Paradise lost! Two Decades of Shocking Failure in Political Leadership

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The time has come for a Royal Commission into the policy failures of successive government since the Millennium.

Political leaders have failed to deliver good policies or outcomes. Only a top-level independent inquiry can determine the causes and recommend solutions.

When the economic engine of a democracy fails, social and environmental imperatives become unaffordable. But rather than fix the economy, politicians have obfuscated and spent more of the nation’s precious capital on political band aids – reinforcing the downward spiral.

Some 50 or more important policies have failed, including:

• World-lagging productivity growth;

• Low incomes, declining living standards, poverty and deprivation;

• Excessive low economic value immigration, exacerbated by no planning or supporting policies;

• Reduced housing availability, affordability and quality;

• Decline in building and construction standards (leaks, steel, earthquake and fire standards, certification);

.• Delivery of government services;

• Environmental management and capacity, particularly waterways;

• Water quality and waste management;

• Border protection and management that has raised bio security risks (kiwifruit, dairy, kauri dieback); and

• Public service lacking in leadership and performance.

**The context**

Productivity growth is essential for increasing incomes and living standards. But a number of experts have pointed out this hasn’t happened:

“New Zealand’s productivity performance has been relatively weak … the main reason why per capita incomes are below the OECD average,” Productivity Commission director of economics and research Paul Conway said in 2016. < <https://www.productivity.govt.nz/research-paper/achieving-new-zealands-productivity-potential> >

Between 1970 and 2007, New Zealand was the worst performing of the world’s developed economies in terms of total factor productivity, former Reserve Bank economist Michael Reddell reported, < <https://croakingcassandra.com/2017/03/09/total-factor-productivity-growth-how-have-we-been-doing/> > quoting the Conference Board’s Total Economy Database.

After 2007, New Zealand continued to be one of the worst performers and fell further behind the median of advanced countries.

“New Zealand has been in productivity recession since 2012,” JB Were’s Brendan Doyle found in his 2017 study. < <https://www.jbwere.co.nz/assets/Uploads/1708-Working-harder.pdf> >

This poor performance is inevitably reflected in low incomes, living standards, poverty and social deprivation.

Low productivity also underlies the failure of many government services to perform to an acceptable standard, leaving a legacy of many seriously inadequate and underperforming policies.

Sustainable productivity growth requires a well-designed package of consistent and effective policies. These have many important micro and macro benefits that require expertise, consistency, leadership and determination.

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; and

• High immigration rates continue to dig a deeper hole.

To understand this, it is necessary to examine the performance of three governments this century.

**1. Labour 1999-2008**

Helen Clark is probably rated as the most thoughtful, politically learned and astute leader in recent times. But she and her deputy Sir Michael Cullen developed a political model that has had a disastrous impact on policy quality.

Important elements of the model were:

• Policy initiatives that pro-actively (top of the cliff) addressed important economic issues (productivity, incomes, economic capacity) were too politically risky and avoided.

• But they gained 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 so it was neutered by “No Surprises” and eroding capability.

• Whistleblowing 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.

The Clark/Cullen epitaph is Working for Families. They made no effective effort via economic policy to solve the problem by lifting incomes and living standards. Trade agreements are not enough and their handling of the global financial crisis was woeful, costing billions.

Three electoral terms were wasted but at least they didn’t trash the place.

**Rating: 3/10 – definitely a fail!**

**2. National 2008-2017**

Sir John Key and successor SirBill English embraced the Clark-Cullen model, avoiding potentially unpopular policy changes and new initiatives needed to improve living standards. Then they, disastrously put immigration on full turbo boost, without any supporting analysis or the essential supporting policies.

Their failure to reject the Clark-Cullen model, including “No Surprises” and Working for Families, were clear signals of their preference for the rewards of politics ahead of providing effective government in the national interest.

Behind the charade of being experienced and capable managers, the mirage of budget outcomes ignored that the the roof leaked, the power had been cut off and the livestock and kids were starving.

Growth (aggregate GDP) was highlighted while ignoring the real impact on incomes and living standards.

Accelerated immigration of low skills and economic value were the perfect tool to boost GDP. Ethnic cohorts and wealthy individuals were often grateful but the serious negative consequences all came later.

This was aided by “No Surprises” -–no analysis, planning or strategy and no public debate. The Treasury’s assessment of the benefits of immigration was pitiful – limited, weak and inconclusive.

This government’s toxic legacy will damage the living standards of New Zealanders for decades.

**Rating: 0/10 – probably should be negative!**

**3. Labour-New Zealand First Coalition 2017-**

A commendable first 100 days brought a real sense of engagement with serious policy issues, considering it received a toxic inheritance.

However, Jacinda Ardern and Winston Peters have a largely socialist-social welfare agenda based on increased spending (housing, minimum incomes, quantity not quality employment growth, collective bargaining, gender targets, oil and gas restrictions, etc) while ignoring the need to develop sustainable economic capacity - and there is a limit to the leverage of 7%!

Their first crucial achievement was to remove the poorly performing National Party, giving it the opportunity to rebuild and rejuvenate with better leadership before the next election.

The Coalition 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.

Instead of squandering the nation’s seed capital with unsustainable short-term fixes, it should be investing in future living standards.

**Rating: 4/10 – but likely to be 2/10 unless there is a real game changer.**

**Priorities for the future**

• Establish a Royal Commission to examine past serious policy failures and provide guidelines for the future.

• Replace “No Surprises” with “Free and Frank” as the public service performance obligation. Implement selection, task-setting performance management and improvement processes to improve leadership.

• Introduce a “fit for purpose” whistleblower regime.

• Adopt a clear, high-level strategic framework, using credible analysis to guide the use of scarce resources and the development of economic capacity. This should be a dynamic document, fuelling national debate, produced within three months and no more than 10 pages in the first version.

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