

A Measurable Goal for New Zealand

FAQs

1. Don't we need to care about more than just economic growth? Why focus on a single goal rather than a balanced scorecard? What about the environment?

Yes, we do care about a lot more than just the economy. We are mindful of the fact that economic growth is not an end in itself, but a means of providing the other outcomes we value as a society.

Nevertheless, we believe that a clear focus on a headline goal, which catalyses a series of policy responses/strategies to deliver that goal, is the best way to inspire action and achieve real change. We need to create wealth so that we can pay for the education, healthcare, social services and environmental protection that we desire.

The focus on an economic growth target shouldn't lead to myopia. We recognise that if we, as a nation, take a simplistic view of economic growth, we risk sacrificing some of the social and environmental qualities that make New Zealand special. That's why we are encouraging a focus on a *long term* goal. If we commit ourselves to ongoing, compounding growth, this implies a commitment to continually build the foundations for future success rather than just using up environmental stocks and under-investing in social development.

We also believe that economic growth should occur under a framework that ensures that it does not place undue stress on the environment. For example, Governments should put appropriate measures in place to ensure that issues such as carbon emissions are given proper weight in the decisions that businesses and consumers make every day.

2. Is GDP the best measure of economic growth?

Clearly GDP is not perfect, but we do believe that it currently provides the most practical, straightforward and readily comparable measure.

We considered GNP as an alternative, since it takes into account income earned by New Zealanders offshore and we see this international connectedness as a key requirement for our future success. However GNP is becoming less widely used internationally, limiting its value as a measure of relative performance.

GDP has other, well documented shortcomings. It doesn't take into account economic externalities such as pollution or distinguish between worthwhile and wasteful economic activity. Nor does it capture the depletion of resource stocks. The fact that it is objectively calculated, widely understood and a good basis for international comparisons makes it our preferred measure. However its shortcomings reinforce the importance of taking a long term perspective in decision-making as discussed above.

3. Why focus on relative wealth rather than absolute?

In a globalising world economy, people, companies and jobs are increasingly mobile. We will need to compete to retain and attract them, so it is our relative standing that matters. Also, whether we like to admit it or not, it is our wealth relative to others that determines the

extent to which we feel rich or poor. Is your satisfaction with the quality of our hospital system defined by how good the facilities are relative to 25 years ago or whether you have access to the best medicines and technologies available today? If New Zealand is to feel like God's Own country in 2025, we will need to have a great quality of life relative to other nations, not just relative to the New Zealand of 2008.

4. Why focus on growing GDP *per capita* rather than just GDP?

We believe that the best measure of New Zealand's economic strength is the lifestyle we are able to provide the average person, rather than the size of our economy as a whole. We recognize that concentrating on per capita GDP may risk creating a bias against increasing New Zealand's population. However, once again, we believe that taking a long term perspective should overcome these issues. If New Zealand really wants ongoing, compounding growth, it will be important to recognize the value that immigration can add to our economy and society.

5. What good is a goal without a plan of how you are going to achieve it?

We do believe that New Zealand needs a long term strategy. But the first step in setting a strategy is knowing what it is you want to achieve. That's why we're aiming to stimulate a discussion about New Zealand's long term goal.

We certainly don't have all the answers about what New Zealand's long term strategy should be, but we're keen to contribute to the debate. We applaud the efforts of organizations like the NZX and NZ Institute to work towards a long term strategy for New Zealand. We believe they are heading down the right path, but recognize that a lot of work needs to be done to get to the final outcome.

6. Who is behind this and what's their agenda?

This initiative began with a series of conversations they we've been having at Morrison & Co. Morrison & Co is a New Zealand company that manages infrastructure investments on behalf of Infratil and the NZ Superannuation Fund. We take a long term perspective in our business and have seen the value of having an ambitious, measurable long term goal. We also recognize that, as New Zealanders, we have an obligation to participate in the debate around New Zealand's direction.

As we started to engage others in conversations about New Zealand's long term goal, we found that the idea struck a chord. Consequently we decided to expand the discussion as broadly as possible in the hope of engaging more and more New Zealanders in the debate about our nation's future direction. We don't have any particular agenda to push, we just believe that a national conversation that moves us towards a shared commitment to a common goal, has got to be a good thing for New Zealand.