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NEW ZEALAND BUSINESS ROUNDTABLE COCKTAIL FUNCTION

CHAIRMAN'S COMMENTS

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Chairman's Comments

2004 is turning out to be a busy year for the Business Roundtable. We have a full programme of activities ahead.

Later this month we're hosting US law and economics scholar Professor David Friedman, son of Milton and Rose Friedman, who will be presenting seminars in Auckland and Wellington.

About the same time we'll be repeating last year's very successful *Triple Bill* event on entrepreneurship, featuring Bill Foreman, Bill Gallagher and Bill Day, in Hamilton and Wellington. This is part of our contribution to the New Zealand Innovation Festival 2004.

In August we'll be hosting world-respected legal scholar Professor Richard Epstein from the University of Chicago on his fourth visit to New Zealand.

In September the Sir Ronald Trotter lecture will be given by Martin Wolf, the associate editor and chief economics commentator at the London *Financial Times*. It will be based on his recent book on globalisation.

We'll be publishing studies on ways of strengthening the Fiscal Responsibility Act and on the role of business.

We'll also be publishing a book on the state of the family in New Zealand, and our study looking at ways and means of accelerating Maori economic and social progress is progressing well.

There have certainly been some big changes on our political landscape lately. There's a contest in politics again. That's healthy – governments need a strong opposition.

This is particularly pleasing for those of us in the business community who've been arguing for some time now that New Zealand has been doing much better in the last decade or so – thanks to the earlier economic reforms – but is still only holding its own rather than catching up with leading countries.

The business sector can be proud of the way it has stuck to its guns. Some were writing us off a few years ago, but recent articles in the media have been saying the Business Roundtable is back in the public eye.

Earlier this year the *Herald* surveyed chief executives. Its 'Mood of the Boardroom' survey had three clear messages.

First, there was almost unanimous agreement that New Zealand no longer has a serious growth strategy. There was an equally big thumbs down to the proposed changes to the Employment Relations Act.

Secondly, there was no material difference between the views of large and small firms on business issues.

Thirdly, there was no difference between the views of representative business organisations and individual business people.

We've been united in our concern over issues that we feel are hindering both business and New Zealand's economic potential – issues such as changes to holidays and employment law; growing regulation and compliance costs; the RMA; the critical state of roading and electricity; and the lack of interest in sound tax reform.

Actually, I think the solution to some of these problems, such as traffic congestion in Auckland, might be quite straightforward if we applied a bit of lateral thinking. As someone suggested to me the other day, why not let the government run the cars and let the private sector run the roads?

We've based our positions on research and evidence. We believe that if your research is solid and you argue your position well and consistently, over time the message will get through.

Economic growth remains our key theme.

This isn't an esoteric goal. It's the key to achieving the standards of living, quality of social services and environment New Zealanders expect.

Bastille Day next month marks the 20th anniversary of the change of government in 1984 and the beginning of serious efforts to get back on track with the rest of the world.

It's become apparent to almost everyone that the economy is now much more efficient and flexible, and even the present government doesn't talk much about the so-called 'failed policies of the past' these days. But recent governments have not been prepared to recognise that the policies that return you to prosperity are the only ones that will sustain that prosperity.

While there's no strong desire to go backwards, for a full decade now there has been none to go forwards either. And bit by bit a sound economic framework is being eroded, and projections for medium-term growth are tailing off.

Indeed, the recent budget signalled all too clearly that the government has abandoned any pretence that its top priority is economic growth. It failed to lay out any long-term strategy for making New Zealand a high-productivity, high-wage, high-employment economy.

Its growth projections confirmed that the minister of finance has not achieved the goal of getting the economy on to a higher growth path by his own deadline of mid-2004.

In too many respects the budget takes us back to the bad old days of election-year vote-buying. There is a strong case for amending the Fiscal Responsibility Act to impose greater discipline on government spending and return windfall revenue gains to taxpayers.

Nevertheless, I believe there are some wider developments flowing from the budget that bode well for the future.

In a *Herald*-DigiPoll survey taken after the budget, 57 percent wanted tax cuts, almost twice as many as the 36 percent who supported the government's welfare package.

Perhaps New Zealanders are seeking greater economic independence.

Talking about the budget in a column in last week's *Dominion Post* titled 'Stop treating us like kids', Joe Bennett referred to the 'infantilisation' of New Zealanders:

The new grants reduce autonomy. They attach families to the all-giving teats of the state. Working adults become beneficiaries. They gain money but they lose dignity.

"A government cannot give", he said. "It can only give back. Everything it hands out it has previously taken."

So although I'm not about to break out the champagne and declare that the country is entirely populated by economically literate thinkers – just reading the letters columns in the *Herald* each day dispels that illusion – I think responses to the budget indicate that there are grounds for optimism.

We should never forget that the social goals desired by the government – and for that matter the rest of us – are best achieved through policies supportive of growth.

Take the position of Maori. Simply reducing the levels of Maori unemployment to those of non-Maori could add up to \$20 billion to Maori incomes.

And another \$20 billion could be added by bringing the average Maori wage up to the level of the average non-Maori wage.

So there's \$40 billion of additional income that could be gained by closing the gaps in income and employment. These benefits totally swamp gains from Treaty settlements. And the best way to close those gaps is through growth in the economy.

So what can the business community do to keep pushing the country forward?

At a broad level, we must continue to build a stronger public and political pro-growth and pro-reform constituency. The role of the media is very important here, and we value our relations with them.

We've seen that events can happen that change a country's mood dramatically, but in their absence the hard slog of argument and debate has to continue.

If we want greater prosperity we need businesspeople to speak out in support of sound policies for growth and against anti-growth initiatives.

It's to the government's credit that public pressure has led it to rethink its policies in a few areas. That, after all, is what you'd expect in a democracy.

We want to stay engaged with the government. We don't mind which party is in office provided they're advancing policies that are in the national interest. Governments can change their minds – and if they don't, electorates can change governments.

Ultimately, voters will decide whether they're happy for Australia and other nations to continue to outperform us, or whether they want New Zealand to get up to the front of the pack, as we believe it could.

We look forward to working with you and other people in business on the many issues which need to be addressed in the interests of a better New Zealand.

Thank you for listening and enjoy your evening.