

# **On Saving the Goose and the Golden Egg: The Role of Business in the Political Culture**

*Reflections on how Australia's business community needs to play a larger role in the political culture, to give more life to democratic pluralism, and to rightfully protect and advance the wealth-creating institutions of society.*

by  
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Address to the Graduate School of Business  
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Dr Harper, thank you for your kind invitation to be here today. I was planning to talk about technology and society – and maybe even touch a little on telecommunications technology and how it's changing the way we live, work, and play.

But then I considered that I would be speaking to an audience of business students who will go on to lead Australian companies in the future and I thought it might be more interesting to **talk about the policy making process** and **what's new about Australia** compared to what I've experienced in the US.

**It is a great privilege to speak to the Graduate School of Business at RMIT University as part of your Seminar series** – and especially to speak to a group of students, something I miss from many years as an academic.,

I have now been in Australia for just over a year, this time around <sup>3</sup> – after arriving here on July 4, expecting to stay only a month or perhaps two at the outside.

**Now that I am settled in for the long haul** and getting to know people on a personal as well as a professional basis, the experience of every day life has become a little more normal.

The **first question** people typically ask is, “How do you like it here – or **what do you like most about Australia?**”

**That's an easy one: I like the people.** I like people who are upbeat, curious, welcoming, willing to try to new things and who can laugh at themselves and some of the situations we all get ourselves into in our various roles in life – from parenting to lobbying.

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<sup>2</sup> This paper is based on a speech delivered to economic consultancy Charles River Associates in Canberra in 2005, updated for the Graduate School of Business at RMIT University in Melbourne.

<sup>3</sup> I first visited Australia in 1995, in response to an invitation from federal authorities and regional groups to do a nine-city lecture tour over 17 days – beginning in Melbourne and ending in Cairns, including along the way Lismore, the coal fields and other locations in regional and rural Australia.

**I also like the values that Australians exhibit** and pride themselves on – like “mateship” and “a fair go” and a willingness to call “rubbish” for what it is.

I also like the “no worries” spirit that embodies a forgiving temperament and gives people a lot of latitude; the “good on ya” that encourages, heartens, gives confidence and shows appreciation; and the whole concept of “stuffing it” that shows an ability to impose standards without disparagement.

**In addition, of course, I like the water.** I am a sailor. I love to “mess about in boats,” as Kenneth Grahame, the venerable English writer, put it in *The Wind in the Willows*, his 1908 classic that reflected a new way to look at the world.<sup>4</sup> So living on a large island between the Pacific and Indian Oceans suits me fine.

Invariably, the **second question** people ask is, “What has been your biggest surprise since arriving here?” Then, as if to make it easier for me to fess up, they often give me “hints” -- like:

- “You’re taking a bath in the **media**, mate? How you holding up?”
- “**Politics** here are pretty ‘rough’ don’t you think? Were you prepared for it?”
- “I’ll bet you’re surprised how well-known **your 88 year-old mum** became in such a short time?”

And, of course, people always ask, “**What do you like best, Melbourne or Sydney?**”

When people ask the “Melbourne or Sydney?” question, I respond with something I have learned from regulators. I just smile...or sometimes I smile and say “That’s a big issue. I’m working on it.” But, truth be told, I am partial to maritime cities – and the more so the better.<sup>5</sup>

When people ask the **media question**, I have to say **the media haven’t been a surprise.** I have spent most of my professional life in public positions so playing the role of the spear carrier – with the spears sometimes in my back – is something I’m used to.

I’ve dealt with journalists a lot over the years...and for nearly 10 years, I wrote a weekly op-ed commentary on business, politics and culture for the Denver-based *Rocky Mountain News*.<sup>6</sup> In that role, I soon learned to appreciate the pressure created by the need to write interesting copy day in and day out. I have also spent a lot of time in Great Britain, where the press there is much more like it is here.

**What is new about the media is the intensity of media coverage.** To give an example, recent data from Media Monitors show that last year:<sup>7</sup>

- There were more than 240,000 media items (print, radio and TV) about Telstra.
- The next highest business is Qantas with just under 100,000.
- The next highest telco is SingTel Optus with about 13,000.

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<sup>4</sup> Kenneth Grahame, *The Wind and the Willows* (1908) -- and now available on-line -- is a children’s classic that introduces the reader to the adventures of Mole, Badger, Mr. Toad and the Water Rat himself, who loved nothing more than “messaging about in boats.”

<sup>5</sup> I have particularly like reading Lucy Hughes Turnbull’s *Sydney: Biography of a City*. Sydney: Random House, 1999 and her sweeping and well-written account of the history of what I have come to view as the world’s premier maritime city.

<sup>6</sup> My weekly column was distributed nationally to more than 200 newspapers by Scripps Howard News Service.

<sup>7</sup> Data are from 1 July 2005 – 19 March 2006

But apart from the intensity of coverage, the media thing has not been a surprise.

**Nor have I been surprised by the politics.** For nearly 20 years, during the academic part of my career, I taught comparative politics. We always covered the various forms of parliamentary government, including the Westminster system,<sup>8</sup> in addition to those of Italy, Germany, and Japan that take a different approach to parliamentary rule.

Put another way, I think we understand very well the differences between the presidential system of the US and the parliamentary system of Australia – and we especially understand how the **“fusion of powers” in the parliamentary system concentrates enormous power in the hands of a minister.** That is very different from the US.

In the presidential system, as many of you know, the cabinet secretary is one voice among many. He or she has enormous influence, to be sure, but is **hemmed in on all sides by the realities of the “separation of powers” invented by Montesquieu but first put into practice in the American Constitution of 1789.**<sup>9</sup>

**In the US system, if you don’t like what the cabinet secretary is doing, you have many options** – the most important of which include going to the White House or to Congress.

When you go to Congress, you have lots of choices. You can go to the department’s Congressional oversight committee that might be chaired by the opposition, or the authorization or appropriations committees that provide the department’s money. These are each separate political systems, each with its own power structures and own rules – and each of which is a constraint around the neck of the cabinet secretary. I must say, in passing, that my experience here has given me a new appreciation of Montesquieu’s genius.

And, of course, in the US, **every major issue area is surrounded by a “permanent” campaign** that includes research-based professional messaging, tracking polls, the segmentation and clustering of constituencies, massive and on-going constituency lobbying, targeted advertising and messaging in the mass media, wide use of new media such as the Internet and talk-back radio, and direct lobbying of the principals.<sup>10</sup>

**As for the “roughness” of politics** here – actually different words were often used, but “rough” is a polite rendition – I was never surprised but there are **stylistic differences.** We have a saying where I come from that “politics ain’t beanbag.” I’ve learned that is also the case here. I think politics is rough every where – and, in a way, it should be. After all, a lot is at stake.<sup>11</sup>

**I have spent a lot of my life in the political arena – on both sides of the table** – mostly representing elected officials but substantial time as well petitioning elected officials on behalf of economic or community interests.

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<sup>8</sup> The Westminster system is a series of procedures for operating a [legislature](#). It is used in most [Commonwealth](#) and ex-Commonwealth nations, originating in England and then transported first to the [Canadian provinces](#) and Australian colonies in the mid-[19th century](#). It is also used in [Australia](#), [India](#), the [Republic of Ireland](#), [Jamaica](#), [Malaysia](#), [New Zealand](#), [Singapore](#), and [Malta](#).

<sup>9</sup> America’s Founding Fathers were deeply fearful of lodging too much unchecked power in the hands of one person or one institution is expressed most forcefully and persuasively in *The Federalist Papers* by James Madison, Alexander Hamilton and John Jay – and especially in Federalist #51.

<sup>10</sup> The opportunity provided by the issues campaign for broad public education and broad public participation in the resolution of political issues seems to be missing here, though I understand it has surfaced in the past around important issues – one of which I will discuss later.

<sup>11</sup> Let’s not forget that governments are the only institution in society that can legally take away our freedom and our wealth. That’s what sovereignty means. So politics should be rough.

I have to say I enjoy working either side of the table because that's how democracy works. **I place a high value on good debates and arguments** -- as the enterprise or the citizen exercises his or her right to petition -- and the government official his or her obligation to respond and to engage.<sup>12</sup>

The early Renaissance philosopher **Thomas Aquinas** wrote that "Civilization is constituted by conversation – that is, by argument."<sup>13</sup> Theologian **Michael Novak** says civilized people treat each other as reasonable – so they argue with one another. Barbarians club each other, as if values are mere "preferences" – and reason is no where to be found.

In short, **we find truth in a free society by mixing it up in the marketplace of ideas** – and if we don't find the truth, then we can at least find an approach or a policy that will provide the greatest good for the greatest number.

And let's not forget: **It is through controversy that we clarify ideas and test the character of people** – what author Warren Bennis calls "the crucibles of leadership."<sup>14</sup>

**This is not just the idea that you have to break eggs to get an omelette.** It's the idea that **we are all imperfect** and that we help overcome our imperfections in thinking and doing by transparency and by free and open engagement.<sup>15</sup>

**So when people disagree, we should welcome argument and seek to resolve it**, relying as much as possible on facts, data, and reason – pushing emotion and prejudice as much as possible into the background. That way, more times than not, we will reach the right decision. And if we don't, we fix it.

That gets to **the stylistic issues**. To quote one of our common forefathers, Winston Churchill, **"We don't have permanent friends or permanent enemies. We have only permanent interests."**<sup>16</sup>

That is a good rule for everyone in the policy process to follow, and when we do, we can tolerate a lot of debate and argument as **we move to sort out and reconcile our "permanent interests."**

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<sup>12</sup> As Winston Churchill famously said, "Democracy is the worst form of government except for all those others that have been tried." Actually Churchill was sometimes ambivalent about democracy. He also said, "The best argument against democracy is a five-minute conversation with the average voter."

<sup>13</sup> However, G.K. Chesterton reminded us that arguing is not the same as quarrelling. According to Chesterton, "The principal objection to a quarrel is that it interrupts an argument."

<sup>14</sup> Warren G. Bennis and Robert J. Thomas. "The Crucibles of Leadership," *Harvard Business Review*, September 2002.

<sup>15</sup> That's why, today, we launched a new web site – found at [www.nowwearetalking.com](http://www.nowwearetalking.com) -- which is designed to expand public interest in and knowledge about the importance of advanced telecommunications for Australia's future.

<sup>16</sup> Some say this famous quote attributed to Churchill was actually lifted from Britain's illustrious 19<sup>th</sup> century foreign minister, Lord Palmerston. Whoever said it first matters less than the truth it conveys about the responsibilities of institutional leadership.

**Our permanent interests at Telstra are simple to state.** They include:

- serving **customer needs**,
- enhancing **shareholder value**, and
- advancing **Australia to #1**, with the world's most advanced telecommunications serving people, enterprises and communities, no matter where they are located.

It would be useful if other stakeholders in the process could state their permanent interests and how they relate to Australia's future.

That's the background. **So, let me turn to the question I framed at the beginning, "What has surprised me most about Australia?"** Here is the answer:

**I am most surprised that more attention is not given to the work of think tanks, peak industry groups and other non-governmental organizations that address many of the critical issues of the day.**

Many of these issue areas, where decisions will have an impact for generations to come, are too important to be left to governments.<sup>17</sup> **They deserve broad public dialogue that is both civil and informed.**

Put another way, I believe that **democratic societies are stronger when the civic order can challenge the public order.**<sup>18</sup> By "civic order" I mean

- commercial, industrial and other economic groups;
- social, philanthropic, and cultural groups – including voluntary associations;
- place-oriented groups such as neighbourhoods.

The civic order must provide venues where serious people can come together to investigate and **discuss issues of national importance around the rule of reason informed by facts and data.**

**This is commonplace in most democratic societies**<sup>19</sup> – including Great Britain and Japan, where you also have the fusion of powers in a parliamentary systems or the US with the separation of powers in its presidential system.

**Let me give you a brief case study of what I am talking about – an early but stunning example of an active civic order. It is called The Clapham Circle.**

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<sup>17</sup> For the role of think tanks in Australia, see I. Marsh, "The Development and Impact of Australia's Think Tanks." *Australian Journal of Management*, (December 1994); Georgina Murray and Douglas Pacheco, "Think Tanks in the 1990s" and "The Economic Liberal Ideas Industry: Australasian Pro-Market Think Tanks in the 1990s," *Journal of Social Issues*, May 2000; and Sharon Beder. "The Intellectual Sorcery of Think Tanks." *Arena Magazine* (June/July 1999). For an outstanding study of the role of think tanks in the US, see James A. Smith. *The Idea Brokers: Think Tanks and the Rise of the New Policy Elite*. New York: The Free Press, 1993.

<sup>18</sup> On the distinction between the civic order and the public order, see the writings of Harold D. Lasswell – for example, Harold D. Lasswell and Abraham Kaplan. *Power and Society: A Framework for Political Inquiry*. New Haven: Yale University Press, 1950; Daniel Lerner and Harold D. Lasswell. *The Policy Sciences: Recent Developments in Scope and Method*. Stanford: Stanford University Press, 1951; Myres McDougal, Harold D. Lasswell and Ivan A. Vlasic. *Law and Public Order in Space*. New Haven: Yale University Press, 1963; Harold D. Lasswell. *A Preview of Policy Sciences*. New York: Elsevier, 1971; . Robert Rubinstein and Harold D. Lasswell. *The Sharing of Power in a Psychiatric Hospital*. New Haven: Yale University Press, 1966.

<sup>19</sup> For perhaps the best discussion of democratic pluralism, see Robert Dahl. *Who Governs?* New Haven: Yale University Press, 1970.

The Clapham Circle was a closely-knit group of prominent and like-minded English advocates of political and cultural reform. They were active in Great Britain at the end of the 17th and beginning of the 18th centuries.<sup>20</sup> The Claphamites were led by William Wilberforce (1759-1833), an abolitionist Tory parliamentarian and social reformer,<sup>21</sup> but the rest were private citizens, and they typically met together around the Wilberforce dinner table.

**Claphamites were civic leaders -- in business, education, government and the arts.** They included both men and women and were prime movers in the **abolition of the slave trade** (achieved in 1807) and the **emancipation of slaves** in the British Empire (achieved in 1833).

Claphamites also advocated and **achieved literally dozens of additional humane and political reforms** – including:

- reform of the penal system,
- restrictions on child labour,
- improved working conditions in factories,
- temperance,
- care for the poor,
- universal male suffrage,
- ban on bull fighting and bear baiting,
- suspension of the lottery, prison reform,
- banking reform,
- founding Sierra Leone as a colony for refugee slaves
- annual sessions of Parliament,

**The Claphamites, by some measures, invented modern “policy research”** – problem-focused studies to spotlight the moral and economic implications of social pathologies; <sup>22</sup>published a journal, the *Christian Observer*; and **pioneered techniques to mobilize public opinion** – including the petition to exert pressure on Parliament and use of voluntary societies to advocate causes (including the Society for Bettering the Conditions of the Poor and the Society for the Reformation of Prison Discipline) – strategies that are now commonplace in democratic political cultures.

**That was then. In contemporary society, we typically take a more formal approach to organizing the civic order** by mobilizing talent, information, and money through formal

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<sup>20</sup> The group’s name originates from the town of Clapham, located in Greater London and home to the group’s three most prominent leaders – banker Henry [Thornton](#) (1760-1815), Anglican rector and spiritual leader John Venn (1759-1813) and Wilberforce – and the venue for periodic meetings, dinners and what they chose to call “Cabinet Councils.”

Regulars at Clapham gatherings included clergyman and author Thomas Gisborne (1758-1846), business administrator Charles Grant (1746-1823), estate manager and colonial governor (India) Zachary Macaulay (1768-1838), playwright and educator Hannah More (1745-1835), scholar and administrator Granville Sharp (1735-1813), pottery maker Josiah Wedgwood (1730-1795), and Chancery Master James Stephen (1758-1832).

<sup>21</sup> Wilberforce is one of history’s most inspiring civic leaders who was also a statesman. See Kevin Belmonte. *Hero for Humanity. A Biography of William Wilberforce*. Colorado Springs: Navpress, 2002; or John Pollock, John. *William Wilberforce: A Man Who Changed His Times*. McLean, VA: The Trinity Forum, 1996.

<sup>22</sup> A secret of Wilberforce's success was his capacity for bridge building, often joining with philosophical opponents in pursuit of common goals. An example is prison reform, where he joined with Utilitarian philosopher Jeremy Bentham. "Measures, not men," was a favorite saying of Wilberforce – i.e., the use of facts and data can bring people together, that people of different worldviews need not preclude collaboration on shared goals.

institutions – such as think tanks, peak industry groups, private advocacy enterprises and the like.

In Australia, it looks like there are many, though not an abundance, of what I call “civic leadership institutions” that do very good policy research and hold forums where serious people can come together to address issues of national importance.<sup>23</sup> Examples:

- There are **international think tanks** such as the Lowy Institute for International Policy (Sydney) or the Australian Institute for International Affairs (Canberra). With their focus on international policy issues, I would like to see these groups address how the rapid deployment of advanced communications platforms and services will affect Australia’s international competitiveness in the next decade and beyond – especially as many other nations in the Asian corridor are moving rapidly to next generation networks – places such as South Korea and Japan.
- There are **domestic policy think tanks**, such as the Institute for Public Affairs (Melbourne), the Tasman Institute (Melbourne) and the Australia Institute (Canberra). Like many think tanks around the world, these groups often have a philosophical or ideological stake in the ground (e.g., around issues like free markets or sustainability) and often march to their own drummer, addressing cardinal issues of the day, such as Australia’s telecommunications future, from their own perspective. That’s good. It provides another angle on the challenge that can be fed into the public debate and the policy making process.<sup>24</sup>
- There are **peak industry groups** that do policy research and hold forums – such as the Business Council of Australia (BCA, Melbourne) and the Committee for Economic Development of Australia (CEDA, Melbourne & Sydney). These groups are membership organizations, and their members include perspectives, skills, and information from all points on the compass. They are already playing an important role on issues like taxes, regulation, workplace relations, infrastructure development,<sup>25</sup> and economic and regional development – and they should, because they are uniquely positioned to inform and educate the public about the consequences of policy decisions and regulatory practices and how they affect the ability of the nation’s wealth- and job-creating institutions to survive, compete and prosper.
- There are **consultancies** such as CRA (Canberra) or Tasman Asia Pacific (Melbourne) that do outstanding analytical work and hold forums from time to time. Even though the work they do is properly guided by an agenda that grows out of their business and not out of the public policy agenda, groups like this have a rich base of talent that needs to be enlisted to help educate the public as well as the policy makers and elevate the public dialogue about these critical issues.
- There are **independent institutions** that hold forums, but don’t do research – such as the Sydney Institute, the National Press Club in Canberra, Trans-Tasman Business Circle, or

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<sup>23</sup> Georgina Murray and Douglas Pacheco, cited earlier, cite research by B. Herd estimating a total of 80-90 think tanks in Australia (and 6 in New Zealand). They employ 1,600 people, publish 900 reports and discussion papers and hold “almost 600: conferences and symposia a year -- but with a collective budget of around \$130 million they are not well funded.

<sup>24</sup> I’ve noticed that the media and other opinion leaders sometimes tend to dismiss their findings and conclusions as “predictable.” That is unfair and unfortunate, based on what I have seen of their work. These critical issues of government regulation and the impact advanced communications technologies need to be addressed from every vantage point – and not just from the point of view of the regulator or the government administrator or the competitors. At the end of the day, there is the national interest.

<sup>25</sup> It is noteworthy that the BCA infrastructure emphasis omits telecommunications infrastructure as they focus on roads, rail, ports, energy, and water. Other infrastructure studies in Australia make the same omission.

Davos Australia. These kinds of groups assemble influential opinion leaders from all walks of life – the very people who should be exposed to balanced discussions or even formal, Oxford-style debates of the cardinal issues of our day, of which investment in telecommunications is certainly one.

**Why are these other venues needed, one might ask.**

When issues are taken up in the **media**, they are almost always discussed either in personal or political terms or in “horse-race,” who’s winning terms.

When issues are taken up in forums dominated by **lawyers or regulators**, they are typically discussed in strictly legal terms that often drive out common sense and shrink the opportunity for the creative, no-fault or win-win solutions.

Once issues get to the **courts**, a whole new dynamic, including new rules of evidence, take over. This happens when politics fail, and democratic policy-making gives way to the judicial process.

When the issues are taken up in forums dominated by **economists**...well everyone knows what happens then. They make a lot of money because no one knows what they are talking about.

**So, what surprises me is this:**

**Australia has a wide range of accessible and capable civic leadership groups that do not seem to have as much impact as they should in sparking public debate, shaping the public dialogue and influencing public policy.**

**Maybe the thirteen months I have been here are a bad sample of time.** That could be. But I have also been told by elected leaders from different political persuasion and by public servants who have been around for a long time, that the influence of civic leadership groups has waned in recent years -- that they used to play a larger role in agenda-setting, the clarification of alternatives, the assessment of results. This is what I call **the “intelligence function” in the policy process.** And governments everywhere govern better when they cast a wide net to serve the intelligence function – especially in advanced societies such as those in the OECD orbit.

Speaking to the telecom issues I care most about professionally, **I am surprised by the relative lack of interest in the long-term benefits of the digital revolution** and its importance for the future of the people, enterprises, and communities of Australia. Instead people talk about regulation and whether or not Telstra is a monopoly or a community property.

That, I think, is unfortunate, because, once again, **the issues are too important to be left to government** and the business and public service professionals, who have carved out a special language – such as “unbundled local loop” and “operational separation” and on and on with impenetrable jargon – that make it impossible for the ordinary citizen to participate in the debate even if he or she wanted to.

**Finally, I am not surprised but I am dismayed by what seems to be a tendency to accept the status quo.**

For example, **when we talk about our view** – the Telstra view that technology has changed, consumer needs have changed and **national requirements have changed but regulation has not** – we are often faced with the view that Telstra management and our shareholders should just grin and bear it.



When I arrived last year, many of the questions I was asked were of the “**why don’t you accept things as they are**” variety. I still hear those questions today, especially in the media and from some politicians.

Of course, the first answer is, **we will always obey the law and abide by regulatory requirements** – so in that sense, we do accept things as they are.

But, **the world has changed enormously in the decade since Australia began designing a new regulatory regime for telecommunications.** Given all the changes over the past decade, it is not unreasonable to consider that perhaps the regime needs to be re-examined so that it will not :

- discourage investment,
- stunt innovation,
- slow growth and
- impede the international competitiveness of Australia’s businesses and communities.

Recently I heard ASX chairman Maurice Newman remind an audience that **there have been many examples throughout Australia’s history where a small group started to advocate for change and reform** and everyone dismissed them – and then slowly, over the years, a majority came around to adopt the reform positions they were advocating.

The only one I knew about -- where someone prevailed against the odds -- was Darryl Kerrigan’s success in the delightful Aussie movie *The Castle*. You’ll recall Kerrigan never gave up. He rallied his friends. He rallied his neighbours. He never lost faith. In the end, he prevented the authorities from confiscating his home and his property for public use, so they could expand the airport.<sup>26</sup>

But Chairman Newman had more compelling issues in mind, citing the **dollar float and trade liberalization** as examples.

I was intrigued by his comment, so I looked into these issues. Here’s what I found on the trade protection issue.

**For many years, as I understand it -- from the mid 1960’s to the early 1990’s -- the Australian economic debate was dominated by the trade and tariff protection issue.** Up to that time, according to Keith Hancock,

“Protection had been more than a policy: It as been a faith and a dogma. Its critics...dwindled into a despised and detested sect, suspected of nurturing an anti-national heresy. For protection is interwoven with almost every strand of Australia’s democratic nationalism. It is a policy of power; it professes to be a policy of plenty...With such unity of spirit subsisting between private interests, public opinion, and the Commonwealth Treasury, it is not surprising that the tariff has grown rapidly both outwards and upwards.”<sup>27</sup>

Still, support for tariff reform grew over the years. Eventually, the manufacturing sector faced massive tariff reductions from the late 1980’s through the 1990’s (as well as Labor Prime Minister Gough Whitlam’s 25 percent across the board tariff cut in 1973). Vested

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<sup>26</sup> In the beginning, I should also have said that I like Aussie movies...like *The Oyster Farmer* and *Look Both Ways*. But my all-time favourite, so far, is *The Castle* with Michael Caton and Anne Tenney.

<sup>27</sup> From Keith Hancock’s classis essay on the cult of trade protectionism in Australia, from his book, *Australia*, published in 1930 and available on the Internet.

interests in manufacturing, I'm told, argued that such tariff cuts would cause the manufacturing sector to decline.<sup>28</sup>

**But when the tariff cuts came, the nay-sayers were proven wrong.** In fact, the reforms made the manufacturing sector more innovative and more competitive – though a few manufacturing industries did continue to decline, as would be expected in any economic restructuring.

Prior to the tariff cuts, manufacturing was characterised by ageing capital and a largely unskilled workforce -- especially in what you called the “rust bucket” or “rust belt” states such as Victoria and South Australia.<sup>29</sup>

Back then, I'm told, the auto industry resembled its Eastern European counterparts rather than Japanese or Korean car factories.

**But the facts are beyond dispute: Tariff cuts and competitive pressures worked,**

- **making industries more competitive,**
- **resulting in much lower prices for consumers, and**
- **leading to a significant boost in innovation and investment.**

**Amazingly to those who believed the doomsayers and those who want to “just leave things like they are” -- Australia is now exporting automobiles.**

Auto exports were unthinkable before the tariff cuts – when the only exports of cars took place under dubious export facilitation programs which traded off tariffs on inputs for export performance.

According to the Productivity Commission, **Australian car industry's exports nearly trebled in the 6 years following tariff reforms,** with exports of components approaching \$2 billion a year. The Australian car industry is now responsible for more exports by value than some of our traditional agricultural industries.

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<sup>28</sup> In addition to reading Keith Hancock and several other authorities on the resolution of the tariff issue in Australia, my education on this issue has been greatly enhanced by discussions with Henry Ergas and his staff at CRA.

<sup>29</sup> In the US, we called our manufacturing region the “rust belt” and it included the Midwestern states around the Great Lakes. Few of them “recovered.” Instead the successful states transformed their economic base into new industries or used new technologies to transform traditional industries such as steel making, auto manufacturing, farming, and the like.

**So, you've been through this before. I've been through this before. Changing things is never easy** – whatever it is:

- your own personal habits,
- the culture of a company, or
- the policy of a nation.

But, still, we all need to try. And the best way to succeed is to:

- **practice transparency** and trust the good judgment of most people most of the time,
- **believe in the marketplace of ideas** and the ability for the good ideas to beat the bad,
- **give people the knowledge and tools** to become change agents themselves.

**That's the way most democracies work.** That's the way it has worked in Australia historically on other issues.

**People see a need for change and they try to persuade others.** They are not anti-government or anti-competition or anti-regulator or anti-anything.

**They just have a different view of what is best for citizens, shareholders or others where they have a responsibility. So they engage.** They have a conversation. They argue. They may even quarrel from time to time.

**But that's how public policy is made and then refined in most democracies.** And from what I have seen and learned, it's not that much different here, except that the role of citizen-based civic leadership groups has waned.

It is our hope at Telstra that someday people – the government, regulators, opinion leaders, business leaders, and the public – will come to understand that **fundamental reforms are needed in the way that business is regulated, including the telecommunications business,** if we are to achieve a

- pro-investment,
- pro-innovation,
- pro-competition,
- pro-regional parity, and
- pro-jobs future for all Australians, and not just those who live in its largest cities -- and for future generations, and not just those enjoying the benefits of today's technologies.

Thank you for your invitation to be here today, and thank you for your attention.