

Oh to be 24 again to see where all this goes

Colin James to U3A, Queenstown 10 April 2017

I will start small – or, rather, big. The small Queenstown I knew as a kid from eastern Southland and then Outram was compact. Eichardts Hotel was there but a bit run down. Buckingham's made soft drinks, one of which was called Anything, which you got if that is what you said. The Earnslaw puffed up the lake and we took the bus up the Routeburn – never Glenorchy – once every January. A man with a sailor cap and white uniform whizzed us in the Meteor for a speedboat thrill. Two launches, called the Kelvin and the Muritai, I think, did sedate picnic trips. You could swim all day at Frankton and the water was warm. It was, to a kid, a big place.

We stayed at the Mountain View Lodge camping ground in a cabin. One cabin and the reception/store/owner's house were made of bottles. It was about 20 minutes walk from town. Once a year we went to Arrowtown and browsed in the cluttered museum and I and my young brother Neil walked the pipeline up the river. We didn't fall off. We never did get to Macetown but we did go most years to Skippers. Once, when I was a teenager, a friend stayed and he and I and Neil got up early to climb Ben Lomond. I have a slide I took of the sun coming up between the twin peaks of the Remarkables.

Queenstown was magical. Not in retrospect from my wonder years. I knew at the time it was magical – when I was eight and then nine and each year till my last visit when I rode up on my BSA-350 in my shirtsleeves to join my parents and Neil when I had a long weekend off from my holiday job as a relief subeditor in the Otago Daily Times. (That's how I became a journalist. I couldn't think what else to do when I finished my MA in 1965 so I stayed on at the ODT. My parents wanted me to be a public servant or a teacher. I wouldn't have lasted long as either.)

Queenstown was a quiet place. There was space to park. There was a small hotel, "O'Connell's" where you could ogle foreigners like Americans. Now it is a fast food and fast fashion precinct. Along the road to Frankton there were no houses. Across Frankton Arm the hillside was bare of houses. The back road to Arrowtown was gravel. There were no grapes, at least not of the wine-making variety.

In 2003 I started bringing chief executives and their wives/husbands/partners to Millbrook for a weekend, to talk through wide-ranging topics, from the looming crash foreshadowed by the Economist's economics editor in 2005, to China or the future of Europe, to "civility" and "spirituality in leadership" and the greening of the planet and what to expect after leaving the top job. Much of it you would expect no quarterly-reporting chief executive to bother about. But some you would expect them to bother about, like which of Jacinda Ardern and Nikki Kaye they rated in the 2011 election year: the men liked Nikki's policy practicality, the women went for Jacinda's big round picture of a world-to-be. I flew in superbright people from London, Brussels, Paris, Hong Kong, Beijing, Tokyo, Delhi and the West Island to say a few words to trigger a discussion. They were all stunned by Queenstown. One bought here.

The chief executives came – and came back – for the surroundings, the golf, the wine, an excuse to have a weekend off. They also came for the exchange of thinking. The wives grew particularly keen on a weekend away without the kids and prodded husbands to come and, increasingly, spoke up in the discussions.

They also came because they were coming to Queenstown. One of the world's special

places. Once a year at this CEO Retreat, until my last one in 2014, I got to recap my childhood enchantment. Get off the plane, look up at the Remarkables and feel the heart lift.

I dropped back into Queenstown this time last year. The streets were clogged. There was scarcely a park. A drive up to Glenorchy was like being on a highway. The roundabout at Frankton was a special joy.

Some of my Queenstown is still here. But a lot has been overbuilt. The magic is in my past, now a recollection.

That is because large numbers now know, or have heard, that this is one of the world's special places – a very special place. How are you going to fit another million tourists into your crammed streets and hotels? Where are you going to put up the holiday-visa Brazilians and others who do the sludge tourism work? Where are you going to fit foreigners who want to buy houses – by which I mean Wellingtonians and Aucklanders and Australians and Brits and Europeans and Chinese and Indians and flashtypes from Silicon Valley and Hollywood? What will you say to those New Zealanders who can't afford your hotels and motels but think it is their right as citizens of this country to see – live – their country? Can Queenstown answer these questions?

Can the central government, which has made "more" its core economic principle?

The stampede is not just a Queenstown issue. It is a national issue. Waiheke island where I bought a very modest bach 37 years ago for peanuts has its own magic – and, like Queenstown, its own invading foreigners behind high gates with electronic security.

Indeed, a ghost is hovering over this nation: the ghost of 1840 when swags of foreigners turned up – then took the place over and stamped a very different culture on the place. Are we now looking at 1840 all over again?

Why might it be 1840 over again? Because Aotearoa/New Zealand is a desirable place – very desirable to foreigners in smoggy, crammed or Trumped or Brexiting places. A pad or a home here has real and growing appeal, especially if for a few shekels you can be a citizen, too, and really own the place.

Run down the list.

Aotearoa/New Zealand is empty: 4.7 million in a habitable area the size of Japan, which has 125 million. There is space here to roam, bask, play, live and build a living. There are many pleasing and in some places spectacular landscapes and seascapes. The air is breathable everywhere. We can see the sky. The sea is swimmable and so, still, are a lot of lakes and rivers.

We have a benign climate, productive soils and can expect, for 10 years or so, relatively less direct impact from climate change than most other countries.

We have good food and damn good wine. Australians drool over Central Otago pinot noir and can't match the syrahs coming off Gimblett Gravels.

We are a relatively tolerant lot. We have invented biculturalism which is a long way short of everyone "walking in two worlds" but does accord real, not token, value to

indigenous culture and tradition and we did it without blowing anything or anyone up. That is unique among ex-colonial peoples.

We have a reasonable standard of living. We have not a bad social support system and not a bad education system, even excellent in parts (though there is a lot of rethinking to do).

We have a lively high-tech sector which is deepening a bit. More than 48,000 foreign techies have replied to a Wellington ad for interest in 265 jobs there.

We have low corruption and strong institutions and the rule of law which has not yet – I emphasise the "yet" – been degraded into the rule of lawyers.

We are off the terrorists' beaten track – "distant from tyranny". No boat people have got here. We aren't scared of Indonesia. Though we should anticipate at some point a terror incident.

These big plusses outweigh earthquakes and volcanoes; the small size that can translate into parochialism and our distance from cosmopolitan centres, which drives many of our brightest offshore in search of excellence and stimulating interaction. The positives also outweigh, at least for some well-off immigrant, the social negatives like kids without necessities, Maori making up half the prison population, rising numbers of homeless and dirty dairying.

We are, to repeat, by world standards, a highly desirable place.

Put that in the context of the globalisation of people, until recently the least-talked about globalisation.

In 2015 just under 250 million were living outside the borders of the country they were born in. That is in addition to the 10s of millions of refugees from violence and/or starvation.

Migration on this scale, the great majority of it into rich liberal democracies, has jumbled up national identity, culture and personal security in those countries.

Migration came on to the agenda of everyday folk a decade ago. It got on to the elites' agenda when the Brits voted for Brexit, then Appalachians and others voted for Donald Trump. Anti-immigrant or anti-refugee parties have been scoring well in Holland, France, Germany, Austria and eastern Europe, though have yet to break through into government in western Europe – but watch Marine Le Pen in France. In Australia in last year's election Pauline Hanson came back from the politically dead.

Everyday folk were also unsettled by economic insecurity. That, too, has pushed them towards populist parties promising an end to the forces of insecurity. So there is the Corbynista British Labour party, Syriza in Greece and Podemos in Spain, offering old or new left solutions and the anarchist Five Star movement in Italy, formed by a clown, Beppe Grillo, which last year won the mayoralties of Rome and Turin, is running around 30% in the polls and promises a Brexit-type referendum on European Union membership.

There have been three major drivers of this economic insecurity: globalisation, policy settings that have favoured the better-off and most-well-off and the automation of work.

Automation has cut heavily into jobs in rich countries and in recent years has been the main culprit. McKinsey Global Institute estimates that by 2065 half of all activities within occupations will be automatable by digital technology, including robots, and around 60% of all occupations will be at least 30% automatable. That includes a number of professions, including teaching.

The Friedmanite paradigm of smaller government, less regulation and lower taxes has favoured the well-off and extremely well-off and left everyday folk in the dust. This has got worse since the global financial crisis as a result of the wild money printing by rich country central banks which has flowed into the top tier's bank accounts and driven house prices up as those with money switched from ultra-low-interest bonds and bills to landlording. Embedded inequalities, which have hardened over time in a hysteresis effect, are gnawing at national unity in rich liberal democracies.

And globalisation has, among multiple ways in which it has rebalanced the world economy, relocated manufacturing and some service jobs from rich countries to rising countries, particularly China. The globalised system builds products along complex supply and value chains and, more recently, across complex networks.

This century globalisation has gone deeper. It is what Harvard economist Dani Rodrik calls hyperglobalisation.

Hyperglobalisation goes beyond reducing or eliminating border protection for goods. It accentuates protection of intellectual property, regulatory standards, including of the labour market and the environment, and other behind-the-border constraints on inwards trade, including the provision for firms to take states to un-appealable arbitration. A European Union official told me in Brussels in 2013 that the Trans-Atlantic Trade and Investment Partnership between the EU and the United States would set regulatory standards for the world.

That deal is on hold. The Trans-Pacific partnership is also on hold. That is because increasing numbers in rich countries fear foreign domination or intrusion. Governments are responding. Global Trade Alert recorded more than 3500 mostly minor trade protectionist measures from 2008 to 2015, a large number of them by G20 governments.

This has led some lofty commentators in rich countries, among them Martin Wolf of the *Financial Times*, to declare globalisation dead. They have a point if you judge globalisation in terms of the ethos prevailing from the late 1940s to the 2000s. Trumpery and Brexit are the antithesis of that ethos.

But globalisation is not dead.

Trade agreements are still being negotiated and Donald Trump's initial executive order 10 days back does little. One reason is that global supply chains are very complex. Trade is not a simple zero-sum, two-way activity. The impact of any new tariff is also complex and could harm firms in the home country and in a range of other countries – or be circumvented by shifting production to countries not yet protected against.

Still, if globalisation is not dead, it is morphing.

First, China is rapidly expanding its economic influence westward through central Asia to eastern Europe, funding land-transport, port and other infrastructure projects

and tying that to trade. This One Belt, One Road programme is a China-first strategy which Adam Smith would have called mercantilist. It is not the same as global free trade along World Trade Organisation lines. Finding and keeping a place in this scheme will not be easy for tiny, marginal countries like New Zealand.

The second way globalisation is morphing is that digital technology is a globalising force, through its connectivity and its domicile in cyberspace where there are no visible borders. Young people are increasingly global dwellers. Constructing and policing national cyber borders is a lot less straightforward than fencing off imports or immigrants.

This is the decade in which digital technology has come of age. The transistor was invented or discovered in 1947. The integrated circuit containing multiple transistors appeared in 1958. These enabled computers and other devices to be made smaller but simultaneously exponentially more powerful. The personal computer followed in 1975 (initially in kit form), the world-wide web in 1989 (after two decades of experiment and limited use) and the smartphone, Apple's iPhone, in 2006.

The iPhone was actually a compact computer incorporating a (not very good) phone. Applications – apps – were designed for it, first by Apple but then by all sorts of people and organisations to do things Apple hadn't thought of: watching movies, storing music and playing it through a car sound system or direct to hearing aids, taking pictures that matched, then surpassed, the digital cameras and much, much, much else and much, much, much more to come. The real value in the iPhone in 2017 was not the physical device but the software and only a portion of the software was Apple's.

Software generally, coupled with mind-boggling computing power to process huge amounts of information near-instantaneously and turn it to use, is the driver of the 2010s revolution.

This revolution is killing privacy – has killed privacy. Read Andreas Weigend's book, *Data for the people*, and then try to sleep peacefully.

Robots can adapt to changes in circumstance on assembly lines (to customise products), in storehouses, and many other places. Self-drive cars are no fantasy. Self drive shuttles started in January carrying people between the Gare de Lyon and Austerlitz in Paris. Masses of data can be collected and analysed by machine learning down to individual psychometrics. Artificial intelligence is an overblown phrase but is beginning to sound less so as the software gets more sophisticated.

Facebook, Google and other big "social media" platforms feed "news" to their users, filtered according to what they have clicked on, so reinforcing biases. Some of this alleged "news" is made up. Watch out for this in our coming election. In the United States election campaigners mined psychometric data to target messages. And "bots" – automated social media accounts – were used to autonomously spread messaging (known as "astroturfing"), amplifying allies' messages and "roadblock" opponents' messages.

This undermines trust and is a threat to democracy because trust is the glue of democracy.

I don't have time to go through some of the other extraordinary scientific and technological advances – like gene editing, for example, which has huge potential for good and ill.

What we are going through is something akin to the first industrial revolution. That revolution profoundly changed societal structure. The aristocracy lingered on but by the mid-nineteenth century in Britain the rising industrial and professional middle and upper-middle-classes were in charge and organised labour was gaining ground.

Something similar may be happening now. It is too early to get much of a steer on where it will go – as it would have been in 1830 Britain. But I reckon a target will be the educational meritocracy which came out of the 1960s and has been running liberal democracies. These are the "elites" whom today's populists and breakaway left and right movements are targeting as the "other", not "real" people. These educational meritocrats have now extended their advantages and privileges to a third generation.

This comes at a time when the Friedmanite paradigm is under increasingly serious questioning, no longer just by frustrated leftists or reactionaries but by mainstream commentators. In the 1970s-80s when Friedmanism replaced Keynesianism and the 1930s-40s when Keynesianism replaced classical liberalism there was on the shelf an alternative – a "structured" policy framework –to be pulled down and applied. Now there is not, though Labour's "future of work" exploration is a creditable attempt. That lack of a ready-made alternative is a parallel with the industrial revolution: it took around a century then for political philosophers to develop analytical and policy frameworks.

And the ideas, when they come, will not only be from Europe or North America and their Australasian adjuncts. Their 500-year hegemony of ideas is over, including in science. That is not to say that there won't still be excellent thinking in the "west"; just it will have to compete with thinking coming out of China and India and Asia and elsewhere. One small indicator is that the Treasury's "living standards framework" draws on the "wellbeing economics" work that traces to Amartya Sen, an Indian.

The North Atlantic's global political and economic hegemony is over, too. The bipolar United States-Soviet Union order of 1950-90 and then the unipolar United States order of 1990-2010 are long gone. The result is global disorder. The potential for major conflict, while still unlikely, is growing. There is much talk of tension between rising China asserting its pre-1800 imperial eminence and stumbling but angry United States and of the risk of them falling into a Thucydides trap. If so, New Zealand will have to paddle hard and navigate with wily skill to avoid becoming a Plataea caught between Sparta and Athens. We are, as I titled a talk to the Institute for International Affairs a few years back, "alone, alone, all, all alone, alone on a wide, wide sea".

There are many other potential triggers for conflict. One is looming environmental limits, not least among them water, which is increasingly scarce in northern China and India – and elsewhere. The oceans are becoming seriously disturbed. Phytoplankton, which absorb more carbon dioxide than all the world's forests combined, are being depleted. Climate change is coming down the track. These are among multiple issues that technology will partially address but they will need to be addressed globally.

One other example is that Facebook, Google, Amazon and Apple are supranational in the true sense of that word and just eat up any competition.

There is no global government and there will not be one for a very long time, if ever. Global issues will be addressed not by some global government but by formal bodies,

such as ICAO for civil aviation to which all countries that want to fly aircraft internationally have to belong, or by coalitions of the willing. These may be governments, cities, firms or non-government organisations which choose to take action, develop a set of rules for themselves and potentially over time draw others into their orbit and establish in effect a global rulebook. For example, the 2015 Paris agreement on climate change is essentially such a coalition of the willing. A notable example of a subnational coalition of the willing was a global compact of 7100 cities formed at the Marrakech climate summit on 14 November 2016 to cut global emissions and monitor each other's actions. They announced 596 commitments.

Put all that together, the imbalances between and (especially in China) within countries, the many tensions amid global political disorder, the major rebalancing that is coming at the end of the European era, the coming impact of climate change and other environmental limits and much else. There is a real likelihood of a disjunctive shock of the size and impact of the first world war, which destroyed four empires, wounded a fifth, killed 10 million people and paved the way for totalitarian communist and fascist regime. What will trigger it and what form it will take cannot be known. That is the nature of the breakdown of a complex adaptive system, which is what human society is.

The title of this talk was: Oh to be 24 again to see where all this goes. I say 24 because that was my age when I started covering politics. One part of me wishes I could be that age again, wide-eyed. Another part of me says I am glad I don't have to live through it.