERFORMANCE OF GOVERNMENTS

Clark/Cullen

Clark is probably rated as the most thoughtful, politically learned and astute recent political leader but was the lead architect of a political model which has had a disastrous impact on the quality of New Zealand's policies and their economic, social and environmental outcomes. A virtuoso political performance, which ignored critical policy issues and better living standards for New Zealanders - and papered over the cracks to twice get re-elected!

Important elements of the model were:

- Policy initiatives which pro-actively (top of the cliff) addressed important economic issues (productivity, incomes, economic capacity) were too politically risky and avoided.
- But there was excellent political benefit in dealing with social burning wrecks (bottom of the cliff) - low incomes and Working for Families, particularly with increased government spending.
- The critical issue of economic/fiscal capacity and the affordability of a rapidly growing number of burning wrecks was ignored.
- Income redistribution was a political positive.
- A competent and effective Public Service giving "free and frank" advice was a serious risk, but neutered by "No Surprises" and eroding capability.
- Whistle blowing was kept high risk and unattractive.
- Cutting off access to the Privy Council was important.

"No Surprises" was a signature initiative. It crippled the professional arm of governments via diminishing performance capability and mandate leaving the amateurs (ministers and others) to blunder on with decision making dominated by political considerations.

Unfortunately the leadership of the Public Service was weak and acquiesced to this damaging development.

But the Clark/Cullen epitaph is "Working for Families" and there was no effective effort via economic policy to lift incomes and living standards and fundamentally solve the problem.

Trade agreements are not enough and their handling of the GFC was woeful, costing billions - but New Zealand got by thanks to the Irish and Australians and their leadership on wholesale funding guarantees.

Rating: their overall performance was poor and three electoral terms were wasted - but at least they didn't entirely trash the place - so a 3/10 performance - definitely a fail!

### Key & English

Key and English embraced the Clark model, avoided the potentially unpopular policy changes and new initiatives needed to improve living standards and put immigration on full turbo boost, without any supporting analysis or the essential supporting policies.

Their failure to reject the Clark model (including "No Surprises" & Working for Families) were clear signals of their preference for the rewards of politics ahead of providing effective government in the national interest.

A lot of talk but little effective policy leadership - Working for Families remained with no attack on the underlying policy weaknesses. English was complicit, behind the charade of being experienced and capable managers and the mirage of budget outcomes - but the roof leaks, the power has been cut off and the stock and kids are starving.

Growth (aggregate GDP!) was highlighted while ignoring the real impact on incomes and living standards and social/environmental outcomes and new age wider measures of wellbeing lacked credibility because of the rotting economic foundations.

This made accelerated immigration ( low skill/low economic value) the perfect tool, boosting GDP (more houses, cars, etc - more spending). Ethnic cohorts and wealthy individuals were often grateful and generous political donors and the serious negative consequences (housing, fiscal pressures, inadequate public infrastructure and services, environmental capacity and stresses and so on) all come later. This was all aided by "No Surprises" - no analysis no planning or strategy and no public debate - and then more of the same with foreign ownership and tourism. Treasury's assessment of the benefits of immigration is pitiful - limited, weak and inconclusive (OIA release).

Great politics, boosting GDP but leading to a large number of increasingly serious problems. Its no wonder Key bailed out and their toxic legacy will damage the living standards of New Zealanders for decades.

Policy rating: given their policy double whammy - the lack of effective positive policy and the turbo charged destructive policies a policy rating of 0/10; but it probably should be negative!

Ardern/Peters

They received a toxic inheritance, had a commendable first 100 days and brought a real sense of engagement with serious policy issues. However, it is largely a socialist/ social welfare agenda based on increased spending (housing, minimum incomes, employment growth - quantity not quality, collective bargaining, gender targets, oil & gas restrictions, etc.) and ignoring the critical need to develop sustainable economic capacity. Seven per cent can only be leveraged so far!

Their first vital contribution was to remove the poorly performing Nationals giving them the opportunity to remove complacent/entitled/incompetent dead wood and rebuild and rejuvenate with better leadership before the next election. Unfortunately the "rebuild and rejuvenate" fell off the wagon and they have yet to work out a useful strategy. Same old same old!

The new Government has talent but not enough given the many complex issues it faces, it is not bothering to slow the damaging flood of low economic value immigrants and "No Surprises" remains (WHY?) limiting the Government's effective capability and capacity.

Basically they are squandering the Nation's seed capital which should be invested in future living standards, applying numerous band aids as unsustainable short term fixes and ignoring the fundamentals.

New Zealand has woefully low productivity, incomes and living standards and this government is not focussed on sustainable solutions.

Peters strategy was masterful, a game changer - but it isn't enough. Policy rating currently 4/10 but in a year it is likely to be 2/10 unless there is a real game changer.

## PRIORITIES FOR THE FUTURE

- An immediate Royal Commission on the reason for past serious policy failures and learning/guidelines for the future.
- Immediately replace "No Surprises" with "Free and Frank" as the Public Service performance obligation, improve its leadership and introduce "fit for purpose" selection, task setting performance management and improvement processes (refer State Sector Standards Board reports/recommendations).
- Immediately introduce a "fit for purpose" whistle blower regime.
- Strategy and Planning - recent governments have shown no evidence of effective strategic or tactical planning, which is critical for effective resource allocation and real progress towards core national objectives. New Zealand needs a clear, high level strategic framework, using credible economic and fiscal analysis to guide the use of scarce resources and the development of economic capacity. It should be a dynamic document, fuelling National debate, no more than ten pages, the first version

produced in 3 months. The Budget? Too detailed, lacks strategy - all trees no wood.  
The current approach - all social spending, no economic capacity, hello death spiral,  
goodbye New Zealand - except as a province of China.

- We cannot and should not try to solve World hunger!