

Have Business Leaders Lost their Mojo?

I was struck by a recent 'economic state of the nation' article by award-winning business journalist, Jenni McManus. The article was a kind of valedictory for McManus, one of this country's finest journalists, who recently left the media for the corporate world.

Her article reported on a survey she had done of the off-the-record views of 40 business people and industry sector leaders on the government's management of the economy over the past three years. Collectively those interviewed, or their members, employ hundreds of thousands of people in more than 100,000 companies.

Those surveyed, on average, gave the National-led government five out of 10 for its management of the economy during the past three years. I was one of those surveyed and that also happened to be my score.

The survey revealed "a widespread perception that the Government has squandered the huge mandate for change it was handed at the 2008 election, opting for timid and incremental tinkering around the edges instead of tackling the big – and contentious – issues such as tax reform, superannuation and welfare." Respondents had "no confidence" that the Government had a clear economic vision."

The survey captured the six biggest issues for business.

First up was the lack of an over-arching economic strategy, vision or economic road map. Goals such as getting per capita incomes into the top half of the OECD by 2010 or closing the income gap with Australia by 2025 mean little in themselves without credible steps to achieve them. The 2025 Taskforce's sidelined reports provided a road map for achieving the 2025 goal, and no alternative is in sight. Big government projects, such as ultra-fast broadband, do not constitute a growth strategy.

The second was the burgeoning costs of welfare and the public service. Since the survey was undertaken the government has announced one

good but small step forward on welfare reform, embracing part of one of the Welfare Working Group's 41 recommendations.

The third issue was regulatory costs and constraints, including the ETS, employment law and the RMA, and the failure of the bureaucracy to make clear and timely decisions. Again the government has taken some steps, but at the margin. The business community widely supports the systemic approach that is embodied in the Regulatory Standards Bill, and many will take the government's attitude to it as an indicator of the government's will to make a real difference.

Fourth was in similar vein. It was that the government was tinkering around at the margins rather than making fundamental changes to big ticket issues such as tax and superannuation. The 2025 Taskforce pointed to the possibility of getting top tax rates down to 20 percent and recommended raising the age of eligibility for New Zealand Superannuation.

Fifth is poor policy development. Intrusive and ill-justified policy proposals keep coming. Recent examples include the over-the-top regulation of financial advisers, the criminalisation of cartels, and government spending on fibre. The problem is generic. On Treasury's count, only half of the significant regulatory proposals considered by Cabinet since November 2008 have met expected standards.

Sixth is MMP. Voting systems are important. The debate in New Zealand has tended to focus on the virtues of proportional representation rather than on the need for effective government. MMP gives undue influence from time to time to minor parties whose interests may be narrow and partisan. The resulting horse-trading can see the major party and the minor party achieving parliamentary majorities for measures that might fail to get a majority on their individual merits. Policy making becomes more a matter of counting parliamentary heads and less a matter of deliberative consideration of the national interest. This does not help business decision-making.

It's not surprising that these six concerns are also priorities for the New Zealand Business Roundtable and all the major business organisations.

The anonymity aspect is noteworthy. I have noticed over the years that individual business leaders seem to have become less willing to speak out on such matters, leaving the task to business organisations, as representative bodies.

This reluctance suggests that there are unhealthy obstacles to public debate in New Zealand about the country's economic drift.

McManus reminded readers that John Key had told an APEC summit in November 2008 that it was critical for businesses to be confident that their governments were pulling out all stops to strengthen their countries' economic fundamentals. His message was timely and it remains widely relevant. I do not think for one moment that the prime minister will have changed his mind about it. Nor should he.

John Key can show greater leadership on these issues, but no prime minister can do it alone. We need an open, more vigorous public debate, with business leaders and others routinely willing to say what they think.

Roger Kerr is the executive director of the New Zealand Business Roundtable. Check out his blog on www.nzbr.org.nz