TE TAI ŌHANGA
THE TREASURY

Towards a Living Standards Framework for all Aotearoa

Culture, children and wellbeing

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This paper is part of a series of discussion papers on wellbeing in the Treasury's Living Standards Framework. The discussion papers are not the Treasury's position on measuring intergenerational wellbeing and its sustainability in New Zealand.

Our intention is to encourage discussion on these topics. There are marked differences in perspective between the papers that reflect differences in the subject matter as well as differences in the state of knowledge. The Treasury very much welcomes comments on these papers to help inform our ongoing development of the Living Standards Framework.

Te Kāwanatanga o Aotearoa
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NZ TREASURY DISCUSSION PAPER 21/01

Towards a Living Standards Framework for all Aotearoa: Culture, children and wellbeing

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Executive summary

Purpose of this paper

The Treasury's new *Living Standards Framework* (LSF) was released in a Treasury paper in October 2021.[1] The 2021 version of the LSF (LSF2021) is intended to better reflect children's wellbeing and culture, including being more compatible with te ao Māori and Pacific cultures.

This original proposal paper provides a richer explanation of the rationale for some of the changes in the LSF, drawing from a selective review of the enormous literatures on these topics.

A draft version of this proposal paper was provided to targeted stakeholders for feedback and suggestions at the start of 2021. We then progressively worked towards a final version of the framework with those stakeholders. A such, the final version draws on both the ideas in this proposal paper and the ideas and suggestions of stakeholders. A summary of LSF2021 and the feedback provided is available in the Treasury paper.

The final version of LSF2021 is similar to but simpler than this proposal. Some of the ideas in this paper were considered better treated as optional extras for advanced users of the LSF. Where there are any conflicts between this paper and the Treasury paper, the Treasury paper should be treated as the definitive statement of what the LSF is, at least until it is next updated.

Context for this paper

When the Treasury issued the 2018 version of the LSF (LSF2018), it acknowledged several limitations of the framework. These limitations were identified during engagement on the draft framework but could not be addressed before LSF2018 was issued. In particular, LSF2018 did not adequately reflect the distinctive features of children's wellbeing, Māori wellbeing or Pacific wellbeing, and nor did it fully reflect the importance of culture generally for wellbeing. The Treasury committed to address these limitations in a 2021 revision of the framework.

As part of meeting this commitment, the topics of culture, Māori wellbeing and Pacific wellbeing were considered in standalone discussion papers (Te Puni Kōkiri and The Treasury, 2019; Thomsen, Tavita, & Levi-Teu, 2018; Dalziel, Saunders, & Savage, 2019).

Since 2018, the Treasury has also been working with a group of esteemed Māori thought leaders to develop and test a Māori wellbeing framework, He Ara Waiora. A first version of He Ara Waiora was developed as part of the Tax Working Group process (O'Connell et al, 2018). A second version has now been developed, adding more depth from mātauranga Māori (McMeeking, Kahi, & Kururangi, 2019). The Treasury has begun applying the revised He Ara Waiora alongside the LSF (Cook et al, 2020) and will continue doing so with the aim of better incorporating perspectives from te ao Māori into our work.

[1] https://www.treasury.govt.nz/publications/tp/living-standards-framework-2021

This paper adds a standalone discussion of children's wellbeing to complement the other standalone discussion papers. But the main role of this paper is to consider how these various threads might now be woven together into a new iteration of the LSF that reflects all of them and their inter-relationships. This does not fill all the gaps identified in LSF2018. Natural capital continues to be underdeveloped both conceptually and in its measurement. But it is intended to offer a significant advance on LSF2018.

Purpose of the LSF

Before considering the substance of the topics of culture and children, it is important to be clear on the purpose of the LSF. There are many potential changes that could be made on a substantive or theoretical basis, but any changes also need to be aligned with the three functions that the framework is intended to support:

- wellbeing monitoring
- wellbeing analysis, and
- wellbeing advice.

LSF2018 was modelled closely on the monitoring framework the OECD uses to regularly answer the question '*How's Life?*'. The main purpose of the OECD framework is to identify aspects of wellbeing that a country is relatively stronger or weaker at supporting. For example, the OECD data shows that Aotearoa is one of the strongest countries when it comes to air quality, but one of the weakest when it comes to housing affordability (OECD, 2020).

The Treasury also uses the LSF for monitoring purposes. With the recent passage of the Public Finance (Wellbeing) Amendment Bill 2020, the Treasury now has a responsibility to prepare a report on the wellbeing of the country every four years, with the first report due in 2022. Relatedly, the new Public Service Act 2020 requires all departments, including the Treasury, to produce a regular Long-term Insights Briefing.

It is important, then, that the LSF makes sure that we are 'measuring what matters' to everyone in this country, regardless of age or culture.

But the Treasury also has wider ambitions for the LSF, beyond its role as a monitoring tool. The Treasury's longstanding vision is:

> Lifting living standards for all New Zealanders… It's important that New Zealand's economy supports higher living standards for this and future generations, and that all New Zealanders can play their role in the economy and society. We want New Zealand to be prosperous, and for that prosperity to be sustainable and inclusive.

The LSF is also the Treasury's primary analytical tool for exploring the concepts of prosperity, inclusion and sustainability in more ways than traditional economic tools allow us to. The LSF supports analysts to consider the complex economic, social, cultural and environmental processes that generate and enable wellbeing across time.

The final function of the LSF is to support the Treasury to advise the Government in its role as lead fiscal and economic advisor. This role is inescapably normative. While it is not the Treasury analyst's role to determine what the right thing for government to do is, it is our role to support government to make complex ethical decisions.

As this advisory role is about making recommendations on what the right thing to do is, it takes the LSF beyond the realm of social science and into the realm of ethics as well. In the realm of ethics, the primary question is not just, as per the OECD, 'How's Life?', but rather 'How Should We Live?'[2]

In previous versions of the LSF, the Treasury has drawn on utilitarianism as applied in welfare economics, as well as the capability approach, to answer this question. In this paper I open up the discussion to consider other ways to answer the question of how we should live, including ways grounded in Māori and Pacific ethics, the consideration of children's rights, and through institutional design and policy processes that support democratic self-determination.

Reflecting Māori, Pacific and other cultures in the LSF

Aotearoa is a bicultural society that benefits from rich cultural heritages from both Polynesia and Europe, as well as its own Māori and Pākehā histories. The policy relevance of this bicultural heritage is constitutional in nature, given the imperatives in the Treaty for the two political cultures of rangatiratanga and kāwanatanga to operate in partnership with each other.

High rates of inward and outward migration, intermarriage, and transnationalism, and growing acceptance of diverse personal identities based on markers such as gender, sexuality, age, disability and class mean that Aotearoa is also 'superdiverse' and becoming more so. These diverse cultural heritages provide meaning to people's lives and organise the way people relate to themselves, each other and the natural world.

This diversity of cultures is reflected in a growing number of specialised frameworks to consider the wellbeing of particular population groups,[3] and the geographical intersection of multiple population groups (such as the Waikato Wellbeing Project).

I argue that the LSF should be used alongside these more specialised frameworks wherever possible, rather than attempting to subsume them into a single master framework. It is particularly important to use He Ara Waiora as a complement to the LSF, given the Crown's Treaty obligations.

Many of the suggested changes to the LSF are designed to make the framework sit more comfortably alongside these specialist frameworks. They are also designed to encourage dialogue between people with different cultural backgrounds and areas of expertise, by emphasising culture as a dynamic and relational process that happens as much between as within specific cultures.

As part of this, it is important to acknowledge that Pākehā culture is a culture like any other,[4] not a neutral or normative category to which 'cultures' are the exception. Similarly, it is important to acknowledge that the LSF does not transcend culture, but rather represents a knowledge system of the long-standing cultural tradition loosely described as 'western', and of which Pākehā culture is one recent strand.

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[2] I take this phrase from the title of a recent New Zealand book about ethics. The question is particularly associated with Socrates.

[3] Such as Lalanga Fou for Pacific Peoples, He Ara Waiora for Māori, the Gender Analysis Tool, and the Child Impact Assessment Tool.

[4] And like all cultures, Pākehā culture is not monolithic but contains significant diversity within it.

Given this, I suggest incorporating culture into the framework in the following five ways.

Allowing for multiple definitions of wellbeing

I propose a pluralistic approach to defining wellbeing that reflects the different ways that wellbeing is conceived of in various cultures that have a home in Aotearoa. Such an approach would allow for various approaches to defining collective wellbeing (such as from a Māori, Pacific, Confucian, feminist or communitarian perspective), as well as various approaches to defining individual wellbeing (such as hedonistic, preference satisfaction and objective list approaches, or combinations thereof such as the capability approach).

Redefining the capital stocks

Culture is more than just a resource, but it is an important form of wealth that needs to be captured in the framework.

To capture culture as a productive resource, I support the suggestion in the paper by Dalziel et al (2019) to redefine each of the capitals to incorporate culture, rather than adding a 'cultural capital'. This approach allows for the fact that there are cultural aspects to all the capitals. For example, Dame Anne Salmond and Sir Mason Durie form part of the nation's human capital but are also important cultural figures. Similarly, a historical site like the Wairau Bar is part of both our natural capital and our cultural capital as a country, and an organisation like the RSA contributes to both our social and cultural capital.

Expanding the cultural identity domain

LSF2018 includes cultural identity as one of the 12 domains of wellbeing. I support the many submissions on the Dalziel et al paper that argue this is too narrowly conceived. I suggest that the domain be reframed as 'cultural capability and belonging'.

I suggest this domain be interpreted as a two-way connection between an individual and the culture(s) they belong to. Having the ability to participate in one's culture(s) creates a sense of belonging and an ability to access and use the accumulated wisdom of one's culture(s), and so benefits an individual. But participating in a culture also benefits the culture and is a key part of sustaining it. For example, being able to speak a particular language, such as Samoan, benefits the individual, but also benefits other Samoan-speaking individuals, now and in the future, by keeping the language alive.

This relational view of culture and identity better aligns the LSF with He Ara Waiora, particularly the concepts of Mana Tuku Iho (belonging and identity) and Mana Tauutuutu (reciprocity). A relational view accepts that belonging to a culture creates benefits and costs, rights and responsibilities that need to be kept in balance. In an inter-cultural context, such as that faced by 'superdiverse' Aotearoa, membership of any culture also includes a responsibility to ensure that one's culture is facilitating the wellbeing of everyone that calls this place home.

Adding institutional structures

I propose adding a new layer to the framework that captures the various kinds of institutional structure that we organise our society through, including families, whānau, NGOs, churches, iwi, firms, and government. This proposal would help extend the framework beyond its current use as primarily a monitoring tool and support the Treasury's ambition to use it as an analytical and policy tool.

From a traditional economic perspective, adding institutions prompts the analysis of how the capital stocks are distributed across various actors, how they are using the capital stocks and how that affects patterns of productivity, savings, investment, market competitiveness, distribution of income and so on. The institutions also highlight the distinctive roles different actors in society have in generating wellbeing.

But these structures also help incorporate culture(s) into the framework, in several ways:

- Many culturally significant objects, places, and intangible features are owned, managed or protected by various institutions, including: Galleries, Libraries and Museums, such as Te Papa; Departments, such as the Department of Conservation; iwi and other Māori organisations; Non-Governmental Organisations, such as Heritage NewZealand; and bespoke governance bodies, such as Ngā Tāngata Tiaki o Whanganui Trust. Including these institutions in the framework invites analysis of how well they are protecting aspects of our culture(s) for future generations, and any limitations in or constraints on their capability to do so.

- Many of these social structures, such as family and whānau, can be collectively well or unwell. Adding these structures helps locate the concept of collective wellbeing in the framework, to sit alongside individual wellbeing as currently captured. Encouraging analysis of both collective and individual wellbeing helps make the framework more sensitive to the diversity of cultural perspectives on wellbeing in this country. Adding collectives helps align the framework with the division of Ira Tangata (the realm of people) in He Ara Waiora into the levels of He Tangata (individuals) and He Kāinga (groups/communities).

- The organisational culture of each firm, NGO, government agency etc can facilitate wellbeing both directly (such as through providing safe, meaningful employment) and indirectly (such as through enabling the use of capital stocks to efficiently produce goods and services for consumption). Adding institutions encourages the consideration of how well each organisation is contributing to the wellbeing of its members and others.

- Culture(s) are constantly contested, both within each culture and between cultures, and formal organisations play a major role in this ongoing process. For example, how history should be taught and remembered is an ongoing topic of debate that is contested by school boards, local councils, academics, teachers' unions, iwi and many actors in civil society, including the media. Adding institutions to the framework invites analysts to consider culture(s) in a dynamic, rather than static or essentialised, way.

Allowing for multiple approaches to ethical reasoning

The final way I suggest incorporating culture into the framework is by making overt the implicit ethical foundations of the LSF, and by encouraging consideration of a range of ethical values and concepts from the liberal philosophical tradition, te ao Māori, and other cultural traditions that have a home in Aotearoa. I particularly encourage consideration of the diverse rights and responsibilities held by individuals and collectives. These rights are an important type of institution that would sit in the new intermediate level of the framework.

LSF2018 is based on a combination of utilitarianism and the capabilities approach. While both approaches are useful for policymaking, I argue in this paper that neither is sufficient to capture the full range of ethical values relevant to policy making, both those from the liberal tradition (such as human rights), and those from te ao Māori and other cultural traditions (such as manaakitanga).

I argue throughout the paper that the LSF can support policy advisors to do so by encouraging the use of normative tools and values from a variety of cultural traditions. Embracing normativity would also help the LSF work better alongside He Ara Waiora, which directly includes tikanga principles that are central to Māori ethics.

Reflecting children's wellbeing in the LSF

Several of the proposed changes to incorporate culture would also help reflect children's wellbeing. For example, including rights and responsibilities in the framework encourages consideration of what rights children have under the United Nations Converntion on the Rights of the Child and domestic legislation, what responsibilities these rights place on actors such as parents, families, whānau and schools to protect these rights, and whether these actors have the capability to fulfil these responsibilities.

In addition, I propose incorporating children's wellbeing into the framework by revising the 12 wellbeing domains in three different ways. The first way is to reframe each domain so that it captures the wellbeing of both adults and children wherever possible. For example, I suggest recasting the 'social connection' domain as 'family and friends' to capture the centrality of love and attachment to children's wellbeing.

The second way is by revising the wellbeing domains to take a developmental approach that emphasises the importance of, for example, nutritious food, play and physical activity for the healthy development of a child. These flows of experience represent wellbeing in the now for a child but are also the basis for her wellbeing across the lifecourse.

The third way is adopting a relational approach to defining the wellbeing domains. This recognises that, for children to be well, adults in their lives need the capability to do well by them. Children's wellbeing results in large part from the other-regarding choices that adults make for the benefit of children.

This relational conception of wellbeing connects to the concept of Mana Āheinga (aspiration and capability) in He Ara Waiora. It also helps develop the intergenerational aspect of the LSF by encouraging consideration of how the distribution of individual resources in one generation affects the developmental experience and subsequent capabilities of the next generation.

These conceptual changes are reflected in revised domain names, definitions, or both. I also make a number of other tweaks to the domains to better reflect children's wellbeing as captured by the Child and Youth Wellbeing Strategy, as well as what children and young people themselves identify as important to them, as shown in work by the Children's Commissioner. A summary of the proposed changes to the 2018 wellbeing domains is provided below in Table 1.

Table 1: Proposed LSF2021 wellbeing domains

2018 Domain name	Proposed 2021 domain name	Proposed 2021 definition
Health	Health	Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality such as eating well and keeping active.
Knowledge and skills	Knowledge and skills	Having knowledge and skills appropriate to one's life stage and continuing to learn through formal and informal channels.
Cultural identity	Cultural capability and belonging	Having the language, knowledge, connection and sense of belonging necessary to participate fully in one's culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.
Jobs and earnings	Work, care and volunteering	Directly or indirectly producing goods and services for the benefit of others, with or without compensation.
Civic engagement and governance	Engagement and voice	Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.
Income and consumption	Income, consumption and wealth	Using income or in-kind transfers to meet today's needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance, and public insurance (the social safety net).
Housing	Housing	Having a place to call home that is healthy, suitable, affordable and stable.
Environment	Environmental amenity	Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.
Time use	Leisure and play	Using free time to rest, recharge, and engage in personal or shared pursuits.
Social connections	Family and friends	Loving and supporting close friends, family and community members, and being loved and supported in turn.
Safety	Safety	Being safe from harm and the fear of harm, and keeping oneself and others safe from harm.
Subjective wellbeing	Subjective wellbeing	Being satisfied with one's life overall, having a sense of meaning and purpose, feeling positive emotions such as happiness and contentment, and not feeling negative emotions.

Other proposed changes to the LSF

I also propose three other changes to the framework that are largely unrelated to the review topics of children and culture. These changes are to address concerns raised by stakeholders and other conceptual challenges that emerged during the course of the review.

Clarifying the distinction between the capitals and the wellbeing domains

In the 2011 version of the LSF, the capitals were described as the stocks and the wellbeing domains as the flows that these capital stocks facilitate. In the 2018 version of the LSF, a further distinction was made between the capitals as representing future wellbeing, and the wellbeing domains as representing current wellbeing.

Problems have emerged as we have operationalised these distinctions in the application of LSF2018. I propose resolving these problems by adopting an alternative distinction, between the microeconomic and macroeconomic levels of analysis.

In this proposal the wellbeing domains would capture the microeconomic distribution of advantage and life circumstances across individuals and groups, and the various aspects of our national wealth would capture the macroeconomic aggregation of our wealth across the whole country, including wealth held by individuals, partners, and institutions.

This distinction helps clarify the partial overlap between the wellbeing domains and our national wealth, because macroeconomic phenomena are typically aggregates of microeconomic phenomena. For example, the LSF Dashboard includes a measure of educational achievement under both human capital and the knowledge and skills domain. This makes sense because our aggregate human capital is simply the sum of the individual human capital embodied in each member of our country.

The micro/macro distinction helps clarify that there are stocks and flows at all three levels of the framework, and that each level is relevant to both current and future wellbeing. At the micro level of the framework, individual knowledge, skills and resources are *personal* stocks that contribute directly to the wellbeing of an individual or group. These resources are the basis of their current wellbeing but also the future wellbeing of the individual or group, particularly from a life-course perspective. These resources can accumulate or deteriorate over time based on flows of investment and can also be used to generate flows of experience that constitute wellbeing.

At the meso level of the framework, organisations hold stocks of wealth that they then use to pursue their objectives. For example, firms use physical capital to produce goods and services in the pursuit of profit.

At the macro level of the framework, the four aspects of our wealth are themselves our *national* stocks, but these are subject to flows of investment, depreciation, deterioration and waste. These stocks contribute to the current wellbeing of the country. Sustaining these stocks is also important for long-term wellbeing, particularly of future generations.

Disaggregation of financial and physical capital[5]

One of the four capitals in LSF2018 is titled financial and physical capital, but it really consists of three distinct parts: physical capital, financial capital, and other kinds of intangible capital such as intellectual property. We have combined these three distinct types of assets into a single category ever since the original 2011 LSF, in line with the approach taken by the OECD, World Bank and others. The OECD refers to this category as 'Economic capital', reflecting that these are the types of assets that are best accounted for in traditional measurement frameworks for the economy, particularly the System of National Accounts. We have chosen a different title to avoid the implication that other types of capital are non-economic.

Through engagement on an earlier draft of this paper, we received feedback suggesting we disaggregate this capital into its three separate parts. I propose we adopt this suggestion for three reasons. First, financial, physical and intangible capital are conceptually distinct and not substitutable for one another. Each plays an important but very different role in the economy. Second, the title of financial and physical capital disguises the vital and growing role that intangible and knowledge-based capital such as programming code plays in our economy, particularly the digital part of the economy. And third, given the proposal to treat culture as underlying all aspects of our national wealth, disaggregating this capital helps clarify the distinct relationship between culture and each of the three subcategories of assets.

Treatment of the environment

One theme in the feedback on LSF2018 was that it inadequately reflected the role that the environment plays in sustaining wellbeing, and similar feedback has been offered again in this refresh process, even though the environment was not in scope. Comprehensively addressing this issue awaits a future iteration of the LSF, but in this refresh I propose making two relatively minor changes to address some of the biggest concerns.

The first is to clarify the relationship between natural capital as an aspect of our national wealth and the environmental amenity wellbeing domain. In line with the general macro/micro distinction between the capitals and the domains, I propose that we conceive of natural capital as comprising the whole environment and all of its direct and indirect value for humans, and that environmental amenity captures that subset of ecosystem services and amenity from the built environment that directly benefits individuals and communities in a particular place.

[5] In the final version of LSF2021, it was decided to continue treating these as a single category for the sake of simplicty, continuity, and consistency with the OECD.

The second proposal is to acknowledge that different cultures in this country treat the environment and its value in different ways. The most important point of difference is the extent to which the environment has intrinsic value, and what parts of the environment have intrinsic value. Everyone acknowledges that the environment is instrumentally beneficial to humans, but individuals and groups differ significantly on whether to attribute value only to sentient or social animals, animals generally, all life, or all parts of the environment, living and non-living. Although it is not for the Treasury to adjudicate on fundamentally philosophical issues such as this, as part of incorporating culture and cultural difference into the LSF I propose we amend the definition of natural capital to hold that it can have different value according to different cultural perspectives.[6]

Next steps

This paper and the accompanying Treasury paper represent the end of the conceptual phase of the 2021 refresh. The next step in the process is to select indicators for an upgrade of the LSF Dashboard. This will then be used to support the development of the Treasury's first Wellbeing Report in 2022, as required under recent amendments to the Public Finance Act.

Beyond that there are no plans to refresh the LSF again in the foreseeable future. However, given our iterative approach to the LSF over the last decade, I am sure the framework will be further developed at some point in the future, perhaps with a focus on the natural environment. To those who next take up leadership of the LSF, I wish you the very best of luck!

[6] To emphasise this point, in the final LSF2021 the Treasury also decided to exchange the language of 'natural capital', which implies a primarily instrumentalist view of nature's value, for the more general language of the 'natural environment'. Alongside this decision, social capital was renamed 'social cohesion' and human capital was renamed 'human capability'.

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1 Introduction

1.1 Purpose of this paper

The Living Standards Framework (LSF) was first issued in 2011 (The Treasury, 2011). It was reissued in a new form in 2018 (The Treasury, 2018), along with an accompanying dashboard of indicators. The 2018 framework has a number of strengths. It provides a richer picture of economic performance than traditional economic indicators allow for. It allows for ready international comparisons. And it is grounded in empirical research about what tends to improve the self-reported wellbeing of individuals. All this makes it useful for big picture, 'how's life' type assessments to help governments set their policy agenda and choose where to prioritise their efforts.

At the same time, when it issued the current framework the Treasury (2018) acknowledged the framework's limitations and committed to addressing them. One important limitation is that the LSF, in being so aligned to international frameworks, is not sufficiently attuned to the specifics of this country, of its history, its people and its cultures. Another important limitation is that the 2018 framework largely bypasses the distinctive features of children's wellbeing.

Some of these limitations have been considered in standalone LSF discussion papers on wellbeing in te ao Māori (O'Connell et al 2018), wellbeing in Pacific cultures (Thomsen, Tavita, & Levi-Teu, 2018), wellbeing in Asian cultures (Yong, 2018), and culture generally (Dalziel, Saunders, & Savage, 2019). While children's wellbeing has not been directly addressed by the Treasury, our colleagues in the Department of Prime Minister and Cabinet and elsewhere across government have recently developed a whole-of-government strategy for children's wellbeing (NZ Government, 2019).

This paper is an attempt to weave these various strands together, as well as a few more strands I develop along the way. In this paper, I offer a picture of how the 2021 framework might reflect the wellbeing of everyone who belongs to this place, young and old, Pākehā and non-Pākehā alike. I use the phrase 'all Aotearoa' rather than 'everyone in Aotearoa' to reflect that many of our citizens live in other countries, many people who live here are not citizens or permanent residents, and that people in Aotearoa have close kinship links with people living elsewhere, particularly in the Pacific.

1.1.1 Connection with He Ara Waiora

In this paper I consider culture primarily through the lenses of biculturalism, inter-culturalism and the Treaty. This view complements the previous discussion papers that focused on the distinctive perspectives of specific cultures, namely Māori culture, Pacific cultures and the very many Asian cultures, and those focused more narrowly on the 'cultural sector' of the economy.[7]

Having said that, I do emphasise throughout the need for policy advisors who are applying the LSF to understand the distinctive features of each culture. I emphasise the need to consider how similar concepts are expressed differently in different cultural contexts, and to understand where different cultures diverge in emphasis or in key features. In particular, the Crown's Treaty obligations give it a special responsibility to, among other things, understand and protect Māori culture, and to work in partnership with Māori to help Māori thrive *as* Māori.

To that end, the Treasury has been working with a group of esteemed thought leaders in te ao Māori to develop and test a wellbeing framework grounded in mātauranga Māori. This framework, called He Ara Waiora, is an evolution of work originally undertaken by the Tax Working Group. The Treasury intends for He Ara Waiora and the LSFto be used alongside each other as two complementary frameworks.

For those readers primarily interested in seeing how the Treasury is incorporating mātauranga Māori into its work, I recommend reading McMeeking et al (2019) before this paper. I refer to He Ara Waiora concepts throughout this paper, but it does not provide a comprehensive review or explanation of He Ara Waiora. This paper focuses on how the LSF can be evolved to reflect and complement He Ara Waiora, as well as other culture-specific frameworks, such as Lalanga Fou, Nga Vaka o Kāiga Tapu and so on.

1.1.2 What conversation are we having when we talk about wellbeing?

When the Treasury refreshed its LSF in 2018, it issued four papers, each titled 'The start of a conversation about the value of New Zealand's (…) capital', with the four papers referring to respectively natural, human, social, and financial/physical capital. This paper joins the four conversations started by those papers. It also joins many other conversations that have been taking place locally, nationally and internationally, many of them for significantly longer than three years. All these conversations use the general language of wellbeing as an entry point into exploration of more specific issues.

Much of the Treasury's work on the LSF over the past couple of decades is an outgrowth of a conversation within the economic profession that dates back to at least the 1980s. At a microeconomic level, this wellbeing conversation is about the balance of effort within economics between exploring, on the one hand, how to maximise the realisation of individual preferences, particularly through market-based production, exchange and consumption, and, on the other, how to maximise individual subjective wellbeing, including via non-market phenomena such as social connections. This conversation brings neoclassical economics into dialogue with psychology, particularly positive psychology, cognitive psychology and social psychology.

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[7] The scare quotes are added because on a broad understanding of culture such as that of Joseph Henrich (2015), all human activity is cultural, so all economic activity is too.

At a macroeconomic level, the wellbeing conversation within the economic profession is about how to conceive of and measure a country's 'economic performance'. At this level, the conversation is about the balance between understanding, on the one hand, the determinants of growth in metrics such as Gross Domestic Product and Net National Income and, on the other, the determinants of alternative national indices (such as Green GDP and the Human Development Index) that can better account for how well a country is supporting the wellbeing of individuals now and in the future than more conventional metrics. This conversation brings neoclassical economics into dialogue with various fields including development studies and environmental science.

This conversation among economists is partly motivated by a related conversation among ethicists and political philosophers, particularly those working on a recent manifestation of the liberal ethical tradition: the capability approach. In this conversation Amartya Sen, Martha Nussbaum and others have brought neoclassical economics back into dialogue with political and ethical theory, particularly through reminding economists of the original 18th-century basis of economic analysis in utilitarian ethics.

Utilitarianism is the main variety of consequentialist ethics. Consequentialists believe the right thing to do is that which brings about the best consequences. Under utilitarianism the consequence that matters is individual 'utility'. Wellbeing in this conversation is defined as what is good for individuals, with the right thing to do (and the right public policy) generally considered to be the one that produces 'the greatest happiness for the greatest number'. Much of the technical machinery of welfare economics, public economics and public policy analysis is based on this premise.

Scholars in the capability approach take issue with the reduction of all that matters for ethics and policy making to individual utility or wellbeing. In their formulation, what is of primary moral importance is people's real opportunities to do and be what they have reason to value. This formulation includes wellbeing as conceived by utilitarians, but also incorporates other values such as freedom, agency, and human dignity.

The capability approach is, in turn, part of the far wider conversation that is the field of ethics. Ethics is concerned with the more general question of, to quote the title of a recent book edited by New Zealand ethicist Stephen Chadwick, *How Should We Live?* In exploring this question, ethics places wellbeing alongside other values such as duty, virtue, freedom and equality.

The question of how we should live can be disaggregated into many more detailed questions, such as:

- How should we relate to each other?
- How should we relate to the environment?
- What do we owe to future generations?
- How should we raise our children?

These types of questions are of major importance to Māori ethics. The same types of questions that have exercised minds in the western tradition that Pākehā are inheritors of, going back to at least the Greeks, have also been explored for centuries in an ongoing conversation within Māoridom and its cultural forebears across the Pacific. In this conversation there is much less distinction between collective and individual wellbeing than in the liberal tradition, much less distinction between the human and environmental realms, and much less distinction between what is 'good for' individuals and what the 'right way to live' is.

Another long-standing conversation, going back at least to Te Pahi and Ruatara's discussions with Samuel Marsden in Parramatta, is about the similarities and differences between Māori and non-Māori values and knowledge systems. More recently, this conversation has focused on how both Māori and non-Māori values and knowledge can be incorporated into the business of a Crown that is committed to restoring a Treaty partnership that the Crown, in our colonial history, has done much to damage.

In recent decades immigration from first the Pacific, then more recently Asia and elsewhere in the world, has added to this bicultural, Treaty-based conversation about wellbeing an increasing number of other cultural traditions, values and ethical frameworks. This broader inter-cultural conversation is about several issues, including the nature of wellbeing as defined in different cultures, the challenge of keeping multiple cultures in a single society strong as a prerequisite to the wellbeing of members of all those cultures, how to manage tensions and conflicts between cultures, and about the implications of each culture for what should be done by government or others to improve wellbeing or pursue other goals.

Finally, these general conversations about wellbeing are reprised in many more specific contexts. For example, many regional and local councils have been actively considering what wellbeing means in their area, how to measure progress, and what role different actors have in supporting wellbeing, particularly since the reintroduction of the 'four wellbeings' to the Local Government Act 2002. Similarly, groups such as the disability community and rainbow community have been actively discussing the meaning of and means to wellbeing for their communities for many years.

The topics of children's wellbeing and culture could be explored within any of these conversations. In this paper I build out from the Treasury's traditional focus on economics, to start exploring how to connect the LSF to these broader conversations about ethics, biculturalism and inter-culturalism. This approach widens the frame beyond a sole focus on questions about how to define and measure wellbeing, to include additional questions about the cultural, economic, institutional and other prerequisites for a society in which individuals and collectives can be well according to their own lights.

1.1.3 Structure of this paper

This is a long paper that covers a lot of ground. Different readers will be interested in different parts of it. I briefly sketch the structure here so that readers can skip to the sections relevant to their interests:

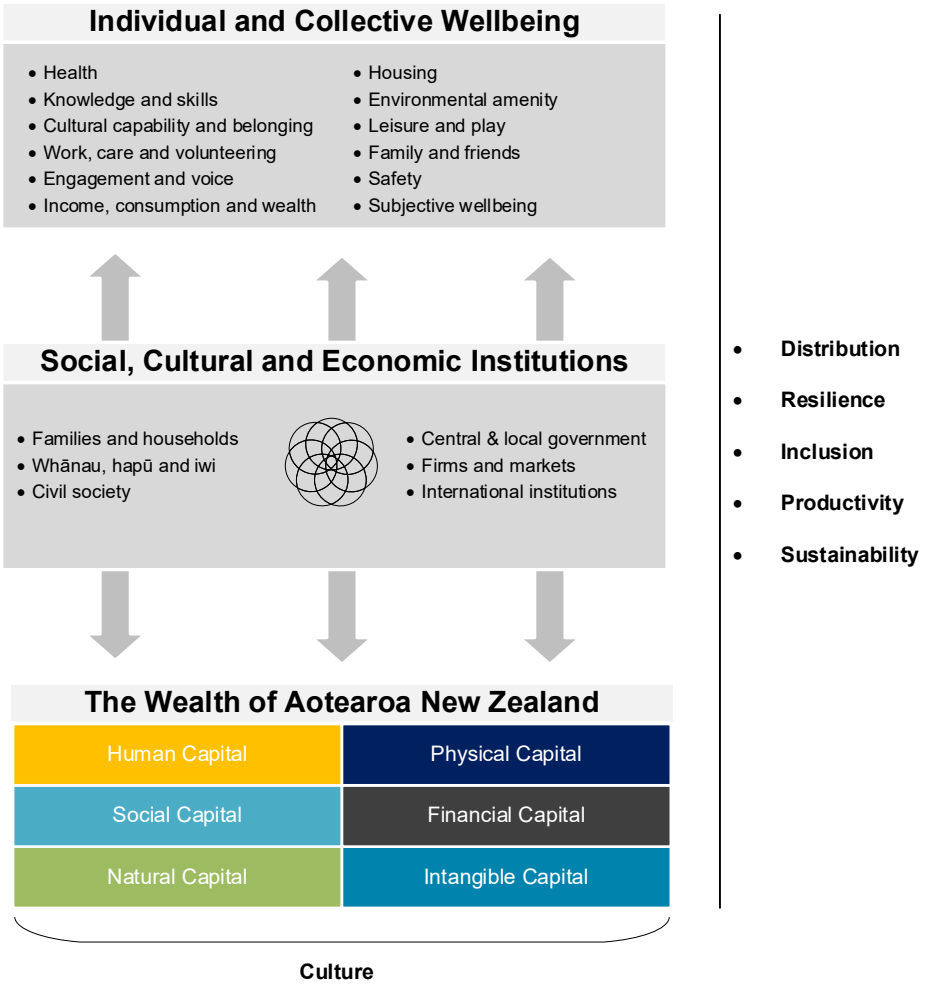
- Section 2 explains all the proposed changes to the LSF in one place and how they relate to each other. In the remainder of the paper, I then more systematically explore the range of issues underpinning the proposed changes, building them up piece by piece.
- Section 3 explores the core concepts of culture, wellbeing and childhood, exploring different ways in which they can be defined.
- Section 4 explores how the concept of culture might modify how we conceive of wellbeing.
- Section 5 explores how we might capture the distinctive aspects of child wellbeing into the framework.
- Section 6 discusses the processes by which wellbeing and culture are created, and how the proposed addition of a middle layer to the framework might help capture these.

2 Evolving the LSF: a proposal

This section summarises the proposed changes to the framework in a pithy way, before reprising the same content in much more depth over the remainder of the paper. There are four main proposed changes to the LSF and one clarification:

- refining the definition of wellbeing to include collective wellbeing and to better reflect both culture and the distinctive feature of children's wellbeing
- adding institutions to the framework
- amending the capitals to reflect culture and clarify their relationship with the wellbeing domains, and
- revising the analytical prompts and clarifying the normative foundations of the framework.

Figure 1: Proposed LSF2021



2.1 Refining wellbeing

The first proposed change is to refine the way wellbeing is defined in two ways, by:

- adopting a pluralist approach to wellbeing, including by adding collective wellbeing, and
- revising the definition of the wellbeing domains.

2.1.1 Collective wellbeing

Wellbeing is a concept with multiple definitions. Different individuals, groups and cultures in this country define the ultimate nature of wellbeing in different ways, and I propose it is not for the Treasury to dictate that one conception of a well-lived life is better than any other.

Wellbeing can be understood as being about the lives of individuals, collectives, or both. People in our country have different values, with some people being more individualistic and others being more collectivist in outlook. Because the Treasury, under the Public Service Act, is responsible for serving the New Zealand public in all its diversity, our framework captures both meanings of wellbeing. Examples of collectives that can be well or unwell include:

- kin-based groups such as families, whānau and hapū
- communities of place, such as Levin or Horowhenua
- communities of identity, such as Pacific Peoples, and
- communities of interest, such as farmers.

A thin definition of collective wellbeing is simply aggregate individual wellbeing. A thicker definition includes the concept of relational interdependence between people. The thickest definitions, such as in He Ara Waiora, include relationships with nature and the spiritual realm.

A more detailed discussion of the various ways in which wellbeing can be defined is available in section 3.3.

2.1.2 Domains of wellbeing

Under the pluralist approach I propose, the 12 domains of wellbeing do not define what wellbeing is. Rather, they reflect aspects of our lives that research and public engagement over many years have shown are important for wellbeing in some way, without claiming to be an exhaustive or definitive list, or precise about their relationship with wellbeing. Different individuals and groups will value some domains more highly than others, and there are additional domains that are important to wellbeing of some people that are not captured here.

More technically, the 12 domains are a mix of resources and ‘functionings’. Resources are primarily goods and services, such as food, housing and education services. The word ‘functionings’ comes from the capability approach, which is one of the many approaches to defining wellbeing. Under the capability approach, what is of primary importance is the substantive freedom (capability) of people to be and to do what they value and have reason to value. The ‘beings’ and ‘doings’ are together described as ‘functionings’. Resources and functionings are related because the goods and services we have available to use partly determine what we can be and do.

I propose retaining the basic structure of the 12 domains, but refining the definition of each to better reflect the wellbeing of children, a relational view of wellbeing, and the wider role of culture in our identity. A more detailed discussion of the changes is available in section 5.3.

Table 1: Proposed LSF2021 wellbeing domains

2018 Domain name	Proposed 2021 domain name	Proposed 2021 definition
Health	Health	Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality such as eating well and keeping active.
Knowledge and skills	Knowledge and skills	Having knowledge and skills appropriate to one's life stage and continuing to learn through formal and informal channels.
Cultural identity	Cultural capability and belonging	Having the language, knowledge, connection and sense of belonging necessary to participate fully in one's culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.
Jobs and earnings	Work, care and volunteering	Directly or indirectly producing goods and services for the benefit of others, with or without compensation.
Civic engagement and governance	Engagement and voice	Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.
Income and consumption	Income, consumption and wealth	Using income or in-kind transfers to meet today's needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance, and public insurance (the social safety net).
Housing	Housing	Having a place to call home that is healthy, suitable, affordable and stable.
Environment	Environmental amenity	Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.
Time use	Leisure and play	Using free time to rest, recharge, and engage in personal or shared pursuits.
Social connections	Family and friends	Loving and supporting close friends, family and community members, and being loved and supported in turn.
Safety	Safety	Being safe from harm and the fear of harm, and keeping oneself and others safe from harm.
Subjective wellbeing	Subjective wellbeing	Being satisfied with one's life overall, having a sense of meaning and purpose, feeling positive emotions such as happiness and contentment, and not feeling negative emotions.

2.2 Adding institutions

I also propose adding a middle layer to the LSF, that of the institutional structures that mediate our wealth and our wellbeing. These institutions are depicted in Figure 2. There are three main reasons I propose giving institutions and governance more prominence in LSF2021.

The first is to reflect the priority development areas of children and culture. One criticism that has been made of the LSF and wellbeing analysis generally is that it might be seen to imply that the responsibility for improving the wellbeing of everyone primarily sits with government. Adding the institutional spheres helps address this criticism by encouraging analysts to consider what the appropriate role of government is vis-à-vis other institutions in any given policy context. For example, the wellbeing of children is primarily a matter for families and whānau, and the government's role is often indirect, supporting children via supporting families. And for the wellbeing of Māori, Pacific Peoples and other groups, the appropriate role for government is often one of supporting, partnering with, or simply leaving be institutions such as marae, runanga, churches, community associations and so on.

The second reason reflects the framework's primary role as a policy framework rather than a monitoring framework. The whakapapa of the LSF includes many frameworks that have been designed primarily as measurement and monitoring frameworks, such as the OECD How's Life? framework, the World Bank's Inclusive Wealth Framework, and MSD's Social Report framework. For a monitoring framework, it is sufficient to measure outcomes, such as whether a wellbeing domain is improving, staying stable or deteriorating. But for a policy framework, it is also necessary to consider what choices are available to improve those outcomes over time.

For policy analysis, the institutional layer encourages consideration of, among other things:

- how institutional settings might be expanding or constraining the choices available to individuals and collectives[8]
- what choices are being made by individual and group agents and whether those choices are consistent with the wellbeing of current and future generations, and
- what choices are available to government to, for example, work with other actors or influence the choices being made by them.

The third reason we have given institutions more prominence is to better incorporate the topic of resilience into the LSF. Resilience to stresses and shocks has long been part of the LSF, but it has not always been clear how this has related to the wellbeing domains and capitals. As the recent experience with the COVID-19 pandemic has illustrated, strong institutions improve our ability as a society to absorb the costs of unexpected events and adapt quickly to changing circumstances in order to sustain our wellbeing and wealth in the face of crisis.

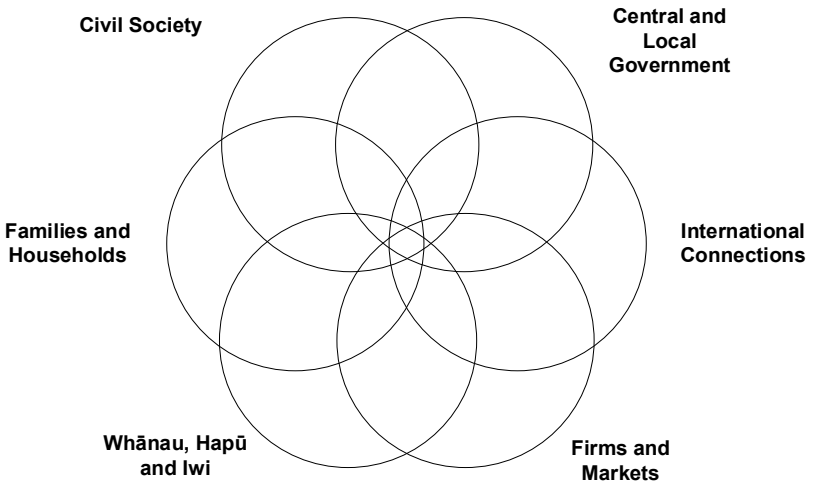
[8] More formally, institutions can be considered a major type of conversion factor that affects the capability of individuals and collectives to make best use of their resources and internal capabilities.

The term institutions refers to formal rules, informal norms, and the formal and informal organisations those rules and norms are embedded within. Government institutions are just one type of institution. For example, family is another kind of institution, and each specific family has its own rules and norms.

Our institutions are closely involved in our self-governance as a democratic society. The term governance refers to collective decision making and is likewise distributed across society, with central and local government providing just one type of decision making. To continue the example, each family exerts its own type of governance over itself, which it performs by creating, maintaining and managing its own rules and norms. Each family, firm, NGO and so on can thus be considered a regulatory centre, and the overall governance of society as 'polycentric' in the sense of having many regulatory centres. These centres are connected in a dense network of interactions and overlapping influence over rules and norms, in a phenomenon known in the public policy literature as 'network governance'.

I capture this idea of overlapping governance with the stylised diagram in Figure 2. While the true number of overlapping institutions is a very large and unknowable number, it is useful to think about the relative role of six institutional spheres. A more detailed discussion of the distinct role of each institutional sphere in building and sustaining our wealth and wellbeing is provided in section 6.

Figure 2: The institutional spheres



2.3 Amending the capitals

I propose amending the definition of each of the capitals to reflect the role of culture in each. Culture is something that can be defined in multiple ways. In its broadest conception, it inheres in almost everything humans do and everything we value. Given the high degree of overlap between culture and everything else, I suggest it makes sense to treat culture as underpinning, rather than as a separate cultural capital. The proposed definitions of the capitals are provided in Table 2. I also propose separating out the three subcomponents of financial and physical capital into distinct capitals: financial capital, physical capital, and intangible capital. This helps emphasise the quite different role each type of wealth plays in sustaining our wellbeing, as well as the quite different ways in which culture underpins each type.

The rationale for redefining the capitals to capture culture is discussed in more detail in section 4.1.3.

Table 2: Proposed LSF2021 capitals

Capital	Proposed 2021 definition	2018 definition
Natural capital	All aspects of the natural environment which support life and human activity, whether valued for spiritual, cultural or economic reasons.	All aspects of the natural environment needed to support life and human activity.
Human capital	People's knowledge, physical and mental health, including cultural capability.	People's knowledge, physical and mental health – human capital enables people to fully participate in work, study, recreation and society.
Social capital	The willingness of diverse individuals and groups to trust and co-operate with each other in the interests of all, supported by shared inter-cultural norms and values.	The social connections, attitudes, norms and formal rules or institutions that contribute to societal wellbeing by promoting the resolution of collective action problems among people and groups in society.
Physical capital	Tangible, man-made assets, such as buildings, machinery and infrastructure, including physical taonga such as marae.	The country's physical, intangible and financial assets that have a direct role in supporting incomes and material living conditions.
Financial capital	Financial assets minus liabilities, including currency, bank deposits, loans and equity.	
Intangible capital	Intellectual property assets, such as research and development, software and databases, arts and literature and intangible taonga such as tikanga.	
Culture	Our accumulated heritage from our ancestors, including knowledge systems, values and beliefs, and their manifestations in objects, practices and concepts. Culture is present in all the other aspects of our wealth.	-

I also propose clarifying the relationship between the wellbeing domains and our national wealth. In the 2011 version of the LSF, the capitals were described as the stocks, and the wellbeing domains as the flows that these capitals facilitate. In the 2018 version of the LSF, a further distinction was made between the capitals as representing future wellbeing, and the wellbeing domains as representing current wellbeing.

Problems have emerged as we have operationalised these distinctions in the application of LSF2018. I propose that a more useful distinction between the wellbeing domains and our national wealth is a distinction between the microeconomic and macroeconomic levels of analysis.

The wellbeing domains capture the microeconomic distribution of advantage and life circumstances across individuals and groups, and the four aspects of our national wealth capture the macroeconomic aggregation of our wealth across the whole country, including wealth held by individuals, partners, and institutions.

This distinction helps clarify the partial overlap between the wellbeing domains and our national wealth. For example, the LSF Dashboard includes a measure of educational achievement under both human capital and the knowledge and skills domain. This makes sense because our aggregate human capital, or capability, is simply the sum of our individual human capability.

The micro/macro distinction helps clarify that there are stocks and flows at all three levels of the framework, and that each level is relevant to both current and future wellbeing. At the micro level of the framework, individual knowledge, skills and resources are *personal* stocks that contribute directly to the wellbeing of an individual or group. These resources are the basis of their current wellbeing but also the future wellbeing of the individual or group, particularly from a life-course perspective. These resources can accumulate or deteriorate over time based on flows of investment and can be used to generate flows of experience that also constitute wellbeing.

At the macro level of the framework, the four aspects of our wealth are themselves our *national* stocks, but these are subject to flows of investment, depreciation, deterioration and waste. These stocks contribute to the current wellbeing of the country, and sustaining them is important for long-term wellbeing, particularly of future generations.

A more detailed analysis of the relationship between stocks and flows at each level of the framework is available in section 3.4.

2.4 Revising the analytical prompts and clarifying the normative foundation of the framework

As a framework designed to be used in policy making, the LSF is inescapably normative. This is because all policy is about what the Government should or should not do. The Treasury does not tell Government what to do and the ultimate ethical burden falls on our elected representatives. But the Treasury does play an important role in choosing what to bring to Ministers' attention in our advice. The LSF represents the Treasury's views of the kinds of matters that it is important for Ministers to consider when taking decisions. For example, the LSF implicitly holds that when deciding what kind of policy decision to take, the potential impact on the 12 domains of wellbeing will generally be an important consideration.

LSF2018 also directly includes two general considerations, or prompts, for the analyst to consider: distribution, and risk and resilience. These are also normative in nature, because they suggest that policies should be assessed for how their impacts will be distributed across people, time and place, not just for the average or aggregate effect, and that the impact on risk and resilience should also be considered.

A more detailed discussion of the normative foundations of the framework is available in section 3.5. I suggest that it is important to be open about the normative foundations of the LSF, so that these can be understood and critiqued, and contrasted with alternative frameworks with different normative foundations. In that section I also provide more detail on how the fairness of a distribution might be assessed based on different theories of distributive justice.

I also suggest in this paper that we add three more analytical prompts to complement those of distribution and resilience: sustainability, inclusion, and productivity.

The sustainability prompt is particularly relevant to analysis of our capital stocks. This prompt more directly gets at what LSF2018 meant by describing the capitals stocks as the foundation of our future wellbeing. They are, or will be, but only if they are used sustainably in the present. This prompt asks analysts to consider whether the way in which our capital stocks are being used to support our wellbeing now is consistent with their ongoing sustainable use to support our wellbeing and that of our descendents in the future.

The inclusion prompt overlaps with distribution, but captures a distinct set of concerns, particularly related to the protection of rights and procedural fairness. For example, an inclusive labour market not only leads to a fair distribution of income and employment outcomes, but also includes consideration of inclusive behaviour within workplaces to embrace diversity and respect employees' rights.

The productivity prompt captures more conventional economic concerns about how efficiently our wealth is being used to support wellbeing. This helps bring the LSF together with conventional economic analysis, to prevent it being considered a social and environmental 'add-on' to conventional economic analysis. A focus on wellbeing does not make traditional concerns for economic performance any less important; it just places them in a wider context.

3 Core concepts

Having provided an overview of the proposed changes, the following sections considers the issues in more detail. This is a primarily conceptual piece of work, focused on the interaction between several important concepts, those of living standards, wellbeing, childhood, and culture. Before considering the relationship between these concepts in the main body of the paper I introduce each of them here and describe the approach I take to each.

3.1 Culture

"Culture is a contested, open-ended concept" (Song, 2017).

Culture is a word that has many layers of meaning. Different definitions highlight different types of meaning for different purposes. In a work titled *Economics, Culture and Social Theory*, William Jackson (2009) offers a typology of cultural definitions. Culture has been variously defined as a:

- **process** of enculturation into a shared way of doing things. This meaning reflects the etymological root of the word, which is the latin *colere*, meaning to cultivate
- shared **state** of a group of people, naming their way of life, customs, values, beliefs, knowledge and so on, and
- subset of **activities** that reflect a shared way of life, particularly artistic and creative activities.

Jackson notes that economists who take an interest in culture tend to focus on the third type of definition. And indeed, in work done by economists for the Ministry for Culture and Heritage, Allan, Grimes and Kerr (2013) did just that, articulating the various ways in which 'cultural' activities can be valued using standard economic methods.

The LSF discussion paper on culture took a more expansive view on culture, focusing particularly on the second definition, of culture as a shared way of life (Dalziel, Saunders, & Savage, 2019). This same view of culture is implicit in the discussion papers on Māori, Pacific and Asian perspectives on wellbeing, each of which describes the shared way of life of a group of people and what wellbeing means in the context of that shared culture (TPK and The Treasury, 2019; Thomsen et al, 2018; Yong, 2018).

Dalziel et al (2019) also included the process of enculturation in their discussion, particularly the enculturation of children. Process-based understandings of culture often emphasise the two-way relationship between individual agency and social structure – children and adults are enculturated by shared structures around them, but also through exerting their agency they continually reproduce and alter the social structure.[9]

[9] This sentence reflects my personal sympathy with Anthony Giddens' Structuration Theory. Clearly there are many other sociological theories that could be applied, but I will not go into what could be a lengthy tangent by discussing the many alternatives, not least because I am unfamiliar with many of them.

In this paper I adopt the perspective that all three understandings of culture are useful and relevant to policy debates about wellbeing. Given that activity-based and static definitions of culture have already been covered in prior discussion papers, in this paper I seek to add to this understanding by emphasising process-based understandings of culture in a more expansive sense than passive enculturation of children into the way of life of the prior generation.

A process-based understanding of culture emphasises its relational nature. It is the process of interaction between individuals, groups and institutions that creates and recreates culture, and where culture itself shapes wellbeing. I will discuss culture in three types of relationships: between individuals and groups; between individuals, groups and objects; and between groups.

3.1.1 Culture in the relationship between individuals and groups (me, you and us)

How might we know if a group of individuals jointly participate in using and recreating a shared culture? Some of the strongest indicators would be if individuals in the group share:

- language
- beliefs, knowledge and ways of knowing (eg, mātauranga Māori, the scientific method)
- symbols and rituals of belonging (clothes, public holidays and festivals, feasts)
- cosmogony and understanding of history
- values, behavioural codes, norms and rules
- a sense of self, and/or
- a sense of connection over time and space, often over multiple generations.

A shared culture can be found in groups of any scale, and in groups defined in almost any way. Some of the major groups that can be said to share a culture include:

- trans-nationally defined communities (eg, the EU)
- residents or citizens of a state (eg, Canadians)
- nations (eg, Québécois)
- ethnicities (eg, Kurds)
- religions (eg, Mormons)
- social movements (eg, youthful climate change activists)
- organisations (eg, The Treasury)
- professions (eg, plumbers), and
- social groups (eg, Goths).

There are several important points that emerge from considering these examples. The first is that any given individual person is at the intersection of many different groups, and many different cultures. For example, an individual might be a feminist, and Belgian, and Flemish, and Catholic, and a permanent resident of New Zealand, and a metalhead, and an HR consultant. These are all markers of belonging in particular cultures, but none of these cultures in themselves would be sufficient to explain the individual and what is meaningful to her.

The second, related point is that any given culture is highly diverse, containing within it many possible hybrid identities, and many diverse individual definitions of the key features of that culture. For example, a descendant of both Tahu Pōtiki and Porourangi has to navigate how to incorporate both Ngāi Tahutanga and Ngāti Poroutanga in their own life, and in doing so helps re-embody Māoritanga for the current generation.

The individual, in navigating these cultural possibilities, both creates a distinct identity for herself, and in doing so contributes to reproducing the culture(s) to which she belongs. In deciding which cultural forms to adopt in her own life, the individual tells a story to herself and others about who she sees herself as similar to, and who she sees herself as different from.

Individuals also navigate these cultural possibilities together. For example, where an Anglican partners with a Catholic, or a Mormon, or a Sikh, or even another Anglican, they choose together what form of partnership ceremony, or wedding, to use, or whether to use none at all, and in doing so may alter the meaning of those ceremonies in each culture. Culture affects the choices available to an individual or individuals, and gives meaning to those choices, and those choices in turn produce the cultures an individual finds herself within.

This is the third point, that cultures are dynamic. Cultures are constantly being reproduced, and subtly shift over time as the ways in which they are being reproduced, by whom and in what context, also evolve. The fourth point, arising from the first three, is that all cultures are contested. While cultural evolution is beyond the control of any individual, to participate in a culture is to shape it, however modestly, and people often have strong views about how a culture should or should not evolve and how it should be characterised. These views often emerge strongly in debates about the enculturation of children.

This reflects a fifth point, which is that the location, nature and porosity of boundaries between cultures are indistinct and themselves contested.

The contestability of culture is important to acknowledge upfront, given that this paper is written by a Crown official. We must attend throughout this paper to the risk that, in being asked to recognise the importance of specific cultures, the Crown is being asked to participate in the process of contestation about the content and boundaries of those cultures. The challenge is to acknowledge the specifics of cultures in Aotearoa without essentialising them.

Seyla Benhabib (2002) describes the problem this way:

> The social observer….is the one who imposes, together with local elites, unity and coherence on cultures as observed entities. Any view of cultures as clearly delineable wholes is a view from the outside that generates coherence for the purposes of understanding and control. Participants in the culture, by contrast, experience their traditions, stories, rituals and symbols, tools, and material living conditions through shared, albeit contested and contestable, narrative accounts. From within, a culture need not appear as a whole; rather, it forms a horizon that recedes each time one approaches it.

Throughout this paper I will aim to bear this warning in mind, particularly as I discuss cultures of which I am not a member. I invite readers to do the same.

3.1.2 Culture in the relationship between individuals, groups and objects (us and ours)

Culture is a social phenomenon that arises between people. Yet a major way that this manifests itself is in the creation of objects with cultural significance, or the imbuing of pre-existing physical phenomena with cultural meaning. In this way, non-human as well as human aspects of the world become sites of culture.

The most tangible examples of cultural objects are physical artefacts such as sculptures, literature, furniture, sports equipment and so on. All such objects are cultural. But having said that, while many of these everyday objects may be regarded as inconsequential, a subset of objects, such as Rita Angus' paintings, or Turangawaewae Marae, may be treated as especially important cultural treasures or taonga. Interacting with these objects is an important form of accessing the relevant culture, and protecting these treasures is an expression of cultural values. The objects are a means to access culture, a means to create culture, and a representation of the culture itself.

The same is also true of many intangible objects, such as a musical performance, or a language, or a dance routine, or the rules of a sport like cricket. It also applies to parts of the physical world, such as Ruapehu Maunga, or the Tapu Te Ranga marine reserve, which are adopted into a culture or cultures. These physical locations can be understood as natural capital that provide ecosystem services, but this language risks mischaracterising the full extent of the relationship that people have with the physical world. The physical world can help to produce wellbeing in the economists' sense of satisfying preferences (such as to ski or snorkel). But it is also a means to create those preferences, to give those preferences meaning, to embody and teach values, and to create a sense of community.

The same also applies to the many rituals and ceremonies of sport. Sport can be understood as mere recreation. But sport is also an important vehicle for a community to constitute itself, at the local, regional, national or international level. In this way, play, active recreation and sport contribute to social capital (Sport NZ, 2019). Sports clubs, especially rugby, tennis, and golf, have also been a very important site of inter-cultural connection between Māori and Pākehā in Aotearoa's history (Anderson, Binney, & Harris, 2015).

3.1.3 Culture in the relationship between groups (us and them)

Given the contestability of culture, a key challenge for all societies is how to manage the existence of multiple cultural realities and the reality of cultural difference between groups.

In *Justice and the Politics of Difference*, Iris Marion Young (1990) notes that there are two ways to understand difference between groups. One is in an essentialising way that marks off a group, especially a minority group, as having some essential feature that separates them out as fundamentally 'different' from the neutral or implicitly 'normal' category. For example, she notes that this concept of difference is exhibited in dichotomies between rational men and emotional women, or between the civilised and the savage. This type of thinking is implicit in approaches that express culture as a property of minority groups without inquiring into the culture of the majority. For most of the 20th century, the New Zealand state reflected this approach to difference. Assimilationist policy attempted to suppress or assimilate difference, in an attempt to make real the stated but obviously untrue claim that New Zealand was '98.5% British' (Belich, 2001).

Young argues instead for a relational conception of difference. Building on work by Christine Littleton and Martha Minow, she argues that difference:

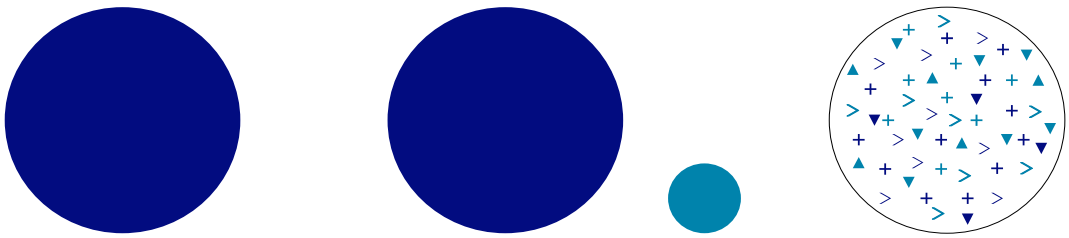
> …emerges not as a description of the attributes of a group, but as a function of the relations between groups and the interaction of groups with institutions

She notes that this concept of difference also changes the meaning of group identity. Under a relational conception of difference, a group is formed by a social process of interaction in which people come to have a particular affinity for others. This affinity-based model of group identification allows for multiple affinities across groups, as well as within them. For example, she notes that gay men may be:

> …black, rich, homeless or old, and these differences produce different identifications and potential conflicts among gay men, as well as affinities with some straight men.

This approach suggests that cultures and cultural identities can be understood as modes of affinity. We might feel affinity for others based on, for example, a shared sexuality, or nationality, or religion, and participate in the associated group cultures as a result.

Figure 3: Three models of cultural difference



Difference denied; insistence of unity

Difference as essential group separation

Difference as individual specificity and heterogeneity

But what about if our affinity to one group comes into conflict with our affinity to another? For example, what if our religious culture denies the possibility of affinity with those of other religions or those who do not also share our sexuality, even if we share a nationality, or profession, or other mode of affinity? Or what if one culture allows for multiple affinities, but demands the primacy of its mode of affinity over others, for example, if national and ethnic cultures are in tension for primacy?

We might call these tensions the result of inter-cultural values, values that dictate the terms of membership of one group, including requisite attitudes towards other groups.

The problem with exclusionary inter-cultural values is that they can, in the words of Martha Nussbaum (2013) in her book *Political Emotions*, narrow our circle of concern by reducing the number of people who are counted as important for our life. Nussbaum argues that the emotion of compassion is necessary to sustain commitment to individual effort and sacrifice for the common good because:

> Most people tend towards narrowness of sympathy. They can easily become immured in narcissistic projects and forget about the needs of those outside their narrow circle.

The emotional side of shared identity is downplayed in the language of social capital, with its emphasis on generalised trust. Trust is important, but is likely to be underpinned by what could more usefully be described as generalised affinity. This is not to insist upon a single homogenised national culture, quite the opposite. Rather, it is to understand difference not as a relation between two non-overlapping groups but, as Young suggests, in terms of variation, heterogeneity, and individual specificity within a single group that we all belong to, and to insist upon the non-primacy of any particular cultural form or mode of affinity. The concept is visualised in Figure 3, and is the approach I take in this paper. This approach implies a willingness in each culture to permit a degree of porousness, in the process of allowing multiple affinities to develop across multiple modes of identity.

3.2 Children and childhood

The simplest definition of a child is someone who falls below a certain age threshold (Archard, 2015). For example, the United Nations Convention on the Rights of the Child (UNCRC) defines a child to be anyone under the age of 18. Different thresholds may apply in different contexts. For example, for the purposes of criminal responsibility, a child is someone below the age of 14.[10] If we understand marriage as something only adults can enter into, then the threshold is 16.[11] If we understand adulthood as requiring a fully developed brain, then a threshold of 25 is sometimes suggested as more appropriate in some contexts, like youth justice (Lambie, 2018).

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[10] 10-13 year olds can be convicted for a small number of very serious crimes, but a rebuttable presumption of incapacity first needs to be overcome.

[11] With the permission of the Family Court before the age of 18, following a 2018 law change.

Thresholds are a useful simplification. Yet as the existence of different thresholds suggests, the boundary between childhood and adulthood is indistinct:

> There is no sharp line between the two stages of human life; they are really only useful abstractions from a continuous process of development, every phase of which differs only in degree from that proceeding it… Any 'mere child' beyond the stage of infancy is only a child in some respects, and already an adult in others. In the continuous development of the relative-adult out of the relative-child there is no point before which the child himself has no part in his own shaping, and after which he is the sole responsible maker of his own character and life plan. Feinburg (1994), quoted in Bou-Habib and Olsaretti (2015).

If the boundary of childhood is indistinct, so too are the distinctive characteristics that children have. While children share certain characteristics in common, children are also heterogeneous; each child and childhood is unique. The uniqueness of each child is shaped by the intersection of many familiar broad-brush properties, such as age, ethnicity, location, disability status, gender, socioeconomic context, family structure and so on, as well as the various combinations of these properties in intersection. But perhaps more importantly, each childhood reflects a unique set of relationships, opportunities and choices made by parents, teachers, siblings, and the child herself.

Because of the uniqueness of every child, this paper cannot hope to comprehensively cover everything that matters to every child. Instead, we will focus on certain characteristics that are common to children and that have relevance to the application of the LSF, alongside other important characteristics such as disability that will be highly relevant to the wellbeing of some children, as well as many adults.

The most important characteristic this paper focuses on is that of autonomy. Autonomy can be understood as the "*general capacity to think about and subsequently act upon one's own desires and beliefs*." (Archard, 2015).

Children typically have less autonomy than adults, though the amount of autonomy they each possess varies with developmental stage, cognitive and physical abilities, and so on (adults vary in their levels of autonomy too). Depending on these factors, each child will have more or less capacity to think about and form her own desires and beliefs, and more or less ability to act upon them.

A lower level of autonomy implies a greater degree of dependence on others, and in turn responsibilities of care on those others. Children are highly dependent on their families, and on others in their lives, to help them define and realise their desires and beliefs. This dependence in the context of family relationships is another key characteristic of children.

The focus on autonomy, dependence and responsibilities of care will mean that elements of the analysis will also have relevance to adults who lack capacity for whatever reason, such as adults with severe impairments.

The dependence of children raises important questions about whom children have a moral claim to depend upon, and the nature of the moral duty that claim imposes.

As a conceptual matter, these two questions are distinct. Whether children are well is an evaluative question. Who should do what to make children well is a normative question.

But in practice these two distinct questions are highly inter-related. Claims about what is good for a child are often implicitly or explicitly made as part of an argument that some actor such as the state should, morally speaking, undertake some course of action to bring that good thing about. For example, claims that an absence of child poverty and material hardship is good for children's wellbeing are typically accompanied by claims that the state should act to increase the incomes of families or otherwise alleviate these ills (e.g. Boston & Chapple, 2014).

Evaluative and normative concepts are also interwoven in the day-to-day lives of children, because children's parents and others who have a duty of care towards them have the ability, via their position of authority, to define wellbeing with and for the child. This means that debates about the relative role of different actors in the life of a child are implicitly arguments about whose conception of the child's wellbeing will prevail in relation to the child. This can be seen in the family court, with arguments about custody between members of a family. It can also be seen in the relationship between the family, state and other social institutions such as hapū and iwi, for example in recent controversies in relation to child protection policy and practice.

These examples demonstrate that many policy questions about children's wellbeing are as much about who is responsible for children in what contexts, and what the nature and limits of that responsibility are, as they are about what would advance the children's wellbeing.

Throughout, this paper discusses both issues side by side. I will argue that to be applicable in policy contexts relating to children, the LSF needs to consider questions of responsibility for wellbeing as well as wellbeing itself.

3.3 Wellbeing

The Treasury's long-standing vision is "to be a world-leading Treasury working towards higher living standards for New Zealanders". The Treasury "wants New Zealand to be prosperous, and for that prosperity to be sustainable and inclusive".[12]

The LSF can be understood primarily as internal guidance to Treasury staff about how to interpret this vision.

Following conventional welfare economics, the Treasury has traditionally interpreted this vision in terms of a utilitarian conception of wellbeing, but has at times recognised alternative approaches such as the capability approach (The Treasury, 2011, 2018).

David Hall (2018) has noted that the implications of adopting the capability approach have not yet been fully explored or tested by the Treasury. Nor has the compatibility of the capability approach with other cultural perspectives on wellbeing been explored yet by the Treasury, particularly compatibility with collective approaches to wellbeing.

[12] https://the Treasury.govt.nz/about-the Treasury/who-we-are

In this paper, I advance a view that the capability approach is useful for understanding both individual and collective wellbeing. I suggest a number of changes to the framework on that basis. Yet I also suggest that the capability approach is not sufficient by itself to comprehensively incorporate all relevant perspectives on the nature of wellbeing, nor all relevant ethical values that are relevant to policy making. In particular, as argued by Krushil Watene (2016), the capability approach is not sufficient to capture all that is important in mātauranga Māori.

So I suggest that the Treasury should adopt a pluralistic approach to wellbeing, allowing for multiple interpretations of what wellbeing is depending on the context in which the framework is being used. I advance that the Treasury should allow for both collective and individual conceptions of wellbeing, as well as multiple approaches to each.

3.3.1 Approaches to individual wellbeing

In both the 2011 and 2018 frameworks, the Treasury's view on how to conceive of well-being, and how to interpret the importance of living standards for wellbeing, has been grounded in the philosophical tradition of consequentialism. In this tradition, well-being is about what is ultimately good for an individual. If the right way to act is defined as the one with the best consequences for human wellbeing, then well-being needs to be defined and measured in order to assess the right way to act (or the right policy to enact).

A well-used typology developed by Derek Parfit classifies well-being theories into three types: hedonistic theories, desire theories, and objective list theories (Crisp, 2017).

Hedonistic theories are those that say what is good for people is to feel pleasure and not pain. The focus is on internal states. For example, the simple utilitarianism of Jeremy Bentham (the balance of pleasure over pain) reflects a hedonistic view of wellbeing.

However, in part because internal states have traditionally been hard to measure and to compare between people, economists often define their concept of 'utility' not in Benthamite terms, but in terms of preference realisation. This is the leading example of desire theory, which focuses on the external realisation of internal preferences, regardless of how that realisation makes someone feel or think. What those preferences are can also be surveyed, but are more commonly inferred from behaviour, referred to as revealed preference.

Under objective list theories, a good life consists of several different dimensions that cannot be reduced to one another. These dimensions are objective aspects of one's life, such as one's health, that are deemed to be valuable regardless of the subjective value placed on them in terms of happiness or preference satisfaction.

One option for the Treasury is to pick one of these three theories and assert that it is the appropriate way to conceive of wellbeing. This would not be without precedent. For example, conventional welfare economics takes as its basis a single definition of wellbeing, that of preference realisation. In recent years, wellbeing economists such as Richard Layard (2006) have argued that public policy should instead take subjective wellbeing, a modern version of hedonistic theory, as the single overriding definition of wellbeing for the basis of policy making.

While this ongoing philosophical debate about the relative merits of different theories of wellbeing is illuminating, I suggest it is not for the Treasury to assert that wellbeing is one thing rather than another, as that would not be consistent with our role as a neutral public service department.

Given the topic of child wellbeing being considered in this paper, there are also substantive reasons to think that no one of these approaches to wellbeing is sufficient in itself.

Hedonism does not appear sufficient in itself to capture the wellbeing of children because, even though we want our children to be happy and do not wish to see them suffer, we also wish to see them develop and exercise their abilities to choose how to live, recognising that some of those choices may entail risk, difficult challenges, or selfless acts that represent their moral agency rather than merely their own emotions. Moreover, well-validated survey instruments to capture 'life satisfaction' cannot be applied to infants, even if they can provide useful information about the lives of older children and young people.

Preference satisfaction cannot be sufficient either because many children (certainly mine) have strong preferences to do things like eat lollies and watch television all day that parents can not in good conscience accept as 'good for' their children, not least because these preferences are not consistent with their future wellbeing as adults.

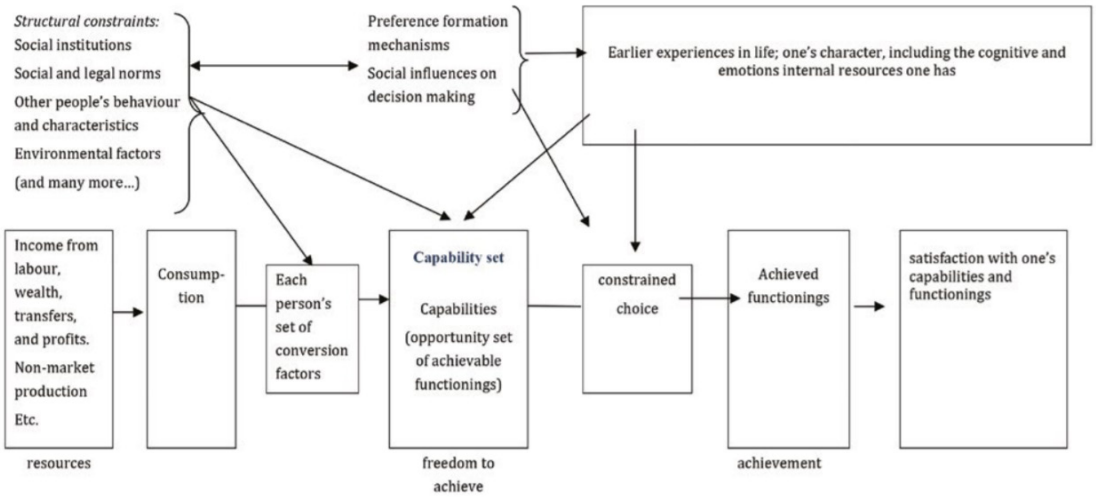
And the general critique of objective list theories, that they do not sufficiently respect individual agency in paternalistically defining what constitutes a well-lived life, sounds a note of particular caution when it comes to a public service department such as the Treasury considering wellbeing. Even if there are objective features of life that are valuable, even if they are not preferred and they create no pleasure, it is not for the Treasury to assert what these are.

So for both constitutional and substantive reasons I suggest that the Treasury recognise that individual wellbeing can be understood in each of these three ways, and that we draw on aspects of each theory as relevant. One way to follow through on this suggestion is to meet David Hall's challenge to consider the capability approach more fully.

This is because, as leading capability approach scholar Ingrid Robeyns (2017) points out in her textbook on the subject, the capability approach incorporates aspects of all three theories of individual wellbeing.

Some of the main components of the capability approach I will use in this paper are highlighted in Figure 4.

Figure 4: Key concepts in the capability approach (from Robeyns 2017)



The key components are:

- **Capabilities:** Capabilities are a person's real freedoms or opportunities to be and do what they value, such as the capability to travel if one wishes (regardless of whether one actually does travel)
- **Functionings:** Functionings are 'beings' such as being well nourished, and 'doings' such as travelling.
- **Resources:** Resources are goods and services that are used as part of a 'doing' or 'experience' or are retained for future use as a 'having'.
- **Structural constraints and conversion factors:** Resources can create more or less opportunity for an individual depending on their ability to convert them into desired functionings. These conversion factors can be internal or external to the individual.[13]

This approach to conceiving of wellbeing incorporates aspects of all three theories of individual wellbeing because:

- feeling happy is an important functioning[14]
- a focus on both capabilities and functionings respects individual autonomy and preferences, and
- by allowing for many different kinds of functioning, the approach is pluralistic in what list of objective features of the world are relevant to wellbeing in a non-reductive way.

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[13] The classic example is that of the bicycle. A bicycle is a resource. Riding a bike is a functioning. The ability to convert a bicycle into the experience of riding a bike depends on one's ability to ride a bicycle (an internal conversion factor), and the existence of suitable tracks, roads etc (external conversion factors).

[14] The difference with pure hedonistic theories is that the capability approach does not take happiness to be the *only* intrinsically valuable functioning.

Because capabilities are potential, rather than actual, states of the world they are not directly observable. For this reason, the domains of wellbeing in the LSF are not capabilities. Rather, they are functionings and resources that are important at least partly because they are 'capability-enhancing'. For example, under the capability approach, being knowledgeable is an important functioning not just because it contributes to subjective wellbeing or productive potential, but because it expands substantive freedom (capability). This will be important when we reconsider what functionings and resources should be included in the LSF.

3.3.2 Approaches to collective wellbeing

A common theme in many of the perspectives offered on the LSF is that it is currently too individualistic to reflect wellbeing as understood in many of the cultures in Aotearoa. If the LSF is to be seen as capturing the wellbeing of all Aotearoa, defining wellbeing in purely individualistic terms is insufficient.

The idea of collective wellbeing can be approached in several ways. In section 4 I will go into more detail about the specific way collective wellbeing is understood in Māori and Pacific cultures, drawing on He Ara Waiora and on previous discussion papers (Thomsen et al, 2018, TPK and The Treasury, 2019). A previous discussion paper also highlighted the way collective wellbeing is understood in many Asian cultures, particularly those who share in the Confucian tradition (Yong, 2018).

One thing that is common to all these traditions is the observation that, as social creatures, few if any humans can be well unless embedded in relationships of mutual support with other humans (and, in many cultures, in mutually supportive relationships with the natural and spiritual realms as well). This point is also emphasised elsewhere in the tradition of analytic philosophy, particularly in communitarian and feminist philosophy.

That our wellbeing is interdependent is most obviously true at either end of the lifecourse; we are dependent on others as infants and often are in our senescence as well. But even in middle adulthood few people would be genuinely happy living in complete isolation.

One use of the term collective wellbeing is to emphasise the contribution that social arrangements, mutual care and co-operation play in sustaining the wellbeing of individuals. This is in contrast to the narrow way that individual wellbeing has typically been defined in economic analysis, as about self-interest. In mainstream economics, interdependency is modelled through the notion of social preferences, but the extent to which each individual chooses to reflect the wellbeing of others into her own utility function is ultimately up to her own conscience.

Yet leading capability approach scholars such as Ingrid Robeyns (2017) and Martha Nussbaum (2000) argue that there is nothing in defining wellbeing as ultimately about individual lives that licenses selfishness, even if the type of individualism expressed in economic analysis sometimes does.[15] As depicted in Figure 4, the capability approach incorporates interdependence with the notion of other-regarding achievements.

[15] Usually with reference to what Sen (1987) described as the Adam Smith passage that 'has been quoted again and again' about the butcher, the brewer and the baker.

These scholars argue that normative individualism, properly understood, has ample room for interdependency even if the narrower doctrine of normative egotism does not. Moreover, they worry that using the term collective wellbeing risks relicensing an illiberal exploitation of individuals as a means to the wellbeing of others, where collective wellbeing is defined as about the wellbeing of a group, rather than about the interdependent individuals that constitute that group.

Their concern is grounded in numerous contemporary examples around the globe and throughout history of where emphasis on the interests of the family, or the nation, or the village, for example, has led to exploitation and oppression of individuals.[16] Their key point about normative individualism is that it (Robeyns 2017):

> forces us to make sure we ask questions about *how the interests of each and every person are served or protected*, rather than assuming that because, for example, all the other family members are doing fine, the daughter-in-law will be doing fine too.

This is an important caution, but I suggest that in a contemporary Aotearoa context adopting the language of collective wellbeing does not pose this risk, particularly if we talk about collective wellbeing and individual wellbeing as both important.[17]

In the abstract, asserting that both individual and collective wellbeing are important can be taken to mean that:

- every individual person is an end unto themselves, but
- no person should be considered only an end, because
- every individual person is also a means to the wellbeing of others, but
- no one should ever be treated as only a means, because
- every individual person is an end unto themselves… (and so on).

Another more practical way of expressing the same point comes from the Treaty and the distinction between article 2 and article 3.

Article 3 extends all the rights and privileges of British citizens to Māori as individuals. Individuals are protected as ends in themselves by the institution of basic human rights, such as the right to life, right to conscience, and right to justice.

But article 2 also guarantees tino rangatiratanga, which can be understood as the exercise of collective agency. Even though collective agency is not part of the capability approach, scholars such as Krushil Watene et al (2017) have argued that much of the same conceptual machinery can be extended to include the notions of collective capability, collective capacity and collective agency. As I will discuss further on, the notion of collective agency is also applied to families and whānau, particularly through the concepts of whānau rangatiratanga and whānau ora.

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[16] One reviewer noted that the classic example of collectivism leading to a breach of individual rights is of course fascism.

[17] As He Ara Waiora also does, through describing the world of people as made up of both individuals (He Tangata) and colkectives (He Kāinga).

The interplay between individual and group rights is also captured in the United Nations Declaration ob the Rights of Indigenous Peoples, which in Article 1 asserts:

> Indigenous peoples have the right to the full enjoyment *as a collective or as individuals* of all human rights and fundamental freedoms as recognised in the Charter of the United Nations, the Universal Declaration of Human Rights, and international human rights law. (emphasis added)

While these examples are specific to Māori, they do illustrate how the ideas of individual and collective wellbeing can coexist in the context of governing a liberal democracy, and so should apply in the abstract to non-indigenous collectives that are defined in other ways, such as communities of place or of identity.

A final point is empirical: collective wellbeing and individual wellbeing are not necessarily opposed to one another. For example, data from Te Kūpenga suggests that high levels of whānau wellbeing are associated with high levels of individual life satisfaction (Kukutai, Sporle, & Roskruge, 2017). The point of adding collective wellbeing to the framework is not to place it above individual wellbeing, but to emphasise the inter-relationship between the two. And where the rights, interests or preferences of an individual do come into conflict with the rights, interests or preferences of groups, then that is an important area of inquiry under a wellbeing agenda.

3.4 Living standards, wealth and intergenerational wellbeing

3.4.1 Living standards and wellbeing

As the LSF has evolved, there has been a degree of conceptual slippage in its language. In the 2011 version, the Treasury noted that it has traditionally focused on, as per the dictionary definition of living standards, "the degree of wealth and material comfort available to a person or community". The focus of that paper was expanding the conception of living standards to include non-material factors such as people's participation in social networks (The Treasury, 2011).

By the time of the 2018 statement of the framework, this broader conception of living standards was being described as 'wellbeing', such that there is little or no distinction between wellbeing and living standards in LSF2018.

There are a few options available to address this issue. The Treasury could:

- drop the language of living standards altogether by amending the name of the framework to a 'wellbeing framework' or 'quality of life framework'
- use the term living standards in an expansive way, as a synonym for wellbeing, or
- use the term 'living standards' in a more limited way, according to the dictionary definition above.[18]

[18] A reviewer of this paper pointed out that Sen (1986) articulates a conception of living standards that is wider than resources but narrower than wellbeing. Sen's is an attractive but subtle definition that would be difficult to communicate widely across the public sector given the intuitive conception of living standards as being about primarily material aspects of life.

I propose the third option is the best one. The term Living Standards Framework is so well known that a change in name could lead to unnecedssary confusion. The second option could also lead to confusion as the term 'living standards' connotes a very materialist understanding of wellbeing.

The third option would bring the term 'living standards' very close to the use of the term 'resources' in the capabilities approach. Well-being, by contrast, is what is 'good for' individuals or collectives. Resources, or living standards, are a means to well-being.

3.4.2 Wealth and wellbeing

One way of understanding the LSF is as an amalgam of two different measurement traditions. The first of these is the 'social indicators' tradition. A leading example of this is MSD's Social Report, which it published annually from 2001 to 2010, and once more in 2016. A contemporary example is Ngā Tūtohu Aotearoa.

The 12 domains of 'current wellbeing' in LSF2018 are modelled quite closely on the structure of the Social Report.[19] The purpose of social indicators work has always been to track how the lives of people are faring, with a particular focus on identifying groups of people who are faring worse on one or more dimension of wellbeing.

All the discussion in this section so far about the definition of wellbeing has related to this half of the LSF.

The second tradition is that of growth accounting. In this tradition the focus is on measuring and tracking change in the aggregate wealth of nations. This tradition is reflected in the 'capitals' half of LSF2018. In LSF2021, I propose we describe this part of the framework as representing our national wealth.

In the time of Adam Smith, wealth was primarily understood in terms of the quantity and productivity of land, labour and capital (in its original sense of machinery, buildings and so on). Over time the word 'capital' has been steadily applied to pretty much anything with any kind of value. Labour is now commonly termed human capital, and to it has been added:

- financial capital such as bank deposits, equities, and currency
- intangible capital such as intellectual property and patents
- social capital, covering phenomena such as trust, norms, networks and institutions
- natural capital, capturing the value not just of land but of all natural resources and environmental processes to humans
- knowledge capital, including all forms of technology
- cultural capital, capturing the value of culture to humans, and
- diplomatic capital, capturing the value of strong relationships with international partners.

[19] It is commonly pointed out that the structure of the wellbeing domains follows that of the OECD How's Life? framework, but iti s less often appreciated that the MSD Social Report was started much earlier than the OECD work and in fact influenced it.

Some wellbeing frameworks, such as that of Paul Dalziel, Caroline Saunders and Joe Dalziel (2018), include all of these various capitals. LSF2011 and LSF2018, following the OECD, combined some of these capitals and omitted others, leaving us with the familiar four-capitals model.

The amalgamation of the social indicator and growth accounting traditions raises the question of how the two halves of the framework relate to each other.[20]

Since LSF2011, the capitals have been described as the 'stocks' and the wellbeing domains as the 'flows' that those capitals facilitate. In LSF2018, a further distinction was introduced between the wellbeing domains as representing current wellbeing and the capitals representing future wellbeing.

In the remainder of this section, I suggest that a more fruitful distinction between the capitals and the wellbeing domains is one between the micro and macro levels of analysis.

Stocks and flows?

In accounting, a stock is measured at a single point of time and a flow is measured as a rate between two points in time. For example, a timber mill may have a stock of logs on hand at the start of the day, representing some of their operating capital. Between the start and end of the day, some of that capital will be used up in a flow of production, yielding a flow of timber as a product.

Over time, these concepts have become steadily more abstract. For example, the same timber mill's machinery can also be considered a stock. This stock also yields a flow of production over the course of the day, even though it does not get used up in the process. Generally speaking, the value of any capital stock corresponds to the flow the stock can be expected to yield over time.

Applying this idea in reverse, a capital value of a flow can be estimated by adding up the value of the flow over time. For example, the employees of the mill also generate a flow of production, and so a 'capital value' of the employees at the start of the day can be estimated. It is this idea that leads to the phrase 'human capital'. Like the milling equipment, the mill's employees are not used up like logs during the day,[21] but they do have an abstract 'capital value' that can be estimated.

The idea of treating human beings as equivalent to a stack of logs or a machine for accounting purposes strikes some as inappropriate. For example, in an essay titled 'Human Capital and Human Capability' Amartya Sen (1997) argues that the concept of human capital treats human beings as instrumental to production, when production is itself instrumental to human ends:[22]

> 'human beings are not merely means of production (even though they excel in that capacity), but also the end of the exercise.'

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[20] Other than in an etymological sense, given that the words 'wealth' and 'wellbeing' share a common root, the word 'weal' via the Old English word 'wela'. An alternative name for the LSF would be 'A Framework for Stewarding the Commonweal'.

[21] Assuming appropriate health and safety protocols are in place.

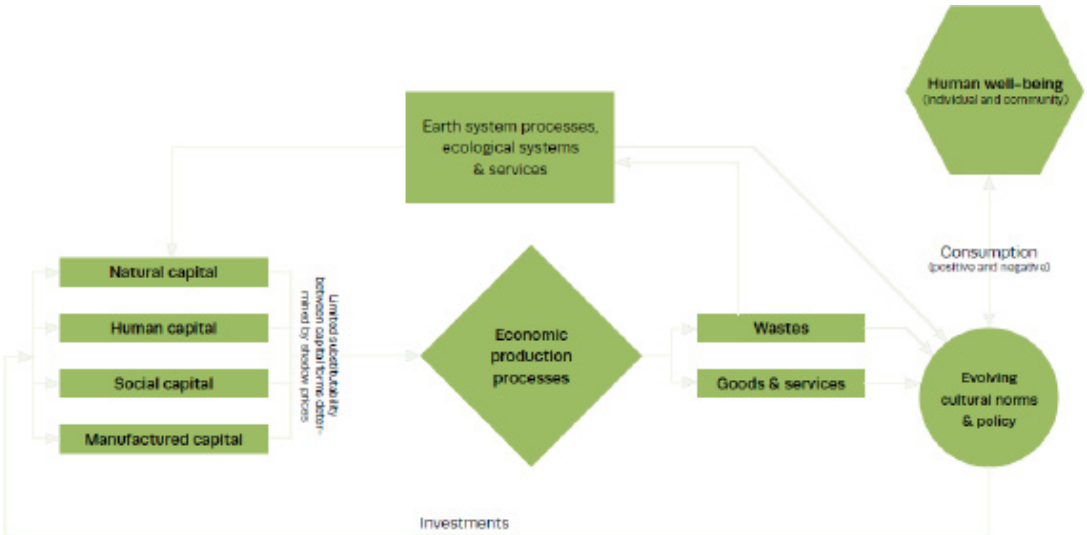
[22] A reviewer of this paper also suggested that it is a category error to describe human beings and their ability as a stock.

These concerns are not unfounded, but it is worth remembering that the phrase human capital originally came about partly due to concern that insufficient investment was being made in human skills. As far back as 1958, before the term 'human capital' came into popular usage, JK Galbraith was arguing the need for 'investment balance' between physical capital and human skills. A few years later, Gary Becker (1962) made a similar point in his seminal article 'Investment in Human Capital'.

Investment in human capital is another kind of flow. Capital stocks can be built up or run down over time depending on flows of investment and divestment. This is the first area where the distinction between the capitals as stocks and wellbeing domains as flows is an oversimplification, because the capitals are themselves subject to significant flows.

In the same way the term 'human capital' was coined in part to encourage focus on flows of investment in people, the terms natural capital and social capital were coined in part to focus attention on the growth or deterioration in these stocks over time. Over the past 10 years, the UN has invested substantially in measuring changes in these 'stocks' for most countries in the world. They have done so using their inclusive wealth framework, with the original 2012 version shown in Figure 5.

Figure 5: The inclusive wealth framework (UN:IHDP & UNEP, 2012)



Along with investment, this figure incorporates several other flows: of production, waste, goods and services, and ecosystem services. These culminate in flows of consumption that produce flows of wellbeing. The value of the four capitals is ultimately determined in this framework by their relative importance in producing these 'flows' of wellbeing.

Consumption is a flow because it happens between two periods of time. For example, we eat (consume, literally) a certain amount each day. But whether wellbeing is itself a flow depends on one's theory of wellbeing. In the preference realisation model of neoclassical economics, wellbeing can be considered a flow associated with the realisation of preferences over a period of time, particularly consumption preferences. The same goes for hedonic theories that focus on the flow of internal experiences over time.

However, I suggested earlier that we adopt a pluralist approach to defining wellbeing. Under this approach, it is not so clear that wellbeing is always a flow. Under objective list theories, it is not clear that it is only flows that matter. For example, an objective list might include things like health and knowledge that are better conceived of as stocks because they are measured at a single point of time.

Similarly, the capability approach does not focus on flows, but on the capability to achieve desired functionings (beings and doings). A capability set can be understood as analogous to a stock, in that it represents at a single point in time the range of possible functionings that can be achieved in future. To continue the example from earlier, a timber mill's stock of logs, machinery and staff at the start of the day represents a set of possible production bundles that can be achieved over the course of the day. In the same way, an individual's capability set at a point in time comprises the possible functionings that she can achieve over the course of a day, or month, or year.

From a relational or collective wellbeing perspective, other types of flow are important too, particularly flows of other-regarding achievements. Both Figure 4 or Figure 5 emphasise self-regarding achievements, which are choices made for the benefit of oneself.

But a great deal of choice involves doing things for the benefit of others, what are known as other-regarding achievements. For example, parents expend substantial effort for the benefit of their children. These other-regarding choices are emphasised in relational and collective accounts of wellbeing.

At the same time, collective and relational views of wellbeing can not necessarily be reduced to flows either. For example, the strength of relationships between family members can be seen as intrinsically important, and although these relationships are strengthened by ongoing flows they can also be measured at a point of time, as another kind of 'stock'.

Aggregates and disaggregates

In this paper I suggest that the defining feature of the capitals is that they represent our national wealth in *aggregate.* In contrast, the wellbeing domains represent the non-aggregate resources and functionings of *particular* individuals and groups.

As discussed in the previous two subsections, there are stocks and flows at both levels of the framework. Figure 4 illustrates how an individual's 'stock' of capabilities can be used to generate a 'flow' of functionings. Figure 5 illustrates how our nation's stock of four capitals is sustained by flows of investment and facilitates flows of production, consumption and so on.

But this raises the question of how these micro and macro stocks and flows relate to one another.

One important relationship is constitutive. The wellbeing domains partly but not fully constitute our national wealth. This is because some but not all of our national wealth is owned or embodied by individual people. For example, individuals and households own a great deal of physical capital, but so too does the Government and NGOs. This is one of the reasons I propose adding a new institutional layer in LSF2021, to help fully account for our national wealth. The constitutive relationship between the capital stocks, the institutions and the wellbeing domains is described in Table 3.

Table 3: Constitutive relationship between national wealth, institutional wealth, and the wellbeing domains

National wealth	Wellbeing domains	Institutional wealth	Other comments
Human capital	Each individual has their own personal human capital, ie, her own health, knowledge and skills, and cultural capability	Institutions can employ people and make use of human capital, but cannot own it.[23]	National human capital is fully constituted by the sum of individual human capital.
Physical capital	Housing is the main form of physical capital owned directly by individuals and households.	Central and local government, including state-owned enterprises, own many buildings, roads, ports etc. Firms own equipment, buildings etc, but firms are in turn owned by their shareholders, primarily individuals and households. Some physical capital is also held by international actors, NGOs, and iwi.	-
Financial capital	Financial wealth held by individuals and households often represents a claim on the real assets held by, for example, firms.	Institutional entities often have complex financial stakes in each other. For example, Government owns equity in many businesses, as do iwi. Many households owe mortgages to banks, and many firms have debt too.	Financial assets and liabilities largely net out across the country (apart from net claims on the rest of the world). But the distribution of financial assets and liabilities across institutions, individuals and households is very consequential for the distribution of wellbeing.
Intangible capital	Some individuals own patents as part of their wealth, but most intangible capital is public or held by institutional entities.	Private intangible capital is an important type of asset for many firms, particularly in the knowledge economy. For example, radio spectrum rights, pharmaceutical patents, search engine algorithms, data and software are all important categories of intangible capital.	A great deal of knowledge capital is in the public domain (unowned). Nonetheless, this unowned (and unpriced) capital represents an indispensable part of our modern economy.[24]

[23] Not since the abolition of slavery and serfdom, anyway.

[24] As Paul Dalziel likes to remind us, in the growth theory of Solow (for which he won a Nobel Prize) the only way for an economy to continue expanding in the long run is to keep generating new productivity-enhancing innovations, ie, knowledge.

National wealth	Wellbeing domains	Institutional wealth	Other comments
Natural capital	Some land and associated rights are owned by individuals and collectives, particularly residential land, Māori land, and privately owned farms.	A great deal of our natural environment is held in trust for the benefit of everyone by central government, particularly the conservation estate. Firms also hold significant amounts of natural capital, particularly through ownership of fishing quota, mining rights, and land.	Many aspects of the natural environment that are beneficial to humans, such as clean air, are influenced by human activity but are unowned in themselves.

As this table shows, our national wealth is generally the sum of individual wealth, institutional wealth, and unowned wealth. The one exception to this is social capital. Social capital comes in at least three different types:

- Bonding social capital refers to networks of people who know and trust each other. Membership of a group such as a professional association or club is beneficial for all members of that club, but generally not to others.[25]
- Institutional social capital refers to networks of governance. Where these institutions are trusted to resolve conflict fairly, this increases co-operation and is generally beneficial.
- Bridging social capital refers to large networks of people who do not know each other, but are willing to trust one another. Bridging social capital is usually measured by asking people about their willingness to trust strangers.

Bonding social capital is most relevant to the wellbeing of individuals and groups. There is no wellbeing domain with the name 'bonding social capital', but the concept is captured by a combination of the 'cultural capability and belonging' domain and the 'family and friends' domain.

Institutional social capital is most relevant to the second level of the framework as it is about the quality of our governance.

At the national level of analysis, it is bridging social capital that is most important. In LSF2021, I narrow the definition of national social capital to capture just this kind of wealth, as it is beneficial to everyone in the country. Unlike the other aspects of our national wealth, aggregate social capital is not constituted by wealth held by individuals, groups or institutions (although high-quality institutions tend to increase generalised trust).

As this discussion demonstrates, the constitutive relationship between our wealth and our wellbeing is not entirely straightforward. Given the overlap between our national wealth and our wellbeing as individuals and groups, we might want to ask if a distinction between them in the framework is really necessary. Would it not be simpler to have only the capitals, or only the wellbeing domains?

[25] Tight in-group networks can often be harmful to the wellbeing of others. The classic example in the literature is the mafia, but other examples could include price-fixing cartels, professional associations that inflate fees by restricting supply through excessive accreditation requirements, and so on.

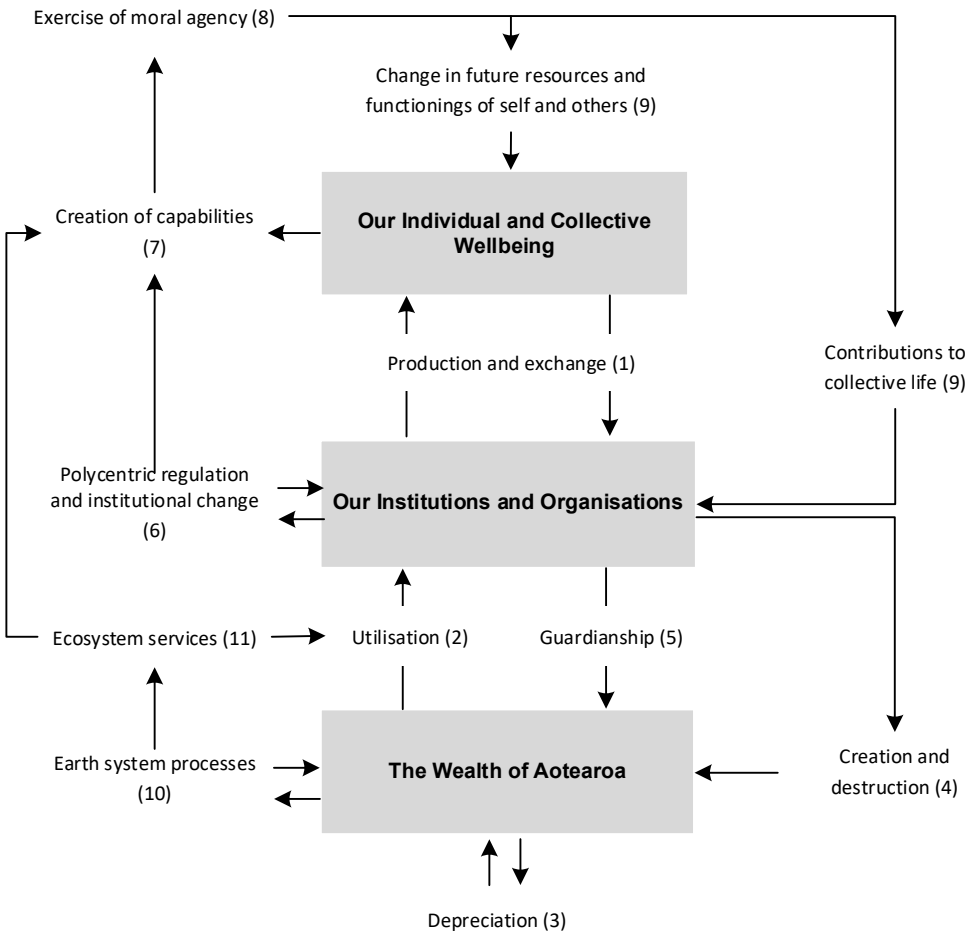
Perhaps, but the added complexity of having both the capitals and wellbeing domains is worthwhile because the overlap between them is not total, and because they play distinct roles in our analysis.

If we were to focus only on the wellbeing domains, then aspects of our wealth not owned by individuals or groups would be missing from the framework. This matters because national wealth indirectly benefits individuals and communities. For example, our national parks, our generalised trust in each other, our collective savings and investments all benefit us generally, and none is included in the wellbeing domains. Moreover, the aggregate capital stocks play a distinctly important role when considering intergenerational wellbeing, as discussed below.

However, if we were to focus only on the capitals, then some wellbeing domains such as subjective wellbeing would be missing. The capitals are also less amenable to distributional analysis. On average, people in wealthier countries have higher wellbeing (Diener, Oishi, & Tay, 2018). But aggregate stocks of wealth do not automatically translate into wellbeing for everyone. To understand both the average picture across Aotearoa and variation away from the average, it is important to consider the distribution of many variables across the population, not just the four capitals.

So one important relationship between the wellbeing domains and the capitals is constitutive. Another important type of relationship is causal. Many of the important causal relationships are captured in Figure 6, which can be seen as an amalgam of Figure 4 and Figure 5.

Figure 6: Key causal relationships between levels of LSF2021



One causal chain relates to the production of goods and services for exchange (1). Institutions and organisations such as firms utilise our national wealth (2) to produce goods and services that individuals and collectives want and need to support their wellbeing. For example, DHBs use physical and human capital to produce health services for consumption by patients. Institutions and organisations can also create new wealth (3), such as when they invest in research and development, the building of infrastructure, training and skills, and so on. This investment helps counteract the natural depreciation that many forms of wealth are naturally subject to over time (3). It lso helps counteract any destruction of wealth (4) that can happen through the intentional or unintentional actions of individuals, collectives and organisations. For example, human activity has led to significant pressure on many species and ecosystems, leading to steady deterioration of the natural environment acoss most of the world (Managi & Kumar, 2018).

Another type of causal chain relates to regulatory activity. For example, many institutions and organisations take a guardianship role (5) in relation to our national wealth, helping protect it against improper use. For example, MPI's biosecurity work helps protect our natural environment against unwanted pests, and organisations like Worksafe NZ help protect our human capability. Organisations also regulate each other, and regulate how individuals are allowed to express their agency in various contexts (6). For example, professional associations regulate how members of each profession (such as lawyers) are allowed to act.

The causal chains discussed so far are driven by agency that is exercised by group agents such as firms, government, NGOs and so on. At the top of Figure 6 is a series of causal chains that are driven by individual agency. Our resources create capabilities, influenced also by wider structural factors outside our control (7). We each then decide how to exercise our agency, affecting ourselves (8), other people (8), institutions (9), and our national wealth (4). For example, we might choose to volunteer to maintain a local trap line to keep control of predators in a local park. We might find this satisfying to ourselves (8), and this will also increase the environmental amenity for other people in our local area (8). If we volunteer as part of a collective effort such as the Predator Free Brooklyn group, our efforts will also sustain that institution (9), as well as helping in a modest way to sustain our overall natural environment (4).

The final set of causal links is in the bottom left of the figure. These environmental processes occur without any agency being exerted by humans (10). For example, geological processes generate heat, raise mountains, create fertile plains and so on. These processes change the natural environment over time. Many of these processes are useful to humans, deriving 'ecosystem services' that can be used by both institutions and individuals (11). For example, geothermal heat can be converted into electricity for use by both firms and households. Earth system processes can also generate hazards such as tsunamis that can destroy our wealth.

Understanding these causal links is particularly important for policy advisors, who need to explore why observed phenomena are the way they are, and to consider options to resolve any observed problems.

3.4.3 Intergenerational wellbeing

One piece of feedback on a draft version of this paper is that dropping the characterisation of the capitals as representing 'future wellbeing' would make the issue of intergenerational wellbeing less prominent in the framework. This is true only in a superficial sense, in that the phrase 'future wellbeing' would no longer be on the surface of the framework.

But below the surface, a shift to a micro/macro distinction allows for a richer and more nuanced understanding of intergenerational wellbeing.

By describing the capitals as representing future wellbeing, LSF2018 emphasised one particular view of inter-generational equity, that of aggregate sustainability. This view of inter-generational equity is associated with prominent figures such as Kenneth Arrow and Partha Dasgupta, and the work of the World Bank and UN to better account for natural capital. (Arrow, Dasgupta, Goulder, Mumford, & Oleson, 2012; Dasgupta, 2021; UN-IHDP & UNEP, 2012; World Bank, 2011).

In this important body of work, a starting premise is that current wellbeing is only sustainable if we are, at a minimum, not reducing the production possibilities of future generations. In practice, this leads to a focus on accounting for degradation in natural capital, given that this aspect of our wealth is in decline in most parts of the world. Most other aspects of our wealth are improving.

This type of aggregate sustainability continues to be very important in the proposed LSF2021 and is one of the main reasons for treating the capitals as distinct from the wellbeing domains. By adopting the term 'wealth' to describe the capitals in combination, we connect the LSF more directly to the Inclusive Wealth Framework of the UN.

But there is also another important type of inter-generational equity that corresponds to the wellbeing domains rather than the capitals. This type of equity corresponds to the distribution of wellbeing across one generation and the extent to which that distribution determines the distribution of wellbeing across future generations.

This topic is often explored under the heading of intergenerational mobility. A lack of intergenerational income and occupational mobility suggests that not all children are being given a fair chance, because one's position in the income distribution is determined more by one's parents rather than by one's own efforts. This kind of intergenerational inequity is important to emphasise given this refresh's focus on children's wellbeing. Given the intergenerational patterns of disadvantage faced by Māori as a result of colonisation, it is also important to reflect the wellbeing of Māori.

Some of the proposed changes to how the wellbeing domains are defined are designed to facilitate greater appreciation of intergenerational flows of wellbeing. Figure 7 provides a more detailed view of the stylised flows labelled (1) and (9) in Figure 6.

Figure 7: Intergenerational wellbeing at a micro level

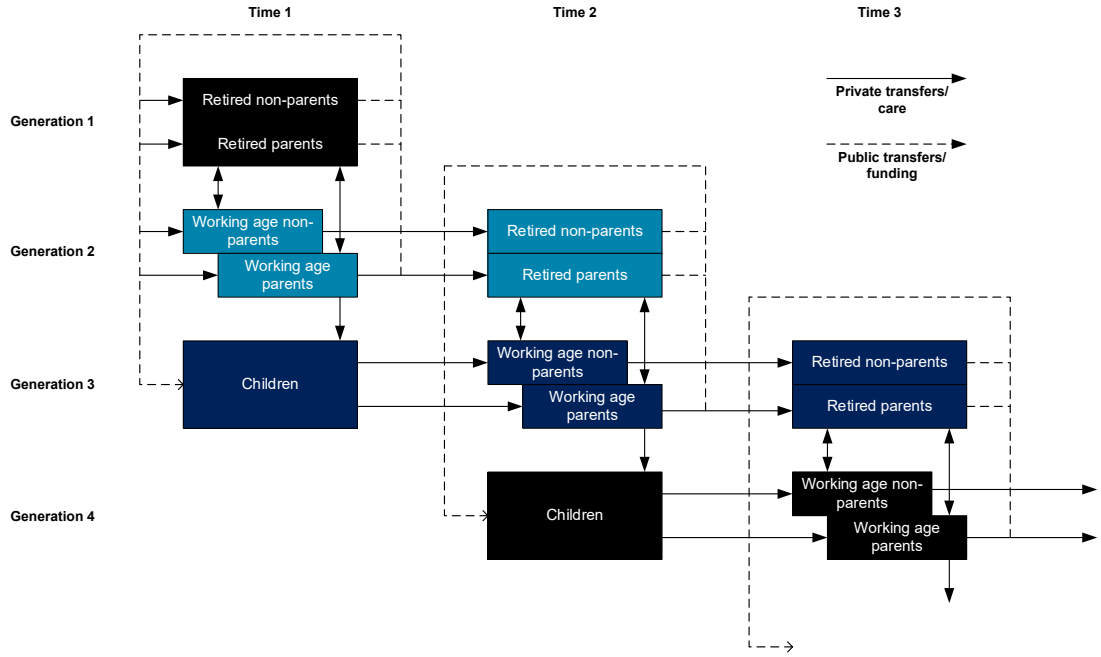


Figure 7 includes both private and public flows, to illustrate the complementary roles played by families and the state. Starting with the public flows, our pay-as-you-go system of funding public supports such as health, education and superannuation means that most of us receive more than we contribute in taxes when we are children and when we are retired, but we tend to contribute more than we receive during our working age years.

Figure 7 applies this same thinking to private flows between family members. These flows are more complex than public flows. To start with, they include more than flows of money, goods and services. There are many things that parents provide children with, including opportunities for learning, play, emotional support, cultural development and so on. Most parents continue to provide emotional and material support to their children even as adults, and adult children typically support their parents in many ways as well. Both public and private flows are necessary to sustain our wellbeing across the lifecourse, and between generations.

As this brief discussion illustrates, the future wellbeing of each generation of children over the course of their lives is not determined solely by our society's aggregate stocks of wealth, but also by structural features that affect each child's chances in life. This is one of the main reasons why I suggest adding institutions into the LSF, as it is institutions such as families, whānau and government that facilitate these inter-generational flows and so affect inter-generational wellbeing in a micro-distributive sense. In more than one way then, each of the three levels in the framework speaks to both current and future wellbeing.

3.5 Normativity[26]

As a policy framework, the LSF makes significant normative assumptions.

I suggest in this section that it is important to make these assumptions transparent, not least so that they can be challenged or placed alongside alternative normative assumptions deriving from complementary frameworks such as He Ara Waiora. Understanding the normative foundations of the LSF is also necessary to do more than describe the issues of distributive and intergenerational equity that are part of the living standards approach, and to consider how to deal with them.

That the LSF makes normative assumptions is inevitable, since matters of value and normativity are unavoidable in policy making and advice. As Jonathan Boston (2013) has written:

> The questions surrounding the ethical basis for public policy and the nature of the good society cannot be ignored. Whether we like it or not, governments have to decide what ought to be done. Hence, the moral character of their decisions is unavoidable. Moreover, governments typically need expert advice about what to do. Policy advisers thus have a critical role in framing the available options, clarifying the ethical values at stake, highlighting the nature of the conflicting interests and competing goals, suggesting possible ways of reconciling the evident differences and finding common ground, and outlining the decision rules that can be applied when the values at stake are incommensurable and/or no agreement is possible.

In this section I highlight some of the implicit normative foundations of the proposed 2021 version of the framework so that these can be transparently debated.

3.5.1 Value pluralism

I suggest the primary normative foundation of the LSF is, and should be, value pluralism. At its simplest, this claim is that all things of value can not be reduced to a single primary value such as subjective wellbeing or happiness.[27]

The main reason to adopt a pluralist conception of value is that the Treasury is a public service department with a duty to serve the public of this country in all its diversity. As the public we serve does not share a single theory of value, it would be inappropriate for us to insist that all things of value can be reduced to a single dimension. For example, if some people claim that the natural environment is intrinsically important and others claim it is only instrumentally important to human ends, it is not for the Treasury to adjudicate between these claims.

There are three main types of pluralism that the framework reflects. There is pluralism in our conception of wellbeing, in the grounds for government action, and in the conception of justice. These are briefly discussed below, then again in more detail in the body of this paper.

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[26] My thanks to Chris Thompson, whose work this section is adapted from.

[27] For a full discussion of value pluralism, see https://plato.stanford.edu/entries/value-pluralism/#RatReg

One implication of value pluralism is that the framework does not contain any algorithm to arrive at a single optimal solution to any given policy problem.[28] This can be regarded as a strength or a weakness. In my view it is a strength, as it is not for Treasury to decide what Government should do. The purpose of the Treasury, and by extension the LSF, is as Jonathan Boston put it *"'framing the available options, clarifying the ethical values at stake, highlighting the nature of the conflicting interests and competing goals…(etc)"* . A pluralistic approach to value helps here by creating the flexibility to understand and express to Ministers the competing values, goals and interests of different members of our society, even if it leaves the difficult decision of weighting those different values and interests to elected representatives.

3.5.2 Plural conceptions of wellbeing

In this paper I propose the LSF should adopt two kinds of pluralism in the conception of wellbeing. Previous versions of the framework have adopted pluralism in the definition of individual wellbeing by drawing on both utilitarianism and the capabilities approach. As discussed in section 3.3.1, I suggest we continue this pluralism, and formalise it by more directly recognising pluralism across the conventional typology of individual wellbeing theories: hedonism, desire satisfaction and objective list theories.

I also suggest we extend our pluralistic conception of wellbeing to accept both individual and collective conceptions of wellbeing, as already discussed in section 2.2 and as discussed again in more detail in section 3.3.2. Previous versions of the LSF have implicitly adopted the stance of normative individualism. This reflects the standard view in analytic philosophy, including both the capabilities approach and utilitarianism, that wellbeing is what is intrinsically good for individual persons. I propose extending this to accept that wellbeing can be the property of a group of people as well.

Many liberals, including for example those as different as Brian Barry (2001) and Martha Nussbaum (1999), have expressed significant reservations about collectivist views of wellbeing, as expressed in traditional and nationalist cultures. For example, Martha Nussbaum discusses many examples of how traditional, collectivist cultures have often suppressed the agency of women.

By adding collective wellbeing to the framework, I do not propose subordinating individual wellbeing to collectives in a way that might risk relicensing such oppression. Rather, by proposing to include both approaches to wellbeing in the framework, I merely encourage analysts to consider the inter-dependency between collective and individual wellbeing and the need for all of us to balance self-regarding and other-regarding acts in order for us all to be well.

[28] In contrast, say, to cost-benefit analysis, at least in the eyes of some of its many advocates.

3.5.3 Plural grounds for government policy

Analytic philosophers generally draw a distinction between *normativity* and *evaluation*. *Evaluation* is concerned with outcomes, or impacts, or states of the world, or the consequences of action, more particularly with which outcomes are good or bad, or better or worse. *Normativity* is concerned with action, or what course of action we should take; more particularly what actions are right or wrong.[29]

Policy analysis is necessarily normative, in the sense that it concerns what course of action the government should or should not take. And there are various different normative ethical theories. One normative theory, often employed in policy analysis frameworks, such as cost-benefit analysis, is *consequentialism.* Consequentialism claims that the action we should take (as individuals, or as government) depends on the consequences (or outcomes, or impacts) of that action. According to consequentialism, to answer the normative question (how we should act) we first need to answer the evaluative question (what would be good outcomes); we act for the sake of bringing about the good outcomes.

Previous versions of the LSF, like economics frameworks generally, have acknowledged the importance of rights (The Treasury, 2011), but have then focused primarily on the measurement of consequences, tacitly implying that consequentialism is the correct normative ethical theory.[30]

I suggest that LSF2021 should continue to capture consequentialist concerns, but not solely. Consequentialism is a standard normative ethical theory, but it is not the only approach. Consequentialism's most prominent rival normative ethical theory is deontology. According to deontology, the correct course of action depends on following certain norms or rules. According to deontology, the correct course of action does not depend on the consequences of that action. Possible deontological norms might include "It is wrong for government to act paternalistically towards its citizens" or "Government must always respect individuals' privacy".

While the LSF is not a rights-based framework, I suggest that it incorporate rights as a type of institution that conditions how actors such as government, families and business can, cannot, and must act in pursuit of wellbeing.

Rights are particularly important when it comes to the topic of child wellbeing, as discussed in section 5.2. They also help address the concern that the LSF is paternalistic or a tool for social planning. Many kinds of rights constrain what is permissible for the Government (and other actors) to do, as discussed in section 6.4.

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[29] As Robeyns (2017) points out, this is a separate distinction to the 'positive-normative' distinction in economics. In economics, positive analysis is held to be that which is undertaken in a value-free manner, in contrast to value-laden normative analysis. In philosophy, both evaluative analysis and normative (prescriptive) analysis draw on ethical values, because even to evaluate a state of affairs as better or worse than another state of affairs requires an assessment of which states of the world are more highly valued. In economic terminology, both evaluative and prescriptive analysis are normative, even though only one is about courses of action.

[30] Consequences are more commonly known as 'outcomes' in the public service.

This is because, according to Robert Nozick, rights provide 'side-constraints' to actions that pursue good outcomes. According to Ronald Dworkin, rights serve as sorts of 'trumps'; they provide reasons for or against action that override other sorts of reasons. Rights are broader than the legal rights specified in statutes; there can also be moral or natural rights. For example, a suffragette could claim a natural *right* to vote, prior to universal franchise.

Some types of rights (namely privileges or liberty rights) create entitlements for the right holder to act in certain ways but place no corresponding duty on anyone else. For example, a (moral) right to free speech grants someone the freedom to say (or not say) what they want (within bounds); it does not create any obligation on anyone to listen to what is being said or provide a platform for someone's speech. Other types of rights (namely claim rights) do create a corresponding duty or obligation on a different person to fulfil that right. For example, a child has the right to an education. This creates a corresponding duty or obligation on someone (the state, the parents) to provide that education. While it is not for the Treasury to define what rights are, it is important for Treasury analysts to consider those rights that have been codified in legislation, in international covenant, or fundamental constitutional documents such as the Treaty.

3.5.4 Plural conceptions of justice

Economists often talk about equity rather than justice, and consider equity primarily in terms of the redistribution of resources to counteract any inequities resulting from market-based exchange. Distribution is one important part of justice, but other types of justice, such as procedural justice, are also important. Given that there are many types of justice, I describe just two here by way of example, without attempting to be exhaustive.

Distributive justice

The LSF has talked about the importance of distribution for some time, but with no guidance on how to assess whether an observed distribution is better or worse (or more or less just) than another.

Theories of distributive justice can shed some light on what distributions of wellbeing are good or bad, better or worse. There are various theories of distributive justice (and variations within these theories), only some of which I present here.

Luck egalitarianism distinguishes between outcomes that are the result of 'brute luck' (ie, arbitrary, accidental factors such as genetic inheritance), and outcomes that are the result of 'option luck' (ie, the choices that people have made, such as whether to save or spend money). (Dworkin 1981a, 1981b). According to luck egalitarianism, individuals are responsible for – and should face the consequences of – option luck but not brute luck.

Sufficientarianism encourages consideration of whether a particular distribution allows everyone sufficient resources of various kinds. (Frankfurt, 1987). Poverty lines can be seen as attempts to quantify a minimum necessary income, for example, but sufficientarian arguments are also relevant more broadly. For example, it is relevant for a number of cultural perspectives that view the survival of a culture itself as an essential prerequisite to wellbeing. Most notably, from Peter Buck (Belich, 2001) to Mason Durie (1998) to Joe Williams (1998), leading Māori thinkers over decades have insisted upon the need for Māori culture to survive, as no amount of material resources will suffice for the wellbeing of Māori if Māori culture is not thriving too. This kind of

argument can support the distribution of resources to actors such as Te Wānanga o Aotearoa and Te Taura Whiri i te Reo Māori, for example. It is also important to note that sufficientarianism is central to the capabilities approaches as articulated by Martha Nussbaum, who focuses on those capabilities that are essential for human dignity.

Relational egalitarianism assesses a distribution as good or bad to the extent to which it facilitates or erodes the quality of relationships between actors in society (Anderson, 1999) This perspective emphasises the need for everyone to have resources sufficient to relate as moral, political and social equals, free from the prospect of domination or marginalisation. This perspective allows critique of both substantial concentration of wealth, if that gives the owner out-sized influence, as well as concentration of poverty.

Prioritarianism suggests that those with the lowest wellbeing should have priority in the redistribution of resources. This perspective encourages consideration of the extent to which costs and benefits are accruing to people at the top, middle or bottom of a given distribution, such as income or education.

Procedural justice

Another form of justice that is important is procedural justice. In many cases, the processes that produce an outcome are as important for justice as the outcomes themselves. For example, in criminal proceedings a fair trial is as important as any resulting conviction.

Tom Tyler (2013) defines four aspects of procedural justice.

- **Voice** – people want to have an opportunity to tell their story.
- **Neutrality** – people want the authorities they are dealing with to be neutral.
- **Respect** – people are sensitive to whether they are treated with dignity and respect, and to whether their rights as citizens are respected.
- **Intentions** – people react favourably if they believe authorities are sincerely trying to do what is best for the people with whom they are dealing.

These aspects of procedural justice are particularly important when it comes to assessing the institutions, which I have suggested adding to the middle of the framework, particularly whether they are operating in an inclusive way that respects the rights of diverse individuals.

Procedural and distributive justice can often be usefully considered together, as the fairness of a procedure that produces an observable outcome will often be important in determining whether that outcome is fair. This is implicit in some of the theories of distributive justice outlined above, such as luck egalitarianism. A distinction that Amartya Sen (2009) introduces is between culmination outcomes and comprehensive outcomes. Culmination outcomes are the final state of affairs, and comprehensive outcomes are the final state of affairs plus the processes that led up to them. Consideration of both will often be important when using the LSF.

4 Wellbeing and culture

Having explored our basic concepts, we can now consider their interaction. This section considers the relationship between culture and wellbeing. We tackle this question in four subsections:

- Subsection 5.1 considers wellbeing in light of culture generally, at the micro, meso, and macro levels.
- Subsection 5.2 looks specifically at wellbeing in Māori culture.
- Subsection 5.3 looks specifically at wellbeing in Pacific cultures.
- Subsection 5.4 considers inter-cultural wellbeing in the context of 'superdiverse' Aotearoa.

4.1 Wellbeing and culture generally

4.1.1 Culture and the wellbeing of individuals and collectives

LSF2018 incorporates culture on the list of individual wellbeing domains by including the item 'cultural identity', defined as:

> Having a strong sense of identity, belonging and ability to be oneself and the existence value of cultural taonga (The Treasury, 2018).

This definition is closely aligned with the definition used by MSD (2016) in its Social Report. By including cultural identity as a standalone dimension, the intrinsic value of culture to an individual's life is asserted, regardless of any instrumental benefit in terms of positive affect or the ability to realise one's preferences. Retaining this approach would be much more consistent with feedback on the topic of culture than would interpreting culture from a solely hedonistic or preference satisfaction conception of wellbeing.

But having said that, in public consultation on the LSF many submitters expressed reservations about the existing definition. Submitters supported the need to acknowledge the intrinsic value of culture. But many submitters also felt that the importance of culture goes well beyond supporting individual identity.

Public feedback was sought in response to a discussion paper on culture that was commissioned by the Treasury and the Ministry for Culture and Heritage (Dalziel, Saunders, & Savage, 2019).

In this discussion paper, the authors opened up the conversation to consider more than just cultural identity. One of their proposals was to add the concept of 'cultural efficacy and competence' alongside 'identity' to reflect the skills, knowledge and experience needed to undertake cultural practices. The authors argued that this understanding is particularly relevant to children, whose development of cultural efficacy is important for their current and future wellbeing.

Submitters supported this general concept, though some preferred the language of 'cultural connectedness' to the language of 'cultural efficacy'. Submitters also supported a view of ongoing development of cultural knowledge and skill over the lifecourse, not just in childhood.

> Indicators that measure the following should be included; Access to, and immersion in, the knowledge, traditions, and culture that support personal and whānau spiritual development, growth, and awareness. Submission by Te Rūnanga o Ngāi Tahu.

This point is consistent with the idea of culture as contributing to one's capability to formulate and pursue one's ends. For Sen, reasoning about how to live is more important than fulfilling our desires:

> The significance of our lives cannot be put into the little box of our own living standards, or our need fulfilment. The manifest needs of the patient, important as they are, cannot eclipse the momentous relevance of the agent's reasoned values" Sen (2009).

From this perspective, the most important point about culture as a person-level resource is that it provides us each with the tools to reason about how to live and what values to adopt as our own. These tools include allegories, parables, proverbs, heroes, villains, concepts, terms, and so on. To adapt this point to the language of the economist, culture is what we use to form our preferences, and so is in an important sense prior to all economic activity.

Culture is also a resource that individuals can use to pursue the realisation of their preferences (once they have been formed). For example, the ability to present oneself as the member of a shared culture is a means to develop other resources, such as bonding social capital (through the willingness of others from a shared culture to form ties), human capital (through acceptance into educational institutions, internships and so on), and financial capital (through employment or trade relations).

This captures something of what Pierre Bourdieu (1973) meant when he originally coined the phrase 'cultural capital'. By this he meant individual understanding of the 'code' that allows one to access and make use of collective cultural resources:

> …the inheritance of cultural wealth which has been accumulated and bequeathed by previous generations only really belongs (although it is *theoretically* offered to everyone) to those endowed with the means of appropriating it for themselves.

Bourdieu originally developed the concept of cultural capital in order to argue that the French educational system "reinforces and consecrates" pre-existing differences in cultural capital across the classes, ie, differences in the ability to access French culture (discussed in terms of art, philosophy, literature and so on). He argued that the system of educational accreditation inadvertently reproduced structures of social inequality, by restricting what we would now describe as intergenerational social mobility.

It is not clear how generalisable this particular insight from 1970s France is to Aotearoa in the 2020s. Aotearoa's educational system is very different from that of France. Aotearoa culture is also very different from French culture, arguably being more diverse and less elitist. But the point that an individual's understanding of a cultural 'code' affects their ability to navigate the world and achieve their aims surely stands.

This code-reading ability can be described in a number of different ways. Dalziel et al describe it as alternatively 'cultural efficacy' or 'cultural competence'. Submitters suggested alternatives such as 'cultural connectedness'.

It can also be described as 'cultural capital', following Bourdieu. There are at least four potential problems with this, however. The first is that the interpretation of this phrase could be non-intuitive to many people, as Bourdieu's meaning is something of a term of art; many people might naturally think of cultural capital more in terms of tangible artifacts such as artworks, or what Bourdieu later described as 'objectified cultural capital'.

The second reason is somewhat related, because of the overlap between cultural skill and other skills that are usually defined in terms of human capital. Describing some skills as cultural capital and other skills as human capital is a recipe for confusion, particularly when the distinction between cultural and non-cultural skills is vague at best – it is hard to think of a skill that is not cultural.

The third problem is that, unlike in Bourdieu's discussion of a single French high culture, there are many cultures in Aotearoa, and so many types of cultural codes to be read. For this reason, when discussing the experiences of NZ-born Pacific Oeoples, Mila-Schaaf and Robinson (2010) coined the apt term 'polycultural capital' to describe the need and ability second generation Pacific Peoples in Aotearoa have to navigate multiple culturally distinct social spaces.

The final problem is one raised by Sen in discussing the difference between the concepts of capital and capability. He argues that the concept of capital is conventionally defined in terms of indirect value, as a means of production, whereas human capabilities can be put towards many ends, production being only one of them (Sen, 1997).

> 'human beings are not merely means of production (even though they excel in that capacity), but also the end of the exercise.'

Although Sen was discussing human capital in this case, the same insight applies to the concept of cultural capital. For example, the ability to read makes one economically productive, but also creates the personally important ability to access the accumulated works of many ages, thus expanding one's horizons significantly.

For this reason, I suggest 'cultural capability and belonging' is perhaps the best description of cultural competence at an individual level, because it captures the idea that the ability to navigate a culture creates productive potential, but is also intrinsically valuable.

4.1.2 Culture and institutions

Dalziel et al (2019) also proposed that the framework consider culture at both the individual and societal level; they proposed the phrases ‘cultural vitality’ and ‘cultural vibrancy’ to distinguish between an individual’s opportunity to live their culture (vitality) and the dynamism and richness of the culture itself (vibrancy).

Submitters generally supported broadening the frame to include more than identity, though the language of ‘vitality’ and ‘vibrancy’ was generally not supported. Submitters generally preferred referring simply to ‘culture’.

> The LSF’s domain on ‘Cultural identity’, with two indicators currently included in the LSF Dashboard, is too limiting to capture the dimensions of culture needed to support wellbeing. We recommend the domain be broadened to ‘Culture’ *Submission by Museums of Auckland Group.*

> ‘Cultural identity’, as broadly defined in the paper, more fully incorporates the individual, communal and relational aspects of culture than ‘Cultural vibrancy’. However, it still has its limitations, as culture and identity are two separate things. We are not convinced by the definition of ‘Cultural vibrancy’ in the document; it seems largely focused on performing and visual arts and implies a much smaller focus than the true breadth and depth of culture. A simple heading entitled ‘Culture’ would encompass all dimensions of cultural identity, cultural vibrancy and cultural vitality. *Submission by Auckland War Memorial Museum.*

I support the view that more than cultural identity matters for wellbeing, and that culture itself should be included in the framework.

However, the idea of adding culture itself to the framework does raise an issue of what Dalziel et al (2019) referred to as the level of choice, or what I am calling the level of analysis, at which to locate culture.

In section 3.1 I defined culture as a relational construct that inheres not in individuals, but in the relationships between individuals, groups and objects. So culture itself can not inhere in an individual, even if an individual’s wellbeing depends upon their access to culture, even if individuals are shaped by culture, and even if culture cannot exist without individuals.

But if culture is not individual, then it is also not solely or even primarily national in scope. Nationality is just one form of affinity and shared culture alongside many others that exist sub-nationally, like iwi, or supra-nationally, like many religions. Culture can be found in a multitude of social forms at different levels, from the community to the globe. Our national culture needs to be understood in that context, because, as Benhabib (2002) notes:

> While the modern nation-state remains a possible structural expression of democratic self-determination, the complexity of our social lives integrates us into associations that lie above and below the level of the nation-state. These associations mediate the manner in which we relate to the state. If we stop viewing the state as the privileged apex of collective identity, but instead, along with Rawls, view it "as a union of unions," then citizenship should also be understood as a form of collective identity mediated in and through the institutions of civil society.

The implication for the LSF is that, as Dalziel et al (2019) suggest, the framework needs more than two levels of analysis if it is to find an appropriate home for culture. I respond to this by suggesting we add institutions into the framework.

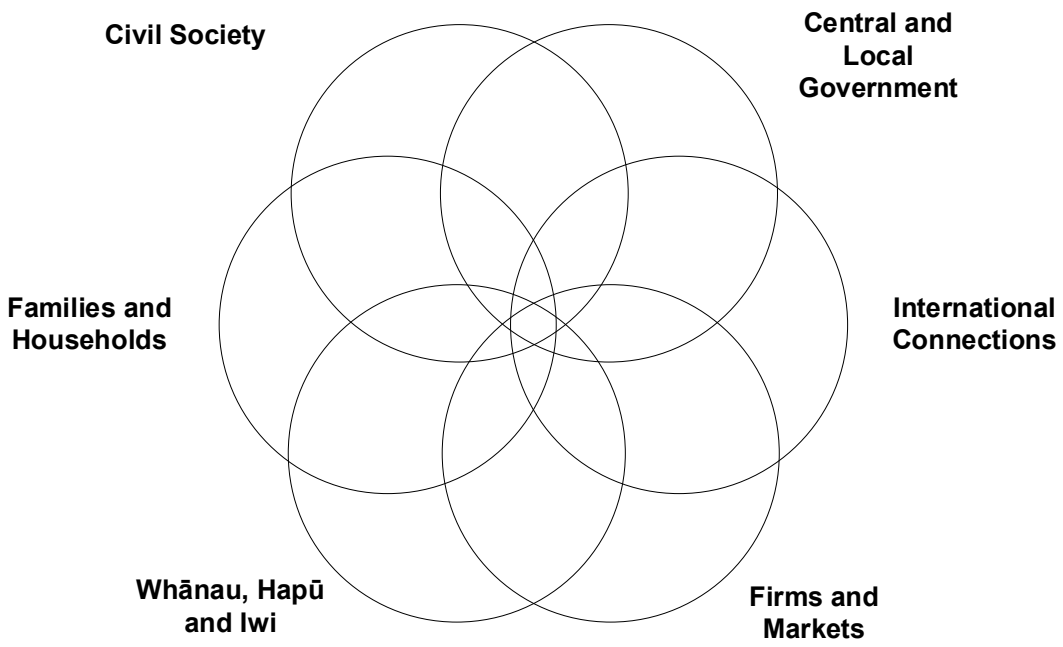
Dalziel et al identify six major levels of social structure that, among other things, reflect and express culture, namely:

- Households and Families
- Civil Society
- Market Participants
- Local Government
- Nation State
- Global Community.

Culture permeates, sustains and is recreated by every one of these social structures, and each of these social structures creates and enforces types of mutual responsibilities, grounded in value sets specific to that context.

Where I differ from Dalziel et al is in seeing these structures as overlapping, rather than layered or nested in an implicit hierarchy. Culture exists as much between as within these structures, which is one reason I depict them as overlapping. I also define the spheres slightly differently, by combining national and local government together and separating out the institutions of tangata whenua, as depicted in Figure 8.

Figure 8: Locating culture(s): one use of the institutional layer of the framework



This proposed response is perhaps not entirely satisfying to those who would like to see a focus on a particular kind of institution or a particular kind of culture. For example, the Māori and Pacific discussion papers each seem to suggest a primary focus on the structures of family and whānau as the loci of wellbeing, culture and cultural responsibilities. Those Pākehā and others holding conservative cultural values may well agree with a focus on family structures, but also want a focus on the national level of analysis and the promotion of a unitary national culture. Those Pākehā and

others holding left-liberal cultural values may prefer a focus on the global level of analysis, or civil society. Those holding right-liberal cultural values may prefer a focus on the levels of the market and individual.

The fact that these analytical preferences for types of institutional analysis are linked to divergent cultural values is itself a reason to favour a pluralistic analytical framework, given the Treasury's responsibility under the State Sector Act to be politically neutral. In the same way that submitters are right to criticise the framework's current privileging of the individual and national levels of analysis, it would be exclusionary to focus only on some other levels of analysis. This is part of the reason why I decentre the framework away from any particular type of structure, so as to open debate about the relative role of these structures in our society.

From the perspective of individual wellbeing, culture can be considered as an external conversion factor. This is because an individual's access to a shared culture acts as a multiplier effect for personal resources; among other things, culture is a conversion factor that affects the size of an individual's capability set.[31]

It is important to note that culture's multiplier effect can be larger or smaller than one. For example, living in a community or society with a thriving culture allows for income, health and other basic capabilities to be more effectively converted into wellbeing or other desired outcomes; culture in this case expands one's capability set.

Conversely, living in a community or society that holds discriminatory or oppressive cultural attitudes, for example, can diminish the value of an individual's resources. Sen (2009) points out that a person with an impairment living in a disabling cultural context will need a higher level of income or other personal capabilities to achieve the same level of functioning as the same person would living in a less discriminatory cultural context. Similiarly, in the not-so-distant past it was far easier for men than women to convert their skills and knowledge into jobs and earnings, because of cultural expectations about appropriate gender roles.

This is one way in which the culture that inheres in meso-level social and institutional structures affects the generation of wellbeing. Another relatively direct way that institutions affect wellbeing is through organisational cultures. For example, workplaces differ significantly in their conditions of employment, treatment of staff, diversity and inclusion policies, consideration of work-life balance and so on, and these differences can greatly affect employee wellbeing, particularly for employees with limited negotiating power or no option to walk away.

There are also more indirect routes by which culture affects the production of wellbeing at an institutional level. Perhaps the most important is how culture affects organisational productivity. Productive firms and other organisations support wellbeing by increasing the nation's wealth, thereby creating more options to fund or otherwise expand individual capabilities.

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[31] Although as a reviewer pointed out, culture is not solely external to us, but is also manifested in our very minds in the language and concepts we use to understand the world. Depending on one's views on social ontology, one might even consider culture as only existing 'in the mind'.

Dalziel et al (2019) introduced some of the mechanisms by which culture can affect the productivity of firms, namely through:

- attracting a highly skilled workforce (because the culture of an organisation, city or region is seen as attractive)
- supporting (or inhibiting) entrepreneurialism, and
- creating cross-branding opportunities (consider Air New Zealand, for example, or Tohu Wines).

To this list could be added the ways in which firms and other organisations can create a high-performance culture, thereby harnessing internal innovation and discretionary effort.

Organisational cultures can also affect how sustainably firms use natural capital, with spillover effects for the whole country. An increasing number of firms are recognising the need to consider stakeholder value, not just shareholder value, in their operations. Developments such as integrated reporting, and initiatives such as the Sustainable Finance Forum (2019), aim to change the culture of decision making within the private sector.

Another important link to highlight is the way organisations affect cultural change. In our definition of culture in section 3 we emphasised the fact that culture is dynamic and contested, and that culture evolves through its continual reproduction. Firms and other organisations are active participants in that process and can both consciously and unconsciously affect how culture evolves. Many organisations exist at least partly to serve the aim of changing culture in a certain way, such as the National Council of Women.

But many more organisations will subtly affect the way in which culture develops through pursuing other aims. This is particularly obvious in the case of marketing activity, where firms try to create or reshape the meaning of existing cultural forms to serve commercial purposes. For example, Christmas and Easter have long been highly commercialised, and firms have been very active in promoting commercialised forms of cultural phenomena from other countries, such as Halloween and the Black Friday sale. These marketing efforts to change culture operate in addition to the more direct role of marketing in trying to change individuals' preferences. Some scholars, such as Kevin Moore (2019), argue that the ongoing reproduction of an 'aspirational culture' as a side-effect of these activities has the effect of making wellbeing harder to attain across society.

Firms also directly fund organised efforts to change culture, or to have business-friendly cultural values protected, although organisations such as Business NZ would not necessarily describe their activities in that way. And many organisations are in the business of directly creating culture in a more limited sense, particularly those in the creative sector.

These points raise interesting regulatory questions about acceptable limits on the abilities of different kinds of organisations to use, shape and influence culture. These questions emerge in many different contexts, such as:

- the permissibility of direct advertising to children
- censorship and age limits for children accessing media content
- limits on who can and cannot sponsor sporting events
- concentration of media ownership in a small number of owners
- the level of public funding for media
- commercial rights to use aspects of Māori culture, as discussed extensively in Wai262
- free speech rights for organisations
- campaign financing limits, and
- regulation of social media platforms and internet-based entertainment sites like YouTube.

I am not going to explore these questions in this paper. I merely want to highlight that culture is not something than can be taken simply as given, or as exogenous, because so many actors in society are actively seeking to shape the way that culture evolves. While the state can only legitimately go so far in actively shaping culture itself, it cannot avoid its implicit role in establishing the rules of the game by which non-state actors seek to influence the evolution of culture.

4.1.3 Culture as part of our national wealth

At the national level, culture is a resource that can benefit Aotearoa in both the domestic and international realms.

During the LSF refresh process, Treasury staff and stakeholders have debated the merits of two alternative ways of reflecting the cultural aspect of our national wealth. One option would be to add a fifth 'cultural capital' alongside the existing four: human, natural, social, and physical/financial.

However, this option has several problems. One is that the phrase 'cultural capital' is something of a term of art given how strongly associated it is with the work of Pierre Bourdieu. Because he talked about cultural capital as something possessed by individuals, to use this term in the LSF could create confusion given that the 'capitals' are national aggregates.

Another problem is that culture overlaps signficantly with the other aspects of our wealth. Attempting to treat culture as something separate would create significant boundary issues. For example, is the National Library better labelled as physical capital or cultural capital? Clearly it is both.

Another issue was raised by a stakeholder. The term 'cultural capital' implies that the amount of culture can be impartially measured and valued. But culture varies qualitatively through the ongoing processes of contestation and resignification that creates and re-creates culture.[32] To treat culture as something analogous to a stockpile of assets that can be objectively valued would be to avoid this central feature of culture.

[32] While I suggest that the overall quantum of a culture is not *measurable*, reviewers have pointed out and I agree that there are specific *indicators* that can be used as a proxy for the overall health of a culture, for example the number of speakers of a language such as te reo Māori.

> If ‘cultural capital’ is to be treated as a stock, it can only increase in terms of quality (not quantity). However, ‘quality’ requires a judgement, and as such, creates a risk in terms of who decides what is good and what is bad. This is the dilemma. For this reason, we consider ‘cultural capital’ should not be treated as a separate stock term but instead be embedded in to the existing four capitals. McGuinness Institute Submission.

For this reason, I propose going with the alternative option, which is to treat culture as something that underpins all aspects of our national wealth and to revise the definition of each capital stock to clarify the role of culture in that aspect of our wealth. I also propose, following a recommendation from stakeholders, to separate out physical, financial and intangible capital, which are combined into a single capital in LSF2018. This change helps better reflect the fact that much of the worth of culture is intangible, as well as helping clarify that physical, financial, and intangible capital are very different types of wealth that are generally not substitutable for each other.

A summary of the proposed changes is provided in Table 4 and more detail is provided below on the relationship between culture and the type of capital.

Table 4: Proposed LSF2021 capitals

Capital	Proposed 2021 definition	2018 definition
Intangible capital	Intellectual property assets, such as research and development, software and databases, arts and literature.	The country’s physical, intangible and financial assets that have a direct role in supporting incomes and material living conditions.
Physical capital	Tangible, man-made assets, such as buildings, machinery and infrastructure, including physical taonga such as marae.	
Financial capital	Financial assets minus liabilities, including currency, bank deposits, loans and equity.	
Human capital	People’s knowledge, and physical and mental health, including cultural capability.	People’s knowledge, and physical and mental health – human capital enables people to fully participate in work, study, recreation and society.
Social capital	The willingness of diverse individuals and groups to trust and co-operate with each other in the interests of all, supported by shared intercultural norms and values.	The social connections, attitudes, norms and formal rules or institutions that contribute to societal wellbeing by promoting the resolution of collective action problems among people and groups in society.
Natural capital	All aspects of the natural environment which support life and human activity, whether valued for spiritual, cultural or economic reasons.	All aspects of the natural environment needed to support life and human activity.
Culture	Our accumulated heritage from our ancestors, including knowledge systems, values and beliefs, and their manifestations in objects, practices and concepts. Culture is present in all the other aspects of our wealth.	-

Intangible capital

Intangible capital includes both public knowledge, and the privately held knowledge (intellectual property, including for example programming code) that is a growing part of the overall wealth of our economy. It includes things like literature, film and music that are obviously 'cultural' in a more limited sense of that word. But in a wider sense of the word culture, such as that adopted by Joseph Henrich (2015), all knowledge and technology is cultural, so engineering textbooks are as cultural as poetry anthologies.

Engineering and poetry both add to our wellbeing. Engineering and technology more generally allow us to solve practical problems and increase our ability to produce valued goods and services such as housing. Poetry and other forms of culture in the more limited sense of the arts play a more direct role in creating joy and inspiring further creativity. In many economic theories, the steady expansion of knowledge plays a central role in driving ongoing development.

In the international realm, Aotearoa's culture creates branding opportunities. Brands are another type of intangible capital. A wide range of estimates have been developed from time to time and although it is hard to be precise, it is clear that the value of the New Zealand brand is significant (Insch, 2011). The value to the tourism industry has been emphasised in a number of these estimates, although other commentators note that the 100% Pure brand may not be as valuable to many of our other export industries, particularly outside the primary sectors (Brodie & Sharma, 2011). Concerns are also raised about the sustainability of a green brand in the face of declining environmental quality (Insch, 2011).

For our purposes, it is sufficient to note that the national brand is an important component of Aotearoa's productivity and competitiveness, and that this brand is highly intertwined with our cultural identity at the national level.

Beyond branding is the question of inter-cultural dialogue at an international level, and the broader possibilities this creates in terms of influence and the possibilities of co-operation. The term 'cultural diplomacy' has been coined to describe this process, as one part of soft power (Nye, 2004). Viewed in this way, Aotearoa's cultures are also valuable sources of dialogue and co-operation with other societies, of what Dalziel et al (2018) have described as 'diplomatic capital'.

Physical capital

A useful way to define physical capital is as modified nature, and a major part of any culture is the knowledge of how to modify nature for the benefit of humans. So, for example, knowledge of how to convert stone into tools was a characteristic of many early human cultures, and stone adzes, stone knives, stone-tipped spears and so on are early examples of manifested culture, ie, physical capital. As culture in the sense of knowledge steadily accumulates over time, humanity has gradually accumulated more expansive understanding of how to modify nature. It may be less obvious to us today, but if a stone adze is cultural then so too is any other kind of physical capital, from a steel axe to a chainsaw to a logging truck. These objects manifest the cultural knowledge necessary to produce them.

Financial capital

Financial capital is more obviously cultural, because things like money, particularly fiat money, only exist because members of a shared culture agree that it does; money only exists because we believe it does (or at least act as if it does). Financial capital itself has no intrinsic value, but it has been instrumentally valuable in growing the wealth of nations by smoothing exchange, savings, investment and debt. It largely nets out across the economy, but the distribution of financial capital is important to understand the resilience and scope of action of both individual and institutional actors. For example, the government's financial capital affects its ability to fund investment in wellbeing.

Human capital

To some extent human capital can be understood as internalised cultural knowledge. From our earliest days we are absorbing language, concepts, norms and values that are deeply cultural in nature. Almost all the skill we possess as adults can be considered cultural in nature, not least the skills necessary to operate in a particular cultural context.

Social capital

Social capital is a broad term that covers a range of different phenomena. There is an important distinction between what is called 'bonding' or 'relational' social capital, and 'bridging' or 'system' social capital (Esser, 2008; Halpern, 2005; Putnam, 2002).

Bonding social capital refers to the direct, dense ties that individuals have with one another, such as members of a church, or club, or extended family. Members of a dense social network tend to share values and beliefs, and a common sense of identity. This kind of social capital can help create a sense of belonging, prevent loneliness, and provide a source of support. This kind of social capital is about the degree of interconnectedness *within* groups, and is measured by a combination of social connectedness and in-group trust.

Bridging or system social capital, on the other hand, refers to the willingness of relative strangers to trust one another, even if they do not know each other or share membership of a common network. It is about the degree of inter-connectedness *between* groups, and is measured by out-group trust.

Any given individual benefits from both kinds of social capital. But for the wellbeing of a country as a whole, system social capital is the most important type. Generalised trust is a well-evidenced predictor of economic performance, democratic functioning, public safety, educational outcomes, labour market outcomes and individual health and wellbeing (Frieling, 2018).

Shared culture can be an important source of bridging social capital and generalised trust across people who have never met, but see each other as part of a broader 'imagined community'. However, culture can also be a barrier to bridging social capital if it places barriers to trust and co-operation between people with different cultural identities, values and norms.

Viewed in this way, culture is somewhat ambiguous from the perspective of social capital because it can both unite and divide people. Whether culture unites or divides depends in part on the nature of the cultures in question, particularly in what we might call the *inter-group values* held by each culture. By this I mean the values that members of a particular culture hold about other cultures. So at a national level, culture is a national asset to the extent which it facilitates rather than erodes trust between us all. I discuss this further in section 4.4 below.

Natural capital

Of all the elements of the LSF, it is the natural environment that arouses some of the greatest passion among stakeholders. The treatment of the environment in the LSF was identified in 2018 as an area for further development. For the 2021 refresh we have focused on other development areas, namely children and culture, so a comprehensive examination of the environment awaits a future iteration of the framework. But because of the distinctive role that the environment plays in different cultural knowledge systems, particularly te ao Māori, we have had to confront at least part of the challenge in this refresh.

There are two areas of major cultural disagreement in relation to the environment. The first is a disagreement about whether the environment is only instrumentally valuable to the extent that it advantages humans, or whether some or all of the environment has intrinsic value. Most people agree that at least some non-human animals have intrinsic value, particularly sentient and social animals such as dogs, whales, elephants, and so on. Others find intrinsic existence value to other animals such as native birds, or more broadly the ecosystems that sustain them. And in some knowledge systems such as mātauranga Māori all of the environment has intrinsic value, including non-sentient and non-living aspects of the environmentssuch as rivers and mountains.[33] In frameworks such as He Ara Waiora, the concept of wellbeing (Waiora) includes the wellbeing of the environment (Te Taiao).

The second and related disagreement is about what ethical responsibilities humans have in relation to the environment. Since the industrial revolution our power to modify the environment has grown vastly greater in scope, and the question of when the scope of possibility exceeds what is ethically permissible has correspondingly grown in importance.

A minimal view grants rights against mistreatment to some animals but allows humans to do whatever they like beyond that. A slightly more expansive view is that of weak sustainability; in this view, humans may modify the environment only to the extent that the productive possibilities for future generations are retained. Others go further and assert there are strong limits across some or all of the environment's many complex systems that we may not ethically breach for either deontological or consequentialist reasons.

[33] In traditional Māori ontology, the distinction between living and non-living was made far less sharply if at all, with trees, mountains, rivers etc, like humans, considered to be but different manifestations of the life-force (mauri) that flows through and connects all things.

These two related issues are not simple binaries, but the distinctions between intrinsic/instrumental value and weak/strong sustainability are useful to understand the main lines of argument.

Both issues are fundamentally philosophical, about the nature of existence and how we should live our lives. As such, it is not for the Treasury to resolve these questions. But as a neutral public service department, it is important for us to understand and reflect the diverse values of the public we serve.

I have done this in the revised definition not by asserting the environment is intrinsically valuable or that it is not, but by emphasising that different cultures value and conceive of the environment in different ways. How to resolve our disagreements about the environment and how we can act in relation to it are questions that are resolved using multiple decision-making processes that are captured in the institutional level of the framework.

4.2 Wellbeing in Māori culture

The Crown's Treaty obligations mean that Crown officials have a responsibility to understand te ao Māori as best they can, acknowledging that their insight and understanding will typically be partial.[34] Te ao Māori is a rich, dynamic and diverse world encompassing many lived experiences. Few public servants have a deep understanding of this diversity, meaning that curiosity to discover more should be encouraged but also balanced with epistemic humility.[35]

The Treaty principles of partnership, protection and participation mean that the best way to build and apply an understanding of te ao Māori is alongside Māori in the development of any particular policy relating to Māori. This point is often captured in the phrase 'nothing about us, without us'. This point is an important one about the process of applying the LSF.

But an inter-cultural approach still requires knowledge of the basics. Over decades, leading Māori thinkers have offered frameworks to Government to help Crown officials understand the distinctive features of Māori wellbeing and how Pākehā-centred practice and policy frameworks can be misaligned with Māori wellbeing. For example, John Rangihau's (1988) Puao Te Ata Tu, Mason Durie's (1998 [1982]) Te Whare Tapa Whā, and Rose Pere's Te Wheke model[36] have all been much-cited and much-studied by officials, though admittedly not always with the impact desired by their authors.[37]

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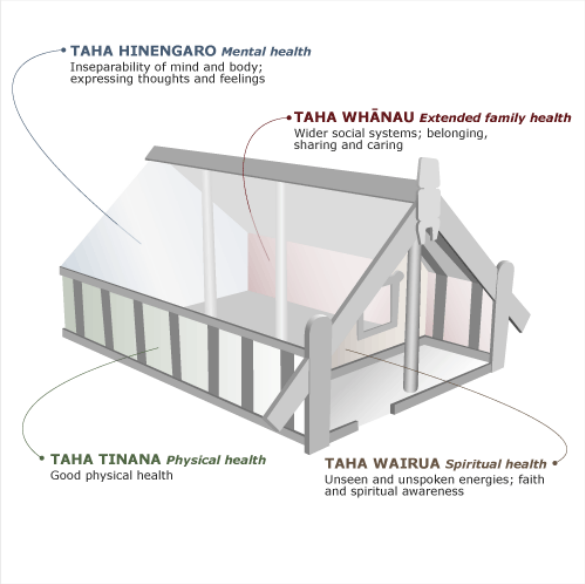
34 Section 14(2)(a) states that public service chief executives have responsibility for developing and maintaining the capability of the public service to engage with Māori and to understand Māori perspectives.

35 Te Arawhiti has produced a range of useful resources to this end. https://www.tearawhiti.govt.nz/tools-and-resources/public-sector-maori-crown-relations-capability/

36 https://www.health.govt.nz/our-work/populations/maori-health/maori-health-models/maori-health-models-te-wheke

37 A reviewer provided a much longer list of other examples, including important hui such as the Hui Taumata of 1984 and 2005, and Te Ritorito in 2017.

Figure 9: Te Whare Tapa Whā



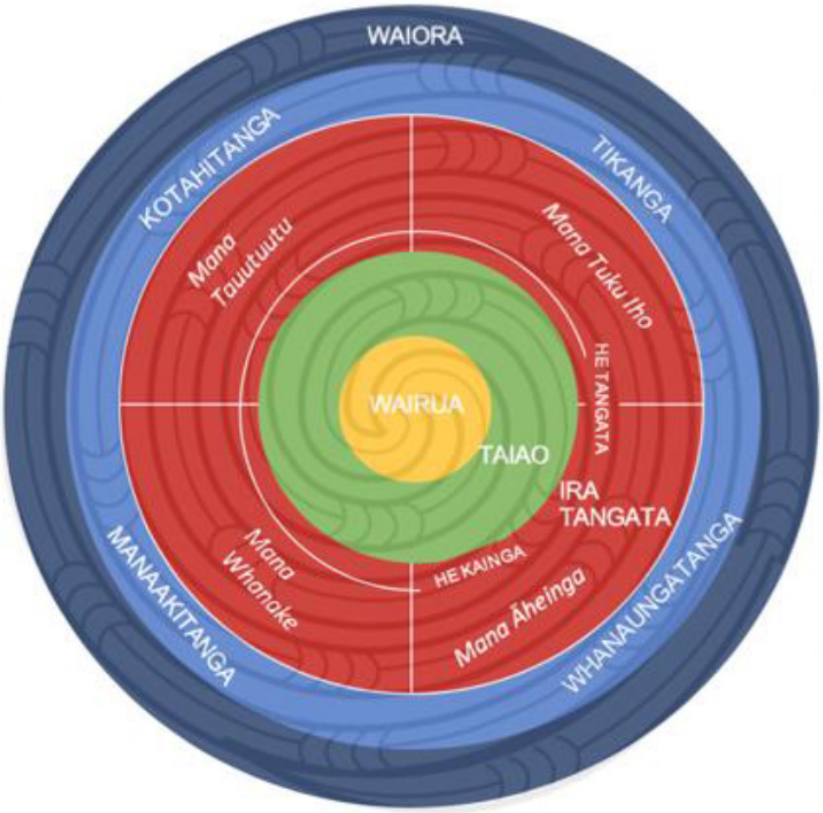
Building on these earlier examples, the Treasury has been working in partnership with a group of esteemed Māori thought leaders (Ngā Pūkenga)[38] to develop and pilot a framework for applying mātauranga Māori to the Treasury's policy process. The framework is called He Ara Waiora and builds on an earlier version developed as part of the Tax Working Group process (O'Connell et al, 2018).

Through continued engagement with this group of thought leaders, a revised version of He Ara Waiora has been developed and is being tested through use (eg, Cook et al, 2020).

The current iteration of He Ara Waiora is presented Figure 10. For those well versed in mātauranga Māori, it probably needs very little explanation. For those earlier on their journey of understanding it may need quite a lot of explanation. I will briefly introduce He Ara Waiora here for the purpose of considering its interconnection with the proposed 2021 version of the LSF. For a full discussion of He Ara Waiora, refer to McMeeking et al (2019).

[38] Ngā Pūkenga, meaning 'the experts', includes Dame Naida Glavish, Professor Rawinia Higgins, Dr Charlotte Severne, Mavis Mullins, Paula McKenzie, Temuera Hall, Rangimarie Hunia, Rikirangi Gage, Rukumoana Schaafhausen, and the late Professors Piri Sciascia and Mānuka Hēnare.

Figure 10: He Ara Waiora



To understand He Ara Waiora requires understanding a few other central concepts in te ao Māori that are implicit in Figure 10 but not directly mentioned.

Whakapapa

The most important implicit concept is that of whakapapa, because it is a concept that is part of the meaning of all others. Indeed, Māori Marsden (2003) describes Māori concepts themselves in a genealogical/cosmological way, ie, as having a whakapapa. For example, he discusses the fact that Mauri, as the force that "*interpenetrates all things to bind and knit them together"* logically must exist prior to other forces that depend on it. So he writes that Mauri "*occur[s] early in the genealogical table*", with refined expression of Mauri (Hihiri, Mauri-Ora and Hau-Ora) descending from Mauri.

In a narrow sense whakapapa is about the addition of each successive generation of people as a new layer (papa) on the previous. But as Marsden's discussion of Mauri suggests, in a more important sense it is about the connectivity and inseparability of all things in the physical, spiritual and human realms.

The concept of whakapapa is often expressed visually with the takarangi (spiral) motif. A Takarangi carving in the Treasury Wharenui is shown in Figure 11. The same spiral pattern can be seen in He Ara Waiora (Figure 10).

The takarangi pattern illustrates the whakapapa connection between wairua and waiora. All elements in He Ara Waiora can be understood as expressions of wairua, as the central force that flows through everything.

Figure 11: A Takarangi carving in the Treasury Wharenui

One of the implications of a whakapapa-based understanding of wellbeing is the different role the natural environment (taiao) plays in He Ara Waiora in comparison to the LSF.

In te ao Māori, taiao does not exist solely to contribute to human wellbeing through the generation of 'ecosystem services'. Rather, the wellbeing of people and of the environment are seen as inseparable. The wellbeing of taiao is thus of intrinsic, not just instrumental importance. The Iwi Chairs' working group on constitutional issues expressed one of the core values of Māori as:

> the prime relationship with the natural world and an understanding that the well-being of humans depended upon the well-being of Papatūānuku as a living entity rather than a resource.

This is an important difference with the framing of the natural environment as natural capital in the LSF. Adding the idea of rights and responsibilities to the LSF would go some way to closing the gap, because many individuals and institutions have responsibilities towards the environment. For example, the Resource Management Act also requires "persons exercising functions and powers under it, in relation to managing the use, development and protection of natural and physical resources (to have) particular regard to: kaitiakitanga…the ethic of stewardship…intrinsic values of ecosystems… (etc)"[39]

Adopting a capabilities-based definition of wellbeing also helps close the gap, because some versions of the capabilities approach, particularly Martha Nussbaum's list of central capabilities, include responsibility for animal welfare as part of a well-lived human life.

[39] Section 7.

But this still does not close the gap between the LSF and He Ara Waiora completely. For example, Krushil Watene suggests that the capability approach, although it does create space for environmental concerns, does not go far enough in capturing the ethical relevance of the natural world to Māori because:

> "As kin, we have an obligation to enhance the natural world just as the natural world (as our kin) has an obligation to enhance our lives" (Watene 2016, p293).

Another important implication of a whakapapa-based understanding of wellbeing relates to intergenerational ethics. In the same way that whakapapa collapses the distinction between individuals, and between the physical, social and spiritual realms, it also "*collapses time so that time-past is connected to time-present"* (Kawharu & Newman, 2018). This is one way of expressing the fact that each of us owe very existence, and that of the world that nourishes us, to our ancestors, be they our more recent human ancestors or our more distant spiritual ones. In the same way, whatever wellbeing our descendants experience will in large part depend on the choices made by us in our time. As Kukuatai et al (2017) note, this concept is captured by the whakatauki:

> *Ehara taku toa I te toa takitahi, engari taki mano, no aku tūpuna.*
>
> My success is not mine alone but is both mine and my ancestors'.

This idea is implicit in the framework of He Ara Waiora, which does not distinguish between the wellbeing of current and future generations in the way that the 2018 version of the LSF does. In the same way as choices of past generations are with us today in the present, the future impacts of our choices are here with us today and we have a moral imperative to consider these future impacts when deciding how to act.

In practical terms, this moral imperative is captured by the inclusion of four guiding tikanga principles. In liberal ethics there is generally a distinction between being well and acting well. Being well, or 'wellbeing', is generally interpreted as what is 'good for' individuals, whereas doing well, doing the 'right thing', is a distinct question.

Māori ethics rejects this distinction, and conceives of wellbeing more broadly as including both ends and means. A Māori approach to wellbeing is perhaps closer to virtue ethics than to consequentialist or deontological ethics. The tikanga principles can be interpreted as virtues to guide all action, and the flourishing life one that consists of cultivating and living these virtues. As Hirini Moko-Mead subtitled his 2003 book *Tikanga Māori*, it is about 'living by Māori values'.

The virtue of tiakitanga (or kaitiakitanga, often roughly translated as stewardship) is commonly discussed in relation to intergenerational ethics. Living by tiakitanga is a way to ensure one's own actions are facilitating both current and future wellbeing. Tiakitanga is not currently depicted in He Ara Waiora, but has been discussed by Ngā Pūkenga and will likely be included in a future iteration.

In any case, tiakitanga is already implicit in the framework as it stands, because of the significant overlap and interplay between the various aspects of tikanga. For example, tiakitanga is implicit in the concept of whanaungatanga (connection) when we understand past and future generations to be present with us now as part of one's whānau, and when we understand nature as kin to us.

Tiakitanga is also implicit in the value of manaakitanga (the ethic of care), which in turn is connected to the concept of mana that is used to express the wellbeing of both individual people (He Tangata) and communities (He Kāinga).

Given the centrality of wairua to the framework, mana can be understood in this context as the spiritually-sanctioned power and authority to sustain life, and manaakitanga as the duty to apply that power in the care of others, especially kin.

Mana and manaakitanga

Mana and manaakitanga are highly intertwined in part because mana has to be used to be sustained. The term 'mana' is often applied to an individual person, but its meaning can be as much collective as individual. Historically, a whānau or hapū that kept its fires of occupation lit, its people fed, and harmful spiritual and human forces at bay demonstrated its hold on the mana inherent in its land, water and people. Rangatira would embody this mana and take responsibility for guarding it, so much so that rangatira would often identify themselves as their hapū rather than as an individual (Ballara, 2003). A whānau, hapū or rangatira who could not or did not manaaki (care for/give mana to) its members and its land by definition held no mana. In this way, tiakitanga, manaakitanga and whanaungatanga are highly interwoven.

In 2013, some 65.6% of the total population of Māori descent lived in main urban areas, indicating that most Māori now live away from the rohe of their iwi and hapū. The everyday context for Māoridom has therefore changed, but concepts of wairuatanga and whakapapa maintain their importance, and the same principle of manaakitanga is still very evident in modern Māori institutional forms such as kura kaupapa, urban marae, kōhanga reo, and contemporary tangihanga practices. These forms are better understood as embodying and lifting the mana of both collective and individual than as embodying 'service provision' in the economists' sense.

Another concept that is implicit in the diagram is the idea of whānau. Whakapapa and mana are part of the reason that whānau is the "*foundational unit of Māori society*" (TPK and The Treasury 2019). Whānau are the primary expression of whakapapa (kin) connections, and the obligations of mutual care those connections create. There are at least two important points here. The first is that, in te ao Māori, there is a much less sharp "*distinction between individuals and the collectives to which they belong*" (Kukutai, Sporle, & Roskruge, 2017). This explains the emphasis on whānau ora as the primary form of wellbeing for many authors because "*when an individual is not well, a whānau is not well. Conversely when a whānau is not well, individuals are adversely impacted"* (Lawson-Te Aho, 2010).

The second issue is that in te ao Māori there is much less distinction between what Pākehā might think of as the private realm of the family and the public realms of civil society and commerce.

Prior to colonization, Māori lived in a society that did not include a state, markets, or a 'civil' sphere separate to that of the whānau and hapū. Economic exchange did take place of course, particularly between hapū, but was conducted under what has been described by Mānuka Hēnare as an economy of mana. Dell, et al (2018) explain this concept by saying:

> Māori relationships with each other … govern[ed] the use of and access to resources. Access to resources focused iwi, hapū and whānau attention and energies on nurturing relationships and genealogical alliances. Distinct and defined physical land boundaries tended to be cast aside for a dynamic system involving relational processes… Māori did not consider the exchange of goods and services as an isolated transaction.

Not only this, but social and political units larger than whānau, like hāpu and iwi, were and still are defined by shared descent lines, though with a degree of flexibility in response to the dynamics of local social, political and economic realities (Kawharu & Newman, 2018). In this sense, all social, political and economic organisation took place via whakapapa connections, in a single sphere of social relations of which whānau is the primary expression.

This holistic view of society is somewhat at odds with the proposed division of the collective structures and institutions into five spheres in the LSF. Indeed, the division of life in Aotearoa into separate spheres can be understood as one of the key legacies of colonisation, and the ongoing Māori renaissance and demands for decolonisation as an attempt to restore unity to Māori social and cultural structures. This is quite a deep issue that is not easily addressed. At its deepest it raises fundamental constitutional questions.

I do not offer a solution to this issue, but suggest it can be approached through the means-principles articulated in He Ara Waiora, such as the value of kotahitanga. This value in He Ara Waiora highlights the need for different parts of society to work in partnership with each other to facilitate the wellbeing of all. This idea is captured in my proposed changes to the LSF by depicting the spheres as overlapping, to encourage consideration of the interface between them.

The final aspect of He Ara Waiora that deserves comment is the expression of human wellbeing as comprising four types of mana.

These four types of mana can be loosely translated as follows:

- Mana Whanake captures sustainable prosperity.
- Mana Āheinga captures the capability to form and pursue individual and collective aspirations.
- Mana Tuku Iho captures belonging and identity.
- Mana Tauutuutu captures the reciprocal balance of rights and responsibilities held by individuals and collectives.

As with everything in He Ara Waiora, all these types of mana are interconnected, as well as connected with everything else in the framework. For example, prosperity growth (Whanake) helps gives us the capability (Āheinga) that we need to fulfil our obligations to each other (Tauutuutu), and because fulfilling our obligations to each other helps sustain a sense of identity and belonging (Tuku Iho).

4.2.1 Incorporation into the LSF

It might be theoretically possible to construct a single hybrid framework incorporating both Māori and liberal philosophy into a uniquely bicultural framework for this land. However, such a task would be a very significant undertaking that would need to be advanced in full partnership between the Crown and Māoridom. The groundwork for such a partnership has been laid with the development of He Ara Waiora with a group of expert Māori thought leaders. But to rush to combine He Ara Waiora with the LSF would be premature at this stage.

I propose that the 2021 version of the LSF be designed for use alongside He Ara Waiora in a complementary fashion, as a stepping stone towards further co-evolution and potential integration in the future.

Many of my proposed changes to the LSF are designed to make the framework inter-connect better with He Ara Waiora. The relevant proposals are:

- The addition of institutional structures such as iwi and whānau, as well as the concept of collective wellbeing and collective agency as inhering in these and other structures. This aligns closely with the concept of Mana Āheinga in He Ara Waiora, as well as the division of Ira Tangata into both He Tangata (individual) and He Kāinga (collective).
- The addition of other-regarding achievements as an important use of individual capabilities, and also the concept of rights and responsibilities held by both collectives and individuals. This connects with the concept of Mana Tauutuutu, and the various tikanga values.
- Distinguishing more clearly between the resources available today, and the productive and sustainable use of those resources by individuals and collectives to generate and safeguard prosperity for the future (this is discussed in section 6 below). This connects with the concept of Mana Whanake and the principle of tiakitanga.
- Emphasis on inter-cultural relations of non-domination and respect as a necessary condition for everyone to feel a sense of belonging and positive identity (this is discussed in section 4.4. below). This connects with the concept of Mana Tuho Iko, and the principles in He Ara Waiora such as kotahitanga.
- Emphasis on the procedural aspects of policy making, and institutional design to facilitate co-governance and deliberation (this is one of the responsibilities inhering in the 'local and central government' sphere). This connects with the tikanga aspect of He Ara Waiora.

4.3 Wellbeing in Pacific cultures

A previous discussion paper published by the Treasury offers a Pacific perspective on wellbeing in some depth (Thomsen, Tavita, & Levi-Teu, 2018). In addition, the Treasury has been provided with a useful report by Tamasese and Parsons (2019) of the Family Centre that goes into further detail about Pacific conceptions of wellbeing, spirituality and resilience. The Ministry for Pacific Peoples (2018) has also published a Pacific Aotearoa Strategy, Lalanga Fou, that provides another useful source for understanding what matters to the wellbeing of Pacific Peoples.

This paper does not comprehensively duplicate everything covered in these and other papers. In this paper I will merely draw out some major points about Pacific conceptions of wellbeing that we need to bear in mind when considering the topics of children's wellbeing and culture in a specifically Aotearoa context, given that nearly 10% of Aotearoa's population is now ethnically Pacific.

The Treasury's Principal Pacific Advisor, Su'a Thomsen, has emphasised that everything in the LSF, such as health and income, is relevant to Pacific Peoples, so that Pacific conceptions of wellbeing should not be seen in opposition to the LSF. Rather, he suggests that Pacific perspectives are complementary and overlapping, distinctive in emphasis and interpretation more than in content.

The first distinctive feature that was emphasized by Thomsen et al (2018), and Tamasese and Parsons (2019), is the centrality of culture to Pacific conceptions of wellbeing. It is probably fair to say that culture is central to the wellbeing of all people, but it is also fair to say that some cultures are more self-aware of this fact than others are. It would be unusual to hear a Pākehā say something like "my Pākehā culture is central to my sense of self and my wellbeing", but not unsurprising to hear a Tongan say something like "Tongan culture is central to my sense of self and wellbeing".

The centrality of culture is emphasised in the Fonofale model of Pacific wellbeing developed by Fuimaona Karl Pulotu-Endemann (2001). In this model, culture is conceived of as a roof that provides shelter and protection. Similarly, Su'a Thomsen and colleagues (2018) recommended placing culture in the centre of the four capitals to emphasise culture as the 'overarching element of all capital products', with a particular focus on aspects of culture including language, understanding of history and ancestral connection.

Figure 12: The Fonofale Model of Pacific Health (Pulotu-Endemann 2001)

A second distinctive feature, similar to that of te ao Māori, is the centrality of family, particularly extended family, in the conception of wellbeing. In the fonofale model, family is depicted as the foundation of wellbeing.

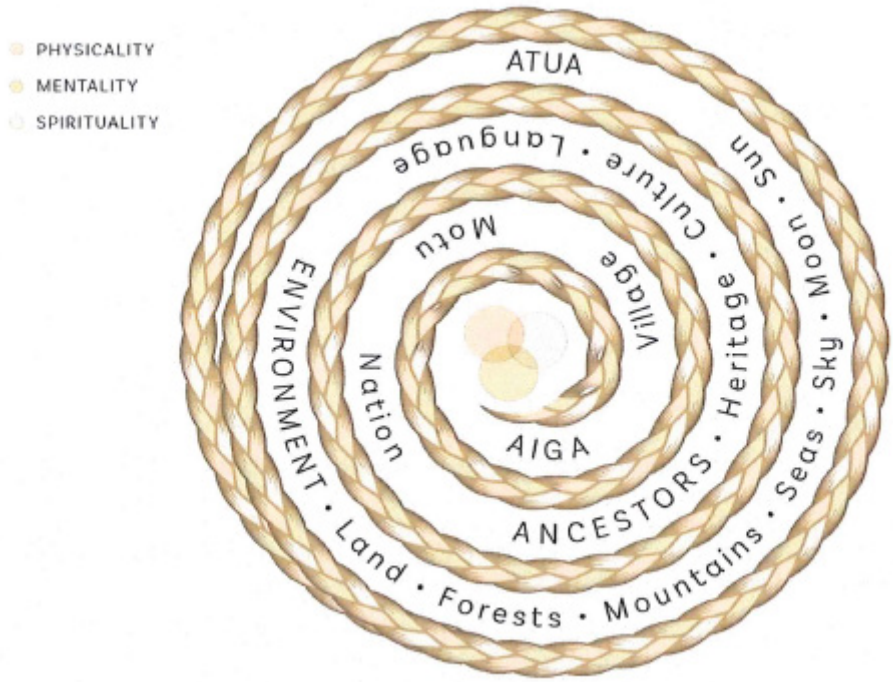
The distinctive characteristics of Pacific families are important to consider in light of the LSF's ambition to support consideration of intergenerational wellbeing and the wellbeing of Pacific children. For example, as Damon Salesa (2017) has noted:

> …many Pacific families see their key retirement investment – the investment that will secure their future – as being their children and sometimes other relatives. It is common amongst Samoans and Tongans to talk of which children will care for their parents, and this is an expectation (often gendered) most children accept they will honour. In some ways this also happens in the context of churches which, in addition to being religious and faith institutions, are also places where giving can be a support strategy, as well as about family or personal status.

The third distinctive feature emphasised by previous papers is that of spirituality. While spirituality is common to many cultures, religiosity is far more widespread among Pacific Peoples than most other ethnic groups in Aotearoa. In the 2013 census, only 17% of Pacific Peoples described themselves as non-religious, in comparison to 30% of Asian, 46% of Māori and 47% of Pākehā people.

Spirituality is important to explain the holistic and relational way in which wellbeing is conceived in Pacific cultures. This interconnection is depicted graphically in Figure 13, emphasising the interconnection of physical, mental and spiritual wellbeing that derives from harmony of relationship with atua (gods), ancestors, aiga (home) and environment.

Figure 13: A Pacific framework for intergenerational wellbeing (from Tamasese and Parsons 2019)



Spiritual inter-connectedness can also help explain the importance placed on both culture and family, as family is the mechanism by which culture, as passed down from

the gods, can be treasured and retained for future generations. In this sense, families are means to serve culture as much as culture serves families. As discussed by Tamasese and Parsons (2019):

> Pacific spiritual and material cultural heritage is founded on our accumulated knowledge, values, and stores of wisdom that have been built on observation and experimentation over many centuries. Our spirituality and material cultures are viewed as *gifts* from the *Atua* (Gods), our ancestors, and the environment. As such, they are Pacific cultural *measina, taonga,* or treasures. These *measina,* taonga or treasures are treated and managed with careful thought and restraint. The social and political structuring of our families, villages, *motu,* and societies is constructed on the intergenerational wisdom that originated from our relationships with the *Atua*, environment, ancestors, and others.

The final point I will make is that this interconnectedness extends across the Pacific to spiritually and physically connect Pacific Peoples in Aotearoa with the family and ancestral lands back in the islands, even two or three generations after the first migration. This raises a question about the nationally defined scope of the LSF, and how well that equips the Treasury to consider Aotearoa's relationship with the Pacific.

4.3.1 Incorporation into the LSF

These distinctive features of wellbeing in Pacific cultures are reflected in several proposed changes to the LSF. The first is to add the concept of collective wellbeing, particularly at the level of a family, but also at the intersection of multiple families that make up a given community. And because many Pacific communities are transnational, international connections are added to the framework. This emphasises that the collective wellbeing of Pacific Peoples in Aotearoa is often highly interconnected with the wellbeing of family members back in the islands.

This paper proposes including the concept of spirtituality to the framework in two ways. The first is by adding churches and other non-governmental organisations as one of the types of institutional/collective structures. Participation in organised religious life provides meaning to the lives of many Pacific Peoples. It also provides a practical means of financial and social support that can create significant resilience for Pacific Peoples, in an analogous way to that of marae for Māori. The second way that spirituality is added is by extending and reframing the concept of 'subjective wellbeing' to include personal belief.

4.4 Wellbeing in and between all the cultures of Aotearoa

We have discussed briefly Māori and Pacific perspectives on wellbeing, but clearly there are many more cultures than this in Aotearoa. There are scores of ethnic groups in Aotearoa, each with its own distinct history, values and perspectives. Even within the broad categories of 'Māori' and 'Pacific' there are many distinct cultures, such as Tongan, Niuean, or Tūhoe culture. There are many other types of major non-ethnic culture too, such as cultures associated with gender, sexuality and class, and these intersect with ethnic identities and affiliations in complex ways. As Tracey McIntosh (2001) has said, statements of identity are always ambiguous, reflecting both an individual's complex personal history and their evolving social context.

Ideally, we would have the time to consider in detail the specifics of the many ethnic and other cultures in Aotearoa – Tamil culture, and Han culture, and Coptic culture, for example. It would be particularly interesting (for me, at least) to explore the defining characteristics of the majority culture, my culture, that of the Pākehā. A failure to explore Pākehā culture may wrongfully imply that it is the neutral, background category against which 'cultures' are compared, whereas in fact Pākehā culture is a culture like any other (and indeed comprises many competing and overlapping sub-cultures).

So why then have I highlighted the distinct features of Māori and Pacific cultures, but not others? One reason is that Māori culture is a taonga that the Crown has a Treaty responsibility to protect. Another is that both Māori and Pacific Peoples have long done worse on average than other groups on various measurements of wellbeing. And a third is that Māori and Pacific Peoples have been clear that the LSF does not reflect their own wellbeing aspirations, for, to adapt Mason Durie's (1998) phrase, Māori to be well *as* Māori (or for Pacific Peoples to be well *as* Pacific Peoples).

Discussing even two of Aotearoa's many cultures also helps turn the conversation away from the generic theory in sections 3.2 and 4.1 towards the specifics of life in Aotearoa, including the specifics of our history. This unique history is perhaps the main reason I have highlighted Māori and Pacific Peoples over other cultural groups. As Seyla Benhabib (2002) has noted:

> Any complex society, at any point in time, is composed of multiple material and symbolic practices with a history. This history is the sedimented repository of struggles for power, symbolization and signification – in short, for cultural and political hegemony carried out among groups, classes and genders.

The importance of history for understanding culture today is most urgent when it comes to Māori as the indigenous people of Aotearoa, who have had to 'struggle without end', in the words of Ranginui Walker, against the tides of history to uphold their mana motuhake.

While this history can seem rather distant to many people who are not Māori, we all still live with the ongoing consequences of these processes, recent migrants included, who inherit the legacy of colonisation and the structures it instituted. Raimond Gaita (2002, cited in Bell, 2004) uses the term 'political ancestors' to describe the relationship we have with original settler populations. Even if one's own genealogical ancestors were not involved directly in the historical events, all of us who call Aotearoa home inherit the political, cultural and economic structures that the colonisation process bequeathed us.

And while there are many important differences between the experience of Māori and that of Pacific Peoples, a history of colonisation is also an important piece of context to understand the current wellbeing of Pacific Peoples. Of the 296,000 people who self-identified as Pacific Peoples in the 2013 census, 236,000 (80%) identified with one of New Zealand's former colonies in the Pacific (Samoa, Cook Islands, Niue and Tokelau). As Tracey McIntosh (2001) has noted, although there are tensions between Māori and Pacific Peoples, there is also much ground for solidarity based on shared histories of marginalisation as colonised peoples, shared Pacific origins and cultural similarities.

Grounding our understanding of each culture in an appreciation of history helps move us away from a static, essentialist view of culture towards a contingent, process-based view as discussed in section 3.2. A historically grounded view also helps illuminate the relationality of the cultures in Aotearoa. For example, it was only after colonisation that small-m māori (ordinary) people became constituted as a Māori people in contrast to the new-comers, the pale-faced, soon-to be capital-P Pākehā people. As Avril Bell (2004) has pointed out, the meaning of those two cultures and identities is not static, but continues to be navigated in the relationship between them.

The meaning of Pacific culture in Aotearoa is also worked out in relation to other groups living here. Cluny Macpherson (2001) has detailed how for migrants from the Pacific it has often been only after arrival in Aotearoa that a national identity (eg, Samoan) or general identity (eg, Pacific) has become paramount for migrants' sense of self; prior to migration, identity and culture have often been grounded primarily in local kin-based and village-level structures, rather than national or regional structures. Allen Bartley (2004) reported a similar phenomenon for migrants from countries in Asia, at least some of whom become more comfortable with a pan-Asian identity after moving to Aotearoa.

A historical and relational view of culture also helps us consider the future of the many cultures in Aotearoa and what that means for the wellbeing of future generations. This future will be defined at least partly by our relationships with the past and how that colours our choices about how to relate to each other in the present. This point was made in a PhD thesis submitted to Victoria University of Wellington by Courtney Wilson, who quoted cultural theorist Stuart Hall on the subject:

> Cultural identities come from somewhere, have histories. But, like everything which is historical, they undergo constant transformation. Far from being eternally fixed in some essentialised past, they are subject to the continuous 'play' of history, culture and power. Far from being grounded in a mere 'recovery' of the past, which is waiting to be found, and which, when found, will secure our sense of ourselves into eternity, identities are the names we give to the different ways we are positioned by, and position ourselves within, the narratives of the past (Hall, 1990, quoted in Wilson, 2013).

Wilson's thesis discussed the issue of navigating a personal mixture of cultural heritages and the role of literature in that process; Wilson is of Niuean, Palagi and Māori heritage. (Wilson, 2013). With a focus on Pacific identity, Wilson noted that earlier research on Pacific peoples in New Zealand, such as the work of Jemaima Tiatia, highlighted the challenges faced by the first generation of NZ-born children of Pacific migrants as, in the title of Tiatia's 1998 work, *Caught Between Cultures*. This strand of research highlighted challenges to belonging fully to any culture when partly belonging in more than one. For example, Anthropologist Melani Anae (1998) in her PhD thesis wrote:

> I am a Samoan, but not a Samoan
> To my aiga I am a Palagi
> I am a New Zealander – but not a New Zealander
> To New Zealanders, I am a bloody coconut, at worst
> A Pacific Islander, at best,
> To my Samoan parents, I am their child.

Melani Anae suggested that identity confusion among NZ-born Pacific Peoples can be resolved through commitment to a secure identity. Speaking as a Samoan, she suggested that a secure identity for a NZ-born Samoan involves commitment to perpetuating links back to the aiga, participation in fa'alavelave, and continuous contact with those born back in the aiga and the maintenance of language fluency that entails.

More recent scholarship, such as Wilson's (2013) work, along with that of Karlo Mila (Mila-Schaaf & Robinson, 2010), Phillipa Butler (2018) and others, highlights another approach that has been taken, particularly by the second generation of NZ-born Pacific Peoples. In these studies, each researcher highlights in a different way how young people in New Zealand with multiple cultural heritages are navigating the multiple cultural possibilities open to them, often finding in this multiplicity of heritage a source of strength, not just confusion.

For example, Mila-Schaaf and Robinson (2010) explored how second-generation Pacific Peoples in Aotearoa strategically draw upon different modes of identity depending on the social space they find themselves in, rather than insisting on a single identity. Rather than feeling confused, the participants were generally positive about the confidence their multiple heritages gave them to navigate multiple social spaces. One participant, Lola, said:

> I feel so lucky that I've had enough of a range of experiences that I can feel completely comfortable and at home in all of those different environments. I think I've met people who are only comfortable in one or another of those and freak out a bit if they're out of their comfort zone. I think that's been one of the real assets of having the advantage of both cultures, that I can feel comfortable in all of those different contexts.

Similarly, Butler (2018), in research with the diverse student body at Kia Aroha College, found her mixed-heritage participants negotiating their personal identities in unique ways, and being supported by the school and each other to find their own personal identity in a complex multicultural space.

4.4.1 The role of public policy in managing cultural difference

These recent pieces of research help illuminate the way in which multiple cultural possibilities are being navigated at the personal level. They help us move towards a more nuanced conception of the relationship between culture and wellbeing in the context of a 'superdiverse' Aotearoa than is possible with a separate discussion of each cultural heritage in isolation.

But what are the implications for the Crown at a policy level of taking the dynamic relationships between cultures seriously? One implication may simply be to remind us of the limits of government. In many important ways, social and cultural processes take place outside the bounds of government policy. To some extent, then, it is up to the individuals and groups in Aotearoa to navigate their difference and identities in the interest of everyone's wellbeing.

But while it cannot take sole or even primary responsibility, the Crown certainly does have an important role to play in this process of managing cultural difference. One part of this role is at the retail end of government, in the delivery of services such as education, health, policing, and so on in a way that is responsive to a wide mix of different cultures and cultural values. For example, although Butler's (2018) research was focused on particular students at Kia Aroha College, she is clear that the school's approach to being culturally responsive in a way that empowers all its diverse students is an important part of the students' growing confidence.

Another role of the state is in choosing how to talk about ethnicity and culture, and how to incorporate cultural difference into its decision-making. The approach taken to date has been to institute a series of 'population agencies'[40] who work across departments to ensure the relevant perspectives are brought to bear, such as through the issuing of guidance and tools. This approach has a number of advantages but, as David Pearson (2005) notes:

> However laudable its inclusionary intentions, the…division of New Zealand into various large-scale 'ethnic' categories…reinforces the notion that cultural distinctions can be compartmentalised.

It is useful to reflect on how these compartmentalised tools and frameworks shape the thinking of the analysts who use them. In a reflection on these issues in the social work context, Emily Keddell (2009) argues that this compartmentalisation encourages an implicitly racialised view of ethnicity that essentialises groups as having fixed, almost innate shared properties. She argues that this essentialism can "*work against people who have multiple ethnic identities, as these views tend to pathologize their experience, and can result in their expressed identities as being deviant and in need of remedy".*

[40] The ethnicity-specific agencies are Te Puni Kōkiri, Ministry for Pacific Peoples, and the Ministry for Ethnic Communites. Other population agencies include the Ministry for Women, Office for Disability Issues, Office of the Children's Commissioner and so on.

Keddell's paper focused on how individual clients navigate their identities and how social workers can support that process. She noted that clients are actively involved in constructing a viable identity, as this quote from a research participant illustrates:

> "…now I just say I am Samoan/Palagi, as a kid I would have said my father is Samoan and my mother is Palagi, and then it shifted to "I'm part Samoan"…then I got into this thing, like "I am a New Zealand born second-generation Samoan", but then I thought no it's all too complex, at the moment I'm sticking with Samoan/Palagi."

Keddell's research makes clear how the challenge of navigating mixed heritage derives from wider social forces and attitudes. I would argue that this is where the state has an important role to play. Keddell, notes the problems that emerge when the majority culture insists upon a view of a pure or 'authentic' culture, as this notion:

> can be used to depoliticize and limit the ways ethnic minorities can exercise power and participate in public life…In such a context, expressions of culture that do not fit the dominant group's ideas of authenticity become marginalized as inauthentic. This heightens the enforcement of ethnic boundary lines by both outsiders and insiders who internalize such demands, creating rigid boundaries that are difficult to negotiate for those whose very presence as a person of multiple ethnic ancestries might threaten.

Avril Bell (2004) also discussed the problem of authenticity, and the fact that it can be used to deny the existence of difference altogether, such as by those who seek to deny the relevance and distinctiveness of Māori culture to our contemporary lives by arguing that there are 'no full-blooded Māori left'. The challenge for the state, particularly in relation to Māori, is to allow for the expression of group rights and self-determination without insisting upon certain markers of ethnic authenticity. I argue that this is best achieved by bringing the practice of policy analysis closer to the practice of social work, with increased engagement with and understanding of the lived experience of people of diverse cultures as they are today, in all their complexity, rather than relying simply on essentialising heuristics that emphasise group difference.

A more expansive element of the Crown's role is its stewardship of our national culture. All states deliberately seek to create a national culture to bind society together, with symbols, such as a flag, anthem, public ceremonies such as the dawn service, sponsorship of public history, funding of national sports teams and so on. Migration policy also implicitly changes the national character, and all manner of policy decisions determine what rights and responsibilities are associated with membership of this country. As such, as Benhabib (2002) has noted, it is possible to argue that:

> …the modern state "creates", rather than "finds" the nation of which it is the state.

The question is how the New Zealand state can create or recreate a national identity that facilitates the wellbeing of all people calling Aotearoa home, without insisting on cultural homogeneity. The importance of this was underscored by a number of submissions to the Dalziel et al paper:

> The most obvious dimensions of culture that must be understood when considering a LSF is the appropriate balance of personal or sub community culture with shared national culture. This must also occur within the context of Te Tiriti o Waitangi, and with recognition and respect of Te Ao Māori as the indigenous 'culture' of Aotearoa. *Submission by Te Rūnanga o Ngāi Tahu.*

In recent decades, each of the settler-majority countries in the former British Empire has reflected on its national identity in the face of both ongoing indigenous demands to address historical injustices and growing ethnic diversity resulting from ongoing immigration. As Paul Spoonley (2009) notes, in countries like Canada, Australia and the United States, this process has been supported by the involvement of prominent scholars such as Iris Marion Young and Will Kymlicka in public debates, whereas he argues that in Aotearoa the impact of the academy on public debates about national identity has been more limited.

If true this is unfortunate. There is a wealth of useful reflection on these issues from both here and abroad. I have not had the time to review very much of the relevant material for this paper, but have attempted to include a relevant sample of thinking from both Aotearoa and abroad.

One important point from the literature is the need to distinguish between citizenship, nationality and residence. Classical liberal thought tends to elide the three, and so imagines the nation-state as constituted by a community of equal citizens co-residing and self-governing using a shared national culture as a basis for what Martha Nussbaum (2013) describes as 'civic love', or *fraternité.* Yet as David Pearson (2005) notes, this classical liberal elision has tended to work in the interest of the majority culture.

Indeed, many esteemed liberal thinkers have espoused rather distasteful views on this topic. For example, J.S. Mill implicitly argued that some cultures are better than others when he said that it was better for a Scottish Highlander to be a part of Great Britain:

> …than to sulk on his own rocks, the half-savage relic of past times, revolving in his own little mental orbit, without participation or interest in the general movement of the world. (Mill, 1972[1861], quoted in Kymlicka, 1995).

Similarly, John Locke articulated his liberal theory of property rights in such a way as to support the widespread acquisition of Native American land, and support certain forms of slavery (Tully, 1995). Given that economics and the LSF are applications of liberal thought, it is important to remember and acknowledge that liberalism and imperialism have often been close bedfellows.

In any case, the classically liberal elision of citizenship, nationality and residence certainly does not well-describe contemporary Aotearoa.

A useful summary of contemporary Aotearoa's approach to the issues of citizenship, nationality and residence in the context of both growing ethnic diversity and the Māori-settler relationship is provided by Paul Spoonley (2017). Spoonley notes how the way in which Aotearoa has dealt with these issues is unique among the former British settler states. There are at least four key features that are distinctive about Aotearoa's approach to citizenship, residence and nationality in recent decades:

- a soft approach to citizenship, with no expectation that immigrant arrivals should become New Zealand citizens – permanent residents have nearly all the same rights as full citizens
- a high degree of population 'churn' across the border, for example with students, temporary visitors, and return migration
- the definition of the country as bicultural, rather than monocultural (as official assimilationist policy had it prior to the Māori renaissance of the 1970s), or multicultural (as in Canada or Australia), and
- the grounding of debates about these policy settings in the specifics of the Treaty of Waitangi and its shifting meanings as a living accord, rather than in more general legal principles such as indigenous rights (as in other countries).

While these four features have been relatively stable in recent years, they continue to be contested and government policy may change in the future.[41] It is important for the Treasury to consider the implications of these and alternative policy settings as part of the LSF. How these issues are dealt with will almost certainly affect intergenerational wellbeing. We can group these issues in three types: transnationalism, biculturalism and multiculturalism.

Transnationalism

The first issue to consider in our national identity, residency and citizenship regime is that of transnationalism. In the year 2021 there is significant spread of 'nations' across different 'states', and Aotearoa is as affected by this as anywhere. First, there are many people who hold New Zealand citizenship or are otherwise part of this nation, but who live in other states or move back and forward between Aotearoa and other countries.[42]

Second, there are a significant number of people living in Aotearoa whose nationality connects them to other states. There are more than a million people in Aotearoa who were born overseas,[43] and many more have kinship links with the home state of their parents, grandparents or earlier ancestors. In some cases, a non-New Zealand 'nation' is more represented here in Aotearoa than the home state. For example, for Niueans, Tokelauans and Cook Islanders, the New Zealand-based population now dwarfs the population in the home islands (Cook, Didham, & Khawaja, 2001).

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41 I wrote this sentence before the onset of the pandemic. Since then Government has indicated there will be a reset of migration policy as the borders reopen.

42 It is not clear exactly how many people there are in Aotearoa's diaspora, but a 2012 piece by Stats NZ suggested the number, while large, is perhaps a little smaller than the 1 million figure often used by the media. http://archive.stats.govt.nz/browse_for_stats/population/mythbusters/1million-kiwis-live-overseas.aspx. TPK (2013) reported that perhaps as many as one in six Māori live in Australia.

43 http://archive.stats.govt.nz/Census/2013-census/profile-and-summary-reports/quickstats-culture-identity/birthplace.aspx

Transnationalism immediately complicates the Treasury's general statement 'improving living standards for New Zealanders' by raising the question of who qualifies as a New Zealander. It also emphasises that other-regarding preferences can extend across the border. For many people in Aotearoa, most notably Pacific Peoples, sustaining connections with and tending to the wellbeing of kin in other countries is an important part of living well.

Transnationalism also complicates the analysis of intergenerational equity. As David Thomson (1991) noted, the universal and pay-as-you-go design of New Zealand's welfare state assumes a rough proportionality between contributions and receipts over the life-course. If someone lives her full life in this country, she can expect to receive net benefits as a child through the health and education system, and as a retiree through the health and superannuation systems, but to balance this out through making net contributions through her working years through payment of income and other taxes.

Yet the greater the level of cross-border population movement, the greater the potential for a mismatch between contributions and receipts over the lifecourse. For example, we might have:

- children receiving free education and health services, then leaving the country as adults and contributing tax to other states, and perhaps returning later in life to receive superannuation
- adults receiving health and superannuation as retirees while only spending part of their working life in this country, and
- temporary workers contributing to the state in their working years, but not receiving benefits to match in childhood or retirement.

Mismatches like these are an inter-generational equity issue because they imply that members of one generation may be contributing more than their fair share over the life course, and members of other generations receiving more than their fair share.

The challenge of transnationalism is to balance individual freedom of movement while ensuring people meet the collective responsibilities that balance the rights of membership in a community defined by citizenship, nationality or residence. It may be that the greater the movement in and out of the country, the more difficult it becomes to maintain the nation or citizenry as the locus of civic love, and the more important simple residence becomes as the basis for our commitment to each other.

Biculturalism

Moving on to the issue of biculturalism, there are many possible futures here that are worth considering. Some futures are optimistic. For example, Justice Joe Williams, in his introduction to Wai262, said:

> We pose, perhaps for the first time, the possibility of a Treaty relationship after grievance. A normalised, fully functional relationship where conflict between the Crown and Māori is not a given…(in) a country of the future whose founding cultures have made a lasting kind of peace, where they have given one another the room each needs to grow and, with new confidence, made space for the later migrants to join this unique project… After all, this is Aotearoa, built on a Treaty partnership that we may yet perfect.

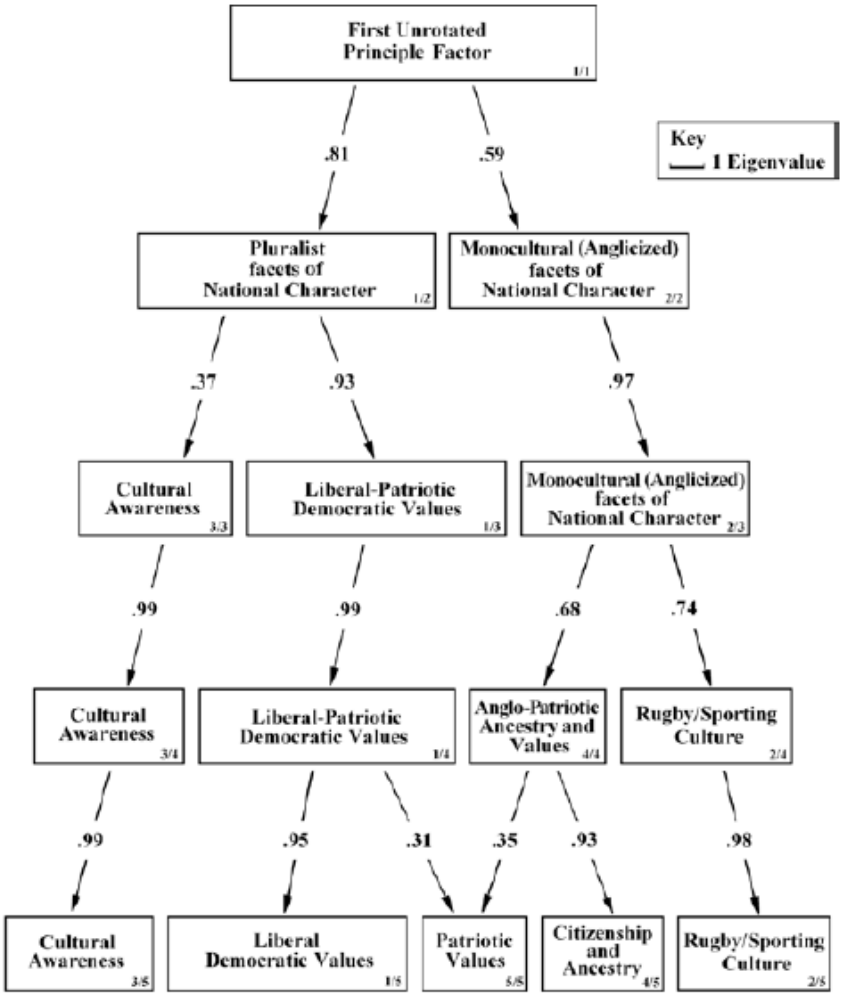
But as Justice Williams made clear, this optimistic future will not come about by itself. To reach this future will require change:

> …unless it is accepted that New Zealand has two founding cultures, not one; unless Māori culture and identity are valued in everything government says and does, and unless they are welcomed into the very centre of the way we do things in this country, nothing will change. Māori will continue to be perceived, and know they are perceived, as an alien and resented minority, a problem to be managed with a seemingly endless stream of taxpayer-funded programmes, but never solved.

As this quote illustrates, a key challenge is gaining widespread acceptance in the public mind of the bicultural reality of this country. Failure to gain this acceptance may make a pessimistic scenario more likely.

A series of studies by Chris Sibley and collaborators provides useful insight into the nature of this challenge. One study asked participants to identify those features most associated with New Zealand identity in their minds. A factor analysis then grouped these factors into underlying dimensions, with a five-factor model performing best (Sibley, Hoverd, & Liu, 2011).

Figure 14: Exploratory Factor Analysis of New Zealand Identity (Sibley et al, 2011)



As Figure 14 illustrates, the five factors emerge hierarchically from two primary dimensions, which reflect pluralist and monocultural facets of the national character. People with a more pluralist conception of New Zealand are more likely to agree that New Zealanders are exemplified by both:

- *cultural awareness* statements, such as 'have a knowledge of Māori culture, 'have a knowledge of New Zealand history' and 'know about the Treaty of Waitangi', and
- *liberal democratic* statements, such as 'respect other cultures and ethnic groups', 'egalitarian', and 'friendly and approachable'.

On the other hand, people with a more monocultural (anglicised) view of New Zealand identity are less likely to agree with the cultural awareness and liberal democratic statements, and more likely to agree with:

- *rugby/sporting culture* statements, such as "likes beer and rugby", "feels a sense of rivalry with Australia" and 'supports New Zealand sports teams", and
- *citizenship/ancestry* statements, such as 'born in New Zealand' and 'have lived in New Zealand for most of one's life

The fifth factor, patriotism, was more evenly split between pluralist and monocultural conceptions of New Zealand identity.

What this analysis suggests is that the different ways in which the government chooses to frame and support national identity may implicitly support a more or less inclusive conception of our country. Actions that are more likely to support a pluralist conception might include:

- support for significant features of Māori culture, such as te reo Māori, te Matatini and Māori educational institutes
- support for public history, such as with monuments and interpretative centres at significant sites such as Orakau, Rangihoua and the Wairau Bar, and
- alignment of public holidays with important dates in the Māori calendar, such as Matariki.

Actions less likely to support a pluralist conception might include:

- funding of national sporting events, particularly rugby
- linking entitlements to citizenship status, and
- emphasis on anglo-centric symbols, such as the current flag, in public ceremonies.

A key difference between these approaches to defining a national identity is the extent to which they encourage or fail to encourage Pākehā to reflect on their relationship with Māori and accept the two cultures as distinct. The more that Māori culture is visible and visibly distinct, the more that Pākehā have reason to reflect on their own culture.

In a paper using data from the NZ Attitudes and Values Study, Chris Sibley, Carla Houkamau and William Hoverd (2011) generated more insights on this issue. They found that only 10% of New Zealanders of European descent prefer to describe themselves as Pākehā. Most prefer instead to identify themselves as 'New Zealander' (50%), 'NZ European' (23%), or 'Kiwi' (16%). These researchers then compared self-identified ethnicity with 'inter-group warmth', a 7-point scale in which people identified the warmth of their feeling toward other groups, with 1 being the least warm and 7 being the most warm.

These researchers reported a range of interesting findings, including that both Māori and Pākehā feel fairly warmly towards each other on average, but that Māori feel more warmly towards Pākehā on average than Pākehā do towards Māori. The finding I want to highlight here, though, is that those New Zealanders of European descent who self-identity as Pākehā feel more warmly towards Māori than those who self-identify as a NZ European, New Zealanders, or kiwi.

This suggests that public conversation among Pākehā about what it means to be Pākehā might be a useful way to increase acceptance of biculturalism. Many Pākehā, when asked, struggle to name the distinctive features of Pākehā culture; many even disagree that there is such a thing (Liu, 2005). Recent evidence from the Growing Up in New Zealand study found that only 7% of European children talk to their parents about their culture and ethnicity very often, in comparison to 27% of Māori children, 30% of Asian children, and 35% of Pacific children (Morton et al, 2020).

Michael King started this process of public Pākehā reflexivity before his death, but this work has not been so clearly led in recent years. There are certainly useful and insightful pieces of academic work on this subject, for example Avril Bell (2004a, 2004b), Tim McCreanor (2005), Steve Matthewman (2017), Alison Jones (2020) and others. But greater discussion of this thinking in the broader public domain could be useful.

As Bell (2004a) argues, a key challenge is to support Pākehā to confront the history of this country in a way that does not deny the reality of past wrongs, but doesn't encourage paralysing guilt and insistence on a pure, innocent Māori past either. Both approaches, she suggests, ultimately prevent genuine inter-cultural connection and the taking of responsibility for one another today.

A genuine reckoning with history requires us to acknowledge that there is cause for pride and cause for regret in the history of every people, including Pākehā and including Māori.[44] Bell argues that what is important is less the assignment of guilt or blame and more the responsibility that understanding of historical wrongs encourages us to take up:

> Rather than wield innocence and guilt to make comparative moral judgements, the moral culpability of both Māori and Pākehā must be held in balance. Neither were, nor are, perfectly innocent. On the other hand, any sense of guilt must be combined with a sense of responsibility. Rather than the guilt/innocence pair being used to avoid responsibility, responsibility must be central – Pākehā self-responsibility for any sense of guilt felt, and also responsibility for dealing with injustice and with contemporary cross-cultural relations.

Multiculturalism

Another challenge to face is the relationship between biculturalism and multiculturalism. After early comfort with the language of multiculturalism, in the 1980s Māori increasingly came to view multiculturalism discourse as a way for the Crown to avoid its Treaty responsibilities, and insisted upon the language of biculturalism instead (Hill, 2010). This formulation has endured since then, but may require reassessment as Aotearoa becomes ever more diverse.

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[44] Acknowledging this is not the same as arguing for the 'equal guilt' of Māori and Pākehā, which Bell identifies as another unhelpful trope.

As Hill says, Pacific Peoples "…(went) along with an implicit Maori-Crown agreement that the quest for a genuinely multiculturalist policy for New Zealand, despite the increasing reality of a multicultural society, would be put on hold pending significant progress in Crown-Maori relations… (but) This did not necessarily imply a long delay." As more and more iwi settle with the Crown, as the Pacific population continues to grow, and as the various Asian populations grow too,[45] this deferred question is likely to grow more urgent.

Although biculturalism is the accepted language, some Māori have raised doubt about whether the debate about the primacy of biculturalism over multiculturalism is still the most useful way into the questions posed by an increasingly diverse country. For example, Paul Meredith (1998) suggested that the language of biculturalism encourages an oversimplified and essentialised view of both Māori and Pākehā, encouraging an adversarial polarity. Instead, he encouraged the language of 'inter-culturalism', because this language encourages the search for common ground within the dynamic of exchange, interchange and inclusion.

Another prominent Māori thinker who has questioned the usefulness of simple opposition between biculturalism and multiculturalism is Justice Durie (2005), who has said that he:

> do(es) not regard the policies for bicultural or multicultural development as mutually exclusive… they address different things. Biculturalism is about the relationship between the state's founding cultures, where there is more than one. Multiculturalism is about the acceptance of cultural difference generally.

In the same speech Justice Durie spoke approvingly of Will Kymlicka's (1995) attempts to reconcile multiculturalism with conventional liberal thought.

Will Kymlicka is perhaps useful for this discussion because of a different language he uses to describe inter-cultural dynamics, drawing on a distinction he creates between ethnic and national culture. He defines a national culture as one that is *institutionally complete*, by which he means including a full range of social, educational, economic, and political institutions, encompassing both public and private life. The key feature of a nation is a right to collective self-determination, as a nation and a national culture, not just as a collection of individuals. He uses this definition to distinguish between multinational and polyethnic states. Because Māori culture was institutionally complete prior to colonisation, he defines Māori as a national culture[46], and New Zealand as a multi-nation state.

We tend to describe New Zealand as both bicultural and multicultural, but what we mean by this slightly ambiguous formulation might be more clearly expressed by using Will Kymlicka's phraseology, by describing New Zealand as 'bi-national', as well as 'poly-ethnic'. This language perhaps offers a way around the historical tension between the language of biculturalism and multiculturalism.[47]

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45 The Asian population now exceeds the Pacific population in size, and rivals the Māori population.

46 Or perhaps multiple overlapping 'nations' at the level of iwi or hapū

47 Alternatively, a reviewer suggested that it may be simpler to talk about a Treaty partnership rather than talk about cultural difference

This language emphasises the state's responsibility to promote a shared bi-national identity, not uni-national identity as it attempted for many years in the last century. And it also emphasises that this responsibility is one that is shared with rangatira who exercise their own ongoing tiakitanga relationship with Māori culture. The Crown and rangatira are together joint kaitiaki of both Māori and non-Māori culture, as the two pou of a single bi-national state. Both the Crown and rangatira have a responsibility to steward each culture in an inclusive and tolerant direction, making space for all those who now call Aotearoa home.

4.4.2 Incorporation into the LSF

The most straightforward implication of this discussion is that the LSF needs to broaden its frame beyond the nation-state to embrace the reality of trans-nationalism, biculturalism and multiculturalism. The fate of Aotearoa and its many peoples is increasingly inter-woven with other peoples and other countries, so we cannot consider ourselves in isolation. I do this by including the 'international connections' sphere as one of the five collective/institutional structures.

But the most important implication from this discussion is about the process of generating policy advice, rather than the content of that advice. This highlights the question of the use of the LSF more than its content.

Many policy advisors are used to operating in an analytical mode at an abstract remove from society and its historical specifics; the tools of neo-classical economics are well-suited to this rationalist mode of operation. But the increasing diversity of cultures in Aotearoa underlines the need for multi-lateral inter-cultural dialogue, rather than a top-down, integrative, monological approach.

A genuine dialogue engages people directly in their contemporary lived experience of ethnicity, culture and other components of identity, embracing that complexity rather than imposing a stylised and potentially essentialised view of what matters to people upon them, as can happen with simple analytic frameworks that aim to reduce 'what matters to Māori', for example, to a few key points or concepts.

A genuine dialogue requires the ability to listen with an open mind. Canadian jurist Jeremy Webber (2006) offers some useful advice here. He suggests that inter-cultural dialogue begin with a presumptive respect for each culture, because for a culture to have survived it must surely have been adaptive to the context in which it developed. Understanding another culture is thus as much about understanding the historical context of its development as about the cultural concepts themselves.

But as Webber notes, good dialogue also requires an ability to respond and critique with sensitivity, not just mute acceptance of difference as absolute. This also implies a willingness to explain what one values about one's own culture, and a willingness to accept critique of one's own culture. This applies as much to Pākehā and Pākehā culture as to any other.

The point is that a dialogue that involves only listening or only telling, or only focuses on non-Pākehā cultures, is not a dialogue at all. Genuine inter-cultural dialogue should seek to develop mutual understanding and negotiate a shared position wherever possible.

5 Children's wellbeing

We move on now to consider the relationship between the concept of childhood and the concept of wellbeing. I will summarise two major perspectives on children's wellbeing: capability development and human rights. I then apply these perspectives to propose amendments to the LSF wellbeing domains so that they work wherever possible for both children and adults.

5.1 Children's wellbeing from a capability development perspective

Being well as a child is important in and of itself, but it is also true that our experiences as children provide the foundation for our wellbeing across the full lifecourse.

The details of this general developmental process have been studied extensively for decades. Many diverse theories help shed light on the complexity of how children develop socially, cognitively and emotionally. These theories focus on a range of mechanisms (Smith, 2013) including:

- biological maturation processes such as physical growth and puberty
- individual psychological learning processes such as classical conditioning and operant conditioning, and development of psychological traits like self-control, and
- social psychological processes such as modelling.

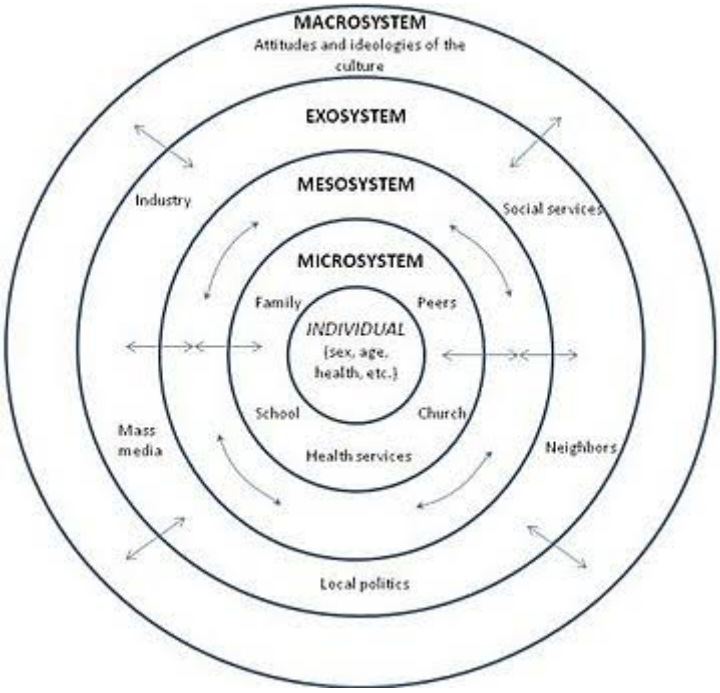
It is not necessary for the Treasury to have a comprehensive understanding of these developmental mechanisms, but it is useful to have a general understanding of some of the most important factors.

In a review of the literature, New Zealand child researcher Anne Smith (2013) suggested three factors are particularly important for the development of infants: love, attachment, and appropriate stimulation. Over-stimulation can result in stress and overproduction of cortisol, disrupting brain circuitry. The experience of loving care and attachment helps infants to manage their response to stress, provides the basis for frequent physical and verbal stimulation, and provides a secure base from which infants can explore their environment.

When present, these factors help the highly plastic brain of the infant to develop in the optimal way. These factors also provide a platform for further brain development in the formal education system, beginning with early childhood education. Over the last 10-15 years, much of the Aotearoa education curriculum has been designed around the idea of learning dispositions, or key competencies (McDowall & Hipkins, 2018). The dispositions include things like a willingness to take risks, to offer help and to ask for help. This focus on dispositions alongside content reflects the fact that learning is a cumulative process, that 'skills beget skills' (Heckman, 2011). Under this perspective, one of the most important capabilities that children develop is the ability to keep developing their capabilities.

This perspective also underlines that the capabilities for development inhere not only in the child, but also in the school and peer environment around them; the willingness to take risks relies on a supportive environment, for example. The role of environment is highlighted in the much-cited socio-ecological model originally created by Bronfenbrenner (1979) and which has inspired many offshoots.

Figure 15: Bronfenbrenner's socio-ecological model of child development



Regardless of the age of the child, one main thing that stands out from this list is how relational many of these key developmental factors are. A child develops in a context of supportive relationships with parents, family, teachers, other children, and others in their lives. These relationships provide the environment in which individual identity and agency can develop:

> Responsive relationships and interactions between children and other people are a key component in enhancing children's agency and capacity to express their feelings and articulate their experiences. (Smith, 2013)

Another important aspect of children's development is cultural. Individual children '*receive cultural heritage from the communities within which they grow up*' (Dalziel, Saunders, & Savage, 2019). This cultural heritage includes language, knowledge, skills and values that are embodied in individual people, and that provide the means to access those aspects of culture embodied in groups, or that give a sense of place in relation to culturally significant locations or objects in the physical world, such as artworks and literature.

Children are also the means through which culture, as something that needs to be performed to exist, is reproduced throughout the generations. For this reason, cultural development has significance far beyond each individual child. The same is true for other kinds of development, as children embody the future human capital that will be available to the country as a whole.

These processes of child development can be understood within the general framework of the LSF outlined in Figure 6, particularly by providing a more detailed view of the causal flows that were labelled 6-9, and 11. These parts of Figure 7 are recreated in Figure 16 and then shown in greater detail in Figure 17.

Figure 16: Selected causal flows in the LSF

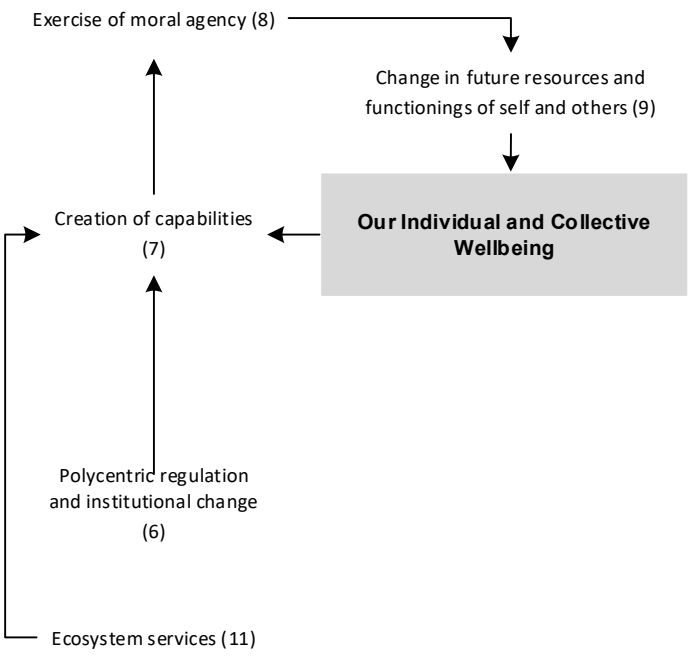
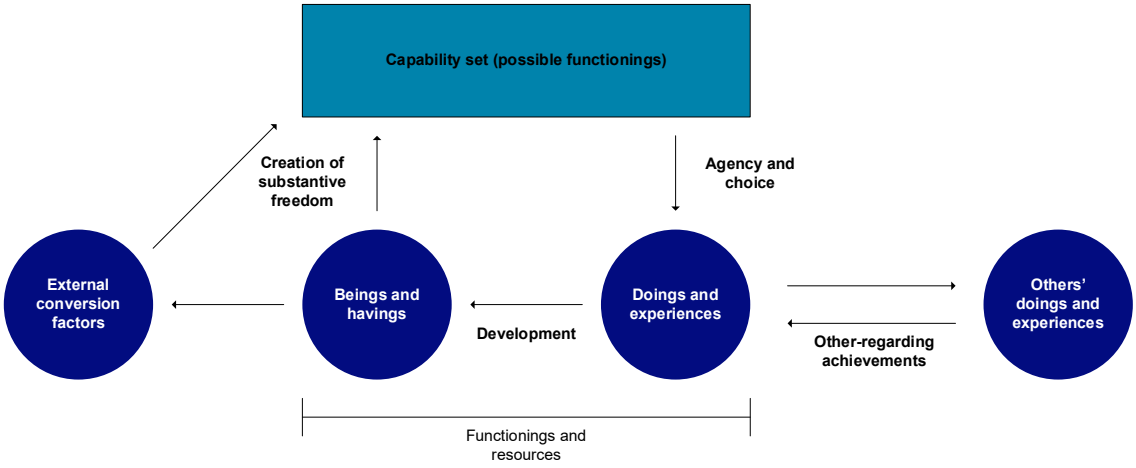


Figure 17: Developmental view of capabilities across the lifecourse



At the top of Figure 17 is a box representing our capability set. A capability set comprises the different things we can be and do if we choose to, and so represents possible functionings.

As newborn babies, our capability sets are very small, and we have little ability to exercise agency and choice. The experiences we have as newborns are driven primarily by the choices of other, particularly our parents, to care for us. Our parents choose to feed, clothe, and bathe us, to play with us and read to us. These flows of care are captured by the right hand part of the diagram, as our own experiences result from the choices of others to pursue 'other-regarding' rather than 'self-regarding' achievements.

These developmental experiences accumulate over time as we become steadily bigger and stronger, as we develop language and so on. This process is captured by the arrow labelled ‘development’. The things we are, our ‘beings’, tend to result from a steady flow of doings and experiences. For example, ‘being healthy’ results from an ongoing flow of experiences such as eating nutritious food, getting enough sleep, active play and so on. Being skilful and culturally capable results from time spent learning. And in a comparable way the things we have, our resources, such as clothes, toys, bedrooms, sports equipment and so on result generally from ongoing flows of gifts from others.

As we get older as children, our accumulated resources and growing knowledge and skills steadily expand our capability sets, as captured by the arrow labelled ‘creation of substantive freedom’. The freedom granted by our resources, skills and so on is modified by the external environment around us, as represented by the bubble labelled ‘external conversion factors’. These correspond to the various systems surrounding the individual in Bronfenbrenner’s model. In the LSF, there are two main sources of external conversion factors: institutional and environmental.

Each child is nested within multiple institutional contexts such as family, school, and so on. Well-functioning institutions will expand the capabilities of children, but poorly performing schools, dysfunctional local councils, and poorly functioning families will have the opposite effect. Adding institutions into the LSF therefore helps incorporate child wellbeing by expanding the focus to include not just the child but the context around the child.

The wider context also includes the natural environment. A healthy and resilient natural environment will also work to expand the capabilities of children, as with adults.

As our capability sets grow an increasing number of things we do and experience are a result of our own choices. The toys we play with, friends we joke with, books we read and so on are increasingly the result of our own choices, as represented by the arrow labelled ‘agency and choice’.

Older children increasingly exercise their growing agency for the benefit of others too. Children have an important role in supporting each other in a positive sense as peers, siblings, cousins and so on. They also have responsibilities, especially as they grow into young adults, not to harm others by bullying or offending. And as adults they take on the full weight of cultural, social and legal rights and responsibilities associated with their society and community. That children both benefit from the choices of others and increasingly tend to the needs of others is captured by the two-way arrow labelled ‘other-regarding achievements’. Exercising moral agency is itself an important part of child development, essential to grow what Aristotle called phronesis or practical wisdom, the ability to discern the likely consequences of our choices for others.

The beings, doings, having and experiences are all captured in the wellbeing domains of the LSF. In section 5.3 below I discuss how to amend the definitions of the wellbeing domains to reflect the relational and developmental picture of wellbeing presented in Figure 17.

5.2 Children's wellbeing from a human rights perspective

One limitation of the developmental approach is that it portrays children largely as adults-in-waiting. As such, it can potentially undervalue the importance of childhood in itself, regardless of any subsequent benefits to the child in her adulthood. This is particularly important given that not all children become fully capable adults. Another limitation is that the developmental perspective observes the relationship between adult capabilities and child functionings, but without necessarily placing strong requirements on adults to use their capabilities in an other-regarding way in the child's interests.

Both of these limitations can be partly overcome by also considering children's wellbeing from a human rights perspective. The key document here is the United Nations Convention on the Rights of the Child. The starting point for the convention is that all children have rights, and these rights apply to all children without exception. The convention specifies many different rights. These rights do not specify the nature of children's wellbeing, but they do specify where something that is good for children is so important that others have a duty to provide it to them.

The convention states that these rights impose responsibilities on parents, organisations and states parties, who should always have the 'best interests of the child as a primary consideration.'

The use of the phrase 'primary consideration' was discussed extensively as the convention was being drafted (Archard, 2018). The phrase 'primary consideration' was chosen to reflect that the child's best interests must always be in the first rank of considerations, but may be balanced against other considerations of equal importance.

The alternative considered, of 'paramount consideration', was not adopted in the convention. However, it was adopted in the Oranga Tamariki Act 1989[48] as the guiding principle for all matters relating to the administration or application of that Act.

So as a signatory to the convention, and as bound by this Act, the New Zealand Crown is committed to treating certain aspects of children's wellbeing as something they have a fundamental right to, rather than as just one type of interest to be balanced among many. This perspective suggests that unless long-standing government policy is to change, then in policy contexts involving children, satisfying these rights takes lexical priority over competing normative principles.

Many of the rights that the convention grants to children, such as the right to life, are superficially the same as similar rights for adults. The difference is in the duties these rights impose. An adult's right to life can typically be protected by a negative duty not to do harm, at least in a society that meets certain economic and social pre-conditions. But a child's right to life, at least for a very young child, can only be protected by imposing a positive duty to provide the child with the means to stay alive.

[48] Originally named the Children, Young Persons and Their Families Act 1989.

On the question of responsibility towards children, the convention emphasises the primary role of the family. Article 5 obliges the state to respect the rights and responsibilities of parents and the extended family to raise their child, article 9 grants the child a right to live with their parents unless incompatible with the best interests, and article 10 provides a right of family reunification.

The state has at least three different roles. One is to support parents to fulfil their responsibilities (article 18). This is important because it means the state's responsibilities for children's wellbeing are primarily mediated through the family, and that the state's responsibilities towards children are not readily separable from its responsibilities towards families.

The second is to provide free compulsory primary education (article 28), and to place a special emphasis on primary healthcare in the pursuit of a child's right 'to the highest standard of health and medical care available' (article 24). The third is to regulate family, society and the market to protect children. The state has a responsibility to prevent abuse by family members or others (article 19), to protect children from sexual exploitation (article 34), to protect children from work that threatens their health, education or development (article 32), and to provide special protection for a child deprived of the family environment (article 20).

These specific rights are coloured by general principles that guide the overall convention. These principles include that authorities in each country have the responsibility to help ensure the full development of children in a physical, spiritual, cultural and social sense, and to protect children from any form of discrimination.

This principle is important when it comes to the diversity of children and childhoods. A policy may be good for children on average, but the rights perspective encourages us to consider the impact of various policies on each individual child. For example, the convention creates specific rights for children with disabilities (article 23), and children of minority and indigenous populations (article 30).

These rights create obligations on society to operate in a way that allows children to thrive in terms of their own culture and own specific circumstances. Using the language of the capability approach, we might refer to societal attitudes towards minority cultures, children with disabilities and so on as *conversion factors* that affect how readily a child's or family's resources can be converted into desired functionings (Robeyns, 2005).

By affirming children's rights to be free from discrimination, signatories to the convention accept an obligation to regulate actors in civil society to prevent discrimination. Given the existence of bullying and discrimination between children, this also creates an obligation to regulate children's behaviour in the interests of other children.

The convention also recognises the importance of respecting children's autonomy to the extent it has developed. The convention states that each child with the capability to do so has the right to:

> …express their views freely in all matters affecting the child, the views of the child being given due weight in accordance with the age and maturity of the child.

UNCRC is not the final word on the rights perspective. Other agreements, such as the Convention on the Rights of Persons with Disabilities, posit additional rights for certain children.[49] And UNCRC reflects only those rights that could be agreed to by the very many international signatories. This means that certain rights in the convention, such as to education, go less far than they tend to in richer countries such as Aotearoa. The convention posits a right to free primary education, whereas section 33 of the Education and Training Act 2020 posits a right to free education at both the primary and secondary levels.

The convention is also silent on conceptually difficult challenges, such as what rights, if any, should be held by unborn children, and future generations of children in general. And its guidance on the relative roles of different actors in society is very general, and not of much use in deciding edge cases. For example, at what threshold does a parent's approach to discipline become so harmful to the child that the state has an obligation to intervene?

For the purposes of this paper we do not need to tackle these difficult questions. We only need to highlight that many policy discussions about children's wellbeing happen within the language, and framework, of human rights and associated duties across different actors in society.

5.2.1 Incorporation into the LSF

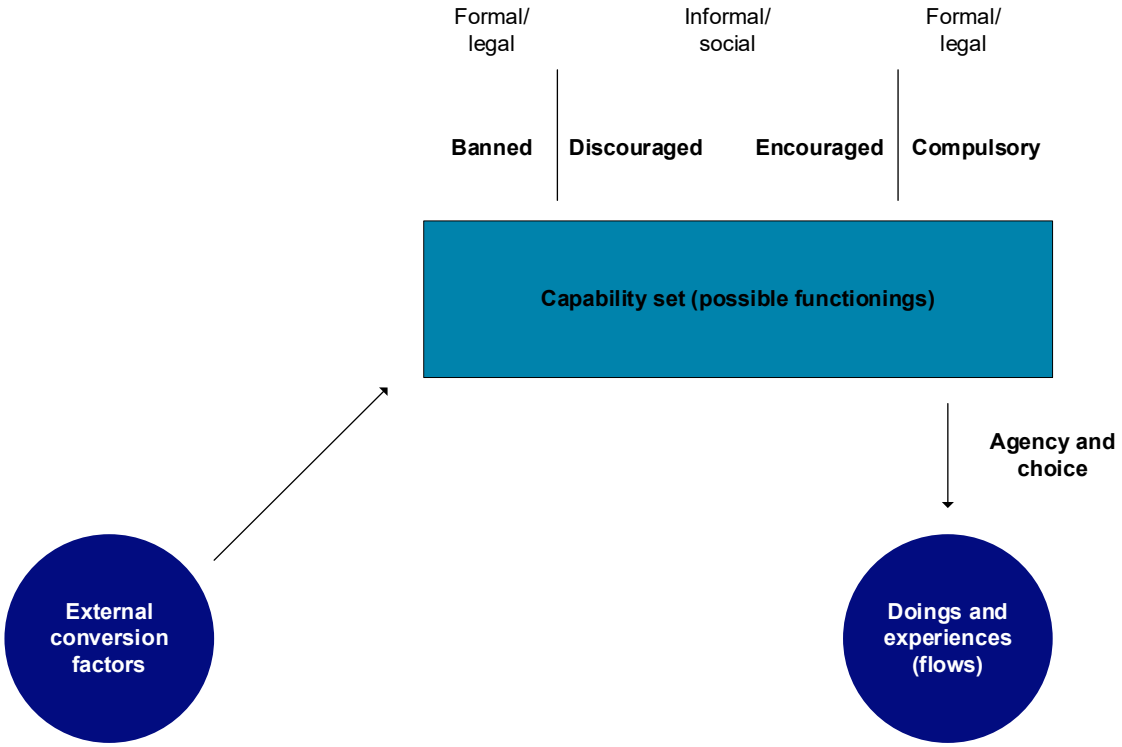
I propose incorporating the inter-related issues of rights and responsibilities directly into the LSF. There are many sources of rights and responsibilities, of which international human rights agreements such as UNCRC are just one example.

Articulating and enforcing rights occurs via the institutional spheres. Rights themselves are a type of institution. Rights can be understood as external conversion factors that work to expand or protect one's capabilities. For example, the capability to learn is protected by a right to education.

At the same time, rights generate responsibilities. For institutions to work effectively as external conversion factors, they also need to condition the permissible use of capabilities.

[49] Article 7 of this convention requires states parties to "take all necessary measures to ensure the full enjoyment by children with disabilities of all human rights and fundamental freedoms on an equal basis with other children".

Figure 18: Rights and responsibilities as conditioning the use of capabilities



This is illustrated in Figure 18, which indicates that the use of capabilities is influenced by both formal/legal and informal/social mechanisms. As children have rights to have certain experiences and to not have certain others, then these rights impose obligations on how adults must use and must not use their capabilities.

This is consistent with the capability approach as articulated by Amartya Sen. Perhaps the main contrast Sen draws between utilitarianism and the capability approach is the emphasis that the capability approach places on individual moral agency. This moral agency includes a responsibility for choosing what self-regarding achievements to pursue. But it also includes a responsibility to fulfil obligations to others. He thus includes our duties to others in his approach:

> Since a capability is the power to do something, the accountability that emanates from that ability – that power – is a part of the capability perspective, and this can make room for demands of duty – what can be broadly called deontological demands (Sen, 2009).

I do not propose articulating exactly what rights and responsibilities individuals and collectives should have, as these are under constant revision and debate. But a great deal of policy work is about using both formal and informal levers to condition the behaviour of individuals and collectives. As a policy framework, not just a measurement framework, I suggest the LSF should encourage consideration about whether the complex array of formal and informal mechanisms to define and enforce rights and responsibilities is sustaining wellbeing for all, particularly all children.

5.3 Amending the wellbeing domains to reflect children's wellbeing

This section explores the question of how to amend the LSF wellbeing domains to reflect children's wellbeing. Even though some of the proposed changes also reflect culture and broader issues, I discuss all the potential changes here in one place for ease of reading. Most of the changes are related to, or driven by, consideration of children's wellbeing.

Table 5 compares the proposed wellbeing domains to the 2018 versions. I propose retaining the same basic structure of 12 domains, with the theme of each domain broadly the same. In earlier drafts of this paper, I suggested some more far-reaching structural changes to the wellbeing domains. Stakeholders rightly pointed out that the basic structure of the wellbeing domains has a long pedigree, having been confirmed through multiple rounds of analysis and public feedback stretching back 20 years, given the close relationship between the LSF wellbeing domains and MSD's Social Report. For this reason, and for the advantage of comparability and consistency with international frameworks, the bar for structural change to the wellbeing domains is high.

For that reason, in this final proposal (and in the final version of LSF2021 adopted by the Treasury), I retain the 12 domains but tweak their definitions in several ways:

- Where necessary, I revise the definition of a domain to make it equally relevant to both adults and children.
- I include other-regarding actions in the definition of several wellbeing domains, particularly actions that contribute to the wellbeing of children, or where doing so makes the wellbeing domain better align with a relational, collective approach to defining wellbeing.
- In several domains I include the 'doings' that develop or sustain future capabilities. For example, I expand the knowledge and skills domain to include the process of learning. This helps incorporate the process of child development into the conceptualisation of wellbeing.
- I adopt a consistent approach to defining the wellbeing domains as states of being, things that people do, or resources that people have. This helps with interpretation of all the wellbeing domains as either functionings or resources, in line with the causal diagram presented in Figure 7. It also ensures that every wellbeing domain can be interpreted in relation to any given individual or group of individuals.

I give a more specific account of the proposed changes to the definitions in the following subsections.

Table 5: Proposed changes to the definitions of the wellbeing domains

2018 Domain name	2018 definition	Proposed 2021 domain name	Proposed 2021 definition
Health	Our mental and physical health	Health	Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality such as eating well and keeping active.
Knowledge and skills	People's knowledge and skills	Knowledge and skills	Having knowledge and skills appropriate to one's life stage and continuing to learn through formal and informal channels.
Cultural identity	Having a strong sense of identity, belonging and ability to be oneself, and the existence value of cultural taonga	Cultural capability and belonging	Having the language, knowledge, connection and sense of belonging necessary to participate fully in one's culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.
Jobs and earnings	The quality of people's jobs (including monetary compensation) and work environment, people's ease and inclusiveness of finding suitable employment and their job stability and freedom from unemployment	Work, care and volunteering	Directly or indirectly producing goods and services for the benefit of others, with or without compensation.
Civic engagement and governance	People's engagement in the governance of their country, how 'good' New Zealand's governance is perceived to be and the procedural fairness of our society	Engagement and voice	Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.
Income and consumption	People's disposable income from all sources, how much people spend and the material possessions they have	Income, consumption and wealth	Using income or in-kind transfers to meet today's needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance, and public insurance (the social safety net).

2018 Domain name	2018 definition	Proposed 2021 domain name	Proposed 2021 definition
Housing	The quality, suitability and affordability of the homes we live in	Housing	Having a place to call home that is healthy, suitable, affordable and stable.
Environment	The natural and physical environment and how it impacts people today (this is different from the natural capital stock, which is measured elsewhere)	Environmental amenity	Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.
Time use	The quality and quantity of people's leisure and recreation time (i.e., people's free time when they are not working or doing chores)	Leisure and play	Using free time to rest, recharge, and engage in personal or shared pursuits.
Social connections	Having positive social contacts and a support network	Family and friends	Loving and supporting close friends, family and community members, and being loved and supported in turn.
Safety	People's safety and security (both real and perceived) and their freedom from risk of harm and lack of fear	Safety	Being safe from harm and the fear of harm, and keeping oneself and others safe from harm.
Subjective wellbeing	Overall life satisfaction and sense of meaning and self	Subjective wellbeing	Being satisfied with one's life overall, having a sense of meaning and purpose, feeling positive emotions such as happiness and contentment, and not feeling negative emotions.

5.3.1 Health

Being in good mental and physical health and exhibiting health-related behaviours and lifestyles that reduce morbidity and mortality such as eating well and keeping active.

Health is arguably the single most important aspect of our wellbeing. In a recent public consultation by Stats NZ on what matters most to our wellbeing, health was selected more often than any other category by public respondents (Stats NZ, 2019). And in empirical analysis, health status often explains as much variation in life satisfaction between individuals as any other variable (e.g. McLeod, 2018).

Being in good health is a functioning (being) that is important in part because it helps sustain many capabilities. For example, good health helps improve our capability to work, study, care for others, and make best use of our leisure time. This current state aspect of health was captured in the LSF2018 definition, which was simply 'our mental and physical health.'

I propose extending the 2018 definition to include health behaviours (doings) that contribute to our future health. This is particularly important to capture the role that things like nutrition and physical activity have in safeguarding the future health and capabilities of children, given the long-term impacts of childhood health on wellbeing over the full course of people's lives.[50]

Disability is another aspect of health that has an important bearing on the capability and wellbeing of individuals and groups. A recent paper in *Policy Quarterly* undertook an initial examination of the living standards framework as it relates to disabled people (Murray & Loveless, 2021). The authors argued for adoption of a social model of disability as exemplified by the work of Sophie Mitra. While a comprehensive examination of the topic of disability as it relates to the LSF has not yet been undertaken, we hope that the addition of the institutional layer to the 2021 framework will help analysts focus on the way in which individual functionings, such as impairment, interact with wider systemic factors to be more or less disabling. The upshot for this wellbeing domain is that while impairment may be understood as a health issue, disability is best understood as a wider issue that relates to the interaction between personal health and wider societal factors.

[50] This is not to downplay the important role that social determinants have in health outcomes, but these are captured primarily by the institutional layer of the framework.

5.3.2 Knowledge and skills

Having knowledge and skills appropriate to one's life stage and continuing to learn through formal and informal channels.

In LSF2018, knowledge and skills were treated similarly to health in that they were defined as a current state or 'being'. Similarly to health, I propose expanding the definition to include the processes that grow and maintain the state of being. In the case of health, the relevant process was health behaviours. In the case of knowledge and skills, it is learning. This reflects feedback from stakeholders interested in the wellbeing of children that the process of education is a major part of child development, and one that can be missed by only focusing on the end result, by which time the opportunity to make the most of a childhood may have passed.

As the Treasury noted in 2018, being knowledgeable and skilful is intrinsically valuable to people. For example, Amartya Sen has made much of the role of knowledge in helping people reflect on their values and decide how they wish to exert their moral agency. This capability for internal reflection is clearly for him a very important capability.

Being knowledgeable and skilful also has significant instrumental value, certainly in the labour market but also in other areas of life such as unpaid work. It is common in economics to distinguish between the private benefits of education (or skill, more generally) and the public benefits. This wellbeing domain captures the private value that knowledge and skills provide for the individuals and communities that are knowledgeable and skilful. The wider benefits to society of having a knowledgeable and skilful population are captured in the third level of the framework under the label human capital.

The knowledge and skills domain overlaps somewhat with the cultural capability and belonging domain. Indeed in more expansive definitions of the word 'culture', all knowledge is cultural, so keeping them separate is somewhat artificial. However, we do separate them to highlight the particular importance of certain types of cultural knowledge for the wellbeing of people, as discussed in the next section of this appendix.

5.3.3 Cultural capability and belonging

Having the language, knowledge, connection and sense of belonging necessary to participate fully in one's culture or cultures, and helping others grow their cultural capability and feel a sense of belonging.

In LSF2018, this domain was referred to as 'cultural identity' and was defined in two parts:

- having a strong sense of identity, belonging, and ability to be oneself, and
- the existence value of cultural taonga.

In LSF2021, I have proposed adding culture as underpinning all aspects of our national wealth. The existence value of cultural taonga is thus captured at the third level of the framework, so I propose dropping the second part of the 2018 definition from the 2021 revision of this wellbeing domain.

We received a lot of feedback from various stakeholders on the first part of the definition. The main theme of this feedback was that culture contributes more to our lives than a secure sense of identity. Stakeholders emphasised the importance of having the capability to participate fully in one's culture, for example, through being able to speak the language, participate in cultural practices such as Catholic mass, and having culturally relevant knowledge (such as, for tangata whenua, knowledge of one's whakapapa). This cultural capability is the basis not just for participation in one's own culture or cultures, but also for confidently participating in wider society.

I use the phrase 'culture or cultures' to reflect that many if not all people in Aotearoa New Zealand have multiple cultural affinities based on diverse heritages. It also reflects the fact that there is significant diversity within and overlap across broad cultural labels such as 'Māori', 'Pākehā', 'Christian', 'Islamic', and so on.

In the proposed 2021 definition, I have also introduced the phrase 'helping others grow their cultural capability and feel a sense of belonging' into the definition. This captures the collective and relational aspect of culture in that individuals can only benefit from culture and feel a sense of belonging if others actively protect, recreate and respect that culture. For example, languages only stay alive if they continue to be spoken, and a key part of maintaining a language is teaching it to each subsequent generation of children.

In other words, this proposed definition asks both if people are well and if they are doing well by others. We can each do well by others who share our own culture or cultures, but another important part of doing well by others is by helping those members of cultures other than our own feel a sense of belonging, particularly if we are members of the majority culture.

5.3.4 Work, care and volunteering

Directly or indirectly producing goods and services for the benefit of others, with or without compensation.

In combination, the health, knowledge and skills, and cultural capability we each possess give us the capability to produce things that others want or need. In LSF2018, the framework focused on production in the context of paid work. This domain was called 'jobs and earnings' and was defined in three parts:

- the quality of people's jobs (including monetary compensation) and work environment
- people's ease and inclusiveness of finding suitable employment, and
- their job stability and freedom from unemployment.

All three of these things are important for individual wellbeing in a self-regarding sense. For those in the labour force, being unemployed tends to reduce life satisfaction substantially (Ford, Wang, & Huh, 2018). For those in paid work, the quality of the work environment affects wellbeing directly through, for example, providing a sense of meaning, purpose and connection. Paid work also contributes to the wellbeing of employees indirectly via the generation of income and the consumption possibilities that income affords.

At the same time, paid work provides substantial benefit for those who end up using the goods and services that are created, and so contributes to collective wellbeing in an other-regarding sense. And paid work is far from the only way we generate goods and services for the benefit of others. Many people, including retirees, parents, children and young people contribute to the economy solely or primarily through unpaid labour, usually outside the production boundary of the national accounts.

To better reflect the role of unpaid labour in our wellbeing, particularly the wellbeing of children, I propose amending this domain to include both paid and unpaid work. Some stakeholders would prefer we keep these categories separate, but to prevent an increase in the overall number of wellbeing domains I propose we combine them. By combining them we also seek to make this domain relevant to nearly everyone in the population, not just those in the labour force, and recognise the many different ways that people make contributions to the material wellbeing of society.

To avoid overburdening the headline definition I propose dropping the multiple clauses about the quality, suitability and stability of employment, but these continue to be important for wellbeing. These issues can be explored within the context of this wellbeing domain, but they can also be usefully explored at the institutional level of the framework, particularly using the firms and markets sphere. These broader issues to do with employment have a significant structural aspect, in that they reflect not just individual functionings and capabilities but also things like labour market policy settings, success or failure in macroeconomic stabilisation, and the choices taken by employers.

5.3.5 Engagement and voice

Participating in democratic debate and governance at a national, regional or local level, such as through membership of a charitable society, political party or school board.

In LSF2018, this domain was called 'Civic Engagement and Governance' and was defined in two parts as:

- people's engagement in the governance of their country, and
- how good New Zealand's governance is perceived to be and the procedural fairness of our society.

In LSF2021, I propose that the renamed wellbeing domain refer only to the first part of this earlier definition. Engagement overlaps somewhat with the 'cultural capability and belonging' domain and the 'work, care and volunteering' domain, but with an emphasis on democratic governance.

The quality of our society's governance is certainly of first order importance for wellbeing, but it concerns the quality of our institutions and so is more appropriately captured by the new layer of the framework, as discussed in the relevant section of this appendix below.

Engagement and voice are good examples of activities that can benefit both an engaged individual and her wider society, and so contribute to collective wellbeing. For many people, voicing concerns about the state of our society and participating in the search for solutions is a major part of a well-lived life. At the same time, this participation is necessary to maintain the collective institutions that research shows are so essential to building and maintaining wellbeing across a country.

Many types of engagement and voice support the governance exercised by central and local government, such as voting, political party membership, petitioning, and jury service. But following leading institutional economist Elinor Ostrom, democratic governance is best understood as polycentric. In other words, engagement in NGOs, civil society groups, and political debate online and in other forums is also an important part of the definition. For tangata whenua, engagement in the institutions of hapū and iwi is often an important form of political participation, contributing to collective self-determination.

On its face, civic engagement might seem like a candidate that may only be relevant for adults. However, if this is the case then it is unclear where the threshold lies for when it does become a relevant dimension. One cannot vote until 18, but many young adults are very engaged prior to this age, and indeed this is to be encouraged. But at what age then does it stop being relevant? Cormier and Rossi (2019) raise this threshold issue as a major challenge for any theory that seeks to claim that adult and child wellbeing are fundamentally different. They suggest instead that, for any capacity that relies on what they call a 'higher-level' cognitive or other functioning, then:

> …for any individual, if the exercise of a higher-level capacity is intrinsically good for her when she has fully developed that capacity, then it is also intrinsically good for her when she has only partially developed that capacity.

This perspective suggests that civic engagement and governance should be regarded as a relevant dimension for child wellbeing, but we could interpret this dimension as being one where its relevance depends on the developmental stage of the child, but also one that adults in a child's life have a responsibility to support the development of.

While very young children are not yet capable of participating in democratic debate, autonomy is a major part of child development at all ages. As children become young people, many choose to exercise this agency through engagement on issues of the day, such as climate change, and direct participation in the political process such as members of the youth wings of political parties.

In the language of the capability approach, engagement and voice are functionings that it is ultimately up to the individual to choose to undertake or not. But the capability to engage if an individual chooses to is agreed by many to be one of the most fundamental of capabilities. For example, leading capability approach scholar Martha Nussbaum included the right to political participation within her canonical list of the 10 'central capabilities'. [51]

[51] As part of capability 10, 'Control of one's environment'

5.3.6 Income, consumption and wealth

Using income or in-kind transfers to meet today's needs and save for future needs, as well as being protected from future shocks by adequate wealth, private insurance, and public insurance (the social safety net).

Wellbeing frameworks such as the LSF recognise that non-material aspects of our lives have a major role in sustaining our wellbeing, but this does not mean that consumption of goods and services is unimportant for wellbeing.

While ever-greater consumption has a diminishing role in advancing our wellbeing the richer we get as individuals and as a nation, consumption continues to have greater significance for those at the bottom of the distribution. For children and adults experiencing material hardship, this plays a large role in explaining low wellbeing. Increasing consumption is particularly important to raise the wellbeing of those doing without the basics such as food and housing.

In LSF2018, this domain focused on income and consumption at a certain point in time. It was defined as 'People's disposable income from all sources, how much people spend and the material possessions they have.' This definition included ownership of consumer durables, but not other types of asset. In the 2019 update of the LSF Dashboard, an indicator of household net wealth was added but the definition of the domain was not updated. I correct that issue here by expanding the definition to include wealth and savings.

From the perspective of an individual, family, household or community, wealth is important for the resilience of wellbeing. This is because wealth helps protect levels of consumption from dropping precipitously during future income shocks resulting from, for example, illness, unemployment, or death of a spouse. Wealth can also contribute capital income, allow for the maintenance of living standards during retirement, and allow individuals to bequeath their wealth to their children or other beneficiaries following death.

Income, consumption and wealth can also be protected via both private and public insurance. In this country, public insurance plays a major role in protecting livelihoods against illness, accident and old age. ACC, the benefit system, New Zealand Superannuation, the health system and other parts of the welfare state can be understood as transfers but can also be understood as collective insurance schemes. We all pay into these schemes via tax or levies, and then we each draw upon these schemes when needed.

In an earlier draft of LSF2021 we considered introducing public services as a separate wellbeing domain, but we received feedback advising against this, as it could wrongly suggest the framework is biased towards public rather than private provision, which is not our aim. However, it is important to note that the right to future entitlements such as public health services is a kind of asset that protects against future drops in wellbeing, even in the absence of private wealth and insurance.

5.3.7 Housing

Having a place to call home that is healthy, suitable, affordable and stable.

Being housed is an important functioning. The most important thing for wellbeing is that this functioning is in place; for those of us who are homeless, this is a major barrier to achieving all manner of other valued functionings.

For the majority of us who are housed, this functioning can vary qualitatively depending on the characteristics of the house you call home. Stats NZ (2019) has developed a conceptual framework for housing quality that includes four aspects: habitability, environmental sustainability, functionality, and social/cultural sustainability. Generally speaking, the higher quality our housing is, the greater our wellbeing. For example, warm and dry homes are better for our health, including the health of children, than cold and damp homes (Johnson et al 2018).

The housing domain overlaps with the income, consumption and wealth domain in a fairly nuanced way. For purely conceptual applications of the framework this overlap is unproblematic, but in more technical applications such as cost-benefit analysis, analysts need to be aware of the risk of double-counting.

Economists refer to the flow of benefits generated from being housed as housing services, which form part of the overall consumption bundle of an individual, family or household. For those renting their homes, the price of these housing services is the rental cost of the home. For children and some others, these services are a gift. For homeowners, these services are referred to as capital income. The value of these services can be imputed by what it would cost to rent a house of equivalent quality, and this imputed value can be considered another form of income.[52]

This brief discussion highlights that the issue of housing affordability is a complex one as it is tied up not just with housing itself, but also with wider issues of income and alternative types of consumption.

Home ownership is also a major component of individual, family and household wealth in this country, and a substantial proportion of our physical capital takes the form of residential buildings. For most households with positive net wealth, their house is their main asset.

Although housing services can be purchased through the rental market, there are many advantages to home ownership over renting in Aotearoa. The first is stability. Many investors in Aotearoa's rental market are 'accidental landlords' who are primarily looking for capital gains, and face few incentives to offer long-term secure tenure (Johnson et al, 2018). The average rental duration is only two years. This is a problem for children's wellbeing because frequent changes of housing can harm child development, particularly if associated with changes in schools as well (Morton et al, 2020).

[52] Because the statistical imputation of capital income is underdeveloped in this country, we more commonly use a measure of disposable household income after housing costs, which in the absence of imputed capital income allows a fairer comparison in the material standard of living between people living in different tenure types than does income before housing costs.

The standard of rental accommodation is much lower than owner-occupied housing in this country, with problems of dampness and cold more common in rentals (Stats NZ, 2019). Insecure tenure means that tenants have little reason to improve the quality of their rentals, as the benefits are likely to be captured by the landlord and future tenants. Wealth is thus a major resource giving parents the capability to provide stable, warm and healthy environments for their children to develop in.

Reflecting this, in an earlier draft of LSF2021 I floated the possibility of incorporating home ownership directly into the definition of this domain, but we received some impassioned feedback arguing against this. Stakeholders felt that even though home ownership provides wellbeing advantages over renting at the moment, this is a problem that should be fixed by removing the bias in our housing markets and regulatory systems towards a particular type of tenure.

5.3.8 Environmental amenity

Having access to and benefiting from a quality natural and built environment, including clean air and water, green space, forests and parks, wild fish and game stocks, recreational facilities and transport networks.

In LSF2018, this wellbeing domain was titled 'environment' and was defined as 'the natural and physical environment and how it impacts people today (this is different from the natural capital stock, which is measured elsewhere)'.

As this earlier definition demonstrates with its parentheses, the environment is one area where the LSF has at times been a little vague on the distinction between the wellbeing domains and the capitals. In the 2018 LSF, the natural environment was identified as an area where more work was required to improve its conceptualisation. Since that time, we have been focused on the topics of children and culture, and more work is still required on the natural environment. But in the meantime, and particularly given the importance of Te Taiao to tangata whenua, I propose tweaking the definition of both this wellbeing domain and natural capital to improve the conceptual distinction between them.

Broadly speaking, the environmental amenity domain captures the *direct* contribution that the local environment makes to the wellbeing of individuals and communities in that place. This contribution is sometimes described as a kind of 'ecosystem service' that would ideally be included in the measurement of household income but is not because of data limitations.

Because most people live in urban environments or in environments that have otherwise been significantly modified by human activity, it makes sense to consider the natural and built environment together.[53] As the list in the definition indicates, the natural environment supports our wellbeing directly in many ways, such as through providing clean air, recreational opportunities, and the ability to perform mahinga kai or otherwise gather wild foods.

The built environment includes many features, including sportsgrounds, playgrounds, buildings and more. A major piece of amenity provided by the built environment is from transport networks. One piece of feedback on LSF2018 was that transport was missing from the framework, so this revision is designed to amend this problem. Transport is important for the wellbeing of children and their families, particularly those juggling work and school commitments, and those who may live rurally at some distance from essential services for children such as health and education. It is also important culturally, for example for the many tangata whenua who live at some distance from their marae and who reyly on safe and fast transport networks to return to participate in events such as tangihanga.

In contrast, the 'natural environment' aspect of our national wealth captures the overall state and value of the environment generally, including how well placed it is to contribute directly to wellbeing via the provision of environmental amenity, as well as *indirectly* in a wide range of ways, such as through the generation of electricity for consumption by households and firms.

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[53] Some stakeholders would prefer us to separate the built environment from the natural environment, but this would add to the number of wellbeing domains and breach our design principle of parsimony. In more detailed applications of the framework it may often make sense to disaggregate the high-level domains in ways such as this.

5.3.9 Leisure and play

Using free time to rest, recharge, and engage in personal or shared pursuits.

In LSF2018, this domain had the slightly obscure name of 'time use' but it was defined in largely the same way, as 'the quality and quantity of people's leisure and recreation time (ie, people's free time when they are not working or doing chores). The title 'time use' reflected that time poverty is often associated with poor wellbeing. Having adequate time to rest and attend to one's own needs is an important part of wellbeing.

Substantively there is little different in the proposed LSF2021, but I have amended the title to read 'leisure and play'. This revised title gets more clearly at what this domain is about, to help people understand the framework at a glance without having to work their way through a lot of detailed definitions.

I have added the word 'play' in the title to reflect that, for children's development and wellbeing, it is not just free time that is important, but also the opportunity to use that time for independent learning and discovery, for example through reading, playing with toys and games, playing sport, and using public facilities such as playgrounds, pools, sports grounds, museums, libraries and so on.

Many adults also choose to use their leisure time to engage in play, and to participate in or enjoy the arts and other 'cultural' activities[54] such as kapa haka. In an earlier draft of LSF2021, I suggested we directly incorporate these types of activities into the definition of this wellbeing domain, both to better incorporate culture into the framework and to reflect evidence that these kinds of activities tend to support higher subjective wellbeing. However, feedback from stakeholders suggested that for adults this would be overly prescriptive. It is ultimately a matter of personal choice as to how people use their free time, so what is important is that people have the capability to enjoy the arts and other cultural activities if they wish. As part of this, it is useful to monitor participation in cultural activities to help identify if there may be barriers to participation that may be a matter for policy consideration.

[54] In a limited sense of the term 'cultural'; in a wider sense nearly all human activities are cultural.

5.3.10 Family and friends

Loving and supporting close friends, family and community members, and being loved and supported in turn.

According to the Stats NZ public consultation on our national wellbeing indicators, our relationships with other people are second only to our health in importance for our wellbeing. These relationships have been included in social indicator frameworks for a long time. For example, MSD's former Social Report included 'Social connectedness' as one of its outcome domains from its very first iteration in 2001 right through to its final iteration in 2016.

In LSF2018, this wellbeing domain was titled 'social connections' and was defined as 'having positive social contacts and a support network'. In the associated discussion, the emphasis was on supportive relationships between adults living in different houses.

These wider friendship and community contacts are important for wellbeing in many ways. Friendship is intrinsically enjoyable and also provides an additional form of support we can draw on in times of need, promoting resilience to life's downturns. Wider networks can also be a source of advantage, helping us achieve our aspirations in work and other aspects of life.

However, intimate family and whānau relationships are just as important as, or even more important than, friendships and community relationships, particularly for the wellbeing of children. As such, I propose that we tweak the name and definition of this domain to place greater emphasis on the role our most intimate relationships have in our wellbeing. As part of this, I have introduced the term love into the definition of this domain. Love is a major focus in the Children and Youth Wellbeing Strategy for obvious reasons; love is arguably the basis of all aspects of child wellbeing. This also reflects research with New Zealand children themselves, who frequently define their families in affective terms (Riggs & Pryor, 2007). But for most if not all of us, adults and children alike, love is surely essential for our wellbeing as well, particularly in a more general sense closer to the term 'aroha' than in the more limited sense of romantic love. Many people would say they love their friends, for example.

Some stakeholders expressed concern at the prospect of the Treasury or the Crown generally taking an interest in people's most intimate relationships. And it is certainly not the case that love is something that the government should be seeking to provide direct to people. The distinction between the government's role in supporting wellbeing and the role of others is important and is a major reason why the institutional layer has been added to the LSF.

However, it is also the case that in many areas of government policy such as adoption law, family visas, relationship property, marriage laws, policing of family violence and so on, government cannot help but take a stand on issues that can have a very significant impact on intimate relationships and thus the wellbeing of an individual, couple, or entire community (such as the rainbow community). Attending to the direct or indirect impact that government policy may have on intimate relationships is therefore very relevant to wellbeing analysis and advice.

The final tweak I have made to this domain is to emphasise that social support is generally reciprocal. If we wish to be supported and loved by others, we generally need to be willing to support and love them as well. This helps reflect the concept of collective or relational wellbeing directly into this wellbeing domain.

5.3.11 Safety

Being safe from harm and the fear of harm, and keeping oneself and others safe from harm.

In LSF2018, this domain was defined in terms of safety from crime and from the fear of crime. Although the impact of crime on wellbeing varies significantly depending on the nature of the crime and the characteristics of the person who is victimised, victimisation certainly can cause substantial harm to wellbeing and safety from victimisation is very important for sustaining wellbeing.

Fear of crime is somewhat independent of crime itself because some of those people more fearful of crime are those who are less likely to experience it. For example, the latest results of the New Zealand Crime and Victims Survey show that Asian New Zealanders feel somewhat less safe than other New Zealanders on average, despite being victimised comparatively less often than other ethnic groups (Ministry of Justice, 2021). But fear can itself affect wellbeing, as well as inhibiting capability to fully participate in society, so is important to address as well as victimisation itself.

I propose extending the definition of this wellbeing domain for LSF2021 in two ways. One is to emphasise that, like social relationships, safety is reciprocal. For us each to be safe, others need to keep us safe, and for them to be safe we need to keep them safe. For example, victimisation only occurs when other people choose to do harm. But safety is not just about crime. For example, bullying is not usually a criminal matter but can cause significant harm to children and young people. And in a contemporary context, safety is as much about behaviour online as in physical space.

Another way I propose extending the definition is by incorporating the concept of keeping oneself safe. This change is driven by consideration of the safety of young people, who can exercise their growing autonomy in risky ways, such as hazardous drinking and unsafe driving. While taking calculated risks is for many people an important part of living life to its fullest, young people are still developing and the brain's capability to fully assess risk and take complex decisions can take until age 25 to fully develop.

5.3.12 Subjective wellbeing

Being satisfied with one's life overall, having a sense of meaning and purpose, feeling positive emotions such as happiness and contentment, and not feeling negative emotions.

This wellbeing domain is unchanged from 2018. Although there are subjective aspects to all of the wellbeing domains, the term 'subjective wellbeing' is something of a term of art within economics. Prior to the advent of wellbeing economics, welfare was considered in solely objective terms. But increasingly, economists consider questions of value in terms of the relative contribution various aspects of our lives make to our subjective wellbeing as conceived in one of three ways: life satisfaction, meaning and purpose, and both positive and negative affect.

This wellbeing domain captures all three of these aspects of subjective wellbeing. Some stakeholders have suggested that we should treat this wellbeing domain as the ultimate arbiter of value in the LSF, with all other elements of the framework as instrumental to it. These stakeholders point to work by wellbeing economists such as Richard Layard, John Helliwell and Daniel Fujiwara that has updated much of the machinery of welfare economics, particularly cost-benefit analysis, to reflect the impact that various policy and investment decisions have on subjective wellbeing.

The main advantage of treating subjective wellbeing as the ultimate value is that it would allow us to directly compare trade-offs between elements in the framework according to a common currency, and to take prioritisation decisions accordingly.

As Treasury analysts, knowing that one investment can be expected to have a greater impact on subjective wellbeing than another is a very useful piece of information, and one that we will certainly use to inform our advice to Ministers. As such, analysis of subjective wellbeing and wellbeing cost-benefit analysis are greatly encouraged.

At the same time, it goes beyond our role as neutral public servants to assert that subjective wellbeing is ultimately all that matters for policy making. For example, a wellbeing analysis might find that investment in health rather than education might be expected to have a greater impact on subjective wellbeing. But although it is important for the Treasury to provide this information to ministers, there may be many other reasons why they may choose to prioritise the education investment instead. It is ultimately for our elected representatives to assess these complex value trade-offs, and our role as advisors to support rather than direct them in this task.

All this is to say that subjective wellbeing is very important, but in the LSF I do not propose it should be treated as the only thing that is intrinsically important.

6 Collectively raising living standards and wellbeing

We move now from our discussion about how wellbeing might be defined in a way that better reflects children and culture, and consider the way in which wellbeing, so defined, might be lifted through our collective efforts.

Consideration of the processes that raise living standards and wellbeing is an important step to realise the ambition for the LSF to be used not just as a monitoring tool, but as a policy tool (The Treasury, 2018).

As a policy tool, the LSF needs to do more than observe wellbeing. Policy is about government action, so needs to consider the mechanisms by which wellbeing is brought about, the role of various actors in those mechanisms, and the appropriate role of government in shaping the behaviours of those actors.

Perhaps the biggest proposed change to the framework is to add institutional structures such as families, firms and the state. This change is visualised in Figure 19. This meso layer in the framework captures the major types of social organisation that mediate the relationship between national wealth and individual wellbeing.

In section 4.1 I discussed this proposal from the perspective of culture, emphasising how the structures provide a place to locate culture. In this section I will focus on the group agents who act involved in economic and social processes, processes that contribute to living standards and wellbeing.

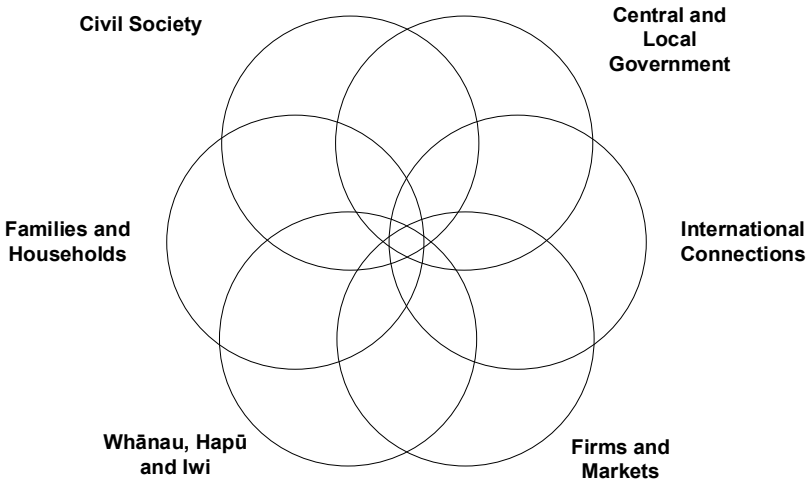
This is a modification of the proposal in Dalziel et al (2019) and also reflects Bronfenbrenner's (1979) well-known socio-ecological model of child development. Where the proposal differs from these models is in depicting the spheres as overlapping, rather than nested. This is for two reasons.

The first is to emphasise the interaction between the spheres, and the influence each sphere has or tries to exert on the others. The second is to be neutral as to the primacy of any given sphere. This emphasises the fact that in different policy contexts different spheres may be of more or less importance. It also emphasises the fact that all the spheres are socially constructed, so the primacy of any given sphere can not be taken as given – it is a collective choice as to the relative power of each sphere in any given behavioural or policy context.

Acknowledging that Government has only a partial role in generating wellbeing is important to respond to the challenge by Bryce Wilkinson (2016), and others, that the 2018 LSF implicitly assumes that governments are motivated only by benevolence and are not subject to flawed incentives or limited information.[55]

[55] Frey and Stutzer (2011) make a similar criticism of the field of wellbeing economics, and advocate for incorporating public choice theory into what they call the constitutional approach to wellbeing research.

Figure 19: The institutional spheres



In this proposal there are six major types of overlapping and intersecting institutional spheres:[56]

- Families and Households
- Whānau, Hapū and Iwi
- Firms and Markets
- International Connections
- Central and Local Government
- Civil Society.

This is clearly a coarse distinction, and each sphere could potentially be disaggregated into several more granular sub-spheres. For example, families and households are far from identical structures. Similarly, the government sphere could be separated into central vs local government, or into the legislative, judicial and executive arms, for example, or into the various organisational forms including departments, Crown entities, state owned enterprises and so on. The other spheres could be dissected further as well.[57]

But I propose this simplifying move to keep things manageable while still capturing the most important first-order distinctions between different types of formal institutional structure. More detailed analysis within each sphere is will usually be desirable in any given policy context.

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[56] The language of institutional spheres has been used by Jonathan Boston (2013) and Geoff Bertram (2013). There are also similarities with Kate Raworth's (2017) notion of the embedded economy as encompassing the market, state, household, and commons, the 'levels of choice' in the wellbeing economics framework of Paul Dalziel et al (2018), and the 'wellbeing garden' of Karacaoglu (2021).

[57] As a reviewer pointed out, it would also be possible to consider the international connections sphere as a second dimension, given that there are international family connections, international civil society connections, international governmental connections, and international business connections. This suggestion could be incorporated by having two levels of four spheres each, one domestic, one international. While this is conceptually elegant, I suggest the five spheres approach is a visually simpler way of communicating the same idea – the subtypes of international connection are captured by the intersections between the international sphere and the other four spheres.

This proposed change to the framework reflects that, in very general terms, current and future wellbeing are highly contingent on the strength and health of various institutions. It also reflects that most policy work is about strengthening, enhancing or managing various institutions. This often involves resolving debates about the relative roles each should play. To draw a few concrete examples from public policy debates that have occurred throughout the time I have developed this paper:

- There are active debates about the threshold for intervention in child protection cases, ie, at which point the state should over-rule a family or whānau's right to care for its children, and what role iwi and civil society organisations should play in this process.
- There are questions about the relative responsibility of individual, family and university for young adults staying in university accommodation.
- Recent amendments to the Overseas Investment Act have tackled questions about the appropriate scope of actors in the international sphere to own parts of Aotearoa's capital stocks.
- The relative roles of iwi and Police in managing people flows to prevent transmission of COVID-19 has been regularly negotiated at a local level.

This change would provide a way to locate these kinds of policy debates within the framework. It would also provide a way to respond to other challenges that have been offered to the LSF (The Treasury, 2018), but that I have not focused on in this paper. For example:

- Competition policy focuses on the effectiveness of the regulatory relationship between the government sphere and the market sphere.
- A major topic in economic productivity analysis is the performance of firms in the market sphere.
- Well-managed international connections are an important source of resilience to risk, particularly for a small open economy.

Competitiveness, productivity and resilience are all central topics when it comes to building wellbeing, so having a place to locate these topics in the framework seems important if it is to continue to be the Treasury's core policy framework.

The following sections work through each of the six spheres in turn to consider its key features, before considering the question of interactions between the spheres.

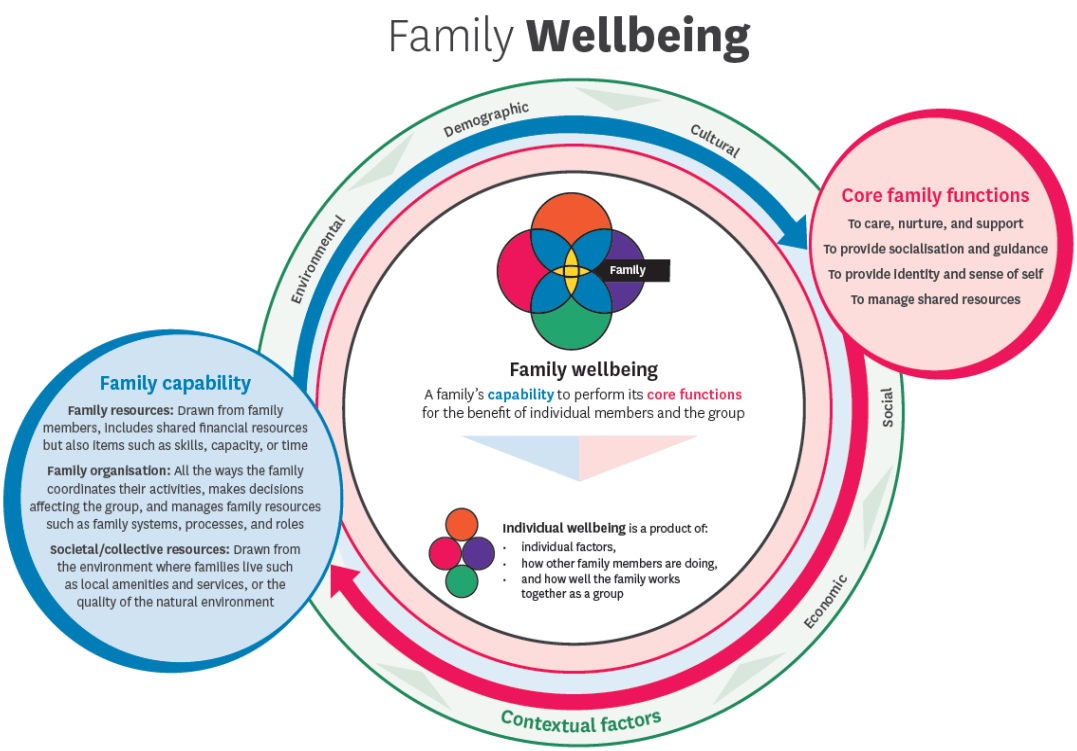
6.1 Families and households

We start with the most important type of structure for children's wellbeing and many cultures' conception of wellbeing, that of families and households. The terms 'family' and 'household' have precise meanings in our national statistical system. A household is one person who lives alone, or two or more people who live together and share facilities (such as for cooking) in a private dwelling. Households are important economic units because multiple people living together can generally achieve the same material standard of living (in terms of heating, electricity use etc) at a lower per-person cost.

Some households, like student flats, are constituted by people without any family connection. But other households contain one or more family under the Stats NZ definition. Under this definition, a family is a subset of a household, and is made up of either a couple (with or without dependent children living with them) or a sole parent.[58] These definitions are in the census and the household surveys that most of our wellbeing statistics are based on, such as the General Social Survey and Household Economic Survey.

For most empirical applications of the Living Standards Framework, analysts will generally be reliant on data collected within these definitions. But conceptually, family is a much wider topic. For example, the Families Commission, and later Superu, and most recently MSD, have worked over several years to conceptualise and analyse family in a wider sense. Their most recent report (MSD, 2020) introduced a revised Family Wellbeing Framework, as shown in Figure 20.

Figure 20: MSD's Family Wellbeing Framework



MSD's Family Wellbeing framework builds on an insight from Jan Pryor (2007) that family is perhaps better understood as a process than a static grouping. Pryor suggests we understand that process from a functionalist perspective: a family is any group of people, either true kin or 'fictive kin', that fulfils the functions of a family. The functions are defined by MSD as to:

- care, nurture and support
- provide socialisation and guidance
- provide identity and sense of self, and
- manage shared resources.

58 http://archive.stats.govt.nz/Census/2013-census/info-about-2013-census-data/2013-census-definitions-forms/definitions/family.aspx

Under this approach, family wellbeing can be understood as the shared capability that a family has to fulfil those functions. It can be understood under the capability approach as an enduring structure to facilitate other-regarding achievements for mutual benefit.

I have indicated elsewhere that this section would be focused on formal institutions, ie, rules, roles, procedures and organisations. It may not be immediately obvious that families fit this definition.

But when we consider the large body of family law on statute, it is clear that families are highly structured as organisations by a multitude of formal and enforceable rules and procedures that oblige individuals to fulfil certain roles, along with the responsibilities that go along with these. The principles that motivate these rules may not be explicated as clearly as the tikanga principles in the whānau rangatiratanga framework, but they are implicit in a wide range of statutes including the Care of Children Act 2004, Property (Relationships) Act 1976, Family Protection Act 1955, Wills Act 2007, Trusts Act 2019, Child Support Act 1991, Adoption Act 1955, Relationships Registration Act 1995, Children's Act 2014, Oranga Tamariki Act 1989 and so on.

The principles that animate these pieces of legislation, but that are not explicitly called out in MSD's family wellbeing framework, are that, very loosely:

- adults who enter into a relationship with one another become entitled to benefit from each other's resources
- parents are responsible for children until they are 18, and
- other responsibilities can be voluntarily entered into by autonomous individuals but are not compulsory.

This paper is not the place to launch a detailed analysis of these principles. I am merely highlighting the major role that the state plays in structuring families, and highlighting that the choices that the state makes in this area have a large bearing on the way the nation's resources are made available for the benefit of specific individuals, most importantly children.

For a reasonably concrete example of this point, consider the way that family tax credits, benefit entitlements and child support are structured. By defining different levels of benefit entitlement for families of different structures, the state is taking a normative stance about how it expects families to function.[59] Flows of resources between parents and between individuals and the state are adjusted based on a complex range of parameters relating to the nuclear family.

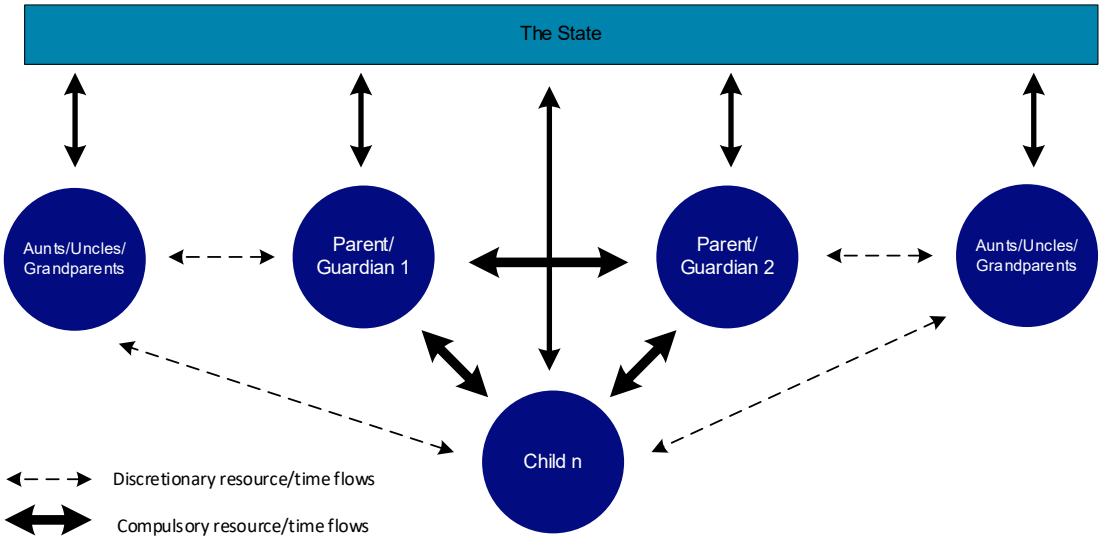
What is notable is that none of these parameters relate to the extended family or whānau, even though they would be included under the MSD Family Wellbeing Framework. The state does oblige extended family members, such as uncles or grandparents for example, to support their nephews, nieces and grandchildren, but only through general taxation and the return of funds to the child and parent(s) via

[59] For example, the rate of benefit differs by number of children based on, inter alia, calculations of the minimum number of bedrooms needed given expectations of sharing for dfferent age/gender combinations. Perhaps more controversially, the per-person benefit rate is lower for couples than single people, reflecting an expectation that partners support each other. At times it is suggested that the associated 'partnering disincentive' may have some kind of explanatory relationship with New Zealand's high rate of sole parenthood (Healey & Curtin, 2019).

health and education services, benefits and so on. Any additional direct support to the child is discretionary within what remains after taxation; the child has no direct legal claim on her extended family for her wellbeing, as a result of how families are structured.

This structuration of the family is illustrated in Figure 21. I note that this is not inevitable or pre-ordained. For example, in a country like Singapore the state places much stronger expectations on adult children to care for elderly parents, and the state takes less responsibility for supporting retirees as a result. There is a two-way relationship here between culture and institutions. Singapore can institute requirements for the care of elders because of its Confucian heritage, but instituting these requirements also bolster that culture and the associated values. In the same way, a disjoint between Māori cultural values emphasising whānau and institutional rules that emphasise nuclear family serves as an ongoing reminder of the impact of colonisation and suggest that we should not simply take existing institutional settings as given.

Figure 21: Compulsory and discretionary resource flows under legal structuration of the family



The upshot for the LSF is that conceiving of families and households only in the narrow way that they are defined in the census is insufficient for thoroughgoing wellbeing analysis, particularly analysis that is sensitive to cultural views that emphasise extended kin networks. Many contemporary policy issues that are pertinent to a wellbeing agenda, such as loneliness, the care needs of an ageing population, mental health, poverty, obesity and so on cannot be fully understood without enquiring into the quantity and quality of intimate relationships, the collective resources available within each familial network, collective challenges needing to be faced by each network, and the competing claims made on individuals by their membership in multiple familial collectives.

Some of this work can be undertaken at a conceptual level, as with this brief discussion. But richer insight will require reconsidering data collection and empirical analysis systems to reflect our contemporary world of fluid, dynamic and overlapping family networks.

6.2 Whānau, hapū and iwi

A key strength of LSF2018 is its alignment with international wellbeing frameworks. But one of the main criticisms of LSF2018 was that this strength is also a weakness in that it omits much of what is unique to this country, particularly te ao Māori. One of the ways I have addressed this weakness is by emphasising in LSF2021 the unique and central role that indigenous institutions play in sustaining the wellbeing of tangata whenua.

The defining characteristic of institutions in this sphere is that they are based on whakapapa connections. It is often said that whānau is the foundational unit of Māori society. But whakapapa also provides the basis for many other Māori institutional entities such as hapū and iwi. These institutions are the means by which Māori collectively exercise mana motuhake. These institutions also play a major role in sustaining Māori culture for the benefit of future generations.

The Treasury applies a complementary wellbeing framework, He Ara Waiora, which we use to incorporate te ao Māori into our work with appropriate guidance from Māori thought leaders. One of the distinctive features of He Ara Waiora is the large emphasis it places on tikanga and other cultural values that guide the behaviour required to achieve wellbeing. The introduction of institutions into the LSF brings the LSF more into line with this feature of He Ara Waiora; within the tangata whenua institutional sphere, tikanga can be understood as playing a role similar to that which, say, law plays in the government sphere, in shaping both what decisions are possible and the procedures that need to be followed when taking those decisions.

There is substantial overlap between this institutional sphere and all the other five. For example, following the Treaty settlement process many iwi govern their assets using legal trust structures that overlap with the civil society sphere and facilitate their interaction with government and the private sector. Many for-profit entities in the firms and markets sphere are owned by tangata whenua, both individually and collectively. Collectively owned entities often have multiple imperatives, including intergenerational financial, environmental, social and cultural enhancement.

For the purposes of government policy making, and the Treasury's policy advice, perhaps the most important intersection is between the tangata whenua sphere and the government sphere. This intersection is governed of course by Te Tiriti o Waitangi, one of our most important institutions.

Some stakeholder feedback on an earlier draft of this paper suggested that families and whānau should be part of the same sphere. But while there are many similarities between families and whānau, they are distinct entities. MSD recognises this in its Families and Whānau Status report, which includes both the Family Wellbeing Framework presented in Figure 20, and the Whānau Rangatiratanga Framework originally published by Superu (2016)[60] and presented in Figure 22.

[60] The whānau rangatiratanga framework shares many features with the whānau ora outcomes framework (Whānau Ora Partnership Group 2016).

One of the key differences between the family wellbeing framework and the whānau rangatiratanga framework is that the latter includes tikanga principles with which to guide decisions about how capabilities should be deployed – wairuatanga, whakapapa and so on. The morally correct way to deploy capabilities is in a way that respects these principles. It is from these principles that tangible duties and obligations to and of the whānau are derived. As Pitama, Ririnui, and Mikaere (2002) observe, four key principles that underpin Māori child-rearing are:

- the significance of whakapapa, which confirms an individual's membership and participation rights within their kin groups
- the notion that children are not the property of their parents, but rather belong to their wider whānau, hapū and iwi
- the rights and responsibilities for raising children are shared, and
- children have rights and responsibilities to their whānau.

Figure 22: Superu's Whānau Rangatiratanga Framework

6.3 Civil society

Moving to the next sphere, we find civil society. One important type of civil society organisation is religious organisations such as churches and mosques. These collective structures are particularly important for many sub-populations, such as Pacific Peoples and refugee and migrant communities. Many churches, particularly those well-connected internationally like the Mormon and Catholic churches, hold significant amounts of financial and physical capital and often deploy it towards social ends.

A second type is professional organisations and unions such as the NZ Educational Institute, the Royal Australasian College of Surgeons, Law Society and Council of Trade Unions.

A third type of organisation includes sporting and cultural institutions such as Te Papa, the NZ Symphony Orchestra, Te Matatini, NZ Rugby and so on. Many of the submissions on the Dalziel et al (2019) paper on culture wanted the special contribution of these organisations acknowledged in the LSF, and it is only right to do so.

A fourth type of organisation is philanthropic funders such as the Tindall Foundation and Foundation North. These grantmakers, along with religious organisations, iwi and government, in turn fund a fifth type of organisation in this sphere, which is not-for-profit social service providers such as community health and housing providers, including urban marae and other Kaupapa Māori organisations. This fifth group often combines funding from multiple sources and often relies also on labour provided voluntarily by local people for the benefit of the local community.

This is a general feature of all organisations in this sphere. They are all vehicles for pooling and organising collective pursuit of other-regarding achievements. In this sense, all kinds of civil society organisation are a vital part of our democratic fabric, because they provide a means for people to collectively face and resolve shared problems and pursue joint aspirations. While all civil society organisations have this aspect to them, certain types of organisation have this as a central feature, particularly those with a local governance aspect.

For example, school boards are a vehicle for local communities to govern the education of their own children. An organisation like playcentre goes further, as a vehicle for collective delivery, not just governance, of early childhood education. There are many other examples, too, such as the Wapiti Foundation, the Waikato River Authority, and Fish and Game NZ. And we must not forget the 280,000 members of the RSAs, sports clubs, cossie clubs and other clubs across the country that are connected via the Clubs NZ network. These clubs are a vital part of the social fabric in many towns and cities, providing social connection, support and cost-effective recreation for many people.

I proposed earlier that the collective aspects of the civic engagement and governance domain of wellbeing in LSF2018 be transferred, in the proposed new framework, to the institutional level rather than the individual level of analysis. I also propose here that how we conceive of civic engagement and governance be expanded beyond the relatively narrow focus in LSF2018 on voting, corruption and trust in government institutions. While these are all important, participation and support for local self-governance mechanisms are also an important part of civic engagement and the maintenance of a healthy democracy, and can be evidenced by phenomena such as growing balance sheets for organisations in this sphere, levels of charitable giving and volunteering, levels of membership in clubs and societies, and so on.

This point also reflects that in a healthy democracy the boundary line between government and non-governmental organisations is often indistinct. As a number of the examples above show, such as school boards, the NZSO, and the Waikato River Authority, many non-governmental organisations have either been created by government or are dependent on co-operation with or funding from government to function effectively. I will develop this point further below when we consider the general importance of attending to the intersections between the spheres.

This point also reflects the importance that participation in local governance has on the creation of social capital, at least at the micro and meso levels. One criticism of social capital as a concept is that it is unclear how it might be invested in. Focus on the mechanisms of social interaction allows us to address this challenge. And although interaction through civil society organisations is not the only way to create or sustain social capital, it is an important mechanism, and of course the one that Robert Putnam (2002), a key populariser of the term, focused on in his work.

A final point is that while these various organisations have their differences, an important trait they have in common is that all organisations operating in this sphere tend to be highly mission-led. Although actors in all spheres have implicit values and principles, these values and principles tend to be articulated more loudly and forcefully in the civil society sphere. These values, be they grounded in mātauranga Māori, Pacific world views, religion or secular philosophies, are cultural in nature, so a thriving set of civil society institutions is important to sustain culture. These organisations, by expressing shared cultural values, play a vital role in both reflecting and reinforcing cultures. Including these organisations is thus an important way to respond to the challenge of culture to the LSF.

6.4 Central and local government

The standard economic toolbox includes a number of useful conceptual tools to consider the role government can play in supporting wellbeing, such as through supplying public goods, responding to externalities, pooling risk, stabilising the money supply, correcting for asymmetric information and so on. Many of these tools can be straightforwardly incorporated into the LSF using the concept of conversion factors – government has a general role in supplying and managing conversion factors of all types, including public goods.

Perhaps the premier conceptual tool for public policy in the economists' toolbox is cost-benefit analysis. Wilkinson (2016) raises a concern that the LSF might paradoxically reduce wellbeing if it takes focus away from rigorous cost-benefit analysis. This is a reasonable but unfounded concern. The Treasury is as committed to cost-benefit analysis as ever, as a recent policy quarterly article on CBAx attests (Jensen & Thompson, 2020). The more comprehensively costs and benefits are identified, the better informed decision makers are – the LSF is consistent with a robust cost-benefit analysis approach.

But what none of these standard economic tools adequately does is reflect that everything that government does is contested. There are policy options with a high ratio of benefits to costs that government may not legitimately pursue, and options with a low benefit-cost ratio that political imperatives make a done deal. That democratic decisions do not always align with economists' calculations of the social welfare function is a feature, not a bug.

In Dalziel et al's (2019) proposal to add multiple 'levels of choice' to the framework, they nested the other spheres within government to show their subordination at lower levels of an implicit hierarchy. While in a legal sense the Crown is sovereign and issues regulation that shapes what is possible in all the other spheres, I decentre the framework away from any one institutional form, including government. By doing this I emphasise that what government can feasibly and legitimately do depends on the consent of the governed, and that consent is produced by the operation of all the spheres.

Where licenced do to so by the electorate, and within the bounds of the constitution, government plays several important roles in relation to wellbeing. The first is similar to a key role of firms and markets; the production of goods and services for consumption. To oversimplify, in New Zealand in recent decades central government has tended to provide most health, education and justice services, local government has provided most sanitation and recreation services, infrastructure spending has been split between the two, and most other goods and services have been provided primarily by firms and markets. But in different countries at different times, a wide variety of choices have been made about the relative roles of local government, central government, and the market in the production of goods and services.

Many people have strong views on the relative merits of government vs market production, and how best to achieve what JK Galbraith (1958) referred to as a 'social balance' between them. As politically neutral public servants, Treasury analysts should provide advice on the evidence of how different forms of production might affect both the level and distribution of consumption of the goods and services in question, rather than assuming a priori that one type of provision is generally better than another.

Another important role of government is as an employer. In the same way that firms hold some responsibility for the wellbeing of their employees, so too does government hold some responsibility for at least the working conditions the people who work directly or indirectly for government, including our many frontline public servants such as police officers, nurses, teachers and so on.

Like firms, government also invests in our national wealth. For example, education and health services also double as investment in human capability, which benefits everyone. Government also funds a great deal of research activity, particularly primary research.

Unlike firms, government has the power to create and enforce laws and associated regulations. Some of these rules are designed to prevent deterioration in our national wealth, particularly environmental wealth. Others are designed to support the effective functioning of other institutional spheres. For example, markets can sometimes exhibit a tendency to monopoly without regulation.

The final role of Government to emphasise here is risk management at both a micro and a macro level. At a micro level, government has long provided public insurance mechanisms such as ACC, superannuation and welfare that recognise that private insurance markets are often inadequate to ensure universal protection against personal misfortune.

At a macro level, government tends to inherit any risks that grow in scale beyond what other actors in society can manage, or where only a national level of response is adequate. Because of government's role as insurer of last resort against both known and unknown risks, a strong fiscal position has long been and will continue to be a strong focus for the Treasury. As recent crises such as the GFC, Kaikoura and Canterbury earthquakes, and the ongoing pandemic demonstrate, wellbeing is more readily sustained when government has the fiscal headroom to invest rapidly in response to sudden and unexpected challenges.

6.5 Firms and markets

One of the surprising things about the 2018 LSF is that, as an extension of orthodox economic analysis, it does not already include firms and markets in its scope. I have discussed firms and markets a little in this paper, but not a great deal because they are less central to the wellbeing of children and to many cultural perspectives than are the spheres of government, family, whānau, and civil society. I nonetheless include them here in the proposed change to the LSF, given they play such a large role in most policy contexts that the Treasury works in.

Firms and markets continue to be very important for any wellbeing framework, for several reasons.

First, to the extent that consumption is important for wellbeing, particularly consumption of basics like food and housing services, then firms often play the primary role in producing those goods and services for consumption and making them available for purchase. A substantial portion of our nation's wealth is invested in firms for this very purpose. Firms take much of our nation's wealth and use it to generate goods and services for consumption.

Firms also play an important role in shaping the fate of our national wealth. On the positive side, firms play a major role in the ongoing formation of physical and intangible capital, through capital investment, research and development, and so on. Since most firms are ultimately owned by households, much of this investment takes place on behalf of households, whose savings they invest either directly, through shareholding for example, or indirectly, through retirement saving schemes for example. But on the negative side, some firms (like actors in other spheres) can be involved in the deterioration of the natural environment, and perhaps social cohesion too.[61]

Another important role played by firms in supporting wellbeing is as employers. As noted earlier, work can be an important part of an individual's wellbeing. And both the ability to obtain a job and the quality of the job environment are very much in the gift of employers. The choices employers make can be particularly important for how inclusively labour markets operate to the advantage of people such as women and disabled people who have historically faced substantial discrimination that has limited their ability to achieve their aspirations.

In comparison to firms, markets play a slightly more abstract role. If markets are functioning well, they can improve our overall wellbeing by improving allocative efficiency, creating incentives for productivity-enhancing innovation and so on. It has become fashionable to criticise GDP at every opportunity, but despite its many limitations GDP is still strongly associated with subjective wellbeing. In a recent review article summarising the subjective wellbeing literature, Ed Diener and colleagues (2018) noted that the cross-sectional association between the average subjective wellbeing of a nation and GDP per capita is high ($r=0.83$, $p<0.001$). Aotearoa's firms, through generating rising prosperity, have done a huge amount to lift the wellbeing of New Zealanders in past decades, and continue to do so.

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[61] Attribution is more difficult for social cohesion, but there is certainly reason to think that choices made by both traditional media and social media firms, for example, may have contributed to declines in both interpersonal and institutional trust in countries such as the United States.

But if markets are performing poorly, such as housing markets, then this can lead to any manner of adverse wellbeing impacts. There are of course many ways in which markets can fail and attending to market failures such as monopolistic behaviour, is an important role for government in supporting wellbeing.

Firms and markets are also sources of both risk and resilience. Risk-taking is a key feature of entrepreneurship, and these risks often create significant rewards for both entrepreneurs and wider society. Dynamic firms and markets can also be a source or resilience to shocks and stresses. A society that took no risks would struggle to adapt in the face of changing circumstances. At the same time, as demonstrated in recent years by the global financial crisis, systemic risk taking across markets can lead to substantial drops in wellbeing if not well regulated.

Labour markets are particularly important because of their direct contribution to wellbeing. Economic production processes can have direct impacts on capabilities and wellbeing, particularly the wellbeing of staff. These impacts can be both positive and negative. For example, a major positive effect is providing employment, which directly promotes wellbeing independent of income as it provides a sense of purpose and social connection. Employment also contributes to the development of knowledge and skills, through both formal training and on-the-job learning. Employment can also have positive and negative effects on physical and mental health, depending on the nature of the occupation and the work environment. Firms can also reduce wellbeing if they, for example, seek to create preferences and promote consumption of goods such as cigarettes that may not promote wellbeing, taking advantages of flaws in human psychology.

6.6 International connections

The final sphere is that of international connections. International connections play a major part in conventional economic analysis, with focus on subjects such as trade, foreign direct investment and ownership, tax and regulation of multinational firms and so on. There are also an increasing number of policy issues that span international borders and require a co-ordinated response between governments, such as climate change, oceanic health, biosecurity, and drug trafficking.

I will not say too much about these topics, though I note they will be particularly central to the consideration of risk and resilience, when that aspect of the LSF is developed. I emphasise merely that international actors need to be included in a LSF that aims to comprehensively consider the major influences on wellbeing.

Narrowing the frame to cover the relevance of the international sphere to children and culture, the first point is the importance of international human rights instruments such as the Convention on the Rights of the Child and Declaration on the Rights of Indigenous Peoples, in addition to the Universal Declaration of Human Rights and instruments such as the Sustainable Development Goals. These instruments set out a context by which Aotearoa's progress at supporting and sustaining wellbeing can be assessed.

A second point is that our collective capability as a nation gives us a collective moral duty to consider other-regarding achievements in the global realm. While Aotearoa is in the middle of the OECD in terms of wealth, on a global scale Aotearoa is undeniably rich and, although small, on a per capita basis we have a greater opportunity than most nations to support the wellbeing of others across the globe. The contributions of our

defence force in reconstruction and disaster relief, and our development and humanitarian contributions need to be understood in this context, not merely as instrumental to our own self-regarding achievements.

The importance of international connections also has a personal dimension, as Aotearoa's increasingly diverse population has many family connections to other countries. This cross-border intermingling, known as trans-nationalism, is perhaps greatest in the Pacific, particularly for Aotearoa's dependency (Tokelau) and former colonies (Cook Islands, Niue and Samoa), but also more generally across the whole region, into Asia and beyond.

Particularly given the collectivist focus of many Pacific communities, the wellbeing of Pacific Peoples in Aotearoa is highly connected to the wellbeing of family members back in the islands. The very significant flow of remittances into Samoa and Tonga, for example, is evidence of this (Salesa, 2017). But as Geoff Bertram (2011) pointed out, the connections are much deeper than this. He critiqued the Fitoussi report for neglecting the measurement of groups of people connected across multiple territories:

> Remittances form a direct cashflow link between the diaspora and the home population, but other links are equally important for long-run growth – especially patterns of return migration, back-and forth visiting, communication via media channels, and accumulation of financial assets in metropolitan banks and share registers… Living standards need not depend upon production in the same locality; they can be fully 'sustained' from sources that look 'external' to the national accounts statistician, so long as those sources are firmly internal to the transnational ethnic unit.

This density of connection also puts a different lens on issues such as climate change and oceanic degradation that affect Aotearoa and others in the Pacific, but that may have a comparatively greater impact on others in the region. If Pacific countries are being affected, that will affect Pacific Peoples in Aotearoa and give an urgency to our regional responsibilities.

6.7 Institutional intersection

The final point I want to emphasise about the proposed new institutional layer is the fact that the institutional spheres are depicted as overlapping rather than separate sets. I will discuss two distinct types of overlap – hybridity, and regulatory.

Hybrid organisations

The five spheres are distinguished by the fact each has one or more archetypal modes of organisation, combining characteristic rules, values, and procedures. In turn, these create patterns of expected behaviour, or roles, that people are expected to fill when operating in those spheres. For example, we would not expect two people to behave in the same way if meeting as judge and complainant as they would if meeting as employer and employee, or as mother and daughter.

Although these archetypal modes can be distinguished clearly in theory, in practice there can be significant hybridity between these modes in the operation of actual organisations. For example, family firms combine elements of both business and familial practices in their operation. Social enterprises aim to blend business with charitable goals. And Sacha McMeeking (forthcoming), among others, has been grappling with how iwi-owned operations can marry social, cultural and commercial objectives by applying a kaupapa Māori approach in a contemporary context.

The upshot for the LSF is that in applied policy contexts, attending to the precise organisational nature of the actors involved will often be important to understand patterns of behaviour and what motivates actors. While self-interest and associated frameworks such as public choice theory have a place, depending on the nature of an organisation, an assumption of pure self-interest will often not be sufficient to explain the choices they are making with the resources they control, and the effect this has on productivity, distribution, access to collective resources and so on.

It also suggests paying attention to the relationship between the government sphere and other spheres, particularly opportunities for hybrid co-operation, beyond simple contracting. The deficiencies of a contract-based relationship are a particularly long-standing issue in the social sector, as discussed at length by the Productivity Commission (2015). In that report they highlighted a range of different models for co-operation with non-government providers, such as managed markets and client-led budgets.

Other examples of hybrid relationships with other spheres can be found particularly in the environmental sector, where in recent years many novel and locally bespoke co-governance arrangements have been put in place, such as the Lake Taupō Protection Trust, Te Pou Tupua, the Waikato River Authority, the and the Te Urewera Board. Many of these co-governance regimes have arisen as part of Treaty settlement processes, but other comparable bodies such as the Wapiti Foundation have emerged from very different social processes.

In addition, the transport sector, in particular, makes extensive use of Public-Private Partnerships, which aim to capture elements of both governmental and market-based logics in the design and delivery of infrastructure.

While these hybrid models have been of long interest to policy makers from the perspective of effectiveness and efficiency, within the proposed evolution of the LSF, we can also conceive of these models as mechanisms to build and maintain social capital, build local collective capabilities, and ensure relevant cultures are represented in decision-making bodies that affect them.

Regulatory relationships

The second kind of overlap I want to emphasise is the way in which actors in each sphere exert influence on each other, deliberately or otherwise. I describe these channels of influence as regulatory, using that word in a much wider sense than governmental regulations or regulators.

There are very many different kinds of regulatory relationship within and between spheres. For example:

- civil society organisations such as Consumer NZ monitor and hold to account firms and markets, as well as lobbying government for laws and regulations to benefit consumers
- government, firms and NGOs influence families and whānau through entering employment relationships
- families, whānau and households, as well as Government, influence firms through decisions about what to purchase and not
- families, whānau and households influence iwi and civil society through volunteering, gifting, and use of their services
- international organisations such as the UN and WTO influence the government sphere through monitoring compliance with conventions and treaties.

The upshot for the LSF is that the way in which the nation's wealth is used and the resulting distribution of outcomes depends not only on how control of that wealth is spread across the five spheres, but how those actors interact with one another. It may be that public management for wellbeing is more usefully conceived as about facilitating polycentric governance, rather than about facilitating direction or control.

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