Long-Term Fiscal External Panel

**Agenda:** Session Two – Framework for Policy Analysis of Long-Term Fiscal Issues

26 September 2012 (9:30am-4:30pm), Victoria Business School, Level 12 Rutherford House

**OUTLINE**

The first Panel session highlighted that policy adjustments will likely be necessary to ensure that budget balances and the level of public debt remain at prudent levels over the long-term. This second Panel session will consider how the Treasury should use its Living Standards Framework to assess policy reform options. The Framework includes the criteria of: fiscal sustainability, economic growth and efficiency, risk and uncertainty, intra- and inter-generational distribution and social institutions. There will be a particular focus at this panel session on how to analyze and communicate fairness and distributional issues.

The fiscal reform options that will be considered in future sessions will have implications for the role of the welfare state in New Zealand, including in the areas of retirement income policy, working-age welfare, public health and education. To ground subsequent analysis of fiscal policy choices in the context of New Zealand’s history, this session will also discuss the evolution of welfare policy in New Zealand.

**Material for discussion:**

- Girol Karacaoglu (*Treasury*) – ‘Improving Living Standards, Presenting Key Trade Offs’ (presentation slides)
- Diana Cook and Joey Au (*Treasury*) – ‘Government and Economic Growth: Does Size Matter?’
- Becky Prebble (*Treasury*) – ‘The Long-Term Fiscal Living Standards Framework: Addressing Fairness’
- Andrew Coleman (*Treasury*) – ‘Intergenerational Economics: Basic Issues’ (presentation slides)
- Martin Wilkinson (*University of Auckland*) – ‘Intergenerational Ethics and Long-Term Fiscal Planning’
- Paul Carpinter (*Treasury*) – ‘Draft Summary - History of the Welfare State in New Zealand’
- Michael Belgrave (*Massey University*) – ‘Social Policy History: Forty Years On, Forty Years Back’
- Brian Easton (*External Panel*) – ‘Appendix VIII: Government Spending’ from *Not in Narrow Seas: New Zealand History from an Economic Perspective*
Andrew Coleman (Treasury) – An Application of the Long-Term Fiscal Pentagon Applied to Two Illustrative Policy Examples (presentation slides)

Papers for background reading:


QUESTIONS FOR THE PANEL

Overarching questions for the Panel to consider:

- Does the use of the Treasury’s Living Standards Framework to analyse long-term fiscal policy reform options improve the quality and utility of the analysis from previous Statements?
- Does the proposed ‘Long-Term Fiscal Pentagon’ framework sufficiently capture all relevant aspects that should be considered when assessing these policy options? Are the relevant trade-offs reflected? If not, which aspects do you think are missing?
- Are there any criteria in the ‘Long-Term Fiscal Pentagon’ which you believe should be developed further or interpreted differently? If so, in what ways?
- ‘Fairness’ is a particularly difficult concept to analyse, with large differences between each person’s interpretations. Do you think Treasury’s coverage and communication of the numerous aspects of ‘Fairness’ is sufficiently clear and balanced?
- Are you comfortable with the characterisation of the role of the state and its development in New Zealand?
- Are there any key aspects of the ‘Social Institutions’ criterion that Treasury has missed? If so, what are they?
AGENDA

9.00-9.30am: Tea & Coffee Available
("Drop, Cover, Hold" earthquake drill)

9.30-9.40am: Welcome & Introduction
Led by: Bob Buckle

9.40-10.30am: Treasury’s Living Standards Framework
Presenter: Girol Karacaoglu

10.30-11.15am: The Economic Growth and Efficiency Criterion
Presenters: Nick Carroll – ‘Living standards and Economic Growth: Overview and Context’
Diana Cook and Joey Au – ‘Government and Economic Growth: Does Size Matter?’

11.15-11.30am: Break

11.30am-12.20pm: The Risk and Uncertainty Criterion
Presenters: Anne-Marie Brook – ‘Macroeconomic Vulnerability and the Risk Corner of the Living Standards Pentagon’

12.20-1.00pm: Lunch Available

1.00 – 2.30pm: The Fairness Criterion & the Social Institutions Criterion
Presenters: Becky Prebble – ‘The Long-Term Fiscal Living Standards Framework: Addressing fairness’
Andrew Coleman – ‘Intergenerational Economics: Basic Issues’
Martin Wilkinson – ‘Intergenerational Ethics and Long-Term Fiscal Planning’
Brian Easton – ‘Appendix VIII: Government Spending’ from Not in Narrow Seas: New Zealand History from an Economic Perspective

2.30 – 2.45pm: Break
2.45-3.45pm: The Fairness Criterion & the Social Institutions Criterion (cont.)

*Presenters:* Paul Carpinter – ‘Draft Summary: History of the Welfare State in New Zealand’
Michael Belgrave – ‘Social Policy History: Forty Years On, Forty Years Back’
Colin James – ‘Investing in Infrastructure: A Way of Thinking About Inequalities’

3.45-4.15pm: An Application of the Long-Term Fiscal Pentagon to Pay-As-You-Go Pensions and Land Taxes

*Presenter:* Andrew Coleman

4.15-4.30pm: Questions & Taking Stock of the Day

*Led by:* Bob Buckle