



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre.
New Zealand's specialist land-based university.

Wellbeing Economics and Export Prosperity

Paul Dalziel
Deputy Director, AERU



Presentation to NZARES Conference,
Wellington, 30-31 August 2018.



Lincoln
University
Te Whare Wānanga o Aorangi
CHRISTCHURCH-NEW ZEALAND

Introduction

The purpose of this presentation is to explain two research programmes of the Agribusiness and Economics Research Unit at Lincoln University.

- A new book on *Wellbeing Economics*
- A new research programme on *Unlocking Export Prosperity*



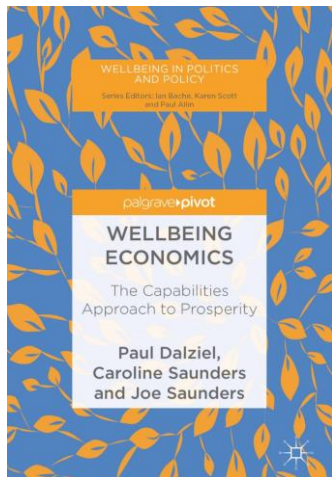
Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre.
New Zealand's specialist land-based university.



Lincoln
University
Te Whare Wānanga o Aorangi
CHRISTCHURCH-NEW ZEALAND

Agribusiness and Economics Research Unit

The AERU was founded by decision of Cabinet in 1962.
Our mission statement since 2009 is “to exercise leadership in research for sustainable wellbeing”.



Wellbeing Economics

Wellbeing Economics: The Capabilities Approach to Prosperity will be published as an Open Access E-Book by Palgrave Macmillan next week.



National Wellbeing Frameworks

Many countries have introduced national wellbeing frameworks to monitor a range of indicators.

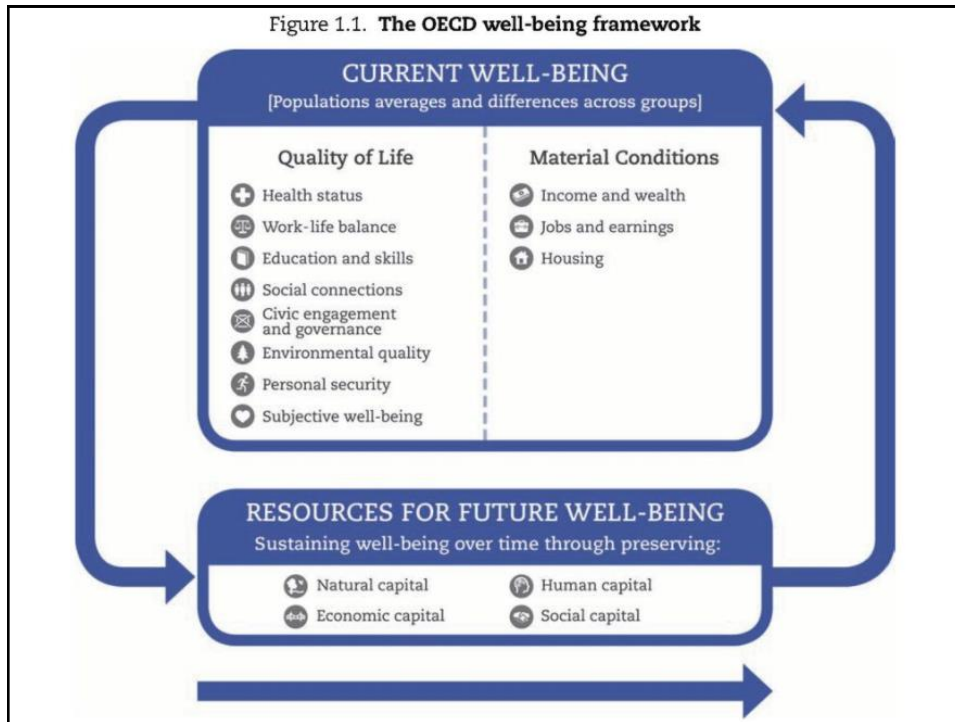
The German process:

- Parliamentary Expert Group
- Scientific Advisory Board
- 6 month National Dialogue
- *Heterogeneous, not representative*
- Report and website



Wellbeing Economics and Export Prosperity

Paul Dalziel, AERU at Lincoln University



Budget 2019: Focus on wellbeing

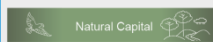
The Government is committed to putting people's wellbeing and the environment at the heart of its policies, including reporting against a wider set of wellbeing indicators in future Budgets.



In preparation for the wellbeing budget 2019, the Treasury has commissioned a report on creating a Treasury Living Standards Dashboard, which could be used to monitor intergenerational wellbeing in New Zealand.

The Four Capitals

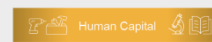
Intergenerational wellbeing relies on the growth, distribution, and sustainability of the Four Capitals. The Capitals are interdependent and work together to support wellbeing.



This refers to all aspects of the natural environment needed to support life and human activity. It includes land, soil, water, plants and animals, as well as minerals and energy resources.



This describes the norms and values that underpin society. It includes things like trust, the rule of law, the Crown-Māori relationship, cultural identity, and the connections between people and communities.



This encompasses people's skills, knowledge and physical and mental health. These are the things which enable people to participate fully in work, study, recreation and in society more broadly.



This includes things like houses, roads, buildings, hospitals, factories, equipment and vehicles. These are the things which make up the country's physical and financial assets which have a direct role in supporting incomes and material living conditions.

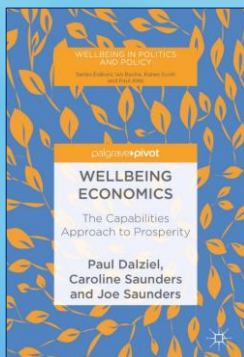


Agribusiness and Economics Research Unit
A Lincoln University Research Centre
New Zealand's Applied and Social Sciences Research Centre

The Implications for Economic Policy

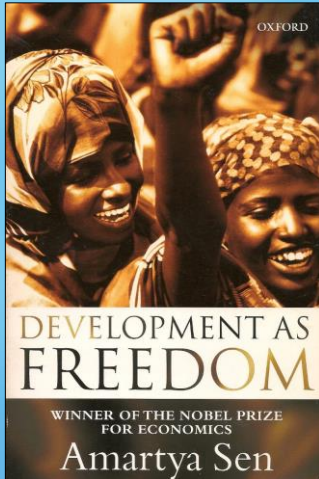
So far, countries have had more success in creating sets of indicators that measure changes in wellbeing broadly defined than success in creating economic policies that impact on those indicators directly.

Wellbeing Economics: The Capabilities Approach to Prosperity



We have written our book to address what implications a wellbeing economics framework might have for *economic policy*, based on the **capabilities approach**.

Amartya Sen, *Development as Freedom*



The capabilities approach to personal wellbeing was originally introduced by Amartya Sen.

Sen emphasises the agency of people creating lives that they value, and have reason to value, which he argues depends on *capabilities*.



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre
New Zealand's Applied and Social Sciences



Amartya Sen, *Development as Freedom*

“The analysis of development presented in this book treats the freedoms of individuals as the basic building blocks. Attention is thus paid particularly to the expansion of the ‘capabilities’ of persons to lead the kinds of lives they value – and have reason to value.”



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre
New Zealand's Applied and Social Sciences



The Capability Theory of Firms

Cambridge Journal of Economics 2017, 41, 693-720
doi:10.1093/cje/bew063
Advance Access publication 1 April 2017

Towards a capability theory of (innovating) firms: implications for management and policy

David J. Teece*

Business enterprises lie at the core of ecosystems that drive economic development and growth in market economies yet, until recently, mainstream economics has mostly treated firms like homogeneous black boxes run by opportunistic managers. The field of strategic management has developed a more nuanced approach to the understanding of how firms are created, organized and grow, how they innovate and compete and how managers manage. One of the leading paradigms in the field is the dynamic capabilities framework. In this paper, contours and complementarities are drawn between dynamic capabilities and economic theories of the firm, including transaction cost economics and agency theory. Connections to the Cambridge school are highlighted, including the duality between Keynes's 'animal spirits' and the dynamic capabilities entrepreneurial owner-manager. Leibenstein's x-inefficiency is juxtaposed here with d-inefficiency. Knowledge-based theories of the firm consistent with Cambridge conventions emerge. Intellectual exchange between strategic management and economics is encouraged to help improve the iteration behind models of firms and the economy.

Key words: Dynamic capabilities, Transaction cost theory, Agency theory, Corporate governance, Economic development, x-inefficiency
JEL classification: B52, D21, L23

1. Introduction

The health and dynamism of national economies are inseparable from the health of the firms that operate there. As the business historian Alfred Chandler (2001, p. 5) observed, 'the competitive strength of national industries depends on the abilities of the core firms to function effectively and to maintain and enhance their integrated learning bases.' Relatedly, as Richard Nelson (1981) reminds us, the business enterprise is the enabler and nexus of innovation in a private enterprise economy. Moreover, it is not so much static market efficiency but the capability that firms have to innovate which makes private enterprise and capitalism distinctive. Accordingly, an understanding of

Our approach is influenced also by the capability theory of firms, introduced by NZ economist, David Teece.

Teece builds on Ronald Coase, Oliver Williamson and Oliver Hart to argue that firms create and sustain specialist *capabilities*.



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre
New Zealand's Applied and Social University



The Capability Theory of Firms

“The capabilities view of the firm ... looks beyond ‘factors of production’ and production functions to recognize the importance of how firms learn and orchestrate assets in ways that markets cannot replicate. This functionality enables firms to ... both create and capture value from innovation.”



Agribusiness
and Economics
Research Unit

A Lincoln University Research Centre
New Zealand's Applied and Social University



Place-based Policies and Local Capabilities

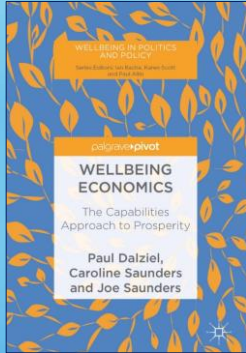


Authors like Fabrizio Barca, Philip McCann and Andrés Rodríguez-Pose have argued that successful place-based policies must build on local or regional *capabilities*.

Place-based Policies and Local Capabilities

“The place-based argument suggests that development strategies should thus focus on mechanisms which build on local [capabilities](#) and promote innovative ideas through the interaction of local and general knowledge and of endogenous and exogenous actors in the design and delivery of public policies.”

The Capabilities Approach to Prosperity



These examples explain our subtitle: *The capabilities approach to prosperity.*

Personal capabilities expand with specialist capabilities of firms, which expand with the local capabilities of regions.



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Applied and Social University



Lincoln
University
Te Whare Wānanga o Aorangi
CHRISTCHURCH • NEW ZEALAND

The Propositions in Chapter 1

Proposition 1: The primary purpose of economics is to contribute to enhanced wellbeing of persons.

Proposition 2: Wellbeing can be enhanced by expanding the capabilities of persons to lead the kinds of lives they value, and have reason to value.

Proposition 3: The capabilities of persons can be expanded by different types of capital investment at different levels of human choice.



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Applied and Social University



Lincoln
University
Te Whare Wānanga o Aorangi
CHRISTCHURCH • NEW ZEALAND

The Propositions in Chapter 1

Proposition 1: The primary purpose of economics is to contribute to enhanced wellbeing of persons.

Proposition 2: Wellbeing can be enhanced by expanding the capabilities of persons to lead the kinds of lives they value, and have reason to value.

Proposition 3: The capabilities of persons can be expanded by different types of capital investment at different levels of human choice.

Seven Different Levels of Human Choices

Persons

Focus: Turning personal abilities into capabilities...

Seven Different Levels of Human Choices



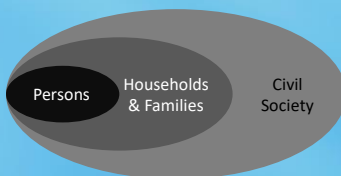
Focus: Passing on and transforming cultural capabilities...



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre
New Zealand's Applied and Social University



Seven Different Levels of Human Choices



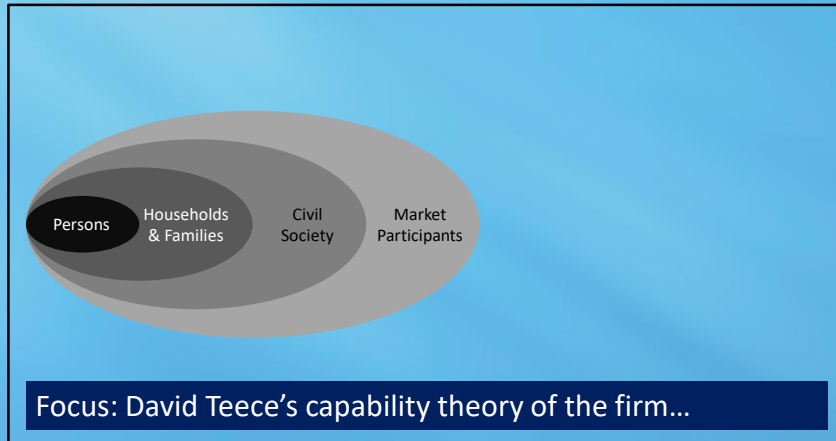
Focus: Increased capabilities through collective action...



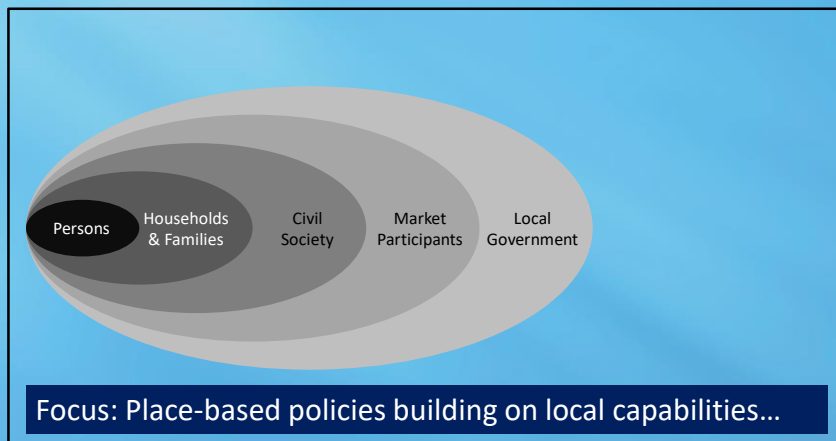
Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre
New Zealand's Applied and Social University



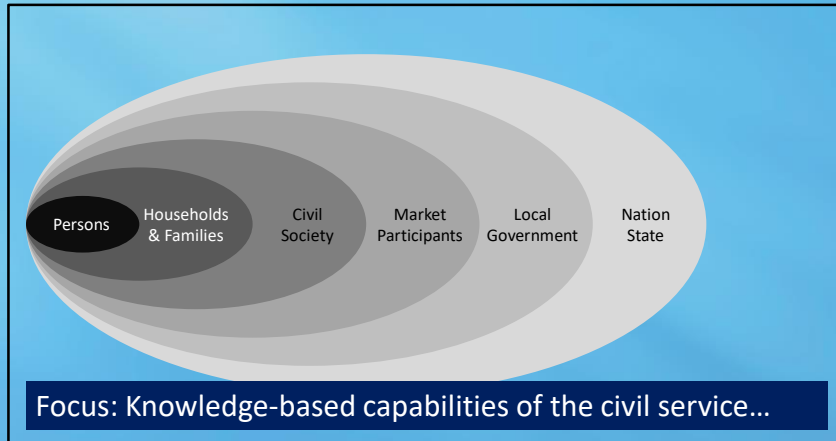
Seven Different Levels of Human Choices



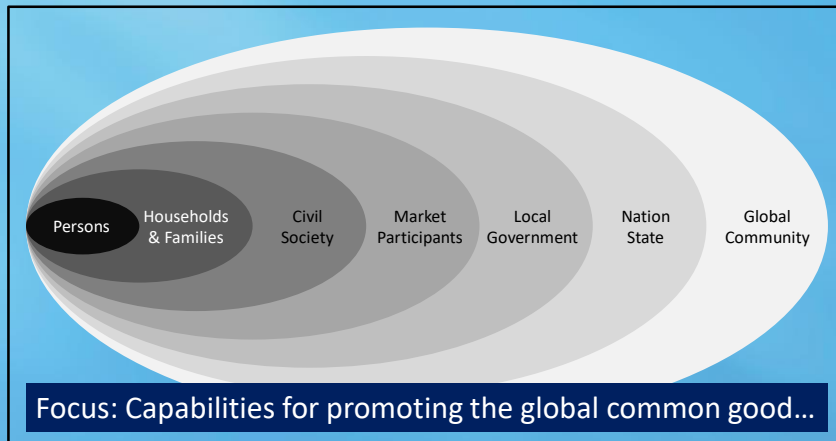
Seven Different Levels of Human Choices



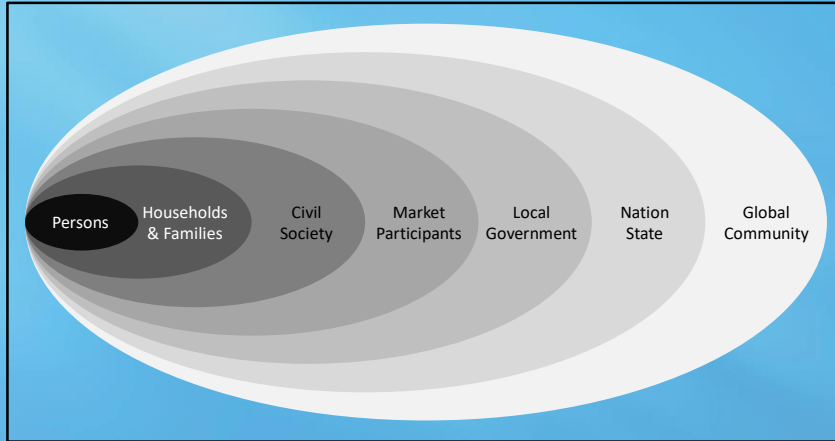
Seven Different Levels of Human Choices



Seven Different Levels of Human Choices



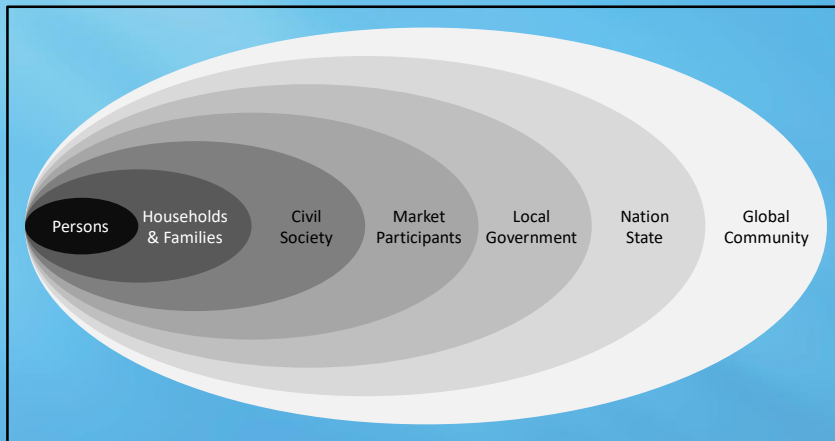
These are the middle chapters of the book



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Applied and Social University



But, of course, they influence each other



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Applied and Social University



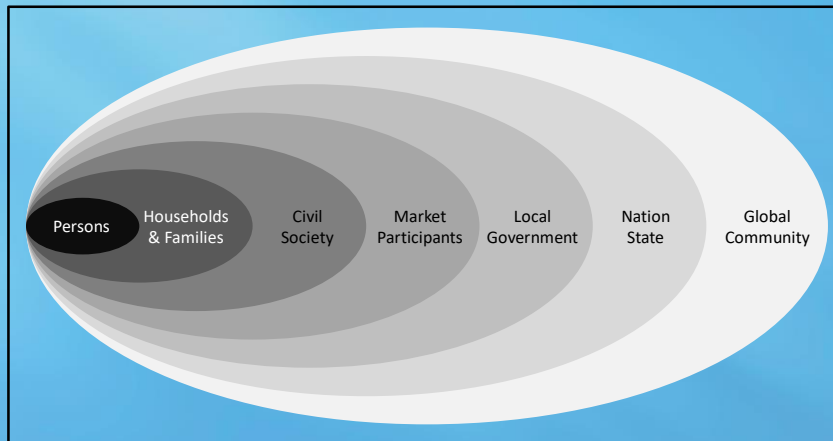
The Propositions in Chapter 1

Proposition 1: The primary purpose of economics is to contribute to enhanced wellbeing of persons.

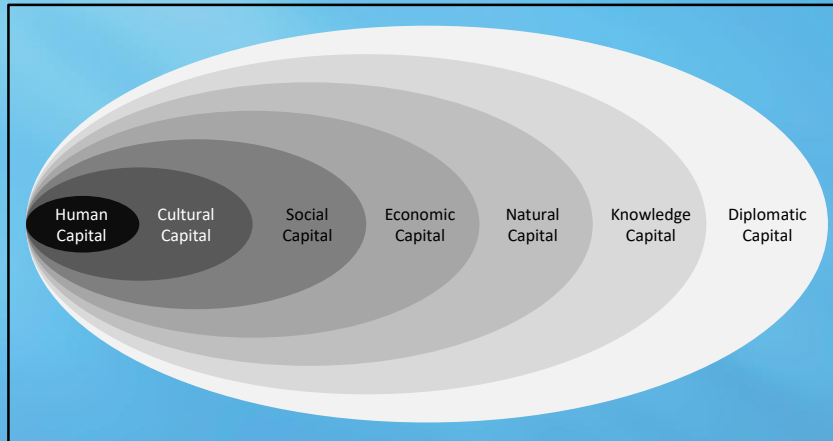
Proposition 2: Wellbeing can be enhanced by expanding the capabilities of persons to lead the kinds of lives they value, and have reason to value.

Proposition 3: The capabilities of persons can be expanded by **different types of capital investment** at different levels of human choice.

Each chapter focuses on a capital stock



Again, these all influence each other



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Specialist Agri-Business Research



Wellbeing Economics

Proposition 3: The capabilities of persons can be expanded by different types of capital investment at different levels of human choice.

The book describes how Proposition 3 can be put into practice, within an integrated wellbeing economics framework.

The rest is detail...



Agribusiness
and Economics
Research Unit
A Lincoln University Research Centre,
New Zealand's Specialist Agri-Business Research



Unlocking Export Prosperity

- On 12 September 2017, MBIE announced 27 proposals to the Endeavour Fund for science research programmes that will be funded over the next five years.
- One was for the AERU-led research programme *Unlocking Export Prosperity from the Agri-food Values of Aotearoa New Zealand*.



Unlocking Export Prosperity

- *Unlocking Export Prosperity* begins formally on 1 October 2017, but the first 3 months is for contracting and subcontracting.
- The funding is for \$4 million, over the next five years (ending 30 September 2022).
- This will allow us to make a real difference with our science for economic wellbeing.



Aim of the Research Programme

The aim of this research programme is to deliver new knowledge to end users that contributes to building New Zealand's global profile as a quality country-of-origin for high value agri-food products with distinctive physical, credence and cultural attributes.



This vision is shared by others...

TE-HONO

HOME ABOUT US ALUMNI ACTIONS TOOLS FOR BUSINESS ENGAGE CONTACT US

Unlocking the Power of New Zealand's Primary Sector

From our land to the world.
A partnership helping to drive the success of the New Zealand primary industry and make Aotearoa, New Zealand, a place where our children and their children want to live, work and thrive.

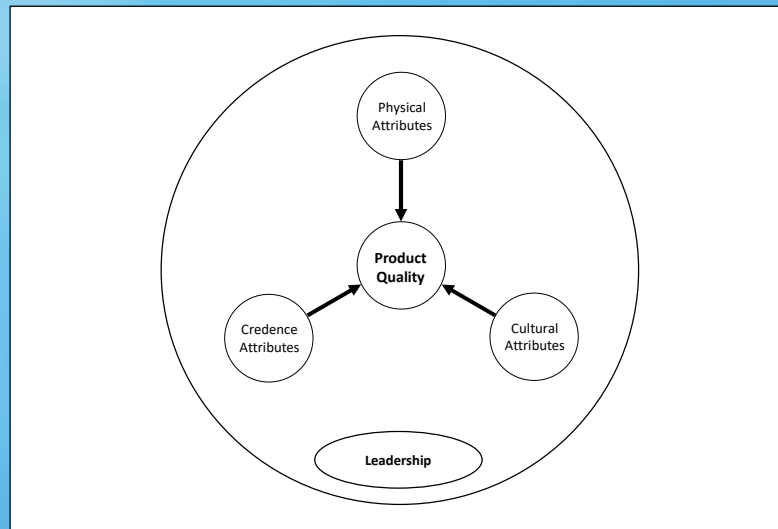
Vision: From price taking to market shaping.
Transforming the primary sector to realise the opportunity for Aotearoa, New Zealand to be recognised for our natural environment and products, as world leaders in innovation...

<https://www.tehono.co.nz/>

Product Quality

Product quality is at the heart of the research programme, conceptualised as being influenced by three factors:

- physical attributes;
- credence attributes; and
- cultural attributes.



Product Quality

- **Physical attributes** are features of a product such as visual appearance, taste, texture, smell and convenience that consumers are able to judge using their own senses and experience.
- **Credence attributes** are features of a product that are claimed by producers but must be taken on trust by consumers; examples are food safety, animal welfare, environmental stewardship and social inclusion.
- **Cultural attributes** are features of a product that are due to the culture of the enterprises involved in its production; this might include indigenous authenticity or a long history of passionate family-run enterprise.

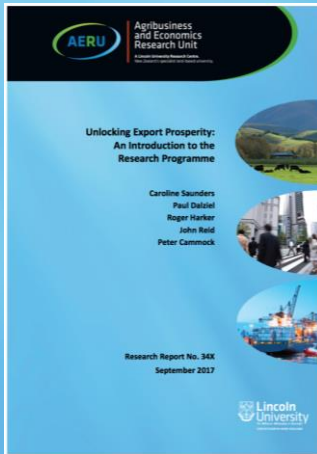
The research recognises that **leadership** is an important element in creating quality products that combine physical, credence and cultural attributes in ways that are valued by consumers.

The Research Plan

Physical Attributes	Review	New Zealand Consumer Study			International Consumer Study			Synthesis of the Research and Dissemination to End Users	
		1							
Credence Attributes	Review	8 Country Survey and Analysis 1			8 Country Survey and Analysis 2				
		2							
Cultural Attributes	Review	Māori Enterprise Case Study 1			Māori Enterprise Case Study 2				
		3							
Leadership Objective	Review	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6		
		4							
Time Series Survey	Contracting, Etc.	Time Series Survey Design			TS S1	TS S2	TS S3		
Dissemination and Research Management	RU	AB	FR	AB	FR	AB	FR	AB	FR
		RU	AR	RU	AR	RU	AR	RU	AR
Year		2018	2019	2020	2021	2022			

Key: TS = Time Series. S1, S2, S3 = Surveys 1, 2 and 3. AB = Advisory Board meeting.
FR = publication of Final Reports on the MER Data Portal. AR = Annual Report to MBIE.
RU = Research Update sent to engaged end users.

Unlocking Export Prosperity



The leaders of the research programme have prepared a report describing the context and plans for the research, which is available on a new website created by the AERU.

Sustainable Wellbeing



<https://www.sustainablewellbeing.nz/>