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**TITLE: Time for innovation is now**

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While capitalism was built on the notion that new companies and industries would destroy old ones, the modern version of capitalism is far more clubby, far more polite and far less innovative. Innovative branding and marketing strategies are okay, but it seems the emergence of whole new industries would be going a bit too far.

In the 19th century one of the most traded commodities in the world was ice. Blocks of ice cut near the Arctic Circle were transported across the globe in insulated ships. The invention of the refrigerator devastated the ice industry, along with the individuals and regions that depended on it.

The horse industry was big business until the invention of the internal combustion engine. In the US the horse industry used a wide range of arguments in its lobbying against the use of passenger vehicles, even suggesting that cars should be banned because petrol may be used by terrorists. Seriously.

The whaling industry, the asbestos industry and the cigarette advertising industry were, once upon a time, all major employers in Australia. They aren't now, but whale watching, asbestos removal and treating and preventing lung cancer are.

The introduction of a carbon price was meant to drive innovation and structural change, not just in the industries that generate electricity but in the industries that use it. It was supposed to be disruptive and drive industry to do more with less. Ironically, business groups worked together to argue against the carbon price on the basis that it might work as designed.

Australia uses more energy to make one dollar's worth of GDP than almost any other country in the world. Our profligacy when it comes to energy use creates enormous scope for the pursuit of energy efficiency. If you substitute the word 'labour' for the word 'energy' in the previous sentence, the business community would be up in arms. But because it is

energy we are wasting, rather than employees' time and employers' money, our captains of industry seem largely unconcerned.

#### FOCUS ON 'CHEAP' ENERGY

Rather than addressing the fact that we use energy inefficiently, business and political leaders continue to focus on the need for 'cheap' energy. Few realise that reducing energy use would be a better way to increase competitiveness.

Economics 101 tells us that when something is priced below its cost of production, too much of it will be consumed. Not only does the current price of coal-fired electricity ignore the damage it does to our climate, but the cost of producing coal is artificially deflated by billions of dollars worth of concessions, subsidies and infrastructure provided by the taxpayer each year.

Removing these subsidies and retaining the carbon price would drive innovation and productivity growth in the major energy producing and consuming parts of the economy. If our captains of industry were serious about the long term performance of the economy, they would be demanding such changes themselves.

But our business leaders aren't serious about innovation, either in the economy or their own lobbying agenda. Having spent 30 years calling for smaller government, lower taxes and lower wages, it seems they are unlikely to call for anything new soon. Their list of 'key policy reforms' is as old as the industries they seek to protect.

Whether David Jones and Myer like it or not, the internet is not going away. Similarly, the free-to-air and pay TV industries can thunder away about the 'damage' being done by downloading content but, no matter how loud they squeal, the fact remains that their industry is due for a shake-up.

And no matter how deep our business and political leaders bury their heads in our coalmines, the world will eventually either tackle climate change or pay the price for failing to do so.

Whether it is Japan and Korea buying far less coal from us, or our climate changing so much that we can't reliably export wheat and sheep, the Australian economy is going to change dramatically in the coming decades.

If our business leaders were at all interested in innovation and productivity, they would be leading the debate about climate change, not hiding behind the need for more industrial relations reform.

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