

Industrialisation and de-industrialisation in South Australia

MARK DEAN

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Outline of presentation

Why did I undertake this project?

Purpose of the project

Important conceptual starting points

What role have social, political and economic institutions played in building South Australia's advanced economy and contributing to its dismantling?

- *What led to manufacturing industrialisation?*
- *What led to manufacturing de-industrialisation?*

How can we interpret the influence of globalisation on SA's industrial economy?

What influence has globalisation had on manufacturing (de)industrialisation in SA?

What are the key lessons?

- *What were the alternatives?*

Q&A/Further discussion

Why did I undertake this project?

South Australia's 'vibrancy' agenda– is this our new economy?



Understanding the impact of globalisation on SA's economy – manufacturing de-industrialisation

A story not often told in detail – lots of misconceptions:

- Unions are to blame
- Governments shouldn't have to spend money on failing industries
- Holden took countless handouts and we just couldn't afford it

These are all false assumptions and fall short of reality– how can this be proved?

- Understanding globalisation's political and economic dimensions: 'neoliberalism' (a concept to be elaborated on in its context later)

Purpose of the project

To shed light on the impact of neoliberalism on de-industrialisation in the era of globalisation – how?

To what extent have South Australian governments contradicted, or worked within, the neoliberal constraints of global political-economic and federal policy change?

Important conceptual starting points

What is industrialisation?

- Primary resources combined into 'secondary' (manufactured) products of greater value
- Kaldor: economies start out on agricultural basis and manufacturing industrialisation makes agriculture more efficient

Why is this important?

- Increases the value of an economy – greater productivity, higher wages, greater investment etc.
- Creates demand for a service economy

Manufacturing in the 21st century – 'economic complexity'

- Advanced economies export high-value manufactured products
- What you 'make' is what you 'know'
- To develop further means exporting manufactured goods and services

Significant difference between primary resource (commodity) exports and manufacturing exports

- This is key to understanding economic transformations in Australia



Nicholas Kaldor, economist

What role have social, political and economic institutions played in building SA's advanced economy and contributing to its dismantling?

What led to manufacturing industrialisation in Australia?

SA's founding – colonial outpost with economy based in primary industrial production

- Rural landholder elite, political rule by Liberal Country League government

Impact of the Great Depression – economic crisis (drop in commodity export value)

Response to crisis: political action – a push for manufacturing industrialisation to transform and advanced the State's economy (Premier Playford, J.W. Wainwright, Holden, Richards)

- Political and economic mechanisms – infrastructure, industrial relations, attraction of foreign capital and federal defence industry investment
- General Motors Holden (GMH) investment from 1930s
- Prepared SA for contribution to Australia's war effort
- Post-war – significant infrastructure and capital capacity to expand manufacturing investment

Establishment of Elizabeth – the Australian ‘new town’

- Provision of housing for workers alongside concessions to foreign capital investment
- Rapid expansion of industry – rising standards of living and economic growth
- GM Holden’s peak – nearly 7,000 workers and more than 250,000 cars/year

But: embedded structural problems

- Industry protections
- Attraction of narrow range of foreign investment – automotive and whitegoods
- Consequences for global political-economic change from the 1970s



Elizabeth & GM Holden 1958

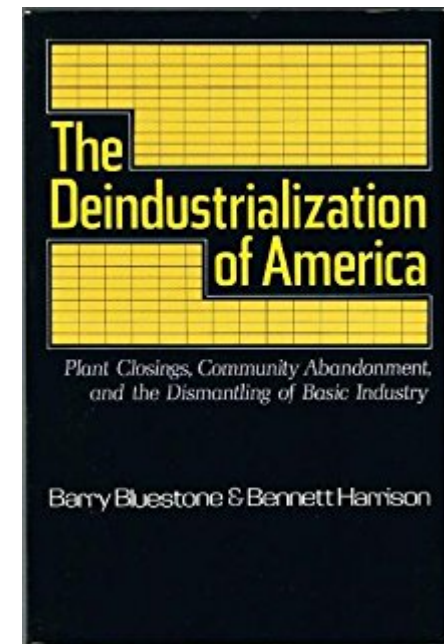
What role have social, political and economic institutions played in building the state's advanced economy and contributing to its dismantling?

What led to manufacturing de-industrialisation in SA?

What is de-industrialisation?

- Widespread, systematic disinvestment in a nation's productive capacity (Bluestone & Harrison 1982)
- Rising wages diminishing corporate profits
- Firms had to find new ways to increase profits
- Impact of the 'information age' – computerisation/automation/flexible production

Increased investment in global finance markets – shifting of 'productive' wealth (in manufacturing) into 'speculative' wealth (in financialisation of the global economy) – investment in property, shares etc.



This was 'Globalisation'

Increasingly interconnected international markets and platforms of global manufacturing production

Multinational corporations transcend national laws and regulations

'Regions' increase with importance as sites of global manufacturing competitiveness

'Winners' under globalisation: regions able to harness local institutional networks of firms, actors, communities and political bodies for 'competitive advantage'

- Build trust and share local knowledge to harness innovation and rapid industrial transformations
- Compete with other regions throughout the world for global market share

Elizabeth as a 'loser' under globalisation: foreign capital flight to cheaper (or more competitive) destinations from mid-1970s

- Massive rise in unemployment
- Workers' housing transferred by SA Housing Trust into social housing
- GMH/local industry employees laid off – become welfare recipients
- Entrenched urban poverty – Elizabeth gradually transformed into an urban 'ghetto'

How can we interpret the influence of globalisation on SA's industrial economy?

Reading globalisation as driven by a political economy of neoliberalism:

- Demand for economies to become more 'competitive'
- Government interference in the free market is the problem
- Deregulation of industries to remove government intervention and create market efficiency
- Competition to be driven by lowest cost of production
- Cuts to the welfare state
- Attacks on unions, diminishing their industrial strength to drive down wages
- Encouraging 'financialisation' of the economy



Concept of neoliberalism can be further elaborated during Q&A

'Thatcherism' & 'Reaganomics'

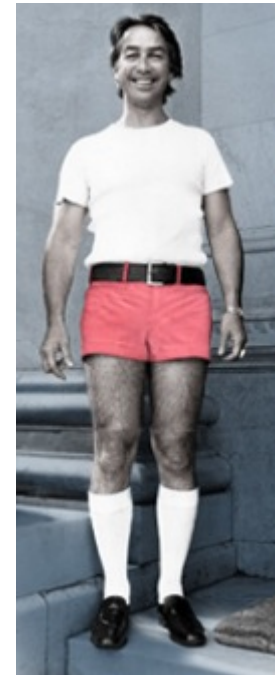
What influence has globalisation has on manufacturing (de)industrialisation in South Australia?

1970s: Dunstan Labor government in transition to global economy

- Economic diversity – government institutions to drive transformation into tourism, arts, food & wine etc.
- Foreign capital flight of manufacturing – diminished economic growth

1980s: Tonkin Liberal/Bannon Labor governments in ‘neoliberal’ era– attempts to make the most of global market opportunities

- Turn to competition with Asia – investment in ‘information economy’
- New technology parks, but lack of institution-building initiatives (less government intervention to aid development)
- Bannon government takes risk with global financial markets – State Bank deregulation
- 1991 economic recession in South Australia – backgrounded by national economic recession



1990s: Brown/Olsen Liberal governments and neoliberal austerity response to SA economic recession

- Sell-off of public assets and services - privatisation of electricity, water, data management services
- Severe budget cuts to education, health, policing
- Outsourcing provision of public services for private profit
- Public sector workforce cuts, industrial relations deregulations

Massive reduction in income to State

- One-off sales of infrastructure and services transferred public assets to private holders

The neoliberal 'turn' in SA's economy

- A need to create 'competitive' State economy – neglected development of policy for industrial transformation



2000s: Rann Labor government

- Attempt to differentiate from Liberal governments in 1990s – return to ‘social democratic’ principles of Labor Party
- ‘Responsible’ government – financially responsible, but socially oriented
- SA still reeling from State Bank collapse and recession – a need to ‘do more with less’
- The Economic Development Board – advised reform to be driven by the community, private sector
 - South Australia’s Strategic Plan

Social democracy under conditions of neoliberalism

- Neoliberalism with a ‘human face’
- But need to demonstrate sound financial credentials (AAA credit rating), attract foreign investment
- Olympic Dam – economic ‘silver bullet’ to delivering social objectives

Manufacturing Works policy – innovative attempt to stimulate manufacturing sector and state’s role in transformation

- Lacking ‘institutional thickness’ to build on policy



Turn to focusing on regional economic development – the City of Playford

2010s: Weatherill Labor government

- Urban renewal in the City of Playford – Playford Alive project as response to ongoing deindustrialisation
 - Labour market reform
 - Undermining of local institutional developments


Market-based policies due to embedding of neoliberalism in ongoing government interventions

- This has limited policy options of Labor governments

Relative neglect of industry transformation in SA government interventions

- Has meant lack of local capacity to develop institutions and knowledge for competitive advantage
- Continued reliance on attracting foreign investment

A ‘small bar’ culture to attract global ‘creative types’

- Does not translate to mass-scale investment in the kinds of industries we need to maintain a developed economy
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What are the key lessons?

The international economic crisis of the 1970s in the Australian context

- Need for industry to become more globally competitive to restore economic growth
- Solution: limit government intervention in the economy and permit market forces
 - Industry policy 'hands off' approach
 - Cuts to wages, cuts to industry protections, reduction in subsidies
 - Lack of policy and strategy – regions like Elizabeth relatively abandoned by governments and unable to develop capacity to compete with overseas competitors

Hands-off industry policy means favouring most 'efficient' industries – primary resources (mining)

- Problem: competitiveness achieved through cutting costs, not by active state intervention to restructure production, increase skills and training and create demand-driven industries that compete not on **cost**, but on **value**

Other advanced countries continued 'active' industry policy to do this in era of globalisation

- Germany, Japan, Switzerland, Sweden – even the United States to some extent

The 'path dependency' of industry in an economy

- Once it's gone, not easy to get back
- Decisions of the past impact opportunities of the future

What are the key lessons?

Limitations on SA state governments in context of federal political and economic change

Neoliberal transformations under Hawke/Keating Labor

- Finance sector deregulation
- The Accord – deregulated industry bargaining (enterprise bargaining)
- National Competition Policy

Howard government

- Further abandonment of 'active' industry policy
- Encouraged mining boom – massive rise in value of Australian Dollar with consequences for manufacturing export competitiveness
- Eradicate union power

Rudd/Gillard governments

- Economic stimulus package but difficulty implementing more robust industry policy in GFC conditions

Abbott/Hockey government

- Final hands-off industry policy move to end automotive manufacturing in Australia and deepen extent of mining boom

What's next?

40 years of ongoing neglect of active manufacturing industry policy – the ‘managed decline’ of the automotive industry

- Toyota and GM Holden closures in October 2017

Manufacturing industries and developed economies – where does Australia's future lie?

- Largest exports now in primary industries
- Need to retain remaining key technological capabilities in manufacturing to guarantee an industrial base

What are the alternatives?

- Lessons from history – ACTU ‘Australia Reconstructed report (1987) as starting point?

Going forward: bold industry policy position needed

- Some hope in SA of foreign investment – Tesla, DCNS (Future Subs)
- Federal leadership needed to prevent further deindustrialisation

Thank you for listening

Questions?

