



The Pulse of Christchurch: Turning 20

Carl Davidson, Tuesday June 2nd 2020



Hello again.

in many ways, this presentation is the opposite side of the one I gave last week. In that presentation we looked backwards to see what people across the city have to say about how far the recovery has come.

And I know that for many of you that was a sobering session, as it was for all of us at Research First when we pulled the analysis together.

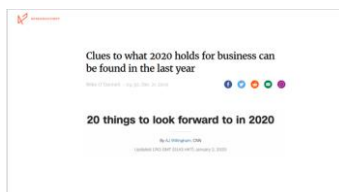
Tonight I want to look to the future, and I want to talk about New Zealand as a whole. Note, once again, this analysis was completed pre-lockdown and it's an open question what Covid19 has done to the things I'm about to talk about.



As I think I mentioned last week, at Research First we have been doing social and market research across New Zealand for more than a decade.

In that time we've lost count of the number of times we've asked people about they are thinking, feeling, and doing to help us get an early warning about emerging trends.

And given that, you're probably expecting me to use all that data – more than 35,000 interviews in the last three years alone – to extrapolate to the future and offer some predictions about what the rest of this year, and even this decade, has in store for all of us.



It's certainly easy enough to be overwhelmed by the number of people already telling us what the future holds for us. In the new year it really did seem that everywhere you looked slow news days were filled with forecasts for the future or lists of things to watch out for in the 2020s.

All of which might make what I'm about to say even more surprising:...

Worthless

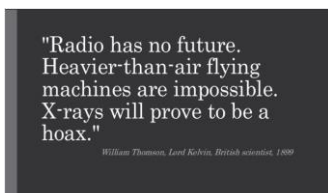
... most every prediction you read about what the future holds is essentially worthless. The people making these predictions are well-meaning and sincere, but they're also undoubtedly likely to be wrong.

The stark reality is that no-one really knows precisely what the future will hold. And this includes your favourite guru, celebrity blogger, or politician.

When it comes to the future, we're all largely clueless

Now, you only need a passing knowledge of the history of the future to see why: people have been making predictions about what the future will hold for centuries - and getting them spectacularly wrong.

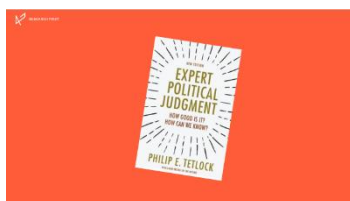
For instance, the invention of the internet was predicted to make wars obsolete; the sequencing of the human genome was predicted to eradicate cancer; and – my favourite – in the 1950s people thought new technology would be so productive that by about now we'd all have so much free time that the world would be confronting a 'leisure crisis'.



And it seems that the more you know, the more clueless you become about the future too. Lord Kelvin said that heavier-than-air flying machines were impossible. Not 'unlikely' or 'inconceivable' but 'impossible'.



Steve Ballmer, when he was the CEO of Microsoft, asserted confidently that "there's no chance that the iPhone is going to get any significant market share."



We could do this all night but we can do better than picking examples like this – there are serious studies of forecasting and predictions and these show, categorically, that most predictions are worthless. The best known of these studies is by Philip Tetlock, from the University of California, who ran a twenty year study measuring the accuracy of predictions made by the kinds of people who are paid to make them - think of the people we see on TV, read in newspapers, or headline conferences. His study recruited 284 of these experts and, over those twenty years, logged more than 80,000 of their predictions.



What Tetlock found is as instructive as it was depressing: the 'experts' were no better at predicting the future than you or your mates or – to use Tetlock's now well-known phrase - "a dart throwing chimpanzee". In most cases you'd do better tossing a coin (or giving a dart to a chimp) than listening to what the experts have to say about what the future holds.



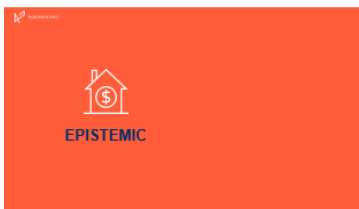
What experts are particularly good at, according to Tetlock, is in justifying their errors. In his study the experts rarely admitted to being wrong but instead insisted that they were 'just off' on timing, or blindsided by an improbable event, or almost right, or wrong for the right reasons. To use the language of psychology, even the best and brightest fall into the traps set by confirmation bias and hindsight bias.

It's easy to be surprised by how poor experts are at predicting the future, but should we be? After all, Pliny the Elder back in the first century AD told us 'the only certainty is that nothing is certain'. It's tempting to think that all our computers and data science and algorithms must have made us able to see further into the future but, if anything, the opposite is true.



This is because we now know that the future is non-linear, that the past is a very poor guide to the future. So instead of Newton's world of its deterministic rules, we now know we live in a quantum universe where Chaos Theory makes a mockery of every hard-and-fast rule based on past performance.

Chaos Theory is the one famous for the 'The Butterfly Effect', after the idea that the flapping of a butterfly's wings over the Amazon could influence the weather in China. Whenever you hear someone say 'the whole is more than a sum of the parts', they're really making an argument from Chaos Theory.



But what Chaos Theory does really well is distinguish between two kinds of uncertainty. On one hand there are some things we don't know that are in theory knowable. For instance, I don't know how much Garry's vintage Chrysler is worth but someone does, and with enough time and determination I could find out. That kind of uncertainty is known as epistemic uncertainty.



In contrast, we have something called aleatory uncertainty. Those are the things that we don't know that are unknowable. Such as the outcome of this year's General Election. Until the event occurs, any predictions about how it will turn out are essentially guesses.

The problem is, as humans we're just not very good at being comfortable with this kind of cosmic uncertainty. Which is why we're such suckers for what is called the Cardinal Bias, the tendency to place more weight on what can be counted than on what can't be. We prefer precise answers over vague ones, even where they are wrong.

So far so depressing, and at this point you're probably thinking 'hang on, aren't research companies like yours supposed to help us understand the future?'. If so, you'll be pleased to hear that there are two other ideas in Tetlock's work that we all need to know about.

The first is that not all predictions are created equal. So while the average expert in the Tetlock study could be replaced by a chimp with a dartboard, not all of them could be.

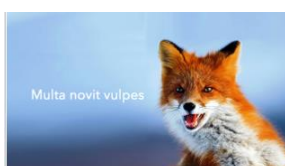


To explain why, Tetlock leaned on an idea borrowed from Isaiah Berlin (via the Greek poet Archilochus) and divided his experts into 'foxes' and 'hedgehogs'. This division starts from the observation that "the fox knows many things, but the hedgehog knows one big thing".

In Tetlock's study, foxes repeatedly outperformed hedgehogs. Those experts that were most comfortable with nuance and contradiction were most likely to be right. Meanwhile, those who were wedded to just one organising principle, to one big idea, were both more confident in their predictions and much more likely to be wrong.



Let me repeat that point again – the experts with the one big idea were both more confident in their predictions and much more likely to be wrong. In other words, certitude is no measure of certainty. That's an easy lesson to overlook, so if you only remember one thing from tonight, remember that.



But if you have room to remember more than one thing, then tuck away the idea that you need thinking like a fox is better or you than thinking like a hedgehog.



The second lesson in Tetlock's study is the one we've taken to heart at Research First and it's the one I'm commending to you tonight: This is the idea that the key is not to get hung up on the details of specific prediction but, instead, to work to understand the fundamentals that drive the thing you're interested in. To put this another way, while specific predictions are a fool's errand, having foresight isn't.



To understand the difference, take the example of global warming. As Jeremy Clarkson famously noted, how can the climate scientists know the world is going to be warmer in 20 years when they can't even tell what the weather is going to do two weeks from now?

The answer, as I'm sure you all know, is that we can have that foresight because we know we are changing the planet's fundamental climate equation. Greenhouse gas emissions from cars, power plants and other man-made sources mean carbon dioxide concentrations in our atmosphere are higher than they have been for at least half a million years. And those gases trap the sun's warmth near the earth's surface, affecting the planet's climate system, creating havoc.

Having the foresight that means that – while we can't predict specifically what the weather will do in January 2029 – we can be confident that it won't be anything like it was in 1999.



And in the same way that the fundamentals of climate are changing, so are the fundamentals of New Zealand's population. And what the foresight of those changes shows is that population change is going to play havoc with markets and consumer behaviour.

In 2020 we are entering a period of demographic change that is unprecedented in our history. New Zealand's population is growing quickly, and very rapidly getting older, more diverse, solitary, and more concentrated in and around Auckland.



Let's start with the growth part: In 2004 demographers thought it would take until 2050 until NZ's population reached 5 million, but we reached that number some time during the lock down.

And when you add in the up-to 1 million New Zealanders who live overseas, that means there will be 6 million of us. Which – if we count the diaspora - puts New Zealand's population ahead of Finland, Norway, Denmark, and Singapore. We are no longer a small country!



But it hasn't all been migration, a good amount of our growth is due to the fact that New Zealanders are living much longer. The demographer Natalie Jackson has called this 'hyper-ageing', and it's remarkable how fast it has happened. Consider this, a Pakeha female born in New Zealand in 1920 had an average life expectancy of 65 years; but if you're a Pakeha female born this year, your average life expectancy is 95 years.

So that's the first thing to file away - New Zealanders are living progressively longer, women continue to live longer than men, and death rates continue to decline at all ages.



The second thing to think about is what has been called 'the fertility implosion'. New Zealanders are having fewer children and having them later. For most of the 20th century we lived in a country where young people far outnumbered old people.

But by 2019 there were more New Zealanders over 65 than there were under 5. In Japan the forecast is that Adult nappies will outsell baby nappies this year, and there is no reason to think NZ is too far behind.



At the same time, household composition is changing radically: partially as a result of that hyper-ageing and partially as a result of what is happening to marriage, but single person households will become the most common type of household in the country this year. And at this rate NZ will have the highest proportion of single parent households in the OECD by 2030.

For those note in single person households, housing affordability means the reliance on two incomes will increase. And these households are going to need to rely more and more on paid childcare, outsourcing their household chores, and the desire for flexible working hours.

Meanwhile, because couples are settling down together later, more are choosing to be 'child free', meaning they have more free time and disposable income. At the moment in NZ, the better educated the mother is, the more likely she is to have no children.



But as well as thinking about households, the savvy marketer will increasingly think about where those households are. While the population picture for New Zealand as a whole is positive, the picture is very different depending on where in New Zealand you are. Natalie Jackson’s modelling shows that 56 of the 67 local authority areas in New Zealand will experience population stagnation or decline over the next twenty years.



This makes more sense when you realise that 60% of the future growth in our population will occur in Auckland. In fact, Auckland’s population will exceed 2 million in this decade. Auckland is already four times larger than Christchurch. Indeed, Auckland has the same population as the next 12 biggest Kiwi cities combined.

This makes Auckland what demographers call ‘a primate city’. These are the cities that dominate their country in influence and are the national focal point. Their sheer size and activity become a strong pull factor, bringing additional residents to the city and causing the primate city to become even larger and more disproportional



To put the size of Auckland’s growth into perspective, last year the city grew by 50,000. In that one year, Auckland grew by the total population of Invercargill. Think of the opportunities inherent in having to house the population of Invercargill in a year? And there is no sign that this growth is going to slow anytime soon.

Partly as a result of this phenomenal growth in Auckland, in the next 20 years 80% of New Zealand’s population will be in the North Island.



But Auckland’s population is also different to the rest of the country’s. Last year the most common surnames of babies born in Auckland were:



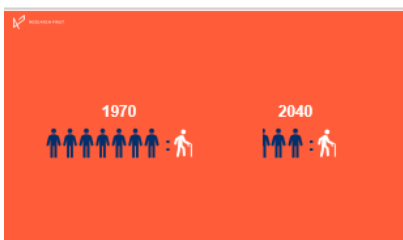
Contrast these with the most common surnames of babies born in the South Island.

Auckland isn't just a different city, it's a different country.



Auckland will get more diverse but it's already a stunningly diverse city. How diverse? At the 2018 census Auckland was more culturally diverse than Sydney, Los Angeles, London and even New York. In fact, only Dubai, Brussels, and Toronto have a higher proportion of overseas-born people than Auckland.

New Zealand is also rapidly becoming more diverse but, as these names show, that diversity tends to be much greater in the North Island (and particularly in Auckland). Across the country, Pakeha make up 88% of the over 65s but only 71% of the under 14s. It's probably no surprise that the fastest growing communities in New Zealand are Asian, and these are forecast to make up 22% of the population by 2030, up from 12% today. It's hard to overstate how much New Zealand relies on migration and diverse communities – without them we would be experiencing the 'secular stagnation' that is common in other advanced western economies. This is what hyper-ageing and a fertility implosion typically equals.



It's most often talked about in regard to what is called 'the dependency ratio', which compares the number of people of nonworking age with those of working age. In New Zealand as elsewhere in the West, the picture is not comforting. To put this in the starkest terms, in the 1970s in NZ there were 7 people of working age for every 1 person receiving National Superannuation; in 20 years there will 2.5 workers for every 1 person on National Super.

The inevitable result of this is that retirement ages will raise. In 1990 there were 24,000 New Zealanders over 65 still in paid work, and by 2014 that was up to 127,000. The data for 2020 suggests this year that will grow to one in four of those over 65 will be in some kind of paid work.



Finally, it makes no sense to retire at 65 because 65 is no longer old. Today those retiring at 65 will have an average of 20 more years to live, and far healthier over those 20 years.

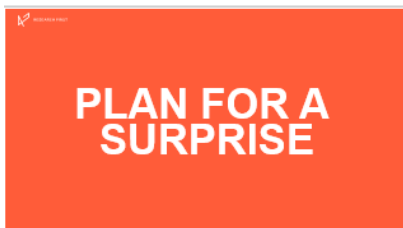


My guess is that you're already thinking about what all this foresight means for our communities. For me, there are at least six things in here that the Tuesday club should start thinking about:

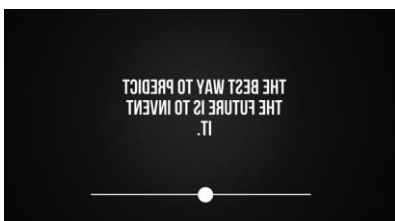
1. The first is that the silver economy is the real growth economy – where the wealth and the growth will be. And yet in the USA, where people over 50 are responsible for about half the consumer spending in the country, they are the target for 5% of all advertising. The hidden opportunity in unleashing the 'consumer sovereignty' of this group is unlimited.
2. Regardless of what happens to the retirement age, more old people are staying in paid work longer, so we need to find ways to make these working lives easier and more rewarding. How do we tap into the skills of this older workforce while ensuring they can still participate in their communities. What does this mean for work/life balance and split? How can we reinvent those very ideas?
3. For those with children, we know families will need two incomes and have less time to spend on traditional parenting duties. Who will fill that gap? Extended families or marketized services? What are the social consequences of either?
4. As New Zealanders have fewer children they will invest more in each one, both emotionally and financially. Is this good for children? Or is there a way it could mean we unlock hidden opportunities in the young?



5. As single households increase, loneliness and isolation will become a major problem and people will crave connection and community.
6. As New Zealand becomes even more diverse, our cultural references and touchstones are going to become increasingly irrelevant. Many of us may love Kiwiana but it draws on a nostalgia for mid twentieth century New Zealand life that will mean much less to new New Zealanders. As I said in the presentation about Christchurch last week, we need to find new stories that capture who we are and what we stand for.



But as much as any of those ideas, what I want today's presentation to do is to get you to rethink the value of predictions and, instead, to see the value of foresight. Churchill once said that "It is always wise to look ahead, but difficult to look further than you can see". That goes for our city as much as it does any business we work with. And if Churchill was here he'd remind us that when you have to plan for a future farther out than you can see, you plan to be surprised.



But – as I'm sure Garry is already thinking – you don't need to predict the future if you are in a position to create it. As he said to me just a few hours ago, you only lose the opportunity once you stop trying.



And how many cities have two opportunities to reinvent themselves?

Thank you.