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[Interviewer question to 00.14: What major changes have you seen in Public Policy over your career?]

There's clearly been some very substantial changes in levels of economic development - so we've seen huge growth in the developing world, or much of the developing world, and as a result, a very substantial reduction in rates of poverty. Although still, today, about a billion people live in pretty severe poverty, facing regular hunger and malnutrition. But that's been *halved* over the last 15 to 20 years.

We've seen huge changes in the natural environment as a result of economic development, most of those changes being very negative. So, massive increases in pollution and the loss of natural capital, loss of biodiversity, and of course very significant changes to the planet's atmosphere, and as a result, changes in the climate system and so forth.

We've seen very substantial demographic changes, so a slowdown in the fertility rates, particularly in the developed world, but now in the developing world, and as a result of that, an aging of the population in many many countries.

We've seen huge technological changes. So when I was a child - that was before anybody went to the moon, it was the days before we had personal computers, let alone robots or, or, or drones. So we've had *massive* changes in technology.

And all those have had big impacts on public policy, and on policy thinking. And I guess in terms of some of the *big* changes in policy thinking over my lifetime, one of them would be around issues of income distribution. Back in the 1960s and '70s, developed countries had a much more egalitarian income profile than we do now and there wasn't perhaps as much concern about issues of inequality that there is now.

We saw this massive increase in rates of income and wealth inequality during the 1980s and 1990s in particular, driven by a whole range of factors: policy shifts, reduced levels of progressive taxation, sometimes cutbacks in welfare expenditure, but also globalisation, technological change and so on, impacting on labour markets and on income distribution - so that we now have a much greater level of inequality around the world, both in developed and developing countries, and that is having some significant economic, social and political impacts.

There's good evidence now that where you have much greater inequality, you have greater levels of political corruption; you have greater levels of social stress and lack of cohesion; and you also have damaging consequences for the macro economy - partly as a result of the wastage of human capital that occurs as a result of people having their opportunities to participate in society blocked, or not able to secure the kind of educational advantages that the better-off are able to secure, and so on.

[Interviewer question 3.42 to 3.47: What major developments in the way we govern can you anticipate?]

Well, I think one of the *big* challenges we face, as a result of some of these substantial challenges in relation to the environment, but also inequality and conflict between ethnic and

religious groups and so forth, a big challenge is going to be how to protect and preserve democratic methods of governance. Because there is a very significant risk that ecological degradation and, in some cases, collapse of major ecosystems, together with sea-level rise and so forth, that these will have very destabilising political consequences.

We face over the coming decades the prospect of tens of millions, and ultimately hundreds of millions of people having to move because of sea-level rise. We face huge disruption to major pieces of coastal infrastructure: roads, railways, port facilities.

We face significant changes in the climate of regions - you think what's happening to California at the moment as a result of a three or four-year drought of almost unprecedented, if not unprecedented, unprecedented kind, with the impact that's having on, on agricultural production, on land use, on the level of forest fires, which is costing them potentially a *billion* dollars, US, to fight this year.

You think about those sorts of impacts and you think about then the capacity of democratic political systems to, to cope with these stresses and shocks. And the problem is that these stresses and shocks, while they'll be specific to particular regions, will also be happening, often simultaneously, in different parts of the world, and they will be accumulating in scope and scale.

I think one of the really big challenges we face, Malcolm, is the capacity of democratic systems to survive these, these challenges. I think there's going to be very strong pressure, in the face of the kinds of challenges that I foresee, for a move towards more authoritarian modes of governance. I'm a democrat, and I strongly believe that democracy represents, despite all its imperfections, the best form of government that we've thus far invented. So I'm very much in favour of strengthening and improving the quality of democracy, rather than weakening it.

And I guess a critical challenge, therefore, is how can we, how can we cope with these shocks and stresses that are almost certainly going to challenge us over the coming decades. But in, in, in the shorter term, how do we mobilise our democratic political systems to try and *mitigate* some of the damage that we could otherwise suffer?

In relation to climate change, a critical problem is that we have to essentially take some stiff medicine now, in terms of preparedness to impose costs on vested interests, in order to reduce long-term damage to the planet. And it's pretty clear that the vested interests, particularly in the fossil fuel sector, have been mounting a vigorous and relatively successful campaign over several decades to prevent democratic governments from taking the sorts of actions that are necessary to reduce greenhouse gas emissions.

And I think one of the big questions is, can democracy win, in the short- to medium-term? In other words, can we impose losses on powerful vested interests, to protect our long-term futures, both for ourselves, but also for our children and grandchildren? And I think the jury is out; thus far, we haven't been doing very well. Vested interests have successfully delayed and stymied effective action to mitigate climate change, in many of our largest democracies for several decades. The fight is on at the moment, and it's not clear to me what the outcome will be, but I, I'm, I'm rather less optimistic now than I was, say, a decade ago.

[Interviewer question 8.43 to 8.49: What do we need to do to increase the chances that democracy will win?]

I wish there was a simple answer to that question, but I do think there are a number of things

that can enhance the capacity of democratic political systems to address big challenges like climate change. There is good evidence that more deliberative and participatory forms of democracy are helpful in enabling groups and individuals, who would otherwise disagree, to, to come to a shared understanding of the problems they face and the best ways of addressing those problems.

So in New Zealand we've been experimenting with the Land and Water Forum, which brings together the major stakeholders from the agricultural sector, the business community, the environmental groups of various kinds, the recreational users of, of water and so on, in an effort to try and come to a common mind on the nature of the problem, and what needs to be done.

And I think there's good evidence that those sorts of methods are effective and helpful in, in enabling more appropriate policy instruments to be, to be employed. There is evidence that countries with lower levels of inequality have higher levels of political trust, and where you have high levels of political trust, governments are, are more trusted to do things by their citizens than would otherwise be the case.

One of the challenges we have is that as inequality has risen over the last couple of decades in many democracies, so too political trust has declined. And this has made it more difficult for governments to take people with them, because people are more *suspect* of governmental motives, and less willing to trust governments to do the right thing.

So again an issue is, can we reduce inequality in ways that will help strengthen the legitimacy of our democratic political systems, increase the trust that citizens have in their governments?

We have, in this country, a number of organisations that governments have established over the years, designed to try and *speak* for the future. So we've had a, a Commission for the Future; we've had a Planning Council; we've had a Parliamentary Commissioner for the Environment. We, we, we have a Commissioner for Children, and children can be seen as an investment in our future, as a civilisation.

One argument would be that by having these voices for the future, we can strengthen the capacity of democracies to take these long-term issues more seriously, because there is a voice there speaking on behalf of these issues.

Another issue is whether or not we can make greater use of what are called commitment devices in the literature, that is, devices which help to bind politicians over the medium- to long-term to achieving good results. Commitment devices include everything from multi-party agreements, as we've done in New Zealand with respect to retirement incomes, through to government setting targets, or requiring, via legislation, the production of strategic plans or investment strategies, or long-term community plans and so on.

And, and again, if you have these kinds of vehicles, these commitment devices, which focus on the long run, you can, in, in effect, create the conditions in which it's going to be more likely that democracies will recognise and take seriously the long-term challenges they face.

Because if you're doing an investment, say, an infrastructure plan for 30 years, well, you're gonna have to take climate change seriously, because it's going to impact on your infrastructure in a variety of ways. If you're, if you're going to set targets, with respect to, for example, child poverty and so on, then governments are going to have to think about how they reallocate resources to meet those targets. And so on.

So part of the challenge is to try and get in, get in place the sorts of commitment devices that are going to help generate better outcomes over the long run.

[Interviewer question 13.42 to 13.47: What stops governments from doing that?]

But there's another problem, and that is, if you like, a fundamental philosophical or ideological problem. Some people, because of their mind-sets, simply don't want to recognise problems. And if you don't recognise problems, then you're not going to be prepared to deal with them.

So, for example, in the climate change debate, we've had a serious problem in many democracies, particularly the United States, Canada and Australia, and to a lesser extent New Zealand, as a result of many senior business people, policy-makers and so on, denying the basic science. And they're denying the science, not mainly in my view because they think the science is wrong - because most of these people are not scientists - they're denying it because it's inconvenient. It doesn't sit comfortably with their ideological prejudices.

So part of the challenge there is, how do we shift people's mind-sets, their, their world views, their paradigms? And that's harder. The evidence of the last few decades in relation to climate change is that people are prepared to maintain their, their rejection of very good science in the face of overwhelming evidence.

One of the issues I've been reflecting on is, is this what is often called a presentist bias in democratic decision-making, though it's not limited to democratic decision-making by any means. But it's this tendency for governments to focus on short-term issues rather than long-term issues, and to weight short-term considerations over long-term considerations, so that if there's a trade-off between a short-term benefit and a long-term benefit, then other things being equal, there will be a preference for the short-term benefit.

There are a variety of reasons why people and governments tend to be short-term in nature. They, they include simply having a reasonably high discount rate. That is to say, they have a preference for having things sooner rather than later - they're, if you like, impatient. And impatience is a, is a feature of humanity, across the board, and probably throughout the course of human history. It, it, it no doubt varies a little bit from society to society and from individual to individual and circumstance to circumstance, but essentially there is strong evidence of a, of people being impatient. But there's a multiplicity of other factors which, which contribute to a, a kind of presentist bias in the system.

Another one is uncertainty. If you're faced with the choice of a benefit today and a benefit tomorrow, other things being equal, the benefit today is probably more certain than the benefit tomorrow. So people would rather have a bird in the hand than, than missing out. And uncertainty is a profound and immutable fact of existence. We do not know the future. And, and hence we cannot but live with uncertainty.

Another problem is whether or not we have institutions that can address collective action problems or coordination problems, as they are called in the trade. Climate change is essentially a global collective action problem. In order to reduce greenhouse gases, we need collaborative, cooperative action by all the major emitters. But it's in the interests of every individual emitter - nation, business and individual - to free-ride, and let other people bear the cost, because there are *some* costs, even if they're very modest, involved in changing behaviour, in changing production methods and so on.

One of the problems we have as a human species at the moment is that our institutions for collective action at the global level are very weak. We have the United Nations, we have all sorts of international conventions and international agencies of various kinds, but they can only exert such influence as the sovereign states, and particularly the major powers like the United States, Japan, Europe, China, India and so on, are prepared to give them. And generally speaking, sovereign states have been unwilling to give up much of their sovereignty for the collective good, and I don't think that's going to change anytime soon. So, there's a fundamental collective action problem in relation to protecting the global commons, whether it's the atmosphere or the oceans, space, biodiversity and so on. So all these things contribute to a kind of a presentist bias.

[Interviewer question 18.40 to 18.46: How have you seen other countries govern for the future?]

Well, I think if you look internationally, I think a fair assessment would suggest that some countries are *better* at governing for the future than others. And that assessment is based on their willingness to invest in the future, whether it's in terms of building and maintaining good infrastructure, public infrastructure in transport, communications and so on; whether it's in terms of investing in children, particularly young children, to ensure a better future for their society; whether it's in terms of protecting the environment in the interests of long-run economic, social and political outcomes; whether it's in terms of investing early in particular problems.

So if you look across the globe you'll find that some countries do better than others. On the whole, my assessment would be that the countries of northern Europe, Scandinavian democracies, tend to do better. One, therefore, has to ask, well why is that?

Well, *part* of the explanation is that they have a greater sense of consensus on some of these big issues. Where you have ideological polarisation, it's much much harder to get agreement on governing for the future well, because people have such radically different views about the nature of the problem, or about what the solutions are to the problem.

Another issue is the level of inequality, and the evidence suggests that more equal societies, as in Scandinavia, are able to make long-term decisions more easily than more divided societies... more unequal societies. Why is that? Well, because more equal societies tend to have a higher level of social solidarity. There's less *distance* between people. There's more trust. Higher social capital. More political trust. All these things work together to reduce polarisation and division and a greater willingness to make hard calls and so on.

Another issue would be the extent to which countries invest in foresight. How much time and money do they spend thinking about the future, and thinking about the big issues and wrestling with them, and how do they go about wrestling with them?

And, again, I think in Scandinavia you'll find that, particularly in some of the Scandinavian countries, Sweden, and in Finland perhaps in particular, there's been quite a lot of investment in foresight activities of various kinds. In Finland, for example, there's a Parliamentary Committee for the Future, dedicated to big long-term issues: thinking about the impacts of technological change, thinking about the big long-term environmental health, social and other issues the country faces.

There's also a requirement in Finland for governments to produce a report on the future, looking out at least 15 years every parliamentary term. So governments are forced in a quasi-

constitutional manner to look out 15 years, and give an indication to their citizens as to what they think the big issues are, and how they as a Government plan to tackle those issues.

So this gets issues onto the table, into the political arena, that might not otherwise occur. These countries have also been significant in the way they've used deliberative mechanisms: social media, and other ways of *engaging* the communities in thinking about some of these big long-term issues.

And, and they've been, yeah, willing to invest. I think of Norway in this context. They, they established a sovereign wealth fund to take the resource rentals from their significant North Sea oil resources, and they now have a sovereign wealth fund valued at close to a \$1 billion US, a trillion, sorry, US dollars. And it continues to grow.

Now, in many other countries, there were no such sovereign wealth funds established. The United Kingdom, for example, didn't develop a sovereign wealth fund to, if you like, keep some of the tax revenues the Government was getting to compensate future generations for the loss of this very substantial asset of oil, which will be gone forever - future generations in Britain won't have access to it. New Zealand didn't establish a sovereign wealth fund to take the proceeds from resource rentals for Maui gas and oil - so we didn't do that. Why? Why did we not think about the future? And the case of Norway's even more interesting in that there's been this political consensus to maintain this investment in the future, even as the sovereign wealth fund grew and grew in size.

I'm sure that in some democracies, once the sovereign wealth fund was beyond a certain point, people would say, well, let's cut taxes. Why should we be having to pay all these taxes when we've got this big sovereign wealth fund?

In the case of Norway, the sovereign wealth fund is worth almost twice their GDP. Every Norwegian must be worth hundreds of thousands of US dollars, just via the sovereign wealth fund. But they haven't cut taxes. They've continued to tax themselves quite highly, and essentially build up an even larger fund for the future.

Well, I find that quite remarkable. It's, it's very positive in one sense, because it, it says democracies can invest for the long-run, and invest *heavily* for the long-run, and do their very best to protect the interests of their children and great-grandchildren, and all those who follow. So that's, that's very positive, but you have to say, 'well, why is it that only a few manage to do that? What lessons can we learn from a country like Norway?'

I think in the Norwegian case, again as I've said with respect to some of the other Scandinavian countries, the ingredients are probably quite clear: reasonably egalitarian in nature; a reasonable level of political cohesion and consensus on the big issues; a willingness on the part of the citizens to trust their Government, because the Government is doing generally a good job; a willingness of citizens to pay taxes, because virtually everybody does - so willingness to be a good citizen, and so on and so on. And these things tend to feed into each other and reinforce each other.

But when you don't have those ingredients, the challenge is, how do you *create* those ingredients? What are the necessary conditions for building that kind of society? Well, it seems to me, the lessons of history would suggest that there are certain things that can trigger that. A Great Depression. A massive war, which brings people together.

The question is, can we do that without these very severe shocks and external threats? I, I hope we can, but I'm not completely confident.

[Musical interlude 26.42 to END]

Interview ENDS: 26.54