

## **Business Forum**

Paul Winter 14 August 2009

### **Achieving Genuine Progress**

MMP politics is strongly influencing the amount of reform the Government is willing to pursue and its pace of implementation. Is this a good thing or not?

Nearly every day single issue interest groups complain that the policy agenda is not radical enough to support the degree of change they would like to see. Typically sectional interests want to push hard for their favourite within the trinity of economic, social and environmental goals. Two illustrations will suffice.

A ministerial review of the electricity sector tried to come up with a package of changes that could make this rather imperfect market sector a lot more competitive, as well as reducing dry year risks, which have largely been born by major businesses. Clearly any improvements were welcomed by the business lobby, but many wanted more radical action. Yet interests focused on welfare and health criticised the review for not addressing "energy poverty" through regulating prices for the neediest and to improve health outcomes.

Again, when Government announced New Zealand will target to cut greenhouse gas emissions by 10 to 20 percent from 1990 levels by 2020, Federated Farmers continued to make the case for the Agriculture Sector to be excluded as in other developed nations, which would not help. On the other hand Greenpeace and organisations with a strong environmental interest remained critical that the government was not prepared to sign up to a 40 percent reduction by 2020. This level is described as the least that developed countries need to do to prevent "dangerous climate change" of more than 2C.

Judgements need to be made and seldom is it possible to make progress that is mutually beneficial to achieving good outcomes for economic, social and environmental goals. So how do we as a nation judge whether on balance we are achieving genuine progress in all three areas and making the right trade-offs?

The Wellington Regional Strategy has set itself an ambitious goal to come up with a Genuine Progress Indicator or GPI to give a balanced measure. This could prove a very useful framework to have more informed conversations. However, the views of interest groups about what success and progress looks will vary and probably quite significantly as to which goals should have higher weightings.

Readers can Google the Happy Planet Index for an alternative view where on this measure of success New Zealand out ranks Australia and the USA.

This brings us back to MMP and whether it contributes positively or not to making genuine progress. I am arguing that it is more important to focus on having high

quality and transparent exchanges of view among ethical community leaders with different perspectives, than concern ourselves about the inevitability of trade-offs which will occur under any form of democracy.

When The Treasury promoted the five key drivers for improving our national productivity I was struck by the fact that four out of five depend a lot on our cultural attitude to success. The exception is our use and stewardship of our natural resources where as a nation we already have a comparative advantage.

Why do I make this claim? Think about the other four drivers which are Innovation, Enterprise, Investment and Skills. Imagine if we could encourage the vast majority of people and enterprises to accept that they can make a contribution to all four drivers, which they definitely can, then we would really accelerate genuine progress.

Smaller MMP parties will tend to stay with their narrower interests. However, politicians committed to the centre left or centre right can't ignore strong consensus views. Wouldn't it be great if they also showed the leadership that encouraged their own constituencies to believe they can make a difference, no matter how small? There is no limit on who can contribute to innovation or show enterprise or investing in their skills. And as third world countries demonstrate, even the poorest New Zealanders can make wise decisions about how they spend or save and invest their limited financial resources.