

**Auckland Rotary Club**

**The New Zealand Business Roundtable:**

**Roles and Goals**

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## **THE NEW ZEALAND BUSINESS ROUNDTABLE: ROLES AND GOALS**

I am grateful for the invitation to speak to you about the New Zealand Business Roundtable. Apart from anything else, it forced me to sit down and think about how the organisation has evolved since its informal beginnings and over the 4<sup>1/2</sup> years that I have been involved with it.

I will start with the origins of the organisation and its basic structure. Next I plan to say something about our mission and goals, and go on to talk about the issues we address and how we go about addressing them. Finally it might be of interest if I say something about our relations with other organisations, governments and the political process.

The basic format of the organisation is a fairly standard international model. It is an organisation of chief executives of major New Zealand businesses. The model appears to have its origins in the United States Business Roundtable which was established in 1972. The United States counterpart comprises about 200 chief executives from the major corporate sector. Closer to home, a Business Roundtable was established in Australia in the early 1980s. In 1982 it merged with the Australian Industries Development Association, which was extending its role beyond manufacturing, to form the Business Council of Australia. The BCA has around 80 members. Similar organisations are to be found in Canada and other countries.

The shape of such organisations is largely determined by the need to devise an efficient vehicle to allow busy chief executives the opportunity to meet and discuss national issues. In New Zealand and elsewhere, top managers and larger companies have often not been actively involved in business organisations. The commitments of time and the more cumbersome methods of consultation and decision making in large representative organisations discourage involvement. To my mind at least, the lack of involvement of many of New Zealand's most talented business leaders diminished the quality of the business community's contribution to public life. It meant that business organisations tended to adopt a narrower vision and to attract people who stood to gain from using a lobby group to extract privileges from governments.

The history of the organisation in New Zealand is that it started out as a loose coalition of chief executives meeting informally and on an irregular basis. Around 1980 the name Roundtable was adopted. The organisation debated policy topics of common interest and in its early years its advocacy was often little different from traditional pressure groups. After the Economic Summit there was a change in thinking. Many senior businessmen came to accept for the first time that it was no longer advantageous to lobby governments for their own interests. They recognised that the scramble for political favours had been bad for business and worse for the economy. Under Sir Ronald Trotter's chairmanship they set about creating an organisation that explicitly rejected sectoral lobbying, adopted a national perspective and focused on medium term policy improvement.

In 1986 a permanent office was established to give the organisation a little more structure and a policy research capacity. It now comprises four people - myself, a

policy analyst and two administrative staff. It is thus much smaller than organisations like Federated Farmers and the Council of Trade Unions. Membership has grown to around 40, which is about the maximum that can be accommodated 'around a table' and still make for a manageable discussion. We meet for half a day five times a year. Members' other commitments during the course of a year consist of reading and commenting on draft reports, possibly attending an ad hoc committee on a special topic, taking part in occasional meetings with ministers and opposition members, and perhaps undertaking a speaking engagement or two. These tasks are shared around and the overall workload is not burdensome.

Most member firms are listed companies. They represent about 80 percent of the market capitalisation of the New Zealand Stock Exchange. However, membership also includes private companies, financial mutuals such as the major life insurance companies, multinationals such as the oil companies, cooperatives, and state-owned enterprises which are increasingly becoming part of the private sector business community.

The range of business interests represented extends from meat and dairy processing companies in the rural sector to forestry, manufacturing, construction and a range of service sector activities. The idea that we ever moved away from industry towards so-called 'paper-shuffling' interests is a myth. Almost all New Zealand's major manufacturers are members; if anything the sector is over-represented. There were few links with the investment and property companies that collapsed after the October 1987 sharemarket fall.

The approach and influence of big business organisations is a interesting topic of study. The United States Business Roundtable is regarded as a powerful voice in Washington. President Jimmy Carter, who entered office with few supporters in business, is quoted as saying he came to rely on the counsel of the Roundtable:

"I was very reluctant to proceed with a decision without consulting the leaders of the Business Roundtable. I didn't always feel constrained to take their advice, but I considered it very carefully."

However, although the United States Business Roundtable is regarded as having fought on the right side of some important policy battles, it is also regarded as prone to unprincipled behaviour and compromise. As one critic has put it:

"... the Roundtable's underlying philosophy is profoundly defeatist, emphasising accommodation rather than opposition to government intervention. In this way the Roundtable only too well represents the interests of its big business members, many of whom look to government to protect them from competition and guarantee their profits."

Others have argued that if United States enterprise is to be kept reasonably free, the Roundtable and its member executives must learn to defend the market, not just the interests of some businesses. What's good for General Motors is not necessarily good for America.

The approach of the Business Council of Australia has been somewhat different. It has been concerned to be strictly non-party political, objective and research-based, and focused on longer term objectives. The rationale has been that only by taking

such a stance could the Council maximise its influence with both political parties and win really important change in Australian economic directions. On the other hand, the Council has experienced tensions because of the Hawke government's corporatist approach to economic management, involving pressures on business to engage in tripartite deal-making.

Recently Treasurer Paul Keating has accused it of being 'impotent' on major economic issues such as telecommunications deregulation (because Telecom is a Council member), lacking the courage for an effective anti-inflation policy and deserting the field on labour market reform.

I think it is fair to claim in our case that we have been consistent in our policy approach. When I was appointed to my present position, Peter Neilson sent me a telegram of congratulation : "Good luck. I hope you can convert them to capitalism." I am happy to report that that has not been a problem. An important early exercise was to formulate a basic mission statement which committed the organisation to pursuing overall national interests, a pro-competition philosophy, neutral treatment of sectors of the economy, a role for the government in modifying market outcomes on appropriate social grounds and a high standard of professional analysis. I think we would be confident that our record stands up to scrutiny in terms of these criteria.

Our statement of purpose goes on to talk about our priorities and methods of operation. Our priorities are major national issues - essentially the overall quality and consistency of policy and the 'big ticket' policy issues which basically determine the success or failure of an economic programme. With limited resources and membership time, we do not attempt to take positions on a whole variety of issues. If we pick up an issue we try to do our homework well and adopt a view on it only after thorough internal analysis and discussion. If we have not gone through this process on an issue we have nothing to say about it.

The essence of our methods of operation is that we are concerned to be open in our analysis and advocacy, but not to be a noisy lobby group. One reason for openness is the anti-business mentality that has prevailed in New Zealand and is only slowly fading as New Zealand struggles to adjust to global competition. We have taken the view that only integrity of analysis and an open approach are capable, over the long run, of breaking down established attitudes and views. This has meant rejecting a traditional lobby role, looking for short term advantages or engaging in influence-peddling behind closed doors. A former Australian politician once suggested that the best way to help small business was to keep representatives of big business out of Ministers' offices. We have been very happy to go along with that idea.

Over the last four years we have worked our way through a portfolio of policy issues covering the public sector and fiscal policy, the labour market, regulatory reform and the welfare state. This has resulted in some 50 published reports or studies, including a full length book on labour law by Dr Penelope Brook, an outstanding researcher who worked on the subject for two years as our former policy analyst. Typically the major research projects have been undertaken by academics or other experts of international standing; we have used many leading figures from the United States, Canada, the United Kingdom and Australia. In doing so we have tried to match the resource pool and competence of the government's own advisers and break down its intellectual monopoly in policy formation. This approach has helped demonstrate a commitment to analytical integrity, since researchers of the standing

we have sought would not be associated with partisan advocacy. It has also meant a preparedness to go where the analysis leads us. In a number of cases - perhaps a recent report on immigration is a good example - we had little idea when we set out on the project what conclusions we would reach.

One of the slightly tedious things that go with the job is having to put up with some of the labelling and misrepresentation from critics and commentators. Our experience has been that news media treatment generally is competent and fair, but a minority of lazy or ideologically-committed journalists seem unable to refer to the Business Roundtable without a liberal sprinkling of adjectives like 'powerful and influential', 'New Right' or 'extremist'. Bruce Jesson, for example, who writes much the same article in every edition of *Metro*, manages to use most of them most of the time.

If 'powerful' is supposed to refer to economic power, the reality is that businesses large and small have far less economic power in the present economic environment than in the former era of privilege and bureaucratic controls. Certainly many of New Zealand's larger businesses have had no power to withstand the competition resulting from deregulation and wider consumer choice: they have had to adapt or go out of business. We have consistently backed such policies even though they have involved massive restructuring and losses for many member companies.

I find it impossible to assess how influential we have been. We are just one player in the marketplace for ideas, and many others have promoted similar approaches. The relative influence of each cannot be disentangled. By no means all of our ideas have been accepted. Basically I believe that over time good ideas tend to drive out bad, and that electorates vote out governments which persist with failed policies. I don't think that business has any more right to influence than the most humble citizen. If what we advocate is well-researched and well-argued, we hope some notice is taken of it. If we fail to meet our own standards of professionalism and integrity, we deserve to be ignored. Nor is our thinking likely to be infallible. But it is interesting to note that while we have been called 'idealistic', 'politically naive' and 'insufficiently pragmatic', few, if any, criticisms of shoddy analysis have been levelled at us.

I spoke to the Auckland Rotary Club two years ago on the theme of why labels of 'left' and 'right' in politics and economics have become largely meaningless over the last two decades. An Australian academic observed some years back that:

"One of the refreshing differences from Australia ... is that deregulatory reform in New Zealand has not been accompanied by hysteria over the so-called New Right."

It is a matter of regret that amongst some journalists who are content to substitute labels for serious thought, that has not remained the case. However, the acceptance of market-oriented policies around the world and the developments in the Soviet Union and Eastern Europe are blowing away such mindsets. Given the lags operating in New Zealand, it may take a little longer to happen here.

Journalistic cells like the former 'Frontline' team have been the most notable inhabitants of an ideological time warp. In communications relating to our complaint on the notorious 'For the Public Good' programme, Television New

Zealand produced twelve examples of what they regarded as 'extremist' policies advocated by the Business Roundtable.

In each case we were able to demonstrate that they had either got them wrong or that they were endorsed by one or both major political parties in New Zealand, by many OECD governments and by a raft of policy analysts. Almost everything we have come up with is boringly mainstream by international standards. As Dan McCaffrey, the unsuccessful Labour candidate for Te Atatu, said earlier this year : "If Karl Marx were around today, he'd probably join the Business Roundtable."

It is, of course, sometimes the case that critics have not bothered to read or understand what we have said on a particular issue. I had the bizarre experience of being told in court recently by a representative of unemployed workers that we advocate workfare - schemes involving working for the dole - when in fact we have been sceptical about make-work employment programmes. People in that category have earned themselves the right to be ignored.

Sometimes we are accused of having no 'heart' or concern for people. We would yield to no one in respect of concern for groups like the unemployed or people on low incomes. But compassion is not enough. What is needed are effective solutions. The unemployed workers organisation has a fortress New Zealand policy agenda which would take us further down the road to third world status. Others have to be prepared to stand up and be counted in opposition to such views.

We believe that most of what we have advocated is in line not just with best practice policy analysis but with a broad spectrum of New Zealand opinion. Commenting on economic and business matters in the run-up to the election, Tony Garnier wrote in the National Business Review:

"In recent weeks key business organisations have emerged with remarkably similar views and concerns about the reasons for the lack of business confidence in 1990. Federated Farmers, the Chambers of Commerce, the Manufacturers Federation and the Business Roundtable : all have put out position papers saying virtually the same thing."

Opinion among the general public appears to be little different on many key issues. Surveys that we have commissioned have found around 75 percent or more New Zealanders support voluntary unionism, choice of union representation and alternatives to national awards. In a recent poll some 61 percent preferred reduced government spending to increases in taxes or more borrowing. A pre-election Herald - National Research Bureau poll showed a clear majority of voters support the low inflation target of zero to two percent. Quite often public opinion is more in line with sensible policy than the views of so-called experts. Recently a survey of 1000 British economists showed the majority were locked into the conventional economic wisdom of two or three decades ago. They favoured policies such as increased government spending and wage and price controls and opposed privatisation. An editorial headline on this survey posed the question: "Why are economists so stupid?"

One of the major sources of irritation for those afflicted by what might be called the 'Frontline syndrome' is that both main political parties shifted in the 1980s to market-oriented economic policies. The popular interpretation is that they have been

captured by the Treasury, the Reserve Bank or business and farming interests. The alternative explanation is that they have been influenced by worldwide intellectual trends and the indications of public opinion that I mentioned. Political views are not static; as one British commentator has put it:

"... the difference between the two parties at any one time is a tiny fraction of the difference that exists between one party's policy today and that same party's policy a few years previously."

If ideas matter, it follows that more mileage is to be gained by promoting them patiently to all political parties and others that influence the policy making process rather than by taking a partisan stance. We have been concerned to have good relationships with both political parties. For a time this was more difficult with the National party in opposition, since some National members found it hard to come to terms with the fact that many business leaders supported the policies of the 1984-87 Labour government and were prepared to assist in roles such as serving as directors on SOE boards. We have worked hard in recent years to establish that our interests are issues and policies, not party politics, and believe we have developed an excellent basis for constructive relationships with the new government. We shall be equally concerned to do the same with the Labour opposition. No organisation that wishes to maximise its community standing and have an ongoing influence can afford to do otherwise. The highly partisan position adopted by the Council of Trade Unions in respect of the Growth Agreement and other pre-election moves by the previous government was arguably damaging to the longer run interests of both.

What of the future? Personally I believe it has been important for New Zealand that in recent years business leaders have been prepared to seriously examine why we have performed so poorly as a country for so long, and to support the difficult changes that have to be made. I have the utmost respect for the many members of the Business Roundtable who have got to grips with difficult topics, committed themselves to positions that are in the wider community interest rather than the narrow interests of their firms, and stuck with them despite a disappointingly partial reform programme which has compounded many of our economic problems.

For a group of 40 independently-minded people, there has been a remarkable consensus about what needs to be done. If anything, this has become stronger over time. Some time ago one member withdrew from the organisation saying it had a 'death wish' for advocating a deregulated, enterprise-oriented labour market. Today we are far from dead, and the government has won an overwhelming mandate for genuine labour market reform.

To me, the interesting thing is not that some business voices can be found in support of soft inflation policies, growth agreements, business tax concessions and the like, but rather that within a disciplined setting where views can be examined and debated, these have found no support. While the secretariat does much of the work, members control the policy process and it is axiomatic that they collectively decide on positions taken. For my part it is equally axiomatic that the day the organisation departs from its principles of pursuing genuine national interests is the day I look for another job. I am happy to say that has not happened, nor is it likely to occur.

For the foreseeable future, I believe there is worthwhile work to be done. As a result of the drift and inconsistency in policy since 1987, New Zealand has tragically got

itself back into a deeper hole than at any time in recent history. Any credible effort to get out must now involve a sharp fall in living standards and further major structural changes. At best we are in for a long period of discomfort before we see improvements; at worst, if we screw up or lose patience, we are over the cliff and on to the rocks. The government has a strong mandate to deal with the government spending, social welfare and labour market problems that our organisation has regarded as the crucial policy weaknesses, and we shall be supportive of bold action in these areas.

Beyond that, I hope we can be pro-active and make contributions to other items that must be on the national agenda in the 1990s. I can see us giving high priority to education; business is increasingly conscious of the need for a skilled and adaptive workforce in meeting global competition. It would be challenging to try to make a contribution on Maori issues and on electoral and constitutional reform in due course.

If New Zealand is to survive in a fast-changing and unsentimental world, we shall have to meet international rather than domestic benchmarks of success. I believe business will be demanding of governments world class standards of decision making, not just their 'personal best'. I hope that with any policy topic that we pick up we continue to try to put a 'beacon on the hill', regardless of the immediate popularity of the idea. As one writer has said:

"The cry of 'political impossibility' is the bane of good government and good social arrangements. To know what ought to be done, whether it is for the time being thought politically possible or not, is an indispensable foundation for the solution of political or social problems."

I believe the best role an organisation such as the Business Roundtable can play in an open, market-oriented democracy is to urge good public policy on governments, whose job alone it is to reconcile competing views and make decisions on behalf of electors.