

# WHAT IS WORTH FIGHTING FOR IN EDUCATION: AN ECONOMIST'S VIEW

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E ngā kaiako tuarangi e tau nei, tēnā koutou katoa.

Ka tino nui taku mihi o aroha ki a koutou i tēnei rā.

Kei te mihi ahau ki ngā taonga o Waikato-Tainui,  
tāngata whenua o tēnei wahi.

Ka iti taku mōhio o te reo Māori,  
ēngari kei te mihi ahau ki tēnei taonga o ēnei motu.

Tēnā koutou, tēnā koutou, kia ora tātou katoa.

Thank you for your invitation to speak on the topic of *What is worth fighting for in education*. I am very pleased to accept your invitation and to have begun with a short mihi that acknowledged yourselves as distinguished teachers, acknowledged Waikato-Tainui as tāngata whenua of this place, and acknowledged the Māori language, which I described as a treasure of these islands.

You have asked me to address the theme of your conference as an economist. Questions about *worth* and what we therefore *value* are key economic issues. In this address, I will argue that many of the policies that currently seem to be creating a combative environment for education has to do with the value placed by the government on “economic growth”.

This value can be demonstrated with two representative quotes from the beginning of the National-led government's first term in 1998. The first comes from the Speech from the Throne that opened Parliament after the election (9 December 2008, emphasis added).

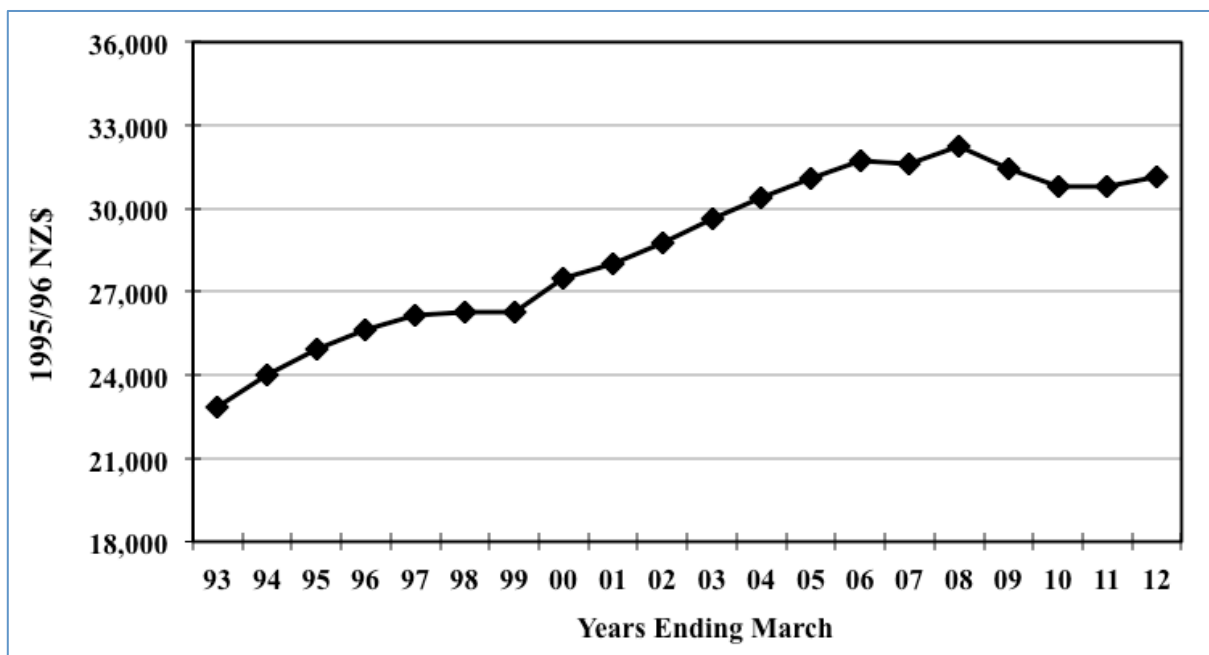
The *driving goal* of the new Government will be to grow the New Zealand economy in order to deliver greater prosperity, security and opportunities to all New Zealanders. It will be *going for growth* because it believes in the power of economic growth to deliver higher incomes, better living conditions and, ultimately, a stronger society for New Zealanders.

The second quote comes from the Confidence and Supply Agreement signed between National and ACT on 16 November 2008.

National and ACT have joint aspirations for greater prosperity for New Zealanders, and see Australia as a benchmark. They have agreed on the concrete goal of closing the income gap with Australia by 2025.

Thus the National-led government came to power expecting that its policies would create higher economic growth, allowing New Zealand to catch up on its Australian neighbours. At present “growth” is measured using real per capita GDP (gross domestic product). This measures the value of total market output produced in New Zealand each year, removes the impact of inflation on market values and divides the result by the New Zealand population that year.

**Figure 1 Real Per Capita GDP, New Zealand, 1992/93-2011/12**

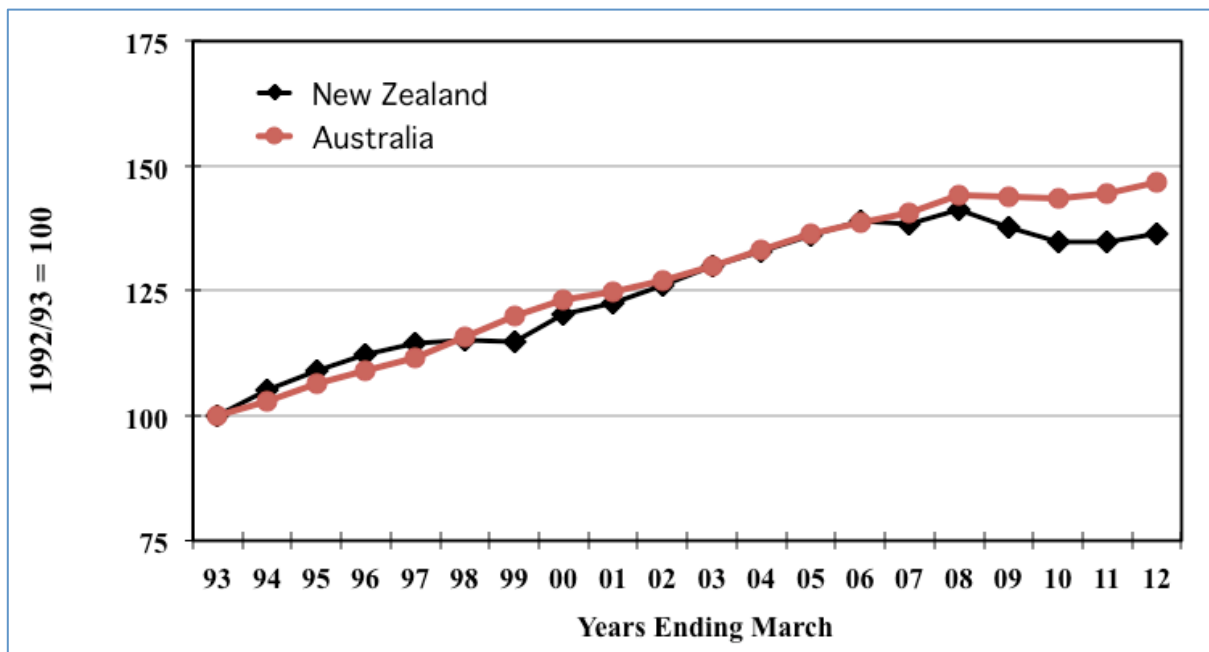


Source: Statistics New Zealand.

Figure 1 shows how this statistic has behaved since 1992/93 (the data are for financial years ending in March). The change of government coincided with the global financial crisis, which had its impact in New Zealand as elsewhere. I am not suggesting, therefore, that the pattern in Figure 1 is the fault of the government, but the truth is that the level of real per capita GDP over the past four years has been well below that in 2007/08 and is still lower than it was in 2005/06. This must be enormously frustrating for a government so strongly driven by a commitment to economic growth.

Given that National and ACT chose Australia as a benchmark for their aspirations, It is instructive to compare the two countries. This is done in Figure 2. The New Zealand data is the same as in Figure 1, but it has been recalibrated so that the first data point is set equal to 100. The graph shows the comparable Australian series as published by the Reserve Bank of Australia, also recalibrated so that the first data point equals 100. This allows the percentage change since 1992/93 to be compared between the two countries.

**Figure 2 Real Per Capita GDP, New Zealand and Australia, 1992/93-2011/12**



Source: Statistics New Zealand and Reserve Bank of Australia.

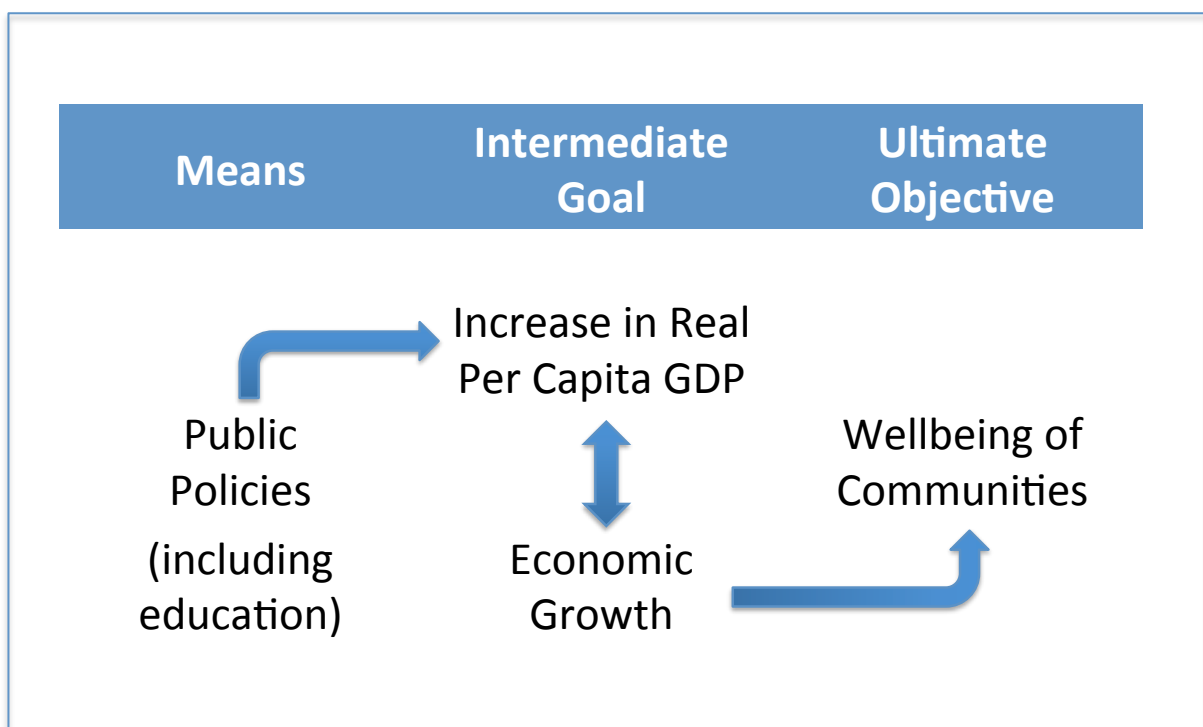
Australia has done much better than New Zealand in dealing with the global financial crisis. Between 1992/93 and 2007/08, the two series are very similar, meaning that real per capita GDP in Australia and New Zealand grew at approximately the same rate over that period. There is a marked divergence after 2007/08. The Australian growth stalls, but the level does not fall in the way that happened in New Zealand. Indeed, the gap between the two countries has widened over the last four years. Again, this must be enormously frustrating for a government strongly committed to economic growth.

So why has the government put so much value on economic growth? Figure 3 sets out my understanding of the answer to that question. I don't think we need to doubt the government's commitment to the wellbeing of communities, but it regards this as an *ultimate objective*. In order to achieve that ultimate objective, the government believes that *first* it must achieve the *intermediate goal* of higher economic growth.

This approach resonates, of course, with household economics. If a household wants a better summer holiday, for example, it may have to work harder to earn more income during the winter to pay for that holiday. Similarly, the government argues that the country must earn more income (increase economic growth) to produce the resources needed for investment in the wellbeing of communities.

The logic of household economics, however, is a fallacy for national economics, since the only way someone in a country can earn a dollar is if someone else *spends* a dollar. There is no distinction between earning and spending at a national policy level – for every seller there must be a buyer – and the household analogy is wholly misguided. Instead, the focus should be on quality spending that improves the wellbeing of communities.

**Figure 3 The Intermediate Goal of Economic Growth**



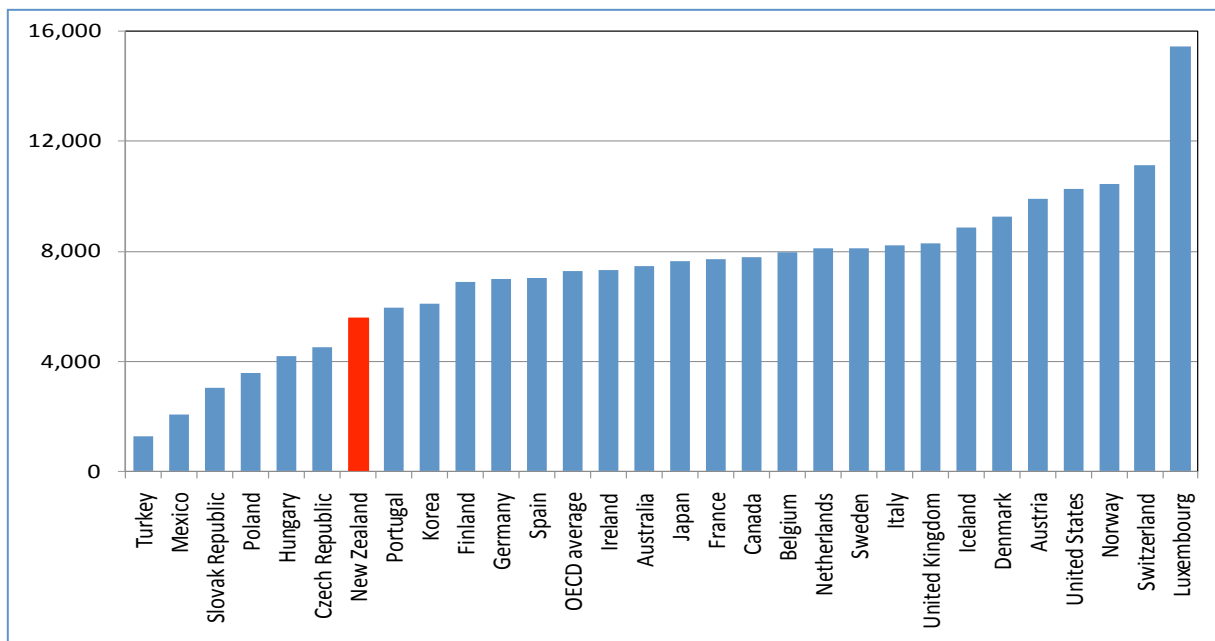
Returning to Figure 3, increases in real per capita GDP are treated as synonymous with economic growth and so the next step is to design public policies that are expected to increase real per capita GDP, in the expectation that the higher economic growth will then feed into greater wellbeing of communities.

This is relevant to this audience, because the approach includes education policies. Within this framework, the trick is to find *cheap* education policies that the government thinks will increase real per capita GDP. The policies have to be cheap because there is no spare cash in the government’s books. Hence we get policies such as the following:

- National standards
- Larger class sizes to finance initiatives
- Bulk funding and performance pay
- League tables
- A more economy-focused curriculum

These fit the general pattern I am describing, but I should note that there is considerable doubt about whether any of these policies can increase real per capita GDP, certainly not on their own without other changes in the general economy. Figure 4 presents an OECD graph that shows New Zealand spends a relatively low amount of money per student on pre-university education.

**Figure 4 Expenditure on Primary, Secondary and Post-secondary Non-tertiary Education, OECD Countries, 2006**



Source: *OECD Factbook 2010* (p. 189).

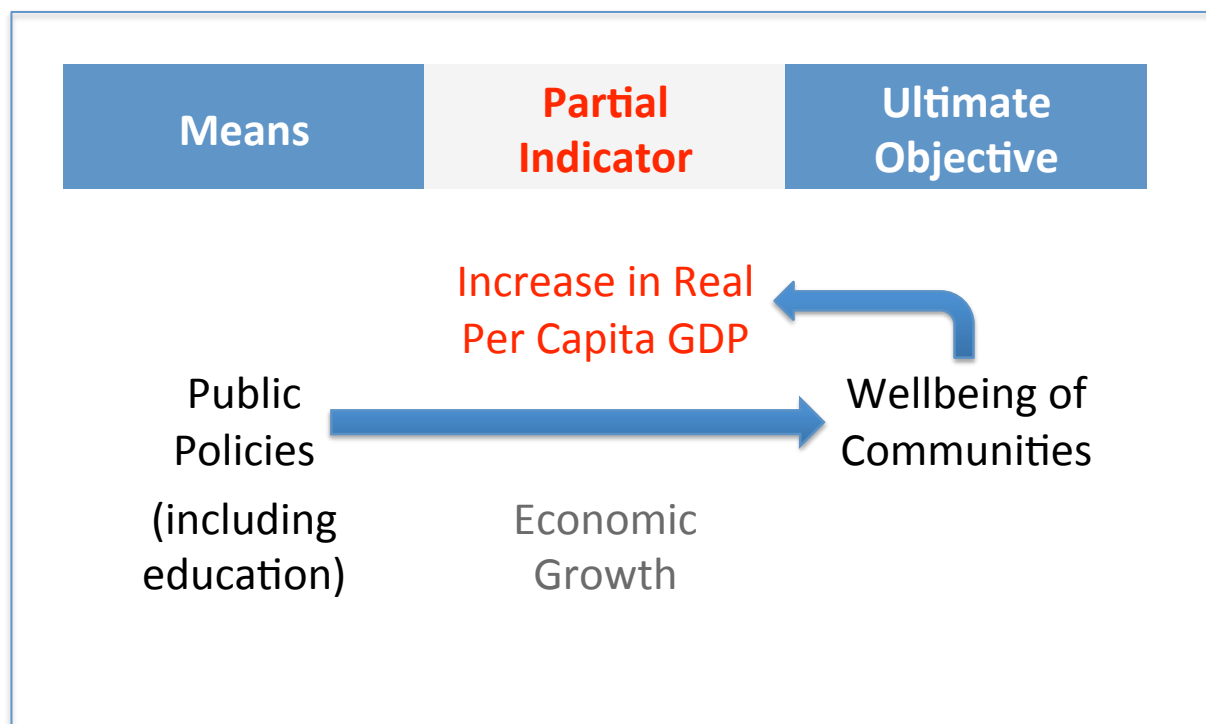
Internationally, the mainstream of economics has become very concerned about the use of GDP-based measures in national policy frameworks. In 2008, Joseph Stiglitz, Amartya Sen and Jean Paul Fitoussi accepted an invitation from French President, Nicholas Sarkozy, to head a commission mandated to explore the limits of GDP as an indicator of social progress. These are highly respected economists, with the first two both having been awarded Nobel Prizes in economics. The language of their report was unequivocal: “it has long been clear that GDP is an inadequate metric to gauge well-being over time particularly in its economic, environmental, and social dimensions, some aspects of which are often referred to as sustainability” (Stiglitz, Sen and Fitoussi report, 2009, p. 8).

Based on its unifying theme that “the time is ripe for our measurement system to shift emphasis from measuring economic production to measuring people’s well-being” (*idem*, p. 12), the report made twelve specific recommendations accompanied by a call for a global debate on the report’s identified issues as “an important venue for a discussion of *societal values*, for what we, as a society, care about, and whether we are really striving for what is important” (*idem*, emphasis added, p. 18). The topic of this conference, *What is worth fighting for*, reflects this call for a discussion of societal values.

In New Zealand we have an honourable tradition in this theme; nearly 25 years ago, an early critique of GDP targeting was provided by New Zealand politician turned academic, Marilyn Waring, whose book *Counting for Nothing: What Men Value and What Women are Worth* argued in 1988 that GDP is not an acceptable measure of economic well-being because it deliberately does not cover *all* work that contributes to personal and social well-being, particularly unpaid work in the care of children.

An alternative framework for national policy is depicted in Figure 5. It rejects the use of economic growth as an intermediate goal. Instead, public policies should aim to improve the wellbeing of communities directly. If we get these policies right then the improvement in community outcomes will be reflected (in part) by higher real per capita gross domestic product. Thus real per capital GDP is a *partial indicator* of success, not a mechanism for success.

**Figure 5 An Alternative National Policy Framework**



Given the adoption of the Australian economy as a benchmark for New Zealand’s economic performance, it is perhaps ironic that this modern trend towards ‘well-being economics’ has been particularly influential on the other side of the Tasman where the Secretary to the Australian Treasury from 2001 to 2011, Ken Henry, was a strong advocate. Under his leadership, the Australian Treasury created a wellbeing framework comprised of five elements (see Figure 6): (1) opportunity and freedom; (2) consumption possibilities; (3) complexity; (4) risk; and (5) distribution.

**Figure 6 The Australian Treasury Wellbeing Framework**



Source: Henry (2006, p. 6).

Let me give you a quote from Ken Henry to illustrate something of the difference between the two frameworks (Henry, 2006, p. 7):

The second dimension of our wellbeing framework is the level of consumption possibilities. This concept could be thought of as a generalisation of the traditional focus on economic growth. But it is a substantial generalisation. For example, it includes both material and intangible things, and it includes non-market goods and services such as personal and professional relationships, the physical environment, health, and leisure.

Imagine if the New Zealand Treasury would advise Ministers to ensure they respect professional relationships between teachers and parents because these professional relationships are important to community wellbeing. This is the strength of a wellbeing framework – it greatly broadens the considerations included during the design of public policies and requires a genuine engagement with communities about societal values.

In contrast to this approach in Australia, the New Zealand Government has introduced a bill to reform the Local Government Act 2002 that will curtail the powers given by the Act for regional, city and district councils “to promote the social, economic, environmental and cultural well-being of communities, in the present and for the future”. Currently the two statutory purposes of local government are (Local Government Act 2002, section 10):

- (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.

The second purpose is much stronger than a similar reform in the United Kingdom introduced two years earlier, which gave their local governments only a *discretionary* power to promote well-being, and did not include *cultural well-being* in their list (Dalziel *et al*, 2006). It has enabled local governments to engage in a wide range of activities to promote the well-being of their communities, but this will change to “providing good quality local infrastructure, public services and regulatory functions at the least possible cost to households and business” (New Zealand Government, 2012, p. 6).

This plan to curtail the ability of local Councils to promote the social, economic, environmental and cultural wellbeing of their communities goes against all international progress in this area. This policy change is relevant to this conference because social, cultural, economic and environmental wellbeing is a key part of *The New Zealand Curriculum* launched in 2007. The curriculum’s vision is for young people who will be confident, connected, actively involved, lifelong learners, where ‘actively involved’ means:

- participants in a range of life contexts; and
- contributors to the well-being of New Zealand – social, cultural, economic and environmental.

As you also know, the five key competencies in *The New Zealand Curriculum* are:

- thinking;
- using language, symbols, and texts;
- managing self;
- relating to others; and
- participating and contributing.

With respect to the last of these, *The New Zealand Curriculum* states:

Students who participate and contribute in communities have a sense of belonging and the confidence to participate within new contexts. They understand the importance of balancing rights, roles, and responsibilities and of contributing to the quality and sustainability of social, cultural, physical, and economic environments.



The considerations I have covered in this address lead me to four answers to the question posed to me in your invitation to speak – *What is worth fighting for in education*. I suggest that the following values need to be protected.

1. The vision of preparing young people who will contribute to the social, cultural, economic and environmental wellbeing as outlined in *The New Zealand Curriculum*.
2. The professional expertise of educators to work with their local communities in determining how education contributes to their wellbeing, in the present and for the future.
3. Sustaining an education environment in which the full diversity of young people in New Zealand can “discover, discipline and display” their capabilities.
4. Resisting ‘cheap’ education policies and demonstrating the benefits to wellbeing of choosing to invest quality resources into the education of our children.

Kua mutu tāku korero mo tēnei rā.

That finishes my talk for today.

Kia ora tātou katoa.

May you and I, all of us, enjoy wellbeing.

## References

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