

What's in an Age? Opportunity

Colin James to Age Concern conference, 16 April 2018

The word "concern" in your name is a concern for this conference. Many people read "concern" as a "worry". If so, there is going to be a lot more worry because there are going to be many more people "of an age" and they will be a larger proportion of the population with a smaller proportion of people of "working age" to provide for them.

But I read your "concern" as an expression of "care" or "value" in the "wellbeing" of this expanding cohort of ageing people, generating "opportunity", not just for those people but for the whole of society.

Where will Aotearoan/New Zealanders choose to fix our focus through the 2020s? Fixing a problem? Or realising opportunity?

Right now, most people would see a problem. That fits in the gloomy cast that has set in in liberal democracies like ours.

Yet, as Canadian philosopher Steven Pinker points out,¹ life has actually got better for humans across the globe through the past two centuries and on through the past two decades. Only a minority now live in extreme poverty compared with the great majority 200 years ago and that minority continues to shrink. We can fix many of the afflictions that used to kill us humans and so we live far longer. Per head of population there is less war and less violence. The list of life improvements continues to lengthen.

So why are we gloomy? Because, Steven Pinker points out, correctly, over the past half-century in liberal democracies the traditional media have focused increasingly not on what is going right but on what goes wrong. Over the past decade or so Twitter, Facebook and other "social media" have multiplied the spread of that bad news, including now in "fake" form. And we hear from politicians and bureaucrats and not-for-profits constant litanies of "problems".

That's the past and the present. Look out into the 2020s. They promise to be an exciting decade. Now, excitement can be both frightening and exhilarating. And for all Steven Pinker's masses of evidence in support of his rosy – sometimes too rosy – view, there is mounting evidence the 2020s will generate both sorts of excitement: fear and hope, good and bad disturbances and disruptions.

Start with the global economy and global politics.² Over the past half century and particularly over the past quarter-century, the global economy and politics have been rapidly rebalancing and that rebalancing will continue through the 2020s. For five centuries Europe and its offshoots lopsidedly dominated the world's politics, its economy and its ideas, both of how things should be run and in new science and technologies. That domination is ending. We have to share with others – and adjust and adapt and live with their different ways of thinking and their new science.

Xi Jinping is reconstituting the Chinese Empire, which for two millennia or more until the mid-nineteenth century saw itself as the centre of civilisation, with a periphery of

¹ Stephen Pinker, *Enlightenment Now. The case for reason, science, humanism and progress* (Allen Lane 2018) and before that *The Better Angels of Our Nature. Why violence has declined* (Allen Lane, 2011).

² I have explored this and much that I have briefly touched on in this talk in *Unquiet Time. Aotearoa/New Zealand in a fast-changing world* (Fraser Books, 2017).

tributary states reaching across central Asia and these days down to us via South-east Asia. This re-energised China, having fed off a liberal trading system to enrich its people, sees all Chinese as "family", including those living elsewhere. It aims to influence countries around it through that "family" and to reshape global trading networks by reconstituting the ancient silk roads through central Asia to Europe and establishing a strong sea presence around Singapore and India to Africa and the Middle East. Xi's China is supplementing economic power with both soft political power (including loans to "vassal" states) and hard military power. It promotes an alternative to liberal democracy.

To Xi's west on a lesser scale Vladimir Putin is reconstituting the Russian empire. His Russia intervenes in neighbouring states and hacks into liberal democracies' voting systems and markets. China, too, is interfering digitally.

These two empires are flexing their muscles at a time when northern-hemisphere liberal democracies are experiencing crises of identity and social cohesion after the living standards of large segments of their populations stalled or reversed under the impact of economic and demographic globalisation and rebalancing. Hence Donald Trump as United States President and Britain's exit from the European Union and many populist and other non-traditional forces across the European continent, notably Emmanuel Macron in France and clown Beppe Grillo's top-polling Five-Star Movement in Italy. That is straining and in some places has ended the post-1945 centre-left/centre-right dominance of liberal democratic political systems which operated within fairly settled policy boundaries.

Add the turmoil in the Arab world and its wider terrorist impact. The world is in disorder and there is no early resolution.

This comes as global issues, needing global responses, are rising, principally climate change, water, sea pollution, food source degradation and pandemic diseases. If not addressed, these trending issues will disrupt human lives and social orders, potentially seriously. But because there is no global government, even to begin to address these global issues will require "coalitions of the willing" to take risks, set standards and ferret out opportunity. The good news is that such coalitions can be not only states but cities, companies and non-government organisations and there is growing evidence of such initiatives.

Another global issue is digital technology. This is deeply changing the way we live much as did the first industrial revolution from the 1770s, then the second in the early twentieth century but is doing that multiple times faster. The world and its citizens are more directly and for more extensively connected – to the extent they want to be. This technology, built off science established in the 1940s, is now what experts call recombinant, as steam in the early nineteenth century and electricity in the early twentieth century were. That is, as digital innovations spread, offshoots and new innovations emerge which feed back in and add dimensions to the original technology.

As a result, artificial intelligence and robotisation will develop very fast in the 2020s, with effects on work and social order which are only guessable at this point but are likely to be profound and disorienting in addition to opening up opportunities. Think of self-drive cars, fast, accurate, prognoses and early diagnoses of medical conditions, robotic surgery, the "gig" and "sharing" economies. Those "of an age" to be of concern to Age Concern will not be cloistered from these changes.

And the huge potential benefits of these new technologies will coexist uneasily with huge potential risks and damage. One issue will be how to ensure everyone has access to the benefits digital technology and especially artificial intelligence can bring, including, for example, for health – particularly for those who are less well off or are in remote places or are older and/or less able to adapt to new-fangled machines. It will pose complex issues of privacy and dignity in the way personal information is collected, stored and used, even when it is collected for the benefit of those it is collected from. These issues will demand different responses from policymakers in the 2020s from those that have been fashionable in the 2010s and different responses from individuals supplying or using the technologies.

Then there is gene editing, especially its six-year-old form, CRISPR. This offers potentially huge benefits in improved plant growth and so expanded food production to meet the needs of the next 2 billion people due by 2060 or so, offsetting the huge upsets posed by climate change and related events. It offers huge benefits in treatment of bodily afflictions and in the interruption of genetically transmitted diseases. It also offers the possibility of designer babies and the potential for serious misuse by autocrats and crooks. The ethical issues CRISPR and its impending offshoots raise are of such mind-boggling complexity and novelty that the discoverer of CRISPR, Jennifer Doudna, told the *New Scientist* recently she began to worry in 2017 that she might be a modern Dr Frankenstein.³

So, there is much to be excited about: both in hope and in fear. Part of me wishes I was 23 again and could live to see where all this goes. Part of me is glad I am not 23 and won't have to see where it goes.

But my daughter will live through these disruptions and so will her son, my grandson. They and those of their age will be the people who will need to look out for the wellbeing of those who will enter their wonder years in the next 10 to 20 years. Age Concern will need to look out those 10 to 20 years and plan for them if it is to be relevant to the wellbeing of those cohorts in their wonder years.

Focus for a moment on that word "wellbeing". It has a special relevance right now.

Three years ago this month Girol Karacaoglu, then the Treasury's chief economist, sent me a draft of a working paper on the Treasury's living standards framework. This working paper explored Amartya Sen's theory of "wellbeing economics" as applied to New Zealand conditions by academic economist Paul Dalziel.

As since developed by the Treasury, wellbeing economics aims to measure economic success by changes in the stocks of various "capitals". Economists have long measured the ups and downs of financial and physical capital and scored the economy by how much output of market-priced goods and services was rising or falling. The Treasury now wants to measure changes in the stocks of natural capital, human capital and social capital in order to widen its understanding of our true prosperity. This was spelt out both in its four-yearly long-term fiscal forecasts in late 2016 and its four-yearly investment statement last month.

This makes a lot of commonsense. The economy is a subset of society; how well a society operates depends on the strength of our human capital; and humans can exist only if our natural capital – ecosystems and the supplies of raw materials – is in good order and not run down. People don't measure prosperity only in stuff and dollars but

³ Michael Le Page, "Director of evolution", *New Scientist*, 3 March 2018.

in a wide range of aspects of their lives. New Zealand comes out near top in the world on a number of measures of this wider prosperity, for example, that of the Legatum Institute and the OECD Better Living Index.

The Labour-led government has enthusiastically adopted this "wellbeing" way of thinking about how to shape the economy. Jacinda Ardern and Grant Robertson warmed to the idea while in opposition and Grant Robertson wants his 2019 budget to be the "wellbeing" budget. Jacinda Ardern has a bill in Parliament taking a step down that road by inserting into the Public Finance Act a requirement to measure and report on changes in child poverty.

Whether the Treasury can actually fulfil Grant Robertson's 2019 wellbeing budget aim is very doubtful. To get meaningful measures of natural, human and social capital is mind-bogglingly difficult. There is a lot of international work on these matters but they are far from settled. It might take a decade or more to get the sort of rigour that would measure up as guides to effective policy. So Jacinda Ardern and Grant Robertson will probably need a second term at least if the Treasury's initiative is to survive future political cynics. So far, a second term looks more likely than not.

Focus on that word "effective". Effective policy will be judged by whether "investment" of money extracted from taxpayers produces positive benefits for the individuals invested in and, as a result, positive benefits for the society as a whole. This criterion was gradually evolving under Bill English's "social investment" programme, reinforced by the Treasury's CBAX test against evidence vetted by departments' external science advisers – though the evolution had a long way to go when English was removed from office and he could not contemplate "wellbeing economics".

Another dimension to wellbeing economics is that the neoliberal or neoclassical or market-liberal paradigm, dominant in liberal democracies since the 1980s – I call it the Friedmanite paradigm after Milton Friedman, its paramount exponent – is in serious decay. There is no new paradigm on the shelf waiting to be taken down and applied, just as there was no new paradigm on the shelf in the early decades of the first industrial revolution. Wellbeing economics is a step, not the whole journey to a new, durable paradigm.

But "wellbeing" could be a useful way to think about "age concern" (small a, small c). It could focus us on positives, not negatives, on opportunity, not problem.

First, we might usefully be more specific about what we mean by "age".

Six years ago, the assumption built into the early drafts of the Treasury's 2012 long-term fiscal forecasts was that everyone over 65 was "old" because 65 was the qualifying age for national superannuation. That was despite evidence that increasing numbers were continuing to work for wages and salaries after 65 and evidence of lengthening life expectancies reaching into the upper-80s. I argued at that time that only those over 75 or so could in any real sense be called "elderly" or even "old". Decrepitude or infirmity does not set in on the 65th birthday.

That is not to say the national superannuation qualifying age must rise dramatically. My own solution is a means-tested pension from 65 to 70 and universal superannuation from 70, similar to the arrangement in the 1960s which differentiated between those aged 60-65 and those older than 65.

Differentiating between the over-65s and those a decade or more older would

recognise that through the 2020s more use could be made of over-65s in the workforce, as the number of 18-64s falls relative to the number of over-65s and so in theory the "burden" of supporting the old and elderly falls more heavily on a smaller proportion of the population. Also, more over-65s will have to work to make ends meet. The ageism now embedded in HR thinking is out of date, verging on irresponsible. HR for the 2020s would identify the value in over-65s.

That's opportunity. That's a positive "age concern".

There will need to be some other rethinking.

One is the role of KiwiSaver and other earnings-life saving schemes for those now under 50 to supplement their national superannuation. Expanding those schemes would mean relatively more SAYGO (save as you go) in addition to the heavy reliance now on PAYGO (pay as you go). That in turn requires serious rethinking of tax, which now discriminates against saving, as Andrew Coleman has shown.

Another candidate for rethinking is "education". There is a growing line of thinking that the heaviest focus needs to be on the years zero to eight – emphasise "zero" – and that the focus needs to be on building non-cognitive skills to deal with much less settled worklives. That would include being better geared to imbibe the necessary cognitive skills not just in school and post-school but multiple times during a much more differentiated and often fragmented worklife than the twentieth-century factory education system efficiently schooled us for. That includes, importantly, those over 65 who want or need to work on. Those cognitive skills will need to be delivered in much more consumer-need ways than now, including in precisely targeted modules. We might also usefully aim to imbue in managers wider and more appropriate non-cognitive skills.

To do this different educating well will require valuing the educators far more as professionals – including far higher pay and status and on the other side of that ledger far higher professional qualifications and effectiveness on the job.

We will also need to make as much use as we can of everyone 18 and over. Right now we in effect discard many children because we don't make up for defective very-early-childhood experiences in a rising number of households. Richie Poulton's ongoing 45-year-long longitudinal study of a Dunedin cohort born in 1972-73 has provided compelling evidence that the earlier we start the more valuable the results. It has also demonstrated the value of early development of non-cognitive skills, notably having self-control by age 3, in making the best of one's life. Getting that right would be a big contribution to long-term wellbeing.

How is that of concern to people of concern to Age Concern?

The simple answer is that doing right by children will over time contribute to a more cohesive society. As I see it, a cohesive society is infrastructure, to be invested in and maintained. And I would argue that those of an age to be of concern to Age Concern are those likely to benefit most from a cohesive society.

Critical contributors to social cohesion are not-for-profits, like Age Concern.

Not-for-profits supplement taxes by tapping the public's goodwill in money and time and so expand the total services available. But that's not all. They have detailed knowledge of the individuals whom they serve. They can identify gaps and fill them. And, most important, they can be flexible and innovative. To do social services well needs innovation, especially in changing times and, as I have argued, the 2020s are

likely to be truly changing times, requiring highly innovative responses.

Bill English recognised not-for-profits' potential for innovation early in his time as Finance Minister. But he left them tied up in multi-dozen-page contracts, often covering narrow slices of what they do and often needing annual renewal. That as good as ensures there cannot be innovation, at least in the services the government pays for or part pays for. That is not the way to go into the 2020s.

If the government is to get the innovative services the 2020s will demand, it will need to take risks, either itself by giving its staff space and backing to innovate and/or by backing not-for-profits it part-funds to innovate. Interestingly, Jacinda Ardern told public service chiefs last week she wants them to take risks, though not to be reckless. Perhaps she means it and will tough out the noisy politics when enterprises go wrong.

Jacinda Ardern's resolve – and that of her ministers – has yet to be tested. If risk-taking is to be encouraged, the contracts with not-for-profits will need drastic revision. But there is an opening for enterprising not-for-profits and that opening includes reformulating structures and operations to be relevant for the 2020s and, if necessary, to be able to keep reformulating as the 2020s evolve.

Can Age Concern seize those opportunities? Is it flexible and innovative enough to be relevant to those "of an age" in the 2020s and the different lives they will live in different times? That's your concern.