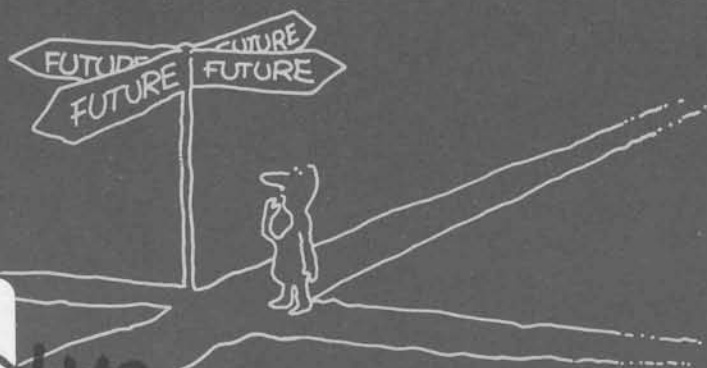


SOME ECONOMIC IMPLICATIONS OF SOCIAL CHANGE IN NEW ZEALAND

by

JF Duncan EM Ojala BP Philpott GJ Thompson



NZ
archive
1970/75
N.Z.

COMMISSION FOR THE FUTURE

SOME ECONOMIC IMPLICATIONS
OF SOCIAL CHANGE IN NEW ZEALAND

by

James F. Duncan, Commission for the Future

Eric M. Ojala, Department of Agricultural Economics
and Farm Management, Massey University of Manawatu

Brian P. Philpott, Department of Economics
Victoria University of Wellington

and

Graeme Thompson, New Zealand Planning Council

October 1980

Report No. CFFR2/80

Classification PN

The views expressed in this paper are those of the author and do not necessarily represent the views of the Commission for the Future.

CONTENTS

	Page
FOREWORD	3
1 INTRODUCTION	5
2 INTERNATIONAL LIVING STANDARD	8
3 OVERSEAS FINANCE AND TECHNOLOGY	9
4 WORLD INSECURITY	12
5 WORLD RECESSION	14
6 FULL EMPLOYMENT	15
7 SOCIAL HARMONY	19
8 ENVIRONMENTAL CONSERVATION	21
9 CONCLUSIONS	22
REFERENCES	27
APPENDIX A	28

October 1982

Classification EN

Report No. 1982/100

The views expressed in this paper are those of the author and do not necessarily represent the views of the Commission for the Future.

FOREWORD

This paper was developed in an attempt to spell out the economic implications of trying to achieve the social goals of New Zealanders as they have emerged in the work of the Commission for the Future. Perception of these goals arises in three ways:

- Comments received after publication of the 'New Zealand in the Future World' trilogy (1);
- Responses from the workshops on goals held in 1978 (2);
- Recent surveys in public meetings by one of the authors (JFD).

The goals discussed include the following:

- Maintenance of living standards comparable with those of the advanced industrialised countries;
- Industrialisation by use of overseas technology, management and finance;
- Protection against world insecurity
- Protection against world recession*
- Maintenance of full employment*
- Maintenance of social harmony*
- Protection of the environment

The evidence available to us suggests that New Zealanders do attach importance to social goals, especially those marked with an asterisk above. The maintenance of social welfare and harmony within New Zealand is generally held to be a desirable goal, but the way in which this might be achieved has not yet been fully understood or articulated by New Zealanders. Moreover, there is great uncertainty about the way these social goals are to be related to our abilities and desires to support them economically.

The following are among the propositions examined in this booklet:

- Economic activity and social harmony are closely related. Each depends on the other. Significant economic growth is only possible with the good will of the population at large and that is only achievable with a high degree of social harmony.
- Some conflict is inevitable in any society. Otherwise growth and change would not occur. But conflict over the economic

interests of different groups needs to be restrained if the attainment of non-material goals is not to be threatened.

- Although decisions about economic growth are very important components in policy, they need to take more account than is done at present if the aspirations of New Zealanders to enjoy a higher quality of life in many non-material aspects, to maintain full employment, to minimise the effects of world recessions and achieve other social goals which might emerge as important in the future.

1. INTRODUCTION

After almost one and a half centuries of the organised existence and development of New Zealand as a nation, it would seem valid to assume that the goals of New Zealanders are reflected in New Zealand society and in the government-induced economic and social environment that provides the frame-work for individual and community life and work.

However, such an assumption has to be qualified by recognition that the actions of governments result from a political process in which the goals of different sections of the community are often in conflict. In the absence of a consensus, the government has nevertheless to decide. The decision may well reflect a balancing of the national and the various sectional interests. In the process, the goals of some groups of people are not attained. Since changes in social attitudes and goals can occur more quickly than those in institutions, regulations and political structures, it is possible for the national system not to reflect adequately at any time the changing goals of important groups. There are some groups who feel that this may at present be the case in New Zealand, particularly over the last decade or so.

As a part of its purpose to stimulate public debate on future options for New Zealand, the Commission for the Future organised in 1978 a nation-wide series of workshops on the goals New Zealanders wish to see achieved. Similar workshops had been organised by the DSIR in 1977 and 1976. The participants tended to be socially concerned individuals, as reflected in membership of organised groups such as colleges, churches, parent centres, women's committees, and environmental educational and scientific associations.

Analysis by the Commission for the Future of the opinions expressed in the workshops over the three years shows preference for participatory rather than centralised decision-making; for small scale rather than large scale communities and organisations; for a quality of life reflecting a low energy use and a low dependence on trade, and for an independent international stance rather than one of committed allegiance. In general, the workshops indicated a de-emphasis of economic growth, with an emphasis on quality of life, acceptance of a certain minimum standard of living, and an even distribution of wealth.

A similar conclusion emerges from enquiries made at public meetings during 1979 by one of the authors (JFD). Asked to indicate which of six goals they regarded as of first importance to obtain (consistent with maintaining some economic growth) the audiences indicated a strong preference for maintaining social harmony although there was also concern to maintain full employment and avoid the effects of world recession (see Appendix A). Correspondence with CFF by numerous people confirms this impression.

The priority given to such goals may suggest to some observers that the groups were not fully representative of the population. Or it might be claimed that these goals reflect merely the oft-criticised tendency for New Zealanders to choose - where possible - the less energetic or the familiar option rather than the one that demands more effort or change. Alternatively, it may reflect a desire to have one's material and social needs both satisfied, without recognising possible conflicts between the two.

But before accepting these easy interpretations, one should note that similar views emerged from the fully representative Harris Survey of opinions and attitudes conducted in May 1977 in the United States, a nation well known for the commitment of its people to individual enterprise and material advance (3). For instance, of the sample surveyed, 79 percent favoured teaching people how to live with basic essentials, while only 17 percent supported striving for a higher standard of living. Seventy-six percent supported learning to get pleasure from non-material items whereas 17 percent supported the need for more goods and services. Sixty-six percent wanted to break up big things to attain more humanized conditions, while 26 percent were for developing bigger and more efficient ways of doing things. Sixty-four percent favoured inner and personal rewards over increased productivity.

It is self-evident that such preferences could emerge only in societies where most individuals had attained and felt secure in enjoying, a relatively high state of material welfare, implying the achievement of a relatively high level of human productivity and advanced technology. Can it be assumed for New Zealand therefore, that people who live in developed societies aspire to build a type of society, where human rather than material values take precedence?

The behaviour of New Zealanders in their day-to-day economic and political life suggests that material values are extremely important, if not predominant. But the aspirations may be none-the-less real, latent and waiting to respond to a new emphasis, and a leadership which learns how to move towards a better balance of human and material goals in the practical affairs of living and earning a living.

The Commission for the Future, in its booklet on "Societies in Change", puts this idea forward as a hypothesis, and attempts to apply it to New Zealanders in the perspective of the year 2010 (1). It is worthy of careful exploration by all New Zealanders who, as a nation, have never been fearful of social innovation where commonsense and justice beckoned.

This concept of a post-industrial society has elements that go beyond the preference for small-scale, participatory types of organisation for economic and social activity. Some of these elements are reflected in the continuing debate among New Zealanders on the following issues:

- Are New Zealanders committed to achieving and maintaining a material standard of life comparable with that of other developed countries?
- How far should New Zealand accept overseas finance and technology as keys to the development of New Zealand's resources?
- How much protection should New Zealand aim at against world insecurity?
- How much protection should New Zealanders seek to build up against world recessions?
- Should New Zealand have a national commitment to full employment of the workforce?
- How much emphasis should be placed on the attainment of social harmony - racial, industrial and political?
- What degree of priority should be given to environmental conservation?

These elements form the basis of the following discussion in which the economic implications of the debate are drawn out.

2. INTERNATIONAL LIVING STANDARD

In many respects, this issue is the most basic one. If the majority of New Zealanders do not consider it very important to keep up with the rising material standards of life in other developed countries, then the choices on all the other issues are softened. There would not be many hard choices to be faced, unless the attainment of the desired package of non-material goals came to be threatened by an inadequate level of domestic economic activity.

Most New Zealanders either have not yet realised that they have experienced a major decline in their average national income level relative to other OECD countries over the last two decades, or they do not think much can be done about it. This impression is supported by the experience of negligible national income growth and persistent high inflation over the last few years, without sufficient pressures being developed to force any radical changes in national behaviour or attitudes, or in the prevailing New Zealand system.

That not all New Zealanders tolerate this situation or benefit from it is attested by the recent out-migration of some 30,000-40,000 people annually. Such loss, which includes some enterprising or ambitious people, might have to be accepted as a continuing feature if the nation as a whole remains indifferent to the relativity of material incomes in New Zealand with respect to other countries.

It is possible that many New Zealanders who do not emigrate are dissatisfied with the present trends, but tolerate them because they are too committed to leave; or because they do not know how to change things; or because they have accepted arguments that our present plight is due to external factors which could improve or be overcome soon. However, if relative income levels continue to decline in New Zealand, and more people come to recognise that our destiny is in our own hands and could be altered, action could be developed through the political process to make the changes needed to remedy the situation. The changes could include, for example, setting the country on a rapid growth path or at least adopting more constructive approaches to a low growth situation.

A national effort to restructure industry in pursuit of greater international competitiveness is currently being made. So it is well to leave open at this stage the degree of commitment by New Zealanders to

striving for an internationally comparable standard of material income. Certainly, it is beyond doubt that New Zealand is well endowed with natural resources, in comparison with other countries. If the people decide on an expanding economy and they insist on government policies designed to facilitate and promote such expansion, then it is possible to achieve it.

3. OVERSEAS FINANCE AND TECHNOLOGY

New Zealand's water resources, coal deposits, natural gas and deep sea fishing potential are not small by world standards. It is understandable for a small country so endowed to seek partnerships with overseas sources of capital and technology to develop such resources on an adequate scale for national advantage, including the export of products in excess of New Zealand's requirements.

However, there is a current sentiment in New Zealand that is opposed to the involvement of overseas interests in the development of domestic resources on the scale required. There are many fears behind this sentiment - for instance that only multinational corporations would be big enough to do the job; that such corporations are geared to serve their international interest rather than New Zealand's; that they are influential enough to dictate terms to the New Zealand end of the partnership; that New Zealand development would become dependent on overseas decisions; that such corporations are the essence of international capitalism and industrial greed which are the natural antithesis of post-industrial welfare; that through their involvement in New Zealand this country would become linked with their international operations which might include activities abhorrent to many New Zealanders, such as investments in South Africa; and that their exploitation of New Zealand resources would pollute the environment.

Whether well-grounded or not, most of such fears could be overcome by careful New Zealand selection of the overseas corporations to be involved, and by New Zealand Government insistence on the inclusion of relevant national interest clauses in the contracts to be negotiated with the corporations. There are precedents for this in the arrangements made for the participation of the overseas Bowater group in the activities of the Tasman Pulp and Paper Company, and of British Petroleum, Mobil Oil and Shell groups in the development of the Maui Gas Utility. Some New Zealanders

might lack confidence in the Government to negotiate a deal which gave enough priority to important non-material interests. Confidence could be greatly enhanced if adequate provision were made for the public discussion of the issues involved and the wider use of non-governmental expertise. In any case, New Zealand's development has always been dependent on external factors, notably the decisions of foreign governments to admit or restrict the entry of New Zealand's key exports.

What are the alternatives? They need to be assessed in the light of the prevailing estimates that, at the currently proposed rate of usage, New Zealand's known resources of natural gas would last for 30 years, and of coal for 850 years. The fishery resources of the deep seas are renewed every year, subject to proper control of the annual catch.

An option that would apparently please a number of New Zealanders would be to concentrate primarily on the exploitation of these resources by domestic capital and manpower, with importation of some appropriate technology, and a focus on domestic use of the product rather than export. Such an approach would enable the resources to play a role in sustaining the economy for an indefinite number of years, even if no more deposits of non-renewable resources were discovered. In view of the smallness of the New Zealand market, this approach implies a very small scale of exploitation. This degree of sustainable self-sufficiency would be purchased at the high cost of major development opportunities foregone and of possible inefficiencies of small-scale plant. A small-scale petrochemical plant for instance is a contradiction in terms.

New Zealand's national income standing in the world would further be eroded if the enterprises established to develop our natural resources are not internationally competitive. Moreover, in a world desperately short of energy and food, it would be morally hard to defend a New Zealand policy aiming merely at a low and relatively unsophisticated domestic utilisation. Indeed, in such circumstances it might become a problem to contain and divert the interest of other nations in New Zealand's resources.

Simply to protect the 200 mile fishing zone from over-exploitation, degradation and piracy, New Zealand would have to mount a constant police exercise. Also, only if we share in the exploitation of the resource will we obtain benefits as well as incurring costs. It must also be remembered that New Zealanders have no taste for some of the fish which other people catch in our waters. Even so, it would make good sense for New Zealand to develop her own industries based on such resources, for efficient export to the markets where the products are in demand.

In earlier periods of New Zealand's history - in the 1870's, for instance - bold commitments to overseas borrowing were undertaken to develop the natural pasture and livestock resources, and to ensure an expanding export flow with which to finance the needed imports of consumer and capital goods. It is the index of a major change in mentality and attitude that in the 1970's many New Zealanders can seriously contemplate turning aside from the challenge of overseas investment and technology, and husbanding precious resources at a low rate of use, in the face of strong world demand and beckoning opportunity for domestic material advance. Such an attitude seems to reflect a downgrading of the goal of economic advance in the minds of some people. Or have New Zealanders become so accustomed to their material welfare at a certain minimum level being ensured by someone else - an employer, trade union, government department or beneficent state - that they feel free to de-emphasise material values and to over-emphasise non-material ones?

It is almost certain that New Zealanders will have to take a more pragmatic approach to the potential role of overseas investment and technology in the further development of their life and work. This option, defined in Booklet III of 'New Zealand in the Future World' (1) as 'industrialisation' may only be required for certain types of activity, and even then constraints of shareholding, the requirements of markets etc, might limit the number of cases where overseas knowhow and technology could be favourably applied.

The fact is that our present standard of life depends on a continuing flow of imports. For a hundred years New Zealand's only large internationally competitive industry capable of earning the increasing amounts of overseas funds needed has been the pastoral industry. New Zealanders - if they wish to maintain their material standards let alone advance them in competition with other nations - must insist on policies favourable to backbone-type industries which are or can become internationally competitive, and have great potential for expansion. These could be either the meat and wool producers, or entrepreneurs able and willing to commercialise for export other forms of large scale domestic resources, such as energy, fish, forestry and minerals, in a new phase of national development.

This is the framework of national choices in which decisions about the role of foreign investment and technology have to be made. Obviously any role of overseas interests must be oriented under government guidelines

designed to ensure the benefits desired by New Zealanders, and to avoid the disadvantages feared (see Booklet III of Ref. 1 for a set of suitable criteria). Serious quantitative studies and projections of the New Zealand economy as a whole and of proposed investment are therefore always necessary as a prerequisite to clarifying the choices and their implications.

4. WORLD INSECURITY

In the event of a major international crisis, whether or not New Zealand were directly involved, it could be forced to rely on its own resources. We have had a taste of this in the recent developments over oil. To be prepared adequately for a full scale emergency, a major emphasis on domestically produced products would be necessary. Reliance on locally produced energy, especially liquid fuels for transport could be vital. Alternatively we could stockpile essential supplies, or try beforehand to arrange secure sources of supply overseas. Much would then depend on the nature and duration of the crisis.

One of the obstacles to becoming more self-sufficient is that so long as imported products are available more cheaply than locally produced ones, there is little incentive to create the local industry. In many cases this could only be done behind high tariff barriers or other forms of protection. In fact many New Zealand industries have been quite highly protected, mainly by import licensing, for over 40 years. This has created a great deal of manufacturing employment but has not made us less dependent on imports, because the machinery and raw materials still generally come from overseas.

The degree that production for the New Zealand market only is wholly based on domestic supplies, is an example of the self-sufficiency option discussed in Booklet III of 'New Zealand in the Future World'. The development of exports is accepting the self-reliance option which, however, affects our ability to handle world insecurity. The problem therefore becomes one of identifying those areas where it is possible and prudent to guarantee our security of supply by becoming self-sufficient, and those in which development of trade is desirable without us becoming so dependent on the trade, that it could not be foregone at least to some extent in the event of a major crisis. Again the problem is partly one of cost, because

specialisation in trade, as in many other activities, can bring large benefits.

A very significant factor in world instability is the great discrepancy in living standards between developed and developing countries. Although some of the latter have made rapid economic advances in recent years, hundreds of millions of people still live in absolute poverty and even more at levels which are miserable by the standards of the least affluent in New Zealand. International aid efforts over more than a generation have helped to increase growth rates among developing countries and so have the efforts of those countries themselves, but the *distribution* of wealth and income has if anything become worse, both within and between nations. Lately, more emphasis has been given to trade rather than aid as a means of establishing a "new international economic order" to improve the conditions for producers in developing countries (4). We need to ask ourselves whether our own aid and trading arrangements are contributing to world instability or reducing it. Our present official aid is about 3 cents for each \$10 of our national income, less than half of what is widely accepted as reasonable for a country like ours. What would be the consequences for third world countries and ourselves of an increase to 10 cents or 50 cents, if this were feasible?

And should extra aid be given through international agencies or restricted to areas of special interest to us, such as the Pacific Islands or South-east Asia? In the orientation of trade, does New Zealand have options that would contribute significantly to the long term security of the nation, without serious setbacks to our economic welfare? Our major agricultural exports - meat and dairy products - are (apart from milk powder) basically non-essential foods, purchased by the more wealthy nations and the wealthier sections of poorer nations. Similarly, most of New Zealand's industrial imports come from developed countries, although the bulk of our raw materials is obtained from countries of the third world.

Thus, the scope for shifting exports or imports from developed to developing countries in the framework of greater trade co-operation with the poor and needy, appears to be limited. To a considerable extent, the food import restrictions imposed by the rich countries to protect their own farmers, and the rising incomes in many developing countries are already diverting much of our exports of beef, lamb, mutton and milk powders to the less poor of the developing countries. To push further in the direction

of supplying more of our food exports to the world's really poor and needy, would raise problems of financing such sales at concessional prices or as food aid. These are practices which New Zealand has roundly condemned in other nations as inimical to the interests of those countries - like New Zealand - which have to earn their livelihood by farm trade.

Nevertheless, New Zealand might well provide some more assistance to hungry people in other countries in the form of food aid in certain dairy products. In order to involve the whole nation in such co-operative programmes, and not just the dairy farmers, the costs would need to be covered by a combination of official grants and voluntary donations. There is a limit to what can be done in this way, however, since New Zealand relies heavily on foreign earnings from dairy and other exports to finance her own development.

An increased public awareness in the future of the advantages of building security through co-operative trade and aid arrangements with developing as well as developed nations might well result in innovative relationships which current attitudes seem to rule out. For instance, more of our import needs might be met from developing countries, even though we might be more familiar with, and used to obtaining comparable goods from industrialised countries.

As a small country, our most useful role may be to encourage others to extend more aid and trade co-operation. But to be taken seriously, New Zealand would have to set an example. Irrespective of the benefits to others, more aid and increased trade co-operation could in many cases help to improve our own opportunities for growth in production and employment.

5. WORLD RECESSION

Unless we insulate our islands completely from the world economy (not a feasible proposition if we want to keep buying what big countries make well), there is always the risk of what would happen to us in a major world recession. To some extent we can protect ourselves by diversifying trade, hoping that some countries would be better equipped than others to ride out the recession. This resilience in the face of adverse economic situations has been notable among some Pacific Basin countries, such as

Japan and several of the South East Asian states. We have already shifted much of our trade into the Pacific Basin (including in this area Australia, China, Japan, South East Asia and the American west coast) and are therefore now linked to a rapidly growing region. If its growth in production and trade continues to be strong, the demand for our agricultural and other resource-based exports will increase. Instability would create fewer problems in this situation. Increased co-operation with Pacific Basin countries might lessen our vulnerability in the longer term.

One way of trying to protect ourselves from overseas recessions is to have more import substitution. This increases production for domestic markets and provides industrial employment, sometimes at high cost to consumers, but it may harm trade and reduce employment in export activities; and it may also mean lower economic growth and smaller increases in total employment. If the raw material and machinery come from overseas, we still have to export to pay for them, and so remain vulnerable to world recession.

6. FULL EMPLOYMENT

During the 1950's, 1960's and early 1970's New Zealand achieved a state of full employment, in the sense that the actual work force employed for wages was practically equal to the potential work force available for paid employment. Since the late 1970's, however, the nation has had to adjust to a situation in which some 50,000 people - about 4 percent of the potential work force - are unemployed, or totally or partially occupied in subsidised employment. At the same time, there are large numbers of jobs vacant, although most of them call for some degree of specialised skill or experience.

Although good information is lacking, it appears that some of those wholly or partially without paid work are adjusted to accepting a lower-than-award rate of income, and find compensation in other satisfactions. Such compensating satisfactions may be derived from voluntary participation in some community service, from the opportunity to spend more time in group activities, whether creative or not, or in various forms of self-expression and individual creativity, or just not working for a time. In other words, some of the conventionally unemployed or underemployed may well be

participating as much as they want to in the conventional labour market, although the great majority are probably seriously seeking permanent, fully paid work.

If the aspiration to enjoy a post-industrial type of society gathers strength in New Zealand during the remainder of the century, there may be a larger proportion of the population who would prefer to reduce formal work commitment by shorter working hours, early retirement or joining the informal economy, to develop human rather than material values.

At the same time, the present indications are for a significant movement of labour, both skilled and unskilled, out of some present forms of employment, because of the introduction of radical advances in technology, such as microprocessors. The labour displaced from particular industries by technological advances will not necessarily remain unemployed, except by preference. The experience of history is likely to be repeated in the future, namely that in a dynamic society, new industries and new job opportunities are constantly being created in response to the growth of new demands. However, there are bound to be problems of timing and retraining, which could result in many people being outside the labour market for considerable periods.

If attitudes and conditions develop as projected, what are the implications for the goal of full employment during the remainder of the century? Will New Zealanders have to accept the idea that not everyone able to work can be or will wish to be occupied in fully paid employment? An alternative concept of full employment could be one under which everyone able to do so was contributing usefully to society, whether fully supported on salary or wages or not. The concept of involvement in some productive activity would then include those who are not employed in the conventional sense but are doing useful voluntary work in households, or communities, or are undergoing re-training, or are sick or officially retired. There is the additional category of unemployed persons who are not doing anything constructive from the community point of view. It is hard to include them in any concept of full employment, until they could be educated, trained, persuaded or constrained to engage in some useful activity.

Whatever concept of full employment is accepted as a national goal, the problem of support has to be considered. At present, it is accepted that the state should directly support all those who are conventionally registered as unemployed, whether they are contributing to society or not

during their unemployment. In addition, benefits are paid to those unable or deemed too old to work, and there are income maintenance provisions for looking after children, ranging from the widow's and domestic purposes allowances to the family benefit. There is only limited state support provided for voluntary community service as such, care of invalids at home, or living and producing in a commune or monastery. It is a question for the future whether society as a whole should accept responsibility for ensuring a satisfactory living standard for those who are able to work for regular pay but choose not to, preferring instead some social activity such as caring for a child or old person, or attempting an alternative life style.

If social and economic factors in the future lead to a rise in the proportion of conventional and voluntary unemployment, the problem of support will assume greater significance. In such circumstances, the amount of support committed to state welfare services such as education, health and social security generally might have to be re-evaluated.

The economic aspects will in the end be decisive in determining the level of overall welfare that can be sustained for the population as a whole. Social attitudes will determine how much of this support is given by conventional employers, the state and private groups. But ultimately all the support formally provided must come from those engaged in the production of marketable goods and services.

The larger the proportion of the population that is outside the regular labour market - either voluntarily or involuntarily - the higher must be the productivity per worker in conventional employment, to sustain any given national material standard of life. Similarly, at any given level of productivity per head in the market sector, the larger the unemployed group, the lower the average standard of life that can be sustained in the whole population.

If the New Zealand society of the future gives high priority to the objective of full employment - in either of the two senses described above - at internationally comparable standards of life, the national economic policy will have to focus on faster growth and more rapid expansion of competitive exports, including pastoral products.

The wide application of the available advanced technologies will help to sustain higher growth and raise the productivity of the working people. At the same time, a higher growth rate will help to sustain employment, by providing new employment opportunities in new industries for people made

redundant by advancing technology in older industries. In some industries where technology leaps ahead, there may have to be some temporary trade-offs between productivity per worker and employment, in order to slow down the rate of redundancies for a time until more work opportunities become available in other lines of production. Nevertheless, the dominant policy should be to embrace applicable technology, in the interest of more growth, more productivity, higher employment transfer rate and higher standards of living. Since temporary redundancies can be regarded as a national cost of growth policies in a technological age, a good case could be made for redundancy combined with retraining to be accepted as a national or state responsibility.

In a growing economy with rising productivity sustained by advancing technology, the capacity to support non-market activity will expand. But the desire to do so may not. It is entirely possible that New Zealanders will opt for a smaller rather than a larger non-market sector. If so, the opportunities for a full life outside the market sector would diminish.

Those employed will determine, through their ability to influence government expenditure patterns and their contributions to voluntary organisations, the size and shape of the non-market sector. If they do not appreciate university students, for example support for universities will tend to decline. If communes are not thought to contribute to the broad social environment, they will have to be fully self-supporting. Support for the arts or for care of the unemployed or the aged will depend, as it does now, on the perceptions of the taxpayers who provide for this support. If there is a belief that too many of the unemployed are doing nothing useful, more emphasis might be placed on the organisation of 'special' or 'national service' type work by the state, and the range of such work opportunities could be considerably widened.

Priority might be given to seeking solutions to future employment problems within the market sector itself, by adjusting the supply to the demand for marketable skills, rather than in extending and diversifying the non-market sector. In this event, although many people may want to move away from involvement in the market for goods and services, their options could well be limited. Indeed on present indications, it is hard to see how full employment could be attained under this approach. It is not impossible, but its attainment through more non-market activity would only come about with a change in social attitudes, and under conditions of high productivity in the market sector.

7. SOCIAL HARMONY

Social harmony implies that each feels himself to be contributing to society, or to a sector of it and does not prevent others doing likewise. It does not imply that differences between people - whether racial, industrial, political or other - should be eliminated even if they could be. Indeed, a CFF principle is that diversity and flexibility are our best protection against unforeseen developments. But tolerance of individuals and a unity of purpose are equally vital. They could produce a cohesion which would release our energies for co-operative activities rather than dissipating them in confrontation.

There is no doubt that the maintenance of social harmony will involve economic costs as well as benefits.

Four examples will illustrate:

- (a) Industrial relations are often a source of disharmony in the community. If sufficiently serious they lead to loss of production as a result of strikes and lockouts; but even if they are not, poor relationships between management and worker must inevitably lead to loss of production and unemployment. But economic effects can also be much more direct. If we are to be internationally competitive we have to embrace improvements in technology to reduce costs and to create new industries. Both will require workers and management to be retrained in new activities and to take advantage of new possibilities. Such educational programmes are a vital component of our future. But they will have to be paid for; and since the benefits accrue to the individual the company and the nation, it is reasonable that these costs should be shared between government, the industry concerned and the unions acting for the workers. In devising such programmes it is also reasonable that all three parties should participate.

This all implies that there are good relations between the different interest groups. If there are not, then the social disruption will cost the nation, the company and the individual dearly. Indeed economic growth depends on industrial harmony as much as the reverse.

- (b) Gangs also involve economic costs if members are supported by the State in some way, or are not contributing to society - quite apart from deliberate destruction of property which some people indulge in, whether members of gangs, or not. In such a state, gangs contribute to social

disharmony. There may be good excuses for this, especially a belief that society does not care about them. As with industrial relations the remedy is to attack the problem by education and training programmes involving the state and the groups affected. This is not to say that any groups can or should be brainwashed into the dominant pakeha ethic. But enough exchange of experience between society and these groups is necessary to establish rapport and the feeling of contributing to society by all concerned. To do this must involve economic costs, not only directly in the charges for education and training but also indirectly in the substantial effort required by individuals to make time, effort and resources available for such a programme.

- (c) The development of communities which are largely self-sufficient in commodities and services such as energy, food, waste disposal, education, work and culture has attractions. Such groups include the smaller country towns, communes and ohus, and some Maori marae communities. They are, in their best forms good examples of communities living in social harmony, an objective which is more easily achieved in smaller groups. Such communities frequently put less pressure on the use of overseas exchange and national resources. But in an economic sense they may well be inefficient since they lose the benefits of the economies of specialisation. They can, indeed, only exist if the community at large is prepared to accept them, support them, and carry some of the costs involved.
- (d) There is a growing proportion of broken marriages and consequently a large number of solo parents with dependent children. In addition more women from stable marriages are seeking gainful employment. If these trends continue there will be growing demands for child-caring institutions either on an hourly, daily, or permanent arrangement. New techniques for caring for and upbringing children, possibly with state intervention might be needed. There seems to be a commonly held view that such state intervention in child welfare would be appalling although to some degree it is already taking place albeit largely as a rescue operation. But whether for need or convenience, and whether we drift into it or deliberately

decide so, the economic consequences are a substantial rise in government or industry expenditure on social services.

Each of these examples implies that Kiwi wealth is taken from one sector for redistribution to others. It is of course possible to redistribute wealth into new areas of social services without overall economic growth. But this will be difficult. It is much easier to enlarge the amount redistributed in an economy with overall growth, including an enlarged service sector. It follows therefore, that unless there are major attitudinal changes improvements in social harmony are hardly likely except in a growing economy based on increasing supplies of marketable goods and services.

8. ENVIRONMENTAL CONSERVATION

It is generally accepted, in New Zealand and elsewhere, that environmental qualities should not be unduly sacrificed in the course of economic and especially industrial development. On the other hand, if the natural environment were to be totally protected from change, the material progress of mankind would be almost impossible. The challenge, always increasing in intensity, is for communities to win their livelihood and advancing welfare from the natural environment, while preserving its desirable qualities, as far as practicable, for enjoyment by present and future generations. Environmental protection is perhaps more important for New Zealand than in countries which are already more highly industrialised or need to be to obtain a better quality of life.

But there is always a cost involved. Under laissez-faire systems, the cost is borne by the community in the form of pollution. In modern societies, the tendency is for the community to bear the cost of environmental protection in the form of higher prices for goods produced, or in development projects wholly or partially foregone.

Environmental interest groups play a valuable role in alerting the community to the dangers of pollution in its various forms. But the dilemma of deciding how much cost to incur to achieve how much environmental benefit is not an easy one to resolve. An enlightened public consensus, expressed in legislative guidelines, is the basic arbiter. Preferably,

the application of general guidelines to specific project proposals should be subject to public debate prior to decision on the project.

Environmental protection is again a matter of trade-offs. And it is not merely the current costs. If for instance, society is of the view that future generations must be considered in exactly the same way as present generations, then any environmental damage must be avoided and non-renewable resources regarded as inviolable. In such a case there would be no development of growth. Most people would regard it as more desirable to give some but not overriding account to future generations, but perhaps regarding this as more important than private entrepreneurs would do.

Clearly different enterprises have different planning horizons. Some business and commerce has a 2-3 year cycle; some multinationals a 5-year time horizon; the generation of energy, forestry and the production of oil a 20-30 year cycle. The economic consequences of conservation are a matter of deciding which resources should be regarded as usable in these different time scales - whether they are natural or man-made resources. A building in a city, for instance, can be an historic monument to be permanently preserved, a service facility like a hospital or university to be used over a long period, but ultimately disposable, or a commercial property for the firm concerned, frequently only a 2-10 year period. But if too many are in the first category the economy itself becomes unsustainable. At present, conservation measures are accepted as being reasonable by both business and government if they are below 5% of costs, and the community shows no great desire to change this situation. If, however, large numbers of new jobs are required, supported by a booming economy based on automation, there is no reason why this figure should not be increased by undertaking additional conservation measures in both urban and rural areas.

9. CONCLUSIONS

There appear to be large sections of the community that aspire to enjoy the benefits of small scale organisation, social welfare, environmental preservation and alternative life styles (such as communal living, leisure, self-sufficiency). If these add up to a significant proportion of the population, as seems to be the case, then economic growth, and efficiency,

and productivity need increase the more rapidly in the conventional sectors of the economy. This conclusion seems inescapable. The alternative would surely be a reduction in the material conditions of life below a level acceptable to the majority (although this might be acceptable to some alternative life-stylers).

The goal of national economic wellbeing therefore emerges as being of fundamental importance if our non-material goals are to be obtained. Nevertheless, decisions about economic growth need to be seen as a component only (albeit an important one) in an overall policy which takes more account than it does at present of the aspirations of New Zealanders to enjoy a higher quality of life in many non-material aspects, to maintain full employment, to minimise the effects of world recession and to achieve other social goals which might emerge as important in the future.

What also emerges is that the three basic strategies considered in CFF studies (industrialisation, self-reliance and self-sufficiency), may have to exist together, if we are going to deal adequately with the problems described earlier in this paper and maintain economic growth and social harmony as the twin bases of our society. It must, however, be recognised that more detailed analysis of some of the consequences is necessary before a definite policy package could be proposed. Some suggestions can nevertheless be made about a course of national action in which the different approaches could be reconciled. For example:

Market diversification could be encouraged so that we do not become overly dependent on large overseas markets which may collapse in times of recession. More careful identification of those markets (e.g. Malaysia, Singapore, China, the Philippines) and commodities (e.g. food products) which are likely to ride out recession more effectively is desirable. The encouragement of industries based on New Zealand expertise, finance and resources for such markets (self-reliance option) is desirable since this is where growth opportunities are large and numerous; and a significant contribution to economic well-being and social harmony can also be made by small companies.

Some additional foreign investment could be nevertheless encouraged to provide technology and finance (industrialisation option) primarily to develop major base industries such as fish, forestry, and energy - provided New Zealand control is maintained

and markets are assured. In the extraction and processing of natural resources, excessive environmental damage could be avoided, by measures ranging from complete rejection of proposals to the provision for the repair of environmental damage (which incidentally would create jobs) depending on circumstances.

Industries which cater for the New Zealand market (self-sufficiency) could be encouraged especially if they are in the following categories:-

- . they are likely to grow into a profitable export industry (e.g. wool and textiles and some wood and metal products)
- . they handle extremely perishable commodities (e.g. eggs, milk)
- . they can be made more cheaply than imported products (e.g. cement and other building products)
- . they provide a strategically important service (e.g. education, transport, telecommunications)
- . in spite of not meeting any of the above criteria, they provide a large number of jobs (whether for the unskilled or the well trained) at a reasonably acceptable cost (e.g. printing)

Careful study could be made of the degree to which freer trade in the Pacific Basin could be developed with particular attention as to whether all states in the Pacific region especially North America could be included. Any such proposal could be judged both by the economic benefits and by the social implications (e.g. job creation, access of the citizens of member states to any state in the region).

Attention needs to be given to redesigning our overseas aid programme so that it contributes effectively to political and economic stability at least in the Pacific, if not the world. This may involve New Zealand in more political leadership in international agencies and bodies. It will certainly involve restructuring and increasing aid programmes, and closer

collaboration between government and others in New Zealand and in recipient countries. It should also lead to more jobs here and overseas.

As an incentive to private businesses to behave in a way which is both to their own benefit and to that of the community, changes in the tax structure might be made to encourage such action as creation of new industries which meet both social and economic objectives; participation in education and training schemes; and introduction of new economically competitive job-creating technology. Since unions are set up to care for the welfare of their workers (in the general sense) incentives which could encourage them to raise finance (e.g. by business activities or otherwise) to provide better health care, mortgage arrangements and shopping facilities for their members would be appropriate and would also create employment.

Our economic assessments could take more clearly into account the social and environmental costs and benefits of development.

We could also recognise more specifically in our economic calculations, and in the formulation of policies, the existence of a large and complex informal economy which includes all those who work without pay, for themselves and others, and contribute substantially to our national welfare.

More could be spent on encouraging people to avoid action which leads to social disruption rather than on ameliorating the effects of it once it occurs. Suitable measures might include retraining programmes, and a requirement that people on unemployment benefit, and other forms of support could contribute to society in some way, if they are able to do so (and as now occurs under special work schemes). Other measures might involve the direct support of ethnic groups, small communities, ohus, service and youth groups and other groups for training programmes, new productive activities, social work, or other work in which they contribute to social objectives.

Although unique natural environment could be preserved in perpetuity there is a lot of New Zealand which can hardly be so described. Nevertheless to preserve New Zealand in an acceptable state for future generations, it seems desirable that:

- . renewable resources should wherever possible be used in preference to non-renewable resources
- . the real costs and benefits of returning the natural environment to an acceptable state should always be taken into account in determining whether use of a resource should proceed. These costs and benefits include not merely those of physically renewing the environment, but also those related to social change (new housing, transport, education and social cohesion), those significant to future generations (such as depletion of resources, appreciation of assets, alternative possible uses, and constraints on other developments).
- . As a means of improving both urban and rural environments (both natural and social) some of those people supported by the state could be asked to undertake conservation measures such as afforestation of desolate areas, recycling glass, metal and plastics, tree planting in cities, etc, and social services such as the care of children and the elderly, and hospital work.

These then are some of the things which might be done to improve economic wellbeing, preserve social harmony, conserve the environment and protect ourselves against future surprises. The propositions set out above have been expressed primarily in economic terms in which an attempt has also been made to introduce the non-economic aspirations of New Zealanders. But there are other ways of describing such policies from other starting points - e.g. in a political or an ethical context. In due course other papers will be issued which will address the same problems in other terms. Since they will have a lot of common ground, a unified policy package for future action can be expected to emerge as the work proceeds.

REFERENCES

1. 'New Zealand in the Future World'
 - I Sustainability - Resources and Technology
 - II A Question of Scale - Societies in Change
 - III Opportunities - International Relations
 Government Printer, 1979.
2. N. Zepke and J. Robinson "Goals of New Zealanders"
Report No. CFFR 4/79, Commission for the Future.
3. L. Harris, "The Emerging Shape of Politics for the
rest of the 1970's" Remarks to the National Conference
On State Legislations, Philadelphia, October 7th, 1975;
Unpublished poll data (Goals in the United States),
September 16th, 1975.
4. GATT International Trade Studies, September 1978, No.6, 29.

APPENDIX A

RESPONSES OF AUDIENCES AT PUBLIC MEETINGS

Some 15 audiences included young people, teachers, researchers, business people, the professions and industrial workers. They were asked to respond to the following:

Given that we all want the maximum GNP growth and standard of living consistent with the attainment of other objectives, then the way we respond to the first six items below will determine the character of New Zealand in the future. Indicate which of these other factors you would place at the top of the list for consideration. If you do not consider any of these items should influence economic growth then indicate accordingly in item 7.

The results were as follows:

1. The importation of overseas technology, knowhow and finance to industrialise	90
2. Protection against world conflict	96
3. Protection against world recession	204
4. Redeployment of the workforce	195
5. Attainment of social harmony	404
6. Conservation of the natural environment	40
7. None of these	4