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Technology in Government Committee

John Hyde

Recently an organisation of which I was blissfully unaware, the Technology in Government Committee, wrote to 1000 businessmen seeking their support for the *Australian Technology Initiative*. This committee claims to have been "formed, through the Prime Minister's office, with the express purpose of promoting productivity improvements using technology, to industry and the three tiers of government". It is an excellent illustration of the means by which Australian industry has become unproductive. Quite gratuitously, I have drafted this reply for any businessman who cares to use it.

Dear Mr Archer,

I regret that I must decline your invitation to become associated with the *Australian Technology Initiative*.

It is not that I am opposed to 'technology' or even, as you probably intend, to technological advance. Indeed I, like most businessmen, have, from time to time, disagreed publicly with people who have seen sophisticated industrial processes as inimical to man's or nature's interests. My principle concerns are that your 'Initiative' may be seen as an alternative to doing something really effective about the uncompetitive state of Australian industry and that I do not expect that it will, as you claim, result in a more productive and profitable Australia---on the contrary.

Indeed, it seems to me that you have scant understanding of the nature of wealth creation. You propose to call 1000 of us together to instruct us in what the top suppliers of technology and services have to offer, yet it is my experience that these suppliers are already rather good at advising us of their latest wizzgigs. Neither do I expect that we will take the opportunity to advise our competitors of our own most recent bright ideas. If such a meeting were to achieve anything, it will be what Adam Smith predicted of any meeting of producers, namely, a conspiracy against consumers.

Governments cannot pick winners and your committee will prove no exception to that general rule. There will be no way

that it can know which technology will be appropriate for any particular opperation. It might, after an event, by talking to the people involved and comparing profit and loss accounts, find out which was most successful, but that will help nobody. You will get little instruction from looking at the technology in use, because new technology is not necessarily better than old, and sophisticated technology is not necessarily better than simple. (Even though the wheel has been around some time, the Hovercraft has not made it obsolete; neither does a Concord, the creature of many government committees, carry passengers more cheaply than a 747.)

What is needed to raise productivity (however measured) is not that we use new ideas, but that we use the best available combination of new and old ideas for our own individual circumstances; that we change to new ways with the minimum of fuss; and that we leave ourselves the opportunity to retreat in the event that we get it wrong. Your, so called Initiative cannot help with any of these.

Appropriate technology is, by definition, the technology that produces at least cost---including any external costs such as damage to the common environment. It is generally recognised that the appropriate technology is constantly changing with the development of new ideas. But it is not so well recognised that it also changes with quite subtle changes in supply or demand. Since the supply of management and worker skills is variable, the appropriate technology is different from firm to firm---put another way, it pays to have people do what they are good at. Appropriate technology varies also with capital structure and with attitudes to risk, and, dare I say it, even with the level of union and management bloody mindedness.

Should you perchance make a right judgement about a particular process, by the time you honour the innovator with one of the *Technology Initiative Awards*, somebody will probably have thought of an improvement---but only if there are big incentives to do so. For all our talk of profits, it is the fear of making losses that keeps each of us on our toes, yet you say nothing about deregulation. Only properly functioning markets with their scaled rewards and punishments can identify the appropriate technologies and only they give us the incentive to adopt them.

I enjoy junkets at shareholder and taxpayer expense as much as the next fellow, but I know that it is not by such talkfests that productivity is raised. I also am not averse to a quiet life in which I co-operate with producers of like goods, but I know that other Australians are better served by my unremitting competition. Australia's difficulties arise because endless committees make it easier for me to lobby the government for tariffs and licences than to adopt better the production methods you seek to achieve.

Finally, should you really wish to raise my competitiveness, you might consider disbanding, thereby

allowing a small reduction in my tax liability and in that of my employees.

Sorry to be wet blanket.

Yours sincerely

John Hyde is Executive Director of the Australian Institute for Public Policy

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