Politics and the Two-Speed Economy Workshop

Abstracts

Panel 1: Patchwork Political Economy

Brian Head

Uneven Development as a Strategy Challenge for Government

Governments in Australia have long attempted to encourage economic development through encouraging investment, innovation and entrepreneurship at national and regional levels. State governments have always engaged in industry-attraction policies to build critical mass in new industries and retain activity in older sectors, while inter-state rivalry for new investment and the poaching of firms continues to be a nation-wide sport. However, since the 1980s at the federal policy level, the neoliberal trends towards globalization and free trade have undermined the legitimacy of these more traditional methods for attempting to promote growth. Backing winners at a sectoral level (e.g. through incentives and subsidies for rural industries, mineral industries, manufacturing, infrastructure, finance, ICT, etc) has largely been displaced in favour of market-oriented approaches to promoting the general ‘enablers’ of growth – technical skills, R & D, information technologies, hard infrastructure.

Governments operate in complex institutional contexts and multi-level arrangements which constrain their responsiveness and their capacity to innovate. In the face of complex or ‘wicked’ issues, there are serious challenges for government in developing strategic capabilities for ensuring growth, promoting social inclusion and protecting the environment at the regional level. Governments need to play a leadership role, but they require new approaches based on partnerships and networks that value local initiatives and promote local resilience.

Kanishka Jayasuriya

State of Asian Engagement:
The mining boom and the regionalisation of the Australian political economy

This paper explores how the mining boom has regionalised Australia’s political economy and governing institutions. The voluminous literature on Asian engagement remains trapped in either realist or culturalist garbs, and overlooks the manner in which the developing structures of engagement have entrenched new transnational and regional forms of capital.
It is not simply the ‘rise of China’ that we need to address. We need to consider the emergence of new forms of corporate power resulting from the mining boom, and the way in which these social forces are playing out in the contestation and struggle over regulatory institutions within the state. These trends have been reinforced by the decline of compensatory institutions and policies that in previous periods served to redistribute the benefits of the terms of trade spikes. In short, we argue that the concept of the two speed economy is mostly descriptive, and what we need is an analysis of how the increasing regionalised nature of the Australian political economy is leading to the transformation of the state. This transnational perspective can transform our understanding of the driving forces of change in the Australian political economy.

Richard Leaver,

FIRBing the resource sector

This paper begins the task of back-filling a quite surprising gap in the existing literature on Australia’s resource booms – namely, the oversight of the Foreign Investment Review Board. The paper will therefore attempt to do two things: to periodize the case law that collectively makes up its four decade history of advice and non-advice; and to look in particular at its role (potential and actual) in curbing the boom-bust dynamics of a national economy whose external balance now rides, as never before, on the back of the resource sector. Focus will therefore gradually shift to the FIRB’s role in channelling Chinese investment in Australia’s resources sector over the last half decade.

Panel 2: National Politics Transformed?

Carol Johnson

Governing the two-speed/patchwork economy: Dilemmas for issues of inequality

This paper explores key challenges which the two-speed/patchwork economy poses to Labor governance and policy, particularly in regards to managing equity and the implications for Labor attitudes towards globalisation and international markets. Particular emphasis is placed on federal government policy although some implications for state government policy are also identified.
Australia has gone 20 years without a recession and has continued to grow through two significant global economic downturns at the beginning and end of the 2000s. Despite this remarkable GDP performance, the government is faring poorly in opinion polls and Labor is facing annihilation at the next election. I argue that three inter-related structural economic changes in the Australian economy have contributed to voter dissatisfaction with the Gillard government. The first is the long-running shift away from manufacturing towards services and the more recent revitalisation of the mining sector at the expense of manufacturing and important service industries such as tourism and international education; a phenomenon known variously as the ‘patchwork’ or ‘two-speed’ economy or as ‘Dutch disease’. The second is the shift away from debt-financed consumption and rising housing prices to a higher rate of saving as Australians pay-off debt and restrict spending. The consolidation of debt at still historically high levels and the stagnation of house prices have helped to undermine confidence in future consumption potential. The third is a tentative shift towards a less pollution-intensive economy through the establishment of a carbon price and support for renewable energy through a variety of schemes and policies.

Panel 3: State and Regional Challenges

Andrew Beer

Labour Market Adjustment, Knowledge Economies and the Patchwork Nation

Recent discussion of the 'two speed' or 'patchwork' economy in Australia has highlighted regional disparities in economic opportunities, employment outcomes and growth. While the complexion of this debate has changed, regional disparities are not a new phenomenon and processes currently being debated are superimposed upon already unequal outcomes. This presentation considers the processes of economic decline and the measures employed to encourage economic renewal. Using one metropolitan (Southern Adelaide) and one non metropolitan example, the paper shows that current policy levers often fail to meet their objectives. International experience shows that in both contexts there are more productive measures available and that these are derived from both a more detailed understanding of the nature of the impediments to growth and a commitment to a knowledge-based economy.
Panel 4: Workforce Participation: The Opportunity Boom?

Sara Charlesworth

Opportunity for Whom? Paid Care Work and Gender Inequality

The presentation describes the contours of precarious employment in front-line paid care work in Australia. While recent focus has been on the large gender pay gap between government and non-government care workers, less attention has been paid to the issue of poor job quality in the community services sector. Despite the so-called ‘crisis of care’ and calls to increase the provision of formal care, low wages and inadequate and unpredictable working hours make it difficult to improve the attraction and retention of paid care workers. At both the policy and political levels the connection between good quality jobs and the provision of good quality care for an aging population is still to be made.

Michael O’Neil

Two speed, three speed, four speed, whatever, we can handle that! The current opportunity provided by the mining boom is one that should not be missed; it requires political and economic leadership to argue for a coherent package of reforms that are much more far reaching than simply to address or offset the consequences of the mining boom. What are the real reforms required for the future productivity and prosperity of the nation, the states and the regions? Who is missing out and can we afford that? Do we have a comprehensive package?