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**THE AUCKLAND CLUB**

**THE NEW ZEALAND BUSINESS ROUNDTABLE:  
SAME PRINCIPLES, NEW DIRECTIONS**

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## **THE NEW ZEALAND BUSINESS ROUNDTABLE: SAME PRINCIPLES, NEW DIRECTIONS**

A business organisation recently described itself in the following terms:

[We are] a non-party political organisation – but one that is committed to freedom of choice, free and competitive markets, minimal state intervention, low taxes and business-friendly regulation.

It said it had been committed to outlining its policy aspirations on economic and business issues even-handedly to any political party that would listen. "And we still are", it said. "So please listen."

No, the organisation was not the Business Roundtable, but it could have been. It was the Institute of Directors in Britain. The IOD was recently described as being "almost a lone voice" in the community in warning that tax rises and a significant increase in regulation, especially labour market regulations, were threatening Britain's competitiveness and its economic performance.

Also in the news in Britain recently was that country's largest business organisation, the Confederation of British Industry. Its style of operation has been described as "doing deals with Whitehall rather than promoting the wider cause of industry". The implicit bargain was that ministers would talk to business and, in return for influence, business would refrain from criticism and confrontation. On coming to office the Blair government conducted a 'prawn offensive' with business, spoke endlessly about 'enterprise', and selectively bribed industry with handouts. But to the CBI's consternation, the recent British budget savagely increased business taxes, causing the CBI to cry betrayal and commentators to question how much influence the CBI really has.

The spectacle of business representatives, trade unions, environmental organisations or welfare lobbies being in bed with governments – or with any political party – is never very edifying. Seldom is the public interest served by such associations – they usually serve narrow interests at the expense of the general community. Business organisations have a duty to engage with governments but, in my view, they should

maintain their independence and integrity and express their views without fear or favour. Apart from anything else, governments change and parties change their policies. If the arguments of business organisations on a particular issue are sound but are rejected at first by a government, they may just have to keep trying and bide their time.

From its inception the Business Roundtable was determined not to operate on the principle that 'What's good for General Motors is good for America'. In the past, business organisations in New Zealand had typically lobbied for their own narrow interests, and the legacy was a highly distorted, slow-growth economy. By contrast, we have favoured no import licensing or tariff protection, no export subsidies, no selective tax breaks for businesses, no barriers to competition in domestic markets, and no protection of listed companies against takeovers. Leaders of businesses that benefited from these privileges in industries like manufacturing and liquor were in the forefront in arguing against them, despite the fact that their removal wiped millions of dollars off the value of their companies. We have taken an overall national interest perspective that turns the General Motors one on its head, and argued that what's good for the whole community is good for the business sector at large in the long run.

Such a stance is untypical of business organisations, and many have found it hard to come to terms with. Vested interests ranging from monopoly unions to monopoly producer boards have felt threatened, many people have looked for ulterior and self-serving motives, accusations of undue influence and corporate greed have flown freely, and there has been plenty of playing the man rather than the ball. There is no way of dealing with such criticisms other than by patiently responding with facts and arguments. Ultimately, sound ideas tend to win out.

Let me give you one example. In the early 1990s, dairy industry leaders were calling our arguments for reform of the industry ignorant and theoretical, and many farmers accused us of wanting to strip them of industry control. By the end of the decade, the agriculture editor of the *New Zealand Herald* was writing:

The Roundtable has to be acknowledged for in the past accurately highlighting the industry's failings and providing remedies that have since been reluctantly swallowed.

This outcome is a good illustration of John Maynard Keynes's dictum that "the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas."

Producer board reform is also a good example of how sound ideas become non-political, which is the same as saying they become accepted by the community at large. Towards the end of its term of office, the National Party, which had dragged its feet on the issue for years, came to accept the logic of the arguments for change. With the change of government, Jim Sutton to his credit took over where National had left off and accelerated the process. There is still some unfinished business but there is no turning back, given the changed attitudes of most of those directly affected.

At a broader level, it is also clear that there is no turning back on the general thrust of New Zealand's economic reforms of the past 15 years. The current government has maintained most of the core elements: the Reserve Bank Act, the Fiscal Responsibility Act, the State Sector Act, the open economy, deregulated markets, the goods and services tax, most privatisations and, despite some changes, even the freer labour market and the welfare reforms. These are all changes we advocated, often in the face of fierce criticism. I suggest they have been kept in place not for any ideological reasons but because the public at large understands that overall the reforms were necessary, and it supports them. What we and others have been concerned about for several years is not that New Zealand's post-1984 economic framework is under threat but that little has been done to strengthen and extend it, and that most recent changes – producer board reforms being one exception – have been directionally wrong.

How can this debate be constructively advanced in the period ahead? The main political parties are all acknowledging the need for the country to do better. We have been saying that the government's present policy settings will not achieve its commendable goals of restoring New Zealand to the top half of the OECD income rankings, and we think the evidence supports our view. Last month's budget suggests annual economic growth will average only around 3 percent over the next few years, and then fall away to a bit over 2 percent. More successful countries are continuing to implement market-oriented policies. As I see it, there are no left-wing or right-wing economic policies today – only good and bad ones.

The Business Roundtable is in some ways a think tank, and the ideas coming out of think tanks around the world illustrate this point. In the United States and Britain, 'centre left' think tanks such as the Brookings Institution, the Progressive Policy Institute (PPI) and the Institute for Public Policy Research (IPPR) espouse policies, in a number of areas, that are very similar to those we have advocated for many years in New Zealand.

Education policy is a good example. The PPI, which is aligned to the Democratic Party in the United States, supports revamping teacher certification rules, increasing school choice through charter and contract schools, and rethinking teacher pay arrangements – an issue of some interest in New Zealand these days. A recent PPI report by Bryan Hassel argued that:

It's time to move beyond a pay method designed early in the last century and to begin building an innovative system that addresses the realities of public schools in the 21st century.

The report went on to argue for a range of reforms to teacher employment arrangements, including paying more to teachers in certain disciplines and in hard-to-staff areas, paying for demonstrated knowledge and skills rather than only experience and degrees, tying rewards to student learning, and giving school leaders more authority to set teachers' pay.

In Britain, a recent IPPR report by Wendy Piatt and Peter Robinson recommended a reduction in subsidies to tertiary education and the introduction of market interest rates within the UK student loan scheme on the grounds that the current subsidy levels to tertiary education benefit primarily the middle classes.

Given that the Business Roundtable has long advocated similar positions in New Zealand, it is hard to see where the right wing ends and the left wing begins.

Clive Hamilton, director of the leading left-wing think tank in Australia, the Australian Institute, recently told a Labor Party gathering that:

Since the early 1980s, many of us have been searching for a coherent alternative to neo-liberalism, for a way of reinventing social democracy in an era of global consumer capitalism ... We have failed miserably. So bereft of ideas has the Left been that the vacuum has been filled by the pallid apologetics of the so-called Third Way ... We must face up to the facts of today's world ... while rooted in historical fact, the Left's deprivation model is today the opposite of the truth. By any standard Australia is an enormously wealthy country.

Though coming from an unusual quarter, this view is still far from universally accepted in Australia. When the Business Council of Australia, our counterpart organisation, was supporting the GST debate in that country I noticed an attack on it that could have appeared in any New Zealand newspaper. The critic wrote:

After a decade of 'reform', large sections of the community are yet to see any real benefits. What they have seen is unemployment, withdrawal of services, insecurity and social demise, and on the other hand huge corporate profits and an increasing wealth gap. They rightly ask – what are we reforming and why?

This is a minority view, and not supported by the facts – the Australian economy has performed very well in the last 10 years and the benefits have been widely shared. Nevertheless, the Business Council is deeply concerned about the entrenched anti-business streak that still exists in the Australian psyche, and the tendency to always suspect the motives of big business and its leaders. Its president, John Schubert, recently said that the BCA believed its central task today was as much talking to the person on the street as talking to politicians:

We think there is a task to build a cultural understanding and support for the private enterprise economy system ... We understand this brings with it obligations for our members and for all business, but if Australia is to reach its potential we must have a dynamic, well-respected and well-understood private sector capable of paying higher wages and employing more people.

The Business Roundtable has always spent less time than the BCA lobbying politicians and has concentrated more on promoting policy arguments and public understanding. However, we have similar concerns about anti-business attitudes in New Zealand and negative perceptions of our role. We are troubled by the country's modest economic

aspirations, the complacent belief that the economy is in good shape, and the apparent lack of willingness to face the challenges of doing better.

Perhaps the most important things the country is lacking are the right attitudes and values. Too many New Zealanders, it seems, are in doubt about the importance of economic growth.

Many people see growth as the enemy of the environment, social equity and fairness. It is not. The most vulnerable in society are generally best cared for in wealthy countries. Poverty has never been kind to the environment; poor countries do not have good environments. Wealthy market economies on the other hand tend to prize their environments and take good care of them.

There needs to be wider understanding that growth is about giving people choices and options; about ensuring that our kids get a world-class education and don't need to leave for better jobs abroad; about not having to go to Sydney for an operation; about having a decent retirement.

To achieve these outcomes our economic policies need to be not just as good as those of our competitors, which have advantages such as larger markets or greater proximity to centres of population. Our policies need to be better. New Zealand needs lower taxes, fewer obstacles to doing business and significantly better education in order to stand out and attract investment.

We have consciously decided to put more emphasis on getting these messages across to wider audiences, engaging with others who share our concerns and goals, and communicating more directly with workers, consumers and taxpayers whose interests we have always seen ourselves as promoting.

We will remain a research-based advocacy organisation, but we are reorientating our research programme to underpin our communications efforts. Thus a recent study of Tasmania was undertaken to illustrate the risks to New Zealand of being a slow-growing, government-burdened, Green economy. Our next study addresses myths surrounding privatisation. Others this year look at broad issues affecting the family as

an institution and at the education system. We want to find ways of engaging more with teachers – their working lives in the present state-dominated system are being made as miserable as the deal it delivers to parents and children.

One sector we want to connect more closely with is small business. Many small business people perceive the interests of the corporate sector to be remote from theirs. This is not the case – both struggle with things like tax burdens, business regulations and bad employment law. We have never carried a special brief for big business – every large business was once a small business. The organisation is only structured the way it is in order to enable busy CEOs of large organisations to take an interest in national affairs. We want New Zealand to have efficient businesses, capable of growing and employing more people, irrespective of their size. We are doing a study on obstacles to business growth in New Zealand that will illustrate the common concerns with the small business sector.

We want to identify more closely with Maori business and other interests. Maori are playing an increasingly important role in New Zealand business. Several current and past Business Roundtable members are Maori, and we would like to have more. I spoke recently to a Ngati Kahungunu economic summit. We are focusing on many of the same issues as the Federation of Maori Authorities. Much of the work we have done on employment, education and welfare has a direct bearing on Maori interests.

We are revamping our website [www.nzbr.org.nz](http://www.nzbr.org.nz), which already gets a lot of traffic, to make it a more effective communications tool. All our studies, submissions, speeches and other material go up on the site, and we are planning other series such as a set of policy backgrounders for students and journalists.

For many years we have brought speakers to New Zealand to share their insights on topical issues, and we are looking for future visitors with broad appeal. This year Francis Fukuyama, author of *The End of History* and *Trust*, will be giving our annual Sir Ronald Trotter Lecture, and a visit by American writer and humorist P J O'Rourke is planned.

The media are very important in any communications enterprise and, despite the flak we get from some commentators, we feel we generally get good and fair coverage. One new planned initiative is to establish a scholarship to mark the contribution of one of our former chairmen, Douglas Myers, to public affairs. This will enable one or more journalists each year to spend time overseas studying areas of public policy that are relevant to New Zealand.

We have long had excellent relations with other national business organisations and we are always keen to have leading business people join us as members. There are still too many who have benefited from the changes in the economy, or who would benefit from future improvement, who do not pull their weight in national affairs.

The common theme in all this is that it is the electorate at large, not any particular group of politicians, that will determine where the country goes. Leadership in politics is a prized commodity, but more often politicians reflect the electorate rather than lead it. Arguably the most important event in New Zealand politics today is the decline of the Alliance. This reflects a huge change in voters' thinking: 20 years ago almost all New Zealand political parties espoused Alliance policies. The electorate has come to understand that they are not a recipe for success in today's world. Improving public understanding is the only way of achieving better policies on a stable and durable basis.

Thus the important thing for us is not whether we are onside or offside with governments at any point of time. We try to maintain constructive relations with both governments and opposition parties, but we have had disagreements with both sides in the past and I dare say we will have others in the future. For us what is important is that we come up with sound, reasoned arguments as to what is in the country's best interests, and that we persuade people on their merits. At the end of the day, the democratic process will decide which get picked up, which is as it should be.

It follows that if New Zealanders opt to vote for policies of state favours to interest groups, redistribution and slow economic growth, that choice has to be respected. At least in today's world, enterprising people and businesses can pursue their goals elsewhere. I doubt, however, that most New Zealanders would consciously choose a

future in which wealth and talent are drained offshore and other countries continue to pass us by. Avoiding it requires greater public understanding of policies that make for economic and social success, and greater public pressure on all political parties to adopt them. New Zealand is still clinging to institutions and practices that make people poorer and state-dependent rather than wealthier and free. We are refocusing our efforts on the public understanding and debate that is needed to provide a platform for decisions that will take the country forward.