The Institute for Governance and Policy Studies, School of Government at Victoria University of Wellington

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SPECIAL ISSUE

Localism and Devolution

The Institute for Governance and Policy Studies, School of Government at Victoria University of Wellington

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TE WHARE WĀNANGA O TE ŪPOKO O TE IKA A MĀUI

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Editorial – Localism and Devolution

New Zealand, along with most modern democracies, has a system of multi-level government with, in simple terms, central government having responsibility for matters of national significance and local government matters of local or regional significance. And, like similar democracies, the allocation question – that is, how responsibilities are distributed across orders of government – is a constant matter of debate.

Thirty-five years ago the Planning Council published a booklet on local government entitled *Paternalism or Partnership*, central government's administrative attitude to local government. Authored by Robert Sowman, the report reinforced the Planning Council's previous findings that there was an international move away traditional forms of central intervention and control, reflecting:

> the difficulties facing a central administration in dealing effectively with deep seated issues in a period of rapid change, and of the desirability of devolution to involve more people who are close to the action in developing the plans which they must make work. (Sowman, 1984, p.1)

Highlighting opportunities for collaboration with, and devolution to, the new regional forms of government (united and regional councils), the report argued for a more effective form of multi-level government which paid much greater attention to coordination and devolution, where that met recommended criteria. Little has changed since the mid-1980s. While decentralisation has been a feature of public sector reform in most other parts of the world, New Zealand has largely been an exception.

This issue of *Policy Quarterly* builds on the Planning Council's efforts of 35 years ago. The theme of the issue, which is addressed by many of the articles, is 'localism'. While localism is employed in a range of contexts, from food supply to energy, in the world of public policy localism sits in a constellation of concepts which include subsidiarity, devolution, decentralisation and deconcentration.

In its traditional guise localism refers to small units of local government that allow for active participation by citizens. It is probably best illustrated in the competitive federalist model of the United States, with its nearly 100,000 local governments and high levels of decentralisation. More recent variants have included 'new localism', first promoted in the United Kingdom at the end of the 20th century and 're-launched' in the United States in 2017.

The concept of new localism, as developed by the British think tank the New Local Government Network, sought to address the perceived parochialism of the 'old' localism by adopting a modernist frame in which local governments were to be tasked with the role of addressing the fragmentation of public services (a by-product of decades of public sector reform) by focusing on facilitation and strategic planning. In a similar way the recent North American interest in new localism is part of a broader focus on the role and importance of cities and how, by mobilising citizens and businesses, cities can reinvent themselves through what we might describe as municipal entrepreneurialism.

Where historical localism and even the new localism discourses tend to have a strong institutionalist flavour – that is, their emphasis on transferring roles and responsibilities to local governments: see the articles by Reid, Cookson and Hartwich – recent interpretations have taken a more literal interpretation of the phrase 'power to the people'. The Commission on the Future of Localism in England in 2017, concerned that shifting power and authority from the national to the local state was no guarantee of a more empowered citizenry, strongly emphasised the importance of directly empowering communities and neighbourhoods, and sub-municipal bodies. Similar sentiments were expressed by the Commission on Strengthening Local Democracy in Scotland in 2014. The articles from Courtenay, McKinlay and Sansom in this issue of *Policy Quarterly* draw on this stream of localist thought.

In addition, two articles look at the current government's focus on intergenerational well-being from a 'bottom-up' perspective. Morrison takes a place-based approach to understanding well-being, while Grimes reinforces the importance of communities defining their own well-being priorities.

Reflecting on the challenges that the localism narrative will inevitably face, it is worth repeating the Planning Council's final observations.

> 'The findings of this report reinforce many of the recommendations made in the past by others. The fact that many of these same issues are still being debated is not in itself a bad thing. What is becoming significant, however, is the credibility of the intent'

(Sowman, 1984, p.67). Perhaps we have the chance of re-establishing that credibility.

Mike Reid, *Guest Editor*

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Mike Reid

Examining the Case for Decentralisation

Centralization deadens every feeling of generous emulation; destroys every incentive to effort at improvement; and damps every ardour for the progressive development of resources. Instead of a stimulus being given to enterprise and to talent … the theories and the crotchets of one or two individuals are imposed as compulsory law; and every suggestion, however excellent, which does not conform to such theories and crotchets, is absolutely forbidden.

(J.T. Smith, *Self-government and Centralization,* 1851, p.60, quoted in Chandler, 2008, pp.357–8)

Abstract

This article examines international evidence for the benefits of decentralisation based on new information published recently by the OECD. It finds benefits from decentralisation, but notes that whether these are realised or not is influenced by the nature of the multi-level governance framework. The applicability of decentralisation to New Zealand is also considered.

Keywords decentralisation, citizenship, localism, centralisation, democracy

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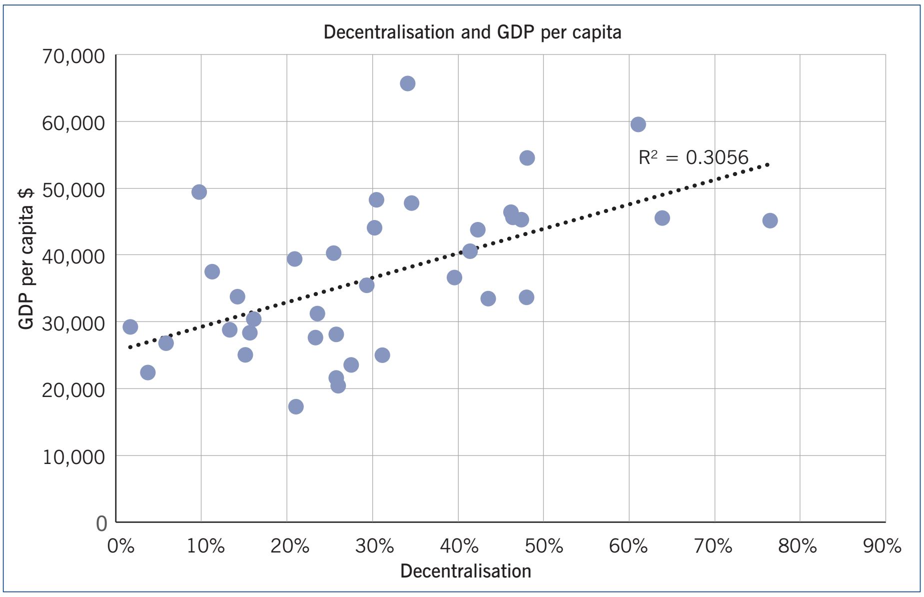
Internationally, decentralisation, and the broader concepts of localism and subsidiarity, are in fashion. Actively promoted by organisations ranging from the OECD and World Bank to think tanks such as the New Local Government Network in Britain and the Brookings Institution in the US (Katz and Nowak, 2016), a decentralisation discourse is also emerging in New Zealand (see Local Government New Zealand, 2018; Craven, Goldingham-Newsom and Hartwich, 2019).

This article examines the case for decentralisation drawing on data published by the OECD and United Cities and Local

Figure 1: Relationship between levels of decentralisation and GDP



Source: OECD, 2016

Governments in 2016 and asks whether the findings are applicable to New Zealand (OECD, 2016). It frames the concept of decentralisation as the transfer of authority and responsibility for public functions from a central government to subnational governments, regional and local, within its jurisdiction through primarily delegation or devolution (Shah and Thompson, 2004; OECD, 2017; Smoke, 2017). Decentralisation has three dimensions, political, administrative and fiscal:

- Political decentralisation involves the redistribution of powers and responsibilities through, for example, delegation or devolution, often in accordance with the subsidiarity principle (Smoke, 2017). It also includes measures to enhance democratic legitimacy, such as free elections and a constitutional/legal status for local governments, and enable voice and exit.[1]
- Administrative decentralisation ensures that local authorities have the authority to manage their own administrations and staff within the law and the freedom to enter into contracts. It is also measured by the ability to establish by-laws to regulate local matters without seeking permission from higher-level authorities.
- Fiscal decentralisation concerns whether or not local governments have revenue autonomy and adequacy, expenditure autonomy and the freedom to borrow without seeking permission from higher authorities (see OECD 2016).

For the purposes of the article, decentralisation is calculated by the share of total public expenditure which is allocated by subnational government (i.e. spending decentralisation), a measure that acts as a proxy for the range of powers and responsibilities held by each system. As a measure it contains a number limitations, the most significant being its failure to reflect levels of fiscal autonomy: that is, the level of discretion councils have to allocate revenue to address local priorities (see Reid, 2015). Discretion varies according to revenue sources; own-sourced revenues, such as local taxes, are generally associated with high levels of autonomy. The same tends to be true with general purpose grants but not with tied grants: these are tagged for a specific purpose and tend to allow little discretion.

Despite the diversity of revenue sources – that is, the combination of taxes, grants, etc. – internationally, more positive economic, social and democratic outcomes appear to be correlated with higher levels of public expenditure allocated by subnational government:

> There seems to be a positive correlation between the level of spending on decentralisation measured by the share in GDP, or in public spending, and the development level of the countries, measured by the GDP per capita. (OECD, 2016, p.23)

The OECD also notes, however, that decentralisation is no panacea for the problems faced by countries. Of equal importance are how the process is designed and implemented, the degree of maturity of country institutions, adequate subnational capacities, and the quality of multi-level governance, including coordination mechanisms (ibid.).

The economic case

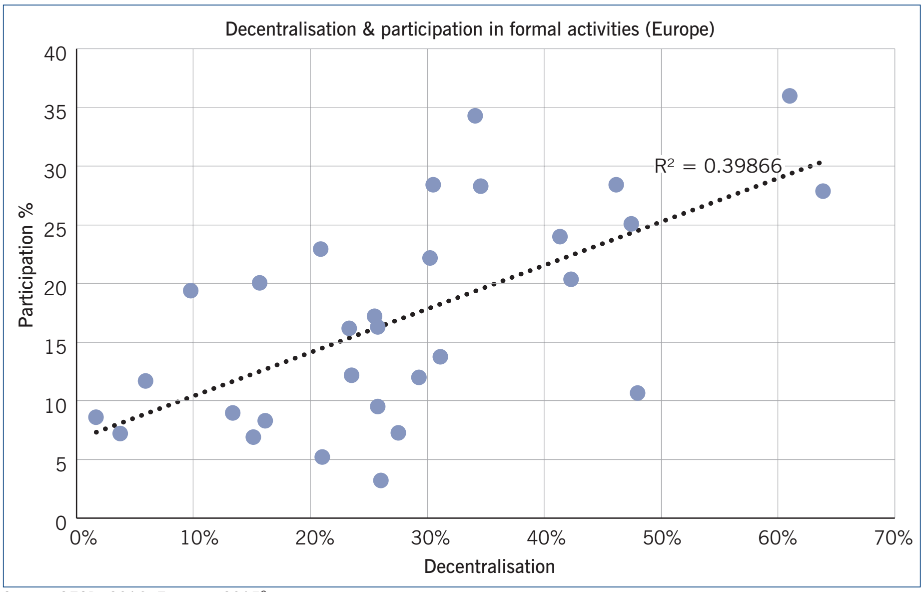
In early 2012, facing a recession and rising unemployment, David Cameron, the then UK prime minister, asked Lord Heseltine, a former Conservative cabinet minister, to review his government's economic development strategy and offer bold solutions. Heseltine's report, *No Stone Unturned* (2012), contained one overarching message: that increasing centralism was bad for business. He was particularly critical of the way successive governments had reduced the role of local government to that of a service provider, undermining the leadership role councils had previously played in economic matters. Heseltine's intuition appears to be justified. The international evidence indicates that per capita gross domestic product is higher in fiscally decentralised countries than in centralised ones (see Figure 1).

Despite the existence of outliers, such as the Republic of Ireland, which benefits from its low tax status for large tech firms, and Norway, with its oil wealth, the general pattern within the OECD is for GDP to be higher in countries that are fiscally decentralised. The relationship is further reinforced by a World Bank study which found that economic activity is stronger in those countries where local governments have high levels of political autonomy and tax and revenue assignment (fiscal decentralisation). Blöchliger (2013) estimated that a 10% increase in the level of decentralisation is associated with an average increase in per capita GDP of 3%. He also concluded that a 1% increase in the decentralisation ratio has a similar effect on GDP as a 1% reduction in tax.

Economic arguments for decentralisation often draw on the theory of fiscal federalism and the allocative efficiency advantages of locating decisions on services with governments that are close to the citizens that use or benefit from those services. In summary these are:

- decentralisation enhances voice and exit, thereby reducing the economic cost of under- or over-provision of local public goods (see Bailey, 1999; Oates, 1999);
- placing decision making about local services close to the citizens who receive the services addresses the problem of information asymmetry faced by higher-level governments;
- aligning the beneficiaries of services with those who pay reduces the risk of externalities and spillovers that result in allocative inefficiency;
- fiscal decentralisation enables municipal entrepreneurialism (Katz and Nowak, 2016).

Figure 2: Decentralisation and participation



Source: OECD, 2016; Eurostat, 2015[3]

The democratic case

The current state of democracy has been the subject of considerable scholarship, with a growing number of commentators arguing that the world is experiencing a democracy recession characterised not only by declining trust in democratic institutions but also by the rise of a new form of populism, with authoritarian leaders who, once in power, use their new positions to subvert the same democracy that enabled them to gain office in the first place (Grayling, 2017; Economist Intelligence Unit, 2017). Feelings of disempowerment, especially in regions experiencing economic decline, are not a new phenomenon. Writing in 1996, Michael Novak noted how the belief that community problems could be solved at the local level lost favour as public affairs were gradually removed from the reach of citizens. He blamed the growth of at-large citywide systems of political representation in the United States, which, by the end of the 20th century, had 'handed governance to corporate and professional elites [who] possessed a scientific and rational view of governance' (Novak, 1996, p.16). While the powers of ward-based councillors are very different, New Zealand has also experienced a growth in at-large systems of political representation at the local level.

At issue is the question of how citizens learn about democracy and what seems to be important is the practice, not just voting in national elections but, more importantly, participating in the political arenas that affect them directly.[2]

The importance of participation is not limited to strengthening democratic values; participation also contributes to levels of social capital. Social capital is a way of describing the stock of informal norms and values in a community, particularly reciprocity and connectivity, which enhance cooperation and social cohesion (Putnam, 1995). In this context decentralisation provides avenues for participation that cannot be achieved at a national level alone, and we see a positive correlation between citizen participation in clubs and associations and levels of fiscal decentralisation (see Figure 2).

Further evidence of the benefits of political participation comes from a study of Swiss cantons. Cantons with higher levels of sub-municipal autonomy and active forms of direct democracy, such as referenda, had higher levels of self-reported individual well-being compared to cantons that had less autonomy and fewer opportunities for local political participation.

> Using recent interview data from 6,000 residents of Switzerland, we show that individuals are *cet. par.* happier, the better developed the institutions of direct democracy are in their area of residence. This also applies to a second institution, the degree of government decentralisation (federalism). (Frey and Stutzer, 2000, p.2)

Given the arguments in support of decentralisation, and related narratives like localism and subsidiarity, and the degree to which these concepts dominate international local government reform (see OECD, 2016), it is reasonable to ask why they have received so little attention during three decades of local government and public sector reform in New Zealand.

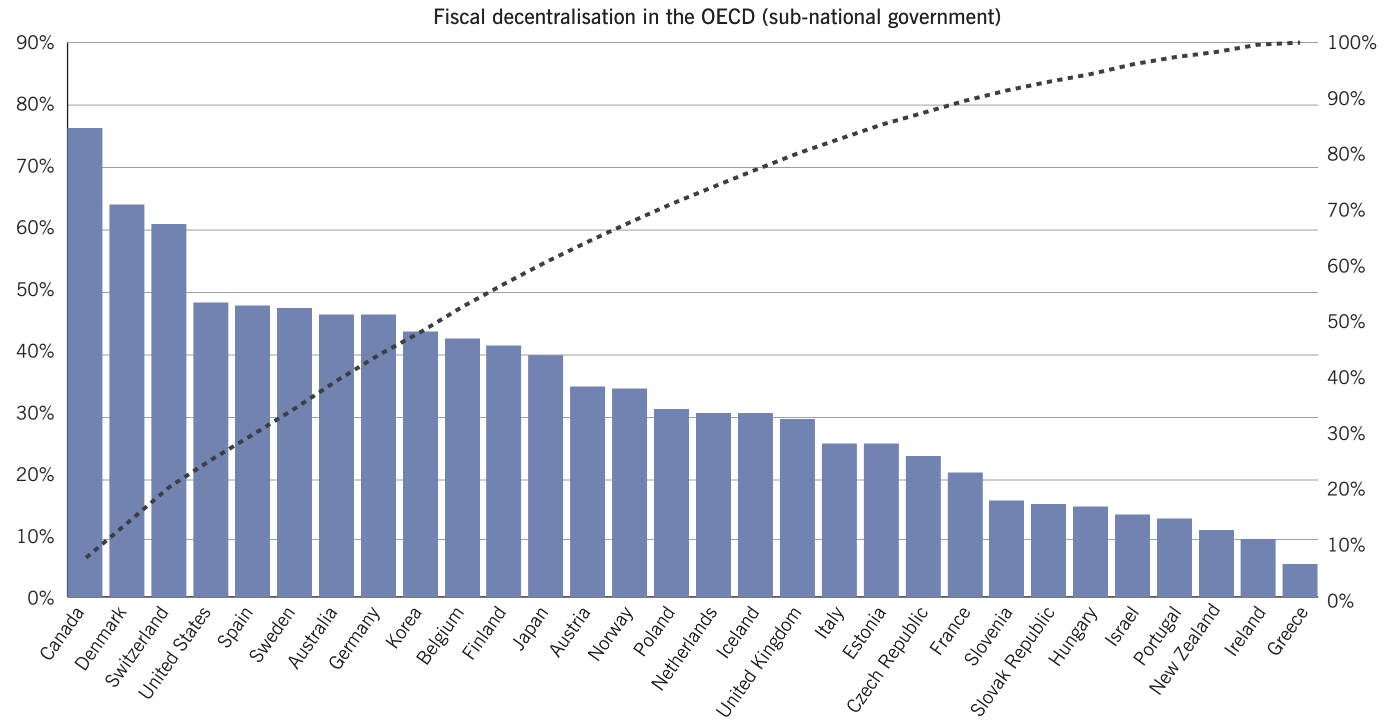
Relevance to New Zealand

While New Zealanders may not feel they live in a highly centralised state, the reality is quite different. In 2009 the *Economist*, referring to the work of think tanks such as the New Local Government Network to promote decentralisation, noted that the United Kingdom was the most centralised country in the OECD except for New Zealand (Economist, 2009). While levels of decentralisation tend to vary over time, as Figure 3 illustrates, as far as fiscal decentralisation goes we sit firmly towards the bottom of the table.

The most decentralised countries tend to be federations, such as Canada and Switzerland; however, Denmark, a unitary country, stands out as the second-most fiscally decentralised state in the OECD. New Zealand, at 11.26%, sits at the fiscally centralised end of the spectrum as part of a group of countries that includes Greece, the Republic of Ireland and Israel.

Although it is not well recognised in our social and political histories, New Zealand has not always been as fiscally centralised as it is today, as exemplified by the

Figure 3: Decentralisation among OECD members[4]



Source: OECD, 2016

commentary on the Municipal Corporations Act 1842, our first local government statute. The statute (which was very short lived and replaced in 1852) reflected a commitment to local autonomy and the self-management of local affairs which is as relevant today as it was then:

> the inhabitants themselves are best qualified … to provide for the wants and needs of their respective settlements … thus entrusted with the unfettered management of their own local affairs every settlement would be more or less attractive to trade, capital, and commerce. (*New Zealand Journal*, 1842, quoted in Craven, Goldingham-Newsom and Hartwich, 2019, p.8)

Despite the optimism of the legislators in 1842, municipal autonomy has always been a contested space, as regular complaints about rampant centralisation from local government leaders testifies, although ministers also had concerns about council performance (Bush, 1980). Speaking at a course on careers in local government for ex-servicemen in 1949, the then minister of internal affairs, W.E. Parry, in response to demands that councils be given broader roles and powers had this to say: 'additional responsibilities [do] not harmonise with the unwillingness to accept, on the part of many local authorities, the responsibilities which they have at the present time' (Stephens, 1949, p.v).[5]

The minister's view that new responsibilities might distract councils from performing their existing roles was clearly not an isolated one. Sixty years later one of his successors, Rodney Hide, who was clearly driven by similar concerns, amended the Local Government Act 2002 to prescribe a list of 'core services' that councils should have regard to (s11A).

The question of local government's role was also the subject of a number of papers in the 1980s, a period in which the New Zealand state was undergoing major reform. The first, published by the New Zealand Planning Council, asked whether central government's attitude to local government reflected a partnership or was simply paternalistic (Sowman, 1984). The report found no evidence of a partnership but did make useful recommendations about how one might work, including criteria for the allocation of public services. A second paper, by Jonathan Boston, was prepared for the Institute of Public Administration in 1988. In that paper Boston, having examined the arguments in favour of decentralisation, turned his attention to the degree to which they had utility for New Zealand. His conclusion was that they didn't, for at least seven quite significant reasons, which are set out below. Given that quite a lot has changed over the last 30 years, it is reasonable to check whether Boston's reservations still apply.

The lack of citizen interest in local government as illustrated by low voter turnout

Although average voter turnout in local elections has declined by almost 20% over this period (general election turnout has also declined, but by less), the argument is ultimately circular as turnout in local elections is highly correlated with the system's level of salience. Salience describes the degree to which a system of local government is seen as relevant to the lives of citizens and is often assessed on the basis of local taxation or expenditure levels or decentralisation (see Reid, 2016; Rallings and Thrasher, 2007).[6] Figure 4 shows a positive correlation between decentralisation (salience) and voter turnout in local government elections.

In relation to salience, the most useful example is that of Switzerland, one of the world's most decentralised countries. Reflecting that country's high level of decentralisation, voter turnout is consistently higher in local elections (municipality and canton) than federal elections (Reid, 2016).

The capacity of citizens to play a meaningful role in the increasingly complex and specialised task of policymaking that modern democracies require

The view that the complexity of modern societies requires the skill and talent of a cadre of highly qualified experts to govern has well and truly begun to lose traction. Evidence is growing of citizens having a more direct involvement in the business of governing, from the citizens' assemblies used in Iceland and the Republic of Ireland to the growth of deliberative democracy as exemplified recently by New York City's adoption of participatory budgeting (Harkins and Egan, 2012).[8] In addition, participatory approaches to decision making are increasingly used by both central and local government in New Zealand: for example, the post-earthquake reconstruction of Christchurch.

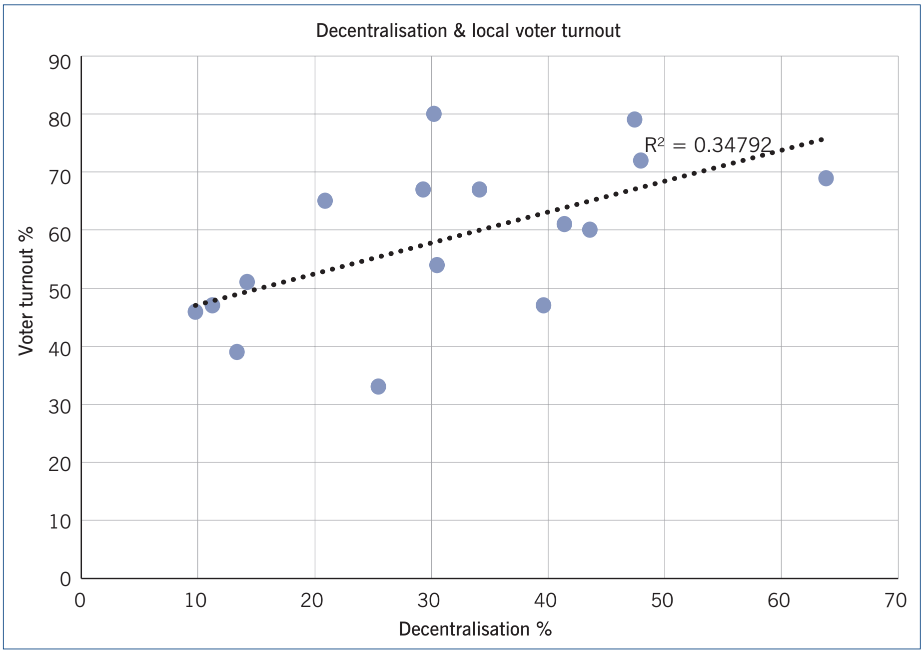
Most of all, citizen trust in the role of experts has been undermined by the failure of the current economic order to deliver fair outcomes, with the global financial crisis and growth in regional inequality resulting in the rise of populist authoritarian movements and decisions such as Brexit (Grayling, 2017).

The lack of evidence that dispersing power actually enhances liberal democratic values

The counterfactual to dispersing power is its concentration. Despite the value of MMP the New Zealand model, given the power held by a small number of political actors in cabinet, depends to a high degree on the democratic propensity of those actors. While we have generally been privileged by the quality of our leadership, the degree to which power is concentrated is a risk, as noted in the 1960s by John Roberts, then professor of public administration at Victoria University, who saw 'an effective local government structure is an important counterweight to the growth of central government power' (Roberts and Sidebotham, 1968, p.1). In the last three decades we have also come to better understand the role of active citizenship and its value to a strong democracy; as Michael Sandel wrote, 'the formative aspect of republican politics requires public spaces that gather citizens together, enable them to interpret their condition, and cultivate solidarity and civic engagement' (Sandel, 1996, p.349).

Sandel also argues that contemporary issues make the politics of neighbourhoods more important, as they not only constitute sites of civic activity and political power, they also equip citizens for self-rule, a pluralism that calls into question the wisdom of concentrating power.

Figure 4: Relationship between decentralisation and local voter turnout



Source: OECD, 2016[7]

The susceptibility of local governments to 'capture' by vested interests

Noting that the term 'capture' tends to be applied by groups who find that their particular preferences have been overlooked by the majority of voters, one of the strongest arguments for decentralisation is in fact the inability of vested interests to 'capture' local government, unlike the risks posed by New Zealand's relatively unfettered form of central government. Relevant considerations are:

- New Zealand voters tend to support candidates who stand on platforms that are 'place' rather than 'policy' centred and organised political party platforms tend to do poorly;
- even if a 'capture' scenario was to occur, turnover at the local level is high, with on average 35% of local politicians changing with each triennial election;
- should groups with a single policy platform win a majority in a council, their ability to impose it without a significant level of support from citizens is very constrained given the legislative and constitutional checks and balances that apply to local government.

Recognised concerns about the accountability, effectiveness and efficient management of local authorities

Capacity in local government is often associated with size. Since 1988 local government has gone through extensive reforms that have addressed the fragmentation problems, strengthened managerial and administrative capability and introduced a new accountability framework. The average size of a council jurisdiction in New Zealand, excluding Auckland Council, is between 40,000 and 50,000 residents, compared to 7,000 in Europe and a similar number in the United States. Today there would be little or no difference in the competency and qualifications of management in an average-sized council and its equivalent-sized government department.[9] In addition, citizens trust local governments more than they trust central government; not only is this the case in New Zealand but also in the United States, the United Kingdom and Australia (Pew Research Center, 2018; IGPS and Colmar Brunton, 2018).

The relatively minor differences in culture and socio-economic status between localities and regions – in other words, the existence of homogeneous preferences for most public services

Since 1988 socio-economic differences between localities and regions have grown significantly (as has also occurred in the UK), representing perhaps one of the more damning failures of the centralised model. The average per capita GDP of the three poorest regions in New Zealand is currently $41,000, compared with $67,500 in our three most prosperous regions. High levels of spatial inequality are now seen to be directly related to high levels of centralisation (Bilsborough, 2018).

Neither are regions and localities as ethnically and culturally homogeneous as they once were. The increasing heterogeneity of our towns, cities and regions requires a much more disaggregated approach to governance than the centralised model.

The quality and competence of local politicians and the difficulty of ensuring the advancement of national objectives should there be substantial devolution

While suggestions that there is a qualitative difference between national and local politicians should be contested, the level of skill and experience of local politicians is related to the mandate of our local government system – that is, the narrow range of tasks that councils presently undertake. A change in responsibilities will interest citizens with a different range of aptitudes and interests.

With regard to the achievement of national objectives, highly decentralised countries, such as those in Scandinavia, seem to have little problem with this issue and part of the answer concerns how governments think about strategy and how multi-level government relationships operate in practice. Successful strategy does not have to be a process steered by an elite group of officials and politicians whose decisions 'cascade' down to a diverse range of organisations charged with implementation, as our failure to deal with chronic issues like child poverty and poor housing, despite multiple strategies, is testament to. Rather than the UK approach of narrowly defined targets with specific performance measures, national objectives may be more successfully achieved by defining outcomes or setting a broad vision that encourages innovation and diversity. The current coalition government's focus on intergenerational well-being may in fact provide the basis of such a model.

Conclusion

Decentralisation is not a panacea for every ill that affects the public realm, but international experience suggests that there can be economic, democratic and social benefits. The challenge of getting there, however, should not be underestimated. As attractive as it sounds, 'big bang localism' (Jenkins, 2004) can never be a political reality; change will need to occur incrementally, within the context of policy and activity reviews. There is no shortage of low-hanging fruit where more local discretion, through either devolution or a 'right to influence', could materially enhance community well-being – for example:

- social housing – councils are simply better placed than central government to assess local demand and develop innovative responses;
- education – schools play a vital role in how communities work and are important hubs for multiple services. Their location, design and configuration should be sensitive to local needs and circumstances;
- services to older citizens – these should be located with local government rather than fragmented across district health boards and ministries, as is common in Australia. Enabling citizens to 'age in place' needs an holistic approach that is sensitive to community context, such as the mix of local service providers;
- financing instruments – local authorities' ability to attract investment and growth is limited by the narrow range of funding and financing powers available.[10]

There is no correct answer as to how these should be funded. Options range from local taxing powers and revenue sharing to general purpose grants. What is essential is that funding allows for local discretion and differentiation. In addition, attention needs to be given to the way in which intergovernmental processes work and how central government 'steers'.

Decentralisation should also been seen in the context of the current government's desire to shift to a well-being orientation, as this is designed to drive a more joined-up and less-siloed approach to public policy. Because of their focus on place and local knowledge, councils are in a strong position to shape public expenditure in their rohe and mobilise local organisations, such as iwi/Māori, businesses and community groups, as well as citizens themselves, in order to identify local priorities and establish meaningful partnerships with government departments. Current signs are not that promising, with policy changes, such as those proposed for education, housing and water services, appearing to lack any serious consideration of decentralised options.

Any strategy needs to be sensitive to the circumstances of our different communities. What Auckland needs to prosper and what it can undertake, given its capacity, is very different to a rural council's in the South Island. If we are to move from our highly centralised model, whether through decentralisation or through opportunities that may be created by the government's focus on intergenerational well-being, we need to accept that 'one size fits all' approaches to policy and government are no longer practical options.

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1 See Bailey, 1999 for a discussion of the relevance of Hirschman's work on voice, exit and loyalty to local government. 'Exit' in this context refers to an individual's decision to move to another local government jurisdiction.
2 This is reflected in the Local Government Act 2002, where it states that the purpose of local government is to enable 'democratic decision-making ... by, and on behalf of' communities (s10).
3 https://ec.europa.eu/eurostat/statistics-explained/images/1/1d/Social_participation_and_integration_LCIE18.xlsx
4 OECD figures apply only to member countries with multi-level government systems.
5 Concerns that local government's role was gradually being diminished did not go away. Graham Bush notes that 'the bogey of aggressive centralism' was raised by the Municipal Association in the 1970s, along with complaints of government officials taking a 'Wellington knows best' attitude (Bush, 1980, p.112).
6 Local government taxes in New Zealand constitute approximately 2% of GDP, one of the lowest proportions in the OECD.
7 Local government turnout data collated by the author; it excludes federations and countries from the former East European bloc.
8 See https://www.innovations.harvard.edu/participatory-budgeting-new-york-city.
9 When Boston was writing, the Local Government Official Information Act 1987, a cornerstone of local accountability, was barely a year old and would not yet have had much if any effect.
10 The current government's plan to create a centralised Urban Development Authority, rather than give such powers to councils themselves, highlights the issue.

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Colin James

Where are the Locals?

Abstract

Localism is about citizens, not town halls. It engages, encourages and empowers citizens and their formal, semi-formal and informal groupings, street level to citywide, including not-for-profits. To be effective and constructive, citizen-centric localism needs to be bottom-up, not just top-down, driven by iterative interaction to fashion thought-through decisions. Digital technology enables this in ways not possible a decade ago. Local councils are the right level of government to develop and refine that interaction and thereby revitalise local – and in time national – democracy.

Keywords citizens, bottom-up, interaction, digital democracy

Climate change impacts are local. Local dwellers and their councils have no choice but to prepare and adapt. But climate change is global. So, while local dwellers and councils can contribute to reducing the impacts, effective action needs national governments to act, and act in concert. Even local preparation for climate change impacts needs national government engagement. For example, property rights can be affected and they are necessarily defined in national law.

Likewise, as recent earthquakes have demonstrated, post-impact adaptation will need national involvement because some localities will be hit harder than others and the damage will be beyond their local councils' capacity. But when the state turns up to help, it writes the rules, as in Christchurch after the 2011 earthquake.

That is one tension built into localism: between local and national. Another is how deep localism can and should go. A third tension is between engagement and insulation – for which digital technology is tuning old mechanisms and opening new ones.

The opportunities and challenges localism poses are not just between the nation and the city/town/district, but between citizens and councils, and between citizens and the central government and Parliament. In Aotearoa New Zealand, power is concentrated at the centre. Through around 30 pieces of legislation (Department of Internal Affairs, 2017, para 44), Parliament allocates local councils' powers, including revenue raising, and their functions. Proponents of localism want more responsibility, decision making and power, including over revenues transferred to cities, regions and districts.

But is Auckland Council, with a third of the country's population and a large, complex bureaucracy, any more local to its citizens than Parliament and the cabinet? The council for mid-Wairarapa district Carterton (population 9340) is more local, but does it have the capability and capacity to take over many, or any, central government functions in its district? For that matter, does Napier?

How effectively can tiny Carterton or mid-sized Napier be the 'critical partner' with central government the Minister of Local Government, Nanaia Mahuta, has said she wants with councils in delivery of the 'four wellbeings' (Mahuta, 2018, paras 12, 22)? Real partnership needs equal partners. Carterton is not the Beehive's equal. Even Auckland is not.

Mahuta has floated, as one of three options for dealing with water and wastewater, 12 self-funded regional providers, taking this, in effect, out of the

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hands of councils, which have instead pressed for regulatory and voluntary reforms (Mahuta and Clark, 2018, para 73.3). The government is imposing an Urban Development Authority (Twyford, 2018) with the power to override councils' district plans and rules to get its Kiwibuild houses built and transport developed. The Department of Internal Affairs talks of 'a "one system" approach to delivering local services' (Department of Internal Affairs, 2017, p.12).

And, just as the Helen Clark government rejected its own Shand committee's recommendation to channel some GST to councils, Grant Robertson has also ruled this out in the inquiry into funding and financing he has commissioned from the Productivity Commission (Robertson, 2018a; Productivity Commission, 2018). Revenue is likely to continue to heavily constrain councils, although the government does want new methods of financing infrastructure, which is a major part of councils' costs (Mahuta, 2018, para 25.4; Robertson, 2018b).

Money talks power and the central government has the money. Councils can feed in suggestions, submissions and ideas and to some extent influence ministers, but have to compete with interest groups. Even Auckland has found it has limited pushback in the crunch.

This is not the principle of subsidiarity in action. That principle says decisions should be taken and implemented at the level closest to those directly affected, in effect the lowest level at which they can be practically made and carried out. Decisions and actions should be taken at a higher level only if they can't practically be done locally or if there is a compelling need for consistency across local boundaries. In Aotearoa New Zealand the subsidiarity principle is read upside down.

But the subsidiarity principle leaves a lot of room for argument about where decisions are best made. If a small council wants a less stringent standard for water to save money for its ratepayers, why not? Because, it can be argued, that might affect the 'clean green' pitch to foreign tourists important to other districts' economies. The West Coast Regional Council says it won't take steps to meet the government's zero carbon climate ambition. But might that damage the 'international good citizen' brand that helps open trading doors for exports from other areas?

This is one localism tension: between what is local and doable locally, such as potholes, safe walkways for children, rules on indigenous trees, sightlines and other 'amenities', and what requires consistent action across local boundaries, such as potable fresh water and safely swimmable beaches, property and anti-discrimination rights. This sets up a tug of war between national and local politicians. In fact, Mahuta has rejected localism as argued by councils and Local Government New Zealand, which she calls 'a devolutionary model' (Mahuta, 2018, para 36).

But Mahuta did obliquely open up another localism avenue by praising the Southern Initiative's work in 'identifying local change-makers, encouraging social enterprise, building community capability and amplifying community-driven initiatives', and by saying her programme would aim to strengthen 'the level of civic participation within our communities' (ibid., paras 41, 46). That implies there is logically more to localism than empowering councils. There is no compelling reason for subsidiarity to park at the town hall. The principle of subsidiarity points beyond councils to the people.

That is not to say, as some libertarians do, that subsidiarity prioritises the autonomy of the individual over the state and councils. Citizens are not sovereign islands. They congregate. But pointing localism to the people does highlight that, in addition to the tension in localism between the central government and councils, there is a tension between councils and their citizens. Inside the city or town is a suburb and inside the suburb is an area, a precinct, a street. Inside a rural council is a district, a road, a village.

How much scope should there be for those smaller congregations to make rules for their own precinct or village if they clash with the council's top-down wisdom? Mahuta says 'communities are expecting more from local government' (ibid., para 15). And how much latitude should iwi, and urban Māori and Pasifika – and ethnic Indian, Chinese or Filipino – organisations have to develop rules and practices for areas where they are a majority which differ from rules and practices in neighbouring areas? Mahuta is particular about 'iwi/Māori' having more influence (ibid., paras 15, 37, 38).

The issue of influence is highlighted by the very low voter turnout for district and regional elections in 2016: 43%, only slightly more than half the 79% who voted in the 2017 general election. That says voters know where the real power is and that it is not at the precinct or village level. It says citizens don't feel engaged with their councils or empowered by them and don't seem to see much opportunity for truly local initiative.

The issue of influence is highlighted by the very low voter turnout for district and regional elections in 2016: 43%, only slightly more than half the 79% who voted in the 2017 general election.

That spells a caveat for localism if it is just a stitch-up between central and local government. Without active, widespread citizen engagement driving policy and action, localism risks settling into formalised ritual, played out by local power elites. In other words, localism will really get traction only if it comes from the bottom up. And that will require, in turn, that councils genuinely engage with their citizens.

One route to that engagement would be to develop a genuine system of community boards at the village or precinct level, with wider roles and responsibilities than now and real money to do real things.

The highly decentralised Swiss might have some advice to offer.

That in turn suggests more – and real – cooperation between councils and local action groups and local not-for-profits, or their local chapters. Mahuta and Robertson have indicated they want that as an element of the 'partnership' with councils which they say they desire. Mahuta talks of a 'paradigm of local governance ... to develop localised initiatives to tackle areas of concern', which include social enterprise, young people not in trade, work or education, unemployment, homelessness and social housing (ibid., para 40; Robertson, 2018b).

Bill English identified a potential gain from such initiatives. He thought not-for-profits, being closer than the state to those they serve, know them better and know better how to do best by them, and so can innovate. But, to the extent they are funded from central government funds, social service not-for-profits operate under tight contracts which, in effect, amount to the imposition of national rules and thereby make them agents of the central government. That will need to change if Mahuta's 'paradigm' is to have real meaning.

And action is not confined to social services and charities. It can run from potholes and safe walkways for children and cyclists to predator-free zones and environmental reserves. True localism will require constructive engagement by councils with these local groups. In turn, some groups could develop influence at the national level if enough groups develop enough similar actions and their councils work with them.

But engagement by local groups with councils is likely only if they see real opportunity for cooperation and action.

Enter the internet and social media. This has worked increasingly well as a method to generate grassroots interest and action, notably in the crowd-funded purchase of Awaroa beach in 2016 and, spectacularly, in the United States, then global, #MeToo campaign. It can also work the other way, not just as a means of informing citizens and giving them access to information and the means of doing business with the government and councils, but also to inform, consult, engage and involve voters in more complex decision making than binary yes/no referendums – in short, to empower and activate them and, in doing that, stir more localness.

That could mean taking collaborative governance, citizens juries and assemblies and deliberative polling much wider than the small samples possible under pre-digital technology. Citizen responses could be secured with blockchain technology to encourage interaction.

How far could that go? The Department of Internal Affairs wants 'community participation' to be 'inclusive' and says 'technology is changing the way communities engage and public expectations for participatory processes in decision-making' (Department of Internal Affairs, 2017, para 31). Digital technology experts Nigel Shadbolt and Roger Hampson muse on 'citizen internet panels' and even a 'national panel' comprising millions of people. 'Decisions that affect a lot of people should involve a lot of people', they say, even suggesting that 'new legislation, in principle, could be crowd-sourced' (Shadbolt and Hampson, 2018, pp.304–5).

This might sound like science fiction now. But in five or ten years it might not be so fanciful. The technology could enable interaction and dissemination of information, enabling groups of citizens ranging from precinct-tight to citywide to reach considered decisions. The 'crowd', when engaged positively and iteratively, has the capacity to be wise, as well-run citizens' assemblies have proven.

Moreover, the 'crowd' would see those policies and programmes as relevant and not the preserve of a distant and disjoined elite. As the populist tide rises in democracies, that could be critical to positive politics and policies.

And the logical place to try all this out is at the local level. Councils could that way become much more authoritative and lead the way for the central government eventually to draw more on genuine citizen interaction and not just 'consultations'. That would be bottom-up. Which would be real localism.

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Oliver Hartwich

From Localism Towards Localism
a personal journey of policy discovery

Abstract

Localism has become a buzzword in New Zealand politics. Though well-established overseas, it is, however, still a relatively new concept here. In this essay, Oliver Hartwich explains how his experience of German localism shaped his policy work in Britain, Australia and now New Zealand.

Keywords local government, localism, devolution, central government, Germany, Britain, Australia, New Zealand, public policy, incentives, history

We take for granted those things that surround us. We do not question them. We accept them as inevitable features of our world. With German localists it is the same.

I realise this journal is called *Policy Quarterly*, but this article will not focus strictly on policy. Rather, it will be a personal reflection on the fate of localism in various countries. It is based on my experiences of localism and I hope it may illuminate the complex policy choices New Zealand faces.

Before that, I should explain where I am coming from, literally and philosophically.

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Ruhr localism

I was born and raised in the Ruhrgebiet or 'Ruhr Area', referred to sometimes as the 'Ruhr Valley' or simply 'The Ruhr'. This once heavily industrialised part of West Germany has a population slightly larger than New Zealand's (5.1 million people compared to 4.9 million), even though its area is much smaller (4,435km² compared to 268,021km² here).

The Ruhr appears to be a large city – a Ruhr metropolis.[1] Its public transport is highly integrated, motorways connect its parts, and residents commonly work in one place, live in another and pursue leisure activities somewhere else entirely. The Ruhr is one big city. Except it is not.

For historical reasons, The Ruhr's 53 municipalities never merged. They were small cities, towns and villages until coal mining and industrialisation took off in the 19th century. The ensuing growth transformed these places but local pride (and local rivalries) prevented an amalgamation into a single entity. The result is The Ruhr of today. By size it could claim to be Europe's fifth-largest city (after Istanbul, Moscow, London and St Petersburg). It would also be Germany's largest city – about a third more populous than Berlin and more than three times the size of Munich.

Yet, because of its decentralised nature, outside Germany The Ruhr is barely known, let alone its constituent cities. When I am asked where I am from, my hometown Essen (population 580,000) rarely rings a bell. That is strange since it is home to eight of Germany's top 100 companies and boasts of more than 1,100 years of urban history. Sometimes I even resort to approximations like 'halfway between Paris and Berlin'.

With this sketch of my home region's geography, readers may already imagine what local politics in The Ruhr look like. Ruhr has also been struggling with the decline of its once dominant coal and steel industries. This process started in the late 1950s and led to strong sectoral change. The Ruhr's cities needed to attract new industries to make up for the closing of coal mines and steel mills. Crucially, they all competed with one another in this process because they all faced the same challenges.

I was born in Gelsenkirchen, grew up in Essen and studied in Bochum, cities within a few kilometres of each other. I have seen the intense competition between the three cities and the other 50 municipalities of The Ruhr to entice and grow new business, attract and keep people, and provide the best living standards they could in challenging circumstances. The Ruhr cities had to do all of that because under Germany's system of local government finance, local budgets depended heavily on local success. German cities cannot easily introduce new taxes and levies. They are also limited in setting tax rates. The best option to increase their revenues is to grow the tax base by bringing in more people and businesses (Evans and Hartwich, 2005a, pp.13–27).

This competition between Ruhr cities was on display when local politicians liked to have their photos taken for the local newspaper when cutting ribbons. Economic development was celebrated because it promised progress, opportunity and prosperity. Moderating the local competition was the cooperation between cities, which was institutionalised through a dedicated association of local governments in the Regionalverband Ruhr (Regional Association Ruhr).

Growing up in The Ruhr, I took local competition for people and businesses for granted. It was clear that the overarching goal of local government was to promote economic development and create favourable conditions for growth. Mayors fought for residents and businesses. It was just how local government worked in The Ruhr. How could it be otherwise?

That structural difference was Britain's lack of localism. Where the German cities I was familiar with competed for people and businesses, British cities were much more reluctant.

Centralist nimbyism: the UK experience

Following my law and economics doctorate, I left Germany for London. After working in the House of Lords, in 2005 I joined Policy Exchange, then a smallish think tank in Westminster. They hired me for a research project on Britain's housing affordability crisis, and I was fortunate to work with Alan W. Evans, a professor of urban economics at Reading University with decades of experience on housing and planning policy.

Initially our project meant to look at the usual suspects in housing policy, such as the Town and Country Planning Act 1947, land supply and the green belt policy.[2] The British debate about the reasons for the lack of land and housing supply is a mirror image of what New Zealanders are familiar with around the Resource Management Act and Rural Urban Boundary.

From an economist's perspective, it is only natural to look at such supply constraints when analysing an affordability problem. Price is a function of supply and demand. If we take (physical) housing demand as (largely) a given, then understanding supply and its constraints is the key to analysing house prices. Naturally, then, economists are drawn to the obvious obstacles to housing supply: building codes, planning rules, area designations and the like.

Of course, there are plenty of such obstacles to housing supply, both in Britain and in New Zealand. It is worthwhile to analyse them. It would be even more worthwhile to tackle them. However, as I started my research at Policy Exchange, I was reminded of Germany, which had experienced no significant house price increases for decades.

Germany is usually not a country one describes as deregulated. The big free-market reforms elsewhere during the 1980s (under Reagan, Thatcher, Hawke, Douglas) had largely bypassed Germany. That was because Germany had other things to do (not least unite after the fall of the Berlin Wall), and also because Chancellor Helmut Kohl was not inclined towards free-market economics.

Without being an expert in German planning laws, I suspected that Germany would not be too different from the UK with its planning system. If something is German, it is likely to be regulated. Why should planning be an exception?, I thought to myself. As I read about German spatial planning and construction codes, I found my suspicions to be correct:

Germany was every bit as regulated as Britain in town planning. In fact, at least on paper, planning appeared much harder to navigate, because Germany is a federal state and planning happens on at least three tiers of government (four in states with regional administrative structures). So, there was a conundrum: why was Germany so much more successful in keeping house prices stable than Britain when its planning system appeared worse?

As an economist, I went back to the basics: demand and supply. Maybe German housing demand was systematically weaker? However, having looked through various demand factors (population, economic growth, density, household formation, migration), I found there was little difference between the two.

Around this time, however, I first noticed a big structural difference between Germany and Britain, and I wondered whether that difference could be the underlying reason for the divergence in their housing markets. That structural difference was Britain's lack of localism. Where the German cities I was familiar with competed for people and businesses, British cities were much more reluctant. That there was a Campaign to Protect Rural England, an organisation whose purpose is to fend off any new development in the countryside, seemed odd to me. Why would they want to block development? Before I moved to Britain I had not heard the term nimby ('not in my backyard'), either. Nor, in this context, banana ('build absolutely nothing anywhere near anyone'), certainly not in Germany.

The cultural hostility to building and development in Britain surprised me. At first I struggled to understand why the British appeared not to care as much about economic development as the Germans. However, during our research it became clear. A county councillor told me that residential development was a bad deal for English counties. Whenever new housing development happened, it was local government that had to provide the infrastructure. That was costly. Local government also faced a political backlash from local nimbys who feared pressure on public services or losing amenities.

Crucially, there was no guarantee that additional development would result in larger council budgets, since most budgets arrived in the form of central government grants. But these grants were not updated often, and when they were there was no guarantee the new development would be adequately reflected and infrastructure spending compensated.

In sum, British councils were left alone with the economic and political costs of development. The upsides of development, meanwhile, went straight to central government in London in the form of increased tax revenues.

What I encountered in Britain was the opposite arrangement to that in Germany. With the opposite effect: where German cities were rewarded for positive development, British cities were punished. Seen through this lens, it was understandable why Britain had not managed to supply enough houses to meet rising demand. Residential development was a costly undertaking for local government, and so every tool in the planning books was used to slow it down or avoid it.

Alan Evans and I contrasted these two approaches to development in a report which compared Germany and Switzerland on the one hand with Australia and Ireland on the other. We found that in Germany and Switzerland, local fiscal incentives for development were a countervailing factor to planning laws. In the two English-speaking countries, the absence of localism weakened economic development because development did not pay for councils.

The lessons from this research project into housing affordability were fascinating. As far as I am aware, this link between housing affordability and localism had not been made before. Previously, housing debates had been about demand side management, planning reform or direct government intervention in the provision of housing. The idea to use local fiscal incentives to make housing supply more responsive to demand, as we laid it out in our final report, was new at the time (Evans and Hartwich, 2006).

In August 2017, more than a decade after our publications, the *Economist* ran a leader on Britain's housing malaise. It could easily have been the summary of our research:

> Westminster needs to do away with the perverse incentives arising from local-government taxation, in particular the out-of-date system of council tax, which is levied on housing. Councils miss out on much of the extra local tax revenue from new houses, because it is hoovered up and redistributed by central government. But they are lumbered with the cost of providing local services for newcomers. That should change. Councils should be allowed to charge taxes that reflect the true values of properties – and keep the proceeds. (Economist, 2017)

It is fair to say that the idea to use fiscal incentives for councils has become more mainstream in recent years, and the *Economist*'s leader demonstrates it. However, there is still a long way to go before this insight is translated into actual policy. 'Economically straightforward is not the same as politically easy', the magazine put it in the same leader.

Australian central nightmares

I encountered plenty of such difficulties when I moved from Britain to Australia in 2008. Despite its different political structure as a federal country, I found that Australia faced the same localist deficiencies as Britain. It also grappled with the same housing affordability problems;

It is fair to say that the idea to use fiscal incentives for councils has become more mainstream in recent years, and the Economist's leader demonstrates it.

Melbourne and Sydney were perhaps even worse than London.

The Australian dream of a quarter-acre block had turned into a nightmare, with the younger generation finding itself increasingly locked out of the housing market. The homes their parents could afford were now out of reach for young Australians. I had researched this for my previous Policy Exchange project (Evans and Hartwich, 2005a). As in Britain, local government in Australia was weak and lacking in incentives to reward economic development.

Given my experience with housing policy and the lack of localism in Britain, I tried to bring the incentives approach to Australia. However, I found even less acceptance of localism there than in the UK. In fact, Australia was travelling towards even more centralism – something the 'fathers of the Federation' would have rejected. The model of government the drafters of the constitution of Australia had in mind was underpinned by subsidiarity. The Commonwealth was given limited, enumerated powers, leaving vast scope for the states' activity.

Over the course of the 20th century, aided by the Commonwealth-friendly jurisdiction of the High Court, power gravitated towards Canberra. I first encountered this while researching Australian trade practices law for my doctoral thesis. It was stunning to discover that part of this domestic trade legislation was enacted based on the Commonwealth's foreign affairs power, and this strange construction was upheld in the High Court (Hartwich, 2004, pp.250–1).

The most important example in the process of Australia's centralisation was the takeover of income taxation by the Commonwealth government in 1942, which left the states with limited tax powers of their own and dependent on grants from Canberra (James, 1997). Australian federalism may not be dead today, but it is not what proponents of federalism wanted.

The situation of Australian local government is even more precarious. It is not mentioned in the Commonwealth's constitution because local government is a creature of individual states. Just as the states are weak vis-à-vis federal government in Canberra, so is local government vis-à-vis respective state governments. Against this background of weak federalism and even weaker localism, the Rudd government's move towards constitutional recognition of local government seemed like a sign of hope. But it turned out to be mainly a symbolic gesture: the real reason for Rudd's interest in empowering local government ironically was a wish for more central control (Hartwich, 2009). Whenever the Commonwealth government wanted to engage with local government, it had to do so through the states. This must have been annoying for a micromanagerially inclined prime minister like Rudd. A potential constitutional recognition of local government would have made it easier for central government to engage (or, shall we say, interfere) with local government directly.

Tellingly, Australia's local government sector was excited by the constitutional initiative; not because it would have given councils more power or standing, but because it promised additional funding from Canberra. Due to the turbulence of Australian politics, however, the referendum on constitutional recognition of local government was never held. It is doubtful whether it would have succeeded. It is even less certain that it would have had any positive impact.

The negative effects of Australia's crippling centralism were and still are visible, especially in the debate around Australia's rapid population growth. For many years, increases in Australia's population have been one of the most controversial issues in Australian politics. Cultural issues aside, the unease is mainly driven by fears of overcrowding the main cities, lack of infrastructure, pressure on public services, and rising house prices. These problems were caused, or at least exacerbated, by lack of local government funding.

For a research paper for the Centre for Independent Studies, my colleague Adam Creighton and I surveyed Australian local government leaders about their perception of population growth. The results left no doubt that Australian councils were dissatisfied with their funding mechanisms. Tellingly, almost one third of respondents, particularly from larger councils, said population growth was damaging their bottom line (Creighton and Hartwich, 2011). Once again, the recommendation of our paper was to align local government funding with local economic activity. Predictably, it fell on deaf ears.

In Australia today only lip service is paid to federalism, and not even that to localism. Given the country's dysfunctional politics, only the most naïve optimists would expect any improvements towards greater subsidiarity and decentralisation.

Where local government in most other parts of the developed world has access to a mix of different taxes (sales, income, corporate and property taxes), in New Zealand it is mainly rates that make up councils' revenue.

New Zealand: leading the localist counter-revolution

I left Australia for New Zealand in 2012 to join the newly formed think tank The New Zealand Initiative as its first director. After the frustrations of campaigning for localism, devolution and subsidiarity in Australia, I was looking for a new challenge. I found it in campaigning against an even more centralised form of government here.

To my surprise, New Zealand turned out to be more centralist than either Britain or Australia. By some measures, New Zealand is the third-most centralised country in the OECD for government spending. It also suffered from all the problems usually associated with the lack of local government incentives, not least an increasingly unaffordable housing market.

It was not just the small size of local government in New Zealand that surprised me. It was also its lack of funding options and limited scope of activities. Where local government in most other parts of the developed world has access to a mix of different taxes (sales, income, corporate and property taxes), in New Zealand it is mainly rates that make up councils' revenue. And where other countries assign a variety of functions to local government, from health to education and even policing, New Zealand local government is much narrower in scope.

From my first days at the Initiative, I made localism and decentralisation one of the key themes of our research. Our localism work was informed by my previous research in Australia and Britain, and driven by my passion to finally translate it into palpable policy changes. To be frank, the initial responses to these ideas ranged from sceptical to frosty. In my first meeting with then Minister of Finance Bill English in 2012, he asked me what was my favourite policy idea. When I said I would like to replace the rates system with new local taxes to incentivise councils, he looked at me as if I was from Mars. (He has since warmed to the idea.) Other politicians, businesspeople and journalists were similarly aghast.

Localism was an idea alien to New Zealanders in 2012, but mostly to Pākehā New Zealanders; to Māori the kind of decentralisation I had in mind sounded familiar. For the large majority of New Zealanders, however, giving more power and control to local government sounded more like a threat than a promise. The objections to localism we have heard over the years are always the same: New Zealand is too small to need a lower tier of government; local government is inefficient or even incompetent; having more local government would lead to a wasteful duplication of services and higher taxes.

Against these and other objections, the Initiative published report after report on the benefits of going local. An early series on housing policy, co-authored by former cabinet minister Michael Bassett, recommended rewarding councils for residential development by giving them the GST resulting from new construction. It also showed how councils can be supported by privately financing infrastructure through bonds (Bassett and Malpass, 2013a, 2013b; Bassett, Malpass and Krupp, 2013).

We then explained how special economic zones could be used to trial and roll out new policies by incentivising councils. We demonstrated how localism could help unlock New Zealand's mineral wealth (Krupp, 2015, 2014). We analysed councils' finances and structures in series of reports which recommended a much clearer delineation of powers between central and local government (Krupp and Wilkinson, 2015; Krupp, 2016a, 2016b). We put localism in a global perspective (Hartwich, 2013) and recently published a primer on it (Craven, Goldingham Newsom and Hartwich, 2019).

With each research project we explained in greater detail what a future localist New Zealand could look like. Slowly this changed perceptions, so that after four or five years, localism was no longer regarded as a left-field idea but as a proposal worth considering.

Encouragingly, the OECD picked up our basic idea of local government incentivisation and made it part of its own recommendations to the New Zealand government in its biennial report (OECD, 2017). The Initiative also popularised the localist idea among our members through a study tour of Switzerland in 2017, where New Zealand business leaders could experience at first hand how a radically decentralised country can work (Hartwich, 2017).

After nearly seven years of making the case for it, localism has become a buzzword in New Zealand politics. The Productivity Commission has begun an inquiry into local government finance, which, judging by their first issues paper, recognises the importance of incentives (Productivity Commission, 2018). Local Government New Zealand, in conjunction with the Initiative, is running a year-long project on localism and has made it a unifying theme of its work and advocacy. Both the government and the National opposition speak positively about localism (though it is never entirely clear what they mean by it). Last but not least, of course, *Policy Quarterly* is dedicating most of this issue to the topic.

> ... nothing in my work in Germany, Britain, Australia and now New Zealand has given me reason to doubt my basic beliefs: incentives matter; councils can work effectively when given the right incentives; and decision making removed from the people it concerns creates problems.

Towards New Zealand localism?

It is an exciting time to be a localist in New Zealand in 2019. Although we are still mired in a highly centralist form of government, at least the centralist mindset is changing. There is greater recognition that bringing decisions down to the community level can yield better policy outcomes. On an abstract level, more people now understand the role fiscal incentives play in the performance of local government.

It is the first time in my policy work that I have felt a genuine shift towards localist solutions. It did not happen in Britain, even though the government under David

Cameron (2010–16) introduced locally elected police commissioners. It certainly did not happen in Australia, where, if anything, even more centralism is emerging. In New Zealand, meanwhile, our policy discourse is now at least open to decentralisation. Still, there is much more work to do. People and politicians need to be convinced further; policies must be developed and implemented.

While working on localism over the years, I realised that it is much harder to embrace the concept when you have never experienced it. If you are from Germany or Switzerland, you would struggle to understand why New Zealanders put so much trust in central solutions to local problems when the seemingly natural way would be to do the opposite. But for New Zealanders it is the other way around: they struggle to imagine how a decentralised country could work. As American psychologist Jonathan Haidt explains, people are shaped by their experiences and then try to dress their emotional preferences in a rational gown (Haight, 2012). So perhaps this partly explains my localist preferences. It is just the natural state of affairs I grew up with in The Ruhr and took for granted.

However, nothing in my work in Germany, Britain, Australia and now New Zealand has given me reason to doubt my basic beliefs: incentives matter; councils can work effectively when given the right incentives; and decision-making removed from the people it concerns creates problems.

My own journey has been one of coming from *localism*, and I hope my new home of New Zealand embarks on a journey towards localism.

1 See, for example, the Regionalverband Ruhr's website, https://www.metropoleruhr.de/en/home.html.

2 These aspects were dealt with in the project's first report, Evans and Hartwich, 2005b.

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John Cookson

Local Government History and Localism

Abstract

The received view of state development in New Zealand is that the abolition of the 'provincial system' in 1876 set in motion the inexorable rise of centralised authority. The counter thesis presented in this article argues that until about 1940 central politicians, irrespective of party, were consistently engaged in empowering rather than diminishing local government. There was ultimate respect for the idea of local self-government; therefore, in colonial society, of local control of local development. This independence weakened only as technological change rendered 'small' local government increasingly inefficient and unable to meet new challenges and opportunities, particularly with respect to highways, housing and welfare.

Keywords centralisation, self-government, counties, boroughs, infrastructure, municipalisation

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A 'centralisation thesis' has long warped New Zealanders' understanding of the growth and development of the New Zealand state. 'Unbridled power', to use Geoffrey Palmer's phrase, is accepted as the end chapter of a process that began with the abolition of the provincial governments that set the country on a course of unmitigated centralism (Palmer, 1987). New Zealand in 1876, said Michael Bassett, 'abandoned the possibility of a decentralised structure' – perhaps an unsurprising judgement from one who as minister presided over a sweeping reorganisation of local government (Bassett, 1998, p.66). In this history of the rise and rise of the central state, Vogel, Seddon and the Liberals, and the first Labour government stand as the most illustrious names in the pantheon. Julius Vogel, for example, is revered in the *New Oxford History of New Zealand* as the politician who instigated heavy investment in railways, roads and telegraph lines with the result that 'central government now emerged as a powerful engine driving economic initiatives and social change' (Byrnes, 2009, p.117). The Liberals, for their part, have been forever associated with 'state experiments' and Labour with 'state socialism'.

It is undeniable that the colonial state played an important part in funding and organising colonisation, and that as time went on it expanded into an authority that projected itself into most areas of society and the economy. But what is absent in the present historiography is any worthwhile consideration of the actualities of the central–local government relationship. For a start, as might be expected, that relationship was strongly shaped by British constitutional norms which upheld the idea of local self-government: that central government, generally ignorant of local circumstances, was better advised to leave the localities to their own devices regarding matters of most concern to them, while Parliament, cabinet and the bureaucracy concentrated on matters like defence which required national organisation and national resources. So in 19th-century Britain, local authorities with very extensive powers made their appearance.[1] The New Zealand colony closely followed British legislative practice in constituting local government, but making exercise of any powers conferred to a large degree permissive. Thus, the original Counties Act in 1876 left it to the counties themselves to decide whether or not they wanted to bring the Act into full operation.[2] Eden county, adjacent to Auckland, and Peninsula in Otago never had effective county government, devolving local responsibilities to the numerous road boards.[3] More than a few councils were content to rate minimally or not at all and apportion any other revenue to the boards.

The New Zealand colony closely followed British legislative practice in constituting local government, but making exercise of any powers conferred to a large degree permissive.

The idea of local self-government held unimpeachable authority. That this was so is evident in the consistent policy of local empowerment that central government followed, administration after administration. Harry Atkinson, the dominant politician of the 1880s, enunciated three 'principles' with respect to local bodies: that they 'should be left as free as possible from central control'; that they should be empowered as far as was advantageous; and that they should have the greatest possible financial independence. In 1889 a parliamentary committee concluded that for 'decentralisation' to be effective the existing number of local bodies needed to be pared down to the 'four large cities' and not more than 16 other 'districts'.[4]

Seddon and Ward have been totally misconceived as out-and-out centralists. Both tackled the fragmentation of local government head-on. Seddon wanted to dissolve all existing authorities (12 named municipalities excepted) and load their responsibilities onto about a quarter of their number. His scheme would have merged all but the 'Board of Education and the Harbour Board into a single elected Council for each area, a large County in rural districts, and a Borough elsewhere' (Hamer, 1974, p.48). Ward proposed sweeping reform in 1912. He revived the idea of 'provincial councils' that would assume responsibility for hospitals, charitable aid, public health, education, harbours, main roads and bridges, rivers and drainage, and water supply.[5] The 24 councils would have functioned as regional authorities: 'big' local government with a vengeance.

Labour came to power in 1935, and to this day remains equally misunderstood as pursuing an uncompromising centralist agenda. Indeed, Labour can be said to have adopted cross-party and wider public concern in the crisis of the Depression that New Zealand's system of local government was over-localised, outdated, uneconomic, inefficient and already showing its vulnerability to any determined policy of centralisation. 'Amalgamation' was seen as the key reform by conservatives and socialists alike, and in the first instance it was taken up seriously by the George Forbes-led coalition from 1931.[6] Labour shared conservative beliefs to the full that local government needed to be strengthened, not left in a condition where Wellington would have to keep bailing it out of its responsibilities. However, it tried a more tactical approach instead of attempting a general, all-encompassing reform in one bold effort. The Local Government (Amalgamation Schemes) Bill of 1936 invited local bodies to frame their own schemes and, failing that, imposed a requirement on them to act out of 'public interest' considerations, with contentious cases subject to review by a special commission. For another half a century there were further attempts in the same vein using an independent commission to receive representations and conduct a general review of local authority areas and functions, always with the aim of reversing a history of continued fractionalisation, but only by consent. The long-sought radical restructuring finally occurred in 1988–89 when the Crown armed itself with overriding powers and did not balk at using them (Bush, 1995).

The failure of central government to hold and turn back the proliferation of local bodies says everything about deeply embedded localism. The demand for local self-government proved insatiable. Even before a 'county system' replaced the old 'provincial system', the localism of 'districts' had been accepted as unassailable. Road boards multiplied after 1860. There were about 300 of them in 1876 and this number only gradually diminished; there were still 231 in 1900 and 129 in 1914.[7] They existed by ratepayer demand. Provincial authorities, and the colonial government once they had gone, recognised that self-government was a principle that could not be ignored and one that in the colonial situation embraced the common-sense proposition that locals knew their needs better than outsiders. Vogel as colonial treasurer in 1870 decided to channel grants to them as part of his development policy. His Payments to Provinces Act specifically funded the boards and their roading projects. Such a measure inevitably produced a rush of board creations. Hawke's Bay added 23 between 1873 and 1885.

New Zealand, it was noted in the 1930s, with a population the size of Birmingham's or Glasgow's had almost 700 separate councils and boards.[8] While in recent times the number of road boards had been much reduced, town boards, electric power boards, fire boards, land drainage and river boards and rabbit boards more than made up for their disappearance; in comparison the 1914 *New Zealand Official Year-book* added up only 551 local bodies. From 1876, over half a century, 63 counties became 129 and 36 boroughs became 118, the latter mostly small country towns. Rural New Zealand, in particular, was full of ad hoc bodies that compromised effective local government. Too often, its counties and boroughs also lacked the resources to update infrastructure for a modern age of motor transport and improved living standards. In contrast, urban government was more compact: in the larger towns and cities outlying suburbs had been steadily absorbed and, where the need was greatest, metropolitan authorities were created to take care of wider area concerns.

On the whole, places gained independence without much ado. Parliament was certainly not disposed to impose its will on ratepayers and the Crown's proclamation of new authorities was exercised as a matter of course. A power of requisition was given locals which it was extremely difficult to reject. By the first Counties Act, a petition signed by three-fifths of ratepayer electors in the designated area set in motion the process for forming a new county. The Town Boards Act 1881 and Road Boards Act 1882 respectively allowed the Crown to declare a town district and county councils a road district on receiving a petition from two-thirds of the ratepayers. These were high levels of support, bearing in mind that many property owners were likely to be absentees. Similarly, 100 'householders' (meaning residents who owned or rented property of a certain value) out of at least 250 in a proposed borough were a sufficient number to permit the Crown to proclaim a municipality.

After 1885 further counties had to be legislated into existence, but this procedure imposed little restraint on breakaway ridings and road districts: Parliament permanently rejected only 15 proposals, while making 57 additions to the county list.[9] As for boroughs, the 1886 Municipal Corporations Act merely stipulated that a place should occupy not more than nine square miles, have a prospective annual income of at least £250 and make its case by a petition supported by three-fifths of the 'resident householders'. Under the 1900 Act a quarter of those qualified to vote as either ratepayers or residents could petition. In 1920 a minimum population of 1,000 was required. All in all, the legislation kept issuing an open invitation to towns little more than townships to seek municipal status.

What drove localism of this intensity was the imperative for development. In the colonial situation, self-reliance, living off one's own, was essential in view of the scarcity of resources. Local self-government made possible local funding for local control of local development. As late as the 1920s local body expenditure on works accounted for over 50% of total public expenditure on works, and there is no suggestion that the figure had ever been lower (Statistics New Zealand, 1930, p.694). The 1932 *Year-book* declared the local bodies to be 'to all intents and purposes self-supporting': there had been 'a process of evolution from a state of semi-independence on the General Government to a stage where [with a few exceptions] all expense is borne locally' (Statistics New Zealand, 1932, p.555–6). The infrastructural development central government mainly funded was railways and roads in the backblocks. The rest was locally initiated and directed, even if funded by government grants and loans.

County councils spent most of their money on roads and bridges to open up and improve access to farming country. In towns the primary infrastructure comprised footpaths and formed roads, street lighting, water supply and, sometimes late in the piece, night soil and rubbish removal at public expense. There was a progression towards shingled or metalled streets, gas lighting, reticulated high-pressure water, underground sewerage and public abattoirs. The Second Industrial Revolution, whose key elements were oil and electricity (and the associated technology), inaugurated a second stage of development. Motor traffic required hard-surface roads; electric pumps and electric tramways made it possible to reticulate services over a wider and wider area to keep pace with town growth.[10] In the countryside the expansion of small farm dairying created a heavy demand for improved roading to cater for the daily milk run: Taranaki gained a reputation for having the best roads anywhere.[11] Furthermore, 'modern' encapsulated 'municipalisation': extended municipal ownership and control of services that went beyond tramways and gasworks to municipal electricity generation, municipal industries, municipal housing loans, municipal food markets and milk supply, and municipal libraries, concert halls and 'recreation grounds'.

The unrelenting demand for amenities and services meant that councils came to depend largely on loans to finance new development.

The unrelenting demand for amenities and services meant that councils came to depend largely on loans to finance new development. Thanks to the Long Depression of the 1880s, progress generally was only halting until about 1900, when settled economic recovery made more lavish funding available. Loans, of course, were serviced out of the rates, which were otherwise used to meet the costs of administration and repair and maintenance of existing facilities. As already indicated, in financial terms local self-government had real meaning. Yet in 1876, in the original conception of county and borough government, it was accepted that, as with the previous provincial system, central revenues would have to be generously shared with the localities if development was to be carried on.[12] The hard times of the 1880s put paid to that arrangement. Rates subsidies, for example, as a proportion of local revenue averaged 23% in the 1880s, 11% in the 1890s and 7% in the 1900s; by the 1920s they were down to 2.5% and inconsequential for many councils, especially the cities.[13] Direct grants for works, too, came to be applied to back country areas rather than distributed evenly throughout the country out of political expediency. Long-term, low-interest government loans were offered to local bodies from 1886, but as loan proposals had to be carried at a poll of ratepayers their priorities, not to say frugality, prevailed.[14] An abiding feature of the financial regime was the unevenness of development between counties and towns for this and other reasons. In Christchurch the ratepayers agreed to install a reticulated water supply only as late as 1907 after a series of unsuccessful polls.[15]

Local politics were also deeply affected by internal localisms, as districts within counties or town neighbourhoods were always on guard lest they be disadvantaged by overspending elsewhere. It quickly became a point of principle that the proceeds of local taxation should be applied to local works. In country areas there was particular resentment of 'outlying districts' as 'out-and-out lying districts' for their constant requests for roads and bridges while contributing little in rates. Indeed, wards and ridings were put in place not least to control these parochialisms, with funding carefully allocated. A majority of boroughs, however small, adopted wards after 1876, one indication of how concerned town-dwellers were above all else to have well-formed streets and footpaths. The 1908 Counties Act permitted a maximum of 12 ridings, certainly done partly to discourage secessionist movements. The number of ridings increased from 315 in 1881 to 592 in 1911.[16] Many county councils rated their ridings separately. Most operated riding accounts which were credited with the proceeds of the general rate after salaries and office costs and any other 'county' expenses had been provided for. County councillors as riding representatives were notorious for looking after their own. Waitemata was revealed as the worst case after an inquiry in 1921: there were no county roads and even road machinery was purchased out of riding funds and regarded as riding property.[17]

In the four main centres and other principal towns electrification had an equally profound effect by making it possible to relay services over wide suburban areas, services including water supply, sewerage and tramways.

Councils with riding accounts were given the option of discarding them in 1931, which many proceeded to do.[18] The number of boroughs with wards fell away dramatically after 1900: 42 in 1901 were reduced to 19 ten years later, and to nine ten years after that.[19] Clearly, there was a trend starting towards 'bigger' local government; localisation was in retreat. What was happening was that wider changes were strengthening county government at the expense of riding and road district localisms, and large municipalities at the expense of outlying suburbs. The Reform Party under William Massey, entering office in 1912 and holding power until 1928, was to preside over a period of transformative change that had a particular impact where councils were concerned. City amalgamations had begun in 1903 when Wellington absorbed Melrose borough and Christchurch Linwood, St Albans and Sydenham (Morrison, 1948; Yska, 2006). Up to 1930, 24 suburban local bodies were merged into one or other of the four main centres. The composite city governed by different territorial authorities was on the way out; the 'greater city' was emerging. Meanwhile, the flood of new counties was stemmed. Only seven were added after 1911, including five taken off the remote Waiapu county on the East Coast and added to very recently settled King Country in the central North Island, where local self-government and the development it promised had an authentic purpose.[20]

In the counties the meaning of 'local' was expanded by the rise of motor transport and by the possibilities large-scale production of electricity opened up. Main roads, built with materials able to accommodate heavier volumes of fast-moving traffic, became a priority to better integrate local districts into the wider economy. Grants and loans to county councils mostly provided the means; road boards slipped even faster into obsolescence. The Main Highways Act of 1922 set up a central board, with a view to finally achieving a proper national roading system. But regional boards stacked with county representatives were also established, and time and again their interests had to be given due respect. The map of 'main highways' soon depicted a many-tentacled system of 'secondary highways' reaching any number of out-of-the-way places, a far cry from the 'arterial roads' that were the government's chief concern.[21]

Electricity was a different story. It offered relatively cheap energy to extensive areas, but its reticulation made no sense of county boundaries. State generation and distribution networks built and managed by elected district power boards was the model that prevailed as smaller local schemes were overtaken by massive hydro schemes, starting with Coleridge (1915) and Arapuni (1928).[22] Power boards and their districts, like highway boards and, indeed, harbour boards, hospital boards and education boards, attracted reformers for posing the possibility of larger, even regional, local government which could be made to resemble the all-purpose English county authorities, powerful enough to hold the incubus of 'centralised bureaucratic control' at bay.

In the four main centres and other principal towns electrification had an equally profound effect by making it possible to relay services over wide suburban areas, services including water supply, sewerage and tramways. Gas and steam as energy sources, key ingredients of the coal and iron Industrial Revolution, were severely limited in comparison. Suburban expansion was not only the result of available technology but also of social ideals, the suburb imagined as representing a higher order of urban living. Suburban householders were predisposed to favour 'greater city' amalgamations: in wanting urban services they easily became impatient of the opposition put up by outlying borough councils and road boards. 'Metropolitan' development was conceived as 'modern' or 'progressive' in extending transport links, electricity, high-pressure water, underground sewerage and fire brigades across the whole city area.[23] The logic of providing some form of 'single authority' government was unanswerable when it came to taking advantage of available technology, town planning information, economies of scale and the financial leverage large municipalities possessed.

But there were questions, as there always are, about how to strike a balance between metropolitan governance and the representation of lesser, even neighbourhood, interests. Wards were unpopular with 'amalgamationists' for keeping alive old localisms, and were fortunate if they survived. More vigorous debate occurred over proposals for a two-tier system of government – the Greater London model in which a metropolitan authority or authorities administering metropolitan services sat above the several boroughs which dealt with local works and services. In New Zealand city councils generally favoured urban 'centralisation', but an element of pragmatic compromise was typical, with their acceptance of drainage boards, tramway boards, fire boards and the like exercising responsibility over the wider urban area.

Local populations and authorities were so much in control of their own destiny, it makes little sense to speak of the rise and rise of the central state after the abolition of the provinces, at least to the mid-20th century. 'Centralisation' remained a word with wholly negative connotations. There was inevitably some bureaucratic intrusion into local government, but it was always limited until the first Labour government began undertaking highway, housing and welfare development in clear demonstration of the incapacity of local bodies. The experience of the Depression can be said to have begun the reworking of the relationship between central and local authority. Unemployment relief conventionally had been the responsibility of local government, but in the severity of the times this kind of self-reliance collapsed and costs were increasingly unevenly shared between councils and the state. The 1936 State Highways Act, which decisively transferred control of trunk roads, was acceptance of the fact that local government could not deliver what economic recovery required. Labour's state housing schemes showed up the same limitations. The lesson was drawn more sharply than ever that local bodies lacked the means to provide adequately for the welfare of their populations, let alone pursue the capital development that the country required.

The heyday of local self-government was over in the second half of the 20th century. Repeated attempts to negotiate reform with the councils proved fruitless. What governments discovered from the opposition they encountered was an unshakeable adherence to the Victorian conception of local government based on constitutionally independent bodies espousing local definitions of community, democracy and interest. While such values should indeed inform the relationship with the state, the essential weakness of the system was the functional inefficiency that had developed. The structure of local government was not the entire problem. No attempt was made to reform local taxation so that the financial base of local government was made more secure. Instead, grants and subsidies, which by the 1920s had been cut back to a bare minimum, were brought back in lavish amount and reduced councils to supplicant status. The meagre and piecemeal success of commissions charged with effecting worthwhile structural reform only served to strengthen the expansionism of central administration. Wellington's venture into social politics made the welfare state an enterprise barely shared at all with local government. The avalanche of centralisation that overtook local authority may be summed up by the downward decline of local body expenditure alongside central government expenditure: in 1930 the figures were roughly equal at 46% and 54% of total public expenditure; by 1975 they were 24% and 76% (Bloomfield, 1984, pp.334–5, 353–4). The trend continued unarrested. The drastic reorganisation forced on local bodies in 1989 certainly went towards creating the 'bigger' local government long wished for, but it fell well short of the empowerment that could have restored a duality worth having.

The drastic reorganisation forced on local bodies in 1989 certainly went towards creating the 'bigger' local government long wished for, but it fell well short of the empowerment that could have restored a duality worth having.

1 Chandler, 2007 is a sound recent history.
2 Counties Act 1876, s.11; Counties Act Amendment Act 1883, s.5.
3 *New Zealand Herald,* 24 Mar. 1877, p.3; Otago Daily Times, 17 Feb. 1877, p.3.
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9 AJHR, 1907, H–41 for a list of new counties up to 1906. Otherwise the figures are mine.

10 *The Municipal Handbook,* first published in 1905, is the most convenient source for tracking town development. Town clerks wrote the separate entries. From 1926 the Handbook was succeeded by the Local Authorities Handbook.
11 *Evening Post,* 5 July 1925, p.8.
12 Financial Arrangements Act 1876.
13 These percentages are calculated from the tables of local bodies' rates, receipts and expenditure in *New Zealand Official Year-book,* 1902, 1912, 1921, 1931.
14 Government Loans to Local Bodies Act 1886.
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18 Counties Amendment Act 1931, s.2.
19 New Zealand Census, 1901, pp.24–5; 1911, p.30, 1921, Pt 1, p.27.
20 Information obtained from *New Zealand Gazette* notices of amalgamations and acts of Parliament establishing new counties.
21 *AJHR,* 1927, D–1: 3rd annual report of Main Highways Board.
22 Electric-power Boards Act 1918.
23 *Evening Post,* 18 Oct. 1898, p.4.

Chronology

1835	Municipal Corporations Act (England), providing the model for local government in New Zealand
1840	Governor Hobson given instructions to promote 'municipal and district governments for the conduct of all local affairs'
1855	Dunedin Town Board Ordinance
1856	Roads Ordinance, beginning provincial government creation of road boards
1865	Otago Municipal Corporations Ordinance
1867	Municipal Corporations Act, establishing boroughs generally
1876	Counties Act, establishing counties on abolition of provinces. The Financial Arrangements Act and Rating Act settled the financial basis of local government
1881	Town Districts Act, giving townships town boards
1882	Road Districts Act, giving road boards uniform powers
1885	Counties Amendment Act, further counties to be created by act of Parliament
1886	Government Loans to Local Bodies Act
1895	Local Government Bill, the first attempt at comprehensive reform
1905	*Municipal Handbook* first issued
1908	Boards Amendment Act, creating town districts independent of county councils
1912	Government Bill, a second attempt at reform
1920	Counties Act, empowering councils to dissolve road boards
1926	*Local Authorities Handbook* first issued
1931	Counties Amendment Act, permitting counties to dispense with riding accounts
1936	Local Government (Amalgamation Schemes) Bill, a third attempt at reform
1946	Local Government Commission Act, appointing a commission to undertake reform
1988	Local Government Act, implementing reform proposals of government commission

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Graham Sansom

Is Australian Local Government Ready for Localism?

Abstract

Localism is widely supported as an antidote to what are seen as the adverse impacts of globalisation and one-size-fits-all, top-down central government. But interpretations of localism and views on how it should be practised vary greatly. This presents particular challenges for local government, which typically sees itself as the rightful beneficiary of a localism agenda focused on devolution and decentralisation, but must then confront difficult questions about its own institutional frameworks, its revenue base, and sharing power with local communities. While local government in New Zealand is exploring these issues through a national Localism project, its counterparts in Australia seem ill-prepared to follow suit.

Keywords local government, devolution, regions, communities, neighbourhoods, democracy

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The recent launch in New Zealand of a national Localism project (LGNZ, n.d.) raises a number of interesting questions for observers of Australian local government. Those questions revolve around interpretations of 'localism' and the likelihood of a coherent localism agenda emerging in Australia. How might the New Zealand project translate across the Tasman Sea? Does Australian local government want to follow a similar path, and would it be ready to do so?

Interpreting localism

Support for localism reflects widespread concerns about, on the one hand, the adverse economic, social and environmental impacts of globalisation, and, on the other, continuing centralisation of power in the hands of national governments (Albertson, 2017; Brooks, 2018). Many believe that local action can address some of the 'wicked' problems that governments appear unwilling or unable to resolve: communities should be empowered both to deal with their local concerns and to help address 'big picture' issues. Localism is thus intertwined with the governance principle of subsidiarity:

central governments should act only with respect to those tasks that cannot be performed effectively at a more local level.

Precisely because it espouses such a broad agenda, definitions of localism and ambitions for its implementation vary dramatically. The Oxford dictionary suggests 'Preference for one's own area or region, especially when this results in a limitation of outlook' or 'A characteristic of a particular locality, such as a local idiom or custom.' Cambridge has a different view: 'the idea that people should have control over what happens in their local area, that local businesses should be supported, and that differences between places should be respected'.

Localism is fundamentally about 'place' and bringing people and organisations together within a framework of places in order to address social, economic and environmental concerns.

'Local government' is not mentioned in either case, but there is a strong body of opinion that sees elected local councils as a principal means by which localism agendas may be pursued. This belief seems to lie at the heart of the New Zealand Localism project:

> Localism involves a new approach to governing New Zealand, one in which citizens and communities, *working with and through their local governments,* have a more active and meaningful role … This requires re-distributing roles and functions between central and local government. (LGNZ, n.d., p.3, emphasis added)

By contrast, the Commission on the Future of Localism, established by two British community-based organisations – Locality and Power to Change – concluded that 'Reducing the debate on localism to the question of "what powers are devolved?" while a key part, misses the fundamental point about localism: people are the end goal, not local government' (Commission on the Future of Localism, n.d., p.12). This point is highlighted in Taylor's account of the 'new localism' adopted by Britain's Labour government in the late 1990s. While local government was seen as a key player, it was 'far from clear to minister [sic] and policy advisers in government that councils are the best bodies to promote relevant and effective forms of accountability and public engagement' (Taylor, 2013, p.23). Other options were floated, such as the direct election of hospital boards and police chiefs, and there was talk of 'double devolution': power needed to be shifted downwards 'from Whitehall and Westminster down to town halls, and from town halls to communities and citizens' (Mulgan and Bury, 2006, p.5).

This was the approach adopted by the Conservative–Liberal Democrat government that assumed power in 2010. Its 2011 Localism Act strengthened to some degree the position of local government, but also included provisions that offered communities and civil society a greatly expanded role in local planning and service delivery. Prominent among those provisions were the right to bid to wrest ownership and/or management of services and facilities from councils, and processes for existing parish councils and newly created neighbourhood forums to prepare binding 'neighbourhood plans' that could amend councils' land use and development policies.

Parish, town or community councils (known collectively as 'local councils') function across much of England and Wales. They are all popularly elected and offer a ready-made vehicle for localism, especially if 'double devolution' is a central objective. Wills (2016) argues that 'institutional infrastructure – at the neighbourhood scale' is imperative for localism to happen. Her research into the development of localism in urban England found that 'in EVERY case, localism depended upon the existence of an independent neighbourhood forum that was able to represent local interests, develop an agenda for the local area, and make things happen'.

The policies of the UK government can also be seen as an expression of what might be termed 'neo-liberal localism', which is concerned with efficiency as much as democracy, through the medium of competition. In his global review of localism, Hartwich refers to the work of Hayek, who preferred local to central government, but favoured private provision of services above all, and Tiebout, who argued that residents and businesses should be able to choose between municipalities with differing policies, tax rates etc. Hartwich argues that:

> Subsidiarity is a central element of good governance …This is the best way of enlivening democracy, engaging citizens with the political process, and preserving individual freedom … Local government can be more efficient in the services it provides. Arguably, it could also provide them at a better quality within a system of competitive localism. (Hartwich, 2013, pp.13–14, 11–12, 30–31)

A very different strand of localism is 'direct action' by communities in supporting local businesses, co-production of food and other necessities, tackling social issues and environmental sustainability. A typical example is Re>Think Local, a community organisation in the Hudson Valley, New York. Its objective is 'co-creating a better Hudson Valley' and it sees localism in the following terms:

> Localism is about building communities that are more healthy and sustainable – backed by local economies that are stronger and more resilient ... The goal is real prosperity – for all … Localists also recognize that while our focus is primarily on our own communities, our vision is global. Each of us is

crafting a piece of a larger mosaic – a global network of cooperatively interlinked local economies. (Re>Think Local, n.d.)

The reference to a global vision and network points to the crucial issue of scale: how local is local, and how does localism deal with wider concerns? Localism is fundamentally about 'place' and bringing people and organisations together within a framework of places in order to address social, economic and environmental concerns. It incorporates themes such as place-shaping, integrated place-based planning and service delivery, and collaborative leadership (Hambleton, 2011). But the geography of place is complex: spatial relationships vary depending on the issues involved. So as Stoker commented: 'The difficulty is that we are still very unclear about the territorial level at which to conduct the new localism. Is it the regional, county, district or neighbourhood level? If it is all four, how can the system be made coherent?' He argued that localism must also address the big issues, and identified weaknesses in the framework and practice of local politics as a significant constraint to be overcome (Stoker, 2002, p.22).

In a similar vein, Wills highlights the recent shift in emphasis in Britain from neighbourhoods to devolution at the regional level, with the establishment of combined authorities of councils and negotiation of city/devolution deals between those authorities and central government. She notes:

> an expectation that these city deals will involve the further decentralisation of political power within the areas concerned but the jury is out on whether and how this will happen. The connections between city-deals and localism are yet to be seen and … many remain cynical that the city-deals will simply move from one set of elites in Westminster and Whitehall to another in the local town hall. (Wills, 2016)

This brings us back to questions about the role of local government within a broader conception of localism. The recent history of local government in New Zealand, and the intent of the current Localism project, offer a valuable point of reference for considering these questions, and in particular the prospects for localism in Australia.

The New Zealand Localism project

The launch document for the New Zealand Localism project asserts that:

> Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. This means strengthening local self-government, putting people back in charge of politics and reinvigorating our democracy. We are seeking an active programme of devolution and decentralisation.

It goes on to invoke the principle of subsidiarity based on the following values:

- that the allocation of responsibilities to councils will be designed to ensure accountability is clear and elected members incentivised to act in the best interests of their communities;
- that citizens will have a meaningful say about the range and nature of local services in their communities;
- that the decentralisation of services will be accompanied by financial resources commensurate with the cost of providing those services; and
- that localism will ensure a 'place-based' and integrated approach to the provision of services and local governance. (LGNZ, n.d., p.2)

This framework evidently favours a form of localism chiefly focused on, and led by, local government. Its reference to decentralisation of services is particularly worthy of note. First, it reflects a strong emphasis on improved service delivery being a key element and benefit of localism. Second, it implies that localism depends on central government either funding a sizeable proportion of the increased costs to councils, or enabling councils to raise additional revenues. With Local Government New Zealand's support, the New Zealand Productivity Commission is currently undertaking a wide-ranging review of local government funding that will consider, among other things, options for new funding and financing tools (Productivity Commission, 2018). However, requests for additional grants carry the risk that central government will instead support provision of services by community organisations, as occurred in Britain, while councillors would have to shoulder the political risk of raising any new local taxes or charges.

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Another significant feature of the launch document is its emphasis on local government becoming more accountable for its expenditures and performance. It commits local government to independent, external performance reviews, and to rigorous scrutiny of expenditure and policy decision making that ensures community needs and preferences are met in an efficient and effective manner (LGNZ, n.d., p.2). This perhaps echoes neo-liberal 'competitive localism'.

Oddly, the document does not mention the potential of New Zealand's statutory regional councils and neighbourhood-scale community boards, which are either wholly or partly elected and could be used to facilitate localism agendas at different spatial scales. Over the years unitary authorities (local councils with wider powers) have replaced some regional councils, and in many places there are no community boards, their establishment being optional.[1] Nevertheless, experience gained over three decades in allocating responsibilities across three different forms of local government, and engaging with and empowering local people through community boards, would seem to provide a solid foundation for multi-scale and multifaceted localism. Australian local government certainly has much to learn from that experience.

Prospects in Australia

Drawing together the various strands of localism outlined above, a localism agenda for Australia might comprise the following elements:

- devolution of additional powers and functions from central to local governments, and from local governments to representative locality-based organisations;
- expanded regional cooperation between local governments to enhance their capacity to address 'big picture' issues affecting the well-being of their communities;
- more widespread use by local governments of integrated, place-based planning and service delivery; and
- enhancing local democracy through improvements to electoral systems and greater emphasis on participatory and deliberative mechanisms;

An agenda along these lines was in fact put forward in a declaration adopted by delegates to the 2017 Future of Local Government conference held in Melbourne. The declaration asserted that:

> Our present ways of thinking and governing are neither coping with the pace of change nor meeting citizens' expectations. There is an urgent need for a fresh approach and responsive leadership … Councils have a unique mandate to support, represent and give voice to 'communities of place'. They can provide an ideal platform for governments at all levels to strengthen their engagement with communities – and there is also a real opportunity to bring about a renaissance in local government itself.

> [Australian] councils and their representative associations rarely project their potential to contribute considerable financial and human resources to state and national agendas.

It then urged local governments to 'Consider how their own roles and approach to community leadership may need to change, and … Adopt a decentralised model for their own activities, including place-based planning and service delivery, and devolving decision-making to communities' (Future of Local Government Conference, 2017).

So is Australian local government willing and able to champion such an agenda? To answer that question it is important first to highlight some critical features of Australia's federal system. This is characterised by what might be termed 'double centralisation': federal (national) expenditures as a share of the total are around the OECD average, but the states and territories account for nearly all the rest and receive all but $3 billion or so of federal transfers. Also, the states control every aspect of local government, and intervene in local affairs more or less as they see fit, while the Australian Capital Territory has no separate local governments at all. Local government accounts for only 4–5% of total public expenditure, less than half the New Zealand figure.

Rather than devolve responsibilities to local government, the states have repeatedly centralised functions. For example, in the 1990s the New South Wales government 'resumed' electricity distribution from county councils, and almost every state has increased its direct control over land use planning and major urban developments. All the main utilities and public services (transport, education, health, police etc.) are run by state agencies or have been privatised, except for some public transport in Brisbane, and water supply and sewerage across Queensland, Tasmania[2] and non-metropolitan New South Wales. In particular, the states totally dominate the governance of metropolitan regions, where local government remains divided into numerous municipalities that play a distinctly 'junior' role. South East Queensland is a partial exception, due to the size and spending power of Brisbane City Council and its populous and rapidly growing neighbours, including Gold Coast. But even there recent years have seen increasing centralisation. Significantly, none of the states has legislated to *require* councils to establish regional local governments to which they or the federal government could readily devolve powers and functions (Sansom, 2019, p.16).

Faced with these challenges, Australian local government tends to focus on its weaknesses rather than its strengths. It appears preoccupied with state centralism on the one hand, and the belief that it is entitled to more federal financial support on the other. Councils and their representative associations rarely project their potential to contribute considerable financial and human resources to state and national agendas. Councils generally see their revenue base as inadequate for the tasks they already face, and devolution of more functions would undoubtedly be opposed unless it was matched by increased grants or expanded revenue sources – the same position as that adopted by Local Government New Zealand. In part this reflects the continuing presence – and influence – of large numbers of small (in population) rural-remote municipalities that already depend on federal and state grants to discharge even basic functions such as building and maintaining local roads.

The sector's mindset was apparent in policy statements for the New South Wales and federal elections held respectively in March and May 2019. Local Government NSW (the state association of councils) set out 12 priorities (Local Government NSW, n.d.). At first glance there are hints of a robust localism agenda in headings such as 'Support local decision-making' and 'Promote strong governance and democracy', but it soon becomes apparent that the focus is firmly on local government's longstanding concerns about inadequate state grants, cost shifting and rate pegging; excessive state controls and interventions in local affairs; removal of land use planning powers; and 'domestic' issues such as election spending laws, councillor superannuation and skills shortages.

For the federal election, the Australian Local Government Association (ALGA) proposed 12 initiatives to 'deliver for Australian communities' (ALGA, 2018). All but three were wholly or largely bids for additional federal grants to councils, amounting to a doubling of current transfers (some $3 billion more per annum). There were repeated assertions that local government simply could not do more with its own resources. While several initiatives portrayed local government as a 'partner' in the federation, none spelled out ways in which councils could or would play a stronger role without more federal assistance.

At the same time, Australian local government has demonstrated a marked reluctance to create or support substantial regional or neighbourhood entities. Councils everywhere are free to establish regional agreements and organisations to discharge some or all of their responsibilities, and all states except Victoria have customised legislative frameworks in place. However, as noted earlier, regional collaboration remains voluntary. Regional organisations of councils (ROCs) and similar non-statutory alliances are widespread, but their activities are typically limited to advocacy, some joint procurement and perhaps a few other shared services, non-binding strategic plans, and externally funded regional projects (Sansom, 2019, pp.11–13). There are evident concerns that state governments will interfere in the operations of statutory entities, and that 'too much' cooperation could lead to 'amalgamation by stealth' (ibid., p.20).

Such concerns were reflected in the reaction of Local Government NSW to proposals made by the New South Wales Independent Local Government Review Panel (Local Government NSW, 2014, pp.51–6; Independent Local Government Review Panel, 2013, 81– 87) for new regional joint organisations. These were intended to facilitate greatly expanded cooperation amongst local councils and with state agencies, not least as an alternative to unwanted council amalgamations. But the association argued successfully for a much weaker version of the concept which largely maintains the voluntary 'opt-in, opt-out' culture of ROCs and restricts mandatory cooperation to non-binding regional strategies.

There are no specific legislative provisions anywhere in Australia for neighbourhood bodies along the lines of New Zealand's community boards, although again councils are free to form area-based committees with community representatives, and to delegate some decision-making powers. Indeed, many have done so. But a study of the widespread use of citizen committees as a source of advice and to help manage community services and facilities struck a cautious note. It concluded that if formally recognised within a community governance framework, 'citizen committees have the potential to represent and advocate from a community perspective. Unfortunately this potential is seldom realised. Councils appear reluctant to explore the possibilities of adapting citizen committees to fulfil this kind of remit' (Bolitho, 2013, p.27).

When the Independent Local Government Review Panel recommended that the Local Government Act make specific provision for elected community boards as an option, this was flatly opposed by Local Government NSW, which dismissed the idea as 'introducing another layer of government for no apparent purpose' (Independent Local Government Review Panel, 2013, pp.93–5; Local Government NSW, 2014, p.61). Similarly, Dollery, Kortt and Crase argued that 'there is no need to "reinvent the wheel" in NSW local government by introducing additional "sub-council" structures since existing regulation already enables local authorities to engage in local co-governance' (Dollery, Kortt and Crase, 2014, p.747). This conveniently ignores the fact that under 'existing regulation' only councils can determine what forms of 'local co-governance' may be implemented; communities are not enabled to decide these matters for themselves.

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A similar discussion had taken place in Queensland in 2007. The Queensland Local Government Reform Commission was required to consider 'the ability of community boards (and other similar structures) to deliver services and preserve and enhance community and cultural identity'. After quoting at length from an unfavourable (and unreferenced) review of New Zealand's community boards submitted by the Local Government Association, the commission saw:

> no advantage in incorporating community boards as a formal part of Queensland's local government structure … installing another tier of 'elected' members to a community board derogates from the concept of representative government. Nor should ratepayers be faced with the burden of having to fund a second tier of community representation. (Local Government Reform Commission, 2007, pp.49–50)

In the absence of substantial entities at neighbourhood/district level, the electoral system for councils assumes particular importance. In Queensland, New South Wales and Victoria – that is, for the great majority of Australians – voting in local government elections is compulsory, as it is for state and federal elections, and voter turnout is around 70% or more. However, in South Australia, Western Australia and Tasmania voting remains voluntary: turnout in the former two is very low (around 30–35%), although in the recent Tasmanian elections it reached close to 60%. This may be explained in part by the use of postal voting, the relatively small populations of most local government areas, and the popular election of all mayors.

From a localism perspective, a significant drawback of local government electoral systems across Australia is the typically low number of councillors per head of population in most metropolitan areas and large regional centres. Ratios of one councillor (usually part-time except in Queensland) to 10,000 or more residents are not uncommon, and several states have promoted further reductions in the number elected. Moreover, there is a trend to electing councillors 'at large' in a single electorate rather than by locality-based wards or divisions. These features reflect the idea that councillors should operate as a small, policy-setting 'board of directors' that leaves implementation of policy and programmes in the hands of professional managers.

While all this may not bode well for an Australian localism, there is another story. As the 2017 Future of Local Government conference declaration acknowledged, many councils do have a record of achievement on which to build. 'Community development' has been a recurring theme in local government practice since at least the 1970s. In the early 1990s ALGA formulated and secured federal government support for a programme of 'integrated local area planning' (ILAP) that promoted local government's role in 'place management', including coordination of planning and service delivery with federal and state agencies. ALGA advocated six ILAP principles:

- More appropriate [tailored] responses to differing local circumstances and needs;
- A holistic, integrated approach to the issues affecting a local area;
- A shared understanding of those issues, and a shared vision of desired futures
- More effective use of resources through improved coordination between programs;
- Increased community involvement in planning and management processes
- Pursuit of local government's mandate to play a leadership role. (ALGA, 1993, p.1).

Although the ILAP initiative as such petered out in the mid-1990s, it anticipated what later became known as 'new localism', and very similar principles emerged again in the 'integrated planning and reporting' (IPR) provisions added to the New South Wales Local Government Act in 2009.[3] These require councils to work with their communities to prepare community strategic plans and delivery programmes that clearly identify key strategic issues and desired outcomes, and how those outcomes are to be achieved through concerted action by the council and other responsible agencies, including community organisations. Similar provisions were adopted in Western Australia a few years later.

More broadly, over the past two decades Australian local government has made great strides in improving community consultation and engagement, and some local government acts now require councils to prepare comprehensive community engagement strategies that go far beyond consulting from time to time on specific plans and projects. A number of councils have experimented with deliberative democracy through citizen juries and online panels in order to determine expenditure priorities and obtain regular community input on current and emerging issues. In Victoria, councils have assisted residents to prepare formal (but non-statutory) community plans that outline a vision for the township or locality and identify priorities for expenditure on facilities, services and other initiatives.[4] And, as noted earlier, councils routinely work with citizen committees and community organisations in the provision or management of services and facilities.

But it remains telling that only one council, Waratah–Wynyard in north-west Tasmania, has formally established and empowered a 'community board' for part of its area, and even there the members of the board are appointed by the council (after expressions of interest and a selection process), not elected by local people (Waratah–Wynyard Council, n.d.).

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Conclusion

Despite some significant constraints, Australian local government could, if it wished, pursue a substantial localism agenda. Local government acts provide a power of general competence or its equivalent, including the ability to establish regional and neighbourhood bodies and to delegate decision-making (but not budgetary) authority to community committees. Moreover, most urban municipalities and some rural shires enjoy a high level of financial independence: their relatively limited responsibilities are well matched by their own-source revenues from property rates and service charges. And as the populations of metropolitan municipalities and regional cities continue to grow, so does the need to consider whether different localities within those local government areas would benefit from tailored approaches to governance and service delivery.

But many – perhaps most – councils remain preoccupied with the burdens of state centralism and the perception (unquestionable reality in the case of rural-remote areas) that they already lack sufficient resources to do their job. Local government thus shows little or no inclination to take the risk of playing a larger role. There are of course exceptions to this generalisation, but the prevailing narrative is one of incapacity. The New South Wales Independent Local Government Review Panel called for 'revitalisation' and for the 'old debates and slogans' about amalgamations, cost shifting, rate pegging and increased grants across the board to be put aside (Independent Local Government Review Panel, 2013, p.7). But they persist.

It therefore seems unlikely that even the local government-centric version of localism set out in the launch document for the New Zealand Localism project would win majority support. Devolution might beget more cost shifting, while increased regional collaboration could threaten councils' autonomy and lead to 'amalgamation by stealth'. Prospects for closer engagement and co-governance with local communities are perhaps brighter, especially given emerging legislative requirements for engagement strategies that include elements of deliberative democracy. But there are no moves towards elected neighbourhood bodies or far-reaching delegation of decision-making authority.

Stoker saw the need 'to construct political and institutional forms that reflect and can manage the diverse, complex and conflict-laden nature of localities' (Stoker, 2002, p.22). Local politics must both address the 'everyday' things people care about *and* deal with bigger issues. This requires a willingness to consider how local and regional democracy might evolve to meet new challenges. Australian local government may be clinging to a model that becomes increasingly redundant.

1 However, across New Zealand citizens can initiate the establishment of communitiy boards, and the amalgamated Auckland Council, created in 2009, has local boards mandated by its Act, which have specific statutory functions. Most serve much larger populations than community boards elsewhere.
2 Tasmania has a state-wide corporation owned by local government.
3 IPR also reflected New Zealand's arrangements at the time for the determination of preferred community outcomes and preparation of long-term council community plans.
4 See, for example, https://www.mildura.vic.gov.au/Council-Services/Community-Development/Community-Planning.

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Megan Courtney

A Focus on the How not the Who

localism in Aotearoa through a community-led lens

Abstract

Emerging localism discussions in Aotearoa must look further than a structured devolution of roles and responsibilities from central to local government. New operating models are needed that build from local wisdom and leadership to actively involve and empower local communities and iwi/Māori as genuine partners in decision- and solution-making for their places. Taking a 'learning by doing' focus to incentivise and support local stakeholders to better work together is essential. Future localist success will require greater power sharing and concerted trust building at all levels.

Keywords community-led development, locally-led change, collaboration, community empowerment, participatory democracy

The growing discussion around localism is both timely and important to New Zealand's future well-being and success. It is recognised that traditional top-down ways of addressing social, economic and environmental challenges need to change.

No matter where you sit on the political spectrum, there are outcomes we all collectively aspire to and care about: an end to child poverty; thriving cities and regions where housing is affordable; improved water quality and healthier environments; communities being equipped and able to deal with both natural disasters and the realities climate change is increasingly thrusting upon us.

With around 80% of all services and programmes planned, commissioned and/or delivered from the centre in Aotearoa, it shouldn't be surprising that as a nation we have come to expect that central government needs to lead from the front to 'fix' things. However, fuelled by both party politics and the national media, the government blame and credit-taking games have become something of an Achilles heel and a distraction. We need to focus both on *who* has the mandate, power and resources to do things and on *how* we work together across sectors and layers of government, with community and with Māori to enable true transformative change, both locally and nationally.

Having worked in the community change space for more than two decades, it's clear to me that the biggest potential for change comes when top-down and bottom-up meet somewhere in the middle.[1] The

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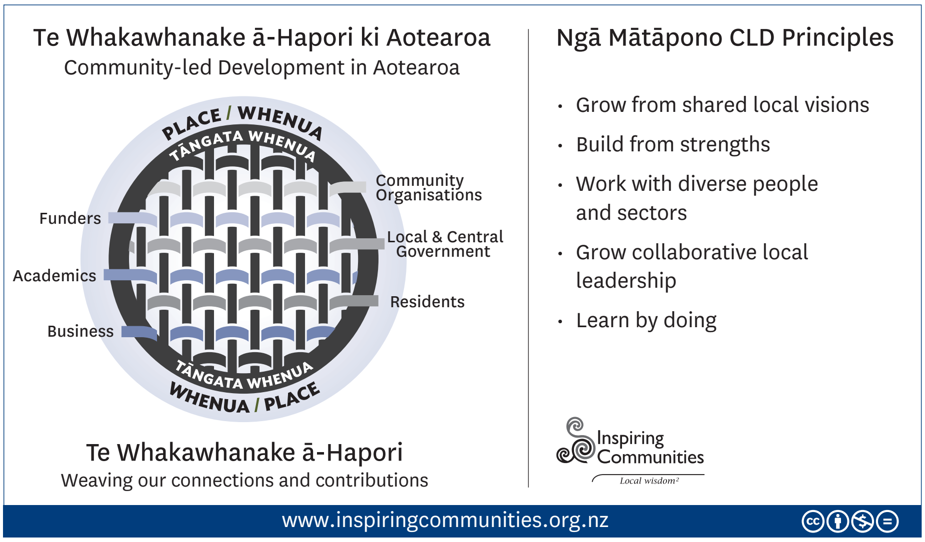
Figure 1



magic happens when trusted relationships enable everyone's expertise, energy and resources to be harnessed, with the results including:

- innovative solutions and enhanced service delivery that are both responsive to local context and tailored to support both needs and emerging opportunities;
- empowered citizens and communities who feel valued and connected, leading to increased social capital and resilience;
- improved coordination and integration of local planning and investment processes; and
- strengthened relationships and confidence to plan, work, innovate and co-invest together in ongoing ways.

In their book *The New Localism,* Jeremy Nowak and Bruce Katz chronicle the structural shift in the way 21st-century problems are solved: bottom-up rather than top-down (led by cities), multi-sectoral rather than exclusively government (driven by networks), and interdisciplinary rather than specialised (drawing from diverse expertise and experiences). Their work focuses on cities, and cites the gains thriving places like Pittsburgh and Copenhagen are making by taking a place-based systems approach to improving well-being outcomes (Nowak and Katz, 2017). Preston in the United Kingdom, too, is being internationally lauded. Ranked the most improved urban area in the UK to live and work, its self-proclaimed localist economic agenda has helped drive a significant drop in unemployment and boosted local confidence, pride and vitality. 'Practical policies to build wealth for the whole community collaboratively with a number of partners' being acknowledged as playing a key role in its success (Partington, 2018).

Complexity and innovation sciences equally point to the imperative that sustainable change requires supporting diverse sectors, people and communities to shape the solutions that affect them. Community voices and knowledge, along with local capacity to act and co-invest, need to be better recognised and enabled here in Aotearoa. For the last decade, Inspiring Communities – a team of specialists in community-led development – has argued that community-led development provides a really useful addition to New Zealand's national policy, investment, system and practice frameworks.

Community-led development is based on the premise that all communities have the ability to thrive. While providing neither a recipe nor a silver bullet (they don't exist), community-led development offers a place-based principles approach (see Figure 1) so that the contributions of everyone connected to a place are harnessed and woven together. This enables local visions, priorities and aspirations to be realised. One could say that it's localism by another name. Thus, community-led development provides a useful lens for framing what a localist approach in New Zealand could look like and some of the pathways needed to get there.

To date, some of the emergent localism dialogue has leaned heavily on central and local government examples from the likes of Switzerland, Germany and the UK. While we can learn from their lessons and models, our starting place here is inherently different. *It's our local* that we need to plan forward from, starting from where we are and have been.[2] In Aotearoa New Zealand the Treaty of Waitangi ensures that the histories and world views of tāngata whenua shape relationships, actions and outcomes in local communities. Māori tikanga (values and practices) influences the contexts in which change in our communities occurs, as do the relationships and opportunities afforded through recent Treaty settlement processes. An authentic Kiwi localist approach needs to promote, grow and deepen more authentic partnering that intentionally brings together iwi/Māori and broader community aspirations and plans. In the words of Sir Tipene O'Regan:

> We can now afford to dream and we have the resource and the human capacity to grow our dream. What we cannot afford to do is fail to dream. At the heart of that dream must lie the constant process of continual reclamation of the remarkable compact we commemorate today. Whatever the actual intent and mutual understandings of the parties to the Treaty of 1840 – or, indeed, the misunderstandings – it has provided us with both an historical foundation and a heritage on which we can stand our future. (O'Regan, 2019)

In this regard, the Ruapehu Whānau Transformation Plan[3] provides an example to learn from. Guided by the teachings of Koro Ruapehu (their maunga/mountain), who is said to 'look after every living thing in his shadow', local iwi have initiated and facilitated new processes involving everyone in their 4,000-strong community to collectively identify goals and solutions to improve outcomes for local whānau and the community as a whole. This has brought together community leaders, elected members, agency representatives and local supermarket owners to talk, work and take action together. And in Ōpōtiki, iwi, local government, community and business partnerships have enabled significant long-term collective planning for locally-led social and economic transformation, particularly around aquaculture and tourism development. It is expected that long-awaited confirmation of central government co-investment in required local infrastructure upgrades will enable this project to take its next big steps in 2019.[4]

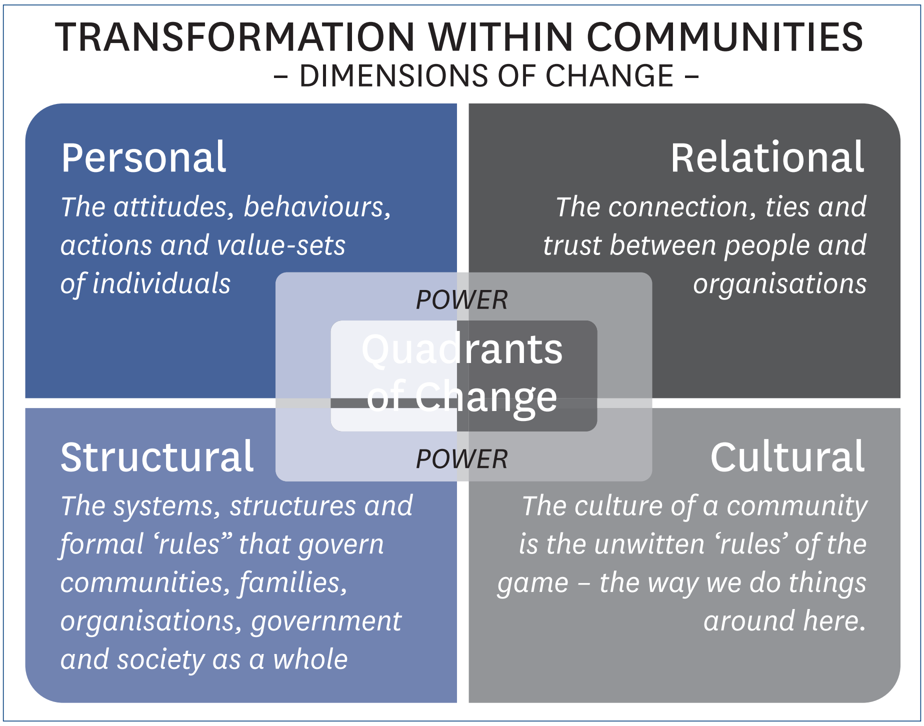
Alongside iwi/Māori, local government could and should play a larger role in leading and directing community well-being efforts. However, our observations of local government practice in the last decade would suggest that simply moving a wholesale range of functions and powers from central to local government will not automatically generate localist success. Within a localism paradigm, greater decentralisation of power, decision making and resources to local government needs to be accompanied by corresponding increases in community engagement, participation and activation. Inspiring Communities' experience in community change suggests that localism discussions and debates need to attend to the broader range of factors that support long-term community transformation.

In our work, we've seen that four key dimensions need aligned attention and investment to enhance local well-being outcomes. This means that personal, relational, structural and cultural elements must be progressed together to enable transformational community change – as represented in Figure 2.

For example, changing legislation or structures or allocating more money and decision making to a regional or local level (the structural quadrant) won't of themselves be enough. Equal attention is also needed to the:

- *personal quadrant:* building skills and capabilities of local leaders and citizens so that they are equipped and confidently able to step up and authentically participate and lead in both local decision making and action taking. Localism requires citizens to be more than passive participants in community engagement processes. Instead, active citizens are valued as co-production partners alongside government and others in a 'doing with' approach rather than doing for or to;[1]
- *relational quadrant:* complex issues have multiple root causes and drivers and require joined-up, collaborative responses. Building capacity to collaborate, investing in relationships and developing effective long-term partnering mechanisms within and across sectors and communities are essential;
- *cultural quadrant:* as a result of doing things together and seeing results at first hand, local levels of trust, confidence, possibility and optimism build. New norms and ways of engaging and working together become established (the local 'how to'), speeding up next-phase local problem solving and collective action taking.

Figure 2



Adapted from Lederach, Neufeldt and Culbertson, 2007

Power is another element that has a significant impact on collaborative change processes and, as such, it sits at the centre of the quadrants frame. Power dynamics influence what things happen and how in communities and whom for and/or with as a result. Localist or community-led approaches by nature require a purposeful redistribution of power to enable local people to be more equal partners in decision making and taking. As the UK Commission on the Future of Localism has observed:

> Fostering localism is a marathon, not a sprint. The change that's required cannot be achieved through policy and legislative levers alone. National government must set the conditions for localism to flourish, devolve power and resources to local areas and strengthen the capacity of our community institutions. But we must also change practices, culture and behaviour within local government. It is crucial that we focus on building strong relationships between local government, civil society, local businesses and people around a shared interest in place. Only then will we create the environment for local initiatives to thrive and unlock the power of community. (Commission on the Future of Localism, n.d., p.9)

As it stands, moving functions and services from central to local government doesn't mean that local people and communities will necessarily have any greater say over or stake in outcomes than they do now. Local communities have good reason to be sceptical. In the UK, where austerity has driven much of the localism agenda, massive central government cuts to local council budgets have brought corresponding slashing of local service delivery, with communities (and councils) left reeling as a result. In many instances localism has resulted in 'double devolution' – from central government to local government, and then from local government to neighbourhoods and households (Painter et al., 2011, p.4).

While we need to learn from the UK's devolution experience, there is a broader range of imperatives that we need to keep in our sights to enable positive change here in Aotearoa. Alongside issues of power sits trust. If localism is to work, it is essential that communities in Aotearoa are able to trust in processes that promise them greater local leadership and autonomy. Currently, trust is far from assured. Recent qualitative and quantitative research by UMR Research noted that 30% of New Zealanders were in favour of localism (more local services being provided and controlled by local decision makers) and 30% against, with a further 40% either neutral or unsure (UMR, 2019).

Despite the effective community engagement and empowerment rhetoric espoused by most local councils in New Zealand, good practice has frequently fallen short of policy promises. And communities have noticed. Two key measures in the Quality of Life Survey have tracked the public's perception of their influence on council decision making and confidence in their council making decisions that are in the best interests of their city or local area. Results across both measures have remained low over the last decade, with 2018 results across the six cities surveyed showing a drop in confidence in council decision making from 38% to 33% over the 2016–18 period.[6]

It's not just citizens and communities who have trust issues with local councils. As Christchurch mayor Lianne Dalziel noted in her address to the 28 February 2019 Localism Symposium in Wellington, local government trust in communities has also reduced. Again, there are likely to be multiple factors at play here, including questions of economies of scale (that devolving things to communities is not cost efficient), health and safety (communities are unable to do things like build a playground that will meet new legislative standards and requirements), and professional capture (elected members and staff assuming they know what communities want and/or taking on the role of expert).

So, what and where to next? Current intentions to strengthen the well-being focus of both local and central government provides greater mandate for and expectation of joined-up approaches at both central and local levels.

It is important to recognise that in many cases, a localist approach doesn't actually require central government to change anything. It's happening now. Take, for example, the Hokonui Huanui initiative in Gore, where local agencies (central and local government agencies and community) have been working and planning together to create a pathway from 'learning to earning' for young people in their district.[7] Similar locally-led youth employment initiatives have also been underway in other local and regional communities for some time, with philanthropy frequently providing catalytic co-investment[8] alongside (but sometimes ahead of) government partners.

> It is important to recognise that in many cases, a localist approach doesn't actually require central government to change anything.

Across the Wellington region, collective efforts to ensure that low-income communities have better access to affordable, healthy food is generating positive impacts on health, well-being and family budgets. Led by Wesley Community Action and Regional Public Health, the Wellington Fruit and Vege Co-operative[9] has established partnerships with 11 community hosts (teams) across the region. Supported by local volunteers, community packing hubs are distributing more than nine tonnes of fresh produce to 1,400 Wellington homes each week, more cheaply than families can buy it at the supermarket. This collaborative community-led approach is supported by 400 volunteer hours per week (annual value $320,000), resulting in an estimated $560,000 annual saving for low-income family budgets, as well as delivering a range of health, nutrition and social capital benefits.[10]

The call for New Zealand to be predator free by 2050 has also sparked significant new collaborative investment and action at multiple levels, involving communities, iwi, private businesses, philanthropists, innovators, educators, schools, scientists, and local and central government.[11] While alignments are being progressed across key agencies working at the national level, it is recognised that the success of Predator Free 2050 will ultimately come from local effort – everyone working in their own patch towards the national objective. Diverse collaborative efforts involving over 1,600 groups are now underway all over Aotearoa, as seen on the Predator Free NZ map.[12]

What localism in New Zealand could most benefit from is more concerted investment in trialling, joining up and learning from diverse localist initiatives around the country that are intentionally focused on making progress around locally defined well-being outcomes and priorities.[13] This could usefully be supported by some key commitments at multiple levels, including:

- provision of targeted incentives to support well-being convening and collaboration processes – noting that local leadership may be initiated from any number of potential partners, not just central or local government;
- mandate and resourcing for central government agencies to be more actively part of follow-on well-being collaboration processes, especially those linked to council long-term plan and well-being indicator processes;
- ensuring dedicated resources and capacity support so that local communities can be active partners in both well-being collaboration processes and next-step doing phases;
- exploration of new co-investment and shared local accountability mechanisms,

noting that place-based initiatives need freedom to achieve outcomes through co-created processes, projects and approaches that best fit local contexts; one-way siloed accountability approaches that report back to either ministers or mayors are no longer appropriate;

- more flexible funding available for central government agencies based in regions to help seed and feed early-stage locally-led innovation and response; this capacity has significantly eroded over the last decade and is sorely missed at local levels;
- capability building at both local and central government levels to help support and enhance more authentic community engagement, partnering and participation outcomes in and alongside local communities;
- commitment to 'barrier busting' by a designated senior officials group so that emerging challenges can be navigated in real time and inform ongoing development of community well-being policy at the national level.

As Minister for Local Government Nanaia Mahuta told the Local Government New Zealand conference in July 2018:

> Local government has a critical role in delivering on these outcomes for all New Zealanders. I understand that project localism will build that proposition. This in my mind is not merely a matter of decentralisation. Local leadership delivers on well-being. There is an opportunity for new thinking about how a circular economy, social enterprise, procurement, economic development partnerships deliver better outcomes. This will be a game changer but not because it separates out localism and local solutions but because it reinforces coordination and collaboration. (Mahuta, 2018)

1 The author was deeply involved in helping shape and advance intersectoral collaboration in Waitakere City (west Auckland), which was recognised nationally for its innovation. For more see Craig, 2004 and Craig and Courtney, 2004.
2 For example, in 2016 Inspiring Communities, Local Government New Zealand and the Institute for Governance and Policy Studies co-hosted a Start Local seminar involving 160 people from across sectors and localities. Ten top tips for starting local and building resilient communities were noted: see http://inspiringcommunities.org.nz/ic_resource/start-local-seminar.
3 See https://www.ruapehuwhanautransformation.com/our-story.
4 See https://www.odc.govt.nz/our-council/current-projects/harbour-development/Pages/default.aspx.
5 See the New Economics Foundation's Ladder of Participation, which builds from Sherry Arnstein's earlier version.
6 The 2018 Quality of Life project is a partnership between Auckland, Hamilton, Wellington, Porirua, Hutt, Christchurch and Dunedin city councils and Greater Wellington Regional Council (covering around 62% of New Zealand's population): see http://www.qualityoflifeproject.govt.nz.
7 For more on Hokonui Highways see Phillips, 2017.
8 See http://www.toddfoundation.org.nz/youth-employment.
9 The Wellington Co-Op model is based on a similar Christchurch initiative, Food Together (http://foodtogether.kiwi/), who have generously shared their 'how to' and experience.
10 For example, a 2014 evaluation found that before joining the Co-op, 33% of people were eating three or more servings of vegetables a day and two or more servings of fruit a day. After becoming members, 62% were meeting this Ministry of Health guideline.
11 For more on The Predator Free NZ approach see https://www.doc.govt.nz/nature/pests-and-threats/predator-free-2050/goal-tactics-and-new-technology/. As an example of how Predator Free intentions are being shaped and embedded regionally and locally in Taranaki see https://predatorfreenz.org/5126-2/ and https://www.trc.govt.nz/environment/working-together/pf-taranaki2050/.
12 https://predatorfreenz.org/map/national-map/.
13 Note that investment should and could equally support and deepen existing collaborative efforts where they are underpinned by a localist intent and framework.

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Peter McKinlay

LOCALISM let's do this

Abstract

This article explores the emergence of localism as a key concept in local governance. It distinguishes between devolution, subsidiarity and localism, and examines how current policy development in New Zealand still reflects a very top-down understanding of governance. It then argues that local government has all the powers required to put in place a radical practice of localism and explains how.

Keywords localism, governance, devolution, subsidiarity, delegation, communities, well-being, purpose

This article is a reflection on localism. It culminates in the argument that New Zealand local government already has all of the power and authority required to adopt a radical policy of localism. It discusses what is understood by localism and whether New Zealand councils have the political will and capability to lead change.

Any discussion of localism should start with recalling Humpty Dumpty's classic statement, in *Through the Looking Glass:*

> 'When *I* use a word,' Humpty Dumpty said in rather a scornful tone, 'it means just what I choose it to mean – neither more nor less.'
>
> 'The question is,' said Alice, 'whether you can make words mean so many different things.'
>
> 'The question is,' said Humpty Dumpty, 'which is to be master – that's all.'

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A useful beginning: the UK Localism Act 2011

The story begins with the United Kingdom's Localism Act 2011, which at the time was promoted as a significant shift in the locus of power. The Act itself does not define localism, but the responsible minister, the minister of state for decentralisation, in his forward to *A Plain English Guide to the Localism Act* had this to say:

> I have long believed there is a better way of doing things. Eight years ago I wrote a book called *Total Politics* which set out the case for a huge shift in power – from central Whitehall, to local public servants, and from bureaucrats to communities and individuals.
>
> Today, I am proud to be part of a Government putting this vision into practice. We think that the best means of strengthening society is not for central government to try and seize all the power and responsibility for itself. It is to help people and their locally elected representatives to achieve their own ambitions. This is the essence of the Big Society. (Department for Central and Local Government, 2011, p.1)

Sadly, performance did not live up to the promise. The community right to challenge, which was presented as an opportunity for communities to put forward to councils alternative approaches for delivering services with the expectation that the community might then be able to take over the service delivery role itself, turned out to be simply a way of triggering a competitive process for tendering service production, almost the direct opposite of what localism was understood to offer.

Despite that, interest in localism in the United Kingdom has continued to increase. This article will draw on two recent UK think tank reports, one reflecting the view that localism is central to the future of good governance, the other to provide an in-depth view of how the public sector as a whole needs to change through radical empowerment of communities in order to address alienation and manage the exponential growth in demand for public services.

Local Government New Zealand and Project Localism

In New Zealand there has been a relative lack of interest in localism, until the launch in 2018 of Local Government New Zealand's Localism project, which is so far primarily a call for substantial devolution from central government to local government of major government-provided services, along with the funding required to meet the cost of those services. This project is still in its early stages, so it is not yet clear what view it will take of localism.

Localism considered

An informed discussion of localism needs to unbundle a number of different but often conflated concepts, including devolution, subsidiarity, and localism itself.

Localism is not so much about formal institutional power, as about influence and the right to share in decision making. This was spelt out in a 2018 report from the English think tank Locality, *People Power: findings from the Commission on the Future of Localism*. Locality had established the commission in 2017 to consider 'how to reinvigorate localism and unlock the power of community'. The commission was chaired by Lord Kerslake, the president of the Local Government Association and previously the head of the Home Civil Service. The report had this to say about the characteristics of localism:

> Localism must be about giving voice, choice and control to communities who are seldom heard by our political and economic institutions. Localism should enable local solutions through partnership and collaboration around place, and provide the conditions for social action to thrive. Localism is about more than local governance structures or decentralising decision-making. It is about the connections and feelings of belonging that unite people within their communities. It is about how people perceive their own power and ability to make change in their local area alongside their neighbours. (Commission on the Future of Localism, 2017, pp.3, 7)

Subsidiarity, which is often confused with localism, is the principle that decisions should be taken at the lowest level which encompasses the principal impact of the decision. Subsidiarity encompasses both deciding and implementing and thus requires an implementation capability. Localism, in contrast, as the Commission on the Future of Localism states, is about voice, choice and control. This may and should influence implementation, but does not necessarily involve undertaking implementation as such. The difference is critical. In practice subsidiarity would place authority with local government, as it is local government which typically has the implementation capability. In contrast, localism would place authority in the hands of the community or communities affected, empowering them to share in decision making so that their voices shape the outcomes which result.

Finally, devolution involves a higher tier passing to a lower tier the authority (and ideally the resources) to make decisions about and undertake a particular activity or activities, but crucially subject to whatever conditions the higher tier seeks to impose. In an extreme, devolution can increase dependency on the higher tier rather than build autonomy within the lower tier.

International comparisons

New Zealand is an outlier, with a relatively narrow range of functions and relatively low proportion of public expenditure undertaken by local government, compared with the much more extensive responsibilities of local government in European jurisdictions, North America and the UK. Councils in those jurisdictions are typically responsible for a much broader range of service delivery for their communities, and spend a significantly greater proportion of GDP, and of public expenditure, than is the case with local government in New Zealand. To a great extent this reflects the quite significant differences between the history of local government in those jurisdictions and in New Zealand, where the reality of our history is that centralism was the only option.

Greater involvement in major service delivery does not necessarily mean greater authority and discretion for local government.

Greater involvement in major service delivery does not necessarily mean greater authority and discretion for local government. The English experience of councils having major service delivery responsibilities is a combination of ongoing central government intervention in service delivery, and major reductions in services as central government treats funding for local government as a discretionary item of expenditure which can be cut back to meet central government's budgetary objectives. The English experience is a dramatic illustration of the risk for local government in carrying the responsibility, often statutory, for the delivery of major services when much of the associated funding is provided through a central government grant which is discretionary rather than entrenched.

People Power

This report's statement on localism, quoted above, is reflective of an increasing trend in local governance, especially within the UK and North America, of recognising the importance of creating means for people and communities who have felt excluded from the political process to re-engage and have a genuine voice in helping shape their own futures.

... with the additional strength of making the case that a shift to a new paradigm is necessary not just in terms of restoring democratic engagement, but also in order to manage burgeoning demand.

This trend has seen innovative developments in the use of existing powers, as with the creation of Wiltshire Council's area boards.[1] These are technically subcommittees of the council, with significant delegated authority, each centred around a former market town and comprising ward councillors for the area. In practice, and by the council's constitution, area board meetings are open to anyone within the area who wishes to attend and take part in decision making, which the constitution provides should be by consensus if at all possible while still recognising that legally the only formal decision makers are the ward councillors. The structure underpins a number of collaborative arrangements between the council and its communities and has led to a significant level of mutually beneficial co-production and co-governance activity.

The community paradigm

Locality's *People Power* report is complemented by a February 2019 report from the New Local Government Network, *The Community Paradigm: why public services need radical change and how it can be achieved,* despite the fact that apart from a single reference to the Localism Act 2011 this report makes no explicit reference to localism.

The New Local Government Network's basic thesis is that public services in the sense of services to support people and communities have evolved through three successive paradigms and are now entering a fourth. These are described as: the civic paradigm, lasting from the 16th to the early 20th century and based on an evolving patchwork of independent bodies delivering limited public services; the state paradigm from the 1940s to the early 1980s, providing universal, comprehensive, free at the point of use provision (in the UK the post-Beveridge report reforms; in New Zealand the development of the welfare state); and the market paradigm from the 1980s and now reaching the end of its era of influence, focused on cost and efficiency and based on a transactional approach to relationships between the state and providers, and providers and users.

The New Local Government Network argues that the market paradigm, and the state paradigm, the hierarchic approach of which is still pervasive, are unable either to address a growing sense of alienation amongst much of the public, or to build the collaborative and egalitarian relationships needed to create the preventative approach that can stem rising demand. Its position is:

> there is an urgent need for a new model of public service delivery: the Community Paradigm. The fundamental principle underpinning this paradigm is to place the design and delivery of public services in the hands of the communities they serve. In this way, a new, egalitarian relationship can be built between public servants and citizens: one that enables the collaboration necessary to shift to prevention; one that requires communities to take more responsibility for their own well-being; and one that means citizens and communities can genuinely 'take back control'. (New Local Government Network, 2019, p.7)

The balance of the report makes a strong evidence-based case for shifting greater control to communities themselves, including developing 'community commissioning' of public services. It is in the spirit of *People Power* in arguing for the importance of voice, choice and control, but with the additional strength of making the case that a shift to a new paradigm is necessary not just in terms of restoring democratic engagement, but also in order to manage burgeoning demand. In this respect its basic argument about the prerequisites for the sustainability of public services points in the exact opposite direction to the present New Zealand government's emphasis on further centralisation (reform of the State Sector Act, restructuring of the polytechnic and industry training organisation sector, the role of the new New Zealand Infrastructure Commission, initiatives in urban development).

Local governance for community well-being

The present government came to office with a commitment to resetting relationships between central government and local government. This has included introducing legislation to restore to the Local Government Act 2002 the purpose of promoting community well-being, and beginning to consider how the government's own well-being policy, including the application of the Treasury's Living Standards Framework and the introduction of a well-being budget, can mesh with local government's forthcoming role of promoting community well-being.

In November 2018 the minister of local government took a paper to cabinet on the theme of local governance for community well-being which invited cabinet:

to agree to consider the future role of local governance in New Zealand in delivering intergenerational wellbeing for all New Zealanders, delivering regional growth objectives, strengthening local democracy and instilling greater trust and confidence in local governance. (Office of the Minister of Local Government, 2018, p.1)

The paper included the following description of localism, confusing localism with subsidiarity:

> 'Localism' is a concept underpinned by the principle that 'public services should be provided by the sphere of government which is as close as possible to the people who use and benefit from the services, unless there are reasons why they should be provided by governments at a regional national sphere'. (ibid., p.6)

This suggests central government and its advisors are on something of a learning curve about the nature of localism and of the role of communities in governance, as well as in understanding the inherent difference between subsidiarity and localism. It is likely that its authors were unaware of developments in the practice of localism internationally, including the emergence of a number of innovative community governance initiatives. Instead, as the following paragraphs illustrate, it appears to have been written on the assumption that central government intervention, and, potentially, legislative change, will be required to support a stronger emphasis on community governance:

> I will take a principle-based consideration of the role local leadership could play in delivering intergenerational wellbeing for all New Zealanders, strengthening local democracy, instilling greater trust and confidence in local governance and supporting regional development.
>
> I propose to explore a paradigm of local governance that is empowered to develop localised initiatives to tackle areas of concern such as hazard and risk management, social enterprise, young people not participating in trade, work or education, barriers to employment, and homelessness and social housing.
>
> …
>
> My reform programme seeks to reposition local government with a stronger more wellbeing focussed role within our communities; strengthen the legitimacy of local government and the level of civic participation within our communities; and importantly, to manage the cost pressures faced by local government to make rates more affordable – particularly in terms of the provision of water infrastructure. (ibid., pp.7–8)

A number of responses outlined different approaches to working with communities which went well beyond the formal statutory requirements of the Act, but none demonstrated a policy commitment to enabling decision making and action *by* communities.

Inherent in the minister's proposal is the continuance of an approach in which specifying local government's role and function should remain centrally determined.

There are, it needs to be noted, areas where central government action will be required – for example, addressing some of the challenges of local government funding and financing – but, as the following overview of provisions in the Local Government Act demonstrates, local government already has all of the statutory powers needed to lead a radical shift in local governance, empowering communities to become major partners in decision making.

Local governance and the Local Government Act

Understanding the powers of local government should begin with section 12(2) of the Act, which provides that:

> For the purposes of performing its role, a local authority has –
> a) full capacity to carry on or undertake any activity or business, do any act, or enter into any transaction; and
> b) for the purposes of paragraph (a), full rights, powers, and privileges.

The next step is to consider section 10(1). This section is currently being amended; its provisions are stated here on the assumption that the amendment has become law. The section states that:

> The purpose of local government is –
> a) to enable democratic local decision-making and action by, and on behalf of, communities; and
> b) to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Arguably, section 10(1)(a), with its purpose of enabling democratic local decision making and action by communities, is already a charter for supporting community governance.

The new purpose will be given more precision by the inclusion of a new decision-making rule which will require councils, when taking a decision, to consider the likely impact of the decision on each aspect of community well-being. It seems certain that this will mean councils will need to understand not just the broad effects of well-being at the level of the so-called 'four well-beings', but the impact on different aspects of each well-being – something which will require them to take positive steps to develop suitable well-being indicators for local communities.

Section 11 of the Act, addressing the role of the local authority, provides that it is to 'give effect, in relation to its district or region, to the purpose of local government stated in section 10'. In other words, it is to give effect to, among other things, the purpose of promoting democratic local decision making and action *by* communities.

As part of the research for this article, all councils were asked to respond to a brief questionnaire, the principal question in which was: 'Does your council explicitly recognise the purpose of enabling decision-making and action by communities?' A number of responses outlined different approaches to working with communities which went well beyond the formal statutory requirements of the Act, but none demonstrated a policy commitment to enabling decision making and action *by* communities. Some had delegated authority to various community committees and other bodies to undertake limited activity, but this was more to meet the functional requirements of the council than to promote genuine community-based decision making. Others had adopted quite creative approaches in going beyond the formal statutory requirements for consultation, but all without exception reserved final decision making to the council itself.

Other provisions in the Local Government Act enable extensive delegation of authority. Clause 32 of schedule 7 enables a local authority to delegate 'to a committee or other subordinate decision-making body, community board, or member or officer of the local authority any of its responsibilities, duties, or powers except –'; the exceptions relate primarily to striking a rate, borrowing, purchasing or disposing of assets (unless provided for in the long-term plan), appointing a chief executive, making a bylaw, or adopting a long-term plan, annual plan or annual report.

Community boards are established (or disestablished) with the approval of the Local Government Commission and are elected by people within the area of the community board. Committees are much more flexible as structures. Clause 31 of schedule 7 provides a broad power to establish committees or subcommittees and appoint people who are not elected members of the local authority. In practice the majority of the members of a committee or subcommittee can be non-members, as the schedule simply requires that at least one member be an elected member. There is, thus, broad authority for councils to establish committees drawn from the community and delegate very significant powers to them. A council doing this would have complete discretion in determining how the community should be identified. It could, for example, follow the practice long used in Portland, Oregon with its residents' associations of establishing a set of criteria by which the council would recognise self-identifying communities, a practice which has proved very effective.

There is no particular guidance in the Act on how people should be chosen to become members of a committee or subcommittee other than that, in the opinion of the local authority, 'that person has the skills, attributes, or knowledge that will assist the work of a committee or subcommittee'. It would be quite consistent with this provision for a council to decide to establish a committee to take major responsibility for activity within a given community and invite that community to share with the council both in choosing the members of the committee and in determining its terms of reference.

A council thus has two statutory options for taking the initiative in sharing significant decision-making power with its communities. The first is community boards, and the second committees. The first has the advantage of providing a well-known mechanism for selecting members – election as part of the triennial electoral process – but the disadvantage of being subject to the formal establishment provisions of the Local Government Act, including prescriptive provisions for determining the community a board represents. The latter is far more flexible, but does require councils to be skilled in determining how best to work with communities and creating what would be seen as genuinely representative bodies.

A further option, and one followed by a number of councils internationally, is to facilitate the establishment by communities themselves of representative bodies for the purpose of working with the council and undertaking any activities which may be delegated by it.

There is much uncertainty, and a lot of talking past each other, taking place in the evolution of understandings of localism, community governance, well-being and the respective roles of central and local government.

The powers exist. Why aren't they used? How to change this?

There is no easy answer. Current practice seems to be partly a matter of culture, partly a matter of history, partly a matter of the attitude of successive central governments, and partly one of understandings within the sector itself of the respective roles of councils and communities.

Local Government New Zealand's position statement on localism states:

> Instead of relying on central government to decide what is good for our communities it is time to empower councils and communities themselves to make such decisions. Strengthening self-government at the local level means putting people back in charge of politics and reinvigorating our democracy. (Local Government New Zealand and the New Zealand Initiative, n.d.)

On the face of it this reads like a sector commitment to involving communities more closely in decision making. Whether this will indeed prove to be the case should become clearer when Local Government New Zealand releases its Localism discussion paper in July 2019.

The combination of the statutory framework for promoting community well-being and current, especially international, understandings of well-being policy and practice suggest that the Local Government Act's new purpose should amount to a statutory mandate for local government to become the advocate and facilitator for ensuring the effectiveness of major service design and delivery within its communities, effectively making the Act a charter for promoting localism.

A number of factors militate against local government recognising the role now potentially open to it. First, its traditional practice, including the nature of the statutory consultation process, has been more consistent with representative than with participatory democracy. Second, central government attitudes have fluctuated considerably. Labour-led governments have tended to take a positive attitude to local government, enabling community involvement and promoting well-being. In contrast, National-led governments have put more emphasis on core services, discouraging councils from innovating in areas such as social and economic well-being. The lack of a consistent view over successive central governments has unquestionably encouraged councils to take a risk-averse and conservative approach to expanding their mandate despite their legal powers to do so.

Another barrier is the relative lack of knowledge within New Zealand local government both of the arguments in support of greater community involvement (including the potential for generally positive outcomes for councils themselves), and of the many and varied options for enabling community involvement in decision making.

The minister's linking of local governance and community well-being should be the catalyst for change. The opportunity is for local government, and other stakeholders interested in promoting community governance, to seize the opportunity the minister's initiative presents and demonstrate both that the necessary legislative powers already exist, and that the best results come when community governance is treated as a bottom-up approach to empowerment, not a top-down approach to some form of guided democracy. All that now stands between our current top-down approach to governance and communities, and genuine localism, is political will on the part of New Zealand's councils.

Conclusion

There is much uncertainty, and a lot of talking past each other, taking place in the evolution of understandings of localism, community governance, well-being and the respective roles of central and local government. A pessimist could see this as evidence that New Zealand's public sector will be unable to move away from its entrenched top-down approach to dealing with communities. An optimist (this author is one) sees this more in terms of a gradual coalescence of a coalition of the willing who collectively will facilitate a major shift in the governance of New Zealand, from top-down to bottom-up and collaborative.

1 Wiltshire Council is what is known as a unitary council serving a population of approximately 450,000 people in south-east England.

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Arthur Grimes

Well-being at the Local Level

There is good government when those who are near are made happy, and when those who are afar are attracted.

Confucius, c500 BC (Chen, 2010)

Abstract

The Institute for Governance and Policy Studies, in partnership with Victoria University of Wellington's Health and Wellbeing distinctiveness theme steering group, hosted a symposium on 'The Four Wellbeings for Local Government' on 26 February 2019. The symposium heard brief presentations from eight invitees from local government, central government, the private sector and NGOs: Justin Lester, Lyn Patterson, Karen Thomas, Peter McKinlay, Wayne Mulligan, Meg Williams, Danielle Shanahan and Suzy Morrissey.[1] Inspired by these addresses and by the ensuing discussion, this article considers what the reintroduction of the 'four well-beings' into the Local Government Act might mean for local decision making.

Keywords well-being, capitals, Sen, localism, voice

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The view of Confucius two and a half millennia ago is as apt now as it was then. We can also turn the aphorism on its head and posit that the role of government is to assist people to be happy, and to ensure that their territory is a place that attracts 'those from afar'.

The concept of government in this respect applies equally to central government and to more localised forms of governance. Indeed, it can be argued that local forms of governance are more in touch with the preferences of their local communities than is central government. This makes the role of localised governance organisations a cornerstone element of a well-being approach to public policy.

In New Zealand, the importance of addressing well-being issues at the local level was recognised by the introduction of the 'four well-beings' into the Local Government Act in 2002. That Act provided 'for local authorities to play a broad role in promoting the social, economic, environmental, and cultural well-being of their communities, taking a sustainable development approach'.[2] This purpose (inserted by a Labour-led government) was subsequently deleted (by a National-led government). Currently, the Local Government Act is being amended again to include, as one of local government's purposes, 'to promote the social, economic, environmental, and cultural well-being of communities'.[3] The new Act will require local councils to consider the likely impact of their decisions on each aspect of the four well-beings.

Places differ in how happy they are, even within countries. Morrison (2007, 2011) has documented that subjective well-being in New Zealand's larger cities is lower than it is in smaller towns. Grimes and Reinhardt (2019) find a similar result for the group of long-standing member countries of the OECD.

While the reasons behind these disparities are not yet well researched, the results indicate a fundamental issue for public policy: a well-being policy approach that is directed by central government is insufficient to address issues relating to the well-being of residents across different communities. Significant local involvement in policymaking related to well-being – as envisaged with the four well-beings for local government – is required.

This article places the reintroduction of the four well-beings into the broader New Zealand and international contexts on well-being policies. It draws on the contributions to the well-being symposium to assess what the reintroduction of the framework might mean for actual well-being-oriented policymaking at the local level. In doing so, a distinction can be made between approaches based on 'subsidiarity' and those based on 'localism'. The latter are more community-oriented than the former, as required by the new Act's explicit reference to the 'well-being of communities'.

New Zealand and international contexts

New Zealand's Ministry of Social Development conducted pioneering work on well-being policy with the introduction of its first *Social Report* in 2001. Its well-being focus was clearly stated: 'The aim of the report is to provide information on the overall social health and well-being of our society' (Ministry of Social Development, 2001, p.7). It presented 36 headline indicators across nine domains. The report was designed to assist in monitoring well-being in New Zealand over time, to enable well-being comparisons across countries, and to identify key issues on which actions are needed to help decision making.

Shortly afterwards, Treasury discussed adoption of an explicit social investment approach to well-being in a paper, *Investing in Well-being: an analytical framework* (Jacobsen et al., 2002). After a decade's hiatus, further development of a well-being approach appeared from within Treasury (Gleisner et al., 2012; Karacaoglu, 2015; King, Huseynli and MacGibbon, 2018.)

These contributions culminated in the Treasury's Living Standards Framework released late last year (Treasury, 2018), to help underpin policy formulation for the central government's 2019 'Wellbeing Budget'. The Ministry of Social Development's initial 36 indicators and nine domains had morphed into 38 indicators, 12 domains and four 'capitals' in the framework. The Living Standards Framework domains[4] are akin (but not identical) to Amartya Sen's 'capabilities' that contribute to well-being (Sen, 1999). The capitals (physical and financial; human; social; natural) represent resources available to support the well-being of future generations.

Each of these central government approaches has concentrated mainly on national-level indicators and national-level policy approaches to addressing issues of well-being. Given the spatial variability in well-being (even after controlling for incomes, and other personal characteristics) documented by Morrison, this national-level approach clearly needs to be supplemented with a more local orientation.

In addition to the similarities with the Ministry of Social Development's *Social Report*, Treasury's Living Standards approach reflects the approaches of the OECD's *How's Life?* reports (OECD, 2011) and its Better Life Index,[5] influenced by the Stiglitz, Sen and Fitoussi *Report by the Commission on the Measurement of Economic Performance and Social Progress* (2009). Like the Treasury Living Standards Framework, these international approaches also tend to gloss over subnational well-being initiatives.[6]

The United Kingdom is one jurisdiction in which local government has explicit roles with respect to well-being. The Local Government Act 2000 accorded every local authority the power 'to do anything which they consider is likely to achieve' the promotion of improvement of economic, social or environmental well-being (Dalziel, Saunders and Saunders, 2018).[7] The Public Services (Social Value) Act 2012 requires all levels of government (including local government) when commissioning and procuring services to have regard to economic, social and environmental well-being outcomes. Apart from the addition of the fourth (cultural) well-being component, New Zealand's four well-beings approach therefore reflects antecedents elsewhere, especially in the UK.

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Wales

An even deeper embedding of the pursuit of sustainable well-being at the local level has been adopted in Wales. The Well-being of Future Generations (Wales) Act 2015 requires certain listed public bodies (including local councils and other locally based governmental organisations) to improve the social, economic, environmental and cultural well-being of Wales (LLywodraeth Cymru, 2015). It is noteworthy that cultural well-being is included here, unlike the UK's Local Government Act 2000 which omitted the cultural dimension. It establishes seven well-being goals.[8] It places a duty on public bodies to carry out sustainable development, which it defines as: 'the process of improving the economic, social, environmental and cultural well-being of Wales by taking action, in accordance with the sustainable development principle, aimed at achieving the well-being goals'.[9]

Each listed public body must set and publish well-being objectives showing how they intend to achieve the well-being goals, and then take action to meet the well-being objectives that they set. They must consider the well-being of future generations as well as the current generation. This contrasts with the practice of New Zealand local authorities, which have financial statements and formal documents covering transport and other infrastructure, but no formal well-being statements.

In order to lift the process above a dry box-ticking exercise (which indicator frameworks can result in), the bodies are expected to: *integrate* their well-being objectives with those of other bodies; *collaborate* with any other person or body that could help in meeting the objectives; and *involve* a diverse range of people with an interest in achieving the objectives. Thus, a strong element of community involvement is required, rather than the well-being framework being a top-down process from a local authority. The auditor-general can examine whether public bodies have acted in accordance with the sustainable development principle, and a future generations commissioner for Wales acts as a guardian for the interests of future generations.

Practitioner views

Legislation with respect to local government's well-being responsibilities has changed over time in New Zealand. Nevertheless, practitioners[10] noted that many local councils adopted policies and programmes to promote aspects of well-being even under the current legislation (in which the four well-beings had been removed). However, there was previously a perception that a ratepayer could have challenged some of the former programmes that were supported by local councils as being illegal under the auspices of the existing Act.

Some councils did act in a manner consistent with the National government's changes to the Act (which removed the four well-beings), leaving a mismatch across councils in their attention to various aspects of residents' well-being. In theory, these different approaches to well-being across councils may give choice to citizens as to the type of place in which they wish to live (Tiebout, 1956). For instance, some people may choose to locate in a local authority area with low property rates and with a low level of services, while others may prefer to be in an area with higher rates and with greater well-being-oriented services. However, it is costly for people to access the requisite information about taxes and services across multiple local authorities, and even if they had this information, it is costly for people to move to other council areas. Hence, this choice is a highly constrained one.

One example of council funding that has maintained support for the four well-beings throughout the past 20 years is Wellington City Council's support for Zealandia, Wellington's ecosanctuary. The sanctuary has a 500-year mission to restore the flora and fauna of a former water catchment within Wellington city. The sanctuary contributes to all four well-beings. It has become a major tourist attraction for out-of-town visitors (contributing to economic well-being); it involves a large number of local volunteers (contributing to social well-being); it has helped preserve Māori taonga (cultural well-being); and it contributes directly to environmental well-being. A narrow cost–benefit analysis based only on paying visitor numbers may not find the sanctuary to be 'economically viable', but once consideration of all four well-beings (over 500 years) is included, the contribution of the sanctuary is enormous. Any Wellingtonian who sees the multitude of tūī and kākā that fly about the city can attest to the 'spillover benefits' of the sanctuary for everyday life in the capital.

Another example is the New Zealand Festival, a highly successful biennial international arts festival hosted in Wellington. The entity that runs the festival, Tāwhiri, now hosts multiple festivals to enrich the experience of living in the capital city.

Local authority funders of these festivals have traditionally placed emphasis on the contribution of out-of-town visitors in evaluating the returns to public funding. However, that approach ignores the social and cultural benefits of the festival to residents of the city, which need to be taken into account when evaluating the festival in terms of the four well-beings. Indeed, 90% of attendance at the Sydney Festival is attributed to Sydney's residents, and this is seen as a strength of that festival. This example demonstrates that local (and central) government funding bodies will need to change their evaluation criteria for programmes with the advent of the four well-beings purpose under the new Local Government Act.

A common observation of practitioners is that it is at the local level that 'the rubber hits the road' in terms of implementing well-being policy. Many aspects of life that affect ordinary residents are influenced by local government and by other (formal and informal) local organisations. For instance, the supply of green space and of everyday amenities such as streetlights are local responsibilities. NGOs and community groups that may receive local government funding provide philanthropic, social,

A common observation of practitioners is that it is at the local level that 'the rubber hits the road' in terms of implementing well-being policy.

cultural and environmental services that are often highly valued by specific segments of the local population.

Delivery of appropriate cultural contributions epitomises the importance of local involvement. The Treasury's LSF struggled with defining the cultural domain – and refrained from including 'cultural capital' as one of its capital stocks – despite the long heritage of this concept (Bourdieu, 1986). Cultural well-being is difficult to define at the aggregate level because cultures are inherently diverse. With differing ethnic compositions across the country and with differing personal preferences – even within local authority areas – it is more likely that a community-based approach to support for specific cultural activities will best suit the needs of the local population. One could posit, for instance, that an international arts festival is well-suited to Wellington, while a Pasifika festival is well-suited to Porirua – i.e. two different cultural emphases for two local authorities that form part of the same urban area.

Another aspect of a local well-being approach pertains to the role of local government with respect to central government policies and programmes. The actions or inactions of central government agencies are a major determinant of multiple aspects of local well-being. The four well-beings purpose for local government implies a role for local authorities to become actively involved in understanding the local impacts of the activities of central government agencies, and to work on behalf of their communities to ensure that those activities are designed, targeted and delivered to reflect local conditions and aspirations.

Implementation

Implementation of the well-being approach – rather than its conceptualisation – is a key issue. In deciding on which aspects of well-being to pursue, a purely populist or majoritarian approach will result in the disenfranchisement of the minority. For instance, Māori are in the minority in most, if not all, local authorities and so their well-being preferences will be relegated within a populist approach. A process of community engagement – where community is defined spatially, socially and culturally – is essential to ascertain and reflect the preferences of diverse groups within a local government area.

Consistent with the requirements in Wales, this means that local decision makers must involve and collaborate with local communities in choosing aspects of well-being to prioritise. This may involve delegation of decisions to local groups through approaches such as participatory budgeting. For instance, decisions over a portion of the arts and/or cultural budget could be delegated to a peak body of local arts or cultural organisations that may better understand the priorities and needs across those organisations than do council officials.

> Having ascertained a set of well-being objectives through community involvement and collaboration, there is a need to describe and prioritise what is to be achieved and how to achieve it, in a similar fashion to the requirements placed on public bodies in Wales.

An advantage of the well-being approach is that it helps to make explicit some of the well-being trade-offs involved in certain decisions. The allocation of water rights is one such example. Economic well-being (in a narrow sense) may be enhanced by fully allocating water to commercial uses (including dairying and horticulture), but this allocation may be at the expense of environmental and other forms of well-being. Involvement of multiple communities within a local authority area is crucial to understanding how the trade-offs between these aspects of well-being are viewed by different parts of the community.

Another trade-off occurs from the simple fact that each programme funded by a public body requires revenue to be raised by that body. Raising revenues – whether through rates or through user charges – creates a cost on some members of the community. A well-being approach at the local (or national) level does not escape the need to subject proposals to rigorous analysis of the costs as well as the benefits of the proposed programme, together with analysis of who meets the costs and who accrues the benefits of the programme. Thus, local authorities need to retain or adopt some form of cost–benefit analysis,[11] and/or cost–utility analysis as mooted in the United Kingdom's 'Green Book' infrastructure manual (Fujiwara and Campbell, 2011), to evaluate proposals.

The complexity of this task is highlighted by a simple example. Consider a council that is contemplating the replacement of parking wardens with new artificial intelligence technology that automatically assesses parking infringements. The new technology may reduce costs for the council (and hence for ratepayers) while placing downward pressure on the wages (and demand) for lower skilled workers. Should the council take the effect on workers into account when making decisions on this matter, and what time horizon should it adopt when thinking about these issues? (For instance, over time, workers can retrain and find new jobs, possibly in higher wage sectors.) This example illustrates that councils will have to draw up parameters to decide how broadly their well-being remit extends.

Perhaps the greatest implementation challenge highlighted by practitioners is the change in mindsets and behaviours required of both local politicians and local council officials. These changes include a shift to incorporating minority voices into decision making (e.g. through inclusion of local iwi representatives on decision-making bodies). They also include a shift to according equal status to social, environmental and cultural well-being to that traditionally accorded to economic well-being. At the political level, this has the added complication of taking local voters along with the requisite changes. This aspect may be especially challenging for the recognition of the importance of minority inputs and of programmes that support the well-being needs of minority groups in the local area.

For officials, several challenges are highlighted and, again, mindsets may need the greatest alteration. The ability to engage with local communities in an ongoing fashion to ascertain appropriate well-being objectives will be crucial. This involves skilled engagement processes. These processes could involve, *inter alia,* community mapping and modelling, the use of arts and creativity to promote community input, public meetings, forums, web-based engagement, futures exercises, street stalls, community surveys, citizens' panels and citizens' juries (Community Places, 2014).

Having ascertained a set of well-being objectives through community involvement and collaboration, there is a need to describe and prioritise what is to be achieved and how to achieve it, in a similar fashion to the requirements placed on public bodies in Wales. An analysis of local level well-being approaches reveals close to 1,000 well-being indicators being adopted worldwide. The ability to reflect communities' priorities for certain aspects of well-being will therefore be crucial.

Some local councils will have the resources to undertake the engagement processes required to arrive at a well-formulated programme that is designed to achieve the four well-beings in a sustainable manner. However, New Zealand has local authorities of a highly disparate size – ranging (in 2018) from populations of 3,830 to 1,695,900.[12] Different communities also have very different financial positions, depending on whether they are growing fast, growing gradually or in decline (McLuskey et al., 2006). Peak bodies, such as the Society of Local Government Managers and Local Government New Zealand, can play an important role in providing consistent monitoring data for councils that draw from available resources; the Society of Local Government Managers has a major ongoing programme to support officials in this respect.

Nevertheless, the provision of extra sources of funding for local well-being initiatives has not been addressed by central government, even though it is central government that is passing the legislation to include the four well-beings as local government purposes. The legislation does restore local authorities' power to collect development contributions for any public amenities needed as a consequence of development, but this does not extend to new funding for the provision of extra services based on existing amenities. Thus, as with past central government initiatives to expand the role of local authorities, this approach is being adopted without a corresponding increase in resources for those authorities.

Final observations

If it is at the local level where 'the rubber really hits the road' with respect to well-being policies, then the central government's Living Standards Framework approach may turn out to be a sideline to the main (local) players. It is at the local level at which officials may best be able to engage with communities and so reflect what really matters for the well-being of citizens.

Currently, despite the amendments to the Local Government Act to reincorporate well-being perspectives, many central government officials appear to relegate the four well-beings for local government to a subsidiary – indeed almost invisible – role. Reflecting the innovative Welsh experience, it may now, however, be the turn of local governance groups to take the lead in developing an integrated set of well-being objectives that build on genuine engagement of local communities.

1 None of the speakers is responsible for the views expressed in this article, which are those of the author. I am nevertheless extremely grateful for the inspiration and ideas provided by the listed speakers, and for further thought-provoking ideas received from Peter McKinlay following the symposium.
2 Local Government Act 2002, Part 1, 3(d).
3 Local Government (Community Well-being) Amendment Bill, introduced to Parliament in 2018.
4 The 12 domains are: subjective well-being; civic engagement and governance; cultural identity; health; housing; income and consumption; knowledge and skills; safety and security; social connections; environment; jobs and earnings; and time use.
5 See http://www.oecdbetterlifeindex.org/#/11111111111.
6 One exception was the emphasis placed by the United Nation's Agenda 21, a non-binding action plan that emphasised sustainability-oriented initiatives at international, national and subnational levels. In Sweden, for instance, all local authorities adopted a Local Agenda 21 initiative (Jörby, 2002).
7 This power was later replaced under the Localism Act 2011 by a general power of competence.
8 A prosperous Wales; a resilient Wales; a healthier Wales; a more equal Wales; a Wales of more cohesive communities; a Wales of vibrant culture and thriving Welsh language; a globally responsible Wales.
9 The Bruntland definition of the sustainability principle is: 'Sustainable development is the development that meets the needs of the present without compromising the ability of future generations to meet their own needs' (World Commission on Environment and Development, 1987).
10 'Practitioners' here refers to the unattributed views expressed at the Four Wellbeings symposium.
11 The Treasury's approach to cost–benefit analysis is itemised at https://treasury.govt.nz/information-and-services/state-sector-leadership/investment-management/plan-investment-choices/cost-benefit-analysis-including-public-sector-discount-rates/treasurys-cbax-tool.
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Philip S. Morrison

Measuring Local Well-being

reflections on the Local Government (Community Well-Being) Amendment Bill

Abstract
The Local Government (Community Well-being) Amendment Bill is designed to provide local authorities with greater legal freedom to make investments that will raise the well-being of their local community. The legislation is predicated on the assumption that people's well-being is influenced by their local context. In order to identify the influence of changes in context generated by local investments, it is necessary to recognise that individuals differ in many ways and that the impact of any given investment can vary substantially from one person to the next. Indicators based on collections of individuals miss much of that variation. It is also necessary to recognise the variety of ways well-being can be measured. This short article raises both these issues by exploring three measures of well-being currently available on the 2018 Quality of Life survey.

Keywords well-being, context effects, local investments, Quality of Life survey

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The election of the sixth Labour government in 2017 under Jacinda Ardern led to the restoration of the original purpose of the Local Government Act 2002. The purpose of the Local Government (Community Well-being) Amendment Bill 2018 is to enable local authorities to play a broad role in promoting the social, economic, environmental and cultural well-being of their communities – the four aspects of well-being. As the local government minister said:

> Reintroducing an emphasis on the four well-beings will engage councils and citizens on an intergenerational approach to improving quality of life outcomes in our towns and cities … [and] give councils back the ability to collect development contributions in order to fund increased demand for community facilities, such as libraries, sports grounds and swimming pools resulting from developments. (Mahuta, 2018)[1]

Table 1: Three 'well-being' questions asked in the New Zealand Quality of Life survey 2018

Local area well-being

Q5 How much do you agree or disagree with the following statement? '[My local area] is a great place to live'.

- ☐ Strongly disagree
- ☐ Disagree
- ☐ Neither agree nor disagree
- ☐ Agree
- ☐ Strongly agree

Quality of life

Q35 Would you say that *your* overall quality of life is …

- ☐ Extremely poor
- ☐ Very poor
- ☐ Poor
- ☐ Neither poor nor good
- ☐ Good
- ☐ Very good
- ☐ Extremely good

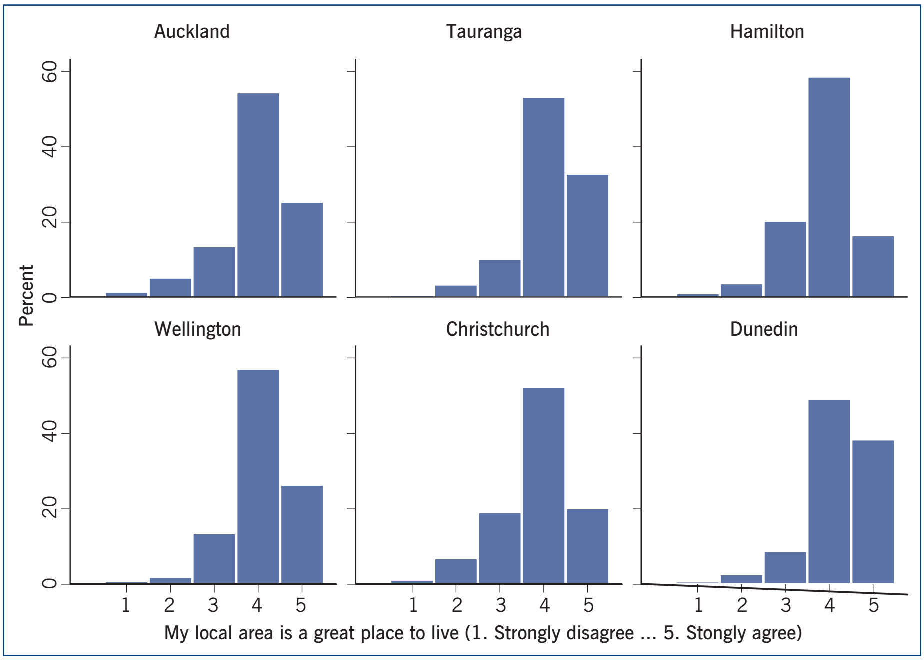
Personal well-being

Q32 Please indicate for each of the following five statements which is closest to how you have been feeling over the last *two weeks*.

- ☐ I have felt cheerful and in good spirits
- ☐ I have felt calm and relaxed
- ☐ I have felt active and vigorous
- ☐ I woke up feeling fresh and rested
- ☐ My daily life has been filled with things that interest me

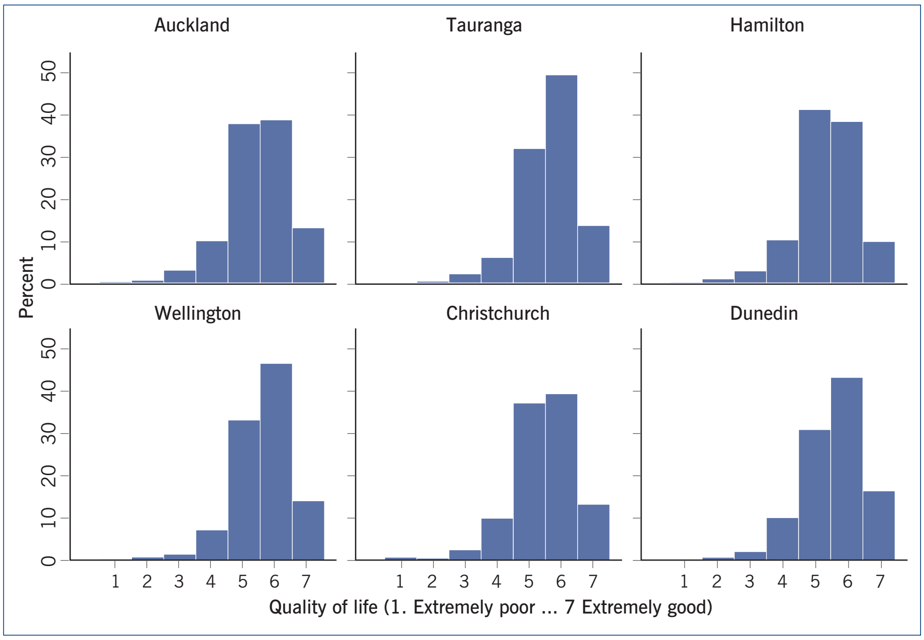
0 At no time; 1 Some of the time; 2 Less than half of the time; 3 More than half of the time; 4 Most of the time; 5 All of the time.[6]

Figure 1: 'My local area is a great place to live'. Responses in six cities. New Zealand 2018



Source: Quality of Life Survey, 2018

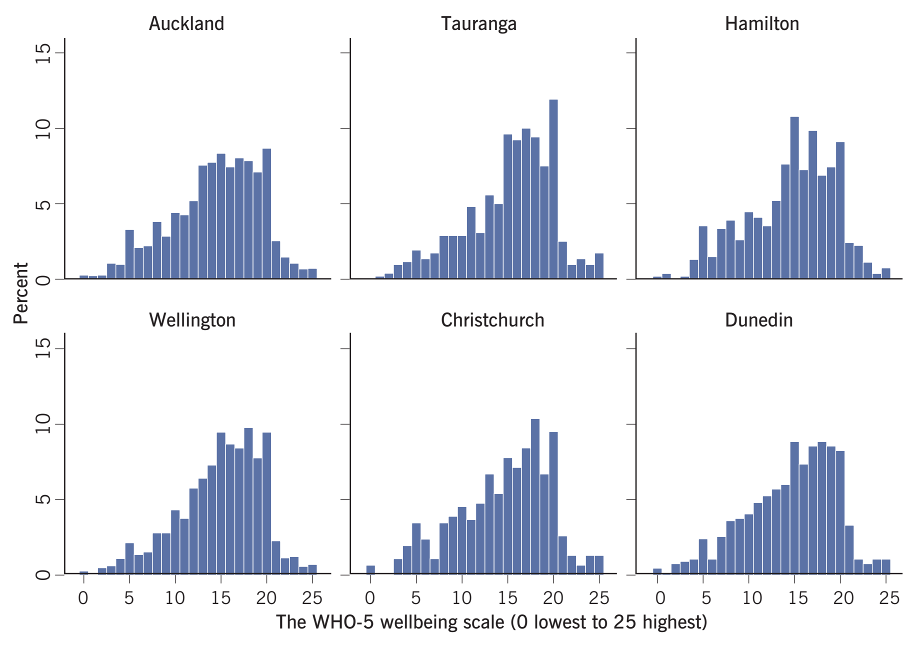
Figure 2: Quality of ratings in six cities. New Zealand 2018



Source: Quality of Life Survey, 2018

Given far less attention in the commentary on the amendment bill is the meaning of the term 'well-being'. The issue is important because without greater clarity it will be difficult to measure the results of new investments made under the Act. The prevailing approach to documenting the well-being of communities in New Zealand is to construct 'indicators' – as developed, for example, by the Society of Local Government Managers[2] following the approach taken by Statistics New Zealand (Statistics New Zealand, 2019), which is based on OECD examples (OECD, 2014, 2017). While useful in describing the differences between places, these indicators (such as the proportion of the population who are young or the proportion who are employed) are based on spatial aggregates rather than individuals. Partly for this reason, they have limited theoretical content and this restricts their ability to guide the development of local policy. Unless well-being is measured at the level of the individual, with due recognition of their social, economic and cultural context, it is going to be very difficult to attribute any change in well-being to investments made under the Act. It will also prove difficult to capture the way well-being is distributed across the individuals who make up the local community. I illustrate these points by drawing on three separate measurements of well-being reported by individuals in six different cities of New Zealand in response to the 2018 survey run

Figure 3: The distribution of personal wellbeing in six cities. New Zealand, 2018



Source: Quality of Life Survey, 2018

by the Quality of Life Project.[3] The aim is to promote discussion about the most appropriate measure of well-being to adopt at the local level. Elsewhere I explore the degree to which the three measures have different drivers, how they vary by location and what this might mean for the development of local well-being initiatives.[4]

Well-being in place

The ability of local governments to respond effectively to the amended Local Government Act will rest on how they conceptualise, measure and interpret well-being. While a great deal has been written on well-being to date, the focus has been either on the well-being of the country or on the well-being of the individual. Relatively little attention has been paid to the well-being of individuals living in particular economic and social contexts. The ability to assess the impact of local context on individual well-being constitutes the theoretical and methodological base upon which to build effective local well-being policy.

In a survey conducted in six cities the 2018 Quality of Life survey obtained answers from over 7,000 individuals to three well-being questions: on their local area (city)[5] as a place to live, their quality of life and their personal well-being (see Table 1). Responses to each of these three 'well-being' measures are shown for each of the six cities in Figures 1, 2 and 3.

The distributions of the three well-being measures in each city look very similar. In fact, they share four features in common: their skewness; the contrast in their between and within variance; the source of their differences; and the negative relationship between the inequality in well-being and the average.[7]

With respect to the first feature, each city's distribution is left-skewed, indicating that most respondents identify with the positive options in the question.[8] The well-being inequality we witness nationally is reproduced to varying degrees within each city, and, indeed, in most local authorities throughout the country.[9]

As a second feature, the cities exhibit greater variation in well-being *within* their jurisdictions than *between* them. Notwithstanding their differences in average well-being, each city faces a very wide range of well-being on all three measures.[10]

A third salient feature is that the intercity differences that do exist are not driven by those returning low scores – those who disagree that their locality is a great place to live, or return a low quality of life or return very low levels of personal well-being. Rather, they are driven by what is happening at the other end of each scale – by those who strongly agree their locality is a great place to live, those who return very high qualities of life and those who are flourishing according to the WHO-5 index (the World Health Organization's well-being index). The differences between the cities are much wider at these positive levels of well-being than they are at the lower levels.

A fourth, somewhat hidden, feature is each city's negative relationship between the dispersion in well-being their citizens experience and their average level of well-being in the city as a whole. In the case of personal well-being, for example, the inequality is greatest in Christchurch (standard deviation = 5.1) and Dunedin (4.93), cities which have the lowest average well-being. By contrast, they are narrowest in the cities of Wellington (4.57) and Tauranga (4.76), which have the highest average level of personal well-being.[11]

A further important feature of these three measures (also unobservable from the figures) is their relatively low intercorrelation at the level of the individual. Knowing where a sampled respondent may have placed themselves on one scale is a relatively poor guide to where they place themselves on either of the others. This means that each of these measures represents quite a different dimension of a person's well-being. The correlation between these three measures also varies by city and this complicates the interpretation of well-being from one city to the next.

In a related point, the rank order of cities varies depending on the measure of well-being being considered. The mean scores of each well-being measure, along with the rank of each city in terms of that score, are shown in Table 2. The city scoring lowest (1) in the 'great place to live' measure is Christchurch, with Hamilton in second place and Auckland in third. However, the ranks differ when it comes to quality of life and again in the case of personal well-being.

In summary, although the distributions of all three measures of well-being in each city have common features, they also hide the fact that the three measures of well-being are weakly correlated at the level of the individual resident, and that the cities rank differently depending on which well-being measure is used. At the same time, such averages are a very crude guide to levels of well-being because people within each city differ widely in their evaluation of the city as a place to life, their quality of life and their own personal well-being.

How well-being measures relate

Figure 4 depicts the distribution of personal well-being (the WHO-5 scores) at each level of the quality of life scale. If we regress this measure of well-being on the five quality of life indicators we find that the predicted WHO-5 score almost doubles, from 9.23 when quality of life is poor to 17.45 when it is extremely good. But, perhaps more importantly, Figure 4 also shows how personal well-being varies considerably *within* each category of the quality of life scale. The index is most dispersed when quality of life is poor (standard deviation of 5.5) and diminishes as quality of life improves through to the point when quality of life is judged extremely good (SD = 4.1).[12] The relevant issue here is the degree to which raising the quality of life in a city can also serve to improve personal wellbeing. The research challenge lies in identifying the mechanisms involved.

The dashed horizontal line through each of the five panels of Figure 4 draws a distinction between potential depression (0–13) and above (over 13). Most scores fall below the WHO-5 index score of 13 among those who judge their quality of life as poor with the proportion diminishing as quality of life improves. However, those returning very low measures of personal well-being are not totally absent in the case of those who report their quality of life as extremely good. There is a similar relationship between personal well-being and the level of agreement with 'my local area is a great place to live'.

There is also a low correlation between how individuals judge their quality of life and how they rate their city. While the two variables are not statistically independent, as many as 40% of those who say they agree or strongly agree that their city is a great place to live do not rate their own quality of life as good or extremely good. The relationship is not symmetrical however, because under 10% (9.54%) of those who rate their own quality of life as good or extremely good do not rate the city as highly.

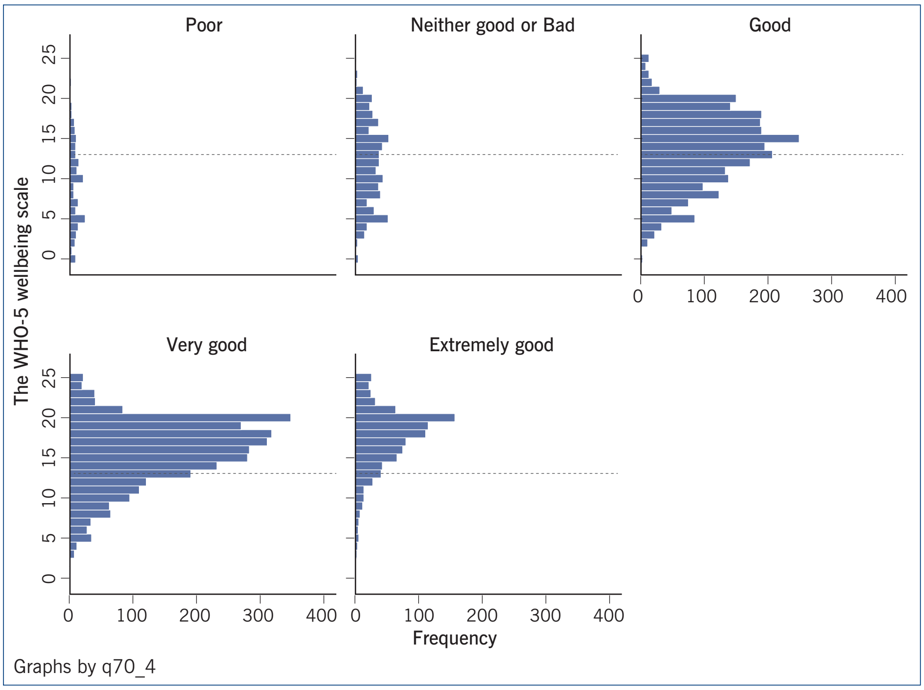
In addition, we find a stronger convergence in the two measures when both responses are negative and only a mild convergence when both responses are highly positive. In other words, the more highly people judge their quality of life, the less accurately one can predict they believe their city to be a great place to live. This lack of cohesion in these two place measures of well-being makes it particularly important to complement them with a measure of personal well-being.

Table 2: City rank by mean level of well-being, New Zealand 2018

City	Great place to live	Rank	Quality of life	Rank	Personal wellbeing	Rank
Auckland	3.98	3	5.44	2	14.41	1
Tauranga	4.14	5	5.63	6	15.32	6
Hamilton	3.87	2	5.37	1	14.62	3
Wellington	4.06	4	5.60	5	14.91	5
Christchurch	3.83	1	5.46	3	14.57	2
Dunedin	4.22	6	5.58	4	14.64	4

Source: Quality of Life Project and Nielsen, 2018

Figure 4: The relationship between the WHO-5 wellbeing index and the quality of life scale. New Zealand 2018



Source: Quality of Life Survey, 2018

In summary, the 2018 Quality of Life survey supplies us with three separate measures of well-being: two associated with place – individuals' quality of life and their rating of their local area (city) as a place to live – and one which captures the personal well-being of the individual. All three are weakly correlated and therefore one cannot assume that individuals who say their city is a great place to live or who rate their quality of life highly also rate their personal well-being highly. While there are differences in all three measures across the six urban areas, all three measures of well-being vary much more widely *within* the cities than *between* them. Each of these characteristics of existing well-being measures have important implications for how we measure well-being at the local level.

Conclusion

At the time of writing, the New Zealand Parliament is about to pass the Local Government (Community Well-being) Amendment Bill 2018. While clearly focused on local domestic issues, the fact that local governments will be expected to invest in their local communities in order to raise local well-being is also of interest internationally. So far, well-being policy has been treated as a national prerogative, as advocated by the Stiglitz report (Stiglitz, Sen and Fitoussi, 2009); however, this new Act is a further example of the growing support for a complementary local, grass-roots approach to raising well-being.

Although there has been periodic discussion of such endeavours elsewhere, including the political economy of local influence groups (Scott, 2015), we have yet to see systematic analysis of the well-being of individuals living in different towns and city contexts. Most countries simply assemble local indicators or summary measures of well-being, but because these are not linked to the attributes of individuals they have little capacity for testing local context effects on people's well-being or the construction of well-being theory at the local level.

The purpose of the above discussion has been to argue for a more theoretically explicit approach to understanding variations we find between and within cities, one that begins with the measurement of well-being of individuals living in different local contexts. The brief introduction above has compared six cities using the 7,000 individual responses to the New Zealand Quality of Life 2018 survey. In what is good timing, the 2018 survey introduced the World Health Organization's index for measuring mental health and has therefore provided us with a robust, internationally validated indicator of personal well-being which could potentially be used to assess city context effects and the impact of locally inspired changes to that context.

This introduction has only scratched the surface of what a large unit record survey like the Quality of Life survey can tell us about well-being within New Zealand's local authorities. Funding an extension of this survey to cover a wider range of urban settlements would go a long way to putting a solid analytic base under the Local Government (Community Well-being) Amendment Act.

1 This quotation may be interpreted to imply that the restoration of the well-being purpose is intended to drive the use of the funds which councils will be able to claim from developers as a result of the change to the development contribution provisions. However, as Peter McKinlay has noted in personal communication, this is not the case. The two are quite separate. Councils used to be able to include within their assessment of development contributions provision to cover the cost of increased demand for community facilities. Under pressure from developers, the previous, National government restricted the scope of development contributions. This meant that meeting the additional demand for community facilities had to be addressed within the general rate rather than through development contributions, something which local government adamantly opposed. It is a matter of legislative convenience that restoring the broader scope for development contributions is included in the same bill as the restoration of four well-beings, but otherwise there is no connection between the two – other than the general proposition that councils will be required, when taking decisions, to consider the impact on each of the four well-beings, and this will presumably include decisions about restoring development contributions to their former place.
2 See, for example, the 2018 SOLGM well-being indicator workshop: https://www.solgm.org.nz/Event?Action=ViewandEvent_id=56.1.
3 The three measures I discuss below are what the literature refers to as 'subjective' measures of well-being. These are often quite uncorrelated with so-called 'objective' measures, such as income. For examples and a discussion of the reasons for this lack of correspondence, see Morrison, 2019b.
4 See Morrison, 2019a.
5 I use the term 'city' as a shorthand. While the term applies to four of the urban areas referred to here, it understates the extent of the Auckland Council and Wellington region entities, which are conurbations of several cities. In fact there are marked differences between the cities within these two large centres on all three measures discussed in the article, but respondents in these two centres are asked to read 'local area' in the questions as the 'city' as a whole.
6 This is the World Health Organization WHO-5 question. The sum of the scores over the five categories for any individual range from a minimum of 0 to a maximum of 25. A non-clinical indicator of possible depression is a score under 13 (Topp et al., 2015).
7 These properties also hold in the case of a fourth 'well-being' measure, urban pride, which I have explored elsewhere (Morrison, 2016).
8 This skewness is an established characteristic of the well-being distribution in developed economies (Helliwell, Huang and Wang, 2016).
9 Most studies of local well-being do not also consider the internal distribution of well-being within the places of interest, their preoccupation being the difference in average well-being between the cities or regions (Ferrara and Nistico, 2015).
10 In part this reflects an international tendency for intra-regional and intra-city distributions of most welfare and well-being measures to expand over time relative to interregional/city distributions (Alimi, Mare and Poot, 2016). As a result, an unprecedented proportion of the variance in well-being within countries is now concentrated within our main cities rather than between them (Morrison, 2015).
11 The behavioural underpinnings to this relationship are explored in Dickinson, 2018.
12 For an early discussion of the low correlation among the three measures included in the 2004 Quality of Life survey – life satisfaction, happiness and quality of life – see Morrison, 2007.

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Kevin Jenkins

Remember the Flicking Tail of the Lizard

how mātauranga Māori is being woven into place-based regulatory decisions in Aotearoa

Abstract

Te Mana Rauhī Taiao, the Environmental Protection Authority, is adopting a new and comprehensive approach to bringing mātauranga – the Māori knowledge system – into its regulatory practice. This will potentially have an impact on decision-making on environmental protection in your local area.

Keywords mātauranga Māori, Environmental Protection Authority, indigenous knowledge, regulatory practice

The Waitepuru stream flows out of the hills that lie to the south-west of the Bay of Plenty town of Matatā, meeting the township at its eastern edge. On 18 May 2005, more than 300mm of rain fell on Matatā in 24 hours, leading to a major 'debris flow' down the stream, and another down the Awatarariki stream to the west. The debris flows destroyed a number of houses and roads.

The four local marae, however, were not affected. Local iwi had carefully selected the locations for their marae on the basis of centuries of experience of the shifting path of the Waitepuru stream. As Dan Hikuroa explains, this knowledge had been crystallised and expressed in the form of a pūrākau – a traditional Māori narrative – that presents the stream and its tributaries in the form of the body (tinana), limbs (waewae) and flicking tail (hiku) of a ngārara (lizard):

> the main channel [is] a long, sinuous tinana, with the tributaries as waewae me ngā matimati [claws] reaching out perpendicular from the tinana, reducing in thickness and branching out as they reach further from the channel. After large flood events, the channel in the headwaters maintained its location, whereas the channel on the low-lying section often changed its course. Over the course of many centuries therefore, the unconfined low-lying stream section moved back and forth from side to side. … The Waitepuru pūrākau is simultaneously

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A tsunami memorial built in 1933, at Aneyoshi village, Miyako, Japan
Source: T. Kishimoto, Wikimedia Commons

> metaphorical and literal: a codified form of knowledge, incorporating geomorphology with disaster risk reduction. (Hikuroa, 2017)

This article discusses the work of Te Mana Rauhī Taiao – the Environmental Protection Authority (EPA) – to incorporate the knowledge exemplified by that pūrākau into its decision-making, so that decisions are made with the best available information and lead to better outcomes.

Te Mana Rauhī Taiao – prototyping new ways of incorporating mātauranga into decision-making

The EPA is a regulator operating at the interface between the economy and the environment at a time when this relationship is being reassessed and reframed. The complex context for the EPA's work also includes the accelerating pace of innovation, with the development of online sensors, precision agriculture, satellite scanning, big data and so on. This new technology enables a much deeper understanding of environmental risks and more targeted interventions.

Against that changing background, the EPA is doing some exciting new things. Under chief executive Allan Freeth since 2015, the EPA has been prototyping new ways of weaving mātauranga together with scientific knowledge, and weaving it into the organisation's regulatory practice. This is also changing the way decisions are made at the local level.

Ngā Kaihautū Tikanga Taiao, the EPA's statutory Māori advisory committee, developed a major new protocol for the EPA in 2016, *Incorporating Māori Perspectives into Decision Making*. This emphasises that:

> Māori have a unique perspective on environmental issues that has developed over many generations, through observation and experience. … the very identity of Māori and their way of doing things, or tikanga, is inextricably intertwined with the environment, leading Māori to have an ingrained determination to safeguard and care for New Zealand's resources for future generations. (Environmental Protection Authority, 2016, p.1)

The protocol is clear about the place of Māori perspectives in the organisation's work, and about how this links with the EPA's statutory roles:

> The EPA has a number of statutory obligations to Māori both under the EPA Act by which it was established and under a number of the other Acts and regulations it is responsible for. Developing a partnership between the EPA and Māori is a step in attaining mutually beneficial goals. The goal for the EPA is to realise the vision of a protected environment which will enhance our way of life and economy. For Māori, the goal is, as part of their responsibility as kaitiaki, to ensure the protection of environmental, economic, cultural and spiritual health and their own wellbeing in the present and for future generations. (ibid.)

He Whetū Mārama, the EPA's framework for delivering on its obligations to Māori, focuses on two elements: 'informed decision making' and 'productive relationships'. Informed decisions depend on EPA staff and decision makers understanding Māori world views, and the organisation is focusing on building that capability and understanding. The focus on productive relationships, especially the EPA's local networks, also embeds localism into its work, just as localism is embedded in mātauranga itself. Ngā Kaihautū has emphasised that '[t]here is no one Māori world view or perspective on resource management matters. Ngā Kaihautū Tikanga Taiao recognises that the Māori perspective varies and differs between different iwi, hapū, marae, and whānau' (ibid.).

Before discussing the EPA's approach further, it will be helpful to first place its work in an international context.

International context: 'always read the tsunami stone'

In an oral culture, storytelling is likely to have much more impact and longevity than earnest civil defence guidelines. Pūrākau such as that of the Waitepuru ngārara can provide powerful warnings of natural hazards and guidance on responding to environmental disasters. But there can be other vehicles for that cumulative knowledge: for example, the Japanese 'tsunami stones'.

Unsurprisingly, being a long thin group of islands sitting on fault lines in the Pacific, Japan is prone to major earthquakes and tsunamis, and written records of them go back at least 1,600 years. The country's coastline is dotted with stone tablets, some of which are 600 years old, carrying warnings such as 'High dwellings are the peace and harmony of our descendants' and, more prosaically, 'Remember the calamity of the great tsunamis. Do not build any homes below this point' (Bressan, 2018).

The tsunami stones are perfect examples of the determination of a people to pass on wisdom about environmental risks to their descendants. But rapid industrialisation and urbanisation after World War Two seems to have led to the loss of much of this knowledge. Cities spread to the coasts, and more faith was put in seawalls and the like. Worse, many people were killed by the 2011 tsunami because they were too quick to return to their homes to inspect them for damage. Kurt Kohlstedt reports that:

> Today, some see the stones themselves as outmoded, remnants of a pre-digital age. Modern Japan has a rich variety of high-tech warning systems in place. It also has well-marked evacuation routes and high seawalls in key places.

But, says Kohlstedt,

> residents of Aneyoshi [a village in Tōhuku] would caution against ignoring the lessons of their ancestors. Technology and preparation can help, but building higher is a surer defense. Always read the tsunami stone. (Kohlstedt, 2016)

Efforts to study indigenous knowledge in context

A number of researchers have sought to study indigenous knowledge systems and ongoing efforts to preserve them. This article won't comprehensively survey global trends, but it's plain there is a growing literature on the topic, with some fascinating studies – from Zambia to China to Papua New Guinea (see Kasali, 2011; Wang, 2015; Mercer et al., 2010). For example, Jing Wang examined indigenous and scientific knowledge in the context of the development of sustainable agriculture in China. Smallholder farmers are the principal stakeholders in this development, and Wang concludes that:

> Their agricultural knowledge (indigenous knowledge) influences their decisions and behaviors both directly and indirectly. However, the importance of smallholder-farmers' indigenous knowledge is often ignored and not considered by influential actors, such as the government and scientists. … We strongly argue that farmers should not be treated as passive followers in the development of agricultural knowledge. (Wang, 2015)

Wang explicitly touches on the role of government, but its importance can also be inferred from other examples. The issues include regulation and decision-making at a local level, whether it be around disaster mitigation, climate change adaptation or sustainable agriculture. They all involve place-based – that is, local – interventions.

Even without a comprehensive survey of the literature, several themes are clear:

- attention is increasingly being paid to combining indigenous and scientific knowledge, and this is across a range of domains;
- the two bodies of knowledge are increasingly seen as potentially complementary and mutually enhancing, not as incompatible;
- academics are exploring organising frameworks, but no universally agreed framework has emerged yet, and the challenges in achieving this are acknowledged.

'Traditional ecological knowledge'

One influential approach to studying indigenous knowledge uses the term 'traditional ecological knowledge', or TEK. Fikret Berkes (1993) discussed a growing recognition of the capabilities of ancient agriculturists, water engineers and so on, and how this has led to the increasing acceptance of TEK across a range of fields. He describes 'traditional ecological knowledge' as:

> a cumulative body of knowledge and beliefs, handed down through generations by cultural transmission, about the relationship of living beings (including humans) with one another and with their environment. Further, TEK is an attribute of societies with historical continuity in resource use practices; by and large, these are non-industrial or less technologically advanced societies, many of them indigenous or tribal. (Berkes, 1993, p.3)

While academics internationally have been grappling with the problem of combining indigenous and scientific knowledge, it looks like in New Zealand our EPA is just going ahead and doing it.

Berkes described TEK as an integrated system that can only be understood in its social context. Its main dimensions include symbolic meaning, a distinct cosmology or world view, reciprocal relations and obligations with both community members and other beings, and communal institutions for managing resources. In more recent work, Berkes has further emphasised the idea that indigenous knowledge should be studied more as process than as content (Berkes, 2012).

In his earlier, 1993, discussion Berkes offered a rough list of differences between TEK and 'western science'. Traditional ecological knowledge, he argues, is 'mainly qualitative' rather then 'quantitative'; partly 'intuitive' as opposed to 'purely rational'; 'holistic' rather than 'reductionist'; and 'moral' as opposed to 'value-free'. Berkes also contrasted different ways of collecting data. With TEK, observation and accumulation of fact is more trial and error, whereas science is more systematic and deliberate. With TEK, the data is also generated by resource users, rather than 'a specialized cadre of researchers'. TEK data is also 'diachronic': that is, a long time-series in one locality, rather than short time-series over a large area (Berkes 1993, p.4).

Like others, Berkes concluded that science and indigenous knowledge are complementary. However, he also noted the difficulties:

> the question remains as to how scientific knowledge and TEK can be integrated – and whether such integration is desirable in the first place. Rooted in different world views and unequal in political power base, these two systems of knowledge are certainly not easy to combine. Serious attempts at integration inevitably come up against the question of power-sharing in decision-making. (ibid., p 6)

The EPA is wary of approaches that seek to mine indigenous knowledge for elements found to be 'scientific' without understanding the context and relationships in which that knowledge is embedded.

Bringing indigenous knowledge and science together: issues and challenges

While academics internationally have been grappling with the problem of combining indigenous and scientific knowledge, it looks like in New Zealand our EPA is just going ahead and doing it. Fikret Berkes' writings on TEK are a useful jumping-off point for examining the EPA's approach more closely. His work looks at three important questions: how to accurately characterise indigenous knowledge; how to accurately characterise science; and how to conceive of the project of combining them together.

As to the first question, the EPA has emphasised, among other things, that mātauranga is an integrated system of empirical knowledge and cultural beliefs, that it is local knowledge, and that it is a living knowledge system (Environmental Protection Authority, 2016). Although Berkes describes indigenous knowledge as 'cumulative', the label 'traditional ecological knowledge' may be unhelpful in suggesting a counterposing of the past to the present. Of course, no knowledge can be given priority simply because it is old – it may be out of date, or may never have been accurate in the first place – and a knowledge system needs to be able to self-correct. From discussions with the EPA I've learned that they avoid referring to 'traditional ecological knowledge' in relation to mātauranga, precisely because 'traditional' suggests a body of knowledge that is old, finite and fixed. Mātauranga, the EPA emphasises, is a *living* knowledge system that evolves and continually updates itself.

The EPA looks to the following definition of mātauranga by Dan Hikuroa, an earth system scientist and tumuaki tuaru (deputy chair) of Ngā Kaihautū, its Māori advisory committee: 'the pursuit of knowledge and understanding of Te Taiao [the natural world], following a systematic methodology based on evidence, incorporating culture, values and world view' (Hikuroa, 2017). As this suggests, the pursuit is an ongoing one: 'mātauranga Māori includes knowledge from current and contemporary sources. As an organic and living knowledge base, mātauranga Māori is ever-growing and expanding' (Environmental Protection Authority, 2016, p.27).

What is 'science' anyway?

The second question – 'what is science?' – should not be skipped past too quickly. Berkes' comparison of 'western science' with TEK seems to echo some empiricist, inductivist myths about how scientific knowledge is obtained, suggesting that it is entirely rational, methodical and objective, and free of culture, value judgements, subjectivity, intuition and randomness.

In his milestone 1962 work *The Structure of Scientific Revolutions*, Thomas Kuhn discussed shifts in scientific 'paradigms' (from Ptolemy to Copernicus, for example) and showed how the path from observation to scientific conclusion has often been an uncertain and irregular one. He wrote that: 'An apparently arbitrary element, compounded of personal and historical accident, is always a formative ingredient of the beliefs espoused by a given scientific community at a given time' (Kuhn, 1970). Kuhn explicitly discusses how something like 'intuition' must be invoked to characterise the sudden holistic rush of insights that often enables a shift to a new paradigm. He describes also how sometimes existing observation data remains unseen – almost literally – for some time because scientists don't have the conceptual framework necessary to recognise and interpret it.

Recognition of the blurred line between fact and theory, that all 'facts' are theory-laden, has been a long-standing theme for philosophers of science like Kuhn. But the conceptual framework in which facts and observation operate includes not just *scientific* concepts and models, for scientific knowledge is also inevitably framed by cultural, ideological and political assumptions, as is indigenous knowledge. That context also shapes decisions about, for example, what research topics are pursued, and how and for whose benefit its results will be applied.

It seems to me that Berkes' descriptions of 'western science' risk mischaracterising it, and potentially overestimating the distance between science and indigenous knowledge.

Weaving mātauranga and science together in Aotearoa

The third question – how to approach combining science and indigenous knowledge – goes right to the heart of the EPA's work. The EPA is wary of approaches that seek to mine indigenous knowledge for elements found to be 'scientific' without understanding the context and relationships in which that knowledge is embedded. It is for that reason that they avoid talk of 'integrating' mātauranga with science, as that can suggest subsuming mātauranga into a dominant Pākehā knowledge system. Under Allan Freeth, the EPA is instead embracing the metaphor of 'weaving' mātauranga and science together and, more broadly, weaving mātauranga into all of the agency's decision-making, operations and culture.

So what exactly does it mean to 'weave' indigenous knowledge into a regulatory agency and its operations? It is clearly a challenging project, and the EPA's approach suggests initial answers. The answers involve a holistic approach that centres around understanding mātauranga in its full context, as:

> essentially a system of knowledge and understanding about Māori beliefs relating to creation, the phases of creation and the relationship between atua (supernatural guardians) and tangata (mankind). This relationship or whakapapa (genealogy) determines the way people behave in the context of their environmental ethical practices. Understanding Māori beliefs and values, and the relationship of these to the natural world, requires an understanding of traditional expressions including those portrayed in waiata (song) and pepeha (proverbs). (Environmental Protection Authority, 2016, p.27)

Dr Allan Freeth, the EPA's CEO, and Doug Jones, head of its Māori policy and operations team, pictured next to a pounamu gifted to the agency by Ngāi Tahu

A holistic approach

The EPA's approach to this task is comprehensive, embedding mātauranga into the organisation and its work in a number of ways.

Doug Jones is manahautū (general manager Māori) of Kaupapa Kura Taiao, the EPA's Māori policy and operations team. Doug has told me that in the EPA a number of critical elements have converged, including clear leadership, 'hungry' staff and strong local networks. His role and that of his Kaupapa Kura Taiao team, he says, includes keeping all these different elements aligned and continuing to drive things forward in a coherent way throughout the organisation. This approach is being cemented through all the levels and dimensions of how the EPA operates internally and in how they steward the system they regulate, including governance, management and delivery.

The EPA is also building the right culture and workforce for embedding mātauranga into its work. Roughly three quarters of its staff are learning, or have learned, te reo Māori – important not least because the organisation accepts submissions and representations to hearings in te reo. This shift was recognised when the EPA was included as a finalist in the 2018 Ngā Tohu Reo Māori awards.

Ngā Kaihautū Tikanga Taiao – a more hands-on role

The EPA's statutory Māori advisory committee is central, not supplementary, to the EPA's approach. Ngā Kaihautū is, of course, an advisory body, but it is playing a more participatory, hands-on role than that suggests. Ngā Kaihautū is made up of experienced scientists, planners and academics, with specific expertise applied in the service of tangible results.

In its advisory role the committee has four objectives: first, to uphold tikanga and the use of mātauranga Māori (including acting as 'process guardians' to ensure that mātauranga is used in an appropriate way); second, to recognise Māori rights and interests under Te Tiriti o Waitangi; third, to protect and enhance the natural and built environment and ensure the resilience of ecosystems, people and communities; and fourth, to acknowledge the role of tangata whenua.

Ngā Kaihautū advises the EPA not only on the decision-making process generally, but also on specific applications and proposals when they raise issues of significance for Māori. Its members work closely with staff to help them understand and overcome barriers, and they sometimes present to specific decision-making committees. Ngā Kaihautū is therefore not away in the background; it participates in the daily work of the EPA.

Local knowledge and local relationships

Another important dimension of the EPA's approach is its focus on local relationships, reflecting the nature of mātauranga itself. Doug Jones talked of that local character in terms of his own whānau and whakapapa, commenting that while his whānau, for example, know their local fishing hole intimately, they know little of others a relatively short distance away. The EPA's network of local kaitiaki and environmental resource managers, Te Herenga, is crucial to weaving that knowledge into the EPA's decisions. Those relationships help to incorporate the

Keith Manch, chief executive of Maritime New Zealand and key figure in G-Reg

proper living context of mātauranga – not just isolated globs of information – into the agency's life and practice.

Notably, the role of Ngā Kaihautū as an advisory body does not include trying to replace that local knowledge by acting as a single authority on mātauranga. Instead, Ngā Kaihautū facilitates incorporating local mātauranga into EPA decisions, by helping EPA decision makers connect with local knowledge and sometimes recommending local experts for decision makers to engage with.

Incorporating mātauranga into regulatory systems and practice

The EPA also works to facilitate relationships between applicants and Māori, and supports applicants to develop an understanding of tikanga Māori and issues of significance for Māori. For example, the EPA works closely with Ngāi Tahu's hazardous substances and new organisms committee when Ngāi Tahu are engaging with industry on relevant applications.

That focus on its regulated sector is an example of how the EPA is not just leading the drive to weave together mātauranga and science; it is also doing critical work in incorporating mātauranga into regulatory systems and practice, potentially providing a model for other government agencies in Aotearoa (and internationally).

Other agencies have done work on this. In the context of adapting to climate change, NIWA, a non-regulatory body, has developed Te Huringa ki te Rangi, 'a decision making model for Indigenous Peoples', in collaboration with the hapū of Tangoio marae and the Maungaharuru-Tangitū Trust (NIWA, n.d.; Colliar and Blackett, 2018). Earlier, in 2006, a report written for NIWA by Darren King and James Goff had discussed Māori environmental knowledge as a 'valuable source of expertise that can contribute to contemporary natural hazards management'. The report focused on how this indigenous knowledge should be best deployed:

> incorporating [Māori environmental knowledge] into the process of hazard management does not end with documenting that knowledge. Rather, the process should actively involve Māori people, their knowledge and expertise. If opportunities can be created to accommodate these contributions and ensure greater Māori participation in hazard planning and management, then there is potential for all the knowledge and skills that Māori possess – not just traditional knowledge – to contribute to contemporary natural hazard management and mitigation in New Zealand. (King and Goff, 2006, p.iv)

Filling a gap in existing government guidance

The work of NIWA and those authors just mentioned is part of a pattern in government in recent years of constantly looking for ways to improve the design and practice of regulation, with two recent currents being a greater focus on the practice of regulation, and a greater focus on mātauranga Māori. The EPA is addressing both of those challenges and here filling a gap in existing government guidance.

The current 'Government expectations for good regulatory practice', developed by the Treasury, do not specifically mention mātauranga Māori (New Zealand Government, 2017). But they do include an expectation that any regulatory system will comply with Te Tiriti obligations, and those obligations should be seen as including the incorporation of mātauranga. Agencies' work is also expected to be evidence based and intelligence led, and this should include properly considering mātauranga. The guidance also expects net benefits for New Zealanders, and for regulated parties to be treated proportionately, fairly and equitably.

Notably, these guidelines also expect some flexibility – enough flexibility to allow regulators to adapt their approach to the attitudes and needs of different regulated parties, and to allow those parties to adopt efficient or innovative approaches to meeting their regulatory obligations.

In short, regulators have licence to explore and evolve how best to meet their Te Tiriti obligations. They are also expected to learn from each other: that is, to 'periodically look at other similar regulatory systems, in New Zealand and other jurisdictions, for possible trends, threats, linkages, opportunities for alignment, economics of scale and scope, and examples of innovation and good practice' (ibid., p.3).

Well-designed regulatory systems need good regulatory practice to work

Here the EPA's work is in line with the 'G-Reg' approach – the 11-year-old Government Regulatory Practice Initiative.

Keith Manch, the current chief executive of Maritime New Zealand, is a key figure in good regulatory practice in Aotearoa. As he moved through senior regulatory roles in the public sector, Manch became more and more convinced that the elements of good regulatory practice are not sector specific. Many of his peers came on board with the idea, and Manch broadened his thinking around this into a comprehensive response. This was refined at a meeting of senior regulatory officials in 2008 that recognised the benefits of collaborating on generic qualifications for regulators and of increasing organisational capability.

The impact of initiatives launched in response to this meeting of minds saw the emergence of a supported professional community of regulators, energetically learning from each other and exploring and evolving the best ways to deliver regulatory systems. This Government Regulatory Practice Initiative – G-Reg – saw the workplace training organisation Skills engaged to help develop appropriate qualifications, including a regulatory core knowledge qualification that sets out the foundations of what it is to be a regulator in Aotearoa. This is designed to apply to all sectors, and for all staff including corporate staff.

Exploration and experimentation: feeling our way towards new solutions

In making that major contribution to regulatory practice in Aotearoa, Keith Manch and the others driving G-Reg have acted in accordance with the government guidelines for good regulation. The EPA has adopted the G-Reg approach and embraced the insight that regulatory practice – the *how* – is just as important as well-designed regulatory systems. It is clear that the EPA is on a journey – a design-led process of exploration. In this it is taking up the challenge laid down by the government guidelines, and working with the flexibility needed to develop good regulatory practice in a specific sector.

Once again New Zealand is experimenting, and feeling its way towards a unique, Aotearoa-specific response to the challenge of combining indigenous knowledge with regulatory practice. One notable but inevitable aspect of this is uncertainty: if you experiment, then by definition over time you will end up somewhere that many may not have predicted.

Like much that has come before over the last 30 years in this country, the EPA's innovative approach is a mix of small advances on what has been done before (Māori representation on committees, for example) and bold new moves. In this the agency's work appears to be world leading. It will be fascinating to see if and how mātauranga Māori spreads through the regulatory community and what further advances or adaptations other agencies may introduce.

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Ben Jeffares, Jonathan Boston, Juliet Gerrard, Shaun Hendy and Wendy Larner

Science Advice in New Zealand opportunities for development

Abstract

What is the state of play for science advice to the government and Parliament? After almost ten years with a prime minister's chief science advisor, are there lessons to be learnt? How can we continue to ensure that science advice is effective, balanced, transparent and rigorous, while at the same time balancing the need for discretion and confidentiality? In this article, we suggest that the hallmarks of good science – transparency and peer review – can be balanced against the need to provide confidential advice in an Aotearoa New Zealand context. To complement the advice to the prime minister, an expanded role for the Royal Society Te Apārangi would support public and parliamentary understanding of science and science issues relevant to policy.

Keywords science advice, independence, Royal Society Te Apārangi, prime minister's chief science advisor

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Over the last decade Sir Peter Gluckman built the role of the prime minister's chief science advisor (PMCSA) from a part-time individual position to an office with a semi-formal network of chief science advisors within ministries, and a legacy of reports and activities. The result has been some notable inputs into the Aotearoa New Zealand political discourse, most publicly with the 'meth report' of 2018 (Gluckman, Bardsley and Low, 2018). But perhaps the most important contribution the PMCSA has made over the last decade has been an increased awareness of the potential of science advice for evidence-informed policy, and the opening of connections between researchers and policymakers at the highest levels (Gluckman, 2011, 2013). The increased awareness of the role of science advice within a policy setting has been cause for reflection by local observers (Boston, 2017; Hendy, 2016a). Is it time to more strongly embed the institution of the PMCSA, and the cohort of chief scientists? How should the chief scientists connect to other institutions, such as the

Royal Society Te Apārangi? Would we be better served if the role had the status of a commissioner for science? How might the provision of science advice be extended beyond the prime minister and cabinet and make a contribution to wider democratic processes? Are there areas of need for science advice and how might these be addressed?

In an earlier article (Hendy, 2016a), one of us identified a new challenge for science and science advice within policymaking: the emergence of the tools of large data. In the Aotearoa New Zealand context, Hendy argued that the application of statistical methods to large administrative data sets, held in the Integrated Data Infrastructure (IDI) or otherwise, introduces the possibility of data-driven policy: decisions being made on the basis of an analysis of data held by the government. This data analysis requires a high level of expertise, some of which may be opaque to non-specialists. Hendy's concern was that this kind of work also needs scrutiny by people with sufficient expertise to ensure the quality of the analyses involved. Hendy argued that the existing science advice ecosystem was poorly adapted to provide this scrutiny and suggested the need for new institutions in this environment.

Jonathan Boston agreed with the broad thrust of Hendy's argument, but came to a slightly different conclusion. In a paper presented in 2017 (Boston, 2017), Boston agreed that there was a need for science to be clearly heard within policymaking, and that there was also a general need for the better use of evidence in policymaking. He also argued that the inputs into advice need to be open and transparent, and allow for points of difference and disagreement. Advice givers whose recommendations differ from, or are a point of challenge to, prevailing views or policy agendas must be able to offer challenge without fear or favour. For scientists within government-funded institutions, they need to feel in a position to speak out without concern for their livelihoods or careers. In contrast to Hendy, he suggested that strengthening existing mechanisms and institutions might be sufficient to provide some of these safeguards.

To frame the questions and the issues at stake, we acknowledge the tension between the need for science advice within the free, frank and fair exchange of views of the policy environment, and the need for transparency that is a hallmark of robust science. We examine ways that the transparency and independence of science advice can be maintained and enhanced in the Aotearoa New Zealand context, by examining the roles of the PMCSA, chief science advisors, the Royal Society Te Apārangi, and other parts of the science advice ecosystem. In doing so we identify opportunities to develop the science advice system and make the broader ecosystem healthier, more robust and responsive to the needs of the policy process. We also note the need to strengthen the evidence base by incorporating wisdom from te ao Māori, and stress that science advice is better able to be responsive to the diversity of New Zealand by ensuring that the advice providers are representative of that very diversity.

The state of play

Ministries and departments contain many specialists, scientists and advisors with science training. So the first source of science advice will often be those professionals within the policy environment. In response to concerns raised by Sir Peter Gluckman and others about the use of evidence in policy development (Gluckman, 2011, 2013), those advice systems have been supplemented in recent years by the appointment of chief science advisors: appointees from outside the policy environment who are engaged in active research. The chief science advisors are complemented by scientists who are senior public servants within ministries who are often, but not always, named chief scientists.[1] The logic is that chief science advisors can contribute up-to-date research knowledge, link to an active community of research practice and expertise, and provide important points of challenge on the robustness of evidence, scientific method and objectivity of science advice. They can act as in-house peer reviewers, mentors and conduits to the science community.

> ... chief science advisors can contribute up-to-date research knowledge, link to an active community of research practice and expertise, and provide important points of challenge on the robustness of evidence, scientific method and objectivity of science advice.

The PMCSA advises the prime minister and, as required, the broader cabinet and executive, endeavouring to ensure that the government's policy agenda is informed by the best science advice. Like the chief science advisors, the PMCSA can act as a point of challenge, in-house peer reviewer, and link to the broader science community to help ensure evidence-informed policy. They also advise at times of urgent need, when formal advice-commissioning processes might be too slow.

Both the PMCSA and the chief science advisors are to some extent covered by our conventions of free, frank and fair advice (Armstrong, 2018; Kibblewhite and Boshier, 2018) and should be regarded as working within that sphere. As we shall demonstrate, that raises some tensions around the notion of independence and the robustness of advice: science is supposed to be open to scrutiny and review, while advice provision does demand a certain amount of discretion in order to maintain the confidence and working relationship with politicians and senior officials.

The chief science advisors come together under the chair of the PMCSA in the Chief Science Advisor Forum. This has recently been given some structure by the PMCSA (Office of the Prime Minister's Chief Science Advisor, 2018b). The purpose is to ensure a community of practice for independent science advisors across government, and to promote a 'whole-of-government approach' to science advice. The forum also allows for peer review from within the free, frank and fair framework that allows for the robust exchange of ideas.

The Parliamentary Library has an important role in providing evidence and research services to parliamentarians and their staff. While they are not specifically 'science' advisors, much of the research work the library staff do, and the information they provide, will necessarily be of a technical nature.

The Royal Society Te Apārangi is legislated to provide science advice (Royal Society of New Zealand Act, 1997). However, it sits outside the advice provision framework. This independence is useful, and a potentially powerful position to be in, as it isn't bound by the conventions around discretion of advice provision. It can potentially be openly critical of government policy and government-produced science. We will argue that it is necessary for the Royal Society to be suitably independent, but we also identify a need for an institution to be responsive to policy agendas, both from within government and particularly from Parliament, and this is a role that the Royal Society could usefully fill.

Other statutory organisations also provide independent advice and criticism of policy. A clear example is the parliamentary commissioner for the environment. Such institutions are important actors with a clear constitutional role, positioned to advise the whole of Parliament and not tied to the government's agenda, but often within a narrow mandate of subject area.

Science and the need for transparency

How do we ensure good science advice, and that different actors within the science advice ecosystem provide it? A necessary (but not sufficient) condition for robust science is transparency, which enables the detection of errors: methodological errors, unwarranted assumptions, bias and straightforward mistakes (Giere, 2006; Lennon and Whitford, 2002; Wylie, 2002). Science might not be free of bias, but the culture of practice within science, at its best, is one of verification and robust critique of the claims of others. The need for scrutiny by others motivates the practice of peer review, but the need for scrutiny does not end with a scientist's peers; it requires diverse views to be brought to bear from different standpoints and positions (Lennon and Whitford, 2002).[2] Viewing a problem through different lenses sheds light on new solutions. Thus, initiatives to increase the demographic diversity of research practitioners increase the range of questions on the table to be examined, but are also crucial to ensuring balanced views about the impacts of research. Diversity of thought and communication across disciplines ensures that conclusions on a given issue are robust.

Therefore, in the policy context, in order to ensure that science advice is based on robust science there is a need to ensure scrutiny of this science, via peer review and more, from diverse perspectives. Ideally, in the long run, the scientific process itself should provide this scrutiny, but a science advisor will only very rarely face a situation where the science is settled. Instead, their job is often to navigate science that may as yet be ambiguous, underpowered and contested. In this environment, science advice must subject itself to the same checks and balances as the broader science ecosystem, welcoming peer review and an openness to revisions and criticism. Peers and critics need access to the data, starting assumptions, modelling methods etc., so that expertise can be brought to bear on the science that is then fed into the decision-making process. One of us has made the argument that to ensure this, we might want to explore the idea of a commissioner for science: a resourced, independent agency that can ensure scrutiny of the government's use of science (Hendy, 2016a).

> We live in an extraordinarily diverse society, and we need to be more than just mindful of diversity; we need to incorporate it.

It is worth noting that this need for open practices, scrutiny, a variety of advice sources and a diversity of views is also key for the success of the advice ecosystem as a whole. To legitimise the policy process, we expect to be able to understand the reasons decisions have been made, and to know who informed the decision-making process. Assuming that there really are 'wicked problems' (Rittel and Webber, 1973) which don't admit of straightforward policy solutions, with solutions that satisfy no one, then the dissatisfied have a right to know why the decision went against them. The call for open government, transparency around advice provision and a diversity of advice provides a solution to this legitimacy. So a recognition that we need openness and transparency for science advice to be 'proper science' aligns with a need for a general openness and transparency around advice, influence and the mechanisms around decision making, regardless of what 'flavour' that advice may take.

> Science is one actor among many in the political system and takes part in setting the political agenda, be it as an interested party, or be it because other actors, such as the media, are interested in the pronouncements of science. (Weingart, 1999, p.155)

In Aotearoa New Zealand, that ecosystem includes Te Tiriti o Waitangi partners, professional policy advisors, political advisors (Eichbaum and Shaw, 2007, 2008), peak industry bodies, public consultation and a host of other inputs. Incorporating te ao Māori views is crucial. The role of these inputs into the advisory system potentially all need to be open to scrutiny, but this process of open and competitive advice tendering is an important part of keeping public administration open and accountable. We live in an extraordinarily diverse society, and we need to be more than just mindful of diversity; we need to incorporate it.

Free, frank and fair science advice

Ideally we seek science input early in the policy process, and to be responsive to issues as they arise. This is the role of the PMCSA and chief science advisors, although at different locations in the policy process. The PMCSA works with the prime minister and executive, and the chief science advisors typically report to chief executives of ministries. By ensuring the active use of evidence, adherence to good practices and availability, chief science advisors should be in a position to both encourage and scrutinise research use within government and be responsive to immediate needs, but also be aware of the political nuancing that occurs within the policy process.

It's worth stressing that an important part of this advice provision is informal. As Allen notes, 'although [chief science advisors] have multiple formalised roles to undertake with, and on behalf, of the executive, it is often their informal actions that can be the most valuable and influential to decision makers' (Allen, 2014, p.6). This informality and intimacy with administrations is important, but it raises a crucial tension mentioned earlier: the need for transparency and peer review within science seems at odds with the desire to have confidential advice within the policy environment.

However, similar tensions exists elsewhere in the policy process. The former chief executive of the Department of the Prime Minister and Cabinet, Andrew Kibblewhite, and the chief ombudsman, Judge Peter Boshier, jointly authored an article on free and frank advice in relation to the Official Information Act (Kibblewhite and Boshier, 2018) which dealt with this tension. Their article acknowledges a need for confidentiality in the early stages of the advising process. Advice providers need to be able to provide advice that is free and frank, and, where this is in disagreement with the stated aims of the government, that advice should be allowed to be provided in ways that support an ongoing and productive relationship between the government and advice providers. There needs to be an open and honest exchange of ideas. Informal advice allows for controversial and potentially difficult issues to be dealt with early. It creates a climate in which advice can be asked for, knowing that it is not going to be on the front page tomorrow. However, informal advice is not just about sensitivity. For example, politicians and senior officials are the target of lobbying about plausible-sounding technological solutions[3] to problems. Informal advice early can be an efficient way of bringing to bear expertise before significant investment is made in investigating dead ends.

This free and frank, but nevertheless informal and discreet, locus of advice provision is an important point in the policy process to 'get the science in'. The ability of the PMCSA or a chief science advisor to 'pop their head around the door' at multiple points in the policy process has a utility that should not be underestimated. By being well connected to the science community, and accessible to senior policymakers, a chief science advisor can act as an important conduit between the science community, the current state of play within the sciences, and the executive and policymakers.

Maintaining independence and integrity

A chief science advisor who has been seconded from an academic role brings an important ballast to their position: as an 'outsider' inside the system, with an academic position and academic freedoms, a chief science advisor can act as a key point of challenge early in the advice process while questions are still being formed. Both PMCSAs have been seconded from universities, and a number of the current chief science advisors have as well. Provided the term of appointment is finite, seconded advisors who retain academic or research appointments need to maintain a future outside the policy system by retaining academic credibility. A seconded chief science advisor has a strong incentive to ensure they retain the respect of their academic peers, even as they retain the confidence of the prime minister and other ministers, the executive, and senior members of the policy profession. This is also why it is important that the PMCSA and seconded chief science advisors remain at arm's length from science funding allocation, as at least some of their interests remain within the research community.

Chief scientists and chief science advisors who are full-time public servants have a slightly different set of pressures to be independent. To maintain their credibility and mana within the system they need to be active and constructive voices within the policy process. But they also need to demonstrate clear expertise. However, as public servants they are firmly embedded in the advice process, while as scientists they are less open to peer review. For chief scientists, the Chief Science Advisor Forum can play a crucial role in providing peer review.

Thus, chief science advisors have some capability to act as a point of challenge

> ... robust science advice requires a diversity of viewpoints, and evidence suggests that this correlates with a diversity of gender and ethnicity around the table ...

within the policy-making process. They may collaborate with the Royal Society or other bodies to deliver some science advice and analysis. But that intimacy with the policy process is crucial. A chief science advisor can identify gaps in science advice, can encourage the use of evidence and, through informal networking and formal contributions, will provide a key point of challenge around the use and abuse of science advice within the executive and senior ranks of the policy environment.

Most report directly to the chief executive, or deputy chief executive, of their ministry, and are advisors to the policymakers of the ministry. Some have a level of contact with ministers, but most are advisors to government officials rather than politicians. The result is a variety of relationships between chief science advisors, their ministries and their ministers.

A genuinely diverse forum, both demographically and technically, allows for some measure of peer review within and environment of free and frank exchange of information, allows the forum to act as a good clearing house for best practice across government. It can be a point of challenge for science advice between peers. And so the forum can provide an important source of peer review within the free and frank environment.

Summarising thus far, the PMCSA and the chief science advisors work within the policy-setting environment, and need to be in a position to provide discreet and confidential advice. They can work with each other through the mechanism of the Chief Science Advisor Forum to peer review each other and develop a community of best practice for that environment. Because many of the chief science advisors retain links to the academic and research community, and will often return to that community as full-time researchers, they have incentives to maintain their professional integrity as independent academics. Once advice goes public in the form of reports or policy statements, their professional capabilities will also be on display and open to scrutiny. It is those external forms of scrutiny to which we now turn.

... the PMCSA and the chief science advisors work within the policy-setting environment, and need to be in a position to provide discreet and confidential advice.

The Chief Science Advisor Forum, and peer review within the free and frank environment

The chief science advisors were first brought together informally under Sir Peter Gluckman's tenure, and, as noted, this group has been given a more formal structure by the current PMSCA in late 2018 as the Chief Science Advisor Forum. The recent terms of reference enabled a more transparent and structured interaction on cross-sector issues for the forum (Office of the Prime Minister's Chief Science Advisor, 2018b).

As we noted earlier, robust science advice requires a diversity of viewpoints, and evidence suggests that this correlates with a diversity of gender and ethnicity around the table (Gaston, 2015). Thus, it is important that the cadre of chief science advisors who make up the forum are diverse in gender and ethnicity. These concerns about a lack of diversity apply to the science community as a whole (ibid.). The terms of reference allowed the forum to co-opt members to address skills gaps and improve diversity around the table.

All chief science advisors sit within the policy environment, and all provide both formal and informal advice. Who they report to, and who they talk to, is mixed.

between the chief science advisors, chief scientists and the PMCSA, in line with our criteria for a robust science. As long as exchange within the forum is with free, frank and fair, and, where necessary, kept within these bounds, the Chief Science Advisor Forum can act as a well-informed, scientifically literate source of robust advice.

It also extends the pool of capability of the PMCSA and the chief science advisors beyond their own specialities. The recent 'information sheet' on antimicrobial resistance (Office of the Prime Minister's Chief Science Advisor, 2018a) was authored collaboratively by the chief science advisors and national experts. This puts the Chief Science Advisor Forum in a position to advise beyond the remit of individual ministries and across advice silos. The potential to provide more 'whole-of-government' advice is high. Currently the forum runs on the goodwill of sponsoring ministries and the chief science advisors themselves, with the Office of the Prime Minister's Chief Science Advisor providing limited secretarial support for the forum's joint activities.

This regular exchange of views, identification of issues, and an awareness of various policy agendas, all within the

Published research and the public record

In a 2016 article, Hendy discusses the need for a public register of formal and commissioned science advice. His concern is that science advice or analysis may be withheld if it doesn't suit a policy agenda or is unfavourable to existing policy, or that advice may be cherry-picked if it does (Hendy 2016a). It is easy to see how this concern fits naturally within a general call for open and transparent government practice and processes. Open government suggests that all commissioned activities – analyses, reports, advice, bespoke software, etc. – should be open to scrutiny. If a government spends money commissioning something, we expect to be able to see who got paid, and the work that was done.

All government science reports, etc., that are posted online are 'harvested' by the National Library, and physically published documents are also supposed to be deposited with the library. The National Library holds the full *Transactions and Proceedings of the Royal Society of New Zealand* and the reports of various science organisations, including the Office of the Prime Minister's Chief Science Advisor. So there is an existing administrative set of obligations that should fulfil some of the need to ensure access to published work.

The commissioning of formal science advice or any other activity should also be a matter of public record, and there are mechanisms that show the contracting and commissioning process, notably the Government Electronic Tenders Service (GETS). However, this is not a straightforward tool to use, as the Open Government Partnership notes (Open Government Partnership, 2018). Currently, there is no one-stop shop that allows straightforward 'track and trace' of advice from commissioning to release. There is something to be said for a more user-friendly facility that would allow the straightforward monitoring of activities.[4] There is clear room for improvement around these processes that would assist open government and ensure the proper archiving and ongoing availability of science advice.

But we should also be wary of this being a straightforward set of processes. Like science itself, policy processes are messy. Commissioned advice, like a piece of research, might end up being a dead end, or not quite fit for purpose, as the policy process advances and further facts are known. As Alison Wylie notes, science processes are constantly iterative, with a progressive refinement of questions, models and assumptions in the face of expanding data, evidence and changing questions (Wylie, 2002), and the policy environment isn't going to make this any easier. The whole issue of 'wicked problems' partly stems from the fact that policy processes can and do throw up as many problems as solutions (Rittel and Webber, 1973). There will not always be a straightforward link between science advice, data, evidence and the final policy implementation, making the wicked problems more wicked.

A static register of commissioned advice, then, would not capture the complex dynamics of the advice process: it would be incomplete, and potentially misleading, because of the absence of informal advice. The informal scoping and discussions on work streams frequently turn up initiatives and activities that make further formal processes redundant, so a report that is not published might be 'withheld' for political reasons, but just as easily could have become dated, made redundant by the evolution of events or by the actions of other areas of the public service.

However, there does seem a need to make the commissioning of research, and the subsequent publishing of the results, more transparent. While informal advice might sit within the free, frank and fair conventions, a commitment to open government implies that formally commissioned advice, and the evidence that informs policy, will be available for scrutiny.

Parliament, the Parliamentary Library and the officers of Parliament

Another potential source of scrutiny of science advice to the executive should be a well-informed Parliament. Under the Parliamentary Service Act 2000, the general function of the Parliamentary Library is to provide 'information, research, and reference services' for parliamentarians and their staff. Inevitably, some of this is scientific and technical in nature. In the context of our discussions about the need for science advice to be scrutinised and peer reviewed, the services offered by Parliamentary Library staff undoubtedly assist Parliament to undertake its legislative and representative functions of scrutiny, including in areas where scientific and technical matters are of importance. The library generally eschews the provision of explicit policy advice, because of the risk that this may be seen as partisan. So, on the whole, the library does not provide 'advice' on policy issues, at least in the sense that we might mean for a science advisor. Kenny et al. (2017) suggest that in other jurisdictions, such as the UK, Switzerland and France, advice for parliamentarians is focused on supporting arguments, and often on scrutiny and 'asking forensic questions' about policy. We suggest mechanisms for strengthening this capability below.

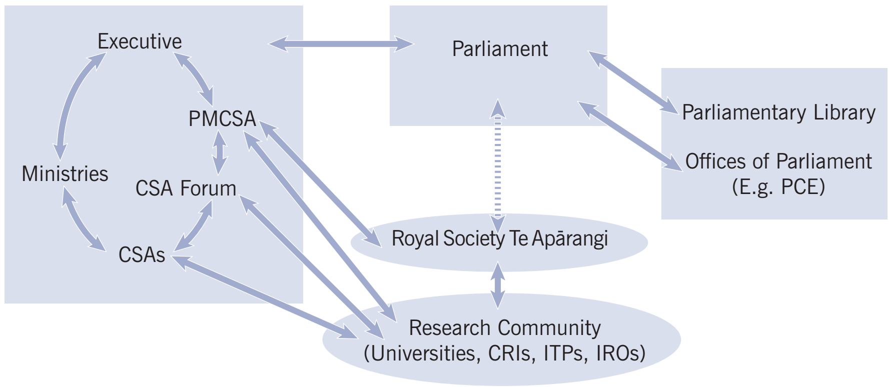
There are other institutions at work scrutinising and developing science advice outside the executive. The Office of the Ombudsman can and does work to ensure that government is open to scrutiny; the National Library, Archives New Zealand and the Public Records Act all have roles to play in preserving advice and records, including science advice. There are also other offices of Parliament that provide advice, criticism and peer review. The parliamentary commissioner for the environment is the most obvious office that provides advice of importance, much of which is based on science and research. However, the parliamentary commissioner for the environment is formally one step removed from ministerial and departmental policy discussions. While this independence is laudable, it may reduce the impact of the advice, all the more so when a commissioner's views diverge significantly from current policy agendas – as, for instance, in the case of a recent report on climate change (Gibson, 2019; Parliamentary Commisioner for the Environment, 2019).

> [The Royal Society] is one that sits outside the more intimate and internal policy processes of government, but nevertheless is not restricted to defined subject areas.

Royal Society Te Apārangi

The Royal Society Te Apārangi currently has a legislated obligation to engage in various activities, and as section 6(e) of the Royal Society of New Zealand Amendment Act 2012 states, one of its purposes is 'to provide expert advice on important public issues

Figure 1



Currently the executive, the cabinet and prime minister have access to science advice through the chief science advisors and the PMCSA linked to the research community. These can, where necessary, fill gaps in ministerial advice and be responsive to the needs of the government's agenda. Parliament is more reliant on research from the Parliamentary Library, and has only a weak link to the broader research community through the Speaker's Science Forum and other Royal Society activities. As they are subject-based, independent parliamentary offices such as the parliamentary commissioner for the environment are less responsive across the spectrum of needed advice, and can only provide advice within their remit.

to the Government and the community'.[5] The Royal Society has played an important role in providing policy advice, including working with the PMCSA at the time on fluoride, asbestos and folic acid fortification. It's role sits outside the more intimate and internal policy processes of government, but nevertheless is not restricted to defined subject areas. As Allen notes in her summary report of a 2014 conference on science advice to governments:

> national academies are foundational to national science systems and thus an integral part of the science advisory model. Academies, by definition, have an academic independence that allows them to devise their own policy-relevant research questions or choose to focus on specific issues as requested by governments. A strong national academy can provide a formal structure for the development of science advice, usually operationalised in the development of in-depth reports that are issued to both government and the public. (Allen, 2014, p.6)

This independence from government can act as an additional and important check on internally generated government science advice. Ideologies or broad policy platforms might dictate research within government, but the community of scientists within a national academy can raise issues and highlight potential problems outside of the government agenda. As Marc Rands and Dianne McCarthy note, learned societies like the Royal Society Te Apārangi are 'an authoritative national interface between the research community and policy making' (McCarthy and Rands, 2013).

This does impose on the Royal Society some obligations. It should listen and respond to voices within the science community calling for it to make comment on current issues. It should also actively scan, identify and respond to gaps in the advice system. One of us (Hendy, 2016b) has argued that the Royal Society has not always achieved this. For instance, despite prominent public commentary by Housing New Zealand in 2016 concerning the lack of safety standards for methamphetamine contamination, as well as public and media interest, neither the Royal Society nor the PMCSA prioritised this issue. Only once directly tasked with this responsibility, after a change of government in 2017, did the PMCSA produce its decisive report (Gluckman, Bardsley and Low, 2018). So there is an argument that suggests that the Royal Society needs to be more reactive and engaged with activity in the policy community. To ensure the society mobilises its academic resources appropriately requires coordination, awareness, and sufficient administrative resources for it to respond to issues of the day. While reports generated by the concerns of the science community are important, reports that are responsive to policymakers are also crucial.

Given our commentary above, it should also be clear that the Royal Society must be sufficiently diverse to enable delivery of the best advice, as well as the timely identification of issues of key public interest. Criticisms of the lack of diversity within the society are currently being addressed, with a more inclusive definition of excellence attracting a stronger pool of applications across demographics. This must be accelerated if the Royal Society is to properly meet the needs of the science advice ecosystem.

Speaker's Science Forum

One way that the Royal Society has been active is in coordinating the Speaker's Science Forum. This forum was initially a collaboration between the crown research institutes (CRIs) and the chair of the Science and Education Select Committee, and helped promote the activities of the CRIs to Parliament, with the speaker as sponsor. Subsequently, the Independent Research Association of Aotearoa New Zealand and Universities New Zealand have also become involved. The Royal Society offers a slate of topics that are then chosen in consultation with the speaker.

Such a forum potentially provides a point of entry for ensuring that parliamentarians are aware of the latest science, but is currently limited in scale and scope. Conversations have begun to explore the possibility of a 'Science meets Parliament' event analogous to the longstanding Australian events, now also happening in Canada, to expand the impact of such interactions. Kenny et al.'s review of three European institutions supporting advice to legislatures – the UK's Parliamentary Office for Science and Technology, France's OPECST and Switzerland's TA-Swiss – noted that they all use events and talks as part of their communication strategies.

The Speaker's Science Forum demonstrates the Royal Society's very real potential to coordinate with a variety of agencies, groups and researchers, and bring science and the current state of play in research to the attention of Parliament. If this programme of activities were enhanced, the Royal Society could help parliamentarians to be better informed commentators and critics of government policy. This could enhance the peer-reviewing power of members of the legislature, and potentially inform debates around issues, empowering parliamentarians to question the science elements of government policy.

The Royal Society's publishing arm should not be ignored either. Much science of relevance to policy sits behind the paywalls of publishers – ironically, even government-funded science produced within universities and other state-funded research institutions. By summarising, sharing and communicating the best science of the day, the Royal Society brings work of relevance to the broader concerns of the public out from behind those paywalls, both for the public, and also for officials in policymaking settings at various levels of government. The Royal Society's publication of an open access journal in the social sciences is important in this regard, and may serve as a template for bringing other quality peer-reviewed work that might be useful to the public and policy processes out from behind publishers' paywalls.

The work of the Royal Society could, therefore, help build a well-informed and science-aware public, public service and legislature. The Royal Society's educational and outreach activities, its open access publishing and its promotion of science all support diversity in the science advice ecosystem, and those activities should be supported. But currently, the links and the reactive response of the Royal Society to policy are weaker than they might be.

Advice and the research institutions

The functions of the PMCSA, the chief science advisors and the Royal Society Te Apārangi rely heavily on critically engaged research institutions such as universities, crown research institutes, independent research organisations and elements of the institutes of technology and polytechnics sector. Researchers and scientists contribute to these processes of advice and offer their expertise, usually with little financial reward. University incentives aren't always in line with their staff supporting and assisting policymakers, or making a contribution to a report. The labour and resources utilised for these activities are often volunteered, and infrequently resourced to the extent they should be. Universities should be open to supporting researchers working with policy advice processes; but the policy side also needs to respect and resource the demands on institutions. Rewarding and incentivising activities that support policy and democratic processes is a task for government and the research institutions themselves. Crown research institutes are in a similar position, with their requirement to operate in a commercial setting placing pressures on their ability to support these activities. CRI's might be similarly incentivised to support active contributions to policy by individual staff members.

> As a conduit to the broad community of New Zealand scientists, the Royal Society currently manages with only three dedicated policy staff, and a great deal of goodwill on the part of its membership.

The international context

How does the landscape of advice in Aotearoa New Zealand compare to other jurisdictions? Much work has been done on this by a variety of organisations and individuals (Gluckman, 2018; Kenny et al., 2017); we offer a brief summary here that highlights some opportunities to develop.

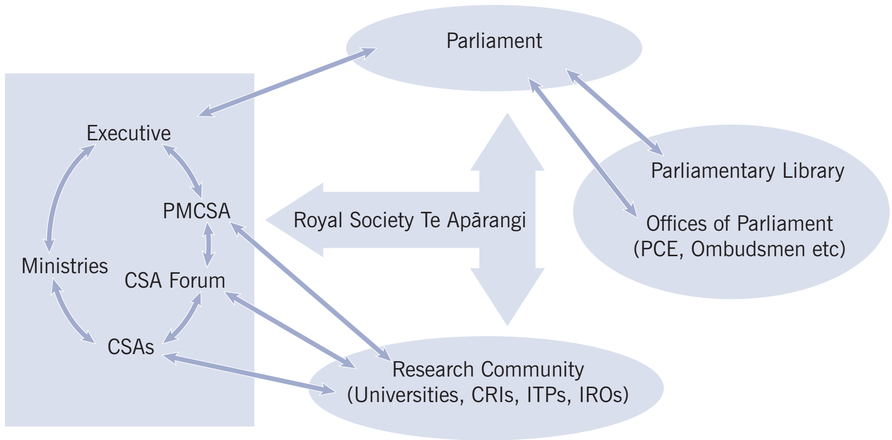
Australia currently has a chief scientist, and chief scientists at state level. Although the Australian chief scientist provides advice to the prime minister and government, the role sits within the Department of Industry, Innovation and Science, and so is very innovation focused (Gluckman, 2018). Australia also has a lot of national academies, to the point where these have come together to engage in critical intersectional and cross-disciplinary work through the Australian Council of Learned Academies (ACOLA). It might be argued that Aotearoa New Zealand is better off in this regard, with a single national academy – the Royal Society – that can bring multiple disciplines together to work on a single issue.

The UK has a full set of strong academies, and a government chief scientific advisor, but in addition the Parliamentary Office of Science and Technology (POST), which provides advice services to parliamentarians (both MPs and peers) and parliamentary staff. Both France and Switzerland have organisations specifically for the provision of advice and assessments to the legislature: in France the Parliamentary Office for Scientific and Technological Assessment (OPECST), and in Switzerland the Centre for Technology Assessment (TA-Swiss).

Neither Australia nor Aotearoa New Zealand have direct funding to support science advice for legislatures, although the Australian chief scientist and the Commonwealth Science Council support horizon-scanning work through ACOLA. This link to Parliament is largely missing in New Zealand, which suggests that stronger support for the connection between the research community and the legislature might be warranted.

Currently, the rather boutique Speaker's Science Forum is the only organised link between Parliament and the research community, alongside the Royal Society Te Apārangi's reports. It is worth considering that the UK's POST can produce reports and advice in response to requests from select committees and MPs. These reports are prepared by research fellows within POST, often early career researchers seconded on short-term contracts. This helps create better informed MPs, but it also creates researchers with an increased awareness of policy needs. These reports have proved popular with members of the UK Parliament (Kenny et al., 2017). One possible response along these lines is short-term research fellows sitting within the Royal Society acting with the oversight of the society to provide the necessary peer review and oversight. Alternatively, support

Figure 2



Potentially, the Royal Society Te Apārangi could play an important role as a peer reviewer of government science activities, and an important link between the research community and Parliament to ensure science-informed scrutiny of policy

for better linkages between the Parliamentary Library and the research community could also fill this gap.

As a conduit to the broad community of New Zealand scientists, the Royal Society currently manages with only three dedicated staff, and a great deal of goodwill on the part of its membership. The PMCSA is required to deliver large-scale reports, provide science advice on a broad range of government policy initiatives, assist in coordinating advice during times of crisis, promote evidence-informed science to the broader community, be a leader within the science education community, and convene and provide secretarial services to the Chief Science Advisor Forum, while assisted by only three full-time staff and a part-time contractor.

In contrast, the UK's government chief scientific advisor appears to have approximately 80 employees. In New Zealand, the parliamentary commissioner for the environment, also tasked with scanning and identifying issues, creating reports and responding to policy initiatives with what is broadly science advice has 18 staff (Upton, 2018). The New Zealand Office of the Ombudsman has a similar number of staff to the UK Government Office for Science, around 80 (Boshier, 2017), and the privacy commissioner has 35 staff (Edwards, 2018). While the chief science advisors can assist the PMCSA at some level, they are often deeply involved in their own departments and projects. There has been considerable success in the coordination of reports across the chief science advisor network and Royal Society where resources have been aligned.

Summary

Science and science advice play an important part in the processes of government. There are critical insights that science can bring to government, and science can be good at detecting potential problems well before their impacts are felt on a day-to-day basis. But 'science' as a brand is open to abuse as much as use. 'Science' gets used to sell everything from vitamins to public policy. It has been a legitimiser for politicians both reactionary and revolutionary and misused to delegitimise critics.

The prime minister's chief science advisor and the community of chief science advisors will work to maintain a community of practice for robust science advice within the framework of free, frank and fair advice. By maintaining links with the academic community, and by the peer review of their outputs, they have a vested interest in ensuring the integrity and independence of their advice. The Chief Science Advisor Forum will continue to be developed by the current PMCSA as a source of advice from a diverse community, to build a cross-sector resource for all of government.

The Royal Society Te Apārangi has a legislated mandate to provide expert and formal independent advice. It is well placed to engage a broad community of research professionals in developing large-scale, forward-facing pieces of advice, and to summarise the best science of the day for policymakers and the public. But it also has the potential to support the legislature more effectively. Crucially, there is a view that the Royal Society does need to be more responsive to current policy agendas and issues of the day. While the Royal Society has been a proactive source of 'alerts' that reflect the concerns of the research community, it could also take advice and direction on what issues to address from the policy community, Parliament and the broader public. Connecting the research community to Parliament through the Speaker's Science Forum and similar events is a start, but to move the Royal Society will need to develop other forms of engagement that reach beyond its membership, and it will need to develop additional mechanisms for listening and responding to a broader public.

The science advice system is an ecosystem of checks and balances, peer review, and to some extent competitive advice tendering. But in a world of limited resources and dispersed expertise, it also needs some coordination and interaction with the policy system to ensure that it delivers advice that is relevant and that is not rendered redundant by the activities of other agencies or developments in the policy agenda.

The various officers of Parliament, such as the parliamentary commissioner for the environment, need to be seen as active parts of the advisory ecosystem. Ways could be found to ensure connectivity of advice in such a way that independence is maintained, but duplication is avoided.

Crucially, the work of the Royal Society Te Apārangi, the prime minister's chief science advisor and the chief science advisors are all dependent upon research institutions that allow their staff to engage in policy-based work.

1 There is inconsistency in titles across ministries. Some full-time public servants have the title chief science advisor, others chief scientist. This partly reflects roles, partly historical quirks.

2 The diversity can be both technical and sociological. So, we can be more confident of a science claim if two distinctive research methodologies or practices have come to the same conclusion: for instance, if archaeological evidence, genetic evidence, linguistic evidence and evidence from traditional world views all point to a similar conclusion, it is a pretty robust claim (Jeffares, 2008; Kirch and Green, 2001). Kirch and Green call this 'triangulation'. But we also use diversity to counter implicit bias: if researchers with differing social standpoints all come to a similar conclusions – if,

say, Maori, Pacific and Muslim researchers all come to similar or overlapping conclusions about a claim – then we also have good reason to think there is a robustness about the claim given the diversity of social standpoints of the researchers involved (Lennon and Whitford, 2002). So this 'inter-subjectivity' counters implicit biases, both technical and social.

3 And some not so plausible ones.

4 At the publication end of this process, informal discussions between the Office of the Prime Minister's Chief Science Advisor and National Library staff have opened the possibility that reports by key 'science' agencies could be grouped as a science collection within the online database. This would go some way to the one-stop shop, and allow for some more active curation. The International Network for Government Science Advice (INGSA) is also investigating options for a single repository for published science advice.

5 https://royalsociety.org.nz/what-we-do/our-expert-advice/expert-advice-and-practice-framework/

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Ben Thirkell-White

New Zealand Reserve Bank Reform PHASE ONE

Abstract

The inflation-targeting approach to central banking was invented in New Zealand, before becoming the global standard during the 1990s. Despite this popularity, significant reforms were introduced to the Reserve Bank Act in late 2018 as part of a two-stage review, notably an expanded mandate and a committee decision-making structure. This article reviews the changes in the light of global and domestic challenges to central banking emerging since the global financial crisis.

Keywords Reserve Bank of New Zealand, central banking, quantitative easing, political economy

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Inflation targeting, now the de facto global standard for monetary policy (Reichlin and Baldwin, 2013), was invented in New Zealand. It was introduced with the Reserve Bank Act in 1989, was widely admired and spread globally during the 1990s. The Reserve Bank's institutions have been praised by experts as a particularly pure embodiment of inflation-targeting theory (Walsh, 1995) and inflation was decisively tamed in the early 1990s.

However, late last year, significant changes were made to the Reserve Bank's mandate and institutional structure under the New Zealand Reserve Bank Amendment Act – the first phase of a major two-phase review. Under the new arrangements, the bank is no longer concerned only with price stability but must also 'contribute to maximum sustainable levels of employment'. Decision making on monetary policy has been transferred from the bank's governor to a Monetary Policy Committee.

After a brief New Zealand-oriented review of the logic of inflation targeting, this article explores the domestic and international challenges for central banking that have emerged since the global financial crisis. Economists generally remain convinced by the inflation-targeting framework in 'normal times'. However, central banks' mandates have been expanding in ways that take them into more sensitive and less economically settled areas of policymaking. Meanwhile, there are signs that publics are increasingly concerned about the distributional impact of monetary policy.

The New Zealand reforms enhance the Reserve Bank's public openness and institutionalise some existing good practice. They also slightly increase its policy flexibility, but some important issues require further work, particularly if the bank finds itself needing to prevent deflation while interest rates are approaching zero.

The political economy of inflation targeting

The 1980s were a period of dramatic change in economic management worldwide. The Bretton Woods system of fixed exchange rates had broken down in the early 1970s. Two oil shocks followed, along with a period of high inflation and painful adjustment. Across the developed world, macroeconomic management shifted from attempting to deliver full employment in a highly regulated environment, to providing price stability under floating exchange rates, free capital flows and domestic financial liberalisation (Helleiner, 1994; James, 1996). In New Zealand this period was associated with turbulent disputes over macroeconomic management, particularly under Robert Muldoon.[1]

New Zealand's monetary policy had previously operated through controls on bank lending. With financial and exchange rate liberalisation the Reserve Bank shifted to a new role of influencing money and credit growth through 'open market operations'. This was new territory internationally and there was little consensus on how banks should calibrate their policy. Communicating a new-found commitment to fighting inflation in New Zealand was proving difficult. Meanwhile, politically, Roger Douglas wanted to 'Muldoon proof' monetary policy and both Treasury and Reserve Bank advisors were trying to work out how to fit the Reserve Bank into the government's redesign of public sector management.

Inflation targeting addressed all these issues. It fitted with the new public sector vision by providing a single measure for bank performance against which the governor could be held contractually responsible. How to deliver the target could then be left to the technical judgement of bank staff, free from political interference. Meanwhile, it gave the bank a clear policy goal towards which to orient its technical practice. The bank had been broadly sympathetic to overseas experiments with monetarism but had noticed difficulties in implementation. There were doubts over whether the bank had the power to deliver an inflation target, but bank staff generally liked its clarity, which corresponded with political expectations and provided a clear signal to markets that the bank wanted inflation well below the 5–6% range. Finally, greater independence and transparency would remove politicians' temptation to manipulate monetary policy for short-term electoral gain.

Since 1990, inflation targeting has become the de facto global standard for central banking and its rationale has been explored and elaborated in a large academic literature (Alesina and Stella, 2010). The modern justification begins with a time-inconsistency problem. Monetary stimulus can create a short-term economic boost but, in the process, risks damaging medium-term growth through inflation. Democratic politicians have incentives to value short-term expediency over longer-term welfare. It therefore makes sense to assign policymaking to a politically insulated independent agency. Not only does this produce better short-term policy. It also alters market expectations of inflation. That is important because wages and prices throughout the economy are set based on *expected* future price levels. If a central bank can acquire credibility, it will have to do less in terms of monetary tightening to achieve the same effect (stable prices), since markets will adjust their expectations and pricing following the bank's lead. The mere announcement of an inflation target will approximate a self-fulfilling prophecy.

Against that broad consensus, there is scope for variation in institutional design. The original Reserve Bank Act tended to emphasise the bank's inflation-fighting credibility over its duty to justify itself to the public (Eichbaum, 2009). The single decision-maker model was particularly out of step with what became an international norm of committee decision making, which creates greater transparency over how decisions are reached. In the early years there were also signs of a particularly strict interpretation of the inflation target. However, informal practice evolved to soften both of these elements over time.

The single decision-maker model was particularly out of step with what became an international norm of committee decision making, which creates greater transparency over how decisions are reached.

Adaptation, trade-offs and criticism in New Zealand: towards 'flexible inflation targeting'

While inflation targeting became the consensus approach to monetary policy, it remained subject to minority criticism, particularly from the political left, on the grounds that it overemphasises price stability, seeing other effects of monetary policy as unavoidable residuals. So, if a country chooses to target price stability and allow capital to flow freely across its borders, it must take the consequences in terms of exchange rate movements. A 'strict' inflation target, in which that is the only criterion for monetary policy, would also imply that levels of employment and output were also a 'residual'. Although monetary policy cannot affect levels of output over the long term, there is a short-term trade-off in which tighter monetary policy designed to stabilise prices also reduces levels of output and employment.

The inflation–output trade-off has distributional consequences, though these are difficult to specify with any generality and don't map tidily onto a traditional left–right political spectrum (Kirshner, 2001). Tight monetary policy tends to favour savers and lenders over borrowers (by increasing interest rates and limiting the inflationary erosion of loan value). It may also help those on low incomes who find it difficult to obtain wage increases as price levels rise and who are vulnerable to small changes. Traditionally, advocates of tight money have emphasised the latter effect as dominant, arguing that inflation is 'the cruelest tax'. However, recent econometric work suggests, somewhat tentatively, that unexpected interest rate increases in a context of low to moderate inflation can have regressive distributional consequences overall.[2] Finally, there is a clear tendency for financial sector actors to prefer tight monetary policy (Adolph, 2013; Posen, 1995), while the real sector is more divided, depending on how monetary policy interacts with other variables, particularly the exchange rate.

In New Zealand, the Reserve Bank has tended to face particular criticism when relatively high interest rates have encouraged capital inflows, boosting house prices and putting upward pressure on the exchange rate. High interest rates can make New Zealand an attractive short-term destination for overseas investors. Given relatively thin capital markets, inflows find their way into the domestic banking system and a combination of banks' and borrowers' preferences means funds are lent on to the domestic property sector. Michael Cullen was highly critical of the Reserve Bank on these grounds in opposition during the mid-1990s, and later, as finance minister, commissioned Lars Svensson to conduct an external review of monetary policy (Svensson, 2001). Another review was commissioned by the incumbent centre-left Labour government in 2007, and the Labour and Green parties in opposition were both highly critical of monetary policy throughout the post-global financial crisis period. Criticism has tended to argue that, under uncertainty, the Reserve Bank has been happier to risk unemployment than it has to risk price instability.[3]

In practice, the bank has not generally behaved like an 'inflation nutter'. At least by 2000, Svensson argued, the bank had followed best practice in moving to a 'flexible' inflation-targeting regime in which it sought to hit its inflation target on average over the medium term, but showed some flexibility where rapid monetary tightening would be too detrimental for output (Svensson, 2001). However, the bank has still struggled to deal with the exchange rate problem. Under previous governor Graeme Wheeler, the bank defended the view that its primary goal was price stability and that there was ultimately little monetary policy could do about exchange rate movements. The Reserve Bank did not have sufficient resources to intervene effectively in foreign exchange markets and it did not make sense to trade off inflation risks against a lower exchange rate. A medium-term solution to the problem would need to come through structural change, particularly increasing New Zealand's saving rates (Wheeler, 2013).[4]

In terms of governance structures, the Svensson review suggested moving to committee-based decision making, but the bank was reluctant and the Labour government did not press the point. However, the issue didn't go away, with Treasury suggesting it in internal advice in 2011 and Russel Norman, co-leader of the Greens, introducing a private member's bill on Reserve Bank reform in 2013 that included moving to a committee model.

Despite a global elite consensus on inflation targeting, the Reserve Bank has faced ongoing low-level criticism since the 1989 legislation was introduced. Over time bank practice has evolved towards greater openness and a more flexible interpretation of its inflation target. Whatever the merits of the ongoing arguments over whether inflation control is politically neutral, this criticism has been stronger from the left. Criticism has been particularly strong where interest rates designed to control prices have also triggered exchange rate rises that harm exporters. However, even in the post-crisis period, it is probably fair to say that criticism remains an elite preoccupation, with limited popular political salience.

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Political challenges and 'the new central banking'

Elsewhere, though, the world's most prominent central banks have come under greater political pressure (Blinder et al., 2017; Buiter, 2014; Riles, 2018). This pressure is driven by a combination of the technical challenges of the post-crisis environment and a shifting political mood, in which greater salience is given to inequality and scepticism of technocratic elites has grown.

The crisis made it particularly clear that price stability was not enough to ensure financial stability. Large-scale banking crises highlighted financial market failures. Central banks have bolstered their financial stability policies and many have adopted 'macroprudential tools'. Macroprudential regulation can 'lean against the wind' of boom and bust patterns in financial markets driven by herd effects and desensitisation to risk over time. Although interest rates could perform this role, they are a blunt instrument, affecting real sector activity as well as financial vulnerabilities. Macroprudential tools target credit growth more directly by rules on bank lending either in general (varying capital adequacy requirements) or to particular sectors (loan to value or loan to income restrictions in residential lending).

Macroprudential policy is less well understood economically than traditional monetary policy and has more obvious distributional impacts. Interactions between interest rates and macroprudential policy also begin to muddy the clean 'single instrument, single goal' picture that underpinned inflation targeting.

Additionally, major central banks found themselves at the 'zero lower bound' of interest rate policy, while risks of deflation persisted. They have responded with unconventional monetary policy, including quantitative easing (QE). QE involves banks 'creating money' to buy long-term 'safe' assets, making these more expensive and so encouraging banks to increase lending and other financial sector actors to shift resources into riskier assets that are more likely to stimulate output growth.

QE demonstrated that central banks had greater powers than many had realised. There were doubts about how well it would work. Meanwhile, it had clear distributional consequences, raising asset prices, which would tend to benefit the already wealthy more than lower income groups. Where the asset in question was housing this could be particularly sensitive given housing's dual status as a financial asset and a necessary place for human shelter.[5] The Bank of England has tried to argue that QE was 'neutral' in that it didn't significantly alter the wealth distribution (Bunn, Pugh and Yeates, 2018). However, fiscal policy would have been an alternative instrument and could (at least theoretically) have been designed in much more progressive ways (Wren-Lewis, 2011).

More generally, quantitative easing raises difficult political economy questions about the relationship between fiscal and monetary policy. At least some central bankers have argued that responses to deep recessions in the United States and Europe evolved into a game of 'chicken' between central bank and governments over the balance between fiscal and monetary stimulus. Contrary to the assumptions of the political economy of the inflationary 1970s, politicians have been reluctant to bear the 'political costs' of fiscal stimulus and have left it to central bankers (El-Erian, 2017). In other words, QE may have had regressive consequences, but it is unfair to lay this problem solely at the door of central banks, since they would not have had to embark on QE if politicians had been willing to deliver greater fiscal stimulus. QE raises important issues around the political consequences of isolating monetary policy from democratically governed fiscal policy, at least in times of crisis.[6]

Overall, central banks' power has expanded, moving banks into areas where the underlying economics is less certain and distributional consequences more direct. Unfortunately, this has taken place at a time when public confidence in financial elites is at an all-time low and concerns about inequality have become more politically salient. In technical terms, there are few additional reasons to doubt the wisdom of inflation-targeting regimes in 'normal' times (Reichlin and Baldwin, 2013). However, as we saw in the previous section, inflation targeting always had its dissenters. Trust was vested in central bankers to do a genuine job of weighing up the trade-off between inflation and output in an even-handed way. If the central bank acquires other roles, where distributional outcomes are more open to question, there is a danger that distrust may spread, raising renewed concerns about central bankers' 'neutrality' even in their core trade of traditional monetary policy. In practice, Alan Blinder's extensive survey of central bankers and interested economists suggests that 94% of academics believed their central bank had been criticised for 'crossing the line' into political territory during the crisis, with over 70% seeing this as 'serious criticism' (Blinder et al., 2017).

2018 reforms to the New Zealand Reserve Bank Act

The recent reforms, then, took place against a background of growing concern about the legitimacy of central bank independence. Central banks' post-crisis activities have complicated the simple picture of single-goal, single-tool monetary policy that underpinned the original vision for inflation targeting. There is pressure across economic policy to take distributional issues into account and arguments about technocratic expertise have come under renewed pressure. New Zealand's relatively benign experience of crisis means that pressures have not been so acute here. Blinder's survey, for example, suggested that pressure on central banks was particularly severe where they had undertaken quantitative easing and banks had to be rescued with public money (Blinder et al., 2017). However, with interest rates still low and an uncertain global economic environment, New Zealand may yet need to pursue unconventional policy. Additionally, New Zealand's status as a small open economy means the impact of monetary policy on the exchange rate is likely to be a recurring issue. Finally, the single decision-maker model established in 1989 required particular faith in technocratic decision making and, at least formally, did little to encourage public engagement and explanation.

In the rest of this section, I review the 2018 reforms in the light of these challenges, beginning with changes to governance and moving on to the bank's policy mandate and tools.

New Zealand's status as a small open economy means the impact of monetary policy on the exchange rate is likely to be a recurring issue.

Governance: committee decision making, institutional change and greater public engagement

Establishing a monetary policy committee was the least controversial reform. Debate concerned the constitution of the New Zealand Monetary Policy Committee and its communication strategy.

Committees have become the most common international arrangement, but their format and mode of operation varies. The 2018 legislation provides for the committee to have four internal (Reserve Bank) staff and three externals, plus a Treasury observer who can speak but not vote. The committee's charter[7] looks most like what Blinder (2007) calls a 'collegial committee'. Members are required to debate respectfully and are expected to reach a consensus position where possible. The reasoning behind this consensus is to be communicated through a 'summary of discussions'. However, departing slightly from a full collegial model, that summary is explicitly required to include notice of any 'material differences of view or judgement' and voting is possible where consensus cannot be reached.

The technical literature suggests that committees perform better on average, given that monetary policy is made under conditions of uncertainty. More people at the table should involve pooling information and rein in extreme opinions by subjecting them to debate based on a more diverse set of theoretical perspectives. However, to maximise these benefits it is important that committees function well, allowing respectful disagreement and avoiding too much deference to an autocratic chair.[8]

The difference between committee-based decision making and the Reserve Bank's previous practice shouldn't be exaggerated. The bank has long had a reputation for transparency and its procedures involved gathering wide-ranging information from a variety of sources, including external advisors, and procedural design that was intended to allow dissent and prevent groupthink (Richardson, 2016). Since Graeme Wheeler's tenure the governor has discussed decisions with three senior staff in an informal committee but remained formally accountable for final decisions.

Nonetheless, the new structure does strengthen the role of external voices in the decision-making process (from acting as advisors to having a seat at the final table). It also publicly embodies a more deliberative and democratic vision of what central bank decision making is like. Economists have tended to be concerned with whether committee structures are more likely to get policy 'right'. From a political point of view, though, it is also important that central banks can be seen to be weighing up a range of considerations in making their decisions in a way that is, as far as possible, politically neutral. Here evidence that trade-offs are being discussed in a way that takes different preferences and points of view seriously ought to provide public reassurance and improve the quality of public debate.[9] That is particularly important in times of heightened political contestation. Central bankers have sometimes been guilty of burnishing their inflation-fighting credentials for a market audience in ways that underplay the extent to which they are also concerned about not damaging output and employment.[10] Seeing communications as directed at both markets and publics should help to redress this balance.

On the other hand, the main concerns expressed in debating the new rules were precisely that a committee structure would politicise monetary policy and undermine the Reserve Bank's ability to communicate with markets.[11] Those concerns are understandable. The new model is a shift from a system that implied that a neutral governor could 'get policy right' to one that explicitly acknowledges contestable judgement about trade-offs with political consequences. However, trade-offs were always present and everyone knew that (Blinder, 2007). When governors made decisions in difficult circumstances, markets would know that those decisions risked reversal. Arguably, a well-functioning committee, communicating a more sophisticated understanding of how decisions were made, is also providing more accurate signals to markets (albeit signals that require interpretation, but that was also true before). It is fair to say, though, that the committee structure will make communication more challenging.

On politicisation, the minister now has a more direct role in shaping Monetary Policy Committee membership.

On politicisation, the minister now has a more direct role in shaping Monetary Policy Committee membership. However, the minister's external appointments must be on the board's recommendation and remain a minority of the committee. The production of minutes should at least make any politicisation transparent and the requirement for consensus deliberation should serve to push towards compromise policy solutions.

The legislation also makes some further minor changes that enhance transparency. Replacing the old policy targets agreement between minister and governor, the minister will produce a 'policy remit' for the committee, 'having regard to' bank advice. The remit is not likely to be radically different from an existing policy targets agreement.[12] However, it does specifically allow the minister to provide guidance on how 'economic objectives' might be defined and on the relative priority between them (i.e. between output and price stability). What is new is a clearer requirement for public consultation about what the remit might contain, primarily through obligations on the Reserve Bank to consult the public before formulating its advice to the minister. More generally, there are enhanced provisions for public consultation relating to a range of decisions (including on the content of the Monetary Policy Committee charter), along with publication of outcomes and the reasons for them in ways that one might hope would feed into more effective public understanding and debate.

The mandate, policy instruments and emerging technical challenges for central banking

The shift to a dual mandate was more controversial (and opposed by National Party and ACT MPs). In parliamentary debate, Finance Minister Grant Robertson has generally argued that the new mandate does nothing to compromise financial stability and reflects the Reserve Bank's existing flexible inflation-targeting approach.[13] However, as we saw above, all three coalition partners in the government have previously criticised the bank for putting too much weight on inflation rather than output. National, meanwhile, has argued that the change is either unnecessary and potentially risky (if it is not expected to change policy) or will water down price stability.

The mandate is carefully phrased and Treasury advice tends to suggest that it is intended to reflect current flexible inflation-targeting practice. The new legislation clarifies that the bank's mandate should be price stability 'over the medium term'.[14] It also adds a new mandate to 'support maximum sustainable employment'. Treasury tell us that: 'support' acknowledges that monetary policy has a limited impact on output; 'sustainable' affirms that the bank should minimise fluctuations around natural long-term employment levels (rather than create overheating through stimulus); and 'maximum' indicates maximisation in the context of other monetary policy choices (Treasury, 2018). Reserve Bank research on dual mandates elsewhere suggests that the shift is unlikely to have a significant impact on how monetary policy is carried out (Jacob and Wadsworth, 2018).

However, it is also not clear that the new mandate does much to deal with the economic situations in which New Zealand and overseas central banks have recently come under pressure. As we have seen, in New Zealand criticism has tended to revolve around the exchange rate. When criticism last emerged, in the aftermath of the global financial crisis, the bank responded by arguing that monetary policy could do nothing to resolve a situation in which high interest rates encouraged capital inflows and exchange rate overvaluation. That position implicitly relied on what, at the time, was the consensus view: that financial markets could be expected to act rationally in response to economic fundamentals.

Since the crisis, IMF researchers have led official recognition that, at times, exchange rate overvaluation can be the result of market failures in the form of self-fulfilling exchange rate expectations, encouraging a surge in capital inflows. Where fiscal and monetary policy are appropriate and the exchange rate is plainly overvalued, they suggest exchange market intervention may be appropriate and, failing that, 'prudential capital flow management' (Jeanne and Korinek, 2010; Korinek, 2011; Ostry, Ghosh and Chamon, 2012). IMF work still suggests that exchange rate operations are unlikely to be successful in a small, well-integrated economy like New Zealand's. That leaves either accepting the previous status quo and trusting that ever-improving public communication will maintain acceptance of the costs, or capital controls. The bank's 2013 communications were (presumably quite deliberately) silent on the possibility of capital controls. Capital controls are still seen by many as incompatible with a commitment to economic openness[15] and there may have been concerns that even discussing controls could have negative impacts on inflows. However, the bank's new macroprudential tools, particularly loan-to-value limits on property lending and limits on banks' exposure to short-term foreign borrowing (core funding ratio), could theoretically be used to reduce capital inflows as they flow through to the housing sector.

The present memorandum of understanding with the minister, which governs macroprudential tools, specifically limits their use to situations in which banking system stability is threatened. They can be used where inflows are sufficiently extreme to threaten financial crisis, but not simply as a tool of exchange rate management (unless that is changed as part of phase two reform, which seems unlikely). At present the IMF's discussions around 'flow controls' only suggest a change of heart in relation to 'emerging markets'. The large financial markets are unlikely to experience this kind of problem, so the global financial crisis has not produced the kind of official change in sentiment that might give the Reserve Bank 'safe cover' to implement controls (though 'emerging markets' include relatively large and sophisticated markets like Korea). For now, then, if the problem re-emerges, the bank will have to hope that its new tools of public communication can help convince the public that the pain involved is unavoidable: the sort of situation in which central banks are meant to have the independence to make tough choices.

In the wake of the global financial crisis, there has been growing pressure on central bank legitimacy due to new roles banks have taken on and to shifting public attitudes.

The other big change in post-crisis economic thinking concerns policymaking in recessions once interest rates approach the zero lower bound. At that point, the possibility of greater fiscal–monetary policy coordination becomes important. In part that is because coordination is required to give credible signals that the authorities will do what it takes to restart inflation (Eggerston, 2013). Equally, once interest rates cease to work as a tool of monetary policy, it is no longer clear that the central bank has the best tools to deal with the business cycle. Traditionally, in inflation-targeting regimes, fiscal–monetary coordination has been avoided because a core reason for central bank independence is to ensure the bank is firmly in charge of stabilisation policy. However, in a deep recession, separation can deprive authorities of the best tools for the problem at hand. The Reserve Bank of New Zealand has done some research on policy options in this situation (Drought, Perry and Richardson, 2018). The presence of a Treasury representative on the Monetary Policy Committee opens up the possibility of informal coordination and a dual mandate may make it easier to produce credible signals (through, for example, an output target below which accommodatory conditions will persist). However, it would be better if the Reserve Bank and Treasury had got to the point of having a well-developed plan for both policy and institutional arrangements when this situation arises,[16] particularly given that recent modelling suggests it could be a common problem in the future (Kiley and Roberts, 2017). The newly produced *Monetary Policy Handbook* currently bluntly states that quantitative easing is 'not necessary in New Zealand' (Williams, 2019, p.55).

Conclusions

In the wake of the global financial crisis, there has been growing pressure on central bank legitimacy due to new roles banks have taken on and to shifting public attitudes. In New Zealand pressures have not been acute, with only relatively low-level criticism of the bank in the post-crisis years. However, with interest rates low and the global economic outlook uncertain, it is important for the Reserve Bank to be prepared for stormy waters ahead.

The reforms so far institutionalise some existing good practice at the Reserve Bank and add some further incremental change. They are particularly welcome in codifying and extending a range of changes that should encourage greater public understanding of and engagement with the bank's activities. Explicitly adopting a dual mandate and moving to more transparent committee decision making both work towards greater visibility for the bank's role in carefully balancing growth and price staiblity.

However, it is unlikely that monetary policy will look very different as a result. When high interest rates produce exchange rate appreciation, the bank will need to work hard at its communication strategy in order to argue that the result is simply pain that needs to be borne in the interest of price stability. If New Zealand finds itself at the zero lower bound of interest rates while a recession continues, though (which seems at least reasonably likely), something quite different will need to be done and it would be a shame if the opportunity to think seriously about what that might look like were missed as part of this major review. Indeed, there is plenty more interesting and important work to be done in phase two, which includes a broader consideration of the bank's governance, its role in regulating the financial system and its policies for crisis management.

1 What follows is very condensed as the story has been told elsewhere. See, particularly, Singleton et al., 2006, chapter 5.
2 Partly because wealth effects dominate those on low incomes and partly because increased unemployment has a stronger impact than steady erosion of income through price level changes: see Monnin, 2017.
3 During Graeme Wheeler's term, inflation was consistently lower than target. More problematically, the Reserve Bank's inflation forecasts were consistently low, suggesting that the official cash rate was set too high. However, most other forecasters in New Zealand were also overestimating future inflation. See, particularly, Williams, 2017a, 2017b.
4 For contrasting views on how serious the problem was for New Zealand in the mid-2000s, see the papers produced for a Reserve Bank seminar on the topic in 2011: https://treasury.govt.nz/publications/conference-paper/new-zealands-macroeconomic-imbalances-%E2%80%93-causes-and-remedies-policy-forum-23-and-24-june-2011
5 See, for example, the 2008 special issue of *Comparative European Politics*, 6 (3), on 'The political cost of property booms'.
6 For the more technically inclined, there are also concerns that QE pushes central banks into fiscal territory because their expanded balance sheets interfere with Treasury's debt management and pose a potential risk to the taxpayer in the event of default and, potentially, to central banks' inflation-fighting commitment.
7 Available at https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Monetary%20policy/About%20monetary%20policy/Monetary-Policy-Committee-Charter-April-2019.pdf?la=enandrevision=33f0b2ff-3845-432e-aad5-52f73dbe65ee.
8 The literature is large and can only get the briefest airing here. For a classic overview, see Blinder, 2007. For some recent empirical evidence, with some useful discussion of how insiders see committees working, see Apel et al., 2015. For contemporary Reserve Bank views, see Price and Wadsworth, 2019.
9 The literature on 'deliberative democracy' provides useful summaries of what ideal deliberation might look like and how 'elite' and 'popular' deliberation might fit together. See, for example, Gutman and Thompson, 2004; Mansbridge et al., 2010.
10 See particularly Mishkin, 2005, in which he argues concern with output has sometimes become a 'dirty little secret' among central bankers. For a critique of central banks' communication with publics, see Riles, 2018.
11 See Amy Adams' speech on the second reading of the bill (Hansard, 4 December 2018) and a variety of submissions to the Finance and Expenditure Select Committee.
12 The first remit is available at https://www.rbnz.govt.nz/-/media/ReserveBank/Files/Monetary%20policy/About%20monetary%20policy/Remit-for-the-Monetary-Policy-Committee-April-2019.pdf?la=enandrevision=a5783e23-a90b-43d5-8769-75c448eef89b.
13 See Hansard for his opening speeches on the first (26 July 2018) and second (4 December 2018) readings of the bill.
14 In keeping with most recent policy target agreements.
15 For example, New Zealand is a party to the OECD's code for the liberalisation of capital movements. The OECD and IMF are engaged in long-term discussion about capital flows, though some controls would be possible if a registration was noted under Appendix B to the code.
16 Unfortunately, there is no current consensus position on what to do. International lessons so far are largely negative. They tell us most about what to avoid. However, that is all the more reason to have a plan. There are some interesting suggestions in the academic literature that are worthy of consideration. See, for example, Balls, Howat and Stansbury, 2016 and Bernanke, 2017.

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