

## **Address to Blenheim South Rotary Club by Peter Shirtcliffe, 27 October 2009**

You have asked me to address you on the issue of our debt levels and productivity. You have also suggested that I speak about the Young Enterprise scheme with which I have been associated for many years. My approach tonight is to show you how closely allied are these two matters.

At the outset let me suggest to you that there is nothing wrong with debt per se. In our time we have all had to cope with some form of debt, either in our business or simply to buy a home. The issue is the ability to service the debt. As a community we cope with this by getting richer. Tonight I want to talk with you about some things we can do to make us all richer, so we're not fretting unduly about the Gnomes of Zurich.

And as I talk, I want you to have in mind something once said by Lord Rutherford, one of our greatest minds: "We are poor: therefore we must think."

One of the certainties of life is that we all have two grandfathers. While one of mine died long before I was born, the other (my father's father) did not pass on till I was nine, so I remember him, albeit somewhat hazily. His name was George.

A few years ago, while in the UK, I did a bit of genealogical research on both sides of my family, and visited George's birthplace in the North of England – a place called Worksop. I assure you it is *not* a compelling destination. The evidence is that when he was born in 1862 it was an even more unpretty sight. George's father John was apprenticed to a bootmaker, and finally earned the right to describe *himself* thus. The word poverty loomed large in that family. Somehow, John and his bride of 15 summers managed to emigrate to Christchurch in 1864, with young George and his two older sisters in tow. Father John readdressed himself to his cobbling, and to siring a whole lot more brothers and sisters to keep George company. Whether from necessity or inclination, I do not know, but he set about expanding his commercial environment by becoming itinerant, and so was away from home, and "on the road" for extensive periods. There is a deeply held family suspicion that, as a result of his proclivities in this environment we have more relatives in the South than we know about.

George's early years are undocumented, but we do know that the Provincial Government made available scholarship funding which enabled him to attend Christ's College from the age of 11.

Obviously, young George was socially and economically disadvantaged. He was, however, extraordinarily gifted with numbers. In the late 19<sup>th</sup> century there were no calculators or the like, but he could tot up a long column of pounds, shillings and pence in his head, by simply running his fingers up the page. By the age of 17, he was accountant at the National Mortgage and Agency, combining that skill with an entrepreneurial flair which led him into becoming one of the leading merchants of his day.

Based on the general circumstances of his early years, and the anecdotes repeated by my forbears, there is absolutely no doubt in my mind that George's parents were able to give that youngster the education his talents needed because they had Choice.

I don't think you came here tonight to hear a lot of trivia about my Grandfather, so what is my point? Well, I have two.

First, over the last decade we have made it harder and harder for parents to have *real* choice as to how they will arrange the primary and secondary education of their children. The Education Ministry, and their political overseers, have gradually tightened up on zoning, reduced the number of available schools, and squeezed the funding for private schools to the point where “you will do what we say.” Not only does this centralized command structure, and lack of choice drive out quality, but the hardest hit are the less well-off – kids like my grandfather. The answer is deathly simple – the money from Government should follow the pupil, no matter which school that pupil elects to attend. Of course the socialists go nuclear (can socialists go nuclear?) when you raise this possibility – it would fatally undermine a key part of their mind-control programmes, and put endless bureaucrats out of work. But a central tenet of the Anglican faith, around which schools like Christ’s are based, is a fervent belief in Choice. So we should all be fighting harder for it in such an important area of our lives.

Families with enough money *buy back* rights of choice by opting for private schools, like Christ’s, or boosting their mortgage, and shifting house into the zone of a preferred state school. The state forces them to pay swindlers’ rates, but they care about their kids. So *their* kids don’t suffer – education outcomes for youngsters in the top half of New Zealand’s income range pass muster, but lower down the income range it’s a different story. There, in the weasel words used by bureaucrats to describe unpalatable truths, we have “a comparatively poor track record.” There is “a wider dispersion of achievement” and “a longer tail of low achievers.” What this gobbledygook describes is children not being stretched by school, boredom, low self-esteem, hopelessness, alienation and giving up far too early on education. We thus have tens of thousands of youngsters shut out of a process to help them develop the wealth from which we would all benefit.

The answer? As I said – make funding follow the child. When a child changes school, let the money follow – immediately. Just as soon as the income of a school starts to depend on service to the child and the family, principals will begin to hold teachers accountable for education outcomes. When a parent moves their child from unsatisfactory School A to preferred School B, School A is going to pull its socks up – quick smart. My friends, the quality of our education system is a vital component of our pathway to greater riches. Introduce the principle of Choice and that you will immediately be on that pathway. You will introduce into the sector, and into the wider economy an emphasis on productivity which will reverberate widely.

Choice is at the heart of any dramatic improvement to our education system, and in turn a dramatic improvement to our education system is at the heart of our ability to get richer. So if you want to fret less about our debt levels start fretting about Choice in education. Changing the present paradigm, which is dominated by national pay awards, union driven policy-making and anti competitive funding policies will be no easy political task. It will need a tough-minded relentless Minister with a determination to stare down some dark forces. Look at the threats issued by some principals who want to “sabotage” the government’s wish to have comparative assessments of schools made public. The Dominion Post of 14 October quoted the Minister as saying she would work with these groups to stop the use of league tables, and she told the media she would make it as hard as possible for them to get the information. Introduction of the new assessment procedures is commendable, but wide dissemination of the results is a pre-condition for the principle of Choice to work, so there’s a hard fight ahead, and it’s going to need a tough-minded Minister.

So, Choice in Education is my first point.

My second is about a major gap in the curriculum. We provide for no formal framework for the teaching of Enterprise and Entrepreneurship. An Enterprise culture is one in which every individual understands that the world does not owe them a living. Some youngsters (like George) are natural entrepreneurs, in the same way there are natural musicians, scientists, mathematicians and so on. Of course, there are various forms of entrepreneurship. When engaged in the genealogical research I referred to earlier, I did a bit of work on the maternal side of my family, which is Scottish. I'm of the Macdonald clan. We were early proponents of the power of branding, and appropriated the title "Lords of the Isles." We took this as a "licence to occupy" and ran the bits of Scotland that mattered from 1200 for about 300 years. History books show clearly that successive Clan chiefs were tough operators, and certainly were not enthusiastic about Athenian ideals of democracy. We can trace ourselves back to the 900s. We had a clan reunion in 1990 to celebrate 150 years since our arrival in New Zealand, and a huge family tree had been put together, and laid out on our host's billiard table. The earliest ancestor recorded was of Viking descent, and named by his obviously gentle and doting parents Eyesty the Fart. Doubtless, this ancestry conditioned the Macdonalds to a form of entrepreneurship that would, I think, be frowned upon today. They got their jollies by consistently mixing pleasure with business, in the form of rape and pillage of their neighbours.

Today, there is a statutory commission or ministry to oversee every aspect of our lives. You know, we've even got a Ministry of Women's Affairs. Given that women and (let's be frank about it, men) have been having affairs since the days of Salome, I can't see why the Government needs to offer assistance. The mind boggles at how the Macdonalds and their ilk would be controlled today – probably by a Cattle and Wife Exchange Commission. Grandfather George lived long enough (he died in 1941) to see the introduction in the late thirties of all this regulatory nonsense by the socialists, and he would shake his head and say that he would never had been able to trade successfully under that sort of regime. Well, I'm not so sure. By the time I got to run the company 35 years later, the regulations were even more of a quagmire. Under these circumstances, you dream up new forms of entrepreneurship. In essence this means knowing the rule book better than the bureaucrats that write it, and it can be a licence to print money because there's less competition. There is also no focus on productivity, or the customer.

But I digress. The education system may be competent at inculcating sensitivity to the environment and the Treaty of Waitangi, and aspects of social awareness. But these things will not of themselves create the wealth necessary to maintain a competitively attractive society in a corner of the globe as remote as New Zealand. And so our brightest and best will tend to drift away.

We need to address a number of things within the education system, and I don't propose to canvas many of these tonight. But one or two are screaming for attention. Steps to improve literacy and numeracy are long overdue. Too many people are going into tertiary education with inadequate ability to do sums, or write coherently. Very few youngsters are born with George's innate arithmetical ability. Too many teenage shop assistants can't calculate the change due without having it displayed on the till. I could tell you some hair-raising tales of very senior executives in large companies unable to put together a persuasive business letter on matters crucial to the health and progress of the business. It's just crazy. But important as these technical matters are, they take second place in my mind to the vital need for schools to teach students about the role of business,

the creation of wealth, and why profits are a fundamental requirement in a modern progressive economy. The collectivist paradigm within the education system is unlikely to change in a hurry (although we can speed things up if we move to parental choice), so we need to be much bolder in combating its influence.

For some years I have been involved with an organization called the Young Enterprise Trust. It is largely funded by private and corporate money. It runs various programmes in a large number of primary and secondary schools designed to teach the participating students how business works, and how it fits into society. It is absolutely incredible to see children as young as six pick up elements of trading, blend these with societal governance experiences, and use the impact to positively modify behaviour, and significantly improve numeracy and literacy. Amongst students who take part in the Young Enterprise Scheme (Forms 6 & 7) the entrepreneur which is latent in most of us is channelled into a disciplined framework. The benefits are not confined to hands-on commercial experience. There are dramatic contributions to the ability to make choices, evaluate real-life outcomes, think logically and fast, consider the needs of others and build self-confidence in a team environment. I suggest to you that these should be key objectives of a sound education system. The Trust has proved beyond doubt that you can teach youngsters about Enterprise, and they like it.

This is not the occasion to delve into the intellectual linkage between entrepreneurship, private capital, and the Christian ethic. Suffice it to say that there is really good literature on this topic and the pity is that our Education Strategists haven't absorbed it.

Hopefully, you are starting to understand why we need to be much more active in teaching this entrepreneurship stuff to our kids.

I have asked myself what is it that gets youngsters so turned on by their participation in these Young Enterprise programmes. Well, each day, I like to tackle at least one crossword. Recently, one of the clues was the word "adventurous", and the answer was – "enterprising." Until then, I had not made a connection between these two words. So I consulted my book of synonyms, and sure enough the noun "enterprise" is synonymous with: adventure, effort, energy, "push", "go-ahead" and initiative.

Without doubt, the programmes I'm talking about unleash these characteristics in participants. Of course, the adventure dimension does not make the physical demands of an assault on Everest, or a circumnavigation of the world by hot-air balloon. But in the business world, it is one continuous adventure – you are dealing with the unknown and managing risk, without interruption. There is exhilaration in this environment, which unleashes creativity, and as a by-product, great camaraderie and morale.

I make the connection between "adventure" and "enterprise" for a couple of reasons. First, the ability to respond to and enjoy an adventurous environment gives us the ability to respond to and enjoy change. And if ever there was a time when we needed to be able to do that, it is now, when the rate of change in all aspects of life, is to some, simply bewildering. Globalization, and geopolitical changes are crowding in on us, and in the next 10-20 years things are, I believe, going to hot up even more. Second, in contrast to earlier times there are no "jobs for life" and we all have to manage the risks of our own career. This makes every day an adventure of the sort of which I have spoken, and the earlier we can teach our young people that managing risk and adjusting quickly to change, is not

only learnable, but fun, the sooner we will be turning out job creators, not job seekers. And don't forget – the engine room of the economy is the small business, so we need to nurture this sector.

My fervent belief is that an education system based on parental choice, a curriculum which puts some emphasis on enterprise would massively benefit the less advantaged. The arguments in favour can be wrapped up under the term “common sense.” As is so often the case in something with political overtones, common sense is suppressed by ideology.

My friends, when one examines history for those who make a real positive difference to society, and I mean the likes of inventors and innovators, one finds many people but few government institutions. That is because people are free to pursue their dreams and those with the requisite drive and ambition will realise them, thereby adding to the general wealth of the community. Names like Thomas Edison, James Watt, Henry Ford, come immediately to mind.

Even at the social level, government institutions cannot heal sick people or educate the illiterate. That work is done by committed individuals - be they doctors or teachers. Governments can't even provide full employment on a productive basis - over the last 10 years the vast majority of new jobs have come from small and medium private businesses.

Hopefully, you have now joined the dots. But in case you haven't, my message is very simple. Get richer by doing four things: provide choice in education, teach youngsters about business, get rid of the regulatory quagmire in which we wallow day by day, and demand that the State see itself as a partner, not a parent. If you are serious about a productivity-based solution to our debt problems, think on these things.