

Living Standards, Wellbeing, and Public Policy



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FOR THE PEOPLE

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- The views expressed here are not those of the New Zealand Treasury



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Living Standards Framework



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- History: Evolved over ten years to better guide the Treasury in advising on all policy in New Zealand (**value neutral**)
- Goal: Sustainably promote wellbeing for all New Zealanders
- Link high-level policy guidance with measures of national progress and specific policy tools
- All multi-dimensional
- Was a multi-domain stocks and flows model
- Alternative models for Māori, children, etc.
- Important: Wellbeing Budget 2022!

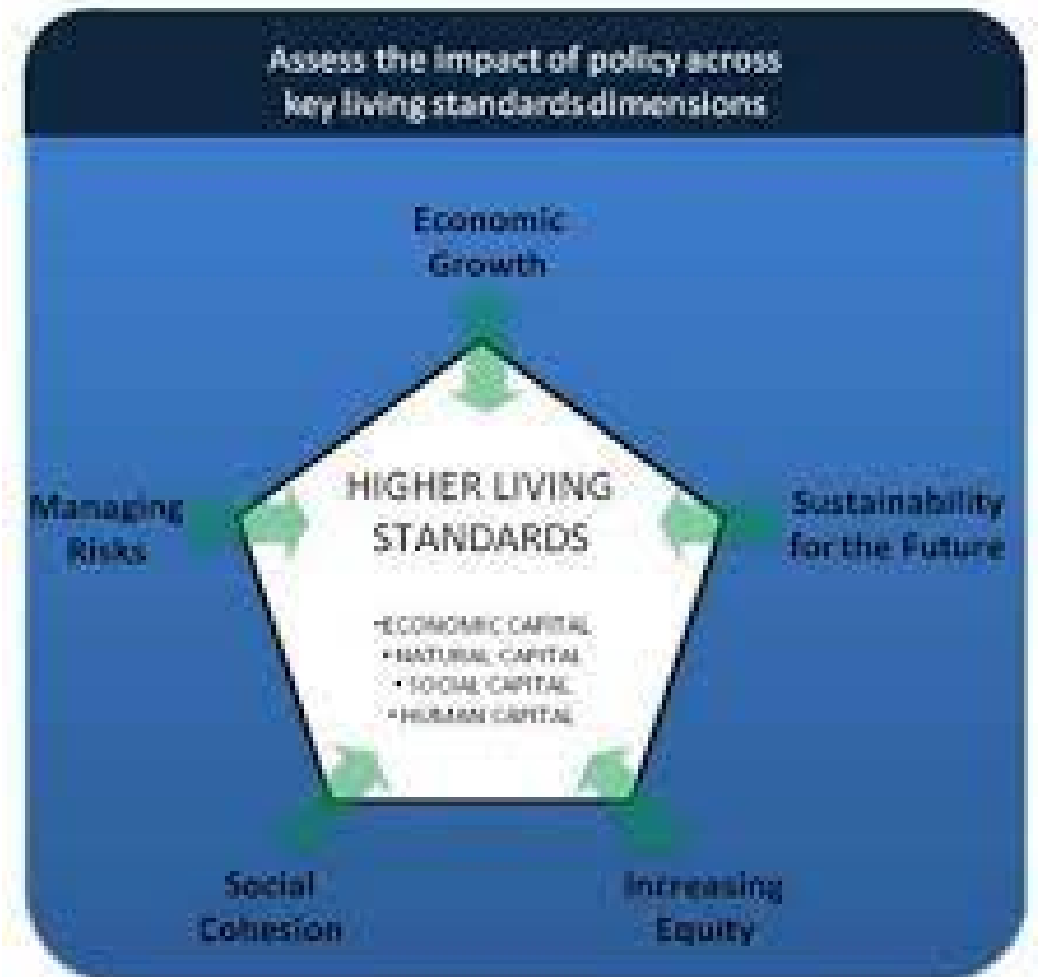


LSF Policy Analysis Tool



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- Multi-dimensional
 - Economic growth
 - Sustainability
 - Managing risk
 - Increasing equity
 - Social cohesion
- But...
- Wasn't clearly linked to the LSF
- Used arbitrary indicators that didn't make sense for most applications
- So the tool wasn't really used



2021 Refresh

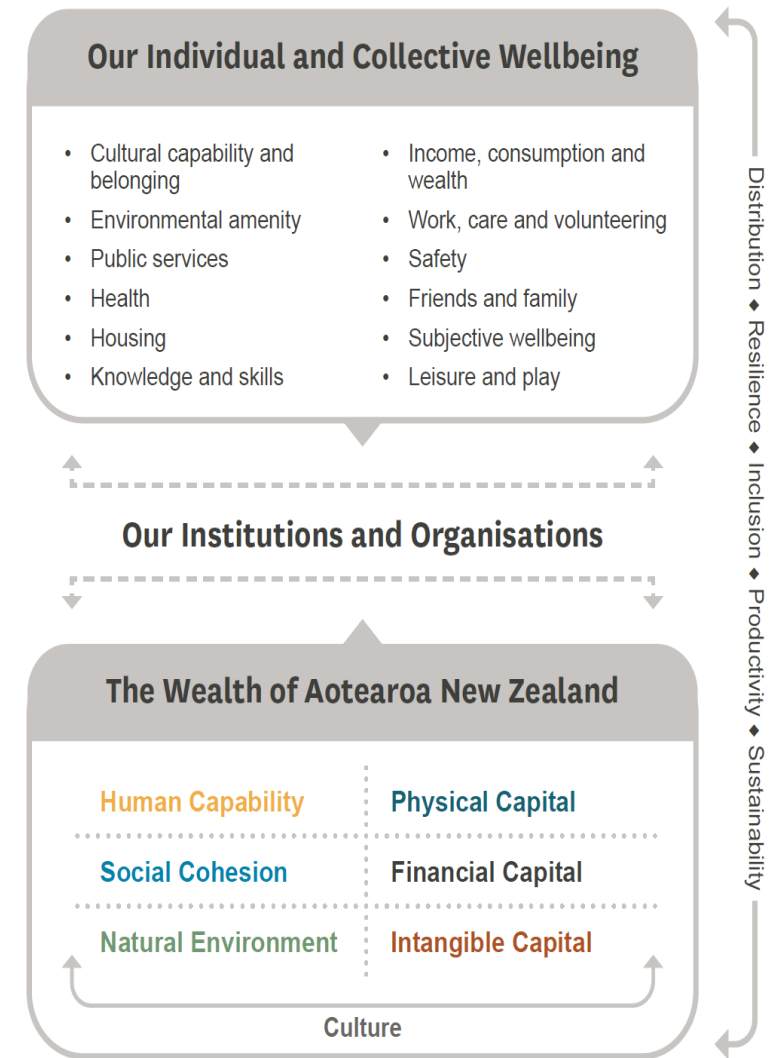
- The shadow of the OECD
- More inclusive of culture and children
- Acknowledge the wellbeing of groups as well as individuals
- Acknowledge the role of institutions in converting wealth into wellbeing
- May allow religion a role through institutions



Values in the LSF



- Previous view was that Treasury advised on effectiveness and efficiency
- Many worried about the LSF either dictating values or being ignored
- But policy advice is always more or less value-based (except when all of the relevant values are made explicit by the government)
- The 2021 LSF looks to be thoroughly pluralistic
 - Individual and collective wellbeing
 - Happiness, satisfaction, and objective list
 - Consequentialist and deontological

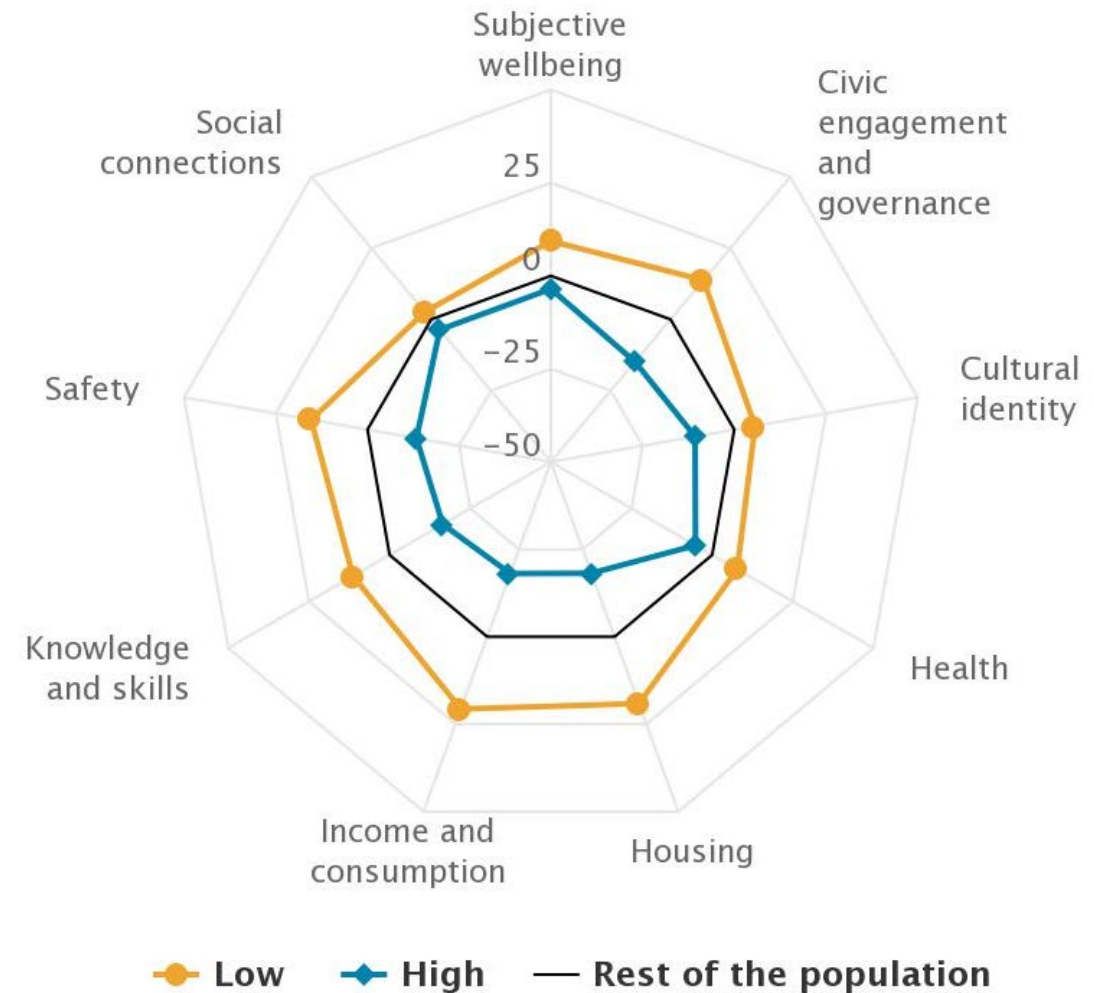


Holding MDMs back?

- Extensive pluralism isn't normative enough
- Very offensive if your value is omitted
- The whole policy becomes much slower
- There is no way to trade off values
- Many domain-specific tools are created but can't be linked to other tools
- So policy reverts to monetary cost-benefit analysis or stalls

Quintile 5 (Most deprived)

Survey Year: Combined years
Unit: Percentage point difference



Generate values politically



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- Why not double down on democracy?
- Educate about values
- Take tests to establish value priorities
- The LSF could be divided into constituents and causes of wellbeing
- The LSF could have fluid domains and weights
- Policymakers can trade off different values, give normative advice without dictating values
- *But... safeguard indigenous groups from tyranny of the majority



Thank you



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