

Revival, rethink and redesign

Keynote address to the Institute of Directors

Auckland, 5th May 2021

Sir Peter Gluckman

Director Koi Tū: the Centre for Informed Futures, University of Auckland

I want to focus on the challenging climate in which we collectively need to make decisions – not just over the next few months, or even over the current electoral cycle, but perhaps over the next decade. Covid, in itself, has not substantively changed the range of issues we must consider: climate change and environmental degradation, demographic change, social equity and societal cohesion, intergenerational disadvantage, economic development and diversification, and living with technology. However, the inflection point that Covid has created provides an opportunity we must not squander. Yet there is a real risk that we will do so – there is pressure to return to business as it was pre-Covid.

Domestically, we continue to accumulate issues in a too-hard basket: transgenerational disadvantage, incomplete resolution of our bicultural and multi-ethnic nature, issues over water and land use, and a persistent and even growing complacency over our place in the world, our low productivity, and a rather narrow view of our economic future.

Indeed, this country invests little in long-term strategic analysis. We tend to approach problems in a very reactive way, rather than strategically, and that can be to our long-term disadvantage. Perhaps there are some early signs of change with the infrastructure and climate change commissions and the new Public Service Act. But we need a genuine collective discussion on our future involving the whole community and the broad range of stakeholders across generations, rather than a trivialised partisan discussion.

In this context, we established Koi Tū: The Centre for Informed Futures to focus on mid- to longer-term issues. Major transformations that we must confront are happening simultaneously – some are global, some are domestic. The rapid pace of technological change, climate change and environmental degradation, geostrategic shifts, demographic change, persistent and growing inequality, the emergence of the misinformation age, and growing polarisation and threats to social cohesion, are all factors to consider.

Last March, we established Koi Tū as a think-tank located within the University of Auckland, but with an extraordinary range of members across New Zealand and globally. It looks at issues in a futures focused way, using systems based and transdisciplinary approaches. We focus only on the long-term and do not engage in partisan reactive commentary. We are, of course, strongly evidence based and all our work involves extensive engagement with stakeholders. We rely on philanthropy and appropriate contracts – for example, we are currently producing a provocation on Auckland’s future at the request of Auckland Unlimited.

Given we were in lockdown within days of being launched, we focused much of last year on a series of papers under the rubric *The Future is Now* – the series has been book-ended by these two reports, although more will follow. The papers have covered many aspects of our future, from geostrategic to environmental, from economic to mental health. My talk today draws on that work, all of which was informed by expert and stakeholder engagement both nationally and internationally. We have also been considering aspects of our governance; for example our most recent report discusses the rather dilatory approach of New Zealand governments to risk assessment and management over many years.

These reports are on our website: <https://www.informedfutures.org>

Our ongoing work considers a number of these issues in further depth. I could discuss our work on intergenerational disadvantage, on ensuring a collective understanding of the trade-offs and choices ahead that is so critical to the climate change discussions, or the future of compulsory education as we head towards the second quarter of the 21st century, and how we should be

educating our youth for a rapidly changing world. We are only 19 years from the bicentenary of the Treaty, and getting there must involve significant constitutional and forward looking discussion. It will not be easy, but there is a need to go beyond partisan politics and build – not undermine – societal cohesion.

I am President-elect of the International Science Council, the global science body encompassing national, social, data and health sciences. In that role, I chair the Covid Scenarios project which has been developed in partnership with UNDRR and WHO to understand the longer term outcomes of the pandemic – perhaps over a 5-10 year horizon – and how policy decisions made now will impact on those outcomes.

It is useful to think about the evolution of the pandemic in terms of 5 clocks.

The biological clock: how will the arms race between vaccine and virus play out. Not just in a country like New Zealand, but globally. Covid spread so quickly because the world is globalised, and it is unrealistic to imagine that we will not in time return to a fully connected world. But we have countries with high viral loads and exposure that are rich, and others in a similar situation that are poor; there are also countries like New Zealand with minimal viral loads that can afford vaccination and revaccination, and others like Vietnam, also with low viral loads but with highly susceptible populations and challenged by the costs of vaccination and revaccination. We also have to contend with the reality that vaccine production is not unlimited and recurrent vaccination may be needed.

It could be 3-4 years from now until all populations are vaccinated to a high level, and there are many challenges. Not everyone will get vaccinated. If revaccination is needed and demanded by the global north, where will the vaccine supplies be for the global south? At some point in the future, the virus will be brought under some sense of control with the high morbidity and mortality reduced by vaccination and treatment advances. The most likely long-term outcome is the endemic presence of the virus with a need for recurrent vaccination, accepting that there will be a level of residual endemic risk to those who do not get vaccinated.

There is also a social clock, because many mental health concerns will have emerged. Globally, many people have had their families shattered, lockdown has not treated all well, jobs and businesses have been lost, and in some countries the challenge of long-Covid is real. While some sectors are doing well, others are not and that unequally impacts people. Youth were already showing high rates of mental morbidity prior to Covid and the virus can only exacerbate matters. Covid has disrupted education in ways that will have echoes across their lives. We still see the impact of the earthquake on mental health in Christchurch a decade on, and it will be no different globally with Covid.

Then there is the financial and economic clock. At the micro-economic level, the K-shaped nature of the economy is evident in the different outcomes for those in the tourism sector and those in the digital sector. There is now much heightened reliance on welfare, which needs in time to be replaced by economic growth strategies, and this is all in the context of the growing use of technologies and a most uncertain world where the neoliberal economic model has been challenged. The long-term consequences of the debt mountain, of quantitative easing and the heightened reliance on welfare have yet to play out.

And there is a political clock. In every democracy, issues of fairness and equity are being given greater emphasis. How these are addressed could either strengthen or undermine social cohesion. This is a subject that Paul Spoonley, your next speaker, and I are collaborating on. Democratic governments have enjoyed relative autocracy that the viral emergency has given them, and there is growing concern in many countries that such power is addictive. Add to this the growing confusion of disinformation and geostrategic instability and the next decade looks even more uncertain for democratic governance.

Geostrategic issues were apparent at the start of the pandemic and influenced how the WHO responded. They have re-emerged in the face of vaccine nationalism. Our multipolar world feels less certain than it once was. There is no true commitment across power blocks to the obvious conclusion that it is in everyone's self-interest to work collectively on the big issues of the global commons. And, of course, climate change looms large in this context.

So with these two overlapping contexts, let us look at ourselves. We are lucky to be an island with a giant moat and all the advantages it allowed for border control. The critical, rapid and correct decision was made to shift from an uncertain strategy to one of elimination. But that decision inherently leads to a much harder decision: how do we exit from tightly shut borders with a susceptible population? We cannot live in a Covid-free bubble forever; at some point, the combination of vaccine and acceptance of a low endemic rate of infection is inevitable.

Indeed, reengaging with the world is much harder than isolating ourselves from it. A number of technologies such as rapid testing can help, but in the end there will be a very tough decision over what level of vaccination is enough to allow some risk of viral entry and endemic spread. The costs and the logistics of a global elimination strategy are beyond credibility. We will never get 100% vaccine coverage – although that would be the only way to eradicate the virus – and in many countries, such as France and Japan, the likely rates of vaccine coverage will be much lower.

However we exit the current situation, there are pressures to return to a ‘business as usual’ mindset, but this is unrealistic. Instead, this is an opportunity for significant reflection and for deep and inclusive conversation. Climate change and technological development will both have major impacts on our economy as the century evolves.

We are less than a decade away from 2030, which is the year that the Sustainable Development Goals were meant to be achieved. But they are barely part of our conversation. We need much greater public discourse and commitment. We can expect greater multilateral and political focus on them as the decade proceeds, given disappointing progress to date.

We are just 19 years from the bicentenary of the signing of Te Tiriti o Waitangi, and this should force deeper reflection on how far we have yet to go. However, I fear we are not engaging in the consensual discussion necessary for a cohesive response.

Well prior to the pandemic, Kōi Tū was leading a global exploration of why social cohesion has been compromised in many liberal democracies. There is declining trust and increasing skepticism about

the quality of public governance. Social media and the misinformation pandemic further fuel social discord. While we are much better placed than other countries, having shown outstanding collective action and leadership in recent years, we should not be complacent.

The emergence of chronic stress, anger and mental vulnerability over the coming years should not be underestimated. New cohorts of people previously employed have been made extremely vulnerable. Mental health needs especially of young people, which were poorly met before the pandemic, have been greatly increased.

The digital divides within our society cannot be ignored. Many children and university students were faced with limited or no ability to engage properly in online learning. Our research with Ngāti Whātua Ōrakei showed that nearly 50% of rangatahi did not have access to adequate devices and connectivity. Many others are more isolated from using digital means effectively and this divide is likely to grow and as technologies change, other divides by age may emerge.

We need to explore how a digital society should operate. We have been slow to address matters such as digital governance, ethics and oversight. We have focused largely on the productivity side, but we should not be passive; the digital age is impacting on our individual and societal wellbeing in multiple ways. The information age is now the misinformation age and this risks all our futures.

Disinformation and misinformation have been rife in the pandemic. Some conspiracy theories have had geostrategic consequences, and the efficacy of vaccination has been threatened by disinformation. Disinformation is not new, but it is supercharged by the internet and social media, such that it can undermine the concept of a factually informed democracy. Some countries are heading towards a much more vulgar democracy where the public is asked to make choices based on manipulated and targeted disinformation. A lack of transparency will undermine trust in governments in such contexts.

Regulation of rapidly changing technologies is difficult. The power of the huge platform companies now creates a new form of risk. Libel laws have become almost meaningless. Education needs to

change radically for our young people. The digital age will require very fundamental rethinking about what education is, and how it is provided at every age and stage from early childhood to mature learning and reskilling. Artificial intelligence and what follows will create yet more challenges. And yet, while these are clearly in our immediate future, we do not address them strategically.

And there are other issues which stay in the 'too hard' basket. Transgenerational disadvantage and addressing the incomplete journey to a bicultural and post-colonial society with multi-ethnic diversity must be at the top of the list.

Poverty is not just about economic deprivation; it has material, educational, emotional, spiritual and identity dimensions too. And when this crosses generations, the issues are compounded for both biological and developmental reasons. Between 1980 and now, the percentage of children born into economic poverty in New Zealand has more than doubled. We know the added risks such individuals face and the growing costs to society. We need to explore aggressively how to break these cycles of disadvantage. But we undertake little policy relevant research using the social sciences and may ignore the findings, as political values often trump evidence.

Some of our highest traditional income earning businesses face long-term challenges. A global shift against the consumption of carbon-intensive goods and services will heavily impact both tourism and ruminant-based agriculture over the next 30 years. It is better that we make necessary changes now, rather than to have the changes effectively imposed on us through a sudden loss of markets in environmentally conscious trading blocs and partners.

Around the world, the call for a post-Covid reset must include discussion of the green economy, climate change and environmental degradation. While the primary sector is again the dominant component of our economy, given the collapse of external tourism and of export education, it needs to evolve to be environmentally much more sensitive and conscious of future market trends. Land use choices need to be more deliberate. Increasingly, technology will play a role, be it sensors, big data, robotics, changed food production goals or new breeding technologies such as gene editing.

While a precautionary approach to genetic technologies made sense 20 years ago, the inability to even explore how these technologies might advance our primary sector while reducing our environmental footprint is handicapping and will crimp our ability to compete. Will climate change undermine our ruminant-based export market in favour of plant-based foods? How will market preferences shift? Do we really believe that thirty years from now most milk consumed in our global markets will come from cows? Or will it come from the much lower environmental footprints of the laboratory and fermentation? I suspect the latter scenario is closer than many think. Aquaculture and marine farming, including seaweeds for greenhouse gas sequestration, offer other opportunities.

Our current international profile is high. If we add our commitment to sustainability, social cohesion and the distinctive New Zealand bicultural story, we can create a unique brand strategy. But claiming a low environmental footprint is not enough as it needs to be demonstrated and accredited.

Given the need to reduce the impact of extractive industries and a realistic appreciation of our geographical location, our most important economic asset will be knowledge and the weightless economy. Yet, building this asset requires new strategies and much more than the rather limited efforts made by successive governments.

Many of our businesses are already pushing the frontiers of new ideas and processes. The innovation sector is growing fast, but from a small base and scale-up is much harder. We have yet to reach the critical mass of labour and capital in these sectors to catalyse further entrepreneurship and the capacity to market globally and at scale. And our boards are still dominated by the narrow disciplines of law and finance, in marked contrast to boards in countries that are much more innovative.

Multinational corporations account for the vast majority of private research and development globally and are core to innovation systems. Yet, we have the lowest density of these in the OECD. Other small advanced economies have done well by attracting MNC investments in order to

leverage their domestic talents and resources. Most of our large companies are, in reality, branch offices. What could we do to shift that? We have failed to learn well from examples in Singapore, Israel, Finland and Denmark of the critical importance of strategic transnational innovation.

We need to get beyond attitudinal impediments and – while there is still a window of opportunity – work hard to take advantage of our reputational positioning to attract serious entrepreneurial activity to New Zealand. This is a window that is narrowing and other countries are starting to take advantage. Our privileged position may evaporate in the near future, and indeed our isolation may then be seen in negative rather than positive terms by some investors. We need to be nimble; we need to invest in knowledge ecosystems. We need to look at regulations that disadvantage entrepreneurs from locating new business and research efforts in New Zealand.

Cities are the hubs of innovation, and the shift towards cities is central to the modern economy. This requires a change in the way that we view and understand how countries compete in global markets. In order for New Zealand to retain and attract people and capital, Auckland must be able to compete with the likes of Melbourne, Sydney and Singapore. The policy changes needed will in turn have spill-over benefits to other cities and regions.

Silicon Valley would not exist without Stanford University. Universities play a central role in the knowledge economy, both in the creation of new ideas and processes, and in creating the next-generation workforce for next-generation companies. World-ranked universities act as magnets for talent and private industry. Yet, our top-ranked University is only the seventh highest ranked university in Australasia.

Current policy settings promote competition between our universities and government laboratories and rely on outdated incentives. Settings are needed that promote collaboration and coordination between our universities and science agencies in order to compete with the rest of the world. Such a lack of strategic analysis is reflected the receipt of support from the taxpayer post-Covid – of all the sectors that could have received support, the university sector has not, and it has had to absorb

large income losses. It is downsizing at the very time investment is essential to the nation's future and student demand is likely to grow.

It is accepted by every other advanced country that public sector investment in research and development is core to economic growth. Our public funding of research and development lags badly. Public expenditure on research and development remains at about 0.6% of GDP, while Singapore, Denmark, Switzerland and Korea all invest nearly double that amount of public funds in research and development. Private sector investment will not grow until there is substantive upstream public sector investment. Indeed, our private sector investment is on the average for the OECD if company mix and size is taken into account.

Covid-19 has created an inflection point that provides an incentive to rethink our path ahead. How can we sustain and transform our economy in ways that allow our social and environmental futures to flourish? Any shift will take time and needs a coordinated strategy agreed across many sectors of government, business and society.

I have dealt superficially with a number of matters and there are others that I have not discussed. We need to find ways to discuss the complex issues in ways that allow an appreciation of the trade-offs involved. But because the journey will be long, it is important that a national consensus is reached. Partisan politics is part of that, but discussion over the shape of New Zealand's future demands a more consensual and collective approach.