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**THE NEW ZEALAND BUSINESS ROUNDTABLE'S
VIEW OF LOBBYING**

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People say that the Business Roundtable has had a significant influence on public policies in this country over the last dozen or so years. I hope that is true, because I believe the changes made were essential to New Zealand's long-term survival as an advanced country. But I think there is ultimately no way to fathom what influence we may have had relative to politicians, other organisations and individuals who have pushed similar ideas. My standard response on the question of influence is that if we have done our homework well on a particular topic and come up with sound proposals, we hope we will be listened to; if not, we deserve to be ignored.

Certainly there have been many times when we have felt ineffectual in influencing policy directions. One was the famous 1988-90 'teabreak' which was enormously damaging to business confidence, economic activity and employment, and led to the 1990 fiscal crisis. The second wave of reforms in the early 1990s did much to correct previous errors and led to a strong, balanced, export-led recovery. But contrary to a very confused article by Brian Gaynor in last weekend's *Herald*, the economic directions we supported have not been maintained. We have been arguing since the mid-1990s that New Zealand has been out to a long lunch, reverting to past habits of excessive government spending and doing little to strengthen its economic position while other countries have continued to move ahead. The predictable result is our slow growth rate, rising unemployment, increasing welfare dependency, risks of a credit rating downgrade, and greater vulnerability to events like droughts, power crises and upheavals in Asia.

Yet decision makers have not been listening. As one government MP put it in response to our submission on the Budget Policy Statement – in which we said that reckless government spending was killing the economic goose that laid the golden egg – "I agree with everything you say, but we're not going to change the \$5 billion package in the coalition agreement. We have to keep our commitments." But the coalition partners gave a commitment to the electorate to promote economic growth rates of 3.5 – 5 percent (National) and 6 percent (New Zealand First), so this is a head-in-the-sand response. Politics trumps acting in

the community's interests, and the government is knowingly letting the economic and social outlook deteriorate.

So for the time being we feel there is no option but to slog on through rough country, to use Steve Evans's words in a *Dominion* article last year. It may be that things will end up getting worse, as they did at the end of the 1980s, before views like ours once again get a hearing. Or it may be that there are different analyses and better solutions than those we have put forward: the argument is never that there are no alternatives, but rather whether they make sense or not.

One development that gives me hope is that public debate has come to focus much more rigorously on what is in the community's overall interests. An article in the *Sunday Star-Times* earlier this month described Simon Arnold, chief executive of the Manufacturers Federation, as personifying "the new breed of industry lobbyists who are willing to see beyond sectoral interests to the national good", and it quoted him as saying:

My view is that what you do needs to be in the national interest. And New Zealand [is] fortunate to have major business interest groups prepared to focus on the national gain.

Mr Arnold has led a remarkable turnaround in the stance of Manfed from its earlier pursuit of narrow sectoral interests, and I think it is fair to say that all the major business groups, including Federated Farmers and the Employers Federation as well as ourselves, today adopt a national interest perspective and hence share broadly similar views. An illustration was the universal rejection last year of \$100 million of so-called business assistance – a stance which, I suggest, would find few, if any, parallels among business organisations around the world.

Why have the main New Zealand business organisations been prepared to adopt that perspective? After all, public choice theory tells us that organised groups of producers have strong incentives to pursue narrow interests at the expense of broader groups such as consumers and taxpayers. Business historically has not been a reliable supporter of open markets and competition: Sir Terry Beckett, president of the Confederation of British Industries, called for a "bare-knuckle

fight" against Mrs Thatcher's reforms. Business in New Zealand certainly pursued its narrow self-interest in the past, and groups such as teachers, producer boards, superannuitants and welfare lobbies still have little compunction about using the political system to gain favours for their members.

I think there are at least three reasons for the change of heart in the business community.

First, from the early 1980s a growing number of business leaders came to accept that the habits of the rent-seeking society that was New Zealand had run the country into the ground. As New Zealanders, they did not like the results in the form of relative national decline and growing social stress, and as business people they did not want to spend their lives struggling to grow their businesses in a stagnant, uncompetitive economy. So they were prepared to take a long-term view and back policies which had high short-term costs for many businesses. They saw their long-term self interest, if you like, as being in line with that of the broader community in promoting a growing, dynamic economy.

Secondly, business people came to understand that you can 'rent' a government privilege but you can never 'own' it – it can always be taken away. You have to spend a great deal of time and money maintaining your import licence, subsidy, tax concession or other handout. The producer boards have had to spend vast amounts of farmers' money to maintain their monopoly positions. Most business people decided that their interests and those of their shareholders were best served by abandoning the old-style lobbying game and concentrating on running their businesses in a competitive environment.

Thirdly, in the long run privilege is unlikely to withstand public scrutiny. As Keynes put it, "the power of vested interests is vastly exaggerated compared with the gradual encroachment of ideas". Someone commented to me recently that the release of the Business Roundtable's major report on producer boards was like letting RCD loose on rabbits – it was only a matter of time before they dropped dead. Business and community interests are better served by attacking obstacles to better economic and social performance wherever they exist than by seeking advantages at the expense of the general public.

I do not want to suggest, of course, that there are no dissenters to these views in the business sector. Last year one aluminium manufacturer mounted a campaign in opposition to Manfred's rejection of public handouts but got little support. One publicly vocal cereals manufacturer long endeavoured to tighten health regulations in a way which would have prevented a competitor from adding vitamins. Some telecommunications companies seem to prefer government intervention to open competition in the industry. Parts of the shipping industry are looking for tax breaks. There is still the odd voice for fiscal fine-tuning and inflationary policies.

Brian Gaynor can therefore hardly claim there is a monopoly in the market for ideas – which is, after all, eminently contestable – and these alternative ideas should be open to criticism just as much as ours should be. But none of the alternatives is representative of the policies of the broadly-based business organisations today, of respected economic organisations like the OECD and IMF, and of mainstream economic thinking.

It also goes without saying that declaring a national interest standard to be the basis for an organisation's policies does not necessarily mean adhering to it. Many organisations make such claims and all should be scrutinised – self interest is often disguised as the public good. John Ralston Saul, a visitor to New Zealand last year, rightly attacked corporatism, which he associated with the US Business Roundtable, saying:

The [US Business] Roundtable designs policies favourable to the corporations for which its members work, then sells them to the various levels of government.

Saul said that such organisations had been remarkably successful in shaping national policies "by speaking out as if in the national interest".

Although his general arguments were highly confused, I think Saul had a point about the US Business Roundtable, with which our policies have little in common. Writing in the magazine *Chief Executive* last year, former governor of Delaware Pete du Pont commended our stance and berated members of the US Business Roundtable saying:

Using government to gain temporary advantage in the marketplace at the expense of others remains a bad idea, both morally and economically. Overall vitality of the economy – not purloined prosperity for one company or industry – is crucial.

Instead Governor du Pont urged US chief executives to take "principled stands in favour of open markets, lower taxes, less regulation, and zero tolerance for business subsidies."

Satisfying people that your advocacy has a public interest basis is not easy. Credibility can only be won slowly, year by year and issue by issue. You have to accept that some people will never be persuaded about your motives or your arguments – Brian Edwards, for example, says he never reads books and just goes by his emotions. There is nothing to be done about such people – you can only appeal to those who are prepared to think. And despite repeated explanations there are still some in New Zealand like Gordon McLauchlan of the *Herald* who believe our position is the equivalent of "what's good for General Motors is good for America" – an obviously false proposition – rather than "what's good for New Zealand is good for New Zealand business as a whole in the long run". Mr McLauchlan also believes that it is good enough in public debate not to worry about facts and logic but just to engage in personal attacks – regrettably, playing the man rather than the ball is too often a feature of our public life.

I suggest, however, that such tactics rarely succeed in the long run, and we have long since learned not to be distracted by them. We had another instance of them recently when conservation minister Dr Nick Smith accused us of "purist ideology", "greed" and "corporate dreams" for a report criticising the command and control policies of his department and the poor outcomes they are delivering. Dr Smith is at least consistent in his views: he is also on record defending public ownership of electricity and other utilities, monopoly producer boards and monopoly state education – the only puzzle is why he is not in the Alliance party. I would be surprised if colleagues of his like Simon Upton, many Maori, DOC scientists and a number of more open-minded environmentalists share his views on conservation management. As has happened so often in the

past, arguments for better approaches are likely to prevail sooner or later, and Dr Smith may look rather foolish in a few years' time.

The debate about producer boards is at a much more advanced stage. It too began with accusations of "greed" and "corporate fantasies". Last year the minister of agriculture, Dr Lockwood Smith, reacted to a report of ours on the Dairy Board's export monopoly by saying it was "naive" and "unhelpful". I wrote to him asking what he found wrong with the analysis. Despite repeated inquiries, I have had no reply – the reason being, of course, that all his advisers agree with our analysis and he can't fault it. His response was just shallow posturing and pandering to National's rural rump, and already looks foolish with the government saying it wants to put an end to all producer board monopolies.

Time and again in recent years knee-jerk reactions have given way to more reasoned debate and changes of position. Only two years ago Mr Winston Peters was lambasting us for advocating corporatisation of roading and the use of direct road charges. Mr Peters is not an ideologue, he has listened to arguments, and the coalition government has accepted their merits. So often views that are first regarded as marginal and politically unacceptable become majority opinion and, in due course, conventional wisdom.

What all this means, I believe, is that long-term success in the public policy debate nowadays is about sound research and advocacy, not about visits to the Beehive or dealmaking behind closed doors – Saul noted that conspiracy theories are "an idea invented by losers to make themselves feel better". Nor is there much point in marching in the streets, or spending vast amounts of money on advertising campaigns. The Christchurch City Council is to spend \$100,000 on public relations to fight the government's roading reforms. They are wasting their ratepayers' money – it would be far better spent on proper research into ways of improving roading policies. The council's public relations effort would be better directed to giving information to ratepayers and explaining the benefits of politically difficult changes.

Finally, I believe that New Zealand's experience shows that those who are committed to sound public policies should have no fears about having their

views put to the democratic test. Voters may not always get it right first time – MMP was a case in point – but they learn from arguments and experience and I don't fancy the chances of MMP if it is put to the electorate again. Hence, while I understand its reasoning, I do not favour the approach of our Australian counterpart, the Business Council of Australia, in working to stitch together a broad coalition of business, welfare and other groups to support a tax reform package. Not only does this risk a lowest common denominator result, but it also carries the threat of 'elite' groups displacing decision making by democratically elected representatives. Contrary to the stance of Auckland politicians who profess themselves to be for 'community control' but are opposed to letting their electorates decide the fate of the Auckland Regional Services Trust, we said in a submission last August that:

If there is a significant risk that debate will be captured by special interests seeking to preserve a role for themselves, we consider that the electors of Auckland should be allowed to decide the issue themselves by way of a referendum. To make an informed decision, electors would need to have access to all relevant information, including the value of the entitlement they would receive if the Trust's assets were distributed, and an assessment of the risks of relying on politicians to continue to manage those investments. Armed with this information, electors would make more informed voting decisions about the trade-off between retaining the assets 'in trust' on their behalf and the benefits of receiving a direct ownership stake.

At this conference three years ago I said I disagreed with the view of Colin James that old-style, sectional interest lobbying would be on the way back under MMP. By and large that has not happened, certainly among business organisations. It is true that MMP is more vulnerable to special interest politics, which is why I agree with Graeme Hunt that it should be ditched as soon as possible. But what Mr James's judgment overlooked, I think, is that New Zealand has learned some hard lessons about the consequences of special interest politics, and that electoral systems are not the only factors that determine a country's direction. Ultimately, other factors, such as the general climate of ideas, the realities of international competition, and the practical experience of citizens count for more.

If, then, the lessons of our organisation's experience have any relevance for you, I would summarise them as follows:

- Adopt a public interest perspective, not a sectional one. A better economy will be in your business's or your client's interest in the longer run. Ill-gotten gains will always be under threat. Ultimately, too, you have to look your own children in the eye.
- Don't second-guess politicians about what is 'politically acceptable'. By all means present a range of options, but don't omit the best. Political opinion can change with surprising speed.
- Expect more abuse than applause when first challenging sacred cows. As John Locke put it:

New opinions are always suspected, and usually opposed, without any other reason but because they are not already common.

And don't expect vested interests to give up their privileges without a fight.

- Don't accept inaccurate type-casting. Policies we have supported have been called 'harsh', 'uncaring' and 'right wing'. But it was the pre-1984 policies which were leading to collapsing living standards and social stress, and the so-called 'more moderate' policies since Ruth Richardson was dropped and New Zealand First became a government partner that have led to rising unemployment and growing economic risks. And for those who are still hung up on outdated political labels, Tony Blair seems to be the latest leader of a 'right wing' party.
- Look around for supporters and network with like-minded groups. Once you've made a hole in the hedge, it's often surprising how many others are prepared to follow you through it.

- Take a long-term view. Turning around deeply held views and overcoming entrenched interests requires patience. It took years to achieve things like protection and labour-market reform. There is no reason to think that bringing about the badly needed changes in education, health and welfare will be any easier.

- Last but not least, have confidence in the power of ideas. As Victor Hugo put it:

An invasion of armies can be resisted, but not an idea whose time has come.