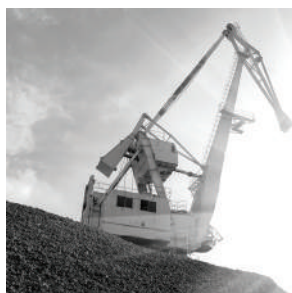


THE NEW ZEALAND INITIATIVE

2015-17
RESEARCH PROGRAMME



2017 MANIFESTO



If you believe political pundits, New Zealand will go to the polls in late 2017.

It could well be an election fought on personalities rather than on substance. It could once again be about sensational headlines rather than dealing with long-term challenges and opportunities. In short, it could be like any other election campaign.

But it does not have to be that way.

At The New Zealand Initiative, we believe the 2017 election should be about policies to make New Zealand a better country.

Our research programme over the next couple of years will examine a wide range of issues that matter to all New Zealanders. These are issues that politicians should discuss with their electorates. And these are issues each electorate should discuss with their prospective representatives.

Our forthcoming reports will add to the substantial body of research The New Zealand Initiative has already produced in its first three years. Over the next two years, The New Zealand Initiative will focus on the following three major public policy areas: education, local government and social policy.

Other areas of research include earthquake response, controls on the digital economy, health regulation, immigration and population growth, and zero-percent student loans.

Together, our past and future reports will form the basis of a handbook outlining The New Zealand Initiative's recommendations in key policy areas and presented to the next Parliament.

We invite you to contribute to our research. Please get in touch with our team and let us know your views.

Thank you for your interest in our work. Together, we can contribute to a more informed and constructive debate ahead of the next election. We believe this is essential for New Zealand to achieve its vast potential and improve the lives of its citizens.

Dr Oliver Hartwich
Executive Director

RESEARCH PROGRAMME

The New Zealand Initiative is New Zealand's leading think tank.

The Initiative produces accessible, evidence-based research, available in print and online, with a policy focus in areas we believe are vital for a free and prosperous New Zealand.

Our researchers appear in the opinion pages of the country's leading newspapers, including a weekly column in *The National Business Review*. They also regularly provide comment in their areas of expertise, both through media releases and as go-to experts on radio and television.

Our recent publications include:

- a series on regulatory improvements for a stronger mining sector with better environmental outcomes;
- a look at how social impact bonds can improve social services; and
- a series on the regulations that block new home construction and price people out of the housing market.

We host forums in which our members, the CEOs of New Zealand's major companies, come together to discuss current policy and regulatory issues. We also facilitate public addresses by leading national and international speakers, and host an annual debating tournament.

A great little country like New Zealand needs a great little think tank. We promote the kinds of innovative policy solutions that help keep New Zealand a few steps ahead of the rest of the crowd.



Adaptable Education

The Problem

Companies that fail to meet consumer expectations go bankrupt, or get taken over by firms with better management. Though obviously painful for failing companies, such failure is good for consumers: Over time, we get great progress as successful innovations thrive and failures die out.

But in one of the most important sectors, education, New Zealand tends to discourage innovation and protect failure. Failing schools stay open and the system protects failing teachers. And parents do not get much information about school performance.

Why is this? If parents had better information and more choice, students would flock to successful schools and failing schools would empty out. This would make life harder for the Ministry of Education, which has to provide a seat for every student. Ministry reports on school quality are therefore often less blunt than parents might need to make informed decisions.

Our Research

In a series of reports, we will analyse the policy settings preventing the school system from learning from failure and adapting. We will look at zoning, decile funding, public information about school quality, treatment of failing schools, and how the system identifies and deals with failing teachers. We will also discuss performance management, performance pay, and school performance statistics.

The first report will discuss how New Zealand currently deals with failure in the education system. It will also examine building a measure of school “value added” to give parents comparative information about school performance.



We will then build on that base to examine policies that have helped other school systems to learn from failure. For example, failing schools in Britain can be taken over by more successful schools. Could schools like Auckland Grammar take over less successful schools as branch campuses and provide management and pedagogical expertise? This would reduce the pressure on successful school zones and improve outcomes for students whose families cannot afford to live in-zone.

Localism and Local Government Reform

The Problem

Political decision-making in New Zealand is among the world's most centralised. This is not necessarily a problem, but poor incentives combined with little local power can lead to weak local government performance.

Local government has jurisdiction over a relatively small range of activities. At the same time, it is subject to expensive central regulatory mandates. For example, a growing and prosperous city provides more tax revenues for central government, but its share in the economic benefits of that growth can be small – or even negative. For many councils, population and economic growth seems to be a costly problem to avoid rather than a goal to reach.

Our Research

In a series of three reports, we will investigate the role and function of local government both in New Zealand and abroad. What helps local government work well? How can appropriate incentive structures align council interests with those of the country as a whole? Can we have local governments that encourage growth rather than constantly be at loggerheads with central government over the pace of consenting?

The first report will provide an overview of local government in New Zealand. What are local government's current roles and functions? How are council revenues and costs affected by growth? Are there missing links between economic development and council finances?

The second report will compare local government in New Zealand with examples abroad. Does the size scope and financing of local government affect performance?

The third report will draw policy conclusions from the previous two reports, and recommend changes to the role of local government and its financing to improve relationships between local and central government in New Zealand.



Localism and Special Economic Zones

The Problem

National consensus on broad regulatory reform can be difficult to achieve. What is good for one part of the country may not be appropriate for another. What is one region's pressing priority can often fail to appear on the main centres' radar.

It is easy for voters to imagine worst-case outcomes for their own region from reforms intended to improve outcomes elsewhere. Those voters may then block regulatory changes that would in reality be of little consequence to them but critically important elsewhere.



Our Research

In early 2015, The New Zealand Initiative produced a short research note (unpublished) on the use of Special Economic Zones (SEZs) and circulated it to the Initiative's board and members. We plan to expand the research on how SEZs allow different policies for different regions and policy experiments, particularly at the local level.

SEZs, combined with changes to local government finances, could give local councils the tools they need to develop what works for them. For example, the *Overseas Investment Act* provisions guarding iconic high-country estates might not be of much use in urban Wellington. If Wellington wanted more foreign direct investment, an SEZ could provide a simpler pathway for investment.

Similarly, Westland District Council could experiment with the changes to the *Resource Management Act 1991* that suit its needs while not unduly worrying other areas. Westland could also adopt the recommendations in *From Red Tape to Green Gold*, the Initiative's report on encouraging mining while safeguarding the environment.

If policy changes in SEZs work well, other districts might want to try them, too. If policies fail, they fail only within a small area. Having different parts of the country try different things makes it easier to tell what works and what does not.

Poverty, Inequality and Welfare

The Problem

Populist myths about poverty and inequality are widespread. While most people think poverty and inequality have been increasing since the 1980s, Ministry of Social Development data shows that inequality rates have not changed much since the mid-1990s. And, while some measures of poverty increased in the early 1990s, other indicators declined. Welfare reforms in New Zealand are trying to move people from welfare into work, but there is relatively little assessment of this new approach.

Our Research

The first report in the series of three will provide a stock-take of New Zealand's measures of poverty and their relative merits. We will examine poverty in New Zealand against comparable countries. We will look at the research and evidence on the drivers of poverty. Finally, we will discuss the evolving roles of private and public institutions in alleviating poverty.

The second report will examine domestic and global trends in inequality. Income inequality in New Zealand has not mirrored trends in other developed countries. Top incomes are not growing as quickly in New Zealand as elsewhere. If this is due to lower productivity gains in New Zealand, our stagnant inequality measures may be less meritorious than we might think.

We will also assess existing statistical measures of inequality, each of which is based on an underlying value judgment. We will draw on recent work by John Creedy to explain the meaning of different measures of inequality.

The third report will present policy recommendations. We will discuss how New Zealand might respond to global competitive pressures on wages, both at the bottom and top of the wage distribution. We will also recommend policies to improve the balance between state and private support for those in need – and improve outcomes for them.



A Public Policy Manual for Earthquake Response



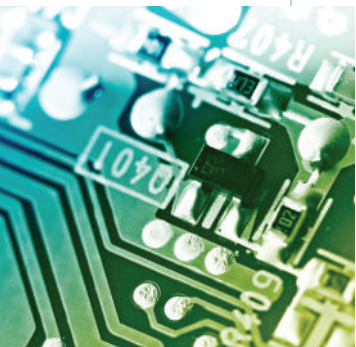
The Problem

The Christchurch rebuild progressed more slowly than expected. Some of the post-quake failures were foreseeable – and were *foreseen* – but others surprised everyone. The period immediately following a major earthquake is the worst possible time to create policies for a successful rebuild.

Our Research

We will examine the lessons learned in Christchurch to develop a set of policies that can be kept at the ready to respond to future major earthquakes more quickly and successfully.

Analog Regulations for a Digital World



The Problem

The Internet makes it easier for buyers and sellers to connect. It also makes it simpler for customers to learn about new products and companies. Regulations designed to solve old problems caused when sellers know a lot more than buyers in a market can hamper the digital economy.

If our regulatory structures can barely handle a simple change like booking a taxi using a smartphone app, how will they handle driverless cars?

Worse, regulation such as the Harmful Digital Communications Bill, which aims to tackle online bullying, can overreach when old problems surface in new media. The government's Privacy Bill also risks harming data-driven innovation.

Our Research

We will compare the state of digital regulations in New Zealand with those in other jurisdictions. Do our regulations allow the permissionless innovation that drives Internet entrepreneurship? Or are we throwing too many barriers in front of research, development and digital entrepreneurship?

New Zealand's Population: Think big?

The Problem

New Zealand is a medium-sized country with a small population. It is also a developed, albeit remote economy with a strong dependence on its primary sector. Taken together, these factors make New Zealand unique.

There is no other remote, developed, medium-sized country with a small population.

Though New Zealand cannot change its location, its population is variable and has always been changing. Is there anything that government can do about it? And should it?



Our Research

We will examine the evidence on agglomeration (the tendency of larger centres to outperform smaller ones), discuss the relevant trade-offs, and draw conclusions for New Zealand's population policy. We will specifically analyse if more immigration is beneficial, and what kind of migration. We will consider how housing and land use policy needs to be reformed to accommodate a larger and more diverse population.

The Health of the State

The Problem

Individual decisions around health risks like diet and exercise can cost the public purse through the public health system. Because of this, we hear calls for regulating health-related behaviours through better nutrition and more exercise. But if everything we do affects our health and could impose costs on the public purse, are there any limits to the scope of lifestyle regulation?



Our Research

We will investigate the extent to which costs on the public health system constitute a real market failure – and justify regulation. We will survey the international literature to propose policy solutions targeting real market failures, but with fewer costs for personal choice.

The High Cost of Zero-Percent Loans

The Problem

Prime Minister John Key described zero-percent student loans as bad economics but good politics. He was not wrong on the first count – it is bad economics. But if the public understood the high cost of zero-percent loans, it could also prove to be bad politics. Zero-percent loans also mean tuition fees impose more costs on government finances. University fee setting too has come under tighter regulation.



Our Research

We will explore changes in tertiary funding over the past decade and the consequences. Can these funding changes explain the perceived growth in administrative overheads within universities?

“The Outside of the Asylum”

The Problem

In *The Hitchhiker's Guide to the Galaxy*, a man finding instructions on a packet of toothpicks decided the world had gone mad. So he built a wall around his beachside property, decorated the outside of it, and declared his yard to be “The Outside of the Asylum”. In a world that seems increasingly mad, New Zealand provides a small patch of sanity. But creeping regulatory changes are threatening New Zealand’s coveted “Outside of the Asylum” status.



Our Research

This light-hearted report will make a serious case. New Zealand is a truly wonderful place to live, especially when measured against many of the alternatives. But we need to weigh some of the risks to New Zealand’s “Outside of the Asylum” status. Can New Zealand *really* be the Outside of the Asylum when comic books available on Amazon.com are officially prohibited in New Zealand on potential penalty of up to a decade in jail?



Dr Eric Crampton

Head of Research

I am proud to lead the Initiative's research team. Our two-year research plan takes on some of the country's bigger policy issues. We aim not only to provide the evidence base needed to build solid policy recommendations, but also to communicate that evidence to the public. Good policy can be good politics. But it requires that public debate be rather better informed. I look forward to working with our research team to provide that stronger foundation for good policy.

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