

TE TAI ŌHANGA
THE TREASURY

Competition policy and living standards

Presentation for the Competition Matters Conference 2019

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Outline

- Context and challenges
- What is the Living Standards Framework (LSF)
- Competition policy through a living standards lens

Context and challenges

- The Treasury and Government recognise that defining New Zealand's success by GDP alone is too narrow – critical though GDP is to achieving wellbeing
- Economics and public policy frameworks face a credibility challenge – e.g. if GDP growth has environmental costs, then we need to take that into account
- Competition policy isn't immune from this – the forces we rely on to drive competition throughout the economy are under challenge

We need to take a broader approach

- The Treasury developed the LSF to help advise governments about the likely effects of their policy choices on New Zealanders' living standards
- The LSF looks across the human, social, natural and financial/physical aspects of wellbeing
- It's not new - the Treasury has been working on the LSF for many years
- It's part of a global trend; e.g. the OECD's Better Life Index and various measures of happiness

The LSF is about better economics and policy

- The LSF approach enables us to provide more comprehensive economic policy advice to inform successive governments' judgements about which aspects of wellbeing to prioritise
- It means that we are likely to present a greater range of trade-offs to Ministers – rather than a single answer
 - trade-offs are decisions for Ministers to make
- While our advice is often unchanged, we will provide a better understanding of the impacts and options to manage those impacts

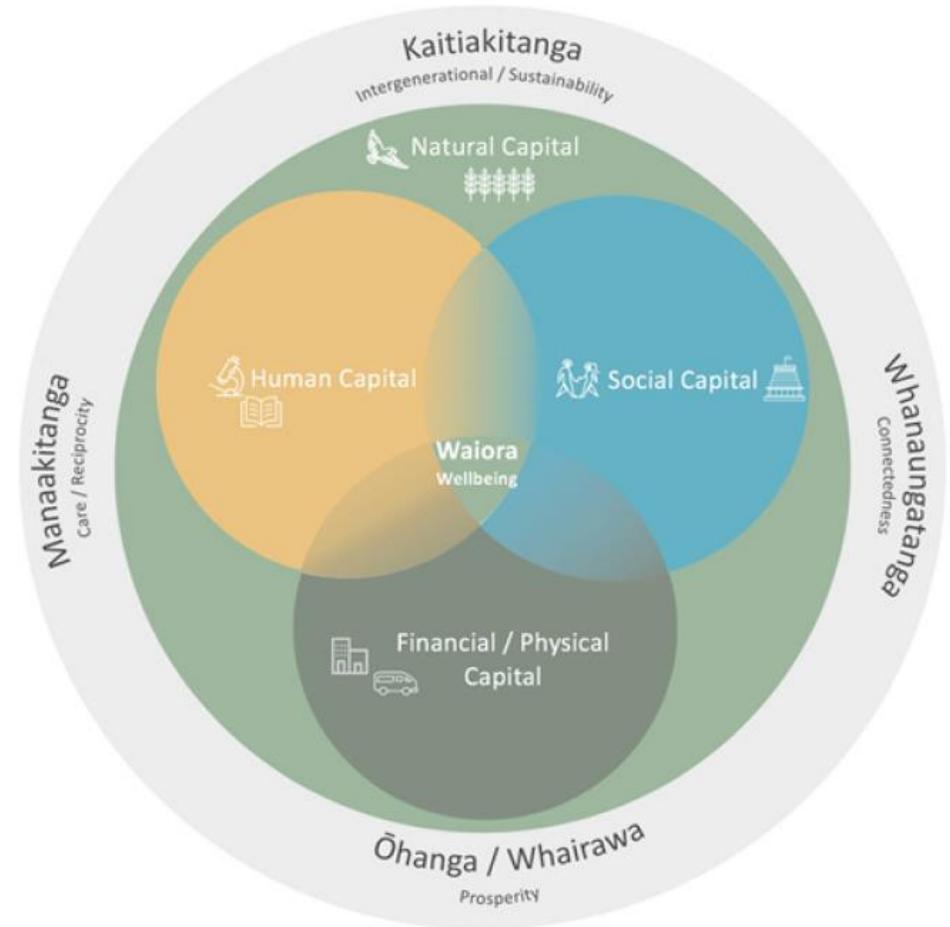
We've applied the LSF in housing policy,...

- A business case was developed to consider a whole-of-government approach to kick-start urban regeneration in eastern Porirua
- We took an evidence-based approach to assess fiscal, economic and wellbeing benefits. The LSF was used in the evaluation, analysis and communication of decisions

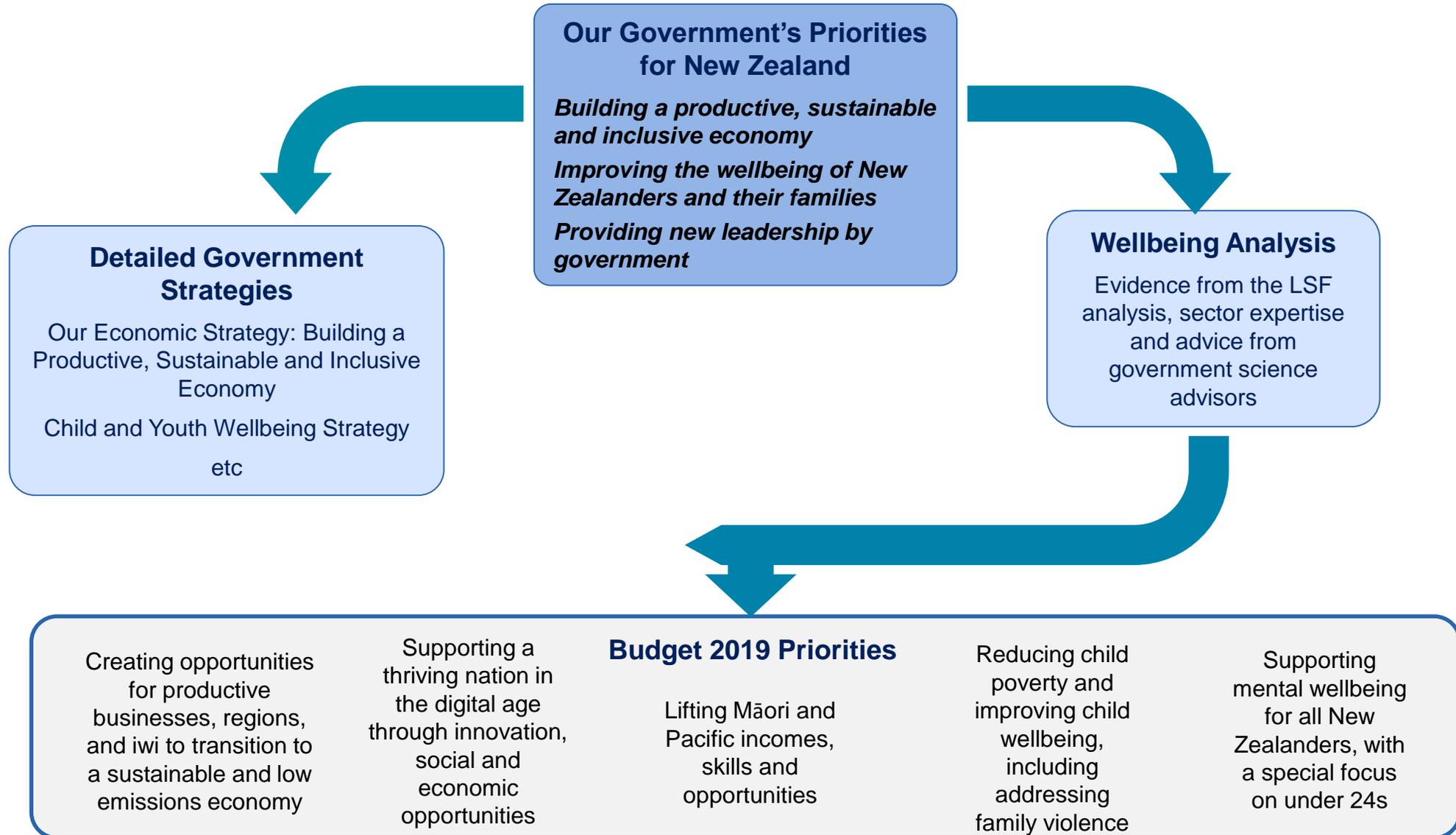


... we've applied the LSF to the future of tax,...

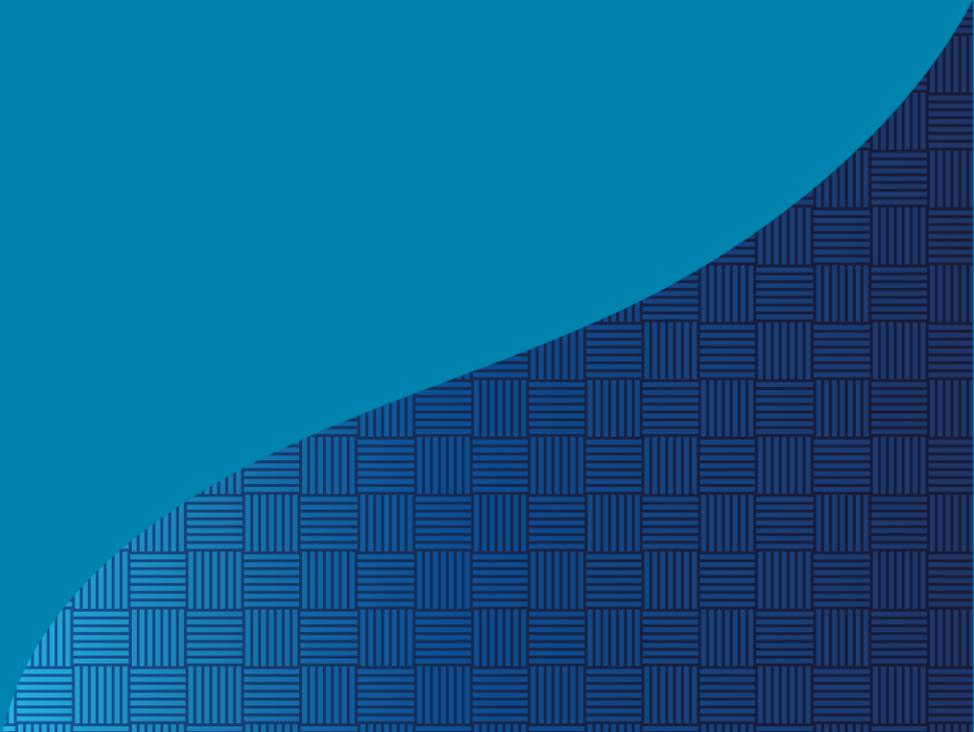
- The Tax Working Group (TWG) used the LSF to bring a broader concept of wellbeing and living standards to its work on the tax system
- The TWG also developed He Ara Waiora (A Pathway Towards Wellbeing) through consultation with Māori



...and we have used the LSF to develop the Wellbeing Budget priorities.



**So what might it mean for competition
policy?**

A decorative pattern in the bottom right corner of the slide, consisting of a grid of small squares. Each square contains a different pattern of horizontal and vertical lines, creating a complex, woven texture. The pattern is rendered in a dark blue color against the lighter blue background of the slide.

Competition drives higher living standards...

- Competition is essential to sustainably lift living standards
 - It drives innovation, productivity and consumer welfare
- But the settings need to be right to achieve that, especially in small markets

... and the LSF poses some wider questions,...

- How do our policy settings build trust among market participants?
- What are the environmental impacts of higher or lower levels of competition in markets?
- What are the social impacts of competitive pressures, for example on employment and wages?
- Does this affect Māori interests?
- What are the wider distributional impacts of policy settings?
- How can competition reduce risks and build resilience across society?

...and suggests some areas for competition policy to focus on

- Competition policy in the labour market
- Selection of markets for Commerce Commission competition studies
- Relationship between competition and consumer protection tools in digital markets

Competition policy in labour market

- How do we consider the distributional impact on workers
- Most labour markets are geographically small which may mean some employers can exercise a degree of monopsony power
- Competition policy may have a role by focusing on preventing:
 - anti-poaching agreements where firms agree not to hire one another's workers; and
 - anti-competitive agreements which forbid employees from moving from one employer to another
- Currently the Commerce Act does not fully address these issues

Selection of competition studies

- The LSF might bring a wider range of issues into play when deciding which areas of the economy to prioritise for competition studies
- And, when carrying out those studies, the LSF can help us to look more broadly at the range of issues to take into account

Social capital - relationship between competition and consumer protection tools to provide protection in digital markets

- Privacy and data security issues associated with digital platforms need to be addressed
- Overseas policy makers are considering how to tweak regulatory settings to ensure that they are fit-for-purpose for these new parts of the economy

Thank you!