

Tony Abbott is right. Australia really is open for business

Josh Bornstein, The Guardian, 2014

We live in an era increasingly defined by the blurring of public and private interests. From labour laws to climate change, corporate rent seeking has become a political commonplace

Australia is losing the battle against obesity. Before 1980, [10% of us ranked as obese](#). Now the figure is [north of 25%](#). Each year, the junk food industry spends over half a billion dollars in advertising targeting consumers from cradle to grave. While exhorting us to consume more processed sugar, fat and salt, the junk food industry benefits from keeping a significant proportion of the population uninformed.

On 5 February, a [Health Star website](#) designed to provide ratings on processed food products to promote healthier eating habits went live. The website was a joint federal-state government initiative. On the same day, Gary Dawson, the head of the lobby group for the food industry, the Food and Grocery Council, swung into action. He [called the office](#) of the assistant minister for health, Fiona Nash. Her chief of staff, Alistair Furnival, [had links](#) to the lobbying company Australian Public Affairs, which had junk food companies as clients. Later that day, [the website was removed](#).

The website has been mothballed, pending a "cost-benefit analysis", and Furnival resigned – although he insisted there was no conflict of interest. Nonetheless, in the contest between the public interest in improved consumer information about diet and health and the private sector's commercial imperatives, the junk food industry won – at least for the time being.

Rent seeking, broadly defined, involves the shaping and manipulation of the political process to obtain or protect economic advantage. To use a simple and increasingly common example, every time corporations successfully lobby for a tax break, the burden falls on the rest of us to make up the tax shortfall.

The recent and repeated success of private sector political campaigns has prompted economist professor Ross Garnaut to question "whether changes in the way private interests seek to influence policy has removed the possibility of governing in the public interest in the twenty-first century". His concerns are echoed by former Reserve Bank governor Bernie Fraser, who complains that "self interested views are having a disproportionate influence on the policy-makers".

In 2007, US academic and former labour secretary Robert Reich published his book [Supercapitalism](#), in which he traced the evolution of modern commerce from the decades after the second world war to the present era. He argued that in the postwar era he calls the "Not Quite Golden Age", many companies succeeded because there was little competition. That era was transformed from the late 1970s

by technological advances, including the arrival of the internet. Established businesses succumbed to strong competition from new entrepreneurs.

Reich argues that democracy "has become enfeebled largely because companies, in intensifying competition for global consumers and investors, have invested ever greater sums in lobbying ... seeking laws that give them a competitive advantage". They are able to use these methods to overwhelm the public interest. Companies that resisted these methods found themselves losing out and were forced to join the fray. The result, according to Reich, "is an arms race for political influence that is drowning out the voice of the average citizen".

The rent seekers' handbook has become increasingly diverse, sophisticated and professionalised. The techniques deployed in rent seeking campaigns include lobbying politicians, the provision of direct or indirect political donations and gifts, establishing or funding third party entities including think-tanks, "[astroturfing](#)" (setting up contrived grassroots protest groups), prosecuting political and media campaigns, political advertising, "partnering" (translation: sponsoring) major media outlets and/or journalists, as well as some less than subtle cash for comment.

When it works particularly effectively, it involves deploying a complementary range of measures-applying pressure and wielding influence with an almost orchestral precision. Shaping public opinion and the political process is a large, global business and involves a serious amount of money.

One month after the demise of the Health Star Ratings website, the assistant treasurer Arthur Sinodinos managed to simultaneously place himself at the heart of two rent seeking scandals. A former executive of National Australia Bank, Sinodinos recently introduced legislation into parliament which would remove restrictions on financial planners from giving "[conflicted advice](#)" – advising customers to put their savings in financial products owned by banks and thus triggering a payment of commission to them by the banks.

The proposed new laws, which would eliminate a requirement that financial planners provide advice in the "best interests" of their clients, are opposed by many financial planners and just about everyone else with one exception: the banks who own the investment products. It is widely understood that the banks have lobbied heavily for these new laws which, if enacted, won't so much subvert the public interest as asphyxiate it.

Ironically, the passage of the new laws through parliament has been derailed by the public Icac hearings regarding the allegedly corrupt lobbying activities of a company that Sinodinos chaired before entering parliament. In 2012 Sinodinos, who was then the treasurer of the NSW Liberal party, was appointed to the board of Australian Water Holdings (AWH), a small sewerage company with 10 employees. He accepted an extraordinarily generous remuneration package. Sinodinos professes during Icac hearings not to have been aware of the company's lobbying and other activities swirling all around him.

The Australian Financial Review describes the ongoing AWH saga engulfing politicians and the private sector in New South Wales as “another example of the tawdry web of donations and lobbyists and party officials attempting to influence decisions of government ... for commercial and personal profit.”

Unlike the entertaining display of recent Icac hearings, most of the lobbying of Australian politicians is invisible. It goes on behind closed doors. Icac hearings don't even scratch the surface.

The pernicious effects of a sustained explosion in corporate lobbying on democracy have been acknowledged in both the US and UK in recent years. In 2008, as Barack Obama campaigned for the US presidency, he [promised](#) that lobbyists “will not run my White House ... and will not drown out the voices of the American people”. Such has been the proliferation of lobbyists in Washington that a market has emerged for the time-rich poor to be hired to wait in queues on behalf of lobbyists attending Congressional hearings.

In 2010, British PM David Cameron [promised to shine](#) "the light of transparency on lobbying in our country and ... come clean about who is buying power and influence ... Commercial interests – not to mention government contracts – worth hundreds of billions of pounds are potentially at stake."

The laws promulgated to regulate lobbying by both Obama and Cameron are widely regarded as having failed. Laws introduced by former NSW premier Barry O'Farrell in 2012 to ban political donations from groups, as opposed to individuals, were conceptually flawed and were brought down by a successful high court challenge by trade unions who would have been muzzled by them.

In October 2013, Australian prime minister Tony Abbott announced a Commission of Audit to review “the role and scope of government”, the scope for privatisation and to make recommendations about cuts to government expenditure. Such a review goes to the heart of politics and the political process; the size of government, the role of the private sector in the provision of services, taxation, welfare, a safety net-all up for grabs.

To head the Commission of Audit, Abbott appointed Tony Shepherd, a prominent businessman and until recently, the head of the Business Council of Australia. It is difficult to imagine a more potent symbol of policy capture by the Australian private sector than Shepherd's appointment. Who needs lobbying when you get to steer the ship?

Companies procuring think tanks to help shape public opinion and government policy is another burgeoning, global industry. Tamasin Cave and Andy Rowell, whose book [A Quiet Word](#) argues that “sharp elbowed lobbying by corporate interests” has disenfranchised ordinary people in the UK, explain the attraction:

The third party has the credibility of looking independent, seems to be motivated by something other than self-interest and profit and therefore has a much greater

chance of being believed. Credibility, authenticity and the impression of independence are key. It is about separating the message from the self-interested source.

The ABC (like other media outlets) does not require think tanks to disclose their funding sources before giving their representatives regular slots on its news and current affairs programmes. Representatives of the Institute of Public Affairs, for example, regularly appear and are free to prosecute the case against plain packaging of cigarettes as an affront to “freedom” without disclosing the IPA’s [links to tobacco companies](#).

In the UK, the equivalent of the IPA is the [Institute of Economic Affairs](#), also [discreetly funded by tobacco interests](#). A leaked 2012 strategy document from Philip Morris named the IEA as a key “media messenger for arguing against plain packaging” with the BBC identified as a key target. Like the ABC, the BBC does not insist that think-tanks disclose their funding sources.

In a crowded field of competing private interests, the Australian mining industry is arguably the most aggressive (and successful) in its rent seeking endeavours. It can prosecute a successful public campaign using its unbridled wealth and political clout to shape public opinion and government policy.

The 2010 campaign against a super profits mining tax by some of the wealthiest mining companies in the world proved devastatingly effective. A [\\$20m advertising campaign](#) and the repetition of chicken-little-inspired key messages by wealthy mining magnates, proved a political triumph. The resource super profits tax proposed by Kevin Rudd was scuttled and replaced by a panicked, pale imitation by Julia Gillard.

The mining industry got a good return on its \$20m investment, saving hundreds of millions in tax. They also punched a large revenue hole through the federal budget, which welfare recipients and aged pensioners will likely have to repair. The public interest was once again routed.

Over the last decade, the loud repetition of key messages by a chorus of business leaders, newspaper columnists, radio shock jocks and conservative politicians has proved a winning formula in campaigns ranging from climate change to industrial relations. Time and time again, these campaigns demonstrate that the facts can be defeated by endlessly repeated falsehoods.

In 2010, a campaign by large corporates, employer associations and the two national print newspapers commenced against the Labor government and its industrial relations legislation, the Fair Work Act. The campaign argued that the laws were impeding productivity and needed to be reformed to ensure “flexibility”.

Those spearheading the campaign included the BCA’s Tony Shepherd, Heather Ridout of the Australian Industry Group, Don Argus and Michael Chaney, Chairman of NAB. Shepherd claimed that IR laws were “limiting the capacity of companies to

lift productivity ... by making it harder for them to allocate labour in the most productive ways”.

While the campaign unfolded, labor productivity was increasing at its strongest rate for over a decade. Following the introduction of the Fair Work Act in 2009, it increased a [whopping 5.2% between 2011-12](#), far exceeding any productivity measure under Workchoices, the LNP's workplace law. It continues to track favourably.

In spite of quarterly data from the Australian Bureau of Statistics charting the spike in labour productivity throughout 2011-2012, the disingenuous campaign continued and succeeded. Sustained repetition and reporting of falsehoods beat the facts. The campaign succeeded in engineering a review of the workplace laws by the Productivity Commission.

Whether it is labour laws or climate science, the same dynamics can be observed. Compared to ABS productivity data, climate science is hideously complex, involving decades of meticulous, multi-disciplinary, peer-reviewed and highly technical research. Those who set out to undermine an effective response to the damage being wrought by climate change cannot lose. The complexity of the science lends itself to being sabotaged and misrepresented by modern day rent seeking techniques. Science has lost out against a multi-billion dollar, global assault orchestrated by the private sector.

The facts don't matter. Just as the junk food industry profits from keeping as much of the population uninformed as possible, so too do fossil fuel companies benefit from keeping as many people uninformed or confused about climate science.

Some may argue that it is not all one way traffic. Recent decisions by the federal government to refuse financial support for the vehicle manufacturing industry, SPC and Qantas all illustrate that the private sector does not always get its way. Modern politics is more complex than simply pointing to a private sector aspiration and a public policy outcome.

And yet, when one considers the public interest in crucial debates over mitigating climate change, enhancing public health, regulation of the media, superannuation, consumer protections against predatory behaviour in the financial services sector, the budget and taxation, the recent scorecard is decidedly bleak.

Those advocating on behalf of average citizens, consumers, average employees (including trade unions), the unemployed and other social welfare recipients tend to lose out more often. There may be the odd victory but over time they are out resourced, out-muscled and out-manoeuvred. The private sector is not alone in lobbying politicians. Far from it. It's just that it possesses the resources and relentless capacity to out-lobby all of the others. We live in an era in which the private sector enjoys enormous political influence and frequently uses that influence to increasingly blur the line between public and private interests. Tony Abbott is right. Australia is open for business.

