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GROWING
BEYOND
GROWTH
RETHINKING
THE GOALS
OF REGIONAL
DEVELOPMENT IN
NEW ZEALAND

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GROWING BEYOND GROWTH: RETHINKING THE GOALS OF REGIONAL DEVELOPMENT IN NEW ZEALAND

JULIAN WOOD*

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The paper in summary...

New Zealand is already feeling the effects of an oncoming wave of economic and demographic change. Over the next 30 years our main centres and areas close by will continue to grow, albeit with ageing populations. Professor Natalie Jackson's demographic forecasting work also shows that for the remainder of the country, the populations of 44 out of 67 Territorial Authorities will either stop growing or start to decline. If we do not attend to this divergence of economic and demographic outcomes, we risk opening the door to broader societal division between people and communities in growing areas and those in stagnation or decline.

Alongside this longer-term risk of social divergence the ongoing economic and demographic change will bring about two simultaneous problems. Growing areas, especially Auckland, will increasingly struggle to cope with their infrastructure needs. At the same time stagnating or declining areas will struggle to maintain local services and their ageing infrastructure. **There will be a need to ensure that areas of growth grow well but also to ensure that growth and opportunities remain wherever possible for those who live away from our urban centres.**

Unfortunately, **the present official regional development policy primarily focuses on economic growth as the only way forward** for all regions and small towns. The Government's Business Growth Agenda (BGA) is a key part of this growth strategy. A key component of the BGA is the Regional Growth Programme, with its bespoke spatial or place based regional development interventions. We argue, based on the work of Professor Philip Macann, that the inherent risks of place-based regional interventions can be minimised if they are implemented along best practice guidelines. However, when it comes to best practice, **New Zealand's current implementation fails on three counts:**

- 1 - the goals of regional development policy are not clearly and explicitly articulated and include vague statements like "supporting the quality of life" instead of explicit regional wellbeing indicators.
- 2 - the goals of regional development policy are not ranked with tensions, trade-offs, or subservient relationships between the goals explicitly outlined and prioritised so as to enable evaluation.
- 3 - the goals of regional development are solely focused on maximising growth.

We therefore recommend three key "rethinks" of current regional development policy:

Rethink #1: All regional development goals must be explicitly and clearly stated to enable clarity, transparency, scrutiny and co-ordination. As part of this "regional wellbeing indicators" should be explicitly developed and included in these regional development goals.

Rethink #2: Regional development goals need to be ranked and prioritised with tensions, trade-offs, or the subservient relationships between the goals explicitly outlined and prioritised¹ so as to enable evaluation.

Rethink #3: New Zealand needs to rethink its sole focus on economic growth, shifting to a framework that also empowers communities to meet both the economic and social needs of their populations in the midst of "no growth or even decline."

In considering how to empower communities to meet the oncoming wave of change we relied on the taxonomy of Rachel McMillan and considered three options.²

- Option A: "Do nothing" - let the market work
- Option B: "Counteract" - growth should remain centre stage
- Option C: "Accept" - adapt to the broad forces at play.

We recommend Option C as it not only continues to focus on maximising the growth potential of regions but it also explicitly “accepts” the forces of population ageing, stagnation, and decline and their consequent spatial implications. As such, **it aims not only to maximise growth but also to manage the rate of decline and the wellbeing implications of this decline where possible.** As part of this it enables an exploration of exit strategies for communities in terminal decline.³ This can be broadly defined as a “smart growth” and “smart decline” strategy.

In addition, **we also recommend exploring the following areas for further research:**

- a. the role of second tier “areas” as a way of understanding growth beyond Auckland and Christchurch. This would include an analysis of economic complementarities within these wider regional areas
- b. the role of multi-level governance as a way of finding new and innovative regional solutions based on modern spatial theory and subsidiarity. This would include exploring ways to fund multi-level governance arrangements to enable both inter-regional co-operation and new regional development pathways to be explored
- c. ways to unlock the economic opportunities afforded by the demographic profile of Māori and Pacific communities
- d. spatial innovation policy options (beyond regional research institutes) including smart specialisation, as a way of overcoming non-spatial innovation policy capture by the main urban centres and further linking innovation policy into the primary base of the country.

When considering the long term nature of these economic and demographic changes, **one might draw a parallel to the significant social pain resulting from the reforms of the 1980s.** Had we known of the social dislocation and economic disruption that would be experienced by many New Zealanders as a result of the reforms, would we, many years before, have planned a nuanced and incremental approach to managing change instead? When it comes to the long-term trends and forces discussed in this paper, **we have opportunities to start planning and making changes now.**

It should be made clear to every voter. Each election that passes without a renewed regional development paradigm, one with clear and transparent and prioritised goals that look beyond the next ten years, is an opportunity lost.

The long-term economic trends and demographic issues facing the regions will become confronting and may seem overwhelming the longer we continue to ignore them. Real spatial solutions will be difficult to unmask and, at times, potentially politically unpopular. Given the risks and costs associated with spatial policy, the effective measurement and evaluation of these solutions will be essential.

Despite these difficulties, this is far better than the expensive waste of “bridges to nowhere” or simply ignoring the problem. **The wave of change is coming.** We can ignore it and let our country be overwhelmed, or we can face the challenges and try to steer a course together.

1. INTRODUCTION

Oncoming long-term economic and demographic change will deepen the existing divide between our cities and our regions, meaning we must act to develop customised development pathways for the future of New Zealand's small communities.⁴ Already, we see economic activity aggregating in urban centres, with rural banks closing, and small towns struggling to find doctors.⁵ Alongside this, upcoming demographic change will mean that while our cities continue to grow, our smaller communities will see their populations age, stagnate, or even decline. If we do not attend to this divergence of economic and demographic outcomes, we risk opening the door to broader societal division between people and communities in growing areas and those in stagnation or decline. Thus, while we need to ensure our cities grow well, we also need to ensure that growth and opportunities remain wherever possible for those who live away from our urban centres. This is essential if we are to secure a future where every person in New Zealand has an opportunity to thrive. Place-based regional development policy must be a key part of our planning.

Unfortunately, our engagement in the regions is often to jump into solving the “crisis” of the moment: immediate regional development issues like Auckland's congestion or the lack of doctors in small towns. The history of short-term regional development policy features many “bridges to nowhere”: well-intentioned, yet ultimately ineffective projects.⁶ These “regional development solutions” are often easy to politicise and implement and can produce “quick wins” for the planners or politicians behind them.⁷ But they are expensive, and in many cases, due to a lack of evaluation, serve to amplify negative regional outcomes.⁸ By focusing on the immediate, we can forget to turn our attention strategically toward the long term economic and demographic challenges. These challenges loom like a tsunami of change coming our way, as we will show in the next section. Now is the time to prepare; we have a moment to think clearly about our aims, opportunities and challenges, and how we should respond.

A first step toward preparing ourselves for this change will be to make New Zealand's regional development “policy objectives transparent right from the beginning and then [to] design... ..programmes and projects which are explicitly results-orientated.”⁹ This needs to be followed by evaluating and measuring the impact of any government intervention to ensure it is having the desired

impact. This enables both the good to continue and the failing to be halted. Evaluation of policy intervention is a difficult task to begin with, made nigh impossible when the goals of a particular policy are unclear and unranked.

We must also consider whether the goals are focused in the right direction. Getting this focus right, we will argue, will require New Zealand to shift its regional development paradigm from one of “growth for all” to one that supports the development of customised regional development pathways. These pathways will both enable economic growth wherever possible, and consider how to enable other communities to manage decline in a way that doesn't lock people out of future opportunities.

This is the ultimate goal of this paper: to encourage a clear, transparent and long-term approach to New Zealand's regional development policy goals; goals that enable us to face the future with confidence. We need to look beyond the next one, two, or even three election cycles, and think about how we want to navigate toward a future ten election cycles away.

With this in mind, this paper will set New Zealand's regional development policy goals—both historical and current—within the wider context of economic and demographic forces that will significantly shape the regions in the future, for better and for worse. Section 2 outlines these economic and demographic forces. Section 3 then provides a brief overview and analysis of New Zealand's regional development policy goals from the “reform” period in New Zealand¹⁰ to the current goals of regional development. Section 4 analyses the transparency of the current goals and outlines three potential regional development options that can be taken to respond to the forces at play.¹¹ The final section of the paper outlines our recommendations.

2. WHAT ARE THE LONG-TERM TRENDS AND FORCES ACTING ON REGIONAL OUTCOMES?

At a national level, New Zealand performs well on many indicators. For example, recent economic growth as measured by GDP has been good especially when compared to OECD averages. New Zealand's overall age dependency ratio (53 percent) is well below other developed countries that are known to be ageing, like Japan (at 64 percent).¹² New Zealand's fertility rates have been relatively high compared to comparative OECD countries.¹³ Further to this, New Zealand universities also do well when compared internationally.¹⁴

When we look below the national level, however, a far more complex picture emerges. While there are many booming regions, like the Bay of Plenty,¹⁵ it becomes apparent that not all regions are doing well. It is natural for economic activity to exhibit cyclical and spatial patterns of growth and decline, and the fact that New Zealand's growth is not evenly spread across the country should not necessarily surprise or alarm us. Not only do national business cycles exist, but regional business cycles too.¹⁶ This natural divergence often reflects the underlying difference in natural and physical endowments of geographic location, be it sunshine hours, mineral deposits, or population.

The functional economic relationships that exist across regions in a small yet geographically-spread economy like New Zealand's are highly important and interdependent. Not only is the growth of urban areas linked to their proximity to major urban areas (like Auckland, Wellington, Christchurch, and Dunedin),¹⁷ but it seems that the health of the major urban areas can be linked to the health of the regions, through primary production or tourism for example. It could be argued that Auckland's services sector would not be as large as it is if rural and agricultural New Zealand did not exist to make use of many of the services or attract tourist dollars. New Zealand needs a "global Auckland" to succeed, but Auckland's success also relies on the wider regions where the majority of the primary industries are based.¹⁸ In other words, Auckland needs the regions, and the regions need Auckland. Similarly, one could say that in the South Island, Christchurch needs the wider South Island regions just as the regions need Christchurch.

There does, however, appear to be a new economic and demographic reality on the horizon. Many prominent New Zealand economic commentators and analysts highlight how some regions and towns persistently struggle on a range of social and economic indicators.¹⁹ It seems a more divergent New Zealand is emerging, as our major cities pull away from the rest of the country. This divergence can clearly be seen empirically. When measures of economic complexity are mapped alongside measures of human capital, Auckland and Wellington appear to be relatively more sophisticated than smaller regional economies.²⁰

With this in mind, the remainder of this section attempts to capture the long-term trends acting on all regions: globalisation and global regionalism, economic aggregation and agglomeration, and the changing nature of work. As we will see, these forces combine with long-term demographic changes (alongside some uniquely New Zealand circumstances) to paint a bleak regional picture over the next thirty years. Understanding these forces is a necessary step towards accurately assessing which potential regional development goals will best prepare New Zealand for "growth beyond growth." That is, a future where we maximise economic growth wherever possible, while also managing decline where it is not, all in a way that gives every person in New Zealand a chance to thrive.

2.1 Global economic forces acting on the regions

A number of global economic forces are impacting on New Zealand and its regions: globalisation and global regionalism, economic aggregation and agglomeration, and the changing nature of work.

2.1.1 Globalisation and global regionalism

New Zealand is well-described as a small island nation on the fringe of the global economy.²¹ Professor Philip McCann for example describes New Zealand as "both small and extremely isolated,"²² while independent economist and commentator Brian Easton argues that "New Zealand may well be the worst-located affluent economy."²³ Unfortunately, New Zealand's geographic location appears to negatively impact on its ability to leverage the gains that other nations can realise from globalisation and global regionalisation. This negatively impacts on New Zealand regions, primarily by the

absence of the home market effect (which is the ability to harness the forces of economies of scale and aggregation close to large home markets), the commensurate high costs of transportation,²⁴ and therefore reductions in overall productivity.²⁵

As McCann points out, New Zealand's geographic isolation is a major disadvantage in the modern era of globalisation whereby "60-70 percent of all multi-national activities (trade, investment, sales) typically take place within the same global region in which the firm is located."²⁶ While transportation costs have fallen, this hasn't outweighed the fact that trade and development "is now far more driven by the advantage of proximity than in previous eras."²⁷ Along these lines, Easton argues that globalisation has "exceptionally powerful effects when the reduced costs of distance combine with economies of scale."²⁸ New economic geography and trade theory help explain this perspective, adding that firms will cluster to take advantage of economies of scale and large consumer markets.²⁹

Domestic firms may relocate to larger urban areas, to take advantage of home market effects,³⁰ economies of scale, thick labour markets, and forces of agglomeration. Unfortunately, by world standards, even Auckland would not be considered to have a large consumer market, leaving the majority of firms in New Zealand unable to take advantage of the home market effect.³¹ For the regions that are mainly involved in primary production,

New Zealand's geographic location makes harnessing these home market effects almost impossible. This highlights the reality that in order to ensure New Zealand's future, we must continue to harness global markets via trade policy, have access to international capital and innovation, and use immigration policy wisely.

If McCann is correct, another important factor will be our relationship with those in the global economy in closest proximity to us. Many of these nations have a different cultural background and experience. As the economic centre of gravity moves toward Asia, a part of the globe we are situated in, we will need to secure ourselves as part of this global region.³² The New Zealand Productivity Commission confirmed this view when they outlined how to minimise the negative impact of distance. They showed "that New Zealand's exports are biased towards Australia, Northern Europe, and advanced East Asian countries,"³³ and that "bilateral trade patterns suggest that New Zealand could benefit more from closer, fast-growing markets by shifting its trade flows towards emerging market economies in Asia."³⁴

2.1.2 Economic aggregation and agglomeration

One of the impacts of globalisation is the emergence of what appears to be centripetal economic forces; where economic activity is agglomerating into global nodes or poles of production and innovation (areas of cumulative

Box 1: Special Economic Zones worked overseas, why not introduce them to lagging regions?

Traditional Special Economic Zones (SEZs) are often hailed as a proven regional development solution. When these traditional zones do work, they appear to best function under very particular conditions.³⁵ As the World Bank highlights, they are effective in three areas: those with high absorptive capacity (economic activity outside the zone can quickly absorb new technology and ways of producing by learning from what is being done inside the zone), thick labour markets (a ready supply of suitable workers or value chain suppliers), and areas close to international transportation hubs (international shipping ports or airports).³⁶

In the New Zealand context, Special Economic Zones would likely work best when located next to globally-connected big cities like Auckland, Wellington, or Christchurch. The argument for traditional SEZs in isolated rural locations or lagging regions like the West Coast would appear to be far less persuasive. In short, for New Zealand at least, traditional SEZs are not a regional development silver bullet for lagging regions. Having said this, as highlighted by the New Zealand Initiative, there is the potential for non-traditional SEZs to "act as an experimental laboratory for the application of new policies and approaches within an economy."³⁷ If a modern form of a SEZ could enable a region or localised area to trial a local response to a local need this could be a policy worth exploring further.³⁸

economic and population growth). In New Zealand these “growth nodes” are likely to be urban centres.³⁹ Research supports this in New Zealand where it “found productive spillovers from firms operating in areas with high skilled workers, and with high population density.” In New Zealand, increasingly this means that areas outside of the largest urban centres⁴⁰ will face what appears to be “Myrdal backwash” forces (cumulative economic and population decline).⁴¹

These forces are partly responsible for driving the growing economic difference between New Zealand’s main urban centres and the wider rural regions over a wide range of economic indicators.⁴² The Government’s 2006 Economic Transformation Agenda (ETA) to build Auckland into a “hub of internationalisation and innovation” (which continues today, see Section 3 below) has the potential to reinforce these trends within New Zealand. So too does the current national level innovation and technology policy, as this “often appears to reinforce regional inequalities as more public resources (both in absolute terms and as a proportion of regional GDP) flow to richer regions due to their greater absorptive capacity.”⁴³ Within New Zealand, for example, 74 percent of current business research and development support and Callaghan Innovation funding since February 2013 has been captured by firms in Auckland (40% of total number of firms receiving grants), Canterbury (15% of total), Wellington (13.5% of total),⁴⁴ or the Bay of Plenty (5.5% of total). One potential avenue for further policy consideration within New Zealand is the role of “smart specialisation” to be used to build innovation in economies outside these major urban areas where there are high rates of specialisation in the localised area.⁴⁵

These positive forces already appear to be cumulative and self-reinforcing, as far as the population growth of Auckland is concerned.⁴⁶ By 2043, for example, Statistics New Zealand’s medium population estimates suggest that Auckland will eventually account for 39.5 percent of New Zealand’s population: 2.2 million of 5.6 million people (up from 33.4 percent of New Zealand’s population in 2013: 1.4 million of 4.2 million people). In addition, while twenty-three Territorial Authorities (TAs) are projected to experience continuing population growth over the 2038-43 period, seven of these are clustered around Auckland.⁴⁷ Together with Auckland, these potentially still growing TAs will account for over fifty percent of New Zealand’s population and include Tauranga, the Western Bay of Plenty, Waipa, Hamilton

City, Matamata-Piako, Waikato, and Whangarei.⁴⁸

This highlights an interesting question around the potential of territories close to the centre of economic activity (or urban growth hubs); most commonly referred to in the literature as “second-tier” cities; In the New Zealand context, however, it might be more informative to call them “second-tier areas.” In the North Island, the TAs mentioned above fulfil this role. In the South Island, they appear to cluster around Christchurch: Hurunui, Waimakiriri, Selwyn, Ashburton, and Mackenzie.⁴⁹ There is potential for complementarities to be captured for regions close to an urban growth hub, thereby improving regional connectedness that could benefit all regions. Recent research into long-run urban growth supports this view, finding that alongside “land use capability, human capital, and sunshine hours,” “proximity to major population centres (especially Auckland)” positively impacted on urban growth.⁵⁰

Policy can’t do anything about sunshine hours, but land use capability can be improved through the use of new technology and innovation policy that is more spatially focused on our rural areas and their primary-based sectors. Similarly the “upgrading of transport links that make it easier for firms and people to locate near to, but outside of, Auckland [or potentially Christchurch] while still accessing some of the amenity and productivity benefits offered by the city”⁵¹ may be worth further consideration (as outlined in Box 2 over the page however, this infrastructure investment should also be linked to spatial investments in human capital).

2.1.3 The changing nature of work

Not only is there a shift toward economic aggregation and agglomeration, but increasingly globalisation and technological change are impacting on the type of jobs that exist. As economists Shamubeel Eaqub and John Stephenson highlight, there has already been a broad employment shift away from the primary and goods producing parts of the economy into the service sectors over the last 60 years. This significantly impacts the regions due to their focus on the primary sectors. Alongside this shift is the potential future impact of technology. Increasingly, it seems that the jobs of the future haven’t even been invented yet, just as the jobs we do today may become obsolete. Some argue that 40-50 percent of current jobs will no longer exist in a decade’s time.⁵⁹

Box 2: People-based (spatially blind) vs place-based (spatial) regional development policy: the ongoing debate.

Regional Development policy is often split into two broad camps. Those who advocate space-neutral (people based) policy and those who advocate for spatial (place-based) policy.

Space-neutral policy includes “policies that are designed without explicit consideration to space,”⁵² emphasising institutional reform, deregulation and the mobility of people, and allocating money and resources (factors of production) to their most efficient use as a path toward regional convergence. In 2009 the World Bank’s world development report entitled “Reshaping Economic Geography” advocated the advantages of agglomeration effects for large cities and space-neutral policies. This is because “agglomeration and encouraging people mobility not only allows individuals to live where they expect to be better off, but also boosts individual incomes, productivity, knowledge, and aggregate growth.”⁵³

On the other hand, spatial policy highlights the role that the geographic context of each place has for overall economic development. A place’s social, cultural, and institutional context can lead to either underdevelopment traps or economic development opportunities if understood and leveraged correctly.⁵⁴ “From this perspective, the economy as a whole can reach its total output frontier by developing places of different sizes and densities...”⁵⁵ Within a spatial framework, “convergence should not be a principal development policy objective”⁵⁶ but one should aim to maximise the development potential of each region.

Overall, as Professors Paul Dalziel and Caroline Saunders state in their review of the key themes in the international literature on economic development state, “the debate is not so much about people-based versus place-based policies ... but about what portfolio of place-based policies will be most effective in meeting national efficiency and equity goals.”⁵⁷ The New Zealand Treasury in their most recent Statement on the Long-Term Fiscal Position: He Tirohanga Mokopuna, confirm this view by outlining that “collaborative regional economic development can lift the living standards of all New Zealanders ... [and that] ... Central Government collaboration with communities offers an opportunity to build on unique talents, knowledge, and influence of communities.”⁵⁸

Technological change plays a large role in this shift. To the extent that these new jobs are tied to new ways of doing things, there is a broad trend that new technology appears first in “frontier” or leading edge technology firms (which increasingly are located in innovation hubs) and then diffuses outward towards “laggard” firms.⁶⁰ Unfortunately, recent evidence by the Productivity Commission in New Zealand (as summarised by the Secretary of the Treasury) suggests that frontier firms are increasingly located in high density (urban) environments:

*First, weak international connections may limit the extent to which new technology diffuses from the globally most productive firms to the most advanced New Zealand firms. Second, small and insular domestic markets may reduce diffusion to firms within New Zealand further away from the frontier, to so-called ‘laggard’ firms.*⁶¹

International connections are key to harnessing global knowledge diffusion. This is where the difference between

the “super diversity” of Auckland contrasts with much of the rest of the country.⁶² This is not to say there are not frontier firms in the regions (or even global frontier firms in New Zealand’s primary industries, almost all of which exist outside of Auckland). Rather, it once again highlights the importance of innovation and global connections to the wider regions and the overall issue highlighted earlier; that New Zealand’s innovation funding is captured in the main urban centres (see Section 2.1.2 above).

Regional Research Institutes currently being established in partnership with business, at least in part, will address this need to link research, development, and innovation to the needs of regional New Zealand.⁶³ The first of these will be based in Marlborough to support the growth and success of New Zealand’s wine and viticulture industry.⁶⁴ The second will be centred in central Otago and support the use of “space-based measurements and satellite imagery ... to meet the specific needs of our regional industries.”⁶⁵

2.2 Demographic change

For a number of years now, Professor Natalie Jackson has been highlighting the broad-based demographic change on New Zealand’s horizon.⁶⁶ It is important to understand that this is not a uniquely New Zealand phenomenon:⁶⁷

This situation is emerging because the developed world is now coming to the end of its 300-year-long demographic transition, during which falling infant and child mortality rates initially caused populations to become more youthful and ‘explode’ in size, as births increasingly exceeded deaths and ‘natural increase’ soared, and then to grow structurally older, as more people lived longer and birth rates fell – ushering in the end of natural growth.⁶⁸

This holds for New Zealand. Even though the precise timing of the figures given below may change, the overall trends are robust. The reality is that New Zealand is entering a long-term period of structural population ageing combined with low birth rates (now below replacement levels at 1.99 per woman). Combined with the economic forces discussed above, not only are young people migrating towards the larger urban areas, but those people who remain in the regions are increasingly older.⁶⁹ Over the next thirty years, the vast majority of TAs will experience a shift from population growth to stagnation or decline. Figure 1 over the page paints a picture of this change based on one dimension of the numbers outlined in Table 1 below.

Over the 2013-2018 timeframe, only 11 of the 67 TAs in New Zealand either experience or will experience the end of population growth or move into decline. By 2043, this number rises to 44 TAs with 15 projected to experience what is described as the new form of decline, an absolute decline from both net migration loss and natural decline. While these 44 TAs will only account for around 24 percent of New Zealand’s population, they cover the vast majority of the country geographically and regionally, as seen in Figure 1.

When looking at the age composition of population growth this broad-based regional decline is accelerated by the fact that “only 16 TAs will not see all their growth to 2043 at the 65+ years [age group].”⁷⁰ In short, in 10 national election cycles (thirty years), the majority of local governments will not only be experiencing population stagnation, but the vast majority will be experiencing far older populations with far fewer people in their prime working age (aged 15-64).⁷¹ This reality means that the vast majority of rural New Zealand shouldn’t be planning for, or counting on population growth as a driver of economic growth.

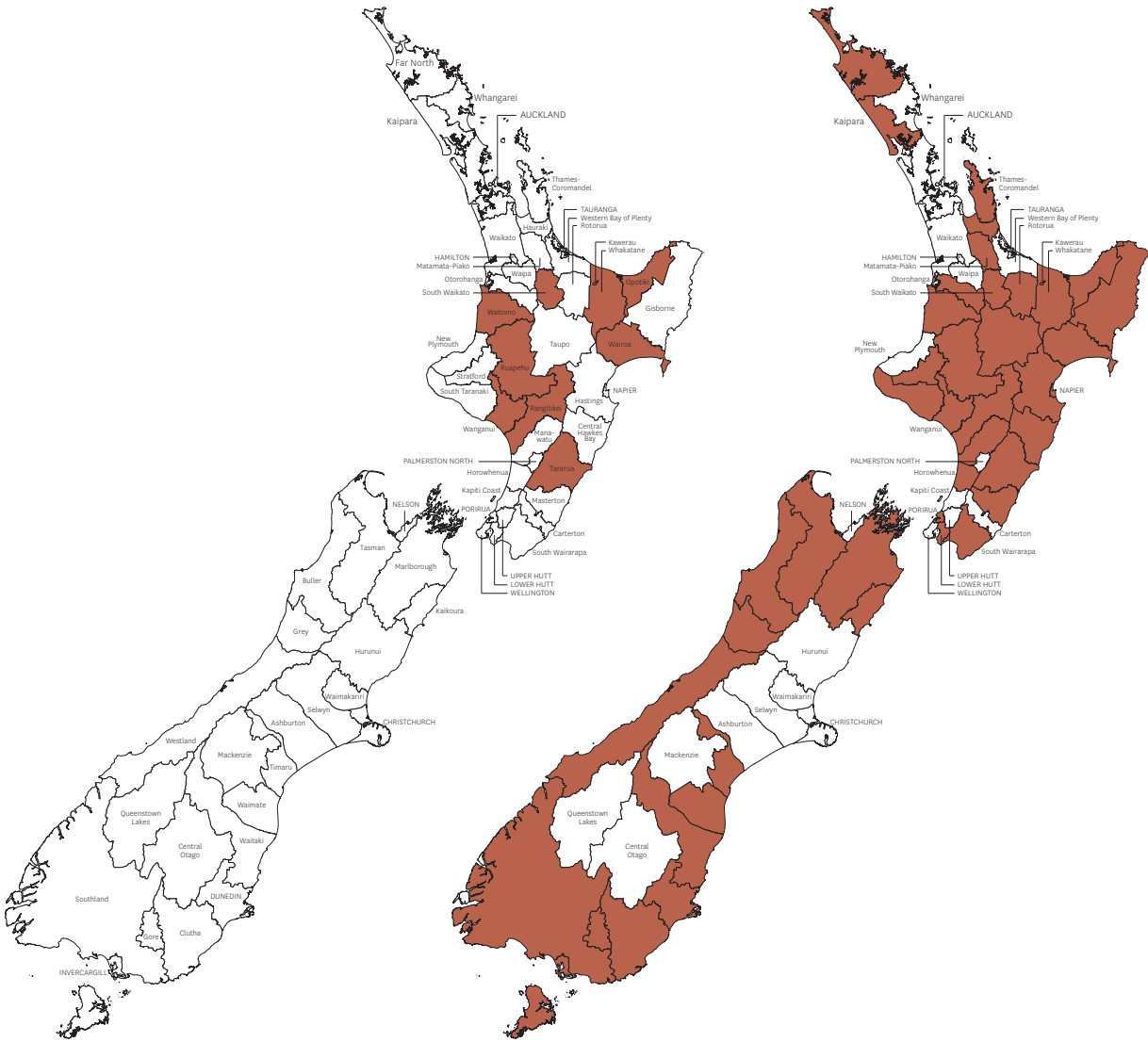
Rather, as a rural community’s population ages and or declines it will likely come under increasing economic, financial, and social pressure. Fewer people of working age can mean less employment income in a community and less consumer spending and hence less business income. Local government income can also decline as there are fewer people and businesses paying rates.

Table 1: Looking ahead to 2043: a typology of growth and decline at the territorial area level in New Zealand

New Zealand Territorial Authorities	2013-2018	2038-2043
Growth from both natural increase and net migration gain	39	12
Growth natural increase more that offsets net migration loss	14	3
Growth net migration gain more than offsets natural decline	3	8
Decline net migration gain insufficient to offset natural decline	0	15
Decline natural increase insufficient to offset net migration loss	11	14
Decline from both Net Migration loss and Natural decline.	0	15

Source: Jackson, N.O. and Cameron, M.C., (2016 forthcoming). The Unavoidable nature of population Ageing and ageing-driven-growth – an update for New Zealand. Working paper XXXX (sic), National Institute of Demographic and Economic Analysis. Hamilton: University of Waikato, cited in Jackson, N.O. “Changing demographics: overcoming denial” SOLGM Changing Demographics Workshop slides, Wellington, 11 July 2016.

Figure 1: Estimated population decline at the territorial area level in New Zealand comparing 2013-2018 (LHS) to 2038-2043 (RHS)



Left Hand Side: 2013-2018, 11 Territorial Authorities that are experiencing zero population increase or decline (highlighted). Right Hand Side: 2038-2043, 44 Territorial Authorities will be facing zero population increase or decline (highlighted). Source: Statistics New Zealand Subnational Population Projections: 2013(base)-2043 medium projections and Jackson 2016

This can lead to lower levels of local government service provision. Similarly, fewer young people in a community can mean less education funding entering a community just as fewer people can mean less overall health funding. Even a host of community services provided by volunteers can struggle as people leave. Overall, as the community retrenches, the costs of staying in the community rise

in comparison to moving. Increasingly, people leave for better education or work opportunities, thus reinforcing the cycle of population ageing and decline. Those who remain can experience the brunt of a decline in service provision and economic opportunities. There is an increasing risk that they become locationally “locked in” and thus unable to take hold of future opportunities.⁷²

Box 3: What about immigration? Can't we solve demographic change by simply importing people?

The short answer is that skilled immigration is unlikely to balance out the long term structural ageing problem in the New Zealand economy, although migration policy will become an increasingly important policy lever. As Natalie Jackson points out, “[e]ven a trebling of the current immigration rates would have little effect on the structural ageing of the population.”⁷³ New Zealand is not the only country facing these demographic challenges, so it is likely that the competition for skilled migrants with other developed countries is going to increase over time.

Immigration is also unlikely to solve regional demographic trends, as migrants typically self-select where to settle (although this is amenable to policy change). To date, migrants have been most likely to settle in New Zealand's major urban areas rather than rural ones.⁷⁴ Recently, however, some smaller communities like Gore have been very successful in attracting migrants, which does highlight the possibilities that may exist for local areas to market themselves as a migrant destination. Focused use of immigration policy by local communities like this may be an increasingly important policy lever. Communities would need to consider what settlement assistance they may be able to provide.

2.3 New Zealand-specific conditions

Alongside these big global trends of economic and demographic change, we think there are two domestic conditions that should be taken into consideration alongside the other forces. These are the current state of New Zealand's infrastructure and New Zealand's local governance arrangements. These will be discussed in turn.

2.3.1 Wide-ranging infrastructure pinch points

Three major infrastructure pinch points are on the 30-year horizon for New Zealand.⁷⁵

The first pinch point applies to Auckland, and to a certain extent other growing urban centres. These centres will continue to struggle to meet their rapidly growing infrastructure needs like adequate housing, offsetting traffic congestion, the quality of waste management, and access to clean water, air, and environments.

The second pinch point is more relevant to the regions, as they attempt to renew their rapidly ageing infrastructure (largely built around the same time in response to the 1930's Great Depression) while experiencing broad-based population ageing and decline. This, as Local

Government New Zealand has pointed out, will mean “for some smaller, older or poorer communities, the need for services and infrastructure to maintain liveability and sustain economic activity is likely to outstrip their combined resources to pay.”⁷⁶

The third pinch point highlighted by Treasury's National Infrastructure Unit, is the need for our primary industries to grow to meet increased export demands in a sustainable way. They advise that with current technology and knowledge, we are “beginning to deplete some of our important natural resources and are reaching limits on some of the crucial inputs such as land and fresh water.”⁷⁷ Innovation is not only key to emerging high tech industries but also to ensure the sustainability of our primary industries nationwide. It will become increasingly important to tie innovation into the regional and primary base of the economy.

Once again, this underscores the need for current innovation and technology policy to ensure that resources flow to areas connected with our primary industries and regional economies, and the key role that Regional Research Institutes and smart specialisation has to play.

Box 4: Can't we jumpstart regional economies by just building some roads, an airport, or fixing the pipes?

Improving infrastructure by building a road or bridge can actually lead to regional economic leakage and brain drain, if it is used in isolation from policies focusing on human capital formation (like training and education to upskill the local population), or innovation (like the promotion of ICT connectivity).⁷⁸ Infrastructure investment is a “necessary but insufficient condition” for long term regional growth.⁷⁹

While the building or renewal phase creates an initial boost in the economic output of a region (and hence the potential to delay or obscure decline), as shipping costs fall because of better roads, airports, or bridges, it becomes cheaper to aggregate production in larger urban areas and simply ship goods into a smaller region. One caveat would be forms of infrastructure investment, like the current rural broadband rollout, that are aimed at improving access to high speed internet connectivity.⁸⁰ These forms of infrastructure investment can enable increases in both human capital formation and innovation in rural communities via this connectivity. The overall picture remains, however, that building physical infrastructure alone will be insufficient to economically “re-start” a rural economy in long-term population stagnation and decline.

2.3.2 Local governance – the population competition

Incentives for harmful competition between regions compounds the infrastructure problem. Local government incomes are largely based on rates, which are collected based on land ownership,⁸¹ and therefore tied to underlying population change.⁸² This is problematic for both growing and shrinking places for different reasons.

If a region is growing the costs of growth are lumpy, so an increase in income from rates received for a particular development is unlikely to cover the development costs of expensive infrastructure to service this growth if additional water or waste treatment plants are required. For regions in decline, the need to renew ageing infrastructure as outlined above can become an overwhelming burden on an ageing and shrinking population. Within the current environment there are few incentives for local governments to co-ordinate infrastructure strategies for overall benefit. Instead, the majority of rural councils are placed in competition with each other for an increasingly scarce potential population. The stakes are high as population growth is linked to jobs and potentially even the placement of educational institutions, medical facilities, and roads within current population-based funding models.

This competition can lead to a modern form of “boosterism,” a range of news articles designed to boost the perceived outlook of a particular small town despite long-term negative projections.⁸³ There is also increasing

risk of a return of “pork barrel politics” and a traditional form of “boosterism,” even in the small number of faster growing areas with rapidly growing populations.⁸⁴ These rapidly growing areas are also in competition with each other for national ports and infrastructure investment.

If adopted by local leadership, a more collaborative model may bring potential wellbeing, and even economic gains. This collaboration is fundamentally tied to the structure of funding and compensation models for local governance, which at the moment are all set by central government.

2.4 Summary: long-term trends and forces

The regions of New Zealand are being shaped by a combination of economic and demographic forces well beyond their control; the effects of globalisation, global regionalism, economic aggregation and agglomeration, structural ageing and low birth rates are momentous. The one certainty here is that fundamental change is at hand. All over the world major urban centres appear to be the economic “winners” under this scenario. Auckland will continue to be the overwhelming centre of economic activity in New Zealand, with Christchurch being the economic hub of the South Island.

The very forces that cement this growth in Auckland and other urban centres also create ‘backwash’ or negative effects for those furthest away from these hubs.⁸⁵ People

do move to take advantage of the economic opportunities and jobs that are increasingly available in dense urban environments. Similarly, higher education institutions and population based funding formulas reinforce the pull toward an urban future. Once economic and population decline in a community takes hold, hospitals, schools, and even a whole host of community services (like the provision of libraries) face an uncertain future. Unfortunately, it would seem that the divergent regional outcomes we are seeing now will continue,⁸⁶ or even hasten, in the near future. If we are to secure a future where every person in New Zealand has an opportunity to thrive, not only do we need to ensure that our cities grow well, we need to ensure that growth and opportunities remain for those who live away from our urban centres wherever possible. Place-based regional development policy will be key in ensuring a future for all.

Now that we have a handle on some of the major long-term trends and forces acting on our regions, we will examine what the goals of regional development policy have been, are, could and should be in response to the future reality. While these goals are at the strategic level, they point towards a range of potential avenues for further consideration.

The next section therefore examines the recent history of regional development goals in New Zealand, with a particular emphasis on the current goals of regional development as set within the wider Business Growth Agenda (BGA) of the current Government.⁸⁷

3. WHAT ARE THE CURRENT GOALS OF REGIONAL DEVELOPMENT POLICY IN NEW ZEALAND?

Identifying the current goals of regional development policy is tied to the task of understanding broader government goals and objectives. This is because the goal or goals of regional development policy in New Zealand have often been subsumed within wider economic and social goals and objectives. Regional development goals have also shifted dramatically over

time in response to economic realities, past policy failures or successes, political will and the priority given to regional development within these wider economic and social goals. For those interested in the pre-reform period, Appendix A provides a brief overview of New Zealand’s regional development policy and interventions from the 1950s through to 1984.

We have identified four significant regional development paradigm shifts since the reform period (broadly 1984 onwards), as outlined in Table 2 below.

Table 2: Paradigms of New Zealand’s regional development policy goals post 1984

Overall paradigm	Macroeconomic stability within Rogernomics 1984-1999	Sustainable regional economic development within the wider Growth and Innovation Framework 1999-2006	Make Auckland a global city and attract globally competitive firms within the wider Economic Transformation Agenda 2006-	To build a productive and competitive economy within the wider Business Growth Agenda 2012-
Problem definition	Macroeconomic instability, Government debt and stagflation	Low productivity and competitiveness nationally, of regions - poor co-ordination, unused regional potential, lack of clusters.	The need to build an internationally competitive city (Auckland) to play a stronger role in the nation’s economic development, a lack of strategic capability and economic planning in regions.	Poor productivity and a decrease in international competitiveness, slow growth in GDP and exports; growth concentrated in non-tradable sector.
Regional development objectives or goals	Macroeconomic stability, fiscal prudence, low inflation and increased competitiveness	For central government to “facilitate and promote regional development to help regions respond to local opportunities; facilitate learning and co-operation among regional groups.” ⁸⁸	“Making Auckland a world class hub of innovation and internationalisation” and “improving the quality of the regional business environment to support the development, attraction and retention of globally competitive firms.” ⁸⁹	Overall: To build a productive and competitive economy where “all regions have an opportunity to grow and prosper.” Regional includes “Rebuild Christchurch.”

<p>Overall general policy framework</p>	<p>"Rogernomics" focusing on allocative efficiency through market reforms, corporatisation, privatisation, inflation targeting, and transparent Government fiscal expenditure (proactive setting of economic ground rules for efficiency).</p>	<p>Growth and Innovation Framework "to lift national productivity and competitiveness and by so doing raise real per capita income to the top half of the OECD by 2011 and maintain it at that level." ⁹⁰</p>	<p>Economic Transformation Agenda: overall goal of the ETA is "to improve per capita income through innovation and raising productivity in an environmentally sustainable way." ⁹¹</p>	<p>Business Growth Agenda To ensure that business has the motivation and confidence to invest in New Zealand. ⁹²</p>
<p>Coverage and spatial orientation</p>	<p>National, but also some regional governance changes: Non-spatially targeted.</p>	<p>Overall GIF was non-spatial. Investment in innovation, clusters, international connections, skills and talent, infrastructure and institutions. ⁹³</p>	<p>City-region focus basing the city-region on its economic geography. Underlying focus on growth and global connections. Primarily Auckland-focused but ETA includes wider regional funding focused on "high quality large scale projects".</p>	<p>Largely non-spatial all-region focus but with an emphasis on growth pinch points like: Auckland; Christchurch, ageing infrastructure; provision of capital; innovation. Also regional growth pinch points via the Regional Growth Programme, targeted skill shortages and seasonal work immigration.</p>
<p>Major instruments: with selected regional development instruments where applicable</p>	<p>Government fiscal prudence and transparency, independent inflation targeting, floating exchange rate, corporatisation and privatisation, and clear market signals in product but also labour market. Establishment of regions, regional councils and territorial authorities and the Resource Management Act. Points-based immigration introduced.</p>	<p>Primarily the Regional Partnership Programme (RPP) to "build partnerships between central government and regions for sustainable, locally driven, economic development." ⁹⁴ Regional Partnership fund, Cluster Development Programme and Major Regional Initiatives fund. Targeted skills shortages- based immigration policy refined.</p>	<p>Metro Project action plan; ⁹⁵ Reviewing Auckland Governance (Develop a Super City); Auckland Transport projects. RPP to become Enterprising Regions fund. Major Regional Initiative funding to become the Enterprising Partnership fund. Auckland to receive priority funding via the Auckland Regional Economic Transformation Fund and regional strategy fund specifically for Auckland.</p>	<p>The 2015 BGA has six key instruments namely: build export markets, build innovation, build investment, build natural resources, build skilled and safe workplaces, and build infrastructure. (For an outline of the major regional development initiatives contained within the above categories see Table 2 below)</p>

Source: Silverstone et al (1996), the following Cabinet Papers [CAB (00) M17/1 D], [Cab Min (06) 7/22],[CAB Min (11) 31/11] and MBIE Website: <http://www.mbie.govt.nz/info-services/business/business-growth-agenda> and Dalziel and Saunders (2005); Schöllmann and Nischalke (2005).

3.1 Historical paradigms: Macroeconomic stability within “Rogernomics”

The first paradigm shift was the reform process itself, particularly the removal of the range of earlier regional development initiatives (largely tax breaks, subsidies, and minimum prices) aimed at rebalancing regional economic development and growth. The New Zealand Government focused on macroeconomic stability via fiscal prudence and transparency, achieving and maintaining low inflation via the independent Reserve Bank, and boosting competition largely via macro tools like the promotion of trade agreements. As Professor Paul Dalziel points out, regional economies were fundamentally overhauled within this new economic framework.⁹⁶

More specifically, as outlined by economist Brian Silverstone and his colleagues, starting in 1983, for example, wide-ranging industry protections were peeled back (partly signalled earlier as an aspect of the Closer Economic Relations (CER) free trade agreement with Australia). Import licencing was phased out, as were export performance tax incentives. As Steven Stillman and colleagues write, “[i]ncluded here was the removal of supplementary minimum prices for farming activity and the ending of the eggs, milk and wheat producer boards in 1984.”⁹⁷ Alongside this, the New Zealand dollar was floated in 1985, following a devaluation in 1983. In 1986, import tariffs were reduced from an average of twenty-eight percent to five percent. Over 1985 to 1987, the government first corporatised and then privatised a range of State Owned Enterprises. In 1990, following the establishment of regions, regional councils and TAs, this corporatisation extended to a range of local authority trading enterprises in the regions. Wage and employment settlements, once agreed upon as part of wider industrial development policy, were in 1991 placed within an individual contract basis. Being a member of a trade union, once compulsory, was now up to individual choice. The changes, as we now know, led to a range of divergent regional and individual outcomes.⁹⁸

3.2 Historical paradigms: Foster sustainable regional economic development within the wider Growth and Innovation Framework

The second major paradigm was partly a response to some of the divergent regional outcomes and institutional structures that appeared via the reform process as part of “an approach based on making the most of what the region has rather than solely a vehicle for transfers from prosperous to less prosperous regions.”⁹⁹ This was under the newly-appointed Minister of Economic Development, Jim Anderton. The Government’s goal in regional development, as part of the wider Growth and Innovation Framework (GIF) was “to facilitate and promote sustainable regional economic development to help regions respond to local opportunities.”¹⁰⁰ This framework was developed to “build partnerships between central government and regions for sustainable, locally driven, economic development.”¹⁰¹

The policy rationale behind the government’s regional development approach was four-fold: first, the lack of co-ordination of central government activities that impacted on regional development; second, New Zealand’s small size combined with a dispersed population led to an atomisation of local authorities which resulted in insular thinking and development and direct competition between local communities; third, a number of regional resources being underutilised; and fourth, a combined lack of strategic focus on sustainable economic development.¹⁰² It was largely based on “Third Way” thinking, tending “to favour bottom-up and region-specific policy actions,”¹⁰³ and, as outlined by Dalziel, “[drew] on the experience of the OECD Local Economic and Employment Development programme.”¹⁰⁴

Its flagship intervention was the Regional Partnership Programme (RPP), but it also included the Clusters Development Programme, the Regional and Industry Development fund, and the Polytechnic Regional Development Fund, as well as a range of smaller capability building initiatives. The first Major Regional Initiative (MRI) carried out under the GIF framework was the Waikato Innovation Park. Other regional initiatives included the Forestry and Wood Processing strategy carried out in Tairāwhiti on the East Coast that led to the establishment of the Forestry and Wood Processing Centre of Excellence in Rotorua. By 2003 it included

the Auckland Sustainable Cities Programme (ASCP).¹⁰⁵ This led to the creation of the Government Urban and Economic Development Office (GUEDO) in Auckland in 2006.

3.3 Historical paradigms: Make Auckland a world-class hub and attract globally competitive firms within the wider Economic Transformation Agenda

The third major paradigm shift occurred in 2006, as the overall GIF framework was replaced by the Economic Transformation Agenda (ETA). This agenda had an overall goal “to improve per capita income through innovation and raising productivity in an environmentally sustainable way.”¹⁰⁶ Within this agenda, and largely under the sub-theme of “growing globally competitive firms,” it was stated that “the government’s goal for refreshed regional policy is to improve the quality of the regional business environment to support the development, attraction and retention of globally competitive firms.”¹⁰⁷ The RPP and MRI funding were transformed into the newly-named Enterprising Regions fund and Enterprising Partnership fund and the regional boundaries were re-aggregated down from 26 to 14 regions, which largely aligned these with existing regional council boundaries. It also dovetailed with the reform of the Local Government Act 2002, which introduced the requirement for long-term (ten-year) Council Community Planning, with a broadening out of the co-ordination of regional development activity acknowledging the wider role of the Ministry of Social Development, the Department of Labour, the Foundation for Research, Science and Technology, and the Tertiary Education Commission in shaping the regional business environment.¹⁰⁸

The most significant aspect of the ETA however, was a new regional development goal to make Auckland “a world-class hub of innovation and internationalisation.”¹⁰⁹ The theoretical underpinning was to ensure that our largest city could act as a global growth pole (or node) for New Zealand and to unlock potential agglomeration forces.¹¹⁰ It built on the earlier ASCP but with a more specific focus on Auckland being a globally competitive city.

This focus on Auckland turned the traditionally-assumed goal of regional development policy on its head. This was because it was focused on ensuring the

successful growth of the economic centre of gravity in New Zealand, namely Auckland, rather than focusing on the performance of lagging regions. In some respects, this was a response to an underlying argument that Auckland was underperforming in its key role as a growth hub for New Zealand.¹¹¹ Major initiatives included the Metropolitan Project Action Plan, reviewing Auckland Governance (with the eventual super-city outcome), and a raft of Auckland Transport projects.¹¹²

3.4 Contemporary paradigm: “Build a productive and competitive economy” where “all regions have an opportunity to grow and prosper”

The fourth major paradigm shift in regional development goals occurred in 2012, when all regional policy was subsumed and aligned within the current Government’s Business Growth Agenda (BGA). This is our current paradigm, where the overall goal of the BGA is, as outlined in the “Towards 2025” document, “[t]o build a productive and competitive economy” and to ensure “that business has the motivation and confidence to invest in New Zealand.” It is a package of policy responses to the identified problems of New Zealand’s poor productivity performance: a decrease in New Zealand’s international competitiveness, slow growth in GDP and exports, and the concentration of New Zealand’s growth in the non-tradable sector.¹¹³ We will spend more time discussing this paradigm due to its relevance to current policy and context for future recommendations.

One of the major regional interventions in the Business Growth Agenda has been the rebuild of Christchurch following the devastating 2011 earthquakes. It is a direct regional intervention aimed at responding to a natural disaster, but also provided New Zealand with significant infrastructure investment following the Global Financial Crisis.

Besides the focus on Christchurch, all other regional development policy is now fully subsumed into the wider business growth framework and acts as part of the of the overall growth agenda. Underlying the BGA as a general policy framework is the notion of regional economic growth as an indicator of regional success. For example, in outlining what “economic success” looks like by 2025, the BGA includes an explicit regional reference to “an economy where all regions have an opportunity

to grow and prosper.”¹⁴ This is tied within the wider goal of ensuring “that business has the motivation and confidence to invest in New Zealand,” with the ultimate goal to “[b]uild a productive and competitive economy.”

The regional development component of the BGA has been led by Hon. Steven Joyce as the Minister of Regional Development since 2012. The BGA has been updated annually as initiatives are completed and new initiatives brought online. The first major refresh of the agenda took

place in 2015 and was entitled Towards 2025, giving it a ten-year outlook.

Regional development policy is spread across the six key foci of the 2015 refresh of the BGA (export markets; innovation; investment; natural resources; skilled and safe workplaces; and infrastructure). A selected summary of the major regional policy initiatives included within the Towards 2025 BGA is outlined below in Table 3.

Box 5: The theoretical underpinning of the Business Growth Agenda appears to be heavily influenced by a range of economic growth theory including:

- **Exogenous growth and trade theory** via the promotion of free trade agreements, the promotion of foreign direct investment, immigration policy, and encouraging a higher skilled workforce and higher levels of education;
- **Endogenous growth theory** via the focus on developing vertical and horizontal spill-overs via business networks, hubs and industry “clusters” by encouraging firms to invest in the knowledge base of workers, through the linking of university researchers to research in firms and ensuring intellectual property rights are transparent and enforceable;
- **Schumpeterian ‘creative destruction’ growth theory** via initiatives to foster both frontier and secondary innovation through innovation and research grants, the role of skilled immigration, encouraging the commercialisation of innovation, ensuring access to equity markets, fostering deep product market competition, allowing for labour market flexibility and creating low barriers to firm entry and exit to ensure healthy competition; and
- **New economic geography** via the promotion of agglomeration and thick education and labour markets in Auckland and other major urban areas.

Table 3: Major regional development initiatives included in the 2015 Business Growth Agenda: Towards 2025.

BGA Focus	BGA Goal	Major Regional Development Initiatives
Build Export Markets	Increase the ratio of exports to GDP to 40 percent by 2025.	Regional Business Partners programme Establish regional business hubs Education NZ regional partnerships programme.
Build Innovation	Encourage New Zealand's business sector to double its expenditure on research and development to one percent of GDP.	Assist smaller primary sector industries to participate in Primary Growth Partnerships Strengthen Callaghan Innovation regional footprint Encourage multi-national investment and innovation (regional) hubs Rural broadband phase 2 Establish privately led Regional Research Institutes ¹¹⁵ 25 Innovative New Zealand initiatives with \$410.5 million for science and innovation.
Build Investment	Significantly lift the rate of business investment as a percentage of GDP to accelerate growth throughout New Zealand.	Regional Growth Programme to develop Regional Growth Studies and Regional Economic Reports. This includes \$94.4 million as outlined in the 2016 Budget to support regional economic development with initiatives to unlock business opportunities and benefit regional communities.
Build Natural Resources	The quality of our natural resource base improves over time, while sustaining the growth needed from key sectors to meet our 40 per cent exports to GDP target.	Primary focus on Improving Primary Sector Productivity – land use, encourage regional economic development, free up land supply (urban) and Resource Management Act reform, improve freshwater efficiency and use, develop aquaculture and marine resources, and improve energy efficiency.
Build Skilled and Safe Workplaces	Primary focus “on lifting educational achievement for every student, improving information and pathways for learners, increasing the relevance of tertiary education and building effective links between education and employment.”	“Innovative New Zealand initiatives includes \$256.5 million for more tertiary education and apprenticeship programmes, particularly in the areas of science, engineering and agriculture.” ¹¹⁶ Immigration points for non-Auckland immigration; ¹¹⁷ Operation of the Recognised Seasonal Employer scheme; Health and Safety at Work Act and the development of regulations to support this new Act.
Build Infrastructure	Build appropriate, resilient infrastructure that supports investment, growth and the quality of life in all parts of New Zealand.	Canterbury recovery, national broadband initiatives including the ultra-fast broadband and rural broadband initiatives, the Māori Economic Development strategy and action plan (that also draws on the other five streams of the BGA for initiatives), the Housing Infrastructure fund, and a raft of initiatives focused on Pacific Peoples Economic Development. Regional roading package in the Transport portfolio.

Source: Author-selected regional development summary from the MBIE “Towards 2025 Report” focusing on major regional initiatives from the “Building Export Markets Chapter”, the “Building Innovation Chapter”, the “Building Investment Chapter” and the “Building Natural Resource Chapter” available at Ministry of Business Innovation and Employment: <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/towards-2025> accessed on 27 September 2016. Note the “build skilled and safe workplaces chapter” and “build infrastructure chapter” were unavailable at time of printing and hence the goals and regional initiatives are taken from the Towards 2025 Report and information publically available from the MBIE website.

3.4.1 The Regional Growth Programme (RGP)

The 2015 BGA includes the Regional Growth Programme, which in turn contains several key explicit regional development components like the Regional Growth Studies and Regional Action Plans.

The theoretical genesis of the RGP is to be found in earlier regional initiatives including the review of the Regional Partnership Programme (RPP).¹¹⁸ In 2013 MBIE created both the Regional Economic Activity Reports, partly in response to the findings of the review and a need to improve the knowledge of the regions' strengths and advantages. In the same year they also joined with Treasury and NZIER to produce the Regional Government Expenditure Report.¹¹⁹ The reports gave weight to the persistent regional disparities in household income, youth NEET rates and employment rates that exist in a number of the regions. Alongside this the expenditure report provided the "first ever snapshot and analysis of estimated central government spending for each region in New Zealand."¹²⁰

The eventual RGP was initially aimed at "identifying and responding to economic growth opportunities in regions that face persistent economic challenges but have strong growth potential."¹²¹ The RGP was also given "a particular focus on developing the Māori economy" via the alignment (where appropriate) of the RGP to the Māori Economic Development Strategy.¹²² This led to the commissioning of a number of independent regional growth studies in Northland, the Bay of Plenty, and Manawatū-Whanganui.¹²³

Three years later, the RGP now appears to be entering into a second phase with a number of regions joining the RGP (Southland, Canterbury, and the Waikato regions). This second round of regions would not be labelled as persistently facing economic challenges, but instead would be better categorised as having intra-regional pockets of persistent economic challenge.

There have been several key points of difference between the RGP and earlier regional development initiatives, including the impetus provided at a central government level by the establishment of the Regional Economic Development Ministers group (RED Ministers),¹²⁴ the role of the Senior Regional Officials group, the supporting regional development project groups, the appointment of the Senior Regional Official within each of the RGP

regions, the inclusion of the private sector within the technical advisory groups that work within the regional steering groups, and the role of iwi/Māori in the overall partnership process.¹²⁵

The RED Ministers group meets with the RGP Senior Regional Officials Group monthly. On the ground regional activity is supported by the appointment of the Senior Regional Official in each region. This person's role includes liaising with the RED Ministers group, as well as aiming to ensure that central government agencies within the region are not operating in silos. Feedback to the RED Ministers group given by these senior officials is able to focus attention on regional roadblocks and issues faced by the supporting regional development project groups.

Aligning well with the OECD's modern regional development paradigm (as outlined in Table 4 below), the RGP is not a top-down approach, or solely a bottom-up approach (like the RPP). Instead it focuses on ways in which central government can work "in partnership with...regional stakeholders, such as businesses, iwi and Māori, economic development agencies and councils."¹²⁶ Part of this has been the independent commissioning of the regional growth studies and then the establishment of both regionally based steering groups (largely consisting of central/local government as well as iwi/Māori) and technical advisory groups (that largely consist of business people from the region under study).

Regional governance groups are tasked with leading the regional action and implementation plans with central government support. MBIE officials report that it is proving to be a "highly iterative" and "bespoke" approach which, as per the review of the RPP, would suggest is requiring a significant investment in trust and capability building.¹²⁷ Not only do the "...Action Plans provide a catalyst for central government agencies to work more closely with each other and with each region,"¹²⁸ the governance groups aim to ensure private sector involvement is leveraged to ensure the long-term viability of initiatives. It would also seem that splitting the governance groups and action groups enables different participation and implementation timeframes to be accommodated, and that this is an advance on earlier RPP initiatives.

While there is scope for additional funding within the RGP in general, the focus has been on better co-ordination of existing funding or harnessing the flexibility that already exists within existing discretionary funding.¹²⁹

Table 4: Traditional and modern regional development paradigms compared

The current regional development focus within the BGA, and the outworking of the RGP, maps well within what has become known as the new (or modern) paradigm of OECD regional development policy (see Table 3 below). This new paradigm is characterised by the goal of competitiveness and equity and is focused on solving the lack of regional competitiveness by a general framework that taps into underutilised regional potential through regional programming.

	Traditional paradigm	Modern paradigm
Problem recognition	Regional disparities in income, infrastructure stock and employment	Lack of regional competitiveness, underused regional potential
Objectives	Equity through balanced regional development	Competitiveness and equity
General policy framework	Compensating temporally for location disadvantages of lagging regions	Tapping underutilised regional potential through regional programming
-spatial orientation	Targeted at lagging regions	All-region focus
-unit for policy intervention	Administrative areas	Functional areas
-approach	One-size fits all approach	Context-specific approach (place-based approach)
Instruments	Subsidies and state aid	Mixed investment for soft and hard capital (business environment, labour market, infrastructure)
Actors	Central government	Different levels of government, various stakeholders (public, private, NGO's)

Adapted from OECD (2009) cited in Philip McCann, "The UK Regional-National Economic Problem: Geography, globalisation and governance" *Regions and Cities*, (Routledge, 2016): 85 and OECD, *Regional Development Policies in OECD Countries*, (OECD Publishing, Paris, 2010): 13.

Where additional funding for major initiatives is required, part of this partnership approach has been for central government agencies to assist local stakeholders in overall evaluations of the net benefits or costs of proposed regional initiatives, using both the Treasury's Living Standards Framework and Better Business Case investment tools.¹³⁰ Examples of the types of additional regional development initiatives arriving out of this iterative process include but are not limited to Opotiki Harbour Development Project and a range of regional roading projects including the Taramaka replacement bridge.¹³¹

MBIE officials report that in taking a partnership approach to regional development, the RGP "has built significant social capital, regional buy-in, and provides a platform for longer term more structural discussions."¹³² The bespoke and spatially-focused nature of the RGP is highlighted by its regionally diverse partnership and ownership structures alongside the spatial range of initiatives arising out of the diverse regional action plans. The ongoing ownership/funding and implementation of the regional action plans will be the next challenge.

Key to evaluating the overall outcome of the RGP or even individual initiatives within the regional action plans is to understand clearly what each is intending to do and its fit within the wider regional development goals of the current BGA.

3.5 Summary of current paradigm's regional development goals

Overall, our analysis suggests there are five current regional development goals (either explicit or implicit) within the current regional development paradigm:¹³³

- Goal 1 - to maximise the economic growth of all the regions in New Zealand. All regional development policy is now part of an overall business "growth" agenda focused on productivity and competitiveness. Regional success

indicators include "an economy where all regions have an opportunity to grow and prosper"¹³⁴

- Goal 2 - to ensure Auckland in particular grows well to become an international globally competitive city. This focus originated within the ETA in 2006, and while this goal is implicit rather than an explicit part of the BGA, it still appears to be a key part of the overall growth agenda of the country¹³⁵

- Goal 3 - to further link the regions to the global economy either via Auckland or directly via the raft of innovation, investment, or immigration policy as a way of enhancing the long-term growth of regions

- Goal 4 - to support "the quality of life in all parts of New Zealand,"¹³⁶ both via the BGA and through the interaction of Treasury's Living Standards Framework and Better Business Case model as a basis for funding major regional initiatives within the RGP

- Goal 5 - to increasingly use bespoke place-based regional development initiatives as part of the RGP to maximise the growth potential of regions within the programme.

4. RETHINKING THE CURRENT GOALS OF REGIONAL DEVELOPMENT

The current goals of regional development policy, and especially the RGP, align well with the modern paradigm and are increasingly place-based. However, we would argue that they can still be improved in three important ways:

- First, there is a mix of implicit goals, explicit goals, and unclear goals. New Zealand's regional development goals must be clearly articulated
- Second, these clear regional development goals must be ranked and prioritised
- Third, we must stay focused on growth where possible but also acknowledge the reality of decline, enabling customised regional development pathways.

As such we suggest three ways to rethink New Zealand's current regional development goals.

4.1 Rethink #1: New Zealand needs to clearly articulate its regional development goals

International literature highlights that as regional development policy becomes increasingly place-based there is an underlying need for regional development policy to be transparent, verifiable, and subject to citizens' scrutiny.¹³⁷ The goals of regional development policy must therefore be clearly and explicitly stated. Unfortunately, some of the current goals are merely implicit.

For example, the ongoing goal to ensure Auckland grows well to become an international globally competitive city is not a current Cabinet directive or explicit goal. Instead it is one derived from earlier regional development history and implicitly understood as so. It is extremely difficult to have transparency and accountability with implicit goals. As such Auckland's role is unclear within the Business Growth Agenda (which it is part of) and Regional Growth Programme (which it doesn't seem to be part of). It also makes any evaluation of potential Auckland initiatives problematic and open to ad-hoc rather than co-ordinated regional development planning.

Similarly, the goals to "support the quality of life in all parts of New Zealand" are unclear. It would be far better to develop clear indicators of regional wellbeing and include these as specific and measurable goals. Recent research into subjective wellbeing by the New Zealand Productivity Commission highlights a number of key elements that may translate into indicators of regional wellbeing.¹³⁸ Based on their summary of international findings, regional wellbeing (if it aligns with individuals' wellbeing) is likely to be positively associated with outcomes like: higher incomes, low rates of unemployment, good access to physical and mental health services, a good work-life balance and less time spent commuting, good social connections, democracy and higher levels of generalised trust, a higher quality environment, and lower crime.¹³⁹ Developing regional wellbeing indicators that actually define the desired quality of life will be key to evaluating regional development initiatives.¹⁴⁰

Rethink #1: All regional development goals need to be explicitly and clearly stated to enable clarity, transparency, scrutiny and co-ordination. "Regional wellbeing indicators" should be explicitly developed and included in regional development goals.

4.2 Rethink #2: New Zealand needs to clearly prioritise and rank its regional development goals

Not only is it important to be clear about what you are hoping to achieve via your regional development interventions, it is also important to rank or prioritise the different goals so as to make them fit for monitoring and evaluation. This is because, as Philip McCann points out, spatial policy exists within a complex fabric of economic, environmental, wellbeing, social inclusion, and quality of life questions, with "many of the most important and also difficult challenges of development [being] ... related to the interrelationships between these different ... dimensions. ... It is always absolutely essential from the beginning to make the chosen priorities clear and understandable."¹⁴¹ Relative priorities or ranking of "economic growth" and social or "quality of life" objectives are especially important. Unfortunately within the current goals there is almost a complete lack of prioritisation. This can lead to confusion on a number of levels.

First it can lead to confusion and conflict between economic goals (business growth) and social goals (supporting the quality of life). As highlighted above these quality of life goals need to be explicitly defined within the BGA and elsewhere as regional wellbeing indicators. For example, it may be that a town might feel comfortable with boiling their drinking water rather than renewing their water infrastructure (as it meets end of life) to meet national safe drinking water standards. This could enable them to invest their scarce rates in other assets that are more productive or more highly ranked by the community (for example they may choose to invest in the education of their children, or to improve access for tourism). With clearly ranked and prioritised goals these sorts of decisions can become transparent and able to be evaluated and changed should voters decide either way.

It can also lead to conflict between spatial regional development growth goals and the largely space-neutral goals of the BGA to build a productive and competitive economy. As Barca et. al. (2012) argues, “space neutral policies will always have explicit spatial effects, many of which will undermine the aims of the policy itself unless its spatial effects are explicitly taken into consideration.”¹⁴² An example of this type of conflict can be seen within the role of non-spatial innovation policy, which as it currently stands is largely captured by major urban centres, and, instead of enabling regional solutions, simply reinforces regional divergence. While regional research institutes may offset some of this capture it would also seem that there is room to explore more spatially focused innovation interventions (potentially using a smart specialisation approach) to meet both regional and national innovation needs.

Rethink #2: Regional development goals need to be ranked and prioritised with tensions, trade-offs, or subservient relationships between the goals explicitly outlined and prioritised.¹⁴³

4.3 Rethink #3: New Zealand needs to enable customised regional development pathways in place of its sole focus on maximising economic growth everywhere.

The current regional development goals are unrealistic because they are squarely focused on maximising economic growth everywhere. But sustained population

and economic growth in the long-term will be more dream than reality for many small towns and TAs. As Spoonley points out, “those responsible for governing... regions facing population stagnation or decline...need to consider a significant shift in approach from one anticipating growth to one of ‘no growth’ or even decline.”

Based on the taxonomy of Rachel McMillan¹⁴⁵ there are three potential options available to respond to the economic and demographic change outlined above: Do nothing, Counteract, or Accept.

Option A: “Do nothing” - let the market work

This strategy aims to let the market solve any potential long-term issues. New Zealand’s economic history of protection from market forces pre-1984 (see Appendix A) highlights how risky market interventions can be. By relying on the allocative efficiency of markets and clear price signals, people will have the information they require to make rational decisions and the right incentives to act on this information. This option would scale back spatial regional development initiatives that interfere with clear market signals.

Option B: “Counteract” - growth should remain centre stage

This is a continuation of the “status quo”—the current focus on growth in all regions. It argues “that growth should be promoted in all regions, as all regions have growth potential.”¹⁴⁶ It is built on two major underlying strategies: (1) to attract and retain people; and (2) stimulate economic growth.¹⁴⁷ This is both via a suite of economic growth-centric space-neutral national policy as part of the BGA and via the more spatially focused RGP.

Option C: “Accept” - adapt to the broad forces at play

This option is a subtle shift from the counteract strategy above in that while it continues to focus on maximising the growth potential of regions it explicitly “accepts” the forces of population ageing, stagnation, and decline and their consequent spatial implications. As such it aims not only to maximise growth but also to manage

the rate of decline and the wellbeing implications of this decline where possible. As part of this it explores exit strategies for communities in terminal decline.¹⁴⁸ This can be broadly defined as a “smart growth” and “smart decline” strategy.

We have outlined in detail the incoming wave of change facing New Zealand. The question remains: how well does each of the above strategies respond to this wave, the effects of this change on economic growth prospects for the regions, and the consequent impacts on quality of life and wellbeing? We will now assess each strategy with this question as our primary criterion.

4.3.1 Analysis of Option A: “Do nothing” - let the market work

This strategy holds that markets are best placed to solve regional development spatial problems without spatial intervention. According to this argument spatially or place-based regional development interventions more often than not amplify problems. This is due to a misspecification of the regional problem, leading to inappropriate solutions or appropriate solutions that are nonetheless poorly timed. Interventions also create the opportunity for rent seeking behaviour, whereby firms or individuals lobby for and receive protection or an increase in the share of “wealth” without adding to that wealth, thus reducing overall economic efficiency. Interventions can also be inequitable as they transfer wealth from rich regions to poor regions and enable people to stay or move to economically unproductive areas thus reducing overall efficiency.¹⁴⁹ Even proponents of place-based strategies acknowledge these risks, as Fabrizio Barca outlines: “Place-based policies are complex and risky. There are serious risks of misallocating resources, creating a dependency culture and favouring rent-seekers over innovators.”¹⁵⁰

A range of inefficient outcomes can be easily illustrated within New Zealand’s regional development pre-reform history, be it the performance of the Development Finance Corporation or the outcomes of wide-ranging industrial subsidies (for more detail see Appendix A). Import substitution policies which were widely used in New Zealand, often meant that “import substituting industries congregated near the main port and largest market of Auckland,”¹⁵¹ or in some cases Wellington. Minimum prices for primary production meant that

uneconomic land was farmed and that there were few incentives for farmers to diversify or innovate to improve productivity.

Instead, Option A allows the market to allocate the factors of production efficiently over the regions and provides economically optimal outcomes, providing the right incentives for business growth. As an option, it relies heavily on the existence of good information, clear price signals, the mobility of factors of production, and the assumption that people will act to maximise utility or happiness.

One major weakness of Option A is the underlying assumption of full factor mobility. Labour or people, it turns out, are both mobile and immobile depending on a range of attributes like age, health, education, and place-based societal ties and relationships. Recent research by Sin and Stillman confirms this.

Their research shows that in New Zealand there is a significant difference in mobility between Māori “who live locally to their iwi and those who do not [showing that although] ... the migration responses to labour market shocks of Māori are on average, roughly comparable to those of Europeans ... there exists a large subpopulation of Māori whose location choices are almost entirely unaffected by labour market considerations.”¹⁵² People may well be reluctant to move from a certain location even in the face of a declining or stagnant local labour market and employment opportunities, when there are strong relational, family, or cultural ties to their location.

The second weakness of Option A is that it assumes individuals make decisions based on good information, and on what is going to maximise their happiness, rather than what is best for broader notions of family or community (although these can align in many cases). For example, people may remain in a declining town to care for ageing parents who are unable to leave because of economic “lock in”¹⁵³ for far longer than would be personally optimal. Because of this cultural or social path dependence, this immobility can quickly turn into a second or even third generation regional “lock in.” It can reach a point where even if someone wanted to move they might find themselves unable to afford to do so because of spatial differentials in house price, income, cost of living, or educational outcomes. This can especially be so for those most vulnerable or not in the labour market due to health (sickness), age (especially the very young and

very old), or lack of qualifications. One can potentially illustrate this by pointing to the high correlation between areas of regional disadvantage and corresponding rates of youth not in employment, education or training.

This ties into the third weakness of this option, as by default it requires spatial change including decline and exit without explicitly stating so. It assumes that there will be winners and losers, and that people will shift to take advantage of new opportunities without clearly articulating decline and exit on the policy agenda. In doing so it misses an opportunity to engage communities in a discussion regarding how they might manage population decline and eventual exit (which is one of the advantages of Option C below).

Further, much of what might be considered policy aimed at market efficiency has a spatial and wellbeing dimension that is often not fully understood or compensated for. For example, think of a community as it enters into a period of economic and population decline. The placement or availability of government-provided health and education services like hospitals and schools will become an increasingly key component of the overall wellbeing of a community. For those that remain, the availability of these services will impact on their ability to overcome increasing locational disadvantage. Because of our national level population funding formula, as population declines or shifts, so too does health and education service provision, a shift that would likely come at the very time it is critical to maintain overall service provision for those that remain.¹⁵⁴

This spatial criticism may be easy to see in the placement of education institutions which are now known to positively impact on a region's economic and population growth but it may be more hidden in regard to the possible narrowing of access to specialised mental health care for young people or farmers. Not considering the spatial implications of public provision of services may well mean many opportunities to maximise overall wellbeing are lost, especially for the most vulnerable of communities and regions. This underlines the need to develop regional wellbeing indicators (as discussed above).

On the other hand, Option A does have a number of benefits. It minimises fiscal costs on the government, as it doesn't attempt to manage or focus on improving the wellbeing of people in places of regional decline (like

Options B and C). It also clearly places individuals at the centre of decision-making responsibility and allows individuals choice to maximise their overall wellbeing (while assuming no mobility issues or conflicts between individual and family or community wellbeing).

Overall, while this strategy is efficient, it does not fully consider the wellbeing implications of the changing global economic and demographic forces outlined above. It neither aims at preparing for change, nor places exit explicitly into the public discussion. Rather it expects both of these things to happen via individual choice. As such it places an enormous emphasis on the individual and information provision without considering the wider institutional and community settings in which individuals in New Zealand live. In this way, it ignores the reality that for some "lock in" may already exist. In this respect, it is the least preferred option.

4.3.2 Analysis of Option B: "Counteract" - growth should remain centre stage

Option B is built around the assumption that we can and should counteract these economic and demographic changes. As a strategy it argues "that growth should be promoted in all regions, as all regions have growth potential."¹⁵⁶ It is built on two major underlying strategies: (1) to attract and retain people, and (2) to stimulate economic growth.¹⁵⁷ Both of these strategies are evident within the current Government's BGA with its focus on economic "growth" and "success," and in the operation of the RGP and wider policy settings, be it the role of immigration or education policy.

As we have seen, looking out to 2043, Option B is a good fit for the majority of the New Zealand population. Unfortunately, as we have also seen, the combined impact of globalisation and demographic change means that for the majority of regions and TAs this overall growth narrative is increasingly unlikely. The major weakness of Option B is that it doesn't prepare regional New Zealand for a future without population growth. There is a need for a "growth everywhere" reality check. It is too easy to hide the reality faced by some regions behind current national level figures. Similarly, at a regional level it is also easy to hide behind regional growth numbers; forgetting that individuals, towns, and communities that form the region may be facing stagnation and decline.

At a policy level this comes to the fore in a number of

regional development areas, like the infrastructure pinch points outlined earlier. As a region needs to fund overall infrastructure renewal, the temptation could be to borrow based on models of aggregate levels of population growth, and the assumption that these costs can be shared with a future population (that in reality will not exist). As we have seen, even in places that continue to grow, the majority of the population growth is found in the 65+ age groups. It will be far better to explicitly outline goals for spatially customised regional development pathways that account for this population change to enable overall community wellbeing to be maximised.

Option B acknowledges that change is happening, but it denies the magnitude of the change that is coming. It aims to counteract this population growth and aim for broad-based regional growth, but it misses the opportunity to plan for spatial decline and to make a conscious policy effort to enable people to thrive in the midst of population stagnation or decline.

4.3.3 Analysis of Option C: “Accept” the broad forces at play and adjust accordingly

Option C acknowledges the need to accept and adapt to the economic and demographic change that is coming. It proposes to focus not only on growth but also on how to manage stagnation or decline through customised regional development pathways led by local communities and supported by government. It is consistent with the current strategy but places it within a spatial framework that accepts an economic reality of population stagnation and decline for most of the country. As such it not only focuses on maximising growth, it also seeks to utilise the opportunities that an ageing population and the demographic profile of Māori and Pacific peoples bring, while managing the rate of population decline where appropriate, and developing exit strategies for communities in terminal decline.¹⁵⁸

It can enable a range of spatial responses tailored to the underlying conditions of each place because it doesn't simply focus on economic growth. For example, Option C could include broadening the partnership approach of the RGP into exploring a regional infrastructure “right sizing” programme or a “managed decline” and/or “exit” programme, if this was appropriate and led by the local community.

While it is often hard for us to imagine communities that

would desire to manage decline or contemplate exit, both decline and exit are part of economic reality, as Rachel Clayton outlines in her news article, “Historic New Zealand: towns that used to thrive, then disappeared.”¹⁵⁹ This is a radical, but realistic departure from the overall growth strategy of Option B. At the same time, it explicitly states what Option A leaves unsaid and unplanned for. Given the gravity of the economic and demographic change that is coming, managed decline and exit are not options to be taken lightly or left unspoken. The managed or “smart” decline options are also placed within the context of multi-level governance arrangements whereby these options are under local ownership and control, supported but not led by higher levels of governance (see Box 6 below).

As part of a wider collaborative approach to regional planning, managed decline and exit can achieve surprisingly positive results. An example of how this collaboration might work is the Seamless Boundaries arrangement between Kawerau and Matamata-Piako, winner of an excellence award from Local Government New Zealand:

The scheme began with a conversation between Kawerau mayor Malcolm Campbell and Matamata-Piako mayor Jan Barnes, who are both strong advocates of the Mayors’ Taskforce for Jobs. They discussed how a number of people in Kawerau were struggling to find jobs while Silver Fern Farms, one of Matamata-Piako’s largest employers, was having difficulty fulfilling recruitment needs. The programme provided wrap-around support which has helped 40 Kawerau people, of a range of ages, to relocate for employment with Silver Fern Farms in Te Aroha.¹⁶⁰

Customised regional development pathways could also include proactive local decisions over the provision of health and education services. This could enable sequenced responses to be planned, enabling a region to manage a transition from growth to decline, and then into exit. Along these lines, additional education funding could be agreed to and provided by central government to ensure children receive the best education possible while a community manages decline, on the understanding that at a certain point in time these services would be removed. An example of this from Japan is a train that continues to stop at a remote station, allowing the last school student remaining in that community to travel to school, with the understanding that when that student graduates from high school, the train service will cease.¹⁶¹

It might also mean that certain infrastructure investments are curtailed to “right size” infrastructure expenditure based on future population need, rather than overinvesting based on current population structures. One example of this could be less infrastructure spend on playgrounds for young people, freeing up funds for better recreational walkways that can be used by elderly people. In contrast, the do-nothing strategy could result in lost educational opportunities for youth at risk as services decline along with population; and the counteract strategy could result in potentially inefficient overinvestment in infrastructure for short term political gain (should the funding of infrastructure become an election campaign issue with a corresponding lack of transparency around effectiveness).

We have been discussing decline and exit, but one must not forget that part of this “accept” option is to focus on maximising growth where possible. For example, this could mean continuing to ensure that our major urban hubs like Auckland and Christchurch grow well and exploring potential economic linkages with growing areas outside of these centres. More specifically (as discussed in Section 2.2 above), this may mean exploring:

- the role of second tier areas
- the role of economic complementarities within these second-tier areas

As McMillan describes, it also includes “finding innovative solutions and opportunities in these challenging circumstances – with a particular emphasis on developing economic opportunities from supplying the ageing population with services.”¹⁶² We would also argue that “[a]s the Māori and Pacific Peoples populations today are almost identical to the age structure of European populations in the 1960’s, when the baby boom was in full swing”¹⁶³ there is opportunity for New Zealand going forward, if we invest wisely to ensure these pockets of population growth realise their full potential.

4.4 Summary of option analysis

Option A largely fails to account for the barriers to mobility that exist or deal with issues related to existing regional “lock in.” Significantly it includes the reality of exit without explicitly stating this.

Option B, by attempting to counteract regional decline and promote growth everywhere, fails to adequately account for the reality of demographic change that the majority of regions are facing.

Option C accepts demographic change, and not only focuses on growth but also forces planners to confront the demographic change ahead, and look for opportunities that come with this change. It also enables customised regional development pathways whereby local communities are empowered to manage population decline (and may therefore literally keep a train running for one person if this person’s education is deemed important enough) while also explicitly placing exit on the agenda for public discussion.

Rethink #3: New Zealand needs to rethink its sole focus on economic growth, shifting to a framework that also empowers communities to meet both the economic and social needs of their populations in the midst of “no growth or even decline.” This means re-focusing the future goals of regional development policy into a smart growth and smart decline model to enable customised regional development pathways.

Box 6: The importance of multi-level governance underpinned by subsidiarity

Multi-level governance arrangements are a key component of modern place-based or spatial theory. Multi-level governance:¹⁶⁵

operates at the interface between institutional analysis and economic geography ...[and] explicitly starts from a position that central governments do not have sufficient knowledge in order to correct market failures, in order to be effective, or in order to guide economic development for the common good... Nor, however, are local governments assumed to exhibit such competencies.... [Instead] ...much of the local knowledge which is required to unlock development potential at the local level does not pre-exist exogenously either local or centrally. ...Rather such knowledge can only be extracted by means of a deliberate process of debate and engagement between local, regional and central parties, actors and institutions with different interests, preferences and competencies.

Underpinning multi-level governance is the principle of subsidiarity. This is a way of ensuring that “decisions are taken at the most appropriate level; for example, by those most directly affected, by those best informed and by those best placed to deal with any consequences.”¹⁶⁶ Subsidiarity is built around three interrelated meta- rules or sub-principles.¹⁶⁷ The first is “the rule of assistance” that requires the central government to support local communities where they cannot perform the functions of government. The second sub-principle is the “ban on interference” whereby the central government is prohibited from interfering in the affairs of local government, and the third limits the support of higher levels of government to “helping local governments to help themselves.”¹⁶⁸

5. RECOMMENDATIONS

For all the current talk of “zombie towns” and bank closures, we are really only experiencing the beginning of a “death by a thousand cuts” for many regional towns.¹⁶⁹ New Zealand needs to accept that this sweeping economic and demographic wave of change is coming, and in many ways, already acting upon us. Regional development goals that simply aim to maximise a region’s economic growth potential are inadequate for this future. Spatial or place-based regional development policy is increasingly going to be key to facing this new future.

The current regional development paradigm fails New Zealand on three counts. First, the goals of regional development policy are not clearly and explicitly articulated and include vague statements like “supporting the quality of life” instead of explicit regional wellbeing indicators. Second, the goals of regional development policy are not ranked with tensions, trade-offs, or subservient relationships between the goals explicitly outlined and prioritised. Third, the goals of regional development are solely focused on maximising growth.

We therefore recommend a re-think of regional development goals in New Zealand:

1. All regional development goals need to be explicitly and clearly stated to enable clarity, transparency, scrutiny, and co-ordination
 - a. this includes developing “regional wellbeing indicators” to be included within the regional development goals¹⁷⁰
2. All regional development goals need to be prioritised and ranked with tensions, trade-offs, or subservient relationships between the goals explicitly outlined and prioritised ¹⁷¹
3. Customised regional development pathways, and Option C more generally, should be developed in light of the economic and demographic change on New Zealand’s horizon

In addition, we also recommend:

4. Exploring the following areas for further research
 - a. the role of second tier “areas” as a way of understanding growth beyond Auckland and Christchurch. This would include an analysis of economic complementarities within these wider regional areas
 - b. the role of multi-level governance as a way of finding new and innovative regional solutions based on modern spatial theory and subsidiarity. This would include exploring ways to fund multi-level governance arrangements to enable both inter-regional co-operation and new regional development pathways to be explored
 - c. ways to unlock the economic opportunities afforded by the demographic profile of Māori and Pacific communities
 - d. spatial innovation policy options (beyond regional research institutes) including smart specialisation as a way of overcoming non-spatial innovation policy capture by the main urban centres and further linking innovation policy into the primary base of the country.

6. CONCLUSION

The full effects of economic and demographic change are still years away—this is both an opportunity and a risk. Opportunity: there is still time to turn New Zealand toward this slow-moving wave of change and face it head on. Risk: the current political environment continues to promote short-term policies that merely shuffle the deck chairs by focusing on the latest regional development crisis.

While we do need to ensure that our major urban areas grow well, for the majority of the country there is a need to shift from an “anticipating growth” paradigm to a little or “no growth” paradigm. This is not a popular political message, but it is a necessary message if we are to adapt well to this change and ensure that decline is managed well and opportunities remain for those in these communities. Decision-makers, and the public that vote them into office, need to take a longer-term perspective. We need to think ten election cycles in the future and act accordingly.

One might draw a parallel to the significant changes associated with the reforms of the 1980s. Had we known of the social dislocation and economic disruption that would be experienced by many New Zealanders as a result of the reforms, would we, many years before, have planned a nuanced and incremental approach to managing change instead? When it comes to the long-term trends and forces articulated in Section 2, we have opportunities to start planning and making changes now. Every election that passes without a renewed regional development paradigm, one with clear and transparent and prioritised goals that look beyond the next ten years, is an opportunity lost.

Taken together, we hold that our recommendations will best place New Zealand to meet the future wave of economic and demographic changes. The long-term economic trends and demographic issues facing the regions will become confronting and may seem overwhelming the longer we continue to ignore them. Real spatial solutions will be difficult to unmask and, at times, potentially politically unpopular. Given the risks and costs associated with spatial policy, the effective

measurement and evaluation of these solutions will be essential. Despite these difficulties, this is far better than the expensive waste of “bridges to nowhere” or simply ignoring the problem while New Zealand is slowly engulfed by the wave of change. If we wait too long the economic and demographic wave will hit and the wider regions will be broadside and unprepared. Far better to hit the wave head on. The good news is that there is time to try and steer a course together.

7. APPENDIX A: A BRIEF HISTORY OF NEW ZEALAND'S REGIONAL POLICY INITIATIVES, SUCCESSES AND FAILURES 1950S-1984

Earlier on in New Zealand's history the focus of regional policy aligned well with the OECD's "Old Paradigm." This was partly because New Zealand like many OECD countries through the 1950's and early 60's experienced a long economic boom and full employment. Regional development in this environment was subsumed within overall national development. The problem was not a lack of growth but that the spatial location of this growth was unevenly spread. More specifically in New Zealand this was tied to the establishment of medium to heavy industry, which was seen as part of a typical economic development pathway for developing countries. Often debated within the press was the growing regional disparity in industrial development and electrical generation between the North and South Islands.¹⁷² It was in this environment that the Tiwai Point Aluminium smelter and the required Manapouri power station were approved in the late 1960s.

However, two economic shocks soon changed the economic landscape of New Zealand. The first was the collapse of the price of wool in the late 60s and then the oil shocks of the 1970s. In response, the Muldoon Government in effect doubled down on protectionist economic policy, deepening even the previous Labour Government's interventionist style of regional policy as a way of addressing persistent regional unemployment and poor economic performance. This broad set of interventions was aimed at ensuring that "all regions should be able to share in the fruits of National Development."¹⁷³

A key part of this was to become known in New Zealand as "Think Big." In 1971 the National Development Council developed four criteria for determining which regions required intervention. These were: situations where there was substantial out-migration from a region, underutilisation of existing infrastructure of a region, low density causing an inability for the region to achieve economies of scale in the provision of non-tradables, and situations where "a case could be made for government to kick-start the exploitation of underutilised resources."¹⁷⁴ While these criteria at one level are sound they were highly debated as focusing on the "characteristics and

performance of regions rather than on their implications for people within the regions."¹⁷⁵

"Think Big"¹⁷⁶ while not strictly "regional policy" relied heavily on the fourth criteria as justification for a number of large-scale energy projects being developed over the regions.¹⁷⁷ While the primary goal of "Think Big" was to reduce New Zealand's dependence on the costly import of overseas energy (and to utilise the new supply of gas), the projects were also designed to boost New Zealand's economy in a time of economic downturn. To fund the infrastructure investment and to maintain the ever-widening range of subsidies, exchange rate controls, and employment programs, the Government borrowed heavily.¹⁷⁸ Unfortunately, as the high price of oil fell many of the projects became financially burdensome and almost all were sold into private ownership.

During this period earlier import substitution policies (aimed at encouraging growth along industrial and regional lines) that were first introduced in 1938 by the Bureau of Industry¹⁷⁹ were extended "to include key export industries including farming using production and export incentives."¹⁸⁰ However, rather than rebalancing growth across the country these policies often meant that "import substituting industries congregated near the main port and largest market of Auckland, distorting the regional balance of the country"¹⁸¹ as most of the assembling or manufacturing took place near the largest port.

Alongside the heavy industry "Think Big" interventions there was widespread use of industrial subsidies that aimed to deepen New Zealand's manufacturing base. For a while many light industries and regionally located "manufacturers" flourished but the financial costs of these policies to the Government accumulated quickly. When protection was phased out over the late 80s and 90s in response to the desire to reduce Government debt the majority of these firms closed. For example, in 1980 there were 16 car assembly plants spanning 6 regions in New Zealand.¹⁸² By 1990 all had closed.¹⁸³ Similarly, in 1977 PYE NZ Ltd—a name synonymous with television sets in New Zealand throughout the early 1980s—employed around 630 people in Waihi and Hamilton and Paeroa. By 1982 PYE's employment was down to 460 employees, and had all but disappeared by 1986.¹⁸⁴

It can be argued that the very interventions that were designed to deepen the manufacturing base of the

country and support local business served to create or deepen a form of regional “lock-in” that still exists today due to regional path dependence. This came about as whole communities became unemployed as import substitution and industrial subsidies were peeled back.¹⁸⁵

Not only did the “Think Big” energy projects largely misfire but attempts to solve “market failure” in the lending market that started in the 60’s with the creation of the Development Finance Corporation (DFC) also ended in economic failure. The DFC operated like a Development Bank for New Zealand and had a mandate to fund business ventures that were higher in risk than traditional lending institutions were able to lend to. It promoted regional development and new industrial projects and could “grant up to 40 per cent of the capital cost of plant and machinery for projects designed to achieve a high export performance.”¹⁸⁶ This relied on the DFC’s ability to assess risk and “pick regional and industrial winners” that traditional lending institutions had overlooked because of their more conservative funding criteria. The eventual collapse of the DFC, at great financial cost to New Zealand, reflected on a number of internal issues at the DFC not the least of which was funding a significant number of high risk ventures that turned out to be to high risk and eventually failed. Once again having a sound policy rational for intervention failed to guarantee success over and above what the market could reasonably predict.

8. APPENDIX B: TABLE OF POTENTIAL REGIONAL WELLBEING INDICATORS AND DEFINITIONS

		Northland Region	Auckland Region	Waikato Region	Bay of Plenty Region	Gisborne Region	Hawke's Bay Region	Taranaki Region	Manawatu-Wanganui Region	Wellington Region	Tasman-Nelson-Marlborough	Nelson-Marlborough	West Coast	West Coast and Tasman	Canterbury Region	Otago Region	Southland Region
Growth from both natural increase and net migration gain																	
1	Adequate income	64.9	80	79.4	81.8	72.1	79.2	79.5	72.1	85.7		83.9		76.5	82.8	80.6	77.6
2	Employment rate	123 41	173 25	142 43	123 42	139 49	139 49	170 37	138 31	203 53	149 75		149 75		186 97	167 67	164 09
3	Employment rate	73.9	74.5	78.3	78.7	76	76	81.8	72.9	80.7	82.6		82.6		85.1	82.2	84.9
4	Unemployment rate	8.3	6.4	6.4	6.2	7.6	7.6	5.3	7.8	5.6	4.7		4.7		3.2	4	3.7
5	Less-deprived neighbourhoods	30.4	57.4	44.6	42.2	29.2	40	48.4	37.9	61.6		53.8		58.7	66.7	66.1	58.3
6	Satisfied with standard of living	77.5	79	79	79.4	81.1	81.4	82.2	79.6	81.4		80.1		83.2	82	81.1	83.6
7	Affordable housing	64.1	56.1	69.1	67.2	75.6	71.3	75.2	76	68.1		69.2		82.9	74.2	80.3	86
8	No housing problems	68.1	64.6	63.8	69.1	62.2	66.8	64	63.8	62.6		64.1		74.2	66	61	70.3
9	Number of rooms per person	2.3	2	2.3	2.3	2.2	2.3	2.4	2.4	2.2	2.3		2.1		2.3	2.1	2.3
10	Self-assessment of life satisfaction	7.5	7.2	7.2	7.3	7.4	7.4	7.3	7.1	7.1	7.4		7.6		7.2	7.7	7.4

11	Most, Least and Transition region	1	3	3	2	1	2	3	2	3	3		3		3	3	3	
Health																		
1	Good general health	85.8	88.4	84.3	86.8	79.8	87.6	85.2	85	87.9			85.2		85.5	87.3	86.6	86.8
2	No disability	71.1	80.9	75.3	72.7	71.4	78.6	70.3	72.5	77.8			73.3		73.5	75.1	73.9	74.2
3	Physically healthy	50.8	56	48.4	52.7	41.7	43.9	44.8	49.2	51.3			48.6		48.1	52.1	51.1	51.4
4	Mentally healthy	55.2	53.2	49.1	52.6	52.9	57	49.4	48.3	47.1			53.4		56.5	53.6	54.9	62.8
5	Homicide rate	1.2	1.3	0.9	0.7	2.1	0	0.9	0	0.6	0		0		0.9	1.4	0	
6	Mortality rate	8.8	6.6	7.8	7.7	15.6	8.5	9.7	8.9	8	8.8		13.9		8.1	9	9.7	
7	Life expectancy	80.6	82.3	81	81.1	78.3	80.5	80.8	80.4	81.6	81.8		80.4		81.5	81.2	80.3	
8	Do not smoke	72.7	80	75.1	75.1	66	73.6	74.5	73.6	79.4			80		77.4	78.7	78.9	72.4
9	Air pollution (level of PM2.5)	1.5	2.8	1.5	2	1	1.7	1.3	1.9	1.5	1		1.1		2.4	1.2	1.4	
Identity and sense of belonging																		
1	Easily express identity	87.2	84.7	84.3	82.7	81.5	82	80.2	83	83.8			87.1		87.5	83.4	80.1	84.8
2	No discrimination	89	89.5	89.4	88.5	88.6	88.5	90.7	88.3	90.9			88.7		94.5	91.3	90.7	92.9
3	Civil authorities are fair across groups	55.5	72.4	61.5	56.6	64.7	62.7	62.7	66.7	72.8			64.4		68.7	66.6	66.9	67
4	Health & education services are fair across groups	83.6	87.1	78.1	79.5	83.9	81.1	80.5	84.7	87.2			85.5		86.7	83.9	83.9	83.3
5	Voter turnout	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	73.6	75.9		75.9		75.9	75.9	75.9	75.9

6	Right level of extended family contact	69.9	75.3	71.3	73	68	76	74.5	73.7	71.1		69.6		73.3	73.9	72.7	72.9
Relationships and connections																	
1	Give support to extended family	57.4	54.4	67.2	66	70.3	72.4	69.5	63.1	62.6		63.3		62.3	52.1	60	63.4
2	Voluntary work - community	51	39.9	48.2	48.1	53.6	49.2	48.8	50.2	47.9		49.5		51.1	47	50	51.6
3	Family fun	68.9	71.2	71	65.9	73.4	64.3	74.4	67.6	64.2				73.6	68.2	63.2	69.3
4	Family meals	81.3	76.1	78.4	82.5	81.3	76.6	78.8	79.8	74.8				75.3	79.9	77.3	81.3
5	Perceived social network support	92.8	93.7	96.4	95.2	96.3	93.2	97.7	94.9	93.4	95		93.7		96.4	95.3	96.7
Safety and environment																	
1	Feel safe at home	95.3	94.1	95.4	94.4	97.2	93.9	95.5	95	93.2				89.6	93.1	92.3	95.8
2	Feel safe at work	96.9	96.4	95.1	95.1	95.9	95.1	97.1	95.7	94.9		96		93.6	95.3	96.8	96.6
3	Feel safe at night in neighbourhood	63.3	58.6	63.5	58.7	62.3	51.4	58.3	54.2	65.8		66.7		74.9	61.4	76	73.1
4	Easy access to services	93.8	90.3	92.2	94.3	80.5	93.8	91.2	92.7	93.2		93.9		92.1	89.8	90.2	92
5	No neighbourhood problems	79.1	72.6	69.9	72.3	72.8	68.1	72.3	72.9	73.9		68.8		78.2	65.8	71.9	77
Skills, learning and employment																	
1	Post-secondary education	55.6	65.8	59.5	60.2	54.3	57.7	56.7	56.7	69.8		62.7		59.7	62.4	65.1	53.4
2	Believe education important	96	97.4	96.2	96.4	93.9	96.4	95	97.5	97.7		96.2		94.6	96.4	94.9	96.2

3	Satisfied with knowledge and skills	84.5	87.9	87	87.7	87.7	87.8	85.7	86	88.3		85.2		84.4	88	88.2	89.4
4	Employment	73	80.7	79.4	75.5	75.8	78.3	80.9	78	83.4		79.7		81.3	83	82.4	83.5
5	Ok with hours and pay	62.3	55.2	61	58.5	60.2	54.8	60.9	57.7	62.1		60.8		52.5	65.3	58.5	65.4
6	Labour force with at least secondary education	64.1	77.9	69.8	70.9	67.2	67.2	68.4	66.7	78.6	73		73		72.8	77.5	68.8
7	Broadband access	60	80	71	69	68	68	69	66	80	75		75		75	73	76

Source: Author organised OECD Regional Wellbeing and Superu regional wellbeing indicators. Economic and Housing 11 is Author calculated based on the EU social cohesion least developed/most developed and transition regions formula. OECD Regional Wellbeing indicators and definitions are all sourced from the following <https://www.oecdregionalwellbeing.org/> Superu Regional wellbeing indicators and definitions are all sourced from the following http://www.superu.govt.nz/families_whanau_supplementary_data_2016, then the file Family wellbeing indicators- by region.

Definitions of indicators are outlined below by major heading in the following order: Indicator title, Survey Question or Item, Measurement, Source, and then Either OECD Definitions or Superu depending on the source.

Economic security and housing

1. Adequate income, Median equivalised family disposable income, Percentage of families at or above 60% median equivalised family disposable income, Household Economic Survey, Superu
2. Income, Household disposable income per capita, US \$, constant prices, constant PPPs, 2010 reference year, Statistics New Zealand. Household income by region. 2000-2013, OECD Definitions
3. Employment rate, Employment percentage of working age population, Statistics New Zealand, HLFS, 2000-2014, OECD Definitions
4. Unemployment rate, Unemployment percentage of total labour force, Statistics New Zealand, HLFS, 2000-2014
5. Less-deprived Neighbourhoods, The NZDep2013 Index of Deprivation is used to identify families living in the least deprived neighbourhoods, Percentage of families living in the least deprived (decile 1-5) neighbourhoods, NZDep2013 Index of Deprivation, Census, Superu
6. Satisfied with Standard of Living, How satisfied are you with your standard of living? Percentage of individuals that are satisfied or very satisfied with their standard of living, General Social Survey, Superu.
7. Affordable housing, Ratio of family housing costs to family equivalised disposable income, Percentage of families where housing costs are less than 25% of equivalised family disposable income, Statistics New Zealand, Household Economic Survey, Superu
8. No housing Problems, Think about any major problems you have with this house/flat. [Looking at list] Are any of these things major problems for you? You can choose as many as you need. Percentage of people who do not have any major problems with their house or flat, General Social Survey, Superu
9. Number of rooms per person, Ratio, Statistics New-Zealand Census, 2013, OECD Definitions
10. Self-Assessment of life satisfaction, Scale from 0 to 10, OECD estimates based on Gallup World Poll, average 2006-2014, OECD Definitions
11. Most, Least and transition region, EU Social Cohesion Least Developed Region if Regional GDP/capita <75% of New Zealand Average GDP/capita=1 Most Developed Region if Regional GDP/capita >90% of New Zealand Average GDP/capita =3 and Transition region if Regional GDP/capita greater than 75% but less than 90% of New Zealand Average GDP/capita =2, Gross domestic product per capita by region, year ended march 2015, Statistics New Zealand, Author Calculation.

Health

1. Good General Health, In general would you say your health is excellent, very good, good, fair or poor?, Percentage of people with good or better health rating, General Social Survey, Superu
2. Do you have a long-term disability?, Percentage of people without long-term disability, Disability Survey, Superu
3. Physically Healthy, Calculated from the SF12 questions about physical health, and emotional and stress problems, Percentage of people with health equal to or higher than the median, General Social Survey, Superu
4. Mentally Healthy, Calculated from the SF12 questions about physical health, and emotional and stress problems, Percentage of people with health equal to or higher than the median, General Social Survey, Superu
5. Homicide rate, Number of homicides per 100 000 people, New Zealand Police, 2000-2014, OECD Definition
6. Mortality Rate, Number of deaths per 1 000 inhabitants, OECD calculation based on regional population and deaths by 5 years age range. Age-adjusted mortality rates eliminate the difference in mortality rates due to a population's age profile and are comparable across countries and regions. Age-adjusted mortality rates are calculated by applying the age-specific death rates of one region to the age distribution of a standard population. In this case the population by five years age class, averaged over all OECD regions. 2000 - 2013
7. Life expectancy at birth, Number of years, Statistics New Zealand; Table

DRLO01AA. Life expectancy data presented for each year is based on registered deaths in the three years centred on that year. 2001-2013, OECD Definitions

8. Do Not Smoke, Do you smoke cigarettes regularly (that is, one or more a day)? Percentage of families where no-one smokes, Statistics New Zealand, Census,

9. Air Pollution (Level of PM2.5), Average level of PM2.5 in the region experienced by the population, OECD estimates from van Donkelaar, A., R. V. Martin, M. Brauer and B. L. Boys, Use of Satellite Observations for Long-Term Exposure Assessment of Global Concentrations of Fine Particulate Matter, Environmental Health Perspectives, in press. doi: 10.1289/ehp.1408646, Satellite-Derived Surface PM2.5 concentration dataset, annual mean 2013 = 2011-2014; 2003 = 2002-2004, 2003-2013, OECD Definitions

Identity and Sense of Belonging

1. Easily express identity, Here in NZ how easy or difficult is it for you to express your own identity? Percentage of people who find it easy or very easy to express their own identity, General Social Survey, Superu
2. No discrimination, In the last 12 months have you been treated unfairly or had something nasty done to you because of the group you belong to or seem to belong to? Percentage of people who have not been treated unfairly because of the group they belong to, General Social Survey, Superu
3. Civil authorities are fair across groups, Do you think that staff at [council, police, judges and court, government departments] treat everyone fairly, regardless of what group they are from?, Percentage of people who did not raise concern about civil authorities (council, police, judges and court, government departments) treating people fairly, General Social Survey, Superu
4. Health & education services are fair across groups, Do you think that staff at [doctors, health services, schools, education facilities] treat everyone fairly, regardless of what group they are from? Percentage of people who did not raise concern about health and education services (doctors, health services, schools, education facilities) treating people fairly, General Social Survey, Superu
5. Voter turnout, Percentage of voters, New Zealand Statistical Office. 2002-2011, OECD Definitions
6. Right level of extended family contact, Think about all types of contact with family or relatives (who don't live with you). Would you say you have the right amount of contact, or not enough contact with them? Percentage of people who report about the right amount of contact with their extended family, General Social Survey, Superu

Relationships and Connections

1. Give support to extended family, Do you (you or your partner) give any of them any of these types of support [List shown to respondents]1? Percentage of people reporting any of the listed types of support for their extended family, General Social Survey, Superu
2. Voluntary work – community, In the last 4 weeks, which of these [activities]1 have you done without pay?, Percentage of families where at least one person did

9. ENDNOTES

1. Philip McCann, "The UK Regional–National Economic Problem: Geography, globalisation and governance" (2016): 88-89.
2. Rachel McMillan, "The shrinking pathway: managing regional depopulation," in Paul Spoonley ed. *Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity*, (Massey University Press, Auckland, 2016).
3. As outlined in Rachel McMillan, "The shrinking pathway: managing regional depopulation" (2016) "Major demographic shifts are coming say Natalie Jackson. 'Quality of life' and 'attractiveness of place' will be key for sustaining a regional population", Issues Website, December 13 2015, accessed on 3 October 2016, see <http://www.interest.co.nz/opinion/79118/major-demographic-shifts-are-coming-says-natalie-jackson-quality-life-and>
4. For a definition and discussion of place-based regional development policy, see Box 2: People (Spatially blind) vs Place (Spatial) regional development policy: the ongoing debate.
5. See Nikki Preston, "The \$400,000 smalltown job that no one wants" *New Zealand Herald*, 23 February 2016, accessed on 11 October 2016, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11593835. See also Editorial, "Westpac closures a reminder that banks will keep closing smaller branches", *The Southland Times*, 25 August 2016, accessed on 11 October 2016, <http://www.stuff.co.nz/southland-times/opinion/83506285/westpac-closures-a-reminder-that-banks-will-keep-closing-smaller-branches>, and Tamsyn Parker, "Technology spells end of branch banking" *The New Zealand Herald*, 3 October 2016, accessed on 11 October 2016, http://www.nzherald.co.nz/personal-finance/news/article.cfm?c_id=12&objectid=11717550.
6. Examples include monorail initiatives or the actual Bridge to no-where see: Editorial, "No surprise monorail plan derailed" *Nelson Mail*, last updated 30 May 2014, accessed on 11 October 2016, <http://www.stuff.co.nz/nelson-mail/opinion/10103200/No-surprise-monorail-plan-derailed>. The bridge to nowhere "is the foremost monument in New Zealand to the many ill-fated attempts made throughout the country to farm marginal land... [with the] economic hardship and problems associated with the remoteness and difficulty of access result[ing] in many families abandoning their farms....The fine new bridge was used for only six years. This was a personal tragedy for the families who had endured 20 years of hardship for no gain." Department of Conservation, "Bridge to Nowhere", last accessed on 23 February 2017, <http://www.doc.govt.nz/Documents/about-doc/concessions-and-permits/conservation-revealed/bridge-to-nowhere-lowres.pdf>
7. Others might argue that these are quick disasters.
8. Simply improving infrastructure by building a road or bridge, if used in isolation from investments in human capital can in fact lead to regional economic leakage and brain drain. See OECD, "Regional Development Policies in OECD Countries", Organisation for Economic Co-operation and Development Publishing (Paris: 2010).
9. Philip McCann, "A reformed EU Cohesion Policy," in *The regional and urban policy of the European Union cohesion, results-orientation and smart specialisation*, (Cheltenham: Edward Elgar Publishing, 2015), 88.
10. The reform period in New Zealand's recent history started in 1984 with the election of the fourth Labour Government.
11. Largely based on the work of Rachael McMillan, "The shrinkage pathway: Managing regional depopulation," in *Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity*, ed. Paul Spoonley, (Auckland: Massey University Press, 2016).
12. For New Zealand, the age dependency ratio is the sum of the 1-14 years and those over 64 years populations as a ratio of those in the working age population i.e. those aged 15-64 years. It measures the ratio of those "too young" and "too old" to work, to the working age population thereby giving a measure of overall labour market dependency. These are calculated from Statistics New Zealand, "Subnational Population Estimates: At 30 June 2015, Table 2." http://www.stats.govt.nz/browse_for_stats/population/estimates_and_projections/subnational-population-estimates-info-releases.aspx accessed on 15-4-2016. Author's own calculations.
13. Statistics New Zealand (2011) in Natalie O. Jackson, "Sub-National Depopulation in Search of a Theory – Towards a Diagnostic Framework", *New Zealand Population Review* 40, (2014): 6.
14. According to Universities NZ: "New Zealand's universities rank amongst the best in the world with all eight universities making the top 100 in at least one subject" see Universities New Zealand, "New Zealand's universities all rank in the top 100 in subject rankings." 29 April 2015, accessed on 11 October 2016, <http://www.universitiesnz.ac.nz/node/784>.
15. Juliet Rowan, "Bay's billion-dollar building boom" *Bay of Plenty Times*, 17 October 2016, accessed on 17 November 2016, http://www.nzherald.co.nz/bay-of-plenty-times/news/article.cfm?c_id=1503343&objectid=11723057.
16. Viv B. Hall, and John McDermott, "Regional Business Cycles in New Zealand: Do they Exist? What Might Drive Them?" *Motu Working Paper 04-10*, Motu Economic and Public Policy Research (2004).
- 17.
18. See Arthur Grimes et. al. "Eighty years of Urban Development in New Zealand: impacts of economic and natural factors," *New Zealand Economic Papers* 50 (2016): 303-322.
19. In this regard, New Zealand's economy is somewhat of an international outlier as traditionally rural incomes have not been that dissimilar to incomes in cities due to the primary base of the economy.
20. See: Alan Johnson, *Mixed Fortunes: The Geography of Advantage and Disadvantage in New Zealand*, Salvation Army Social Policy and Parliamentary Unit, May, (2015); Shamubeel Eaqub and John Stephenson, *Regional economies: shape, performance and drivers*, NZIER public discussion paper, Working paper 2014/03, (2014); and Omoniji Alimi, David C. Maré and Jacques Poot, "Income Inequality in New Zealand Regions" in Paul Spoonley ed. *Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity* (Auckland: Massey University Press, 2016): 206.
21. See Figure 16 in Eaqub and Stephenson, 13.
22. See Jacques Poot, "Peripherality in the global economy" in Jacques Poot ed. *On the Edge of the Global Economy*, (Cheltenham, UK: Edward Elgar, 2004).
23. Philip McCann, *The UK Regional–National Economic Problem: Geography, globalisation and governance (Regions and Cities)* (Routledge, 2016): 237.
24. Brian Easton, *Globalisation and the Wealth of Nations*, (University of Auckland, Auckland University Press, 2013): 18.
25. In their work on "Developing internationally comparable indicators, Golub and Tomasik (2008) have estimated that countries such as Australia and New Zealand face transportation costs for goods that are on average twice as high as those faced by countries in Europe." in *An International Perspective on the New Zealand Productivity Paradox*, Alain de Serres, Naomitsu Yashiro and Hervé Boulhol, *New Zealand Productivity Commission, (Working Paper, 2014/01, 2014): 23*.
26. The impact that proximity to markets has had on the New Zealand economy has been estimated by the Productivity Commission when they examined the reasons for New Zealand's poor multi-factor productivity. Based on their estimation, "slightly more than half of New Zealand's 27 percentage points MFP gap vis-à-vis the average of 20 OECD countries could be accounted for by the reduced access to markets and suppliers." Alain de Serres, Naomitsu Yashiro and Hervé Boulhol, *An International Perspective on the New Zealand Productivity Paradox*, 24.

27. McCann, The UK Regional–National Economic Problem: Geography, globalisation and governance, 239.
28. McCann, The UK Regional–National Economic Problem: Geography, globalisation and governance, 238.
29. Easton, Globalisation and the Wealth of Nations, 3. Easton describes globalisation as largely driven by the reduced costs of distance and the economies of agglomeration which reinforce the growth of large urban centres. See also Brian Easton, "Gutenberg and Globalization," *World Literature Today* 82, no. 2 (2008): 47-50.
30. This has the same effect as lowering transportation and trade barrier costs in more traditional economic models.
31. One can illustrate the difficulty of realising a home market effect for New Zealand by drawing an economic circle with a 2200km radius (Sydney being our closest major trading city is 2161km away) centred in Auckland.
32. see Paul R. Krugman, "Scale Economies, Product Differentiation, and the Pattern of Trade," *The American Economic Review* 70, no. 5 (1980): 950-959.
33. OECD Economic Policy Paper No.3, "Looking to 2060: A Global Vision of Long Term Growth", OECD (2012). <http://dx.doi.org/10.1787/888932718383>. This paper estimates that by 2060, for example, 46 percent of world GDP will accrue to China and India alone, rising to 49 percent of world GDP when one includes Japan with China and India.
34. de Serres, Yashiro and Boulhol, An International Perspective on the New Zealand Productivity Paradox, 19.
35. de Serres, Yashiro and Boulhol, An International Perspective on the New Zealand Productivity Paradox, 19.
36. See Justine White, "Fostering Innovation in Developing Economies through SEZs" in *Special Economic Zones: progress, emerging challenges and future directions*, ed. Thomas Farole and Gokhan Akinci (The International Bank for Reconstruction and Development/The World Bank, Washington, 2011): 196-7. See also FIAS (Foreign Investment Advisory Service), *Special Economic Zones: Performance, Lessons Learned and implications for Zone Development* (Washington, DC, FIAS, 2008); and Jin Wang, "The Economic Impact of Special Economic Zones: Evidence from Chinese municipalities", *Journal of Development Economics* 11, March, (2013): 133-147.
37. For example: Hong Kong's proximity to Shenzhen, Macau's proximity to Zhuhai, Taiwan's proximity to Xiamen and Shantou, Shanghai's proximity to Pudong, Masan port and Busan's proximity to the Korean Masan zone and in Taiwan, Kaohsiung's proximity to Nanzih, and Chunghua's proximity to Taichung.
38. Farole and Akinci eds., *Special Economic Zones: progress, emerging challenges and future directions*, 4.
39. For a comprehensive discussion on the use of Special Economic Zones to respond to locally driven needs, see Eric Crampton, and Khyaati Acharya, *In the Zone: Creating a Toolbox for Regional Prosperity* (The New Zealand Initiative, 2015). An example, as Local Government New Zealand point out smaller communities (typically with a population less than 10,000) can face a large infrastructure investment to meet national drinking water standards. Within their analysis, the costs of meeting these national standards can outweigh the benefits for the local population, see Local Government New Zealand, "Local Government Funding Review", February 2015, last accessed July 2016 <http://www.lgnz.co.nz/assets/Uploads/Our-work/Local-Government-Funding-Review.pdf>. A more flexible approach (for example within a non-traditional SEZ) may mean the local community could choose a cheaper drinking water solution instead. This would also allow the local community to focus its scarce infrastructure investment where it decides it would most benefit or at least have a net benefit for the overall community. Key to this approach however we would argue is subsidiarity and that the choice is being led by the local community.
40. David C. Maré and Richard Fabling find "the existence of agglomeration effects that operate through local labour markets... [with] ...evidence of productive spillovers from operating in areas with high skilled workers, and with high population density." David C. Maré and Richard Fabling, "Productivity and local workforce composition," in *Geography, Institutions and Regional Economic Performance, Advances in Spatial Science Series*, Riccardo Crescenzi and Marco Percoco eds. (Springer: Berlin and New York, 2012): 59
41. The likelihood of being in an area experiencing backwash forces is highly context specific and untested in the New Zealand context. Canadian research into population found a cluster of common attributes (not all required) such as: the local economy being tied to primary production or resource extraction, the resources under exploitation being close to end of profitable life, the transportation costs of raw resources being higher than the transportation costs of finished products, the area being located more than an hour away from a major urban centre or not being on a major transportation route, and the inability to have a year-round tourism, due to weather constraints. Rachael McMillan, "The shrinkage pathway: Managing regional depopulation," 227-228.
42. Circular and Cumulative Causation (CCC) models of regional growth were formalised by Dixon and Thirlwall in 1975 following on from earlier work of Kaldor in 1970 and Myrdal in 1957. See Robert J. Dixon and Anthony P. Thirlwall, "A Model of Regional Growth-Rate Differences on Kaldorian Lines" *Oxford Economic Papers* 27, no. 2 (1975): 201-14; Nicholas Kaldor, "The case for regional Policies," *Scottish Journal of Political Economy* 17, no. 3 (1970): 337-348; and Gunnar Myrdal, *Economic Theory and the Underdeveloped Regions*, (London: 1957).
43. See Shamubeel Eqaub, *Growing Apart: regional prosperity in New Zealand* (Bridget Williams Books, Wellington: 2014) and Alan Johnson, *Mixed Fortunes: The Geography of Advantage and Disadvantage in New Zealand*, (Salvation Army Social Policy and Parliamentary Unit: 2015).
44. Ministry of Business, Innovation and Employment (MBIE), *Briefing on Investigating Regional Science Institutes*, Annex 1: 1439 14-5 (2015): 3, Paragraph 13.
45. Ministry of Business, Innovation and Employment (MBIE), *Briefing on Investigating Regional Science Institutes*, Annex 1: 1439 14-5 (2015): 3, Paragraph 14.
46. For more information on the role of smart specialization within regional development policy, see OECD "Innovation Driven growth in regions: The Role of Smart Specialization" (2013), accessed on 16 November 2016, <http://www.oecd.org/sti/inno/smart-specialisation.pdf>.
47. On a side note, a recent working paper by Eyal Apatov and Arthur Grimes examined the impact of higher education institutions on regional growth found that "a one percentage point increase in the university EFTS share (with universities almost always in main urban centres) is associated with a 0.19 (0.14) percentage point increase in the annual average population (employment) growth rate. The impact for polytechnics which are far more regionally and rurally dispersed was "weaker and estimated far less precise." It seems likely, therefore, that part of the drivers of regional difference is a result of the spatial location of these universities and young people moving for higher education opportunities. Interestingly, this work also found "no evidence of complementarities between... [Higher Education Institutions (HEI) activities and proxies for urbanisation and innovative activity] and the presence of an HEI. Similarly,...[they found] no evidence that the presence of HEI altered the industrial structure of local areas." Eyal Apatov and Arthur Grimes, *Higher education institutions and regional growth: The case of New Zealand*, Motu Working Paper 16-11 (Motu Economic and Public Policy Research, 2016): 1.
48. See table 4 and figure 1.
49. Statistics New Zealand, *Subnational Population Projections*, Author's own calculations. It is important to note that the age compositions of these clustered areas are different, with Auckland having the youngest population overall.
50. It is important to acknowledge that even with 50 percent of the New Zealand population in these wider clusters around Auckland as Alain de Serres, Naomitsu Yashiro and Hervé Boulhol, "An International Perspective on the New Zealand Productivity Paradox," (2014):19 comment "creating the conditions for exploiting the externalities associated with large urban agglomerations may be more difficult, given the small size of the population."
51. Arthur Grimes et. al, "Eighty years of urban development in New Zealand: impacts of economic and natural factors", *New Zealand Economic Papers* 50, no. 3 (2016): 303-322.
52. Grimes et. al, "Eighty years of urban development in New Zealand: impacts of economic and natural factors," 317.

53. World Bank, World Development Report 2009: Reshaping Economic Geography (Washington D.C: World Bank, 2009): 24.
54. World Bank, World Development Report 2009: Reshaping Economic Geography, 77, 135.
55. Fabrizio Barca, Philip McCann, and Andrés Rodríguez-Pose, "The case for regional development intervention: Place-based versus place-neutral approaches," *Journal of Regional Science* 51 no. 2 (2012): 139.
56. Barca, McCann, and Rodríguez-Pose, "The case for regional development intervention: Place-based versus place-neutral approaches," 140.
57. Barca, McCann, and Rodríguez-Pose, "The case for regional development intervention: Place-based versus place-neutral approaches," 145.
58. Paul Dalziel and Caroline Saunders, *Economic Development: A review of key themes in the International literature – Research to improve decisions and outcomes in agribusiness, resource, environmental and social issues*, A report prepared for the Ministry of Transport by the AERU Research Unit (Lincoln University: 2014).
59. The Treasury, *Statement on the Long-Term Fiscal Position: He Tirohanga Mokopuna*, New Zealand Government (2016): 23.
60. Paul Spoonley, "Regional Futures: Diverging demographics and economies" in *Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity*, ed. Paul Spoonley (Auckland: Massey University Press, 2016).
61. Everett Rogers, *Diffusion of Innovations*, 5th edition, (Simon and Schuster: 2003).
62. Gabriel Makhoul, *Productivity: Innovation, Diffusion and Markets*, Speech delivered to the Productivity Hub Symposium, December (2015): 3-4.
63. For an overview of "super diversity" see "Super Diversity Centre: Superdiversity Centre for Law, Policy and Business," last accessed on 22 February 2017. <http://www.chenpalmer.com/superdiversity/overview/>.
64. "Regional Research Institutes were announced in Budget 2015. In Budget 2016, the Government set aside \$40 million of additional funds to support the initiative, bringing the total funding in contingency to \$65 million over four years." Steven Joyce, Press Release 15 November 2016, "New Regional Research Institute Announced," accessed on 16 November 2015, <http://www.scoop.co.nz/stories/PA1611/S00258/new-regional-research-institute-announced.htm>.
65. Ministry of Business, Innovation and Employment, "First Regional Research Institute selected" last accessed on 30 November 2016. <http://www.mbie.govt.nz/about/whats-happening/news/2016/first-regional-research-institute-selected>.
66. Joyce, Press Release 15 November 2016, "New Regional Research Institute Announced."
67. See Natalie O. Jackson, "The demographic forces shaping New Zealand's future. What population ageing [really] means," NIDEA Working Papers 1, (National Institute of Demographic and Economic Analysis, University of Waikato, Hamilton: 2011).
68. In fact, New Zealand's relatively youthful population will mean that we will face issues that many other developed countries are already beginning to experience. Policy-wise this is both an opportunity to learn but also a risk if this means we face increased competition to entice international skilled workers and to retain highly skilled New Zealanders.
69. Natalie O. Jackson, "Irresistible Forces: Facing up to Demographic Change" in *Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity*, ed. Paul Spoonley (Auckland: Massey University Press, 2016):51.
70. Statistics New Zealand, "Births and Deaths: Year ended December 2015," http://www.stats.govt.nz/browse_for_stats/population/births/BirthsAndDeaths_HOTPYeDec15/Commentary.aspx#Total accessed on 10/10/2016.
71. Natalie O. Jackson, "Changing demographics: overcoming denial," paper presented at the New Zealand Society of Local Government Managers event, Wellington, 11 July 2016, slide 22.
72. Richard Bedford at Paul Spoonley 'A demographic Dividend – or Disruption' (paper presented at Institute of Public Administration New Zealand, Auckland, October 3 2016) argued that short-term migration may offset some of these overall population impacts if one looks at the effective population of an area instead of the usually resident population. This is a potentially fruitful avenue for further consideration unable to be fully examined within this paper.
73. Evolutionary Economic Geography theory of regional development emphasises the importance of previous place and time decisions for current outcomes. Path dependence occurs when the outcome of a system or process evolves as a consequence of the systems or processes own history. Ron Martin and Peter Sunley, "Path dependence and regional economic Development", *Journal of Economic Geography* 6, no. 4 (2006): 399. This can mean, for example, that regions may end up at a level of development or growth that is "suboptimal and resistant to the equilibrating and self-correcting set of market forces." Harvey A. Goldstein, "Theory and Practice of technology-based Economic Development" in *Theories of Local Economic Development: Linking Theory to Practice*, ed. James E. Rowe (Ashgate Publishing, England: 2009): 243. Historical events and decisions conspire to "lock-in" a region or place: slowing down or hindering necessary restructuring processes. For example communities that had expectations of working for the major local employer may struggle to adapt if the local employer experiences a major economic shock. In smaller communities the negative impact of major plant closure can then be compounded by the flow on impact on relative house prices, leading to a form of locational lock-in whereby even if the person or family wanted to leave, materially, this may no longer be possible.
74. Paul Spoonley, *Regional Futures: Diverging demographics and economies*, 33.
75. See Rainer Winkelman and Liliana Winkelman, *Immigrants in New Zealand: A study of their Labour Market Outcomes*, Department of Labour (1998): 58. Also, as noted earlier, New Zealand currently has an immigration points system that can award points to migrants who settle outside Auckland for a year. The early results of this policy appear to be mixed. On this, see Conan Young, "Skilled migrants fail to flock to regions" *Radio New Zealand*, 3 October 016, accessed on 10 October 2016, <http://www.radionz.co.nz/news/national/314797/skilled-migrants-fail-to-flock-to-regions>.
76. See National Infrastructure Unit, *The Thirty Year New Zealand Infrastructure Plan*, New Zealand Treasury, (2015): 7 accessed on 6 May 2016, <http://purl.oclc.org/nzt/i-1785>.
77. Local Government New Zealand, *Local Government Funding Review*, February (2015): 71.
78. See National Infrastructure Unit, *The Thirty Year New Zealand Infrastructure Plan*, 7.
79. OECD, *Regional Development Policies in OECD Countries*, (Organisation for Economic Co-operation and Development Publishing, Paris: 2010).
80. OECD "Regional Development Policies in OECD Countries."
81. These investments are also not short-term silver bullets. As the OECD outlines, infrastructure and human capital investments require three years to positively influence growth, innovation investment only has a positive impact on growth after five years. OECD, *Regional Development Policies in OECD Countries*.
82. Rates are usually tied to the productive capacity of the land being rated for example the difference between commercial and residential land.
83. In 2013, 49% of local government funding came from rates, 15% from User fees and charges, 11% from current grants (most of which was from NZTA operational contribution to transport), 8% from capital grants (most of which was NZTA capital contributions to transport), 7% from vested assets, 5% from regulatory income and petrol tax, 4% from interests and dividends, and 2% from Development and Financial contributions. See Local Government New Zealand, *Local Government Funding Review*: 20, accessed on 30 November 2016, <http://www.lgnz.co.nz/assets/Uploads/Our-work/Local-Government-Funding-Review.pdf>.

84. Spoonley, *Regional Futures: Diverging demographics and economies*, 37.
85. Alongside the establishment of the Constitution Act in early New Zealand economic development came provincial development “boosterism” and “pork barrel politics.” Mark Derby, “Local and regional government - Early forms of local government,” *Te Ara - the Encyclopaedia of New Zealand*, updated 13-Jul-12, URL: <http://www.TeAra.govt.nz/en/local-and-regional-government/page-2>. This early form of “Boosterism”, can be defined as “boosting the province’s prospects by actively encouraging new projects, preferably financed by others’ money.” Brian Easton, *The Nationbuilders* (Auckland University Press, University of Auckland, 2001): 17. National, for example has recently called Labour’s \$680m light rail policy “pork barrel politics.” *New Zealand Herald*, “National says Labour’s \$680m light rail policy ‘pork barrel politics’”, 30 October 2016, accessed on 16 November 2016, http://www.nzherald.co.nz/nz/news/article.cfm?c_id=1&objectid=11738723.
86. See section 2.1.2 for more information on backwash forces.
87. Johnson, *Mixed Fortunes*. See also Eqaub and Stephenson, *Regional economies: shape, performance and drivers*.
88. See Ministry of Business, Innovation and Employment, *Business Growth Agenda*, accessed on 30 November 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda>.
89. Andrea Schöllmann and Tobias Nischalke, “Central Government and Regional Development Policy: Origins, Lessons and Future Challenges” in *Economic Development in New Zealand: The Dynamics of Economic Space*, ed. James E Rowe (Ashgate Publishing, England: 2005): 48.
90. See Cabinet Minute [CAB Min (06) 7/22] cited in Office of the Minister for Industry and Regional Development, *Boosting the Impact of Regional Economic Development: Detailed Changes (2007)*: 3.
91. See Cabinet Minute [CAB (00) M17/1 D].
92. See Cabinet Minute [CAB Min (06) 7/22] cited in Office of the Minister for Industry and Regional Development, “Boosting the Impact of Regional Economic Development: Detailed Changes” (2007).
93. See Cabinet Minute [CAB Min (11) 31/11].
94. Some argue this is an endogenous regional development approach that seeks to build each region on its inherent comparative and competitive advantages.
95. Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*, 48.
96. The Auckland Metropolitan report shifted the Auckland Regional Economic Development Strategy towards action. It also uncovered that Auckland’s governance was inadequate to coherently deliver Auckland’s overall development. See David A. Wilson, *The Metropolitan Auckland Project: a step-change in governance and regional economic development in a city-region* (PhD. Diss., Auckland University of Technology, 2016).
97. Paul Dalziel, “Well-being Economics and Regional Science,” *Australasian Journal of Regional Studies* 18, no. 1 (2012): 64. The current regions and local councils with broad environmental responsibilities were created in this period under the Resource Management Act 1991. As Malcolm McKinnon also highlights, following the Countries Act, Provinces had been abolished and a plethora of ad hoc governance structures emerged. These were now consolidated into 86 multi-purpose local authorities. These regions differed from earlier provinces in that they were largely based on water drainage basins. Malcolm McKinnon, “Colonial and provincial government - After abolition,” *Te Ara - the Encyclopaedia of New Zealand*, accessed 9 September 2016, <http://www.TeAra.govt.nz/en/colonial-and-provincial-government/page-5>.
98. Steven Stillman, Malathi Velamuri, and Andrew Aitken, *The Long-Run Impact of New Zealand’s Structural Reform on Local Communities*, Motu Working Paper 08-11 (Motu Economic and Public Policy Research, 2008).
99. Outlining this change is beyond the scope of this paper but interested parties can start with: Brian Silverstone, Allan Bollard, and Ralph Lattimore eds., *A study of Economics of Reform: The Case of New Zealand*, (North-Holland: 1996); and Steven Stillman, Malathi Velamuri, and Andrew Aitken, *The Long-Run Impact of New Zealand’s Structural Reform on Local Communities* (2008).
100. Cabinet Economic Development Committee, “Sustainable Development”, May 2000 cited in “Integrating Employment, Skills and Economic Development: New Zealand”, Paul Dalziel, report to the organisation for Economic Cooperation and Development by the AERU Research Unit, Lincoln University, (2007): 2.
101. Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*.
102. Paul Dalziel and Caroline Saunders, “Regional Partnership for Economic Development” in *Economic Development in New Zealand: The Dynamics of Economic Space* in ed. James E. Rowe (Ashgate Publishing, England: 2005); Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*.
103. Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*, 48. See also Cabinet Minute [CAB (00) M17/1 D].
104. Bob Jessop, “The Rise of Governance and the risk of Failure: the case of Economic Development” (UNESCO, 1998) cited in Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*, 49.
105. Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*, 50.
106. As Paul Dalziel and Caroline Saunders outline: “this was a three-year partnership involving the Auckland region’s seven local councils, the Auckland regional council and a number of government agencies... [with] a series of projects... ..under six work strands: Transport, Urban Form, Design and Development, Regional Child and Youth Development, Regional Settlement Strategy, Sustainable communities, and Urban centres and Economic Performance.” Dalziel and Saunders, *Regional Partnership for Economic Development*, 6.
107. See Cabinet Minute [Cab Min (06) 7/22]
108. Office of the Minister for Industry and Regional Development, *Cabinet Economic Development Committee: Cabinet paper, Boosting the impact of Regional Economic Development: Detailed Changes (2007)*: 1, accessed on 11 October 2016, <https://www.beehive.govt.nz/Documents/Files/cabinet-paper.pdf>.
109. Office of the Minister for Industry and Regional Development, *Cabinet Economic Development Committee: Cabinet paper Boosting the impact of Regional Economic Development: Detailed Changes*.
110. [CAB Min (06) 7/22] cited in *Boosting the impact of Regional Economic Development: Detailed Changes*, Office of the Minister for Industry and Regional Development, *Cabinet Economic Development Committee: Cabinet paper*, (2007): 3.
111. The theoretical underpinning of growth poles originates from François Perroux but became increasingly popularised by Michael Porter in the early 1990’s. François Perroux, “Economic space: theory and applications”, *Quarterly Journal of Economics* 64 (1950): 90-97. This has been further enhanced by developments in new economic geography, see, for example, Paul Krugman, “Increasing returns and economic geography” *Journal of Political Economy* 99, no.3 (1991): 483-99. For the New Zealand context see James E. Rowe, “Lessons Learned and Future Directions” in *Economic Development in New Zealand: The Dynamics of Economic Space*, ed. James E. Rowe, 230; and Ministry of Business, Innovation and Employment New Zealand and Local Government New Zealand, “NZ Core Cities – Research summary” (2012), accessed on 16 January 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/research/core-cities-research>.

112. As outlined by Geoff Lewis and Steven Stillman, "measures developed by two non-governmental organisations have suggested that Auckland is "underperforming" relative to other regions in New Zealand. Geoff Lewis and Steven Stillman, "Regional Economic Performance in New Zealand: How Does Auckland Compare?" *New Zealand Economic Papers* 41, no. 1, (2007): 29-68.
113. See Cabinet Minute [Cab Min (06) 7/22]
114. Ministry of Business Innovation and Employment, *The Business Growth Agenda 2015/16 -Towards 2025*, accessed on 26 September 2016 <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-image-library/towards-2025/mb13078-1139-bga-report-oo-intro-09sept-v9-fa-web.PDF>.
115. Ministry of Business Innovation and Employment, *The Business Growth Agenda 2015/16 -Towards 2025*, 5.
116. The rationale for these research institutes is that "[t]he proposed new research institutes would support innovation in the regions by maximising the unique business, technology, and economic growth opportunities in these areas." Ministry of Business Innovation and Employment, "Investigating regional research institutes," accessed on 1 December 2015, see <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/investigating-regional-research-institutes>
117. See Steven Joyce, "\$761.4m for Innovate New Zealand," [beehive.govt.nz](https://www.beehive.govt.nz/release/7614m-innovative-new-zealand), accessed on 30 November 2016, <https://www.beehive.govt.nz/release/7614m-innovative-new-zealand>.
118. Immigration New Zealand, as part of MBIE, can award applicants 30 of their required points if the applicant locates outside Auckland. For business applicants, Immigration New Zealand can award up to 40 of the required points for business investment outside Auckland. In addition, immigration skills shortages category or points available for skilled migrants are also based on feedback from regions on their skill shortages. See Immigration New Zealand, "Amendments to the Immigration New Zealand Operational Manual: Amendment Circular No 2015/08" last accessed 22 February 2017, <https://www.immigration.govt.nz/documents/amendment-circulars/amendmentcircular201508.pdf>
119. This highlighted that the RPP could be improved by: improving key stake holder buy-in; improving the knowledge of the regions strengths and advantages; strengthening overall trust between stakeholders; strengthening regional development networks; and providing better co-ordination of all stakeholder resources including that of business. Business involvement was shown under the RPP to often operate on a need for early results which was often at odds with process requirements for government and iwi. See Schöllmann and Nischalke, *Central Government and Regional Development Policy: Origins, Lessons and Future Challenges*, 53-54.
120. The economic activity report presented "economic data on New Zealand's 16 regions... highlight[ing] trends, challenges and opportunities for each region." Ministry of Business Innovation and Employment, "Regional Economic Activity Report: 2015," (2015): 12. Accessed on 16 October 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/regions/documents-image-library/rear-2015/min-a003-rear-report-lr-optimised.pdf>.
121. John Stephenson, "Regional government expenditure: Estimates of core crown spending by region," April 2013, accessed on November 25, 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/research/regional-government-expenditure-report>.
122. Ministry of Business Innovation and Employment, "Regional Economic Activity Report: 2015," (2015): 13. accessed on 1 November 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/regions/documents-image-library/rear-2015/min-a003-rear-report-lr-optimised.pdf>.
123. This focus on building the Māori economy can be seen in the development of the Māori Economic Development strategy and action plan (that draws on all six streams of the BGA for initiatives).
124. The RGP on the East Coast had its genesis and was built off the East Coast Regional Economic Potential Study which was completed before the RGP started. Based on conversations with Ministry of Business, Innovation and Employment officials and feedback received through the academic review process of developing this paper.
125. At the time of writing the RED Ministers group included the Ministers for: Economic Development (Hon Steven Joyce), Communications (Hon Amy Adams), Transport (Hon Simon Bridges), Tourism (Hon John Key), Social Development (Hon Anne Tolley), Primary Industries (Hon Nathan Guy), Small Business (Hon Craig Foss) and Māori Development (Hon Te Ururoa Flavell). Ministry of Business Innovation and Employment, "Regional Economic Activity Report: 2015," (2015): 13, accessed on 16 October 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/regions/documents-image-library/rear-2015/min-a003-rear-report-lr-optimised.pdf>. On 20 December 2016 however, these Ministerial appointments changed with National Party cabinet reshuffle following the appointment of Bill English as Prime Minister. Assuming that the RED ministers group includes the same Ministerial portfolio's the current RED Ministers group will include the Ministers for: Economic Development, Communications and Transport (Hon Simon Bridges), Tourism (Hon Paula Bennett), Social Development (Hon Anne Tolley), Primary Industries (Hon Nathan Guy), Small Business (Hon Jacqui Dean) and Māori Development (Hon Te Ururoa Flavell).
126. The Technical Advisory groups existed for the original growth studies and have not been included in the development of Action Plans or the second round of regions. Private sector involvement is part of the action plan and implementation processes with each region having its own governance arrangements. Typically, there is one governance group and a number of working groups within each working plan area. Based on conversations with Ministry of Business, Innovation and Employment officials and feedback received through the academic review process of developing this paper.
127. Ministry of Business Innovation and Employment, "Regional Growth Programme" last accessed 29 November 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/regional-growth-programme>.
128. Based on conversations with Ministry of Business, Innovation and Employment officials and feedback received through the academic review process of developing this paper.
129. Ministry of Business Innovation and Employment, "Regional Growth Programme", accessed on 12 January 2016, last updated 29 November 2016, <http://www.mbie.govt.nz/info-services/sectors-industries/regions-cities/regional-growth-programme>.
130. For example, the housing supplement differs by region, see: Ministry of Social Development, Work and Income, Inland Revenue and New Zealand Government, "Accommodation Supplement and Childcare Assistance Calculator," last accessed 22 February 2017, <http://www.workingforfamilies.govt.nz/calculator/filter.jsp>. There are also bespoke regional initiatives like the "Dress to Impress" initiative in Northland, which assists job seekers in purchasing formal clothes for a job interview see: Ministry of Social Development, "Dress to Impress", last accessed 22 February 2017, <https://www.workandincome.govt.nz/look-for-work/work-programmes/dress-to-impress.html>.
131. These tools are used as part of the budget process as a way to examine the strategic, economic, financial and management costs and benefits that would arrive from potential central government investment activity. For a useful overview of the Living Standards framework, The Treasury, "Higher Living Standards" Last accessed on 22 February 2017, <http://www.treasury.govt.nz/abouttreasury/higherlivingstandards>. For a useful overview on the application of the Living Standards framework, see: The Treasury, "An Introduction to the Living Standards Framework," last accessed on 22 February 2017, <http://www.treasury.govt.nz/abouttreasury/higherlivingstandards/his-usingtheframework-v2.pdf>. For an Overview of the Better Business Case and its place within the wider Treasury Investment Management strategy, see The Treasury, "Suggested Methods and Tools," last accessed on 22 February 2017, <http://www.treasury.govt.nz/statesector/investmentmanagement/plan/bbc/methods>.
132. In the Bay of Plenty, Opotiki Harbour Development Project: the Government grants up to \$3 million to validate the proposal to create a year-round harbour entrance and construct a commercial wharf. This will be done in parallel with industry testing of a 3800ha offshore marine farm. See Radio New Zealand News, "New plan to boost BoP jobs, investment", 29 October 2015, accessed 20 January 2016, <http://www.radionz.co.nz/news/regional/288296/new-plan-to-boost-bop-jobs,-investment>. In West Coast/Greymouth: Ultra-fast broadband rollout and a range of regional roading projects including the Taramaka replacement bridge, a \$3 million

- government investment in the Old Ghost Trail and \$10 million toward New Zealand's 10 Great walk. See House of Representatives, Order paper and questions, Questions for oral answer, 4, Regional Economies, Investment, Jobs and Growth, Volume 710, (2015): 8426, accessed on 21 January 2016, http://www.parliament.nz/en-nz/pb/business/qa/51HansQ_20151202_0000004/4-regional-economies%E2%80%94investment-jobs-and-growth.
133. Ministry of Business, Innovation and Employment feedback on draft regional development paper (personal communication, 2 November 2016).
 134. Some of these goals hark back to the Economic Transformation Agenda.
 135. Ministry of Business Innovation and Employment, "The Business Growth Agenda 2015/16 -Towards 2025," (2015), accessed on 26 September 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-image-library/towards-2025/mb13078-1139-bga-report-oo-intro-09sept-v9-fa-web.PDF> Emphasis added by author.
 136. John Key, in his State of the Nation address 2016, said that: "It's good to kick off the New Year here in Auckland - New Zealand's gateway city. It's home to one third of Kiwis, it's our biggest commercial centre and our shopfront to the rest of the world. Every region of New Zealand is crucial to our growth and progress. But on New Zealand's behalf, Auckland is competing with Asia-Pacific's great global cities. It's our version of Sydney, Singapore or Shanghai. Lifting our standard of living requires strong and enduring global relationships, because we won't get rich selling to ourselves. New Zealand must expand its global supply chains, attract more investment and develop new markets. As Prime Minister, I work every day to lead an open and confident country that backs itself on the world stage. Auckland is at the forefront of that." Stacey Kirk, "Live: Prime Minister John Key's state of the Nation," Stuff News, (2016), accessed on 30 November 2016. <http://www.stuff.co.nz/national/politics/76289984/Live-Prime-Minister-John-Keys-State-of-the-Nation>.
 137. Ministry of Business Innovation and Employment, The Business Growth Agenda 2015/16 -Towards 2025 (2015), accessed on 26 September 2016, <http://www.mbie.govt.nz/info-services/business/business-growth-agenda/pdf-and-image-library/towards-2025/mb13078-1139-bga-report-oo-intro-09sept-v9-fa-web.PDF>.
 138. Fabrizio Barca, An Agenda for a Reformed Cohesion Policy: A place-based approach to meeting European Union challenges and expectations, Independent Report (2009), 11.
 139. Kevein Jia and Conal Smith, Subjective wellbeing in New Zealand: Some recent Evidence, Research Note, New Zealand Productivity Commission (2016).
 140. Kevein Jia and Conal Smith, Subjective wellbeing in New Zealand: Some recent Evidence, 2.
 141. Appendix B provides a brief primer to this work—it includes an overview table of the current regional wellbeing indicators available for New Zealand published by the OECD, the New Zealand Social Policy Evaluation and Research Unit (Superu) and one taken from the work by the European Union Social Cohesion work. What becomes clear from this data is that this is a rich area for future work as the regions are very diverse. The Superu research found that "for each indicator, the wellbeing result for any region did not stand out as being particularly different from that for all the other regions. Usually, however, for each indicator a small group of regions were found to have results that were notably different from the results for the regions not in the group...the South Island generally did better on wellbeing results than the North Island." Social Policy Evaluation and Research Unit, Families and Whānau Status Report 2016 (2016), 49-50. This also suggests that while Auckland outranks many regions on a host of economic wellbeing indicators, there are some where it lags behind, like housing affordability and pollution.
 142. McCann, The UK Regional-National Economic Problem: Geography, globalisation and governance, Regions and Cities, 88-89.
 143. For a discussion on place-based versus people-based policy, see also Paul Dalziel and Caroline Saunders, Economic Development: A review of key themes in the International literature – Research to improve decisions and outcomes in agribusiness, resource, environmental and social issues, A report prepared for the Ministry of Transport by the AERU Research Unit (Lincoln University, 2014), 41-46.
 144. McCann, The UK Regional-National Economic Problem: Geography, globalisation and governance, 88-89.
 145. Paul Spoonley, "Regional Futures: Diverging demographics and economies", in Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity, ed. Paul Spoonley (Massey University Press, Auckland, 2016), 23.
 146. Rachel McMillan, "The shrinking pathway: managing regional depopulation", in Rebooting the Regions: Why low or zero growth needn't mean the end of prosperity, ed. Paul Spoonley (Massey University Press, Auckland, 2016).
 147. McMillan, "The shrinking pathway: managing regional depopulation," 218.
 148. McMillan, "The shrinking pathway: managing regional depopulation," 224.
 149. As outlined by Rachel McMillan, "The shrinking pathway: managing regional depopulation", (2016) and Natalie O. Jackson, "Major demographic shifts are coming say Natalie Jackson. 'Quality of life' and 'attractiveness of place' will be key for sustaining a regional population", Issues Website, December 13 2015, accessed on 3 October 2016, see <http://www.interest.co.nz/opinion/79118/major-demographic-shifts-are-coming-says-natalie-jackson-quality-life-and>
 150. See Glaeser and Gottlieb, "The Economics of Place-making Policies," (2008):156 and World Bank "World Development Report 2009: Reshaping Economic Geography," (2009):158 cited in Paul Dalziel and Caroline Saunders, Economic Development: A review of key themes in the International literature – Research to improve decisions and outcomes in agribusiness, resource, environmental and social issues (2014), 44.
 151. Fabrizio Barca, An Agenda for a Reformed Cohesion Policy: A place-based approach to meeting European Union challenges and expectations (2009), 11. Barca, however, on the same page goes on to say that "[w]hen a policy for development is explicitly place-based, the risks can be identified and addressed...."
 152. Brian Easton, National Development Strategy - Where do the regions fit in? New Zealand Institute of Economic Research, Address to the Otago Division of the Institute of Management, 23 February (1983), 1.
 153. Isabelle Sin and Steven Stillman, Economic Liberalisation and the Mobility of Minority Groups: Evidence from Māori in New Zealand, Motu Working Paper, (Motu Economic and Public Policy Research, 2015), 2.
 154. See endnote 72 for a brief overview of "lock in".
 155. It is important to note that the current Health Population Based Funding Formula does include adjusters for rural location, and age of the population in addition to a range of other variables. There would be potential here, however, under Option C to include new adjusters in future health based Population Based Funding Formula. For example, it would be possible to include a new adjuster that compensated for overall population decline or by updating the rural adjuster to include an "exit" adjuster of some form. For more information on the current model see, Ministry of Health, "Population based funding formula", last updated 23 March 2016, see <http://www.health.govt.nz/new-zealand-health-system/key-health-sector-organisations-and-people/district-health-boards/accountability-and-funding/population-based-funding-formula>
 156. Eyal Apatov, and Arthur Grimes, "Higher education institutions and regional growth: The case of New Zealand", Motu Working Paper 16-11, Motu Economic and Public Policy Research. June (2016).
 157. McMillan, "The shrinking pathway: managing regional depopulation."
 158. McMillan, "The shrinking pathway: managing regional depopulation," 224.
 159. As outlined in McMillan, "The shrinking pathway: managing regional depopulation" and Natalie O. Jackson, "Major demographic shifts are coming say Natalie Jackson.

'Quality of life' and 'attractiveness of place' will be key for sustaining a regional population."

160. Rachel Clayton, "Historic New Zealand: towns that used to thrive, then disappeared" Stuff News, 4 November 2016, accessed on 4 November 2016, <http://ssl-www.stuff.co.nz/national/85447628/Historic-New-Zealand-towns-that-used-to-thrive-then-disappeared>.
161. Katrina Tanirau, "Fresh start in Te Aroha for 42 workers", Stuff News, 10 August 2016, accessed on 14 October 2016, <http://www.stuff.co.nz/business/82980898/Fresh-start-in-Te-Aroha-for-42-workers>.
162. Julian Ryall, "Train Keeps going for only one passenger", New Zealand Herald, 12 January 2016, accessed on 14 October 2016, http://m.nzherald.co.nz/world/news/article.cfm?c_id=2&objectid=11572479.
163. McMillan, "The shrinking pathway: managing regional depopulation," 219.
164. Natalie O. Jackson, "Commentary on the family wellbeing of different ethnic groups" in Families and Whānau Status Report 2016, Social Policy Evaluation and Research Unit (2016), 49.
165. As Natalie Jackson writes, we need to "invest in today's children if we are to ensure the opportunities on offer are in fact able to be capitalised on by Māori and Pacific people, both for their own benefit and for all New Zealanders." Jackson, "Commentary on the family wellbeing of different ethnic groups," 47.
166. Philip McCann, *The Regional and Urban Policy of the European Union: Cohesion, Results-Oriented and Smart Specialisation* (Edward Elgar, 2016), 81-85.
167. Kevin Guerin, *Subsidiarity: Implications for New Zealand*, New Zealand Treasury Working Paper Series, 02/03, March (2002), 1.
168. Subsidiarity is applied within the European Union (EU) in such a way that it limits the EU to not acting "where objectives can be sufficiently achieved by member states acting individually." Benjamin F. Gussen, "Subsidiarity as a Constitutional Principle in New Zealand", *New Zealand Journal of Public and International Law* 12, no. 1 (2014):129. Within the New Zealand context this would require a rethink of the allocation of political authority between central and local government, because, as it currently stands "local government in New Zealand tends...to operate (to varying degrees) as an agent of national government, administering or interpreting rules set centrally...[a]ny change to this balance of power would require a "comprehensive constitutional review, the discussion of which is outside the scope of this paper." Guerin, "Subsidiarity: Implications for New Zealand," 12.
169. Gussen, "Subsidiarity as a Constitutional Principle in New Zealand," 129.
170. John Anthony, "Westpac closures reflect bigger trend affecting small town New Zealand", Stuff News, 24 August 2016, last accessed on 24 August 2016, <http://www.stuff.co.nz/business/industries/83464715/westpac-closures-reflect-bigger-trend-affecting-small-town-new-zealand>
171. This criticism of wellbeing versus growth is an ongoing discussion in much of the New Zealand regional development literature since then publication of James E. Rowe's work in 2005. Rowe ed., *Economic Development in New Zealand: The Dynamics of Economic Space*.
172. Philip McCann, *The Regional and Urban Policy of the European Union: Cohesion, Results-Oriented and Smart Specialisation* (2016): 88-89.
173. "At a meeting of the Southland Progress League on 5 February 1953, Brian Wilfred Hewat, the Mayor of Invercargill, criticised the government for constructing expensive geothermal power schemes in the North Island, when hydro-electric potential remained undeveloped in the lower South Island. The editorial in *The Southland Daily News* the following day supported Hewat's comments, and concluded that New Zealand's future demanded "... the development of the hydro- electric resources of Otago and Southland, and the location of industry close by the source of power." "Editorial, *The Southland Daily News*, 6 May 1953, cited in Aaron P. Fox, *The Power Game: The development of the Manapouri-Tiwai Point electro-industrial complex 1904-1969* (Phd Diss, University of Otago, 2001), 143-144. See also D. O. W. Hall, *Portrait of New Zealand* (A. H. and A. W. Reed, Wellington: 1955), 144-145, cited in Fox, *The Power Game: The development of the Manapouri-Tiwai Point electro-industrial complex 1904-1969*.
174. The case for interventionist regional policy was defended by the National Development Council, while opponents included the NZIER. See: National Development Council, *Report of the Subcommittee on Regional Development*, Wellington, (1971) and Kerry McDonald, *Regional Development in New Zealand*, New Zealand Institute of Economic Research, Wellington, (1969).
175. National Development Council, *Report of the Subcommittee on Regional Development*, Wellington, (1971).
176. Kerry McDonald, *Regional Development Rejoined*, New Zealand Institute of Economic Research, Wellington, (1972) cited in Dennis Rose, "Reflections on My time as Director" in *The Evolving Institute, 50 Years of the NZ Institute of Economic Research* (New Zealand Institute of Economic Research, 2008), 25, accessed on 21 October 2016, <https://nzier.org.nz/publication/the-evolving-institute-nzier-1958-2008>.
177. In addition to the energy projects outlined, policy included signing the Closer Economic Relations (CER) free trade agreement with Australia. This built on earlier efforts by previous Labour and National governments included the establishment of a number of diplomatic posts in Asia, including Hong Kong, Indonesia and Laos as well as America in Los Angeles and San Francisco as well as the New Zealand Australia Free Trade Agreement (NAFTA).
178. A breakdown of the "Think Big" activities by region is as follows: Two large-scale energy projects were developed in Taranaki: a methanol plant in Waitara and the Motuni methanol plant. The Marsden Point Oil Refinery in Northland was expanded. In Otago the Clyde Dam was built on the Clutha River. Taranaki saw the development of the Kapuni hydrocarbon field. The Tiwai Point Aluminium Smelter was upgraded in Southland and Auckland saw the development of New Zealand Steel in Waiuku. In addition, the North Island main trunk line was also electrified.
179. Between 1975 and 1984 the Government Debt rose from \$4.2 billion to \$21.9 billion. The economy continued to struggle with not only widespread unemployment but also high inflation as wages and prices spiralled higher through wage and price accords. Owen Hembry, "In the Shadow of Think Big", *New Zealand Herald*, 31 January 2011, accessed on 2 November 2016, http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10703096.
180. "NZ commercial policy turned sharply inwards and essentially prohibited imports of goods which were substitutes for goods produced (or likely to be produced) in New Zealand." Ralph Lattimore, *Longrun Trends in New Zealand Industry Assistance*, Motu Working Paper, 03-11 (Motu Economic and Public Policy Research , 2003), 1.
181. Lattimore, *Longrun Trends in New Zealand Industry Assistance*, 2.
182. Brian Easton, *National Development Strategy - Where do the regions fit in* (1983), 1.
183. Plants existed in Auckland, Waikato, Taranaki, Manawatu-Whanganui, Wellington, Nelson and Christchurch.
184. Interestingly in 1898 the producers and exporters of carriages in New Zealand were the first industry to receive economic protection against the importation of cars. This was in the form of licence fees for the importation of cars which could be up to 50% higher than licence fees for a similar locally made horse drawn carriage. Section 12 of the McLean Motor-car Act 1898 (Private) (62 VICT 1898 No2) sets out that in regard to licence fees that "if the weight of the motor-car exceeds two tons unladen, half more" than the fees that apply for carriages of a like class.
185. For an overview of PYE in New Zealand, see "The PYE Story", <http://www.waihi.org.nz/about-us/history-and-heritage/the-pye-story/>.
186. See endnote 72 for a brief overview and discussion of regional "lock in" theory.
187. Michael Bassett, *The Third Labour Government: a personal history* (Palmerston North: Dunmore Press, 1976).
188. See Donald T. Brash, "The DFC failure - lessons for banking supervision", *Reserve Bank of New Zealand Bulletin* 54, no. 1 (1991): 62.