

**ROADS TO  
RUIN, PATHWAYS  
TO PROSPERITY**

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# ROADS TO RUIN, PATHWAYS TO PROSPERITY

Adelaide Festival of Ideas

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We carry on Don's legacy of progressive social reform through public events, collaborative projects, creating new ventures, and research projects.

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# ROADS TO RUIN, PATHWAYS TO PROSPERITY

Can I begin by saying thank you to Phillip Adams for your little wireless program, the columns, the iconic films and for being such a wise and good-humored bloke. Can I also take this opportunity to honor another towering figure in Australian intellectual life, the great historian and social scientist, the late Hugh Stretton. Finally, thank you to the FOI team for inviting me to speak today.

As you age you become aware of patterns. History seems to repeat itself and memories of the causes of past failures fade with time. Stubbornly held dogmatic views, self-interest and greed can take us down roads to ruin.

Well-travelled roads to ruin have brought us three major global economic crises in the last 3 decades. Each crisis is a reminder of how ineffectual efforts to curb the rapaciousness of the global banking and finance sector have been. The economic carnage and hardship generated by the GFC in the US and Europe has left deep scars, painful scars – chronic unemployment

and underemployment persists in many communities. The GFC was made worse in many parts of the world by the imposition of austerity policies, inflicting suffering upon suffering. Harsh austerity programs have starved individuals and communities of the public investment they need to recover from financial crises.

We were much more fortunate in Australia. It was no accident that Australia avoided being plunged into recession by the Global Financial Crisis. Early and substantial intervention by the Rudd Government played a critical role in helping to sustain confidence in the banking and financial sector and bolster consumer and industry confidence. The Stimulus Package did what it needed to do – fill the investment gap created by the GFC. Without it we would have seen unemployment rise well above 8 percent nationally and close to 10 percent here in South Australia. We know from this and from our long history of dealing with global economic crises that Australia must be willing to intervene with substantial

stimulus rather than austerity measures if we are to avoid fanning the fires of recession.

While the Rudd Government implemented one of the most successful stimulus packages in recent history, leadership division within Labor, inflicted mortal political wounds. This was enough to ensure victory for Tony Abbott and the Coalition in 2013. The 2014 Federal Budget that followed, was a truly austere one. It was much like those imposed on communities in Europe in the wake of the GFC. For those with long memories, the policy prescriptions laid out by the Coalition in 2014 were familiar ones. They harked back to the 1980s, to John Hewson's Fightback Package and the numerous State based Audit Commissions that laid out detailed neo-liberal economic restructuring programs. Inspired by Thatcherism these were radical attempts to dismantle Australia's social democratic legacy.

Reflecting back on this time, even the staunchest advocates of systematic privatisation and outsourcing are now struggling to point to the benefits of it. Privatisation of South Australia's electricity industry was heralded as a driver of greater efficiency and lower cost. It along with the National Electricity Market within which it operates has been a monumental policy failure – a road to ruin.

The privatisation juggernaut rolls on, propelled by yet another dogmatic report by the Productivity Commission. The target this time is services rather

than assets – public hospital services, social housing, specialist palliative care and human services in remote indigenous communities. This general approach is well advanced in Britain and is being implemented in very subtle and seductive ways in Australia. New financing mechanisms are bypassing and replacing established public sector providers and NGOs by directing funding to consumers. As alluring as the rhetoric of consumer empowerment surrounding this might seem, it amounts to a voucher system and voucher systems amount to privatisation. They lead to a deterioration in service quality and choice and depress wages and conditions in the sectors affected. This is a road to ruin.

There are roads to ruin and some roads that are just too risky to contemplate going down. One of these is nuclear waste storage. A long held view is that nations should take responsibility for their own radioactive waste. This moral position imposes important disciplines on how radioactive material is managed and stored.

The prospect of great riches and jobs flowing from becoming a storehouse for radioactive material is seductive at a time when job losses in the automotive, mining and steel industries loom large. We must guard against seeing the Royal Commission's findings as the foundation for some kind of nuclear Eldorado. The economic assumptions made by the Royal Commission trade



off risk for economic benefit in an unacceptable way. For example the proposal involves above ground storage of waste as a means of generating a revenue stream to fund the costs of the proposed underground facility. This exposes communities to unacceptable risk. Desperate times must not give way to desperate measures. We will feel prouder as a community if we invest in the development of other ventures like solar thermal energy generation facilities, hybrid generation and advanced battery storage technologies.

While there is an urgent need to accelerate the growth of knowledge intensive industries in South Australia over the medium term we must put in place sufficient short-term measures to generate jobs for those who desperately need them now and over the next few years. Fortunately there is an appreciation of the need for this within the State Government.

We have a crisis on our hands. Full-time employment for males in South Australia is in recession. The main drivers of this have been the impact of the high exchange rate on the competitiveness of our manufacturing sector – a function of the mining boom. This along with the cavalier attitude of the Abbott Federal Government led to the closure of our automotive industry – an industrial calamity that could have been prevented by a more judicious national response. While we can't prevent the auto closure we can prevent it plunging thousands of South Australians into unemployment, underemployment and hardship.



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The impact of the closure on South Australia continues to be underestimated. While some excellent strategies have been put in place to support workers and companies, we don't yet have a strategy to fill the \$2-3 billion per annum investment hole created by the closure. While some progress has been made towards this, it is not enough to prevent unemployment rising sharply, particularly male unemployment. Here's why. While total employment in South Australia is growing it masks a number of problems – much of the growth is in part-time and casual employment and around a third of those working under these circumstances would prefer to work more hours. High levels of labour underutilisation is a problem that both women and men face. With the closure of the auto manufacturing industry next year, this is set to get much worse for men in particular.

Male full-time employment has collapsed in South Australia, largely as consequence of manufacturing, mining and construction jobs losses. It is set to get

much worse if we don't boost investment in job rich projects very soon. South Australia is likely to go into 2017 with a male unemployment rate of around 7 percent and male full-time employment growth in reverse. This is a diabolical combination. After peaking at around 365,000 in 2008, total male full-time employment is now around 336,000. It threatens to get much lower. During the 1990s recession it bottomed out at around 313,000.

So with male full-time employment in reverse and sustained losses in manufacturing, job prospects for men with a background in the automotive industry are deteriorating. Most of the alternative jobs that are available are part-time and concentrated in sectors like health and aged care. This is not an easy transition to make if your life has been spent working in manufacturing or construction. While successful transitions are being made, this often requires significant re-training and intensive support. We need a another solution to operate alongside this, to help ensure that the largest possible number of people displaced from the auto closure are re-employed as soon as possible, in jobs that are well paid. There is no shortage of work to do in modernising our transport, housing and civic infrastructure.

We are at the end of a recent boom in engineering and construction projects in South Australia. Major projects like the new RAH are nearly completed and we don't have sufficient privately funded projects

coming on stream to maintain recent engineering and construction industry momentum. What we don't want is for this sector to start contracting at the same time as the automotive closure.

One bit of good news on the infrastructure front was the agreement between the Federal and State Governments to fund the Northern Connector road project – emblematic of a significant thawing in relations between the two levels of government since the ascension of Malcolm Turnbull. More projects like this need to be funded and could be funded relatively cheaply through borrowings, given how low interest rates are at the moment. It makes no sense to fund major capital works projects from recurrent funding. You couldn't get a better time borrow than this!

There are other reasons to aggressively stimulate the South Australian economy at the moment. Automation is expected to displace many routine tasks and artificial intelligence has the potential to do the same for some very complex tasks. A debate now rages about whether technologically induced job creation will be outpaced by job destruction flowing from automation. We have long been told that technology will generate more jobs than it displaces but automation makes this much less certain. We now face the prospect of large-scale automation replacing many of the routine tasks that we do.

New technologies are fundamentally challenging the way we design, produce and consume goods and services – the way we live and work. While early adopters will be rewarded as the flag bearers of the industries of the future, laggards will be left behind, leaving jobs losses in their wake. Moreover, routine tasks are said to be highly vulnerable to automation with some estimates suggesting that more than 40 percent of all jobs are vulnerable to high levels of automation. Don't despair. Just because a task can be automated doesn't necessarily mean it will be. The costs and desirability of automation loom large in any decision to automate.

While fears about disruption and automation are not without foundation, they tend to be technologically deterministic – overestimating both the pace of change and the relative advantages of automated solutions. There is little doubt that the current wave of technological innovations is truly transformative, particularly when paired with digital technologies. We must embrace them and accelerate their uptake as part of a South Australian industry innovation and diversification strategy. To date our investments in developing and applying these technologies are too modest.

Nano-technology, bio-technology, photonics, 3D printing, artificial intelligence and simulation are among a suite of revolutionary technologies transforming our industries and workplaces. The new industrial revolution this heralds, is replete with

opportunities, unique opportunities to build a more diversified, knowledge based economy capable of generating rewarding, well-paid and secure jobs.

The reality is that the capacity of many of our small and medium sized companies to absorb and apply new technologies is constrained by lack of awareness, knowledge, leadership and resources. Efforts have to be made to improve the so-called absorptive capacity of companies through investments in workplace innovation and leadership. None of this will happen overnight, so predictions that automation might replace up to 40 per cent of more of jobs over the next decade cannot be taken seriously.

While radical automation might prove to be a compelling business proposition for some companies, it will prove to be a bridge too far for others. Some will thrive not on automation but humanisation – that is unleashing the capabilities and creativity of their employees through co-design processes that involve the active participation of end users. While we are witnessing the loss of many routine jobs, thousands of new jobs can be created by early and deep engagement in the Fourth Industrial revolution.

To realise the benefits of technological disruption, shape it and harness it, we need to abandon the largely reactive posture to disruption we have adopted in Australia. A much deeper understanding

of disruptive technologies and their potential applications in the Australian context is needed. We are not Britain or the United States where much of the initial research on disruption and automation has been done.

Meanwhile, we have to deal with more pressing challenges. It is a great national shame that our automotive manufacturing industry is in on a road to ruin. Other nations have fought hard to retain their automotive industries in the face of great competitive pressures. Both the US and British Governments took a patient approach, enabling their automotive industries to work through the crises they faced during the GFC. Here in Australia, the tone of the Coalition appeared hostile to the industry, sending all the wrong signals to it.

The automotive industry is not our only concern. Imagine the calamity if the steel industry collapses in Whyalla. The nation would lose one of its few remaining specialist steel makers and the security that comes with being able to manufacture structural steel for our buildings and infrastructure. The future of Whyalla is at stake. Around 22000 people live in the steel town. One quarter of its 11000 strong workforce are employed by Arrium's steel manufacturing and mining operations. The livelihoods of thousands more depend on their existence. If closure of the Steel Works and mothballing of the mining operations occurred the city would face the prospect of both an exodus and

a vicious cycle of decline. With the exception of a major expansion of mining at Olympic Dam there are few projects on the horizon capable of filling the investment and jobs hole created by collapse of the steel industry.

Recalling the Federal Government's response to the threatened closure of the automotive manufacturing industry in Australia, it has been hard to entertain the prospect that the Government would provide substantial or any assistance to the ailing steel industry. With the stakes so high the Federal Government abandoned its hard line position. It began by bringing forward the upgrade of the Adelaide to Tarcoola railway line, directing a major steel order to the Whyalla steelworks. Now it looks as if the Federal Government is willing to join with the State Government and consider some form of co-investment in a rescue plan, albeit in the form of loans rather than a grant.

Something much more fundamental is needed to ensure that South Australia is a prosperous and inclusive place in the 21st century. There is a need to reclaim what governments do well in our collective interest and reject the idea that we must systematically abandon any role for government in the provision of goods and services and economic development leadership.

History tells us that that the retreat from intelligent public intervention is a road to ruin. In his Whitlam

lecture the great Don Dunstan said, “We intervene or we sink”. What did he mean by that? He knew, like many others of his generation, that powerful forces operate in capitalism to generate great concentrations of wealth and power. Periodically these processes of accumulation are punctuated by deep economic crises when the model implodes, creating great hardship and mass unemployment. Social democratic movements in the 20th century responded to this, challenging the legitimacy of laissez-faire capitalism and offering an alternative worldview that acknowledges that, in the real world, we live in a mixed economy where the public and private sectors interact in complex ways. Both sectors contribute to the wealth and wellbeing of nations, companies, communities, individuals and households.

Essential to the functioning of a fair society is a democratic interventionist government. Through the institutions of government, we seek to rise above self-interest and rivalries and strive for some approximation of a common good. This of course is all about values and in particular competing views about freedom, responsibility and the causes and consequences of prosperity, unemployment, poverty and inequality.

This land is fractured not just by drought opening up thirsty cracks in our red earth. Great social and economic fractures open up where inequality and insecurity grow and where governments fail

to act with compassion and urgency. When they don't act, the fractures become fertile ground for right wing extremism and reactionary nationalistic forces – fuelling fear and intolerance. As we watch the unfolding US election campaign we might ask ourselves what does the rise of Trump signify? What does it tell us about what people are thinking and feeling about the quality of their lives and the state of their communities? Millions of Americans are experiencing hardship amidst affluence. They lack job security, decent wages and quality health care. An increasing number of Australians find themselves in a similar situation. Our answer to this in the past was a commitment to full-employment, nation building investment in infrastructure and universal public provision of education, health and community services.

The irony of course is that we are richer as a nation, as a State, than we were in the past. But with this has come a growing divide between rich and poor, between those in work and those unemployed and underemployed. The mechanisms for a fairer distribution of income and wealth are breaking down in the name of trickle-down economics – the mistaken view that rewarding the wealthy rewards all others. It doesn't. It leads to greater concentration of wealth and erosion of the tax base. Meanwhile Australian wages are stagnating at a time when housing and energy costs are escalating. This is a road to ruin, a road to growing alienation and disillusionment for many.



We are more vulnerable in South Australia to growing alienation if social and economic hardship is viewed, as it so often is these days, as an individual problem requiring case management and therapy. What about our collective responsibility for solving problems that we have little control over as individuals? We must focus more on developing democratically managed and responsive policy, systems, workplaces, institutions and communities.

Systematic privatisation of public infrastructure and services must be abandoned in favour of the establishment of modern and responsive public provision. Increased public investment in education, health, transport and our cities and towns is needed to underpin an inclusive approach to social and economic transformation in the 21st century. Modern public institutions must stand alongside less self-interested private institutions to solve the challenges we face collectively as a State and a Nation.

Where they exist, rapacious interests must be challenged and held to account by well-resourced public institutions and active civic movements. Public institutions need to be reinvented, not in the image of the private corporation or a precarious NGO, but in the interests of the diverse communities they serve. The great humanitarian and social reforms of the last century are the product of a great contest of ideas, political struggles and community action. A new vision for a democratic public sector

and interventionist government is needed to counter the relentless attack on its legitimacy over the last twenty years.

We have choices – roads to ruin or pathways to prosperity.



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