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**THE NEW ZEALAND BUSINESS ROUNDTABLE  
A PERSONAL PERSPECTIVE**

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## THE NEW ZEALAND BUSINESS ROUNDTABLE A PERSONAL PERSPECTIVE

When I took up my position with the Business Roundtable some 11 years ago, MP Peter Neilson, subsequently a minister in the Labour government, sent me a telegram of congratulations. "Good luck", he said, "I hope you can convert them to capitalism!"

I knew what he meant. I recalled Roderick Deane giving a speech in which he proposed a toast to the market economy, which he described as an extinct species in New Zealand that hadn't been sighted for many years.

He wasn't wrong. For a generation or more, New Zealand had pursued the most eccentric set of economic policies outside the Eastern bloc. The other day I came across a 1962 item from *The Dominion*. The minister of customs was reported as saying:

... he would rather issue a few licences and allow local businessmen to make a small profit on golf balls than have people sending postal notes to Australia to buy them.

That was old New Zealand. Hardly anyone regarded such practices as ludicrous, impoverishing or repressive. Complacently, we allowed ourselves to slither down the league table from being a top-ranking country in per capita income terms to an also-ran.

In the early 1970s I found myself as a Foreign Affairs officer in Brussels as part of the New Zealand negotiating team at the time of Britain's application to join the European Economic Community. New Zealand had the role of supplicant, trying to hold on to the diminishing prosperity it drew from a shrinking British market.

Among the many groups of New Zealand visitors that passed through, two stick in my mind.

One was a Federated Farmers team, comprising its president Alec Begg and general secretary John Pryde. *The Economist* magazine referred in an article to "those emblematic names, Begg and Pryde". It summed up what New Zealand had come to.

The other visitor was Max Bradford, now a minister but then working at the International Monetary Fund. On arriving in Brussels and setting up house I had discovered you could order goods from outside the country without an import licence and change Belgian francs into foreign currency without central bank approval. Not knowing much about economics in those days, I asked my IMF guru friend whether we could ever look forward to such freedoms in New Zealand. Depressingly, Max advised me that that was not a realistic hope.

New Zealand was then just a few years out of the 6 o'clock swill era. In Belgium I found there were no repressive liquor laws - indeed there was no minimum drinking age - and drinking behaviour by adults and young people was far more civilised than in New Zealand. I wondered whether there could be any connection.

In the mid-1970s I joined the Treasury and dealt with a range of New Zealand industries over the next few years. All wanted to defend their protected patch, or extend it. Railways couldn't contemplate competition beyond the 40-mile limit, road transport firms needed licensing protection against new entrants, and the idea of free trade with Australia was anathema to most manufacturers. With the economy becoming increasingly stagnant, debt-ridden and inflation-prone, I came to realise that business lobbies in New Zealand had a lot to answer for.

A few bricks - such as transport deregulation, CER, and some relaxation of import licensing - were removed from Fortress New Zealand during the Muldoon era, but with the wage and price freeze the Great Interventionist tried again to suppress underlying pressures with a new layer of concrete. Inevitably they erupted with the foreign exchange crisis of 1984.

The decisive shift began with the change of government in 1984. Sir Ronald Trotter headed the Steering Committee of the Economic Summit of that year. He was one of the first business leaders who understood New Zealand had to change direction. But the Business Roundtable, which had formed in a loose way a few years earlier, was far from reaching that conclusion. In the Treasury in 1983 I had been on the other side of the argument from it over the retention of export incentives. So I was far from certain when Sir Ron and Douglas Myers started talking to me about setting up an office for the organisation that it was a job I wanted.

Two things made me decide to give it a go in early 1986. First, it seemed to me that if New Zealand was going to make a lasting change in direction, it was essential that enough people in business understood why it had to do so and were prepared to stand by that view during painful years of restructuring. If the business sector uniformly opposed the changes, sooner or later governments would throw in the towel.

Second, I was persuaded that Sir Ron Trotter and Douglas Myers, who were by then chairman and vice-chairman of the Roundtable, had a vision for the organisation and the country, were not the sort to wilt in the face of inevitable controversy, and had economic instincts that I shared.

I remember testing the latter on an issue that concerned me at the time, namely takeover regulation. If there is one market in which chief executives around the world are protectionists, it's the market for corporate control. Restrictive takeover rules shield incompetent managers at the expense of shareholders and the economy: they are usually a corporate protection charter. My two chairmen agreed with that view and have stuck with it ever since, as has the organisation as a whole.

As an aside, there was a funny sequel to this discussion a few years ago. At the time of another push by the regulatory lobby for takeover controls, I rang Professor Michael Jensen of the Harvard Business School, who is perhaps the pre-eminent academic on corporate control issues in the world today. I asked him if he would come and speak on takeovers. There was a silence on the end of the line. "You've got the wrong person", he said. "I'm against regulations; the US Business Roundtable regards me as their enemy". I explained I knew that - our counterpart there has been an anti-takeover club - which was why I wanted him. Jensen was good enough to agree to visit, but I think he remained sceptical until we were able to talk at first hand. And yet there are still those who think our stance on takeovers is somehow motivated by self-interest.

The statement of purpose that the Roundtable adopted in 1986 committed it to pursuing overall national interests. There seemed to be a better chance of maintaining the integrity of that statement in an organisation with broad representation across industries, which forces it to take an economy-wide view, than in a narrow sectoral group.

Despite many accusations to the contrary, I am proud to say we have not deviated from a national interest perspective. It was perhaps excusable in the early days, given New Zealand business's record of self-interested lobbying, for some to take a sceptical view. You will still find columnists in places like *The Listener* or *New Zealand Political Review* (some of them the same people) accusing us of narrow self-interest, but there is now no excuse for assertions which can't be backed by facts. John Roughan looked at the facts in a recent column in the *Herald* when he asked:

Haven't all the big decisions made on our behalf over the past dozen years been motivated by simple self-interest? No, actually. Quite the reverse.

Not many manufacturers wanted to lose an import licence. Few transport services with a protected market share had much enthusiasm for deregulation. The chairman of the Business Roundtable made profits much more easily when liquor outlets were limited. Farms and firms lifted their sights beyond their individual security to see ultimate self-interest in an economy that was competitive enough to earn our keep.

My experience within the Roundtable is totally at variance with the perceptions of its *Listener*-style critics. In the overwhelming majority of cases, people who get to the top of major companies in New Zealand today are not people with narrow, short-term perspectives. Those involved with the Roundtable want to see New Zealand become a high income, high employment, successful country. They don't want to spend their careers struggling to keep businesses afloat in a third-rate economy. They are not looking for government favours. They do not join to enrich themselves. Most are professional managers, not seriously rich individuals. Their commercial preoccupations are with the stakeholders in their firms - investors, employees, suppliers and consumers - which, for a group of large businesses, ultimately means all New Zealanders.

People who succeed over the long haul in business today also understand the importance of professionalism. Roundtable members have insisted on professional research and analysis, and on going where the analysis leads. They have been prepared to accept and advocate conclusions which challenge conventional wisdom. My experience in this regard has been similar to that of a recent Nobel Laureate in economics, George Stigler, writing about the University of Chicago, the most private of private universities:

... inquiry has been most free in the college whose trustees are a group of top-quality leaders of the marketplace, ... who, experience shows, are remarkably tolerant of almost everything except a mediocre and complacent faculty. ... if a professor wishes to denounce aspects of big business, as I have, he will be wise to locate in a school whose trustees are big businessmen, and I have.

It would be quite unthinkable for members to use the Roundtable to pursue company interests which conflicted with its principles of operation - it simply doesn't happen. Business people are used to standing aside from discussions where conflicts of interest are involved. Last year my chairman was reluctant to see us make a submission on liquor industry issues in case it was thought he was pushing his own barrow. We went ahead, but he had no input into it. The last time we looked at a telecommunications matter, Roderick Deane said to me: "You're welcome to any information and material you want from Telecom, but make up your own mind; I'll support whatever you and your consultants conclude". By the same token, it's openly understood that members are perfectly free to take differing views in their other capacities, if they so wish.

We have had to put up with many accusations besides self-interest over the years. Some of them have been unbelievably obtuse. A recent visitor to this country was the anti-free market campaigner, John Ralston Saul. He railed against corporatism. *Ex-Listener* journalist Anthony Hubbard lapped up his invective towards the US Business Roundtable and associated it, by implication, with us. Corporatism means the kind of dealmaking that often goes on between business and governments in other parts of the world, or government-business-union Accords or Compacts of the Australian or New Zealand variety. We have been utterly against such dealmaking. Saul's other meanderings were equally confused. Another tack of critics is to associate market-oriented policies with so-called 'New Right' views. I have yet to meet anyone who regards themselves as part of the 'New Right', or holds the views attributed to it. The term is a substitute for thought and is meaningless historically, politically and in every other way.

Historically, the terms 'left' and 'right' originated with the seating arrangements in the French Chamber of Deputies. The great liberal economist Frederic Bastiat, a French counterpart of Adam Smith, sat on the left of the Chamber when he was a member of the French parliament. Politically, the Right has been associated with corporatist regimes such as Fascism or with Hitler's National Socialism. The last association brings out the key point: the dividing line in modern politics is not

between parties of the left and right as popularly conceived. It is between parties, politicians and political people who want to run other people's lives, and those who think individuals, families and firms should be allowed to run their own lives with a minimum of political interference. F A Hayek shrewdly dedicated his famous book *The Road To Serfdom* to "the socialists in all political parties".

Thus even *The Economist* is wrong and misleading when it talked, as it recently did, about the left keeping on moving right, and pointed out that:

... the collapse of communism between 1989 and 1991 killed off any lingering faith in central planning and public ownership, even among those of leftist hue.

What has won out is not right-wing ideas but economic liberalism, or the rediscovery of the necessity and centrality of markets for economic prosperity. Winston Peters is described as Tory to the core, but he campaigned against privatisation. Mrs Thatcher is admired by Tony Blair and lionised in China not because of her politics but because of her association with liberalising policies which have become internationally mainstream.

The confusion goes on. Business is usually assumed to be on the side of producer interests. But the Roundtable has always affirmed that the purpose of economic activity and the role of business is to serve consumers' interests. Frederic Bastiat advised future economists:

... to treat economic questions from the consumer's point of view, for the interest of the consumer is identical with that of mankind.

Even the Consumers Institute seems to have trouble figuring out that consumers' interests are best served by an open, competitive, private enterprise system.

Similarly, we carry no brief for better-off people. Economics is about making the best use of scarce resources so as to raise people out of poverty - at least that's how I think of my role as an economist. Better-off people can more or less fend for themselves in any environment. Poor people have the best prospects of making themselves better off in a market economy which maximises their opportunities and minimises the obstacles to their advancement.

The supporters of 'Old Wrong' policies have often called New Zealand's reforms 'ideological'. To the extent that they have been driven by ideas and logic, one

might accept the label, but that is not what the critics usually mean. The reality is that the reforms have been fundamentally driven by a recognition of what works and what doesn't. There is now abundant evidence to settle such arguments. Privatisation of government enterprises, for example, has been shown in New Zealand and abroad to deliver huge benefits, particularly for consumers. Those who refuse to recognise such evidence are the true ideologues. The latest outbreak of ideology has been over the proposal that private enterprise might have a role in providing cardiac services in Christchurch. Not for Neil Kirton the maxim of Deng Xiaoping that "it doesn't matter whether the cat is black or white, so long as it catches the mouse".

Sometimes the critics like to label supporters of market-oriented policies as 'anti-government'. As usual, they prefer misrepresentation to constructively engaging in debate. It's impossible to create a strong economy and high living standards without good government. All market-liberal economists that I know see an important role for government in providing a legal system, public goods, essential infrastructure and a safety net, but it is not an all-encompassing role. There is surely something badly wrong with our priorities when politicians spend time playing at business and other extraneous activities when elderly women are being raped in their beds, a viewing platform collapses due to gross bureaucratic negligence, the government's prime financial watchdog ends up in jail, and some of our cities have polluted water or risk running out of supplies. Simon Upton recently set out his views on the proper role of a limited government. Give and take a few items, they were very similar to what we have said on many occasions.

Finally, there is a category of critic who doesn't even bother to argue but just engages in name-calling. One such is Gordon McLauchlan of the *Herald* who recently even wrote an article attempting to justify his *ad hominem* attacks. Curiously, such people then wonder why no one is listening to them, and why they have had so little influence. Recently the Catholic church tried to discredit Sister Connie Driscoll by questioning her status as a nun rather than addressing the welfare issues she raised. Regrettably, the cardinal declined to apologise to Sister Connie for this disgraceful episode. Even the chief justice last year chose to go in for playing the man rather than the ball over criticisms of the judiciary. In the long run such an approach to debating public issues gains no more respect than some of Richard Loe's more unfortunate exploits on the rugby field.

I have always been a believer in the power of ideas. I think that Keynes was right

when he said:

The ideas of economists and political philosophers, both when they are right and when they are wrong, are more powerful than is commonly understood. Indeed the world is ruled by little else ... soon or late, it is ideas not vested interests which are dangerous for good or ill.

Bad ideas - collectivist and then Keynesian - dominated economic thinking in many parts of the world for many years, but they are now in retreat. Better ideas have taken hold, including in New Zealand. They have proved capable of defeating the vested interests which manipulated governments in the past.

Some people refuse to accept that it is better ideas that have won out. They have tried to invent conspiracy theories, but these too have come to grief in the Broadcasting Standards Authority and the courts. They think resources buy influence. If so, any influence the Roundtable may have is puzzling, since it has virtually no assets whereas the Public Service Association has \$17 million in reserves. We can't march in the streets, and members are too busy running their firms to spend time lobbying politicians - we have not met with the prime minister since the election and have had only a handful of contacts with other ministers. Our only resource is ideas. And while a dwindling band of university academics keeps criticising them, they tell us in the next breath that they haven't been able to come up with coherent alternatives.

Recently, Steve Evans, a *Dominion* journalist who once worked for the Socialist Unity Party's *Tribune*, wrote a thoughtful and broadly sympathetic article entitled 'Roundtable knights slog on through rough country'. Leaving aside the Arthurian reference, the basic theme was that many of the arguments we have made have been vindicated, which ought to ensure a hearing for new ones. But, as Evans observed, there is again a policy stalemate in New Zealand and little political ambition to take up fresh ideas.

I think that view is correct. The government is showing few signs of pursuing its stated vision of achieving high rates of growth in the economy and jobs. On the other side of politics there is no one speaking like Tony Blair who positively affirms that "New Labour is now the party of business, the party of good housekeeping and prudent finances". New Zealand is now slipping down the international competitiveness tables. In a few short years we could easily end up an also-ran again.

Many of the changes that need to be made seem politically impossible at present. But major changes always do. Floating the New Zealand dollar was regarded as unthinkable in the Treasury and the Reserve Bank less than two years before it happened. Colin James, who as a journalist has typically been behind the play - because he looks for the political middle ground and forgets that it can shift rapidly - was openly derisive of the idea that anything like the Employment Contracts Act could be achieved.

The critical factors for achieving change are the continuing development of sound ideas, a quality news media, and political leadership. The Roundtable can't do much about the last two factors, but I hope we will continue to come up with challenging ideas. We don't expect to be popular, certainly among big-government collectivists: as Bob Jones once said to me, "the thing about socialists is that they hate people." No doubt some of our ideas will be misperceived and misrepresented, as in the past. That is a problem for us, and we try to deal with it all the time with explanations like this talk. But ultimately it is more of a problem for the community if the ideas are sound - failure to move ahead will harm everyone.

I am now satisfied on the basis of many independent reviews of our research that we know how to do a professional job. The man, as it were, has been head-butted many times, but the ball has not been deflated.

In Sir Ronald Trotter and Douglas Myers, the Roundtable has been fortunate to have had two far-sighted chairmen during an immensely difficult period for business and the country. I regard them as truly exceptional New Zealanders.

More generally, as a New Zealander I am proud of the fact that leading business people in this country have consistently, and for more than a decade now, been willing to put aside sectional interests, promote policies that are in the overall national interest, and pull their weight in national affairs. Most business organisations in New Zealand today have abandoned self-interested lobbying and share common views. David Henderson, a former senior OECD official, has said that nowhere else in the world have members of the business community been prepared to play such a role. Richard Prebble has written that as minister for state-owned enterprises he asked 200 busy business people - most of them not Labour supporters - to serve on SOE boards, and only three turned him down. As

he put it:

High achievers in my experience are not motivated solely by a desire to make money. While they think money is important they use it as a self-measuring device. And while they believe individual performance is important, they are not selfish people. They recognise that humans are social animals and that social interaction is important. They do not shirk from doing their bit to make their neighbourhood, their city, their country a better place to live in.

That is my experience too. Some in business are happy to be free riders and leave it to the other guy to take an interest in national affairs, but not many.

But a handful of people can't make a difference by themselves. And while ideas matter, they need to be explained, understood and accepted in the democratic process that we all support. If New Zealand is to move ahead as a country, what will ultimately count is what people like yourselves in business and in the wider community think and do. As New Zealanders, each of us has a stake in the future of our children and our country.