## The New Zealand Paradox Economics, Innovation and Prosperity



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How the International Monetary Fund's "Advanced economy" countries compare on various measures.

		Bes	st	-		Worst			
						Wor	st of the worst		
	Income inequality (Gini Index) Higher numbers	Unem- ployment rate	Level of Demo-	Gallup Global Wellbeing Index	Food montil that y	Insecurity 'Ha hs when you dic ou or your famil	ve there been t I not have enor y needed?' Pe Prison	imes in th ugh mone rcentage Stue Perfor	e past 12 y to buy food answering yes. dent mance
	represent more income inequality	Most recent estimates	(Scale of 1 to 10)	(percentage thriving, 2010)		Life Expectancy At Birth	Population per 100,000 citizens	Math Scale Score	Science Scale Score
Australia	30.5	5.1	9.22	62		81.72	133	514	527
Canada	32.1	8.0	9.08	62	8	81.29	117	527	529
Norway	25.0	3.7	9.8	69		80.08	71	498	500
Netherlands	30.9	5.5	8.99	68		79.55	94	526	522
Germany	27.0	7.1	8.38	43	6	79.41	85	513	520
Austria	26.0	4.6	8.49	57		79.65	103	496	497
Switzerland	33.7	3.9	9.09	62	4	80.97	79	534	517
Denmark	29.0	4.2	9,52	82	3	78.47	71	503	499
Finland	29.5	7.9	9,19	75		79.13	60	541	554
Belgium	28.0	8.1	8.05	56		79.37	97	515	507
Malta	26.0	7.0	8.28	40		79.59	140		
Japan	38.1	5.2	8.08	19	7	82.17	59	529	539
Sweden	23.0	8.3	9.5	68	5	80.97	78	494	495
Hong Kong	53.3	4.6	5.92	65	6	81.96	141	555	549
Iceland	28.0	8.6	9,65	47		80.79	60	507	496
New Zealand	36.2	6.5	9.26			80.48	203	519	532
Luxembourg	26.0	5.5	8.88	45		79.48	139	489	484
United Kingdom	34.0	7.9	8.16		9	79.92	206	492	514
Ireland	30.7	8.6	8,79	49	7	80.07	99	487	508
Singapore	48.1	2.3	5,89	19	2	82.06	273	562	542
Cyprus	29.0	6.0	7.29	45	10	77.66	105		
Korea	31.4	3.7	8.11	28	16	78.81	98	546	538
Italy	32.0	8.4	7,83	39	15	80.33	113	483	489
France	32.7	9.5	7.77	35	9	81.09	96	497	498
Czech Republic	26.0	9.3	8.19	39		77.01	211	493	500
Slovenia	28.4	10.6	7.69	27	11	77.12	67	501	512
Taiwan		5.2	7,52	22	1	78.15	282		
Slovakia	26.0	12.5	7,35	21		75.62	185	497	490
Israel	39.2	6.4	7.48	62	15	80.86	325	447	455
Spain	32.0	20.0	8.16	36	14	81.07	159	483	488
Greece	33.0	12.0	7.92	31	9	79.8	102	466	470
Portugal	38.5	10.7	8.02	22	10	78.38	110	487	493
United States	45.0	9.0	8.18	57	16	78.24	743	487	502

Sources: The C.I.A's "The World Factbook", U.S. unemployment rate from the Bureau of Labor Statistics, the Economist Intelligence Unit's "Democracy Index 2010," Gallup, Unicef, King's College London's World Prison Brief, Organization for Economic Cooperation and Development's Program for International Student Assessment.

### Time magazine 2011

## **New Zealand performance**

Income inequality	26/33
Unemployment	15/33
Level of democracy	3/33
Life expectancy	11/33
Prison population	26/33
Math score	9/33
Science score	6/33



Adam Smith 1776 David Ricardo 1817

free market economies are more productive and beneficial to their societies.

## THE PRINCIPLES OF POLITICAL ECONOMY AND TAXATION





Adam Smith 1776 David Ricardo 1817

free market economies are more productive and beneficial to their societies.

## Effective markets

Property rights

Legal frameworks

Free Trade

Lack of corruption

THE PRINCIPLES OF POLITICAL ECONOMY AND TAXATION



## **Property Rights**

(2011 International Property Rights Index Americans for Tax Reform Foundation/Property Rights Alliance)



Top performers

135 countries95% of world GDP





## Legal and Political Rights

(2011 International Property Rights Index Americans for Tax Reform Foundation/Property Rights Alliance )



#### 135 countries 95% of world GDP

### New Zealand 6th in world

	ETI	2010	ETI 2009
Country/Economy	Rank	Score	Rank*
Singapore	1	6.06	1
Hong Kong SAR	2	5.70	2
Denmark	3	5.41	4
Sweden	4	5.41	5
Switzerland	- 5	5.37	
New Zealand	6	5.33	11
Norway	7	5.32	7
Canada	8	5.29	6
Luxembourg	9	5.28	13
Netherlands	10	5.26	10
Iceland	11	5.26	n/a
Finland	12	5.25	8
Germany	13	5.20	12
Austria	14	5.17	9
Australia	15	5.13	14
United Arab Emirates	16	5.12	18
United Kingdom	17	5.06	20
Chile	18	5.06	19
United States	19	5.03	16
France	20	5.02	17

<b>able</b>	1: The	Enabling	Trade	Index	2010	rankings	and	2009	comparison	
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	ETI	2010	ETI 2009	1	
Country/Economy	Rank	Score	Rank*		
Pakistan	112	3.39	100		
Bangladesh	113	3.38	111		
Russian Federation	114	3.37	109		
Cameroon	115	3.35	106		
Mongolia	116	3.33	113		
Mauritania	117	3.30	107		
Nepal	118	3.27	110		
Algeria	119	3.14	112		
Nigeria	120	3.05	117		
Venezuela	121	3.04	119		
Zimbabwe	122	2.98	118		
Côte d'Ivoire	123	2.90	120		
Chad	124	2.88	121		
Burundi	125	2.79	116		

The 2009 rank is out of 121 countries. Five new countries were added to the 2010 Index: Iceland, Georgia, Botswana, Serbia, and Montenegro. One country covered last year, Moldova, had to be excluded this year for lack of Survey data.

## Corruption

(Transparency International 2009 Review)

## New Zealand best in world

#### **Best performers**

 Rank	Country	Score	Rank	Country	Score	
1	New Zealand	9.4	12	Hong Kong	8.2	
 2	Denmark	9.3	12	Luxembourg	8.2	'
3	Singapore	9.2	14	Germany	8.0	
3	Sweden	9.2	14	Ireland	8.0	
5	Switzerland	9.0	16	Austria	7.9	
6	Finland	8.9	17	Japan	7.7	
6	Netherlands	8.9	17	United Kingdom	7.7	
8	Australia	8.7	19	United States	7.5	
8	Canada	8.7	20	Barbados	7.4	
8	lceland	8.7				
11	Norway	8.6				

#### Worst performers

Rank	Country	Score	Rank	Country
158	Cambodia	2.0	168	Equatorial Guinea
158	Central African Republic	2.0	168	Guinea
158	Laos	2.0	168	Haiti
158	Tajikistan	2.0	168	Iran
162	Angola	1.9	168	Turkmenistan
162	Congo-Brazzaville	1.9	174	Uzbekistan
162	Congo Democratic Republic	1.9	175	Chad
162	Guinea-Bissau	1.9	176	Iraq
162	Kyrgyzstan	1.9	176	Sudan
162	Venezuela	1.9	178	Myanmar
168	Burundi	1.8	179	Afghanistan
			180	Somalia





Figure 0.1. Income tax plus employee and employer social security contributions (as % of labour costs), 2010<sup>1</sup>

True effective personal tax

 $1. \ {\rm Single\ individual\ without\ children\ at\ the\ income\ level\ of\ the\ average\ worker.}$ 

## The New Zealand Paradox

Strong property rights Low taxation Free, open markets Excellent legal frameworks Honest work ethic Incorruptible

.....but poor economic performance



Adam Smith 1776 David Ricardo 1817

free market economies are more productive and beneficial to their societies.

Effective markets Property rights Legal frameworks Free trade Lack of corruption

+ something else!



## **Economic history**



## Being behind has advantages



**Economic history** 



**Economic history** 



**Economic history** 





PTC and audited by Business NZ



5. You can't manufacture in New Zealand

NZ External Trade Statistics http://www.stats.govt.nz Global-nz-june-2010-tables-3 &Tourism Satellite Account: 2010



## **Paradox:** if it sounds unfamiliar, it may stand a chance





## New Zealand Science Phase I



### New Zealand Science Phase II



Peter Hunter FRS, Engineer DPhil, Oxford



Dan Walls FRS, Physicist PhD, Harvard



Margaret Brimble, Chemist PhD, Southampton



David Penny, Biologist PhD, Yale



Peter Gluckman FRS, Pediatrician PDF, University of California, SF



Rick Sibson FRS, Earth scientist PhD, London





New Zealand Science Phase III



## MRI & NMR for everyone, everywhere

## 2 MHz Halbach magnet rockcore analyzer



- Industry Market (R&D groups)
- Both NMR and MRI applications
- High value and high gross margin sales
- Product \$150k





about us



- 22 staff: existing products selling well
- Growth rate ~50% per annum
- ~ \$3m sales in 2011
- Significant pipeline of new products



## NZ Taxpayer investment in Callaghan 1993 to 2009













## 100 companies, 100 inspired entrepreneurs An additional \$40 bn per annum in exports (double our present exports)

Ask the question: why would such a business want to stay in New Zealand?

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"A place where talent wants to live"



# 16 % of New Zealanders migrate abroad24% of New Zealand's tertiary graduates migrate abroad

International mobility of the highly skilled : a new perspective, OECD 2005



Richard Taylor of Weta Workshop, 'Why shouldn't it be us?' Weta is committed to this country and draws on all that is best about New Zealand. Taylor goes on, 'We stay here firmly in Miramar, Wellington, New Zealand, first because we're New Zealanders and this is our home and I don't believe I would work in this sector, in this field, if I had to work somewhere else. This is where I want to work and you couldn't hope to work anywhere more fulfilling.'



### FoMA Federation of Māori Authorities Me Uru Kahikatea







## Maori Business Success Stories

The productivity and success of an organisation reflects how well it brings together people, skills, technology, capital and other inputs to increase its profitability and market share. There have been outstanding stories of success by Maori in business in recent years. The following examples highlight the inspirational stories of Maori who have succeeded in launching and growing their businesses.

#### Cliff Curtis (Ngāti Rongomai, Te Arawa, Ngāti Hauti)

While Cliff is best known for his career as a successful actor, he is also an owner of New Zealand-based production company Whenua Films, a joint venture with local Maori producer Ainsley Gardiner. Whenua Films produced the Oscar-nominated short film Two Cars, One Night and is currently producing an associated feature film.

Cliff measures the success of his producing by the range of the projects, the volume of the sales, and the participation of the team. He always checks the kaupapa of any project he is involved in and assesses how the project will reflect on his family. "Looking to create opportunities for others – that's the kaupapa with my producing".

#### Rhonda Kite (Te Aupouri)

As the founder and owner of **Kiwa Media Group**, Rhonda has founded and built a multi-media enterprise providing various production and postproduction services in New Zealand and Internationally. Kiwa has led technology advancement in post-production, especially in translating and foreign language dubbing.

Rhonda lists "Sheer determination, bloody-mindedness, and being prepared to think outside of the square" as being critical success factors. She measures success from an information technology perspective, looking at ways of doing things that have not yet been invented and inventing them. She finds this very satisfying and her success at doing so is what then determines the company's financial success.

#### Peter Loughlin (Ngāti Tuwharetoa)

Peter is the founder of and designer for House of Arushi, a fashion design house based in Dubai that specialises in haute couture wedding dresses, henna dresses, and evening gowns. House of Arushi is one of the Gulf's most exclusive fashion labels, known for producing ornate jewel-encrusted dresses for women of the Middle East, including the royal families.

Peter sees that the success of House of Arushi relies on a variety of inter-dependent factors, such as the collective support and expertise of his employees, the constant need for research and development, being open-minded to diverse alternatives, knowing ones market, knowing that mistakes are important lessons of development...and having an astute accounts department. He can measure his success through being aware that others must now compete at the same standard of creativity and high-quality the House of Arushi has set, by individual employees developing their potential and moving on to become successful in their own right, and through knowing that it is the efforts of a conscientious team imbued with pride to create a quality product that determines success.









#### Education problems we must fix



Pakeha71% of studentsAsian14%Maori19%Pasifika10%

PISA 2009: our 21st century learners at age 15 Comparative Education Research Unit Research Division Ministry of Education New Zealand

## **Transit of Venus 2004**



Dexter Waru, Hana Parata Walker, Sara Pethybridge



#### Nori Parata

Tolaga Bay Area School

Unrelenting achievement with attitude



## Emphatic win for Tolaga drama

#### Wednesday, August 10, 2011 · Mark Peters

TOLAGA Bay Area school's string of theatrical successes seems to be so never-ending that even TV1's Close Up is getting in on the act, to coin a phrase.

The school's drama group has now won the Best New Zealand Youth Production section at a national community theatres festival in Nelson with their performance of a challenging extract from the relatively little-known Shakespeare play, Henry VIII.



## Using all our creative power



Water Renewable energy Multiple climatic zones Abundant outdoor and natural environments Excellent education Civil Society

"A place where talent can thrive"