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IIR CONFERENCE ON THE TREATY OF WAITANGI

BUSINESS AND BICULTURALISM

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There is a lot of good news around in Maoridom. The cultural renaissance of recent years is now well established. Constructive progress is being made with Treaty of Waitangi claims. There are exciting developments in Maori education. Maori commercial enterprises are burgeoning. And dominating all these, as I shall argue, are the prospects for Maori being ushered in by the new economy.

The OECD recently expressed the view that the outlook for achieving sustainable, non-inflationary economic growth in New Zealand is the best for many years. This prospect, if realised, is important to all of us, but especially to those who are less well off. The long-run relative economic stagnation of this country was particularly damaging to their interests. As an economic tide recedes, those with fewest resources and skills are usually the first to be stranded. By contrast, a rising tide lifts all boats.

We need to keep a sense of balance in analysing trends in Maori welfare. It is easy to paint a picture of unrelieved gloom by quoting selected statistics of Maori crime rates, educational qualifications or unemployment. But, as Professor John Gould has often reminded us, the socio-economic gap between Maori and Pakeha has on the whole been getting smaller and in some areas is no longer substantial. The recent recession has taken its toll, but there is now no reason why the long-run trend of steady improvement should not be resumed.

It is also important to attempt a balanced judgment of past efforts to deal with Maori issues and promote Maori welfare. Research in recent years has brought to light injustices of which New Zealanders should rightly be aware. But the historical view that New Zealand handled its race relations better than many other countries is not just a myth. A view that our past is one of systematic racism, discrimination and shame is very wide of the mark.

From the earliest days of colonisation, many men and women of goodwill were concerned to make strenuous efforts to enable Maori to achieve parity as soon as possible with their co-settlers. An extraordinary range of provisions was established, at considerable expense, with the aim of helping Maori to participate in the mainstream of national life. They have included down the years the four Maori parliamentary seats, the Department of Maori Affairs, the Maori Education Foundation, Maori schools and colleges, Maori wardens, the Maori Land Court and the Maori Trust Office. There have been subsidies for Maori land development, an advisory housing service, support for Maori artists and writers, tertiary funding and reserved places for Maori students, and financial assistance for Maori culture at all levels. The list reads like an unrolling scroll.

Unfortunately, as a large body of economic research and experience now teaches us, well-intentioned efforts at state-sponsored welfare have often had disappointing or even disastrous results. The much more important contribution that the early settlers made to Maori advancement was simply the skills, ideas, technology and connections with external markets that they brought with them. This led to a flourishing of Maori commerce in the period up to 1860. The openness and mobility that characterised the society of that time was an object lesson in economic development. Neither that experience nor the record of success of Maori who have

made their own way in Australia or further afield suggests there is necessarily anything inherent in being Maori which is inimical to enterprise and commercial endeavour.

Ironically enough, the special institutions and programmes aimed at improving Maori welfare may have worked against that aim in subsequent decades. They were in many ways a microcosm of the state protectionism and welfarism and the political and bureaucratic culture that came to dominate New Zealand life. Arguably they compounded the problems of low self-esteem, liquor, land confiscations, breaches of faith and loss of confidence in traditional leadership that had brought Maori welfare to a low point by the turn of the century.

New Zealand has learned to its cost the consequences of an over-regulated and state-dominated economy. Enterprise is stifled. Resources are diverted into lobbying for political favours. Employment opportunities are blocked by restrictions on work. Politicised education and health systems impose uniformity and restrict choice. As an increasing share of income is directed by the state, tax rates rise and people are less able to take care of their own needs. Gradually the wealth-creating capacity of the economy is sapped and social problems mount. New Zealand is a case study of this pattern of events at work.

Minority groups usually fare worst in such a politicised environment, even though they may extract some special favours from the majority. They lack the votes that fundamentally determine the division of spoils when resources are allocated through the political process. They often lack the connections and political skills to work the system. Those who do best in such an environment are invariably people who are better off, articulate, and organised in groups that carry political clout.

The old New Zealand worked against Maori interests in more specific ways as well. Protectionist policies favoured the metropolitan centres at the expense of the rural areas, and exacerbated the drift of young Maori to the cities. High inflation meant low real returns on leases of Maori land and property which had rents that were fixed for long periods of time. The regulated labour market limited competition for jobs and disadvantaged those with the least skills. The growth of state pensions was of less value to Maori because of their lower life expectancy. State housing policies attracted Maori to places where no work was available and welfare programmes contributed to the breakdown of family and tribal ties. These were all unintended consequences of generally well-meaning policies.

The new economic environment is much more conducive to Maori interests. Less government regulation and greater economic freedom mean more scope for initiative, diversity and doing things your own way. Resources are no longer locked up in protected industries; they're free to move more readily to new ventures of all kinds. A freer labour market means a better deal for outsiders, although domineering trade union attitudes die hard as Aotearoa Stevedoring learned to its cost. Competition in health, education and housing is very much in the interests of groups that differ from the norm. Opportunities are now more open to all, and less dependent on favours from those who wield power.

Not surprisingly, we're witnessing a revitalisation of Maori business enterprise. The 1992 exporter of the year, Cedenco Foods, is 40 percent owned by Maori interests. There's a 50 percent Maori stake in Green Juice Company, which was overall winner of last year's Printpac UEB food awards for one of its products. The Maori Development Corporation is now well established. Maori jointly own the country's biggest retail department store group including Deka, Farmers Trading Company and Toy Warehouse - its chief executive is a member of the Business Roundtable. A Maori consortium has effective control of U-Bix Business Machines. The Sealord deal has resulted in a major Maori stake in commercial fishing, and Ngai Tahu are involved in wide range of tourism and primary sector industries. Dozens of other Maori businesses, in trust or corporation form, are engaged in similar ventures.

We know that not all business initiatives succeed. There are always risk elements and failures in business. In today's open economy, business success is dependent on meeting consumer needs and, increasingly, the needs of consumers in international markets. Many New Zealand businesses have been on a steep learning curve in recent years acquiring the skills to foot it in international competition without government handouts. To avoid a new form of dependency, Maori involved in business will have to ensure that any tendency to seek government aid for failing enterprises is firmly resisted.

In my view, the more Maori businesses take on the characteristics of normal commercial organisations the more they are likely to succeed. Of course there is a wide range of organisational forms. Publicly listed companies, private companies, joint ventures, partnerships, cooperatives and sole traders all co-exist in competitive economies, though with a broad specialisation of function. There are good reasons, for example, why the listed company is a particularly successful vehicle where large quantities of capital are required, why professional services are often provided by partnerships, and why the owner-operator is the dominant model in farming. Trusts and cooperatives have more restricted applications and, as business forms, appear to be in steady decline around the world. Allowing open competition amongst business forms is one ingredient in economic success. It will be important to Maori success in business to avoid constraints on such competition as far as possible.

An illustration of the dangers of imposed restrictions is the experience of firms established under the Alaska Native Claim Settlement Act (ANCSA) of 1971. The Act was seen as a means by which Alaska's native Eskimos, Indians and Aleuts could end their longstanding dependency on government agencies. The newly established regional corporations resembled typical, diffusely-owned corporations but with important differences which have hampered their performance.

For example, by stipulating that ANCSA directors must also be shareholders, the Act limited the corporations to a small, relatively inexperienced, pool of directors. It also prohibited shareholders from freely transferring their stock. However, transferable shares are normally extremely important for the success of corporations with a wide spread of shareholding. The existence of a secondary market in which shares are traded and priced provides low cost information about the firm and about managerial performance. The possibility of a change in control through outside takeover encourages analysts and alternative management teams to

monitor the firm's performance. Small shareholders in the firm benefit from the monitoring undertaken by more informed investors. A wellfunctioning market for corporate control is an important discipline on business performance.

By having no market for their stock, the ANCSA corporations obtained none of the related benefits. Higher cost and less effective measures were needed to deal with management problems. As a result, the financial performance of corporations which were intended to generate economic benefits from land claim settlements was poor.

Maori commercial enterprises should heed this experience if they are to be successful. Recourse to restrictions on ownership rights or the use of unconventional vehicles such as trusts in inappropriate circumstances, for example, is likely to involve penalties in the form of a higher cost of capital, poorer management performance and lower returns. Similarly, while restrictions on the saleability of Maori land may be considered attractive on cultural grounds, they increase the risks faced by lenders and other commercial parties doing business with the Maori owners and hence limit commercial opportunities. There are always costs in restricting the gains from trade. As a former Australian rural member of parliament, Bert Kelly, liked to point out, an economy is like a bucket of worms, and if the bucket stops turning over the stench is something awful.

This does not mean that the spiritual value of some assets should be disregarded. Nor does it necessarily imply that there is no future for tribal arrangements in the new economy. A liberal policy viewpoint respects Maori institutions and values, and voluntary collective arrangements are in no way inconsistent with the market. The market is a system of voluntary exchange and is not solely individualistic - families, extended families, cooperatives and other kinds of 'little platoons' are all important institutions in it. We should be respectful of any ethnic group doing things in its own way. But we should also be aware of the dangers of coerced collectivism, whether it originates from western romantics like the exMarxists and anti-profit Greens on the one hand, or cultural/ethnic reactionaries on the other.

The key point is that while some institutions should be protected by law - for example, property rights - others should be open to challenge and change. Both statutory protection and power based on inherited status are dangers in this context. Any successful culture must be capable of evolution. Huis may have strengths, for example, but they're sometimes costly forms of decision making and alternatives may need to evolve for some purposes. All cultural traditions may have to be modified if a culture is to survive.

Where do claims to resources under the Treaty of Waitangi fit into the wider picture of Maori business development? I suggest economic logic tells us that they occupy a relatively small part. This is not to denigrate in any way the case for addressing valid claims. We should sort these out as best we can through patience, imagination and generosity - on both sides. But we should also recognise that the outcome will be of fairly limited importance to the economic well-being of most Maori.

This much is clear from the overwhelming evidence that the possession of natural or inherited resources is not a reliable basis for economic success, and can even be a handicap. The experience of different countries, and of groups within them, is striking in this regard. Argentina, one of the most richly endowed countries on earth, was a basket case for many years prior to its recent economic reforms. Australia, the so-called lucky country with boundless mineral resources, and indeed New Zealand, have been lesser versions of the same phenomenon. In a similar way, the provision of resources through foreign aid has done little for development in many third world countries. By contrast, countries like Japan, Hong Kong and Switzerland, with few resources and many natural disadvantages, have been economic success stories. The lesson is that success owes far more to how intelligently countries manage their own affairs, and on cultural attitudes towards work, saving and enterprise, than it does to an initial resource base.

Similarly, as scholars like the black economist Thomas Sowell have pointed out, the lower socio-economic status of American blacks cannot be attributed to an inferior economic starting position. Other minorities and immigrant groups such as the Chinese, with multiple disadvantages of economic deprivation, language and family separation, have enjoyed much greater than average economic success. The presence of Jewish and Japanese Americans at the top of the income rankings in the United States, despite widespread discrimination against them, also calls into question any simplistic theory that discrimination is an overwhelming determinant of social position.

It follows that Treaty of Waitangi claims are best regarded as issues of justice rather than as issues that will have a great bearing on the overall economic position of Maori in the future. In economic terms they involve redistribution, and cutting the cake in a different way has strict limits as a route to economic advancement compared with the route of making the cake larger. And the administration of justice also has limits. We cannot remedy all wrongs and there is little point in sacrificing living people for the deeds of the dead. For very sound reasons most legal systems have a statute of limitations and at a certain point byegones are best left as byegones. Such a pragmatic approach is being taken in Eastern Europe, where expropriation and injustice occurred on a grand scale.

The best policy, I suggest, is to work as carefully and rapidly as possible to resolve the major cases of injustice, and then to move on. Otherwise we sit around in grievance mode, which is likely to be no more beneficial to Maori than it has been to the Irish.

My conclusion therefore, is that the new environment is much more conducive to economic progress and social mobility for all groups in our society. The open, competitive system in which the world of business flourishes is as good for Maori as for any other group. Indeed arguably it is better; I believe that Maori have suffered disproportionately from the policies of state paternalism that have prevailed in New Zealand.

In this I find myself diametrically opposed to those like Professor Winiata who is reported to have stated that "free market policies do not hold out any hope to the Maori people." The historical evidence is not on their side. The alternative to the market is the political process. As

Thomas Sowell has pointed out, some of the most dramatic rises from poverty to affluence in the United States are among groups who did not attempt to use the political route to economic advancement. Chinese, Japanese and Jews made deliberate decisions to keep out of the political arena while concentrating on economic progress. New Zealand's experience with a highly regulated economy confirms that the political route is a dead end for minority groups.

This is in no way to argue that there is no role for the government in creating an environment in which Maori enterprise and culture may flourish. To avoid divisive separatism, the state needs to maintain the essential unity of the constitutional and legal framework of society and encourage, through the provision of resources where necessary, considerable diversity at the cultural level.

And the state's role does not end there. There is much more that can be done that would make for greater overall prosperity and be of particular benefit to Maori. High on the list would be greater choice and competition in education, for example through voucher schemes to enable Maori parents to send their children to private schools along the lines advocated by State Representative Polly Williams during her visit to New Zealand this week. In health, Maori would benefit from the ability to opt out from Regional Health Authority cover and apply their tax dollars to private plans of their choice.

Within a supportive legal and ethical framework, the open society permits Maori and other citizens to choose how they want to run their lives. The options range from alternative lifestyles to rampant materialism. Most people are somewhere in the middle, recognising the real advantages of economic prosperity *and* the need to retain other values and interests. For those who seek economic success and an escape from dependency, there is usually no short-cut; the only dependable route involves two four letter words, 'hard work'. As George Gilder puts it in his book *Wealth and Poverty*:

"When the government accepts and propagates the fantasy vision of free goods, teaching people to believe that they are not responsible for their lives and choices, the problem inevitably grows."

Operating within a market economy may have costs as well as benefits - these are for all to evaluate. Some of the costs may involve changes to aspects of traditional culture. But Maori culture has changed in the past, as has Pakeha culture, and this isn't necessarily bad. We all tend to romanticise the past. The fact is that we can't simply go back to something that ended 100 years ago, and we almost certainly wouldn't like it if we did.

A number of Maori are succeeding in modern commercial life while maintaining their identity as Maori. The market is colour blind and caters for all of us. Business and biculturalism are not mutually exclusive.