

WHERE ARE OUR LEADERS?

(Mining; the Engine of Australia's Economic Growth)

**University of Western Australia
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By Ron Manners**

Please visualize this management experiment...

Start with a cage containing five apes. In the cage, hang a banana on a string and put stairs under it. Before long, an ape will go to the stairs and start to climb towards the banana. As soon as he touches the stairs, spray all of the apes with cold water.

After a while, another ape makes an attempt with the same result – all the apes are sprayed with cold water. Turn off the cold water. If, later, another ape tries to climb the stairs, the other apes will try to prevent it even though no water sprays them.

Now, remove one ape from the cage and replace it with a new one. The new ape sees the banana and wants to climb the stairs. To his horror, all of the other apes attack him. After another attempt and attack, he knows that if he tries to climb the stairs, he will be assaulted.

Next, remove another of the original five apes and replace it with a new one. The newcomer goes to the stairs and is attacked. The previous newcomer takes part in the punishment with enthusiasm. Again, replace a third original ape with a new one. The new one makes it to the stairs and is attacked as well.

Two of the four apes that beat him have no idea why they were not permitted to climb the stairs, or why they are participating in the beating of the newest ape. After replacing the fourth and fifth original apes, all the apes which have been sprayed with cold water have been replaced.

Nevertheless, no ape ever again approaches the stairs. Why not?

Because like Australian management they have been "dumbed-down" and have learnt to be politically correct by doing a reasonably good job at management but not to stray too far into the field of leadership.

Australia's corporate management has learnt to keep its head low for fear of upsetting our political or regulatory masters.

I see this quite often in our industry where, after fighting the bureaucracy for several years, approval is eventually obtained to open a mine. We then invite some politician who hasn't earned the right, to perform the opening ceremony and share the glory of the moment.

More often than not, that politician grabs a few cheap shots by lecturing us on mine-safety or on how we should become good corporate citizens, etc.

I liken their behavior to an invited guest "farting" at the meal table.

We never ever learn, the next mine opening, there we go inviting another politician in the hope that they somehow will think better of us this time.

We are all dreamers—just like voting out one bunch of rascals and another lot in, and hoping that things will be better next time.

Perhaps there are two reasons for inviting a politician. First, it will guarantee media attention as the media always likes to make a meal of political events.

The second reason is more subtle. Perhaps our industry has not generated enough of our own leaders to represent us on these occasions. We have in the past, but now we have a problem.

Where are our Leaders? Where are our Heroes?

In the present world, we can see how vitally important history is for the values and self-definition of a family, a movement, a company, an industry or a nation. As a result of others wishing to superimpose their priorities and values on us, history, then and now, has become a "boxing ring" of contending factions.

Any movement or industry that has no sense of its own history, that fails to acknowledge its own leaders and heroes, is not going to amount to very much, nor does it deserve a better fate.

I say all this as an introduction to reinforce the importance of your leadership project. You have given me an interesting task in trying to integrate some personal experiences into the content of your Leadership Excellence Seminar and I would like to take you along the following pathway....

Our Road Map

We start with Croesus Mining NL as a case study. This leads into the larger picture where our small company fits into the overall context of our mining industry and the industry's significance to Australia, examining also why this industry is ideal for study in the leadership field.

That will take us to where Australia sits at the moment in this part of the world.

The poet Robert Frost once came across "two roads diverging in a wood", and he took the one less travelled and explained how that made all the difference.

We could then take some rarely-travelled roads and see why we can't automatically expect leadership from either:

- the political establishment;
- the business community in general; or
- the broader academic establishment (this one we will probably reserve for another time).

We then take a very private road where you have asked me to reveal my thoughts on leadership and which leaders I admire and why.

My conclusion is to ask "If leadership is not automatically to be found where we most expect it, then where must we look to find it?"

Croesus Mining NL

Croesus Mining is a public company, set up in 1986 to absorb my mineral prospecting activities.

From successful exploration and gold production we have paid five dividends to shareholders and have a mining tenement landholding that is the envy of many larger companies.

My one rule when setting up the company was never to employ anyone that knew less than me. It seems to have worked. At Croesus, we've been most fortunate with our key people, with four of our seven executive staff averaging ten years service with the company. Our Managing Director, Michael Ivey, has been with the company for eleven years, having moved from Senior Geologist to Exploration Manager to General Manager and this year to Managing Director/CEO.

In 1995, Croesus was invited to present a paper to the Australasian Institute of Mining and Metallurgy's "World's Best Practice in Mining and Processing Conference" in Sydney and that published paper contains all the nuts and bolts and motivational concepts driving the company.

The average age of the Croesus team is around 25 years of age (excluding me!) and observing youthful team members quickly absorbing new technology has been one of the most satisfying aspects of my career.

Native Title Casts A Dark Cloud Over Productive Australia

Mining and exploration has become very much a young person's game, particularly since the advent of the Native Title impediment. I understand that the Native Title legislation was introduced by politicians and reinforced by judges who didn't comprehend the longer-term implications of their actions to sideline some guilt feelings that were worrying some city-dwellers.

Perhaps we can forgive them for their soft hearts, but not for their soft heads.

History may record this disaster as the work of people with some "knowledge" but so little "wisdom".

I say that mining is now for the young because anyone over 40 that applies for a mining tenement will be lucky to be alive by the time any mining approvals are granted. Fortunately, a lot of Croesus ground was granted pre-Native Title.

The unworkable Native Title Act is a classic example of political intention achieving the exact opposite. The intention may have been to help the 2 per cent of Australians who are Aboriginal, but the result is the destruction of \$30 billion of wealth that once existed for the benefit of all Australians. This \$30 billion figure of wealth-destruction is outlined in great detail in a paper by Wayne Lonergan, a Coopers and Lybrand partner.

I call this a wealth-destruction process as it is not transferred to someone else, other than the few hundred million dollars that goes to the legal fraternity and to a handful of Aboriginal activists. The bulk of that \$30 billion loss to Australia flows from abandoned and delayed projects and the subsequent job-destruction.

Our State Premier, Richard Court, explains the situation concisely:

"With 82% of resource rich WA now covered by Native Title claims, the funds being poured into solving associated legal issues has reached "outrageous" proportions".

"Premier Richard Court, said \$130 million had been spent by the ATSIC to fund claims in the last five years, many in WA".

"Mr Court said the Federal Government had spent more than \$65 million funding the Native Title Tribunal, the State had forked out nearly \$30 million on Native Title matters since 1993-94, and private individuals and groups were spending millions of dollars in WA defending their interests".

"This massive waste of public and private money is the direct result of the uncertain and unworkable Native Title Act" Mr Court said.

Premier Court was one of the very few politicians who raised the alarm long before the unworkable nature of Native Title became obvious to all observers.

From the mining industry's point of view, having to pay 50 separate taxes for the privilege of producing and providing jobs is challenging enough, but being robbed of our land title and rights to produce are impediments that even the best management and leadership are finding insurmountable.

The effect on our company was the equivalent to a company's factory burning down simultaneously with its insurance company going into liquidation!

We explained to our shareholders in a letter dated January 30 1998 how this was affecting our company :-

"Dear fellow shareholder

Last January we wrote to you outlining the long-term prospects for your company.

We were then unaware of the damage to be caused by two major impediments to the productive process. We refer of course to the unworkable Native Title Act and the severe downturn in the gold price.

To a large extent, we have protected the company against the latter with our forward sale policy, so it is largely the impediment of Native Title that has caused considerable diminution to your investment.

There is so much nonsense written about the Native Title Act in the daily press that you deserve at least a brief explanation of how it has prevented us moving forward with our long-term plans, even when we were well-advanced with A\$2.5M already invested in research and design for our planned A\$23M milling facility.

This integrated mill project has been indefinitely deferred due to the protracted delays of the "negotiating process".

In the end we faced two alternatives, either close our operations down and add our workforce to the unemployed list or buy-out the "claimants" who through the Federal Native Title Act were adversely affecting our State-issued Mining Titles.

Although we have no evidence that the multiple "claimants" have any traditional links with the land in question, we used your money to pay them off.

The net result of this delay was that we were prevented from putting into place the additional gold-forward-sales to match the increased milling throughput and the lost opportunity cost has been substantial.

During those protracted negotiations we were unable to access ore from the preferred pits, causing us to mine from less favorable locations and treat our low-grade stockpiles as a way of keeping our operational team together. This has been at an alarmingly high cost per ounce.

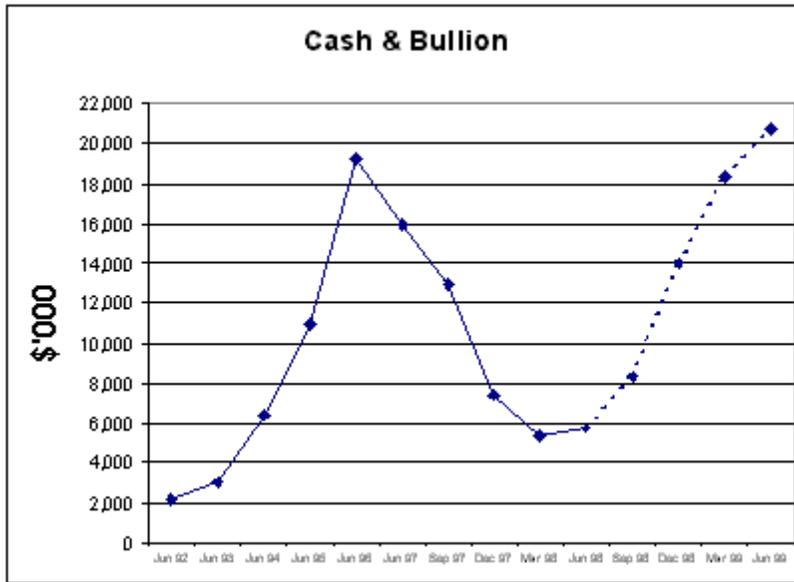
This is the end of the bad news, so let us tell you of our amended plans now that the Native Title claims have been settled.

Instead of our single treatment facility at Binduli, we have installed a primary and

secondary crushing facility there, from which the crushed product is transported 19km to Hannan South where we have installed an additional ball mill in our existing plant.

Our combined facilities are now capable of treating the harder ore currently being mined at Binduli and this will see us treating considerably higher grades.

These factors will once again return your company to profitability and the following chart shows our projected positive cash position through to June '99".



We felt that it was important to tell the shareholders exactly what happened and although Croesus will come out of this in good financial shape by mid-1999, we have still lost three years of our lives. The shareholders have been "mugged" by Native Title and the nation is now seen to have a worse 'Sovereign Risk' factor than many emerging African nations.

All this, just to give some "guilt freaks" a passing buzz of warmth. Meanwhile, Australia is \$30 billion poorer.

How do I feel about all of this, personally? It reminds me of a poem that I wrote in 1982, on an entirely different subject then, but here it is :

Have You Ever Been Shot, Right Out of the Sky?

"Skimming the sea,
Lifting for land,
Soaring the hills,

The wind is just right,
Weather's your slave,
Work is a breeze,

Years of hard work,
At last it seems
About to pay off,

Self-esteem
Ends joining together,
Building up steam,

Then BANG!
Shot out of the sky
Crashing below,

Uncomfortable landing

No broken bones
Time will heal all.

What to do next?
It needs a rethink.

Remain hidden right here,
Or fly higher next year?"

The answer is to fly higher next year!

Croesus is in great shape for this, with no debt, good cash reserves and a strong cashflow to fund our aggressive exploration effort. Combine these with the key element of success—a dynamic team of professionals to execute our objectives.

Native Title, to Croesus Mining, was a "strategic inflection point" and Andy Grove (founder of Intel Corp) in his excellent book *Only the Paranoid Survive* describes how "Strategic Inflection Points" help managers graduate into leadership roles.

Managing, especially managing through a crisis, is an extremely personal affair and Grove describes how, years ago, in a management class he attended, the instructor played a scene from the World War II movie *Twelve O'clock High*. In this movie, a new commander is called in to straighten out an unruly squadron of fliers which had become undisciplined to the point of self-destruction. On his way to take charge the new commander stops his car, steps out and smokes a cigarette, while gazing off into the distance. Then he draws one last puff, throws the cigarette down, grinds it out with his heel and turns to his driver and says, "Okay, Sergeant, let's go". Groves' instructor played this scene over and over to illustrate a superbly enacted instance of building up the determination necessary to undertake the hard, unpleasant and treacherous task of leading a group of people through an excruciatingly tough set of changes—the moment when a leader decides to go forward, no matter what.

Grove always related to this scene and empathized with that officer. Little did he know when watching that movie that he would have to go through something similar in a few years' time. But beyond experiencing this crisis personally, the incident that he describes is how he learned with every fibre of his being what a "strategic inflection point" is about and what it takes to claw your way through one, inch by excruciating inch. As he says in the book, "It takes objectivity, the willingness to act on your convictions and the passion to mobilize people into supporting those convictions."

The Australian Mining Industry

Now let's fit that relatively small Croesus company into the overall picture of the Australian mining industry, which I describe as Australia's engine of economic growth.

I know it's fashionable these days to say that Australia's future is more technology dependent than resource-dependent, but as our industry is heavily dependent on technology, advances in those areas will enable us to perform even more economic miracles in the future.

Mining is an ideal industry to study for your leadership project for at least two reasons.

First, as mineral economist Dr Ian Runge says, it involves capital investment choices :

"What style of choices are we talking about here? Obviously, capital investment decisions in business—mining, transport, utilities, or any capital intensive industry? but capital investment choices are even more important at an individual level – for family and career choices. If you choose the wrong career path and the envisaged value doesn't materialize the way you expect it to, you definitely can't get your money

or your time back.

Caution! Many models of choice used in business schools are derived from economic theory assuming consumer goods. Unlike capital goods, consumer markets seldom involve sunk costs and this makes a big difference. Naively following these models can lock in future choice in ways you would never otherwise agree to".

Second, because it is one that is built heavily on human relationships. As an example, Croesus employs about 150 contractors in addition to our 50 direct employees. That's a 3:1 ratio which blows out to 5:1 if we include suppliers and then that again blows out to 8:1 if we include back-up such as schools and hospitals and similarly related infrastructure.

So, for every one person directly employed in the mining industry it is useful to remember that another eight are being economically sustained, even people in leafy suburbia who may not be conscious of the real reason for their livelihood.

Research conducted by the University of Western Australia in 1997 shows what the WA economy would be like without the strong growth of the minerals sector (including processing) seen in the 1990s. The study involved constructing a model of the WA economy, which brings out the linkages across industries, to establish the direct and indirect contribution that the minerals sector has made to the State's growth.

The study found that WA's Gross State Product would have grown by around 2.6 per cent annually through the 1990s if there had been no minerals growth, compared with actual annual growth of around 5 per cent. That is, minerals growth contributed half of WA's growth in the first half of this decade.

The maintenance of such a performance in the uncertain global environment of the late- 1990s remains a key challenge for the leaders of government and industry. Without the minerals sector, WA would no longer outperform the rest of Australia.

On a national basis, mining and petroleum account for 31 per cent of exports for the whole of Australia and, incidentally, gold has become Australia's second-largest commodity export after coal.

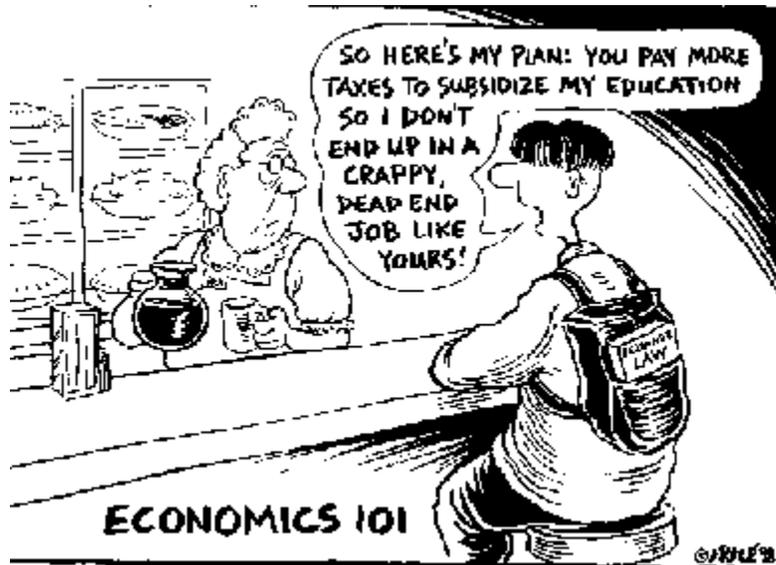
Mining and mineral exploration has been so beneficial to Australia (and to the world) that I often wonder why it is not encouraged.

Politicians from most of the indistinguishable parties see the mining and exploration industry as simply another cash cow to "milk" for some more taxes that can be spent in the leafy coastal suburbs where the voters huddle.

Should we be surprised that getting themselves re-elected rates higher in their priorities than leading our nation toward economic growth and the creation of proper jobs?

Education and Economics

Despite our education system—where we are taught that politicians can create prosperity by printing more money and that trade unions are able to raise real wages for everyone—there is only now a slow realization that Keynesian economic theories of high taxation to fund ever-increasing government expenditure have failed, but we are generally unaware of the alternatives to this cruel economic hoax that has been played on us.



Aunt Cora's Introduction To Keynesian Economics

Figure 2.

"Cruel economic hoax" is probably a mild term for policies that have seen Australia downgraded from number 1 position in 1900 to number 17 in the world chart of economically prosperous nations.

The great Austrian economists, Mises and Hayek identified economic growth as the expansion of the material means of production, being the only way to raise living standards.

In 1920 their "Austrian School of Economics" predicted the demise of Communism and Socialism and more recently predicted the outcome for the Keynesian economic hoax.

Unfortunately, most of our Australian educational system has not caught up with this and updated its syllabus.

Public Perception of Australian Mining

Meanwhile, our mining industry, like most of our primary and secondary industries has been so "politically correct" in explaining its relevance to Australia that it has the public perception of a castrated rabbit, rather than a strong ox pulling Australia into the next century.

This public perception was demonstrated in the 18-24 May 1998 edition of the New Australian (www.newaus.com.au/) when it asked why the excellent publication Access to Energy (<http://www.accesstoenergy.com/>) is not seen in every mining company's office, minesite and widely distributed to productive Australians.

"This brilliant publication has done much to expose the green nonsense and humbuggerly".

The New Australian continues:

"It says little for Australian mining executives that they have chosen to ignore this valuable source of information on green ideology and activities. But what do you expect from people who think it's clever to put greens on the payroll?"

The greens may have invented the phrase "endangered species", but 30 years ago I never would have imagined that as a member of Australia's productive mining industry I would be forced into that category myself.

There is still time in which we can re-invent our industry and splice into it some backbone that will enable us to

stand up and walk tall with pride.

As yet, there is insufficient sign of adequate people or resources being gathered together to achieve this transformation.

The prevailing philosophy is simply to "pay your taxes like good little citizens".

Until recently I was optimistic as there were many other countries competing for our exploration dollars. This established more competitive environments in which to operate.

The recent events in what has been termed the "Asian meltdown" has meant that a lot of Australian companies have been detrimentally affected by external events.

Impediments to exploration and mining in Australia still persist. So instead of returning home, this will force us further afield into high-risk areas.

All because our requests for a reasonable set of rules in Australia have gone unheeded.

With a stronger voice and some leadership we wouldn't be "asking". We would be influencing the broader community on the mutual benefits of mining and we would be "demanding" a "rule of law" where Australia's mineral treasure chest could be unlocked and put to work for the benefit of every Australian. We would not give way to pressure groups.

Now what can we do to remedy this current public perception, or lack of perception, of our mining industry?

This is not an easy challenge, otherwise it would have been done already.

Here we have an industry that is virtually invisible and I'm asking you to acknowledge the importance of something that you can't even see.

One of the new Directors of Perth's airports said to me the other day "Anyone arriving at our airports in Perth would have no idea just how important mining is to the nation as you have nothing to show them".

Engineers have bridges to show, architects have buildings to show, but unless people are prepared to travel to remote sites and rub shoulders with our present-day pioneers, we have no focal point or no generator of images that depicts the contribution of mining to our nation's past, present and future.

Our industry admits that we have been negligent in establishing "points of focus", and many of us are only now realizing the importance of our mining heritage and the levels of technical expertise that we have developed in Australia.

The massive mining service sector that has built up in Western Australia (and in Kalgoorlie in particular), sees people flying out every day to all parts of the world to service mining projects, to drill holes, to design pits, to find minerals, to find water and to fly airborne surveys, and every other aspect of minerals discovery and productivity.

We are now one of the world's leaders in technology and expertise and our skills are exported all over the globe. It is an achievement of which we can be justifiably proud.

Many newcomers to Australia appear to have more perception of the Australian exploration, mining and service industry and its unique mobility, but I feel that its success rests heavily on our country's mining heritage.

Leon Davis, the Australian-born CEO of Rio Tinto, now based in London, commented at the Kalgoorlie School of Mines graduation ceremony recently "We Australians have a great future within our grasp. But we must realise that our future can only be great if we fully understand our past. There is much in our past that we should be, and are, proud of."

Our industry is now heavily supporting the Australian Prospectors and Miners Hall of Fame, (<http://www.apmhof.com.au>) a \$21 million project based in Kalgoorlie, scheduled for opening in 2001.

This Hall of Fame, although based in Kalgoorlie, will be vigorously promoting the industry, and aspects of leadership, to an international audience. Any of you who have viewed the internet sites of the Australian War Memorial or the Canadian Miners Hall of Fame will be aware of how simply anyone can now be electronically transported into the "front line".

Prospectors and miners have played an integral part in Australia's development as an advanced and prosperous economy. Their ingenuity, dogged determination and colorful personalities have helped shape the character and spirit of the nation.

We need to tell the story of so many of these people as a way of explaining what it is to be an Australian.

All Australians owe a tremendous debt of gratitude to those whom our Hall of Fame is designed to recognize and acknowledge. This goes beyond the well-known names of prospecting and mining. It extends to the unknown foot-soldiers of our industry.

We see this Australian Prospectors and Miners Hall of Fame as a living tool in a vision for a better future for Australia.

I admit that other industries are leading us in the field of public perception so we have to work hard at it while we are still in 'catch-up' mode. This is all part of our mining industry's own "leadership project".

And that of course is not enough. Our industry leaders will have to come out from hiding and follow in the tradition of Essington-Lewis, W.S. Robinson and Sir Arvi Parbo — all of whom taught us to say it as it really is.

Now Let's Look at Australia

I hope that you agree with me that a healthy dose of encouragement for exploration, mining and resource development in the form of removing existing impediments would work wonders for our economy and living standards.

So what's the problem and where is our political leadership?

Without change we will get more of the same, which results in the following press headlines.

"WA Leads Fall In Mineral Exploration Spending"

Kalgoorlie Miner June 27 1998

"Australia To Fall Behind on Growth Front"

Australian Financial Review May 18 1998

"Mining Firms Set For Big Push In Latin America"

Kalgoorlie Miner May 13 1998

"....The slashing and burning is frightening he says. Exploration divisions are being wiped out. We are going to see geologists driving Perth taxis again, as we did after the collapse of the Poseidon boom in the 1970's.....".

**Ross Louthean in
Australian Financial Review July 1 1998**

It all gets down to votes and until the recent "Hanson Earthquake" in Queensland politicians firmly believed that there were no voters outside the metropolitan areas.

It is now going to take inspirational political leadership to execute change and reforms in Australia, otherwise any partly-executed reforms will stall and then we will be run over by the steamroller called international competition.

I understand that the phrase "a window of opportunity" was originally used by the former UK PM, Harold Macmillan. He used it to explain the opportunity for major reforms flowing from periods of systems failure.

Australia at the moment is at one such "window" where we are surrounded by systems failure, both here and in neighboring countries where there has been too much government involvement, at every level. The usual effects of high government intervention include job-destruction.

Already we are being confronted with a vigorous debate between groups who argue for more government involvement, tariff protection, and subsidies to special interest groups i.e., more of exactly what caused the problem, and those who are arguing for less government involvement, a freer economy, economic rationalism and the ability for each of us to adapt and survive.

Perhaps more than at any time in the past, our nation cries out for responsible leadership at all levels. Even at the personal level we each have a part to play in getting either more or less government. Our nation's future depends largely on the outcome of this debate, but it is helpful if we reduce this issue to first principles.

There is so much currently being written about the Asian economic crisis and how Australia fits into this fast moving situation, that one could be excused for thinking that it is too complex for mere mortals such as ourselves to participate in this debate.

G K Chesterton once wrote "Life is always horribly complicated.....for someone without principles".

It seems to me that we should simplify this issue, and perhaps life itself, by observing first principles.

One of my favorite economists, Milton Friedman (the 1976 Nobel Laureate in economics), is very good at reducing things to first principles and I can recall his reply to a question about the cause of unemployment.

He said "If you tax people who work, and pay people who don't work, you get unemployment".

There is no mystery about why there is unemployment in Australia.

Like most employers, I enjoy employing people but I find that their joint-venture partner (the government) is a heavy on-cost that limits my ability to employ as many people as I would like.

For example, if it costs me \$60,000 per year to employ you, you work hard and receive \$38,000. Your joint-venture partner, the government, contributes very little and walks away with \$22,000. Now that's a bad deal for employers, employees and Australia.

As an additional disincentive for me to employ anyone, I also get fined in the form of "Payroll Tax" for providing that job.

In addition to these disincentives to employment-creation, the myriad of industrial relations laws cause employers "to view every new employee as a ticking time-bomb with the potential to bankrupt them."

There is only one winner in this nightmare and that is the parasite economy; the vast hordes of political middlemen.

We all know that very little (I suggest approximately 12 per cent) of tax money ever gets through to the worthy causes that we are told deserves these billions of tax dollars. One can't help being curious as to why this fraud is permitted to continue.

There is a high level of distrust of government in Australia and it was exhibited at the 1998 Constitutional Convention in Canberra. But is not confined to Australia — as is witnessed in a new book called "Why People Don't Trust Government" (Harvard University Press 1998). It was reviewed in the following terms: "This timely book carefully diagnoses the causes and consequences of eroding trust in government and it stimulates and prepares readers to think seriously about the proper role of government. This book is an exploration of a disturbing phenomenon; a persistent, long-term decline in people's confidence in government".

This new book, along with the many magazine articles, (e.g. The Australian article "Young Swingers", 3/7/98), talk-back shows and economic lectures are now identifying the most likely causes of this decline and formulating a strong agenda for future research. For those seeking to adapt our governmental institutions to a third industrial revolution, as we must, I hope that all Australians will be sceptical whenever they hear governments speak of "tax reform" (shuffling around these taxes so they fall heaviest on those with less votes), without reference to the necessary other half of the equation — which is a reduction in government spending.

There is only one tax on the people, and that is government spending.

On Australia's present course, government spending never decreases. The rate of growth varies but it never decreases, and it will not without governments who are more accountable to the people.

There are many safeguards that devolve power back to the people. Let me mention a simple one called Term Limitations for all elected officials.

This increases the emphasis on governing (they only have limited time, so they get on with it) and reduces the emphasis on getting re-elected.

The President of Switzerland only has one term and he gets on with it. He has no advertising budget to secure his re-election.

Re-election campaigns are expensive. In 1990, it was shown that, on average, US Senators had to raise US\$5,000 per week for their re-election campaign. That started the very week of their original election and continued for every week they were in power. Where do you think that money comes from?

With Term Limitations, politicians, after having served their electorate, their State and their country should have no hesitation to go back to their careers as private citizens....

Benjamin Franklin once said

"In free governments, the rulers are the servants, and the people their superiors.

...For the politicians to return among the people, does not degrade them, but promotes them".

Although it is acknowledged that a great number of political scientists and government advisers and politicians violently oppose Term Limits—it is easy to see why.

The livelihoods of many of these political scientists and advisers rely heavily on giving advice to incumbents on how best they should go about being re-elected. They are, of course, threatened by Term Limits—and so they should be.

Those in favor of Term Limits, on the other hand, seek to promote competitive elections, to enhance political representation, to encourage responsiveness to political problems, to curtail the unbridled growth of government, and to open up the political system to a multitude of new participants.

I am unmoved by the political advisers' concern that Term Limits would squander quality leadership by forcing elected officials out of office whether they were effective leaders or not, and quickly use up our supply of able leaders. I am not convinced that quality leadership is in short supply or that career politicians are necessarily

quality leaders.

An informed observer of the political process, Daniel Boorstin, (the retired librarian of US Congress) commented "the representatives of the people...must be wary of becoming professional politicians. The more complex and gigantic our government, the more essential that the layman's point of view has eloquent voices... We must find ways of helping our representatives preserve their amateur spirit".

The political pot would certainly be stirred by the imposition of term limits and naturally very few politicians, or their advisers, would be in favor of it. But, because of their conflict of interest and pecuniary interest, they certainly should not have a vote in the matter.

In the run-up to the Centenary of Federation, public input is being sought, both in the Federal and State spheres, on constitutional change. They invite your involvement and input to the State Organisation (The WA Constitutional Forums and Peoples Convention, 197 St George's Terrace, Perth. Phone 9222 9523 fax 9222 9509). I personally invite you to write, simply stating in your own words, that:

"I endorse the inclusion of Term Limits (one term or maximum of two in office) to be included in our Western Australian Constitution as a way of encouraging competition from a wider range of candidates, who would, under those circumstances, be able to serve their electorate, and their State, for that required period. And further, by co-operation with other Australian States, for Western Australia to work toward including similar Term Limits in the Federal Constitution."

Only do that if you feel strongly enough about getting involved, and if you feel that this step is part of the solution.

One aspect of leadership is about being part of the Libertarian vision where individuals are more responsible.

We Won't Always Find Leadership Where We Expect It

Earlier, I promised to explain why we shouldn't expect to find leadership in the most expected places.

In Politics

Mark Tredinnick, Teacher in Leadership at the Department of Government at the University Sydney, explains:

"Leadership does not have to come from the people we put in positions in power, of course, although we do tend to look for it there".

"Leadership is not politics, and it is not management. Those are arts of the possible. They entail compromise, they produce outcomes from limited resources and a contest of interests. Leadership is about allowing the enterprise, or the nation to understand itself, and to make itself new. It requires patience and imagination".

In his inaugural address in January 1, 1990, the first President of the Czech Republic, Vaclav Havel, called on his country to move beyond politics and the art of survival. He called on the nation to thrive, by taking possession of its past failings, imagining a new nation and "improving ourselves and our world". This he called the art of the impossible, not because it truly is impossible, but to make it clear that leadership is the very opposite of politics.

That's why we shouldn't expect too much leadership from politics.

There is as much difference between leadership and politics as there is between teaching and training and as there is between leadership and management, and I don't think we are doing enough to separate the two.

Having said this, I wouldn't like you to think that I'm saying that there are no leaders in politics.

Two examples that come to mind are Margaret Thatcher and Ronald Reagan. They are two leaders that made a

difference.

In 1996 it was my pleasure to be part of the Foundation for Economic Education's team which hosted Lady Thatcher at a dinner in New York to mark the Foundation's 25th Anniversary.

The ageless (at the time, in her 71st year) Lady Thatcher came directly from her London flight to the pre-dinner reception and she was about the last to leave.

Among her achievements are the actions she took to bring about the "second industrial revolution" in the United Kingdom. Their continuing prosperity is a tribute to her vision.

It takes courage to be a leader and Lady Thatcher puts it this way :

"Of the four cardinal virtues – courage, temperance, justice, and prudence, it is the last; prudence, that the ancient philosophers traditionally placed at the moral apex. They did so because they understood, quite rightly, that without that practical, seemingly rather dull virtue, none of the others could be correctly applied. You have to know when and how to be brave, or self-controlled or fair-minded, in particular situations. Prudence, or what I would prefer to call a good, hearty helping of common sense, shows the way. But in my political lifetime I believe that it is fortitude or Courage that we've most needed and often, I fear, most lacked."

***"In my political lifetime I believe that it is fortitude or Courage that we've most needed and often, I fear, most lacked."
Baroness Margaret Thatcher.***

It often takes a leader to recognise a Leader and Lady Thatcher speaks of Ronald Reagan in the following words :

"Today we are particularly conscious of the courage of Ronald Reagan. It was easy for his contemporaries to ignore it. He always seemed so calm and relaxed, with natural charm, unstudied self-assurance, and unquenchable good humor. He was always ready with just the right quip, often self-deprecatory, though with a serious purpose, so as to lighten the darkest moments and give all around him heart. The excellent recent study by Dinesh D'Souza refreshed my memory about some of these occasions and told me of others which I didn't previously know.

Right from the beginning, Ronald Reagan set out to challenge everything that the liberal political elite of America accepted and sought to propagate. They believed that America was doomed to decline: He believed it was destined for further greatness. They imagined that sooner or later there would be convergence between the free Western system and the socialist Eastern system, and that some kind of social democratic outcome was inevitable. He, by contrast, considered that socialism was a patent failure which should be cast onto the trash heap of history. They thought that the problem with America was the American people, though they didn't quite put it like that. He thought that the problem with America was the American government, and he did put it just like that.

The political elite were prepared to kowtow to the counterculture that grew up on American campuses, fed by a mixture of high-brow dogma and low-brow self-indulgence. Governor Reagan would have none of it and expressed his disdain in his own inimitable fashion. On one occasion students, chanting outside the Governor's limousine, held up a placard bearing the modest inscription, "We Are the Future". The Governor scribbled down his reply and held it up to the car window. It read: "I'll sell my US bonds".

In those days of course, there were not many people buying bonds in Ronald Reagan. But from the very first time I met him I felt that I had to invest. I was leader of the Opposition, one of the most tricky posts in British politics, when Governor Reagan

paid me a visit. The impression is still vivid in my mind: not so vivid that I can remember exactly what he said, only the clarity with which he set forth his beliefs and the way he put large truths and complex ideas into simple language.

As soon as I met Governor Reagan, I knew that we were of like mind, and manifestly so did he. We shared a rather unusual philosophy, and we shared something else rather unusual as well. We were in politics because we wanted to put our philosophy into practice...

Ronald Reagan has changed America and the world, but the changes he made were to restore historic conservative values, not to impose artificially constructed ones. Take his economic policy, for example. It was certainly a very radical thing to do when he removed regulations and cut taxes and left the Fed to squeeze out inflation by monetary means. Supply side economics, Reaganomics, Voodoo economics, all of these descriptions and mis-descriptions testified to the perception of what was proposed as something outlandish. But it really wasn't, and Ronald Reagan knew it wasn't".¹²

Both Thatcher and Reagan were "visionaries" in the true sense of recognizing the vision of what individuals can do for themselves if the government gets off their backs.

Unfortunately, the term "visionary" is often misused by politicians to mean a self-serving person who supports grand, tax-payer funded development projects, especially those designed to remake the lives and living environments of people who would rather be left alone.

Regrettably, many politicians are firmly committed to the old saying that "The end justifies the means".

Professor F. A. Hayek deals with them in his book *The Road to Serfdom* and he uses the word "collectivism" as being interchangeable with "socialism".

"The principle that the end justifies the means is in individualist ethics regarded as the denial of all morals. In collectivist ethics it becomes necessarily the supreme rule: there is literally nothing which the consistent collectivist must not be prepared to do if it serves 'the good of the whole' because the 'good of the whole' is to him the only criterion of what ought to be done".

In Business

Why we shouldn't expect too much leadership from the business community was clearly explained in one of the most influential books of this century which was published 40 years ago.

Atlas Shrugged by Ayn Rand was a massive best-seller that continues to sell hundreds of thousands of copies yearly. Always popular on college campuses (among students, not faculty), "Atlas" sparked the origins of the modern libertarian movements around the world. Its enduring influence was marked by a major conference in Washington last year to evaluate the outcome of the philosophies developed in that book.

To observers of events, the general outline of Miss Rand's novel is familiar even to those who never read it. It is the story of how government harassed and persecuted the industrialists and businessmen in the name of "equality and justice of the oppressed". As the weight of government grew, the businessmen began producing less and less, leading to impoverishment for the whole society. Finally, the businessmen, under the leadership of John Galt, the lead character in "Atlas", revolt and overthrow the government's shackles, bringing forth a new era of economic freedom and prosperity.

One of the interesting things about "Atlas" is that although Miss Rand viewed the businessmen, the producers and the entrepreneurs as heroes, she had nothing but contempt for their timidity and unwillingness to defend

themselves against the relentless onslaught of the collectivists and statist. This was endemic to their nature, she believed, and she was right. The business class can never and will never be a bulwark against socialism. Indeed, as Lenin once noted, businessmen all too often will sell their enemies the very rope with which they are to be hanged.

Capitalism is the source of all wealth, in Miss Rand's view, but her support for unfettered capitalism went far beyond mere efficiency and utilitarianism. To Ayn Rand capitalism is the only morally and ethically correct economic system because it is based on voluntary exchange and not coercion. Therefore, it is the responsibility of everyone, not just the businessman, to support and defend capitalism. Indeed, it is a moral imperative.

One is still taken aback by this unabashed, unapologetic and enthusiastic support for capitalism. But it was even more remarkable when "Atlas" was published in 1957. Capitalism's defenders were few and far between, limited to little-known economists like Mises and Hayek. The governments of the world were nationalising industries left and right, labor unions were at the pinnacle of their power, the success of Sputnik gave communism enormous worldwide respect, and enterprise was just about the dirtiest of all words.

A generation later, communism is kaput, privatisation has replaced nationalisation almost everywhere; and the power of the labor unions is but a shadow of what it once was. Today, there are well-financed, increasingly influential think-tanks dedicated to supporting and defending capitalism and economic freedom.

But it is Ayn Rand who has had the enduring influence, if only indirectly. She invigorated the libertarian movement more than any other writer or thinker in history, inspiring and motivating virtually everyone who has ever identified himself or herself as a libertarian. But, most importantly, Ayn Rand established the moral foundation of capitalism for the first time. Impressive accomplishments for a mere novelist and making her, in my view, a leader.

My Personal View on Leadership

I've read most of the standard definitions on leadership and whilst agreeing with many of them, I've been fascinated at the wide spectrum of styles of physical and intellectual leadership that I admire.

They range from Lao-Tzu, the sixth Century Chinese Philosopher, who said:

"A leader is best when people barely know he exists, not so good when people obey and acclaim him, worse when they despise him. But of a good leader, who talks little, when his work is done, his aim fulfilled, they will say: We did it ourselves".

to Henry David Thoreau who said :

"It is the marriage of the soul with nature that makes the intellect fruitful".

It was Thoreau who in turn greatly influenced the thought processes of Mahatma Gandhi, that quiet man who taught the world that ideas could be more powerful than weapons. That passive resistance could defeat violence. With his different thinking alone, Gandhi forever changed the course of human interaction.

In my personal view, my leaders are people who have influenced me to the point of making a change in my life or my behavior patterns.

It's an interesting experiment, sorting through all the people for inclusion in that category. I find that there were literally hundreds of people from whom I have learnt something, but very few who have actually modified or shaped my behavior or thinking.

So few in fact, that I could count them on my fingers. It goes beyond the natural influence of your parents or your environment.

Perhaps the one person who influenced me the most was Leonard E. Read.

As background, in the mid-1940s Read had built-up the Los Angeles Chamber of Commerce to be the largest municipal business organisation in the world and he was influenced toward a libertarian, free-market way of thinking by an influential Chamber member, Bill Mullendore, the head of the Southern California Edison Corporation. (Mullendore, incidentally, had previously been President Herbert Hoover's Executive Secretary.)

Read then took the bold step of moving to New York State where he set up the Foundation for Economic Education in 1946 and that became the first free-market think-tank, on which many hundreds have since been modelled.

Through my involvement with Read, I've become a representative for the Foundation for Economic Education in Australia and this has developed into establishing my own Mannkal Economic Education Foundation based in West Perth and structured to have a life of its own; to outlive me.

Leonard Read sprang it on me one day to give a lunchtime talk to a group of his associates in New York in 1982, to explain how I first became involved with his Foundation, thirty years earlier; in 1952.

To me it seemed simple enough, but they were fascinated to hear how a 16-year old, working after school in his father's mining engineering supply business, used to open big pine cases of Timken roller-bearings that we imported from Canton, Ohio, USA.

The packing in the boxes included colored comic-strips (our Australian comic-strips in the 50s were all black-and-white) together with crumpled literature from the Foundation For Economic Education. Timken had been a supporter of that Foundation and I can still remember the circulation list affixed to the front of the papers bearing all their senior staff's initials and then directing its way down to the packing department.

This crumpled wisdom covered topics such as business ethics, the moral foundations for capitalism, the concepts of limited government and increased individual responsibility.

I enjoyed the message and used some of it several years later when I was the editor for the Kalgoorlie School of Mines magazine—and did that bring the house down!

Kalgoorlie was pretty much a union-based town in those days and wasn't ready for this kind of wisdom.

I still felt that I was on the right track but I needed a little more information so that I could defend myself and these views.

Several times I wrote material and submitted it for publication in their Freeman magazine (not quite as modern and colorful as their current publication).

They never published anything, but one day I received a letter from their President, Leonard E. Read explaining why.

He politely explained that I may be a little too pushy and in his own quiet words "You only have a licence to change yourself, not others. All you can do is to bring an idea to the threshold of someone's consciousness, and then it is up to them to accept it or reject that idea after due consideration. If they then accept that idea, it will be with them for life".

On another occasion he explained, again in his own words :

"As one acquires an awareness of how little he knows, humility replaces arrogance; this tends to improve a person's nature and sense of humor".

Not earth-shattering stuff, but I never forgot his quiet reasoning and it has modified my approach.

It's also helped my strike rate for having articles published.

I would like to tell you more about this remarkable man Leonard Read and how he worked in conjunction with economists, Mises and Hayek and how his philosopher friend, Professor John Hospers, cropped up in my life later in 1961 when I did an external unit in philosophy at UWA. We worked from Hospers' text book, little knowing that I'd later meet and become friendly with Hospers as I have with many of the other "larger than life" characters that Read gathered together.

So what did Leonard do to make him a leader to me?

He simply took the time to write me a letter.

As it has been said, the great dividing line between success and failure can be expressed in five words "I did not have time", but in Read's case he did take the time.

Read's colleagues enjoyed my story of "opening up old boxes" and they were encouraged that their material, after doing the rounds of all the executives and being reduced to rubbish, could later be recycled on the other side of the world. It proved to them that their ideas had consequences.

More consequences to me I suspect, than to them.

Another parallel story would be how Professor Hayek's writings so profoundly influenced Tom Peters way of thinking about management and the use of knowledge (refer page 497 and onward in Peters' book Liberation Management, and Hayek's own published paper The Use Of Knowledge In Society).

Relating the importance of knowledge to our mining and exploration industry, I recently heard an exploration manager say, "If you don't want anyone to find something, don't give them any information".

In this investigation of what type of leaders I admire, I find that I can only admire leaders who have managed to fully integrate their ethics totally throughout their business, personal and family lives and dealings.

Living a double set of standards only brings people undone, as we have witnessed with our crop of failed leaders of the 80s now spending time in jail.

I can't believe that these same people would have treated their friends and families as badly as they treated their electors or their shareholders, and how they managed to shrug it all off by simply saying "politics is politics" or "business is business".

What people like this have achieved is to create a greater challenge for us in restoring the image of our own society.

Incidentally, I have a confession to make. Today's publication of Perth Weekly reveals this photograph of me "arm wrestling" with Prime Minister John Howard over whether Australia's taxpayers should contribute either \$5M or \$10M (via the Centenary of Federation Fund) to our Australian Miners and Prospectors Hall of Fame.

Is this an example of a businessman seeking "corporate welfare" from the long-suffering taxpayers?

It certainly is an example of the conflicts of interest that businessmen have when we wear "different hats".

It also raises the moral dilemma of whether taxpayers should be contributing to heritage projects.

Those of us organizing this Australian Prospectors and Miners Hall of Fame feel that the project is philosophically aligned with the Australian War Memorial as it also recognizes those who have gone before us, those who have taken risks and made sacrifices—in short, those who have "shaken the boughs of the tree so that we can come behind and gather the fruit".

Perhaps not all Australians feel this way, but it is an issue for your consideration while we are discussing leadership.

Flowing from my personal view of leadership, I tend to use the same definitions again in measuring leadership in industry or politics. Did they make a difference? Or were they just good technicians?

Two leaders and heroes of the 19th Century, were Cobden and Bright. You might say who the hell were they? Why are we not taught about them in our schools?

Richard Cobden and John Bright were two small businessmen who led England, devastated by depression, to try out freedom of trade.

"Come with Me", said Richard Cobden, as he saw John Bright turning heart-stricken, from a newly-made 19th Century grave in England. "There are women and children dying with hunger made by the laws. Come with me and we will not rest until we repeal those laws".

These two great fighters for economic freedom triumphed on June 6, 1846, when the British Parliament finally, and decisively, abandoned protection. To prevail, they had to overcome what Churchill later called the most powerful monopolists in the world.

When all else fails, politicians will resort to freedom.

This free trade triumph sent the world forward to pinnacles of achievement that Cobden and Bright could never have imagined. For a 60-year period, England set the world an example.

A most interested and involved observer of all this was the French economist and statesman, Frederic Bastiat. Bastiat's writings linked with the guiding hand of F A Hayek inspired Margaret Thatcher to bring about the "Second Industrial Revolution".

Conclusion

So where does all this discussion lead us? I mentioned earlier the poet, Robert Frost, finding two roads and deciding which to travel.

I think we took the long road, but for no other reason than the fact that leadership is such a enormous subject.

We talk about it and we think about it, but do we do it?

I have found it a little awkward to talk so much in the first person. I usually talk about "we", "us" and the "team", as that is how we have structured our companies and Economic Foundation, but you specifically asked me for my personal view.

I've bared my soul to you and explained my concerns and explained what I'm doing about them. To restate this more concisely, my concern is that though we are among the most literate of nations, our education system has failed to educate citizens in basic economic reasoning. Because our people are largely ignorant of how our economic system works, they fail to connect their affluence with the way in which that system is organised. Lacking a solid understanding of economic principles, many Australians have not been able to grasp the total impact of incremental changes that have given government an ever-increasing role in economic affairs.

Our Responsibility

Until voters and, especially, opinion-makers and policy-makers understand how an economic system works, until they see the connection between the system's organisation and individual welfare, and until they understand that the strength and vitality of our economy depend so importantly upon individual freedom, the free enterprise system will remain in jeopardy. In other words, the long-run viability of our enterprise system depends critically upon the economic literacy of its members. To reverse the trend toward greater governmental control over our lives, intensification of efforts to promote economic literacy must be our pre-eminent objective. Responsibility for action rests with those who perceive the benefits of the enterprise system and who see clearly the threat to individual freedom resulting from erosion of public confidence in the system.

That's where I stand.

Fortunately we are all different. You all have one thing in common. You are leaders in your respective fields.

I've explained why we won't find leadership where we expect it, so it really leaves that challenge with you; to bring about change for the better within your chosen fields.

Tonight I have tried to communicate the direction I intend to follow. I have a passionate belief in the power of the ideas of liberty. If I fail, it will be my failure, not that of the ideas, but I have made my commitment.

Now to close, let me ask you if you have integrated your own philosophies and ethics throughout your business and personal life and if so, what road have you chosen in which to pursue your leadership roles?

It is a very personal decision; so I leave that one with you.

* * * * *

NOTES

Former WA Premier Peter Dowding at the official opening of the \$40M Kaltails project in Kalgoorlie (refer attached *Kalgoorlie Miner* front page Aug 26 1989).

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