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- MANUFACTURING ELECTRIC VEHICLES
- BUSINESS IMPROVEMENT PROGRAMS
- BANKS' LENDING PRACTICES
- HOUSING AFFORDABILITY INEQUALITIES
- CLIMATE CHANGE AND CAPITALISM

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FUTURE ISSUES: CALL FOR CONTRIBUTIONS

LABOR IN GOVERNMENT

Labor will be halfway through its term of federal government when the next issue of this journal appears. The editors would like to feature articles on what has happened so far and future possibilities.

Submitted papers could examine specific policy areas, such as energy, environment, healthcare, education, welfare, international relations, fiscal and monetary, trade and industry. More explicitly theoretical concerns about the role of the state could be considered. With Labor in government in all states and territories except Tasmania, inter-state and federal-state relations could also be addressed.

Please submit papers (word length: 3,000-8,000) by 2 October 2023.

50 YEARS OF POLITICAL ECONOMY IN AUSTRALIA

The first full course in political economy began at Sydney University in 1975. Fifty years later, a stocktaking of subsequent experiences is appropriate. *JAPE* will therefore precede the start of 2025 with a special issue considering the emergence of the political economy movement, subsequent developments nationwide, achievements and disappointments, and the challenges for political economy today.

Submitted papers would be welcome, either of normal *JAPE* length or shorter contributions – perhaps reflecting on personal experiences or implications of studying political economy.

Please submit papers (word length: 1,500-8,000) by 3 June 2024.

To submit a paper for these special issues of *JAPE*, or for any further information, contact Frank Stilwell at: frank.stilwell@sydney.edu.au. Submitted papers on other topics continue to be welcome at any time. The *JAPE* editors remain committed to publishing on diverse political economic topics, as illustrated by the contents of this current issue.

DEVELOPING INDUSTRIAL POLICY FOR MANUFACTURING ELECTRICAL VEHICLES

Mark Dean

Global automotive manufacturing is dominated by the production of vehicles with internal combustion engines (ICEs). Dozens of countries produce ICE vehicles or components, participating in international supply chains that make millions of cars, trucks, buses, and other vehicles annually. In adapting to climate change, however, global automotive manufacturing is rapidly transitioning to the production of electric vehicles (EVs).

Australia mass-produced passenger vehicles until 2017, when General Motors-Holden, the last remaining automotive manufacturing firm, closed its assembly operations, following previous closures by Ford and Toyota. Since then, in a context of geopolitical and energy shifts that are driving a race for critical mineral resources to power renewable technologies, it is pertinent to explore the possibilities for Australian manufacturing. Could this be a new dawn for vehicle manufacturing in Australia?

Manufacturing is critical to a nation's social and economic development and an industrial strategy for manufacturing can present transformative economic opportunities. A sustainable electric vehicle (EV) industry – one that is powered by renewable energy – could be a major driver of industrial transformation in the context of positive cultural and environmental changes to Australian society. But how can this be achieved, what capabilities does Australia possess, and what industry policy mechanisms are required to make it happen? This article, based on a report written by the author when working at the Centre for Future Work (Dean 2021), seeks to explore the possibilities.

Dean, M. (2023)
'Developing industrial policy for manufacturing electrical vehicles'
Journal of Australian Political Economy
No. 91, pp. 7-30.

From extractivism to manufacturing

Over the past several decades, Australian governments have favoured an ‘extractivist’ approach to industry policy, focussing on mineral resource-based industries. While income-generating in the short-term, an economic growth strategy based so narrowly on the extraction and export of unprocessed, non-renewable resources does develop an economy, jobs, skills, or communities in a sustainable way (see Fernandes 2021). The consequences of governments giving priority to extractive industries and abandoning strategic and forward-focused policies to sustain and promote manufacturing are shown in Figure 1, which compares Australia’s resource commodity exports to its manufacturing exports.

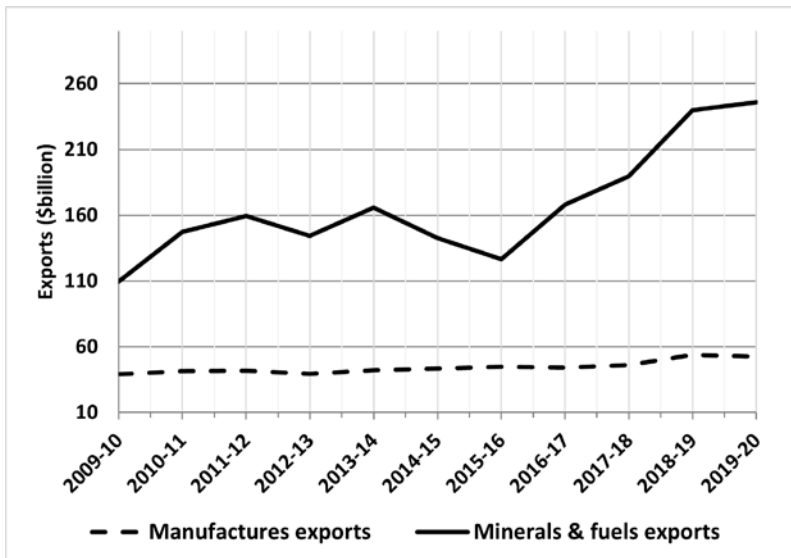
A significant result of this extractivist orientation is Australia’s poor ranking in terms of *economic complexity* – a measure of how well a nation mobilises knowledge and technology to produce high-value, innovative products for export. The Growth Lab at Harvard University (2022) ranked Australia 86th out of the 133 countries surveyed: a remarkably weak position for an advanced industrial economy.¹ Other major industrial nations rank mostly within the top 20 for economic complexity because, in contrast to Australia, they take a dynamic approach to competitive advantage in their industrial policies. In practice, this means favouring manufacturing industries where ‘learning by doing’ and achieving economies of scale tend to be fundamentally important.

Manufacturing has underpinned innovation and transformation in advanced industrial nations throughout history, as shown in numerous studies (*e.g.* Kaldor 1967; McCausland and Theodossiou 2012; Porter 1990; Wang 2009). According to Stanford (2020), manufacturing carries strategic importance as the most innovation-intensive sector; anchors hundreds of thousands of other jobs throughout the economy in complex supply chains; commonly offers high-quality, full-time jobs and above-average incomes; and accounts for most of international trade, which means that an undersized manufacturing sector is often associated with trade deficits and balance of payments problems. Despite the growth of

¹ This was Australia’s ranking in Harvard’s 2019 data, the most recent release of economic complexity world rankings. According to Harvard’s Economic Complexity Index, Australia’s highest recorded position was 55th in 1995, still far behind most advanced industrial nations.

services sector employment relative to manufacturing employment over the past several decades, an OECD study (Sorbe *et al.* 2018) showed that productivity in services is still weaker than manufacturing productivity, the latter making a far greater contribution to global GDP growth.

Figure 1: Exports by industry: Australia, 2009-10 to 2019-20



Source: DFAT (2021).

Investments in manufacturing maximise the quality and value added to processes and products for export to global markets. In turn, these broaden the scope of economic complexity, which is driven by supply chain integration that links diverse sectors of the economy and promotes innovation. This is how a nation achieves not just economic growth, but also economic *development*. It explains why seizing sustainable industry opportunities in manufacturing represents Australia's best hope for a prosperous future.

Industrial policy: A political choice

The export of raw materials may yield high returns during periods of strong commodity prices but, as a long-term economic strategy, extraction hollows out higher-value manufacturing industrial capabilities. High commodity prices drive up the value of a nation's currency, making other sectors competing on price less competitive in global trade terms. This was the reality that faced Australia at the peak of the mid-2000s mining boom, when the remaining automotive OEMs in Australia, Ford and GM-Holden, began planning their exits from Australian industry.

The 'default' economic and industry policy adopted by successive Australian governments since the 1990s – and in earnest since 2013 – has favoured resource extraction as Australia's national comparative strength, reflecting the priority to support the capital interests of global firms in resources and finance sectors. A clear example was the former Morrison Coalition government's plan for a 'gas-fired recovery' as part of its fossil-fuel intensive energy policy. This was proposed despite the loss of 3,800 jobs in the gas industry between May 2020 and February 2021, even as employment across the economy grew by 863,000 jobs (Saunders and Denniss 2021).

In an essay for *Independent Australia*, Tim Thornton (2020) critically described the gas-fired recovery as 'industry policy in reverse'. Channelling JK Galbraith's concept of the 'predator state' to characterise governments shaped by wealthy and powerful interests (in this case, the fossil fuel industries), Thornton argues that the Morrison government conformed to this template. He warned, however, that in the context of the potential ecological collapse that humanity now faces:

the situation is also inherently fragile, given that in a democracy there is always the means to produce outcomes that reflect the general interest, though, of course, the majority needs to be aware and engaged enough for this means of change to work (Thornton 2020: n.p.).

Industry policy reflects political capacity; and the subsequent political decision-making reflects the political will to deliver on strategic aims.²

² As a contrast to policy for a gas-fired recovery, had, for example, the \$2.9 billion allocated to new gas and oil refinery support measures in the 2021-22 budget been spent on health and education instead, a net 19,000 additional jobs would have been created. Other non-market-driven measures in the budget included \$2.3 billion in subsidies to Australian petroleum refineries, supposedly to ensure domestic fuel security.

Seen in this way, political decisions made by the former Abbott Government to accept – and even endorse – the end of automotive manufacturing in Australia were short-sighted. They bucked the trend of strategic, long-term industry policy and planning adopted by the world’s leading economies – including the United States, Germany, Switzerland, Singapore, Japan and China.

A neoliberal orthodoxy has long dominated Australia’s political economy, having first pollinated our political and economic institutions in the 1970s and thereafter co-opting both labour and capital into the neoliberal institutional order (Humphrys 2019). Whereas other advanced industrial nations maintain a similar rhetorical commitment to free trade, free markets and minimal government intervention, their industrial policies in practice have been more interventionist. Thus, even if these nations celebrate the virtue of ‘free markets’ in political rhetoric, they continue to intervene regularly and powerfully to create, shape, and direct the development of markets and industries (see Mazzucato 2015, 2019). In Australia though, the historical arc that neoliberalism has taken means that the primary government macroeconomic institutions maintain a *laissez-faire* status quo wherever possible. A primary example is the Productivity Commission’s recent recommendation that no decisions should be made by government on economic strategy for EV uptake and industrialisation before the next decade (Kurmelovs 2023).

Recognising that industry policy can play an active role in developing a more complex and innovative economy, the governments of many other industrial nations have planned an EV-centred industrial future as a priority, with their domestic automotive industries responding to affirm interventions ranging from fuel efficiency and emissions standards to industrial sustainability initiatives and even public equity in new ventures. There is typically a strategic rationale for these initiatives, implicitly targeting global value chain niches or sovereign industrial strengths that can be developed from a nation’s existing base for competitive advantages in a globally distributed EV industry.

These interventions prove that industry policy must be political – meaning making strategic choices for industrial directions, premised on the nation’s economic and social capacity to deliver. Setting directions is something governments should do on behalf of a nation’s citizens and for objectives that benefit society. Policy leadership from government is essential, as is the demonstrated political will to make bold and future-focused choices.

Seen in this context, a strategic Australian EV industry policy could build positively on existing industrial capabilities, contribute to innovation in burgeoning renewable energy ventures, and better utilise and further develop a highly skilled workforce for a sustainable future of work.

Whether and how Australia participates in the rapidly expanding global EV industry depends, first and foremost, on the choice between three broad options:

- importing EVs and training workers to maintain and repair them;
- assembling imported EV ‘kits’ and training workers to maintain and repair them; or
- manufacturing and assembling EVs and EV components (including batteries), maintaining and repairing them, and exporting them to global markets after related value-adding production processes are undertaken in Australian industries.

It is the contention of this article that the third option is optimal. Not only would the local manufacture and assembly of EVs and EV components promote direct job creation, but it would also create a base for spin-off manufacturing and service industries, technological innovation processes, extensive export opportunities and a deepened knowledge and skills base in the Australian labour market. Making it happen would require a strategic industrial policy for manufacturing that breaks with the market-focused character of Australia’s recent industry policy prescriptions.

Four building blocks of EV manufacturing industry policy

The Australian economy already has the key economic, social, institutional and industrial elements that a strategic industrial policy requires. These can be understood in terms of four key building blocks - critical minerals, a highly skilled workforce, capital and supply chains, and capable governments and institutions. Each reflects a resource Australia already possesses either in abundance or at levels that are sufficient to start developing EVs. It is the more proactive and coordinated development of these features that holds the opportunities for Australian labour, industry and the community to apply its collective knowledge, skills and expertise to maximise ecologically-driven productivity. Each of these four building blocks can now be considered.

Value-adding to Australia's critical minerals resources

A strategic approach to Australia's EV manufacturing future would begin with transforming the current export regime. This entails a shift away from its current domination by exports of processed raw commodities (especially minerals) toward more elaborately transformed manufactured goods that have undergone value-adding processes higher up the critical minerals value-chain. Australian exports of commodities such as lithium, cobalt, bauxite and rare earth elements (*i.e.* vanadium) have significant relevance to EV industries. Lithium is particularly important: Australia is the world's biggest exporter of spodumene³ and holds the largest reserves of all lithium mining and export nations. Cobalt is a by-product of copper and nickel ore processing and has also been identified as a critical mineral, given its application for batteries – for which a 'substitution is unlikely to emerge over the medium term' (DIIS 2019: 12). Currently, Australia lags far behind the world's largest cobalt exporter, the Democratic Republic of Congo (DRC), despite holding the second largest proven reserves of cobalt (after the DRC) and the DRC's 'artisanal' industry being practically synonymous with modern slavery (see Clean Energy Council 2022: 8). For these key mineral inputs, and a range of rare earth metals, Australia has an opportunity to become a world leader in high-value EV component industries.

The report on *Australia's Identified Mineral Resources 2020* (Geoscience Australia 2020) highlighted the significant difference in export value between raw minerals and processed mineral commodities, the latter having far greater value because of downstream processes (including refining and smelting). In *Superpower*, Ross Garnaut (2019) argues that, where Australia possesses unrivalled access to natural resources in terms of sun (solar), wind, and waves among other resources, an industrial focus on processing and transforming minerals for EV batteries would be globally competitive, given the cost advantages of renewable sources of energy to power refining, smelting and even manufacturing activities. Downstream processes add significant value to mineral exports. The refining opportunities for all minerals are significant, but especially so in the case of spodumene processing. Although Australia's production of spodumene yielded \$1.1 billion in 2017, the Future Battery Industries

³ Spodumene is the primary ore comprising lithium carbonate, the precursor necessary for lithium-ion batteries.

Cooperative Research Centre (FBICRC) reported that ‘the major value-adding steps, including precursor production that was worth \$22.1 billion’, was carried out overseas instead of in Australia’s downstream processing industries (FBICRC 2020: 7). Whilst the export value of spodumene grew in 2021-22 to \$4.9 billion, with export figures at 335,000 tonnes, it was projected to increase to 399,000 tonnes in 2022-23 (\$16.1 billion of export revenue) and 470,000 tonnes in 2023-24 (\$17 billion in export revenue) (DISER 2022). These figures will continue to yield revenues far short of the expected returns from downstream value-adding, especially as demand for inputs to manufacturing of batteries for EVs increases exponentially.

Rather than remaining as the world’s leading exporter of lithium ore, Australia has significant opportunity to add value to this commodity by manufacturing EV batteries and components. The Global Battery Alliance (2019) has shown there are potential large gains that could be made with a strategy to participate in the higher value-adding phases of battery and component production. More value-adding and employment opportunities can be gained from stages beyond extraction, particularly in production phases focused on refining battery materials like lithium, developing battery cells and packs, and eventually processing these materials for reuse and recycling. Aiming for such higher levels of participation in global EV industries could see more GDP and more jobs in value-adding in Australia if policy is made to position our economy to capture these opportunities. Battery manufacturing could very well become the key driver of EV industrialisation because harnessing the significant value-adding potential to domestically refined critical minerals would secure an Australian share of global EV value chains and create the impetus for further EV industrialisation – including metal fabrication, components and final assembly – where capital identifies the sophisticated industrial base that has existed in Australia for many generations.

Industrial strategy for critical minerals and EVs in the European Union will also impact Australia’s global export opportunities. Using strict local content production rules, from 2027, the EU will implement Rules of Origin for proportions of battery products that must be created in the UK or EU to be classed as an EU-originating product. It will mean that, from 2027, battery packs in imported EVs must contain either 65 percent UK/EU content for the battery cell or 70 percent for the total battery pack. The EU Rules of Origin for batteries are a technical trade barrier that will significantly limit overseas competition in the market for batteries installed in EU-made EVs.

With overseas jurisdictions pursuing such regulatory changes to develop and strengthen their position in critical minerals value chains, industrial policy development requires that Australia quickly pursue similar approaches to supply chain challenges. Indeed, there are signs that the Australian Government is beginning to take seriously these pressures. In contrast with the former Morrison Government's ill-conceived 'gas-fired recovery' – an industrial policy dismissed by former conservative Prime Minister Malcolm Turnbull as 'piffle' – the Albanese Labor Government has already begun the process of developing a *Critical Minerals Strategy*, engaging in consultation with industry and other stakeholders to develop a policy response to creating opportunities within the sector. This could be taken to represent the new government's awareness that a sustainable social and economic future means breaking ties with what Guy Pearse termed 'quarry vision' (2009), a political philosophy that has long defined Australia's economic trajectory and limited its capacity to innovate and develop advanced industrial capabilities.

Despite efforts in policy and practice to develop Australia's economy towards more downstream value-adding to critical minerals exports, however, a basic tension must also be noted. This is that viewing domestic downstream processing opportunities for lithium represents what Collins (2022: 8) frames as a 'resource curse/blessing' paradox, whereby both are 'derivative forms of extractivism'. By such a measure, the potential economic and social benefits to be gained from the redistribution of revenue captured in domestic critical minerals manufacturing industries does not overcome the ecological threat of climate change to which mining industries are inextricably linked. In *The Rare Metals War*, Guillaume Pitron (2020) writes of the global shift to an ecological growth model, which, he contends, 'has resulted in intensified mining of the Earth's crust to extract the core ingredient – rare metals – with an environmental impact that could prove far more severe than that of oil extraction'. Whilst it is unlikely that the renewable transition and its dependence on critical minerals will be stopped or scaled down, a strategic industrial policy in Australia for an EV-led economic transformation must ensure that any disruption to the environment and local communities (particularly First Nations' communities) through the intensification of extractive industries is minimised, along with the regulation of forms of profligate and wasteful energy consumption - such as cryptocurrency mining, which is a growing contributor to carbon pollution (Sparkes 2022). This must be a central

feature of industrial transformation, making the ongoing extraction of the resources a key part of the transition rather than a countervailing force.

Training and skills for high-value industries

Australia will require far greater coordination and development of its already highly skilled labour to grow and develop sophisticated EV industry supply chains. This presents significant challenges, but a concerted effort to achieve this goal can yield great returns. Australia already has an industrial workforce of skilled and experienced workers, capable of meeting the foundational industrial base of a growing EV industry, supported by ongoing retraining and upskilling.

As Table 1 shows, vehicle components manufacturing has retained a significant footprint in Australia despite the shutdown of ICE assembly plants and loss of jobs. In recent years, it has even shown indications of expansion. Thousands of workers continue to build automotive parts, supplying Australian products to heavy vehicle (*i.e.* bus, truck and trailer) manufacturing firms throughout the country and to global automotive manufacturing industries. Expanding EV components production and final assembly work can occur if supported by active industrial planning but, to support this, Australia must also invest urgently in relevant skills to underpin greater domestic involvement in global EV supply chains.

Table 1: Motor vehicle and motor vehicle part manufacturing, Australia, 2019-21

Indicator	2019-20	2020-21
Employment (number of persons, at end June)	34,258	33,494
Wages and salaries (\$m)	2,274	2,285
Sales and service income (\$m)	14,753	15,069
Industry value-added (\$m)	3,956	4,500

Source: ABS (2021, 2022 – manufacturing sub-sector 231).

Because of current skills limitations to expanding EV production in Australia, delivering new training packages for apprentices and trainees will be essential to preparing skilled labour for future EV manufacturing. The VET system will require whole new units of competency. In 2020, the Industry Reference Committee (IRC) representing the automotive industry, along with the Australian Industry and Skills Committee (AISC), proposed changes to the ‘Automotive Retail, Service and Repair’ Training Package to create new qualifications and units of competency that support skills for the EV industry (PwC and DESE 2020). But the proposed changes, being the implementation of non-trade Certificate II and Certificate III qualifications, do not support the creation of pathways for workers into higher-paid and higher-skilled jobs. EV industries can be expected to be characterised by higher-level jobs requiring at least Cert III qualifications. At present, EV manufacturing production is not even incorporated into Certificate II- or Certificate III-level qualifications for the automotive industry. Furthermore, the proposed changes consist of updates to existing units, or new qualifications that are equivalent to Training Packages associated with traditional ICE vehicles.

The proposed changes to the Automotive Accessory Fitting qualification (AUR22021) incorporate EV skills and training at the Certificate II level. This results in a backwards step to the base-level trade qualification (which previously was a non-trade Cert III). Such a qualification standard leads the industry in the wrong direction. The broader Automotive Manufacturing Training Package still refers only to ‘hybrid’ vehicles, with no mentions of fully electric vehicles. The proposal of one of the largest consulting firms in Australia, together with the bureaucratic apparatus of the former Coalition Government, has contributed to the further deskilling of Australian automotive trades, rather than augmenting workers’ role in the labour process for an emerging advanced manufacturing industry.

These weaknesses confirm that VET policymakers have a big task ahead to fully prepare for the impact of EV manufacturing (and servicing/maintenance) on Australia’s skills system. Present shortcomings in EV industry skills and training pathways partly reflect the time lags encountered in developing new training units, packages, and qualifications to be approved and endorsed by the relevant IRCs. These processes involve a wide range of industry stakeholders and are challenged to keep up with more rapid advances in EV technology.

The EV manufacturing transition is more complex than a straightforward transfer of ICE automotive manufacturing work to EV automotive manufacturing work. The development of a highly skilled workforce for EV industries will require meticulous attention to training structures and frameworks. This requires root-and-branch analysis of the skills, job functions and occupational structures required for EV manufacturing. Indeed, this deep analysis of the skills requirements of the EV industry must be at the heart of industrial transformation. A full account of what is needed to ensure that Australian manufacturing workers are involved in component manufacture and final assembly of EVs is an essential precursor to building these capabilities. This means involving all industry stakeholders, including trade unions as essential partners in performing occupational profiling, engaging directly with workers and feeding into the development of training resources.

Union involvement is crucial where, even as increased digitalisation and automation shapes manufacturing, the role of workers remains pivotal to highly skilled and complex manufacturing processes. EV industry policy must be developed in a way that recognises both workers' skills informed by experience as well as their qualifications. Studies of some of the world's most sophisticated automotive supply chains have determined that, even in highly automated workplaces, the *experiential* knowledge and skills of workers is an essential ingredient in highly advanced, digitalised, and automated industrial systems (see Pfeiffer and Suphan 2015). Human skills become critical inputs in firms that acknowledge workers' first-hand knowledge of production processes is more than just 'routine', and therefore is not easily replaced by labour-saving technologies. The ramifications of this recognition of the value of workers' all-around knowledge for transforming VET-based skills provision are enormous. An approach to industry policy that places skills at its centre ensures competent workers are active in shaping advanced manufacturing workplaces, such as are necessary for an EV industry.

Lessons can also be learned from other countries about how new forms of worker intervention in production can contribute powerfully to highly skilled workforces and increased productivity. Miller (2021) reports how the management of Volkswagen (VW) learned that a positive-sum strategy for productivity outcomes that meet union and worker aims can produce long-term benefits for both firms and workers. When the unions representing the German automotive firm's workforces were initially shut out of decision-making, VW quickly understood that an adversarial

approach to strategising firm growth would create more problems than a cooperative approach that embraced union industrial democracy. Hence, more recently, union representatives have collaborated with VW management to develop a 'shared vision' for EV productivity and growth driven by high-quality job-creation instead of cost-cutting measures that typically result in job losses. Focusing on greater worker input to planning and productivity enhancements therefore represents a growth strategy that can benefit both EV manufacturing firms and EV manufacturing workers.

Increasing the space for workers to provide input on EV industry development can also maximise the knowledge-informing innovation in EV supply chains - from mining and refining to manufacturing. Where experienced and knowledgeable workers transfer skills and expertise from traditional automotive manufacturing to new EV manufacturing, they provide key inputs to innovation processes. Workers and their unions must therefore be given scope for involvement in industry policy development, identifying the necessary skills formation and industrial knowledge required. These insights should then inform the development of curriculum in state-based TAFE institutes, with nationally recognised training delivered and regulated within a federally-coordinated framework that aids both labour mobility and career progressions, allowing workers to pursue a range of qualification pathways.

EV industry policy can also benefit from government procurement strategies. Stanford (2018) has shown that, when targeting its spending power to improved labour market outcomes, government can better link its expenditure programs to the pursuit of better jobs and stronger wages growth. This support for both economic and social objectives can occur in various ways – through direct government investment in the EV industry, such as purchasing EVs for government fleets; through funding of service-producers, such as the delivery of VET education and training of EV workforces by TAFE and other VET providers; and through purchasing goods and services from private sector firms.

Government assistance is also beneficial when it extends to investment in R&D. International examples of advanced procurement industry policy confirm that an active government role in innovation processes leverages more training efforts from partnering firms, which ultimately become like a 'technical university' (Eliasson 2011). In this manner, workers – already holding formal qualifications from the VET system – can advance their experience and skills further through on-the-job learning.

Mobilising capital to develop supply chains

Evidence from international experience confirms that active, interventionist EV policies must mobilise private and public capital to drive the transition of industries and markets. In 2011, the CSIRO commissioned a report that took stock of international policies encouraging EV uptake by consumers and growth in the manufacture of EVs (Dunstan *et al.* 2011). These policies include mandates for the manufacture and consumption of EVs, adopting targets for safety and technical innovation, regulation emissions reduction to encourage more efficient and less-polluting EVs,⁴ and incentivising manufacturers, including OEMs, to invest in EV technology R&D.

Nurturing stronger innovative capability is increasingly important amongst the Small and Medium-sized Enterprises (SMEs) that make up the bulk of Australia's manufacturing sector and, for decades, utilised the skilled and knowledgeable labour in manufacturing industries. Historically, key large or 'anchor' firms provided an initial spur to production and employment growth through their domestic investments – a process that was especially clear when major global automotive OEMs were operating in Australia. More recently, however, their departure has left the manufacturing sector more dependent on SMEs for its continued activity. As Stanford (2020: 57) shows, although 86,000 businesses were registered as operating in the manufacturing sector as of June 2019, most of these businesses were very small: only about 500 firms had over 200 employees. The number of medium-sized manufacturing businesses is also modest and had been declining over the previous dozen years. The OECD (2021) has highlighted the 'missing middle' (or *Mittelstand*) of medium-sized enterprises in Australia's economy, leading to a lack of resilience in the nation's intra-national and international business linkages and rendering the economy more deeply exposed to global supply chain disruptions, as experienced during the COVID-19 pandemic.

Although major firms still dominate R&D spending and innovation activity in Australia, their performance falls below international standards. The lack of investment from business can be understood in part by the loss

⁴ EVs may not emit carbon pollution like ICEs, but they do contribute to pollution in other common ways, *i.e.* tyres which gradually wear down, creating microplastics that end up in oceans and rivers; and braking systems that generate toxic dust including mercury, lead, cadmium, and chromium (see Welch 2021).

of economies of agglomeration that support robust innovation and supply chain expansion. Historically, firms linked closely in supply chains would ‘cluster’ together geographically, benefiting from knowledge-sharing facilitated by their proximity, as well as from the presence of larger primary firms (*i.e.* Holden, Ford, Toyota or their ‘Tier 1’ suppliers). It was common for employees to shift from one employer to another nearby in an existing cluster of business, taking knowledge with them and using it to contribute to innovation processes in their new role (Porter 1998).

In the wake of the closure of automotive manufacturing in Australia, there remain fewer larger manufacturing firms with which SMEs can coordinate their production efforts. This would suggest that, in the absence of industry clusters, there is little, if any, reason for firms to share knowledge due to higher opportunity costs. The result, it would seem, has been an erosion of the networked knowledge-sharing and commercial collaborations that previously sustained vibrant manufacturing. However, within the existing Australian automotive parts supply chain, despite the end of large-scale automotive assembly, significant manufacturing activity remains (see Table 1 above). Following the automotive industry closure, industry value-added declined only modestly, and actually stabilised at a higher level than immediately prior to the last of the industry closures.

Thus, the oft-declared death of automotive manufacturing in Australia after 2017 is simply at odds with reality. The automotive manufacturing industry still maintains an important level of activity in Australia, contributing to innovation, productivity, and exports. A future EV manufacturing industry could build on the automotive supply chains that still employ thousands of Australian workers and contribute high-quality manufactured goods to both global markets and domestic assembly operations (including the bus, truck, and other heavy vehicle manufacturers that still directly employ hundreds of workers and contribute to tens of thousands of supply chain jobs).

Where activity in the automotive supply chain has continued beyond the ICE automotive industry’s closure, the ongoing importance of industry clusters in Australia’s former automotive manufacturing regions provides a useful base for the development of new EV manufacturing. Numerous submissions to the Senate Select Committee on Electric Vehicles (Commonwealth of Australia 2019) referred to Australia’s ‘residual engineering capacity’ and highlighted the potential for revival of existing industrial infrastructure through the development of an EV industry.

Because a significant quantity of physical manufacturing capital currently sits idle in unused industrial sites – mothballed robots not already sold off to other manufacturers, operational gantry cranes, and with many sites having geographical proximity to existing logistics networks – assembling the capital stock required to build an Australian EV manufacturing capability could have a significant head start.

Further supporting this case, the history of Australian manufacturing reveals a sector intrinsically shaped by an automotive industrial base, which set in motion a pattern of capital investment, business activity and skills development that continues to this day – years after the OEMs departed. Automotive manufacturing has been a key driver of demand in other industries and sectors for complex products; and a leading stimulator of R&D which still ripples throughout the economy. The Department of Industry, Innovation and Science (DIIS) has highlighted the importance of government policy support to transition existing auto industry clusters to new manufacturing opportunities (DIIS 2020). A just transition, coordinated by a federal body – such as the Energy Transition Authority proposed by the labour movement (ACTU 2022) - will be essential to capturing benefits of new industry for the workers transitioning from legacy industries to the broad range of opportunities related to renewables. Hence the importance for an EV industry policy to acknowledge automotive manufacturing's ongoing role in economic development by preserving existing regional industry clusters and strengthening them through an EV industry strategy.

There is a further *social* dimension to reviving industry clusters in an EV-led reindustrialisation of the economy. Many workers lost employment in the automotive industry and broader manufacturing sector since the OEM closures over the last two decades. As previous studies have documented, in the wake of those closures, many displaced workers left the manufacturing industry sector permanently (Beer and Thomas 2009). These laid-off manufacturing workers have faced limited opportunities, often moving to jobs in industries characterised by lower pay, less hours, chronic insecurity, and poorer conditions - characteristics that now commonly combine with 'gig economy' labour market dynamics to thrust skilled tradespeople into precarious working conditions (Beale 2022). It is also common that the skills or experience of these workers are a poor match for work in these industries and disadvantage them relative to other workers. The former manufacturing workers commonly suffer from negative health consequences and barriers to social participation, partly

reflecting the loss of community that workers commonly experience after losing long-term, well-paid, and unionised manufacturing positions.

An EV industry policy could reverse these negative trends by reinvigorating the positive benefits of regional industry clusters and building upon the skills and capabilities that are retained by workers in SMEs that still operate in the post-automotive manufacturing sector.

A role for government and other key institutions in EV industry development

In responding more fulsomely to the challenge of climate change, the Australian government could put an EV industry at the centre of its economic and environmental strategies. This represents a strategy that goes far beyond industry policy as an exercise in ‘picking winners’. Instead, it is about seeding a range of viable innovative industrial pathways. As a case in point, Mariana Mazzucato (2015) has highlighted the Obama Administration’s backing of two renewable energy technology ventures, Solyndra and Tesla, to show that the failure of Solyndra (at a cost of more than \$US500 million) was more than offset by the multi-billion-dollar success of Tesla.⁵ Tesla is now one of the world’s most innovative manufacturing companies, providing commercial and retail products in the EV and renewable energy sectors.

Yet the success of global manufacturing giants like Tesla can only be understood with reference to the industry policy context that enabled them. Industry policy must also ensure that its successes help to enable social and environmental goals. In more recent work, Mazzucato (2019) argues that Tesla ‘privatised’ the profits of its extraordinary success, while ‘socialising’ the costs of funding innovation.⁶ Future public investment in firms with significant growth potential should result in the state not only shouldering much of the risk, but sharing in the reward when a highly innovative firm grows. Where initial public investment is the catalyst for such growth, the public is deserving of a share in the success through a

⁵ According to Mazzucato, the Obama Administration provided guaranteed loans of US\$535 million to Solyndra, and US\$465 million to Tesla.

⁶ While the failure of Solyndra was more than offset by the enormous success of Tesla, Mazzucato (2015: 12) explains that ‘Taxpayers footed the bill for Solyndra’s losses – yet got hardly any of Tesla’s profits.’

social dividend. Thus, Australian governments need to avoid the situation in the US, where, as reported by Hirsh (2015), Tesla had benefited by 2015 from nearly US\$5 billion in US federal and state subsidies to develop and expand multiple ventures (including EVs, tunnel boring, renewable energies, and even space exploration), and yet initial public investment was never paid back by the company, nor any equity in Tesla obtained by state or federal governments. Tesla CEO Elon Musk's willingness to exploit workers and actively prevent unions from organising Tesla plants has also been widely reported (see Sainato 2018). His subsequent business ventures – including takeover of Twitter and other vanity projects like his Boring Company's anti-public transport tunnelling projects – indicate a fuller picture of this entrepreneur's relationship to state industrial strategy, presenting a negative model that a more progressive industry policy should actively seek to overcome.

Active participation by the Australian government in various aspects of EV industry development could involve a coordinating, as well as a regulatory, role. This includes the development of secondary processes downstream from extractive industries, regulating skills development, supporting supply chain enhancement, and incentivising the use of EVs by consumers (such as sales incentives and charging infrastructure). ARENA (2018) has reviewed EV policies in other countries and shown that they commonly feature purchasing incentives, procurement targets, import regulations, fuel efficiency and consumption regulation and even the phasing in of ICE vehicle bans. ClimateWorks (2018) has argued that campaigns to raise awareness amongst the public, by demonstrating and deploying EVs and EV charging infrastructure, are necessary to accelerate public engagement in the EV transition.

In terms of *industrial relations* policy development, unions and other civil organisations need to play an active role to enhance the resulting benefits of EV industry growth for workers, the public and future generations. These investments are guided by the twin goals of decarbonising the Australian economy and enhancing our technological and industrial sovereignty. The urgency of government measures to maximise societal benefit are illustrated once again with Tesla's plans for prospective ventures in Australian rare earth mining. Tesla's estimated annual demand for Australian-produced lithium, nickel, and other critical and rare earths has been reported to exceed \$1 billion beyond 2021 (Greber 2021).

In 2022, the Biden Administration's *Inflation Reduction Act* has also acted as both magnet for new technology ventures and foreign policy posturing against the global market dominance of China. This legislation has attracted numerous high-tech Australian firms to establish US manufacturing operations, many of which initially sought to anchor their enterprises in Australia but were discouraged by the lack of industrial strategy under the former Coalition government, its recalcitrance to action on climate change and its subsequent ambivalence towards renewables industries.

The clear lessons are that due diligence must be taken by governments to plan industry policy that builds competitive advantages that lift the nation's position in global value chains (i.e. developing industry beyond simply digging up commodities and exporting them overseas where the value is added), thereby ensuring a proportionate share of benefits from the renewable future flows to workers, communities, and the public. Considering the US government's supply chain review (White House 2021) and the subsequent *Inflation Reduction Act*, the Albanese Labor government has undertaken public consultation to begin the process of developing a critical minerals strategy for Australia, as well as a battery manufacturing industry strategy. Within its coordinating industry policy role for whatever mechanisms emerge, it needs to ensure that EV manufacturing firms seeking to benefit from Australian incentives to maximise domestic investments and distribute the proceeds broadly throughout society.

What next?

With the key industrial building blocks already in place or capable of being developed, what is required to mobilise Australia's policy landscape and institutional settings to produce an EV-led reindustrialisation of Australia's economy? An Australian EV manufacturing industry should be seen as one major component of a nationwide approach to addressing climate change and creating a sustainable future. Hence, there is a far more pivotal role to be played by democratic institutions in planning, shaping and delivering a sustainable industrial future that benefits the environment and society.

In August 2022, the National Secretary of the Australian Manufacturing Workers' Union (AMWU), Steve Murphy, called on the new federal Labor government to boost domestic manufacturing by beginning with the

establishment of a tripartite National Innovation Council that would be tasked with developing and coordinating a long-term plan for EV manufacturing in Australia – one that would focus on industry policy, jobs, skills and training, and active governance (AMWU 2022). Since this initial political ask, the AMWU has worked with a growing list of cooperative industry partners in energy and manufacturing sectors, as well as think tanks and research organisations, to elevate a policy proposal that would establish a collaborative and representative industry innovation council. This Council, when established, could represent the coordinated industrial response to the opportunities detailed in this article. It could be the means to deliver major worker-centred interventions through cooperation with industry to identify the occupations and skills required to create scale throughout EV industries and related supply chains.

Beyond worker interventions, communities must be active stakeholders in developing and implementing sustainable social and environmental thinking and practices. This would reinforce a cultural shift to deeper ecological and community-minded social participation. A significant commitment to meeting Australia's climate change obligations in such terms can make great strides towards the transformation of cultural norms. Ultimately, in a sustainable social, political and industrial future, private EV ownership would be supplemented – even supplanted – by an abundance of well-funded and innovative sustainable public transport planning, supported by a vibrant, diversified and innovative manufacturing sector. This basis for developing renewable futures in Australia would complement environmentally sustainable innovations in energy systems and drive an environmentally friendly renewal of our economic system.

Conclusion

A country that can manufacture goods is more likely to be a country that succeeds economically and socially. Given Australia's industrial history and demonstrated capacities, a rebirth of an automotive industry makes sense for several reasons. It is in step with the imperative to undertake a global energy transition to stabilise the climate and it is both economically and socially beneficial. For this strategy, Australia will need an EV industry policy that encourages a rapid shift in automotive manufacturing away from ICEs but within an economy-wide strategy to rebuild

Australia's industrial transformation around sustainable transport systems as part of a national response to climate change. An Australian EV strategy based simply on a one-for-one replacement of ICEs with EVs would 'lock in' systems of production and transportation with an over-reliance on private vehicles baked into them, and this is ecologically unsustainable. We must also rethink our relationship to cars and consider more socially and environmentally sustainable modes of transport (*i.e.* public transport, cycling, walking) to meaningfully address climate change (Mattioli et al. 2020; Morgan 2020).

Building an EV industry in Australia is therefore not a panacea for dealing with multi-layered social, political, and environmental challenges. However, as this article has argued, anchoring Australia's industrial transition in an EV industry policy represents a significant opportunity to rebuild an advanced manufacturing industry – one that helps the nation meet its international environmental obligations and contributes to a just transition for Australian workers and communities. It would substantially augment efforts to decarbonise Australia's economy. To make it a success would require an industrial strategy to achieve the labour and environmental aims of an EV-driven industrial transformation.

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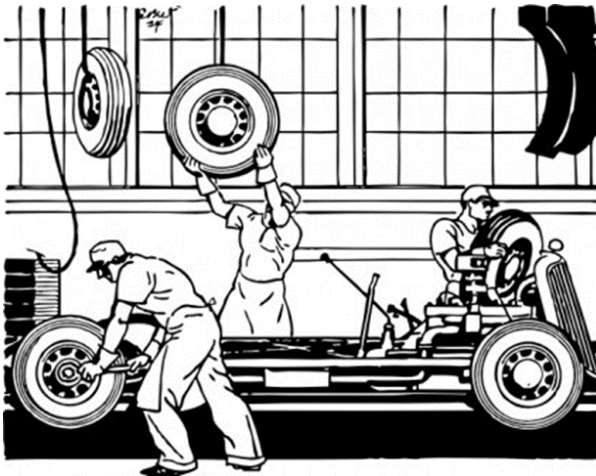
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AUSTRALIAN BUSINESS MANAGEMENT IMPROVEMENT PROGRAMS: A CRITICAL ASSESSMENT

**Phillip Toner, Renu Agarwal, Helena Li,
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Sancheeta Pugalia and Roy Green**

Industry policy comprises strategies to alter the industrial structure and performance of firms and industries. In Australia, it has been enacted through means such as direct public investment in science and technology (via CSIRO, NH&MRC, for example) and tax concessions for business spending on research and development. It has also included co-funding of private investment such as expanding renewable energy (ARENA) and government procurement (defence shipbuilding and, during COVID, vaccine production). Less well-known means of industry policy are the plethora of federal and State government business management improvement programs (BM programs).

BM programs are differentiated from other government industry policy programs, such as R&D tax concessions and export promotion, which share similar objectives of raising productivity, innovation, profitability and firm survival. Non-BM programs are directed at modifying specific aspects of firm behaviour without specifically seeking to change or enhance overall management capability. It is with the latter programs that this article is concerned.

**Toner, P., Agarwal, R., Li, H., Bajada, C., Paul, S., Phan, Y., Pugalia, S.,
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**‘Australian business management improvement programs:
A critical assessment’**

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For over half a century, a succession of government-sponsored reports has identified deficiencies in management capabilities that constrain the growth of existing firms and cause a high failure rate among new firms (Wiltshire 1971; Karpin 1995; Green 2009). The deficiencies, especially pronounced within Small and Medium-sized Enterprises (SMEs), relate to business strategy, financial management, marketing, work organisation, successful new firm creation, innovation and exporting.¹

Attempting some redress of this situation, State and federal governments have funded a wide variety of business management (BM) advisory services. Advocates of using taxpayer funds in this way point to the potential benefits for the wider society, or positive externalities, such as higher productivity, job growth and lower rates of business failure.

Are those benefits achieved in practice? Despite strong claims and high expectations for improved firm performance, there is surprisingly little publicly available information on the scope, objectives, target groups, activities and effectiveness of the current Australian BM programs and the large expenditures on them by public and private sectors.

This article seeks to fill this knowledge gap. It is based on a study that poses three research questions: what are government-funded BM programs? do they work? and how can they be improved? Overall, the findings indicate that, while the programs meet a genuine need and are moderately successful in achieving some aims, there are also significant program deficiencies that impede program performance. These deficiencies include program duplication across jurisdictions; perennial closure and re-invention of programs; absence of program rationales and performance benchmarks and limited publicly available evaluations. These problems constrain both cumulative learning by program administrators and incremental improvement in program design and performance.

Explaining why these deficiencies persist in Australia, despite nearly five decades of BM programs, requires deeper institutional political economic analysis. The explanation offered here draws on Australian literature, such as Bell (1993), Stewart (1994) and Jones (2016, 2021), that points to a

¹ Despite their scepticism regarding the value of these programs, the Productivity Commission (1998: Ch 4) provides a useful guide to the statistical evidence on the variety and scale of management problems faced by SMEs.

bureaucratic and political environment that is hostile to long-term strategic state engagement in targeted industry development.

BM programs evidently suffer from similar problems to those besetting industry policy more generally in Australia. Exploring this theme, subsequent sections of this article provide: (1) an historical background to BM programs; (2) description of the data sources for the research on which this article is based; (3) a typology of BM programs; (4) analysis of how effectively they work; (5) consideration of how they are constrained; and (6) discussion of how these concerns relate to the broader limitations of Australian industry policy.

Background to BM programs

Early stimulus to BM programs was provided by the 'Productivity Council' movement of the 1960s and 1970s (Wright 1995) and the 1971 *Report of the Committee on Small Business* (Wiltshire Report) which argued that 'an important role for government to play is that of a catalyst, stimulating and motivating the managers of small business and all bodies capable of serving them' (cited in Schaper 2014: 222).

BM programs were expanded in the 1980s and 1990s due to a marked shift in government industry policy orientation from 'protection', primarily through tariffs, to liberalisation of trade, labour markets and capital markets. This period was also one of government activism to lift 'national competitiveness' by focussing on the productivity and innovation performance of firms and industry (Bryan and Rafferty 1999). The source of this activism was partly pragmatic, as long-established industries were provided new forms of support to partially offset their rapid decline resulting from tariff cuts. In parallel, Labor governments sought to encourage the development of new 'globally-oriented' industries.² The prime examples of this activism were the 'Button Plans' (1983-1995) for mature industries such as autos, ship-building, steel, TCF and heavy engineering, and 'emerging' industries, pharmaceuticals and ICT (Sheehan *et al.* 1994). The Plans were named after the then Labor Industry Minister, John Button.

² Mazarol and Clark (2016) highlight a second stimulus in this period in the growth of research into the contribution of SMEs to job growth and especially the importance of 'new firm creation'.

At the same time there were certain intellectual counter-currents to the ascendant theories of economic liberalisation and ‘economic rationalism’. Krugman’s (1979) ‘strategic growth theory’ introduced imperfect competition into orthodox trade theory and argued that firms and nations could generate ‘rents’ by supporting innovation and scale economies ahead of competitors. This made an implicit case for government intervention that would assist businesses to exploit these two drivers of growth. Separately, management theorist Michael Porter (1980) highlighted the key role of management capabilities in creating firm success through ‘competitive strategy’. While it is difficult to assess the domestic impact of these ideas in shaping implemented policy, they did provide a ‘respectable’ justification for action.³

In 1986, the National Industry Extension Service (NIES) was created. Modelled on long-running agricultural extension services, its function was to provide ‘specialised extension services involving such matters as product innovation and development, design, best management practices, human resources management, manufacturing process technology, quality, financial management and marketing’ (Minister for Industry and Technology 1986). NIES provided the template for many subsequent BM programs in terms of the services delivered, the mix of free government-subsidised and fee-for-service activities and the use of private consultants and public servants to deliver these advisory services.

Partly as a result of the positive outcomes of NIES the Labor government in 1991 initiated an inquiry into leadership and management skills in Australia, resulting in the ground-breaking *Karpin Report* (1995). This influential report raised ‘awareness of the relationship between management capability, at all levels of the organisation, and company performance’ (Samson 2011:6). The report made 28 wide-ranging recommendations. Of particular relevance here was recommendation 6: ‘that a system of financial assistance be provided to small business owner-managers by way of entitlement to purchase accredited one-to-one mentoring/advising. Such assistance would address the reluctance or inability of many small business owner-managers to seek advice for

³ Wickham (2005) identified the use of Porter’s ‘competitive advantage’ model in key Australian industry policy documents of the 1980s and 1990s. In addition to its opposition to BM programs, cited earlier, the Productivity Commission (1990) also felt the necessity to directly challenge Krugman’s arguments regarding the efficacy of industry policy.

business problems as they arise and for long term management skills development’.

Karpin was prescient in seeking to support existing activities, as the incoming Howard government abolished NIES in 1996. There was no replacement for it until 2007 when the Howard government created the short-lived Industry Productivity Centres program (Parliamentary Library 2007). The Labor government replaced this in 2008 with Enterprise Connect (EC) which, in turn, was replaced by a Coalition government in 2014 with the current Entrepreneurs’ Program (Department of Industry, Science, Energy and Resources 2020a). This latter program had its funding cut substantially in November 2022 under the incoming Labor government and, at the time of writing, is under budget review (Jones 2022).

A later Labor government-funded inquiry, *Management Matters* (Green *et al.* 2009: 16-18), replicated in Australia international benchmarking studies which had established a strong quantitative relationship between specific management practices and positive firm performance. The local data revealed that management capabilities, especially in Australian SME’s, were deficient in comparison to counterparts in other advanced economies. Subsequent research by Moran *et al.* (2018) and Agarwal *et al.* (2021) confirmed Green’s findings.

However, neither Karpin nor Green provided detailed guidance for BM program designers and managers about what services to provide, who should provide them or program evaluation. Karpin’s 28 recommendations canvassed a range of possible activities, including: ‘leadership training’; ‘front line management’; ‘study tours and performance benchmarking’; and lifting the quality of management training provided by universities and TAFE. Each recommendation comprised a generalised statement of intentions but not a detailed analysis of needs and plan for implementation. Green *et al.* (2009: 40) made three broad suggestions to improve the then EC program.

In summary, BM programs have a long history in Australia⁴, dating at least from the 1970s, and are identified by governments and industry as an essential complement to ‘market forces’ in driving productivity and innovation. Paradoxically, they are also subject to an inconsistent level of government support and constant abolition and re-invention, at least in

⁴ Schaper (2014) and Mazzarol *et al.* (2016) provide a useful history of small business programs.

form if not content. However, the major inquiries into Australian management did not provide detailed guidance as to the cause of management deficiencies and their improvement and even less guidance for diverse industries and different firm sizes.⁵ Thus, to this day, Australian BM programs lack a detailed rationale and reflection on the most efficient and effective range of possible services for business.

Data sources

Descriptive data on Australian BM programs are derived from a study conducted by the authors in early 2021. The study aimed to provide a comprehensive description of the objectives, methods and outcomes of Australian BM programs.⁶

The study comprised an online search of BM program documentation and evaluations from which was drawn a large random sample of 57 Australian federal and State government funded BM advisory services. Program documents were systematically analysed using a coding frame comprising 36 data items such as program objective, rationale, range of services, delivery agents, outcomes and evaluations.

In addition, 14 semi-structured telephone interviews were conducted with public sector managers of Australian BM programs, representatives of industry associations whose members use these programs and academics who advise governments on these programs. The interviews gathered perspectives on the relevance of current programs to industry needs and to identify gaps in provision and potential improvements to the design and delivery of Australian BM support services.

Finally, an extensive literature review of local and international BM programs was also undertaken, with the review focussed on design and evaluation issues.

⁵ For example, the *Management Matters* study was limited to manufacturing industry.

⁶ Conducted for the Department of Industry in 2022 by the authors (<https://opus.lib.uts.edu.au/handle/10453/166415>).

What are government funded BM programs?

Government-funded BM advisory services provide assistance to firms to improve business management capability.

The study identified two broad categories of service:

- (i) Business Management Strategy and Direction (business model and structure, financial management, risk management, leadership and strategic thinking)
- (ii) Production and Operational Management (product and service development and commercialisation, process improvement, new technology identification, workforce planning and training, quality assurance, new sales channels and investment attraction).

Some 22 programs (39 percent of programs surveyed) also offer grants to aid firms to implement advice. These grants can be substantial (up to \$150,000 under the federal Entrepreneurs' Program, \$100,000 for the South Australian Future Industries Accelerator, and \$50,000 under the Victorian Government's Global Gateway Program).⁷

The great majority of domestic (and international programs) have multiple goals and offer multiple services. To make the analysis of BM programs tractable a typology of program objectives and services was developed. Each program was classified into just one category based on its dominant stated purpose. Five broad program objectives were identified as well as their incidence. Table 1 (on the following pair of pages) shows these five objectives and their frequency in BM programs.

The most common objectives were 'lifting firm and/or industry innovation, efficiency & productivity' and 'expanding existing firms', with each accounting for 32 percent of BM programs. The next most frequent was 'increasing the rate of new firm creation', notably through assistance to start-ups and encouraging entrepreneurship, representing 21 percent of programs. The least common objective was 'increasing firm exports', accounting for 7 percent of program objectives.

⁷ Unfortunately, data on program budget allocations, actual expenditure and the number, location, and other characteristics of firms receiving assistance is not readily available.

Table 1: Typology of BM program objectives and services

Objective	Definition of objective	Typical services provided to meet objectives	Program example and funding jurisdiction	No. and % of total programs
1. Lifting firm and/or industry innovation, efficiency & productivity	Principally directed at product, process, or organisational improvement: including programs used new technology such as automation, commercialising new products/services, or digital transformation of services/marketing	Process and system, new technology, workforce planning, commercialisation, quality assurance, financial management	Entrepreneurs program (Comm.) SME connect (CSIRO); boosting business innovation (NSW); boost your business voucher program (Vic)	18 (32%)
2. Expanding existing firms	Generic advisory services: improving business plans, finance systems, marketing, and have a general aim of lifting firm revenue and employment	Financial management, innovation/commercialisation, investment attraction; leadership, strategic thinking; sales channels, workforce planning	Growing SA companies (SA); business growth fund (Qld)	18 (32%)
3. Increasing rate of new firm creation	Assistance to start-ups and encouraging entrepreneurship	Business model and structure; financial management, risk management; sales channels	Sydney school of entrepreneurship (NSW); business recovery and resilience mentoring (Vic)	12 (21%)

<p>4. Improving inter-firm collaboration</p>	<p>Promoting inter-firm co-operation to solve common technical, marketing, or training problems; programs use universities/public research agencies/training providers or consultants; fostering collaboration can also be an end in itself given anticipated benefits.</p>	<p>Innovation/commercialisation strategic thinking; risk management</p>	<p>Co-operative research centres (Comm.); Industry growth centres (Comm)</p>	<p>5 (9%)</p>
<p>5. Increasing firm exports</p>	<p>Services such as assisting firms to identify o/s markets; supply chains; import/export licenses and requirements and subsidising firms' promotional activities</p>	<p>Strategic thinking; sales channels; risk management</p>	<p>Austrade landing pads (Comm.); Aigroup export fundamentals</p>	<p>4 (7%)</p>

Programs by jurisdiction

Table 2 (below) shows the distribution of programs by objectives across the jurisdictions. The federal government is the largest single provider of BM programs (44% of the total), but collectively the States account for a higher share of total programs (56%). The federal government runs programs across all objectives, but each State also conducts programs across multiple objectives.

Table 2: BM Program objectives, federal and state, column percentages*

	Objectives %						
	Number of Programs	% of Total Programs	1	2	3	4	5
Federal	25	44	44	58	33	40	50
NSW	4	7	0	8	11	20	0
Vic	7	12	11	0	17	20	25
Tas	4	7	11	8	0	20	0
Qld	5	9	17	0	11	0	0
WA	6	11	6	25	6	0	25
SA	3	5	6	0	11	0	0
NT	3	5	6	0	11	0	0
Total	57	100	100	100	100	100	100

*Notes: The five objectives are: 1. innovation, efficiency and productivity; 2. increasing the rate of new firm creation; 3. expanding existing firms; 4. inter-firm collaboration; and 5. increasing firm exports.

Who receives assistance?

BM programs are directed at business characteristics such as firm size (especially SMEs), start-ups and specific industries such as tourism and other particular regions. Over 50 percent of programs are explicitly targeted at SMEs. 11 percent of programs were directed partly or wholly at manufacturing industry, roughly double the share of this industry in total national output. Even when targeting common business characteristics, considerable variation exists across jurisdictions in the definition of these characteristics and thus also considerable variation across programs in their program entry criteria. For example, SMEs can be defined in terms of a revenue level, rate of annual revenue growth, employment size or even age of the firm. This large number of discrete programs, targets and entry criteria has implications for the efficiency of program design and administration and program evaluation, to be examined subsequently.

How do firms get to participate?

Aside from participant firms meeting specific targeted business characteristics, such as size or age, all Australian BM programs examined apply additional selective entry criteria. Due to funding constraints, some programs are rationed on a 'first come first served' basis. Other programs, such as Commercialisation Australia, are 'merit based' where program administrators select the 'best' applications from eligible businesses, based on assessment of the detail in the applications for and anticipated benefits. This selection method imparts considerable discretion to program administrators. Grant-based schemes can also require 'matched funding' from firms (such as elements of the Entrepreneur's Program and Victorian government Global Gateway program).

Who delivers assistance?

Six main types of organisations deliver program services: the Department funding the program (Austrade, Landing Pads program); public sector research institutions (CSIRO, Kickstart Program) and universities (University of South Australia, Future Industries Accelerator); industry associations (AiGroup, Export Fundamentals Program) and specialist associations such as Indigenous Business Australia. Large consulting firms

are also prominent – notably Deloitte (Entrepreneurs Program) and PwC (Business advisory services for aged care providers). Smaller independent, often regionally based, business consultants and accounting firms are also used in roles such as ‘business coaches’ to deliver services (NSW Business Connect). Occasionally, programs are delivered by a mix of organisational types. The quality of program delivery agents is examined later.

Do BM programs work?

International studies

International meta-reviews that synthesise the results of multiple evaluations find that BM programs in high income nations are moderately successful in lifting some aspects of firm performance.¹ One such review of ‘business advice’ evaluations found that these ‘programmes show consistently better results for productivity and output than they do for employment. Results for sales, profits and exports are mixed’ (*What Works Centre for Local Economic Growth* 2014: 6). A meta-review of technology and innovation advisory services in Germany, the US and UK concluded that they provide ‘positive benefits for participating firms’ such as ‘improved quality, reduced waste, improved environmental performance, higher productivity and innovation’. However, these ‘net benefits [...] are often relatively modest for individual projects’, an outcome partly attributed to the low levels of investment ‘by both the public sector and private participating firms’ (Shapira and Youtie 2014: 6).²

The literature also identifies some common problems with program design and evaluation methods. The main issues are, first, that programs have multiple and often vague objectives, making performance assessment

¹ Examples of individual BM programs that were subject to high quality evaluations, and which found positive program outcomes, include the US Manufacturing Extension Programme (Lipscomb *et al.* 2017); the UK Manufacturing Advisory Service (BIS Expert Peer Review for Evaluation 2016) and UK Catapult Program (House of Lords 2021). Conversely, the rigorously conducted study of the Japanese Small Business Innovation Research program (SBIR) found no ‘additionality’ in innovation performance for SBIR participants compared to a control group (Inoue and Yamaguchi, 2017).

² *Campbell Systematic Reviews* (2016) finds similar findings for middle and low-income nations.

difficult. Second, programs usually provide multiple services, presenting challenges in attributing success or failure to particular program activities. Third, many evaluations are methodologically challenged and not regarded as ‘high quality’, due, for example, to reliance solely on participant ‘self-reported impacts’, absence of ‘control groups’ and ‘selection bias’ (Shapira and Youtie 2014: 6; OECD 2007).³ The net effect of these deficiencies is that the impact and cost effectiveness of programs is difficult or impossible to estimate and the scope for program improvement is thereby constrained. In sum, quantitative evaluations can provide partial insights into program performance and program administrators must be alive to their limitations. Nevertheless, if properly conducted and with due recognition of their restraints, such studies should be an essential input into determining ‘what works’.

However, meta-reviews and single program evaluations suggest a genuine justification for these programs in a variety of information ‘failures’,

³ *What Works Centre for Local Economic Growth* (2014) reviewed over 700 evaluations but only 23 met their quality requirements. Control groups are usually data constructs that compare the characteristics of BM program participants (using variables such as industry, age, size, growth rate, location etc) to non-participants. Researchers use control groups to address the ‘counter-factual’ question- would participating firms achieve the same outcomes in the absence of the program? However, there are two problems with this method. First, ‘control’ variables are frequently chosen because of their ready availability in existing data collections and may not be closely correlated with program objectives. The result is that the variables may not actually ‘control’ for or isolate the effects of program participation. Second, these methods are also confounded by ‘selection bias’. Firms that self-select to participate in a BM program may differ in important but ‘unobservable’ ways, from firms that do not elect to participate. Such differences cannot be readily ‘controlled’ for. For example, compared to non-participants, managers of self-selecting firms may have higher expectations of performance; managers may be more self-critical of their own abilities or be more open to learn from others and to new ideas. These problems represent a significant challenge for evaluators (Department of Industry, Science, Energy and Resources 2015). One solution is to use randomised control trials (RCT). In theory, not only is program entry randomised but, where programs offer more than one type of treatment, so too is the type of treatment received, including no treatment for a control group. The federal government has supported the use of RCT for BM programs (Department of Industry, Science, Energy and Resources 2015) but to date no such evaluation has been conducted. Several international BM programs have employed this method, but these have been very small-scale (Åstebro and Hoos 2021; Kleine 2022). RCT is the ‘gold standard’ in medical research. However, RCT is not without its own methodological perils (Deaton and Cartwright: 2018) and the disincentives for firms to participate in such programs are obvious. The term ‘high-quality evaluation’ is not limited to quantitative studies. As explained later, key insights into the ‘how’ and ‘why’ questions of program performance can only be supplied from well-structured qualitative studies.

especially among SMEs, relating to government regulation, business management, technology, finance and market entry. The key barriers identified relate to managers ‘not knowing what they don’t know’; the high cost of information in private markets; and the costs of implementing advice. This current study makes similar findings.

We now turn to use Australian examples to explain these and other problems with the design and administration of BM programs that have been identified in the literature.

Barriers to Australian BM program improvement

Limited number and quality of evaluations

Despite the long history and large number of programs, there is a paucity of publicly available evaluations. Few of the 57 programs examined in this study had public evaluations. Among these, even fewer are of high-quality. In addition, because BM programs in Australia are subject to regular changes in scope, target groups and services offered, it is difficult to draw valid conclusions about their relative performance over time. These issues severely limit the capacity for evidence-based incremental improvements in program design and constrain the ability of governments to replicate ‘successful’ programs operating in other jurisdictions. Consequently, firms and their industry associations lack good information to form a realistic appraisal of potential costs and benefits to participation in BM programs. Limited evidence as to their effectiveness and value for money arguably makes them easier ‘targets’ for closure, either by their ideological opponents or in periods of government austerity.

Examples of local high-quality evaluations of BM programs include the Department of Industry, Innovation and Science (DIIS) (2020a) analysis of Enterprise Connect (EC), which ran from 2008 to 2014 (superseded by the current Entrepreneur’s Program) and the DIIS (2020b) analysis of Commercialisation Australia (CA), running from 2009 to 2014. The purpose of CA was to support companies and innovators develop innovative products and bring them to market. Both evaluations found the programs achieved their objectives as program participants achieved higher rates of revenue growth, employment, exports, investment and R&D compared to ‘matched’ non-participants.

However, despite being rigorous and well-constructed, both evaluations were conducted six years after the programs were disbanded. Evaluators had to wait several years before a suitable dataset on participant and control group performance was available.⁴ Moreover, both evaluations only addressed program ‘effectiveness’ or the question ‘did the program achieve its objectives’. They did not investigate *what* services contributed to positive outcomes and *how* these services improved (or perhaps even diminished) management capabilities. Effectiveness evaluations are confronted with an ‘attribution problem’: a review may indicate a program meets its objectives but the reasons for this are essentially a ‘black box’. Addressing the attribution problem requires different research methods such as large-scale surveys of participants or case studies to identify the ‘what’ and ‘how’ of interventions (Intrac 2017). Examples of Australian BM program evaluations which addressed these issues and used these methods include the study of the federal Incubator Support Initiative (DISER 2019) and the Northern Australia Tourism Initiative (DISER 2020b). These evaluations provided important insights to clarify program administrative processes, objectives and services. Funding for these programs ceased in 2019 and 2021 respectively and were not replaced with programs that might have incorporated the lessons learned.

Program rationale and performance benchmarks

A program rationale should frame the specific program objectives and justify existence of a program by briefly describing the causes and scale of the problem to be addressed; how the program services address the problem and program resource requirements (OECD 2000, 2007). Without a robust *raison d’etre* the case for government devoting resources to BM programs lacks legitimate defence and thus adds to their vulnerability to government shutting them down. A manager of a large State government BM program expressed the issue succinctly: ‘The challenge is [identifying] what problem we are trying to solve and [whether] government should do something’.

⁴ Evaluators had to rely on the creation by the federal government of a data base, Business Longitudinal Analysis Data Environment (BLADE) in 2017, that permitted ‘matched firm’ comparisons of program participant and non-participants (Department of Industry 2017).

None of the 57 programs reviewed had a detailed rationale for either the program or their specific advisory services in their publicly available documentation. This deficiency provides the Productivity Commission (PC) with a consistent line of attack on government industry policy in general, as in the claim that '[A] limitation of many current small business policies, as in other areas of industry policy, is that they tend to state objectives as if they were rationales' (PC 1998: xviii).

In addition, no programs reviewed had explicit quantitative or qualitative performance benchmarks.⁵ These benchmarks could include, for example, the number of firms to be assisted, scale of anticipated improvement in firm performance and level of support from participants for the program. The imposition of either quantitative or qualitative performance benchmarks is neither an unreasonable practical burden on program administrators nor an 'academic' notion yielding little real-world benefit. An absence of performance metrics can result in very poor outcomes, as shown in a recent Australian National Audit Office (ANAO) report into the federal government's flagship Entrepreneur's Program (EP), conducted some seven years after the program commenced. This found that, due to lax obligations on service delivery firms ('delivery partners'),

contracts [...] [did] not include an effective performance management framework [...] [They] do not contain:

- specific service levels that each delivery partner must achieve or exceed;
- any performance measures and related targets to assess delivery partner performance; and
- a means to adjust payment based on the performance of delivery partners' (ANAO 2022: 10-11).

An absence of provider performance benchmarks also raised probity issues in tender selection. The ANAO review states: 'In its conduct of the procurement, the department did not demonstrate achievement of value for money. There was not open and effective competition for the delivery partner roles as competing tenders were not treated fairly or equitably' (ANAO 2022: 6). The review further said that '[t]he department's conduct of the procurement process also fell short of the ethical requirements set

⁵ Barrett, Billington and Neeson (2004: 191), reviewing BM programs focused on the Latrobe Valley, found a similar lack of clarity for 'the manner in which [program] objectives are determined in the first place' and criticised that 'there are no measurable targets set'.

out in the CPRs [Commonwealth Procurement Rules], with [...] probity risks not being appropriately managed' (ANAO 2022: 8).

Absence of clear rationales, performance benchmarks and performance data represent a 'chicken and egg' problem as their availability is a precondition for high-quality evaluations. These limitations are frequently noted by BM program evaluators (Accenture 2021: 7; Department of Industry, Innovation and Science 2019: 7).

Quality of external advisers

Ideally, external BM advisers are selected by government departments to provide services because they are skilled, represent value for money and have no conflicts of interest. However, concern about the quality and probity of government-funded BM program advice is long-standing. Karpin (1995), for example, recommended 'that a comprehensive accreditation process be established for small business trainers, educators, counsellors and advisors so as to upgrade the quality of small business advice' (cited in Samson 2011: 14).

Several respondents interviewed for this study questioned the quality of advice and the integrity of programs. One industry association respondent was especially critical of voucher programs, saying:

The voucher model has been a disaster everywhere. When there is no quality control then there are likely to be rorts and it opens up the market for pseudo consultants who may not be giving best possible advice. Government should be overseeing the program and have strict criteria and also evaluate the results for grants and funds.

Voucher programs tend to be small, with individual vouchers ranging in value from several hundred to a few thousand dollars and typically subsidise general advice on business formation, innovation, business plans and basic financial advice directed at prospective or recently established businesses. The large number and relatively small expenditure per voucher make it difficult to monitor program integrity.

Other research finds that certain design features of BM programs undermine service delivery quality among private providers. For example, program payments to external service providers can be lower than the revenue providers generate from their own private clients; there can be high costs imposed on providers in promoting the programs to SMEs and programs often have a short lifespan (Labas and Courvisanos 2021: 11).

These features of some programs create disincentives for BM service providers to invest in improving service quality and generate adverse selection risks as more able advisors choose not to deliver these programs.⁶

Program Duplication and Multiplicity

Analysis of data in Table 2 revealed apparent program duplication as all States fund programs with similar objectives to those of the federal government. Multiplicity arises when programs offer a limited range of services requiring firms to make multiple applications to different programs to satisfy their needs. Almost all respondents interviewed emphasised the problems for business arising from duplication and multiplicity. An industry association representative cogently summarised these views:

There are a lot of government programs out there [...] and every year it increases [...] From the business side it is confusing what the government strategy is [...] There are a lot of programs out there that can be hard to navigate. Yes, there is lot of overlap between most programs [...] That is also one of the reasons why programs don't succeed and makes it confusing for business (Industry association respondent).⁷

A contrary view would be that duplication and multiplicity allow for experimentation and novelty in program design and services. This is a theoretical benefit which has not been realised in practice. A possible reason for this was supplied by a federal government respondent who

⁶ The issue of public versus private BM service provision is too broad to explore here. However, one respondent, a manager of a large state government business advice program, explained that after consultation with industry, they elected to directly employ 120 business advisers as public servants rather than persist with contracting-out provision. Private provision was found to limit the sharing of useful information within the adviser network, such as ideas to enhance participant outcomes and participant recruitment, as advisers competed to renew their periodic contracts.

⁷ Other BM reviews also conclude that firms have 'difficulties coordinating and integrating assistance programs across [...] different jurisdictions' (Heffernan and Fern 2018: 86). The scale of duplication and multiplicity can be gauged from data collated by the federal government on State and federal funding directed at business support. There are currently a staggering 712 'business [...] grants, funding and support programs from across government' (Australian Government 2022). This population of programs is much larger than that directed solely at BM as here defined.

observed that there are no formal or even informal mechanisms for knowledge sharing within and across State and federal government agencies operating BM programs. This, combined with the general absence of publicly available program evaluations, constrains collective learning and incremental design improvement.

Models of long-established mechanisms for information sharing on government-supported business improvement programs exist elsewhere, such as the OECD Working Party on SMEs and Entrepreneurship (OECD 2022).

BM programs in a broader industry policy context

Respondents interviewed for this research agreed that, taken as a whole, BM programs are valuable for user firms. Many explicitly identified the widely reported poor performance of Australian management in international rankings as a rationale for BM programs. This performance was attributed to the cost and difficulty that SMEs have in identifying and assessing ‘information’ and implementing external advice.

One government respondent neatly summed up their views:

It is hard for firms to ‘know what they do not know’ and this inhibits them seeking external advice [...] Government plays a key role in providing advice and support for companies for fostering management capabilities, deploying technology and implementing advanced processes and overcoming barriers they face.

These needs are not being adequately served due to are significant deficiencies in the design and administration of Australian BM programs.

Some of these shortcomings include an absence of program rationales and performance benchmarks; poor program administration; short program lifespans and constant program re-invention; lack of public systematic evaluation; limitations in evaluation methods; program duplication and multiplicity; inadequate information sharing mechanisms across jurisdictions and concerns about program adviser quality and probity. These inadequacies impede bureaucratic learning to improve programs.

Similar problems apply historically to broader Australian industry policies of which BM programs form a constituent part (Green 2009: Ch 5; Conley and Acker 2011). Representative of these assessments is the Senate

Standing Committee on Economics (2015: 15) review into Australian technology and innovation policy, which concluded that programs:

tended to be short term, inadequately funded, and prematurely terminated. Some interventions have lacked a strong evidence base whilst others have operated with limited reporting of outputs and outcomes, and minimal evaluation. Evaluations, when conducted, are performed under a political or fiscal threat of termination.

Why are these problems with Australian industry policy widespread and persistent? The political economy literature suggests a key reason is the traditional hostility of central economic agencies and political parties at a national and State level to long term strategic industry policy.⁸ In the memorable phrase of Robert Wade (2014) “‘Industrial policy’ has long been one of the most toxic phrases in the whole of the economics vocabulary’, or at least in the orthodox economics lexicon. This hostility is attributed largely to a legacy of liberalist economic philosophy absorbed from the UK by economic agencies and local political parties (Bell 1993; Stewart 1994; Jones 2016, 2021, 2023).⁹ Indicative of this failure to form a national and bipartisan long-term strategic settlement is that the federal Department of Industry has had 10 Ministers over the decade from 2013 to 2022.

A consequence of this mindset is that industry policies in Australia are too frequently sporadic, ad hoc and pragmatic – instituted in response to periodic crises such as large-scale industry shut-downs; to favour financial backers of political parties or for short-term electoral advantage (Jones 2016, 2023; Conley and Acker 2011).

⁸ An example of this hostility is the Productivity Commission’s (2009:34) off-hand rejection of a foundational argument for industry policy: that firms face barriers to identifying and processing ‘information’ and that governments can reduce these barriers.

⁹ Unsurprisingly, hostility to coherent industry policy is also a feature of UK governments. In response to rising inequality and falling productivity the UK instituted a formal Industrial Strategy in 2017, but this was abolished in 2021. In response the House of Commons Treasury Committee (2022: 3) noted ‘we are particularly concerned at the ‘chop and change’ and lack of long-termism in growth strategy and policy, without which businesses themselves are unable to plan and invest. This churn also makes it difficult to assess the success or otherwise of initiatives such as the Industrial Strategy in improving growth and productivity’.

Conclusion

Substantial evidence exists for widespread weaknesses in the quality of Australian SME management and their adverse effects on firm performance. Government-funded BM programs are therefore justified, as market-based mechanisms for information transfer are insufficient to foster innovation and efficiency within SMEs. International and some local experience shows that BM programs can be effective. However, many past and current Australian programs are subject to significant deficiencies in conception, implementation and evaluation.

These deficiencies are attributed largely to a hostile political and bureaucratic environment marked by a rejection of a legitimate sustained role for the state in strategic, targeted, long-term industry development. Yet BM programs persist while other larger programs directed at improving the performance of whole industries, such as the Button Plans, have largely ceased. There is not space here to examine why this may be the case, but some reasons may be that BM programs generally make small demands on government budgets, the SME target is electorally significant, and government can be seen to be ‘doing something’ at a very local level. Further, compared to more ambitious and transformational Button type plans, BM programs can be more readily framed in acceptable orthodox economic terms of redressing a variety of agreed ‘market failures’.

Given this environment, would investing more resources in evaluation and improving the design and performance of BM programs diminish opposition to industry policy? No definitive answer can be provided. What is more certain is that the deficiencies in BM programs outlined in this article arguably create a vicious cycle where insufficient resources are devoted to remedying their deficits, leading to further diminished bureaucratic and political support for BM programs in general.

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FINANCE VERSUS HOUSEHOLD NEEDS: THE HOUSEHOLD EXPENDITURE MEASURE

Janet Burstall

The Household Expenditure Measure (HEM) is a quarterly updated benchmark that Australian banks use to assess applications for mortgages and to manage their financial risk. The HEM provides an estimate of the minimum consumption needs for households of various compositions. Comparing this with each mortgage applicant's income and expenses enables banks to calculate the surplus household income from which the interest and loan repayments can be made. That surplus sets a maximum amount for periodic home loan payments - and therefore the allowable loan size for each household. Concurrently, it determines the future revenue stream that a bank can expect to receive from a household in the form of mortgage payments.

From a political economic perspective, the HEM epitomises the connection between households, finance, and the transfer of risk in recent decades (Bryan and Rafferty 2018). Its distinctive role in mortgage lending may also be seen as an example of finance creating more effective ways to capture value from households and labour. This is an additional dimension for understanding the close links between financialisation and inequality (Peetz 2018: 48). There is a direct relationship between finance and households as suppliers of labour. At least in Australia, this relationship between banks and households' earning and spending capacities is underpinned by calculations of household minimum living standards via the HEM. This suggests the relevance of an analytical approach that applies the traditional Marxist concept of surplus in relation to the regular necessities of labour and household reproduction, extending it

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beyond the employment relationship to financial relationships more broadly. This can highlight how financialisation enables capital to find new ways to accumulate future value, thereby both reshaping and entrenching the domination of labour by capital.

Taking this broader view, this article analyses the nature and effects of the HEM. First, it describes the HEM calculation and its relation to households' living standards. Second, it explores the banks' rationale in adopting the HEM as a means of assessing households' capacity to pay. Third, it examines the role played by state agencies, such as the Reserve Bank of Australia (RBA) and the Australian Prudential Regulatory Agency (APRA). Fourth, it explores why and how households seek to maximise their capacity to pay for home loans and the consequences of doing so. Fifth, attention turns more explicitly to situating these concerns in relation to Marxian political economy. A concluding section discusses alternative approaches to meeting societal needs for housing without recourse to financialised arrangements such as the HEM.

The HEM calculation and living standards

The HEM was introduced by Australian banks in 2010 as a specifically Australian form of a model of 'Net Income recognised for Serviceability' (NIS) (Bryan and Rafferty 2018 :148). The HEM calculations are based on data from the Household Expenditure Survey (HES) conducted by the Australian Bureau of Statistics (ABS). The HES data is augmented with data on the quarterly Consumer Price Index (CPI) to take account of the increases in living costs for a wide range of household items. The HEM differentiates between households on the basis 13 bands of income, as well as by geographical location (Melbourne Institute 2014).

The HEM groups 600 expenditure categories according to whether they are considered 'absolute basics' (spending that cannot be avoided or varied), 'discretionary basics' (spending that cannot be avoided but can be reduced in times of need) and 'luxury' (spending that can be avoided). The company that manages HEM subscriptions for the lending institutions says that these three categories ensure that the HEM 'is not overly generous by design' (RFi Analytics 2018a).

After the HEM was introduced, a study by Dargan (2012) compared its results with the widely used Henderson Poverty line (HPI). This showed the HEM assessed a single adult with no children as needing an income of 88.5 percent of the poverty line. The HEM category farthest below the poverty line, at 73 percent, was a household with a single adult and three dependents – in practice, a household most likely to be headed by a single mother. A couple with two or three children was assessed under the HEM at around 99 percent of the HPI. The only household type with a HEM assessment above the poverty line was a couple with no dependents or one child (Dargan 2012). The Commonwealth Bank labeled the standard of living afforded at the HEM benchmark as 'modest, but above the level of "substantial hardship" as it includes some discretionary expenditure, which consumers would generally be able to give up if required' (Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2018b: 36). This standard of living is the basis of bank lending policy.

A Bank of America/ Merrill Lynch (BAML) report in 2011 pointed to banks 'playing down the cost of living [...] below the Henderson Poverty Index [...] By the banks using low default living costs, they are able to artificially inflate the level of debt they can provide to borrowers' (Liondis 2011). 'Houses and Holes' (2011) quoted the BAML report as saying that 'the average bank cost-of-living assumption is seven percent lower than the [Henderson] poverty index, 14 percent lower than our [Merrill Lynch] barebones budget, and even more for our adjusted [living costs, based on] ABS survey [data]'.

A precise account of the HEM methodology of calculation is not publicly available and the HEM dataset is subject to confidentiality, although an outline of HEM methodology was obtained through correspondence with RFiAnalytics, the agency which sells it. HEM subscribers (at a minimum cost of \$1,850 per annum) must agree not to release any of its data or reports (RFiAnalytics 2018b). The data appears to have been published openly only once, in 2012, attributed by Dargan (2012) to the Commonwealth Banks' HEM (CBA), until information came from a NAB exhibit at the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry (2018a: 197-202) (Financial Services Royal Commission –FSRC). Publications of the main state agencies with responsibilities related to the HEM provide the primary source material for the following discussion of the purpose and management of the HEM.

The RBA estimates that a little less than 15 percent of home buyers borrow the maximum amount allowed by the HEM (RBA 2018b: 35). This amounts to around 100,000 households a year who take out a maximum HEM loan, based on an estimate of about 700,000 home loans issued annually (Illion 2020: 6). It is not reported how many more borrow close to the maximum.

The HEM's impact also needs to be considered in the context of the scale and rapid growth of home lending. Australian bank lending to households grew by 77 percent as a proportion of GDP between 1960 and 2010, faster than in any of the other 16 advanced economies studied by Jordà *et al.* (2016: 13). A 2020 study reported that there were '6 million home loans, worth a collective \$2.1 trillion, covering an average debt of \$456,000 on new loans less than two years old' and 37 percent of Australian households are mortgaged home buyers (Illion 2020: 3). In 2018, 'Australian banks' mortgages are equivalent to 80 percent of the economy [...] [and] Australian household debt exceeds 120 percent of GDP' (Heath *et al.* 2018). Home lending is the most lucrative business in Australian banking, with the 'big four' banks (ANZ, CBA, NAB, Westpac) taking combined profits of around \$20 billion per annum (Yeates 2022).

Why did banks invent the HEM and how do they use it?

Banks developed a NIS model after the experience of the economic recession of the early 1990s, during which they had suffered their largest losses in forty years (Gizycki 2001: 20). Even though unemployment had reached about 11 percent and mortgage interest rates 17 percent, housing loan losses were much lower than business loan losses (Debelle 2010). Significantly, households were seen as more reliable debtors than businesses, having a capacity to continue payments for housing even when their incomes were squeezed and hardship was experienced.

Up to the 1980s, lending banks had assessed income for a mortgage on the basis of consistent fortnightly pay slips. Regulation required a Loan to Value Ratio (LTVR) not exceeding 90 percent of the property value and a Debt Service Ratio (DSR) not exceeding 30 percent of household income (Laker 2007: 3-4). Then a general view emerged in the banking sector that households were able to carry more debt than the existing LTVR and DSR rules enabled (Debelle 2010). The shift to a NIS model was the outcome. According to the Australian Prudential Regulation Authority

(APRA), only around half of banks used it by 1996; but ninety percent were doing so by 2006 (Laker 2007: 3-4). The shift to a NIS model was associated with an increased proportion of lending going to households. Between 1988 and 2010, household lending grew to 58 percent of the total value of bank loans, while the share of business fell from 62 percent to 35 percent (Debelle 2010).

The HEM version of the NIS model was commissioned by the banks' Risk Managers Roundtable in 2010 as a further step towards improving risk management. More precise calculation of the financial positions of households enabled banks to assess and price the risk of household arrears and default, whilst maintaining the NIS approach as a competitive basis for signing up customers and maximising their loans.

The detail contained in the HEM tables allows banks to closely examine each household's finances and convert their position to an asset with associated risks (Bryan and Rafferty 2018: 194). This approach to the analysis of household finances is similar in character to that applied to business balance sheets when setting the terms for business loans. As such, the relative shift of lending from business to households extended what had previously been a business-specific form of evaluation. Furthermore, it enabled the banks to bundle and sell mortgage repayment streams – which they were already doing - with now more systematically calculated risks of default, based on the complex data captured by the HEM assessment process.

The business perspective of banks extends further to matters of household well-being and financial stress. Consultants and industry experts monitor household consumption needs and measures of consumer sentiment, such as confidence, financial anxiety and stress (North 2018b; NAB 2018; Dun & Bradstreet 2014; Moody's Investor Service 2017). These measures help investors to predict household demand, capacity to pay, and the risks associated with the assets they hold as mortgage payment income streams. Thus, through the HEM, household incomes, living standards, welfare and stress are treated as manageable risk factors that underpin bank profits.

How does the state relate to the HEM?

Through its regulatory roles, the state is the second major player in the institutional and financial market processes. The principal agencies responsible for bank regulation are the Reserve Bank of Australia (RBA)

and the Australian Prudential Regulatory Authority (APRA). The RBA addresses systemic financial stability, while APRA oversees the viability or prudence of banks and other financial institutions, including supervision of bank lending standards, within which the HEM is an integral component. Both the RBA and APRA are aware of the systemic risks that arise because a critical mass of households can become unable to maintain mortgage repayments on a HEM barebones budget (Lowe 2017; ASIC 2017: 5; Richards 2016), especially when they have unrealistically low estimates of essential living expenses and overstated borrowing capacity (Laker 2007: 4).

The consumer protection provisions of the *National Consumer Credit Protection Act* (NCCP Act) are also relevant to the banks' use of the HEM as the calculation tool for assessing each customer's capacity to pay. Enforcement and administration of the NCCP Act is the shared responsibility of Australian Securities and Investments Corporation (ASIC) and the Australian Consumer and Competition Commission (ACCC). The principles of consumer protection and competition for which both ASIC and the ACCC are responsible can be in contradiction, as has been in the case of the HEM and home lending. Such problems were revealed when the Financial Services Royal Commission (FSRC) and ASIC brought public scrutiny to the failings of consumer protection and specifically to the HEM.

These tensions and contradictions associated with the regulatory agencies relevant to the HEM can be further analysed according to three distinct themes: financial stability, competition *versus* consumer protection, and public scrutiny.

Financial stability

The RBA's first *Financial Stability Review (FSR)* (RBA 2004) signified a new direction for the RBA, pointing to the need to take oversight 'without impeding socially valuable financial innovation and efficiency' (Davis 2011: 345). The RBA Deputy Governor observed that risk-taking had become a more important dimension since deregulation (Battellino 2007: 81). The publication of the *FSR* coincided with the first data on arrears and mortgage stress published by the RBA and APRA, and almost every one of the subsequent twice-yearly issues has considered trends in owner-occupier mortgages.

The HEM ties banks and the RBA together in managing risk through securitisation. Since 2015, the RBA has accepted self-securitised collateral from banks on condition that ‘detailed information about an asset-backed security’s structure and its underlying assets be made available’ to the RBA (Fernandes and Jones 2018: 2). This information in the RBA’s ‘Securitisation Dataset contains timely and detailed data on each and every one of the mortgages underlying Australian residential mortgage-backed securities (RMBS)’ (Fernandes and Jones 2018: 1). This granular securitisation data, which banks collect when they assess loans via the HEM criteria, is used by the RBA ‘to thoroughly assess the credit quality of the asset-backed securities accepted as collateral’ (Kohler 2017). The RBA also assesses ‘the household sector’s financial resilience’ (Bilston, Johnson and Read 2015: 1).

Several RBA papers reveal that the reason for this work is concern for the ‘resilience of banks to household credit risk’ (Bilston and Rodgers 2013: 28). The RBA is aware of the significant risks ‘to financial stability and, consequently, to the broader macro economy’ (Bilston, Johnson and Read 2015:1) arising from household sector lending. In 2021, the RBA was concerned about a build-up of these risks associated with prolonged low interest rates, high household debt and the sustainability of house prices (RBA 2021: 61). It stated that: ‘Survey data suggest that borrowers with a small NIS are more vulnerable to both falling behind on their loan payments and having lower liquidity buffers available to shield their consumption in the event of an adverse shock to their income or expenses’ (RBA 2021: 54). The RBA responded with Mortgage Macroprudential Policies (MMPs) which include serviceability assessment margins, debt-to-income and loan-to-valuation ratios, applied across the board but ‘typically designed to reduce the supply of credit to those borrowers who are contributing most to the identified systemic risk, without excessively constraining other borrowers or activity in the housing market’ (RBA 2021: 61).

From 2022 onwards, higher inflation and rising interest rates have brought new challenges for both households and financial stability. The RBA noted that key risks from tighter global and Australian financial conditions could lead to ‘disorderly declines in asset prices and disruptions to financial system functioning’ while ‘increasing debt-servicing challenges’ would be magnified by a possible ‘sharp increase in unemployment’ (RBA 2022a: 2). This is a web of shocks connecting systemic stability and household finances, exacerbating the risks that had built up by 2021 whilst interest

rates were low. Households who borrowed near the maximum allowable by the HEM have nothing left to cut from their household expenses as their mortgage payments rise with interest rates. For some households, their capacity to pay is exhausted. However, the RBA and other agencies respond only to the risk to systemic financial stability, a risk that arises because lenders operate at the margins of household solvency. To date, the RBA has not referred to any need to protect households struggling to survive on poverty level budgets from losing their homes.

Competition vs consumer protection

The rationale for the reform of mortgage lending requirements was to make ‘product innovation’ possible and to ‘widen the range of households who can access finance’, according to the Assistant Governor of the Reserve Bank (Debelle 2010). This product innovation was driven by lenders competing for customers and volume, to the extent that the lending institutions can be called ‘home loan factories’ (Yeates and Grieve 2021). Any bank with particularly tight lending standards - and slower approval processes – tends to lose customers to other banks that are willing to rapidly issue a larger loan. Where borrowers are competing in housing markets with other homebuyers, larger loans have immediate attraction, even if they carry longer term risk for households.

After the Global Financial Crisis had shown the hazards of systemic risk from mortgage lending, the Labor Government enacted the *2009 National Consumer Credit Protection Act* (NCCP Act). It transferred authority for consumer credit protection from the States to the Commonwealth. It was the 2009 Act that prompted the banks to commission the HEM in 2010. The Act requires lenders and brokers to make ‘reasonable inquiries’ (s130), to assess that each consumer has the capacity to repay without ‘substantial hardship’ (s117, 1(b)), and not to issue ‘unsuitable’ (s129) loans. The Act was intended to combine consumer protection – via responsible lending standards - with promotion of financial stability (Commonwealth of Australia, House of Representatives 2009: 7148).

ASIC was assigned the authority to enforce lending standards as part of its consumer protection role; and to assist industry to transition to the new obligations. Three years after the NCCP Act came into law, the RBA and Treasury moved to tighten lending standards, as a means of reducing the risk to financial stability posed by household insolvency. In 2014, ASIC

applied the requirements of the NCCP Act when it amended regulations aiming for ‘more realistic assessments’ of household needs (APRA 2017). ASIC and APRA observed that these tighter lending standards would not be initiated by individual banks because of competitive pressures (Byres 2018). There was ‘no first-mover advantage to tightening their policies’ (Richards 2016: 6). ASIC sought to overcome this barrier by bringing banks together for consistency of serviceability methodology, particularly the application of the HEM (APRA 2017: 13).

Even though responsible lending standards had appeared to be for the purpose of consumer protection, APRA as the supervisor of banks was concerned with *corporate* risk, rather than adequacy of household income after meeting commitments to make repayments to banks. It stated that it expected lending institutions ‘to be able to articulate and be aware of commercial and other reasons for these differences [in lending standards], and any implications for [their own] risk profile and risk appetite’ (APRA 2017: 13). APRA’s objective was ‘not to eradicate differences in risk appetite or the ability to offer competitive terms’ (Richards 2016).

More recently, fintechs saw home buyer demand for faster loan approvals; and responded with digital mortgages that the major banks are also moving into (Yeates 2022). These ‘make greater use of automation to test if borrowers can afford a loan’ (Yeates and Grieve 2021), with potential to further overestimate household capacity to pay. These digital mortgage platforms allow for the collection of big data and for more finely calibrated analysis and correlation of the attributes of borrowers with risk.

Overall, legislated consumer protection via responsible lending standards has not altered the banks’ competition for customers and calculated risk-taking based on the HEM.

Public scrutiny

The HEM and lending standards came under public scrutiny from the FSRC when ASIC prosecuted Westpac (*ASIC vs Westpac* 2019) for its failure to adequately validate income under the NCCP Act. In 2018, the FSRC had tabled examples of the previously secretively guarded standards of income adequacy in the HEM. It recommended both prosecutions of banks and amendments to the law if necessary to enable successful prosecutions (Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2019: 57). Commissioner

Hayne expected banks to reduce reliance on the HEM, resulting in tightening of credit, in order to comply with the NCCP Act (Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry 2019: 58). However, neither of these happened, quite the opposite¹.

In 2017, ASIC alleged that Westpac had not made the required inquiries into customer's actual living expenses under the NCCP Act and had issued 'unsuitable' loans. Justice Perram sided with Westpac and found that 'substantial hardship' was not relevant, as households can reduce their expenses, saying 'I may eat Wagyu beef every day washed down with the finest shiraz but, if I really want my new home, I can make do on much more modest fare' (s76) (Australian Securities and Investment Commission vs Westpac 2019).

Evidently, the FSRC's and public's expectations that the law would protect households from poverty level repayment commitments have been disappointed. Rather than serving as a minimum living standard to protect households, the HEM has set a maximum living standard above which banks are able to contract households to make mortgage repayments. Furthermore, many observers and the FSRC note systematic efforts by banks to lend beyond the limits that the HEM would define. Previously, governments and the state – through social and industrial policy and regulation – accepted a greater degree of responsibility and accountability for recognising minimum needs, setting subsistence standards of living and protecting households from poverty. Those levels were contested and improved by workers and their families, through collective union and political action. The HEM as a 'commercial in confidence' mechanism applied by the banks to each customer as a household or individual – and regulated indirectly and behind the scenes - is inaccessible to effective public, trade union or other form of scrutiny, challenge or accountability.

¹ The Coalition Government, post-COVID, also contradicted the recommendations of the FSRC in 2021 when it sought to make amendments to the NCCP Act under the title of *Supporting Economic Recovery*. The amendments - that failed in the Senate - would have protected banks from prosecution by softening responsible lending provisions and removing ASIC's role as a regulator of them. Only APRA's macro-prudential role in relation to lending standards was to remain (Pyburne 2021).

How have households been affected by the HEM?

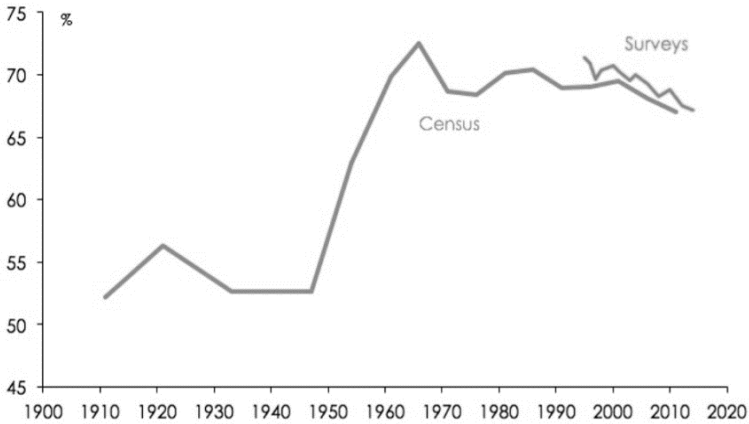
The key element is *needs*. It is because households are central to meeting people's basic life needs that household lending has become the most profitable and lowest risk business for finance. The need for housing is fundamental. Housing is the largest item in - and a growing proportion of - household budgets (ABS 2017, AIHW 2021: 122). Looking through the lens of needs shows the HEM's impact on household life as a relationship between households and finance, labour and capital, thereby pointing to the heart of the problem in a clearer way than analysis of inequality does.

Households' trade-off their earning capacity, other household expenses and needs against the security of homeownership. The risk of becoming unable to meet HEM calculated mortgage repayments must be weighed against the stresses and unaffordability of rental housing (AIHW 2021 121-8), and the perceived benefits of home ownership (AIHW 2022). The three key aspects of these processes are how the HEM affects housing affordability, economic security and the pressures that flow through to labour market participation and unpaid labour time.

Affordability

The RBA saw financial deregulation as enabling a wider range of households to access finance and so own a home (Debelle 2010); but the opposite eventuated. An Assistant Governor of the RBA acknowledged this when noting that, from the 1980s as 'credit availability went up, effective interest rates went down, and that enabled an expansion in the demand for housing, and, because most of the stock of housing is already there, that results in a bidding-up of housing prices' (Commonwealth of Australia, House of Representatives Standing Committee on Tax and Revenue 2022: 134).

According to Census data, the home ownership rate in Australia rose rapidly in the late 1940s, throughout the 1950s and into the 1960s, peaking in 1966 at 71.4 percent. Since then, the upward trend has not continued and, since 2000, there has been a downward trend. The 2016 census revealed a home ownership rate of 67.1 percent. Figure 1 on the next page shows this census data. The shorter line in Figure 1 shows the result of surveys undertaken since the 2011 census, confirming the downward trend in recent years.

Figure 1: Australia's home ownership rate, 1900-2015

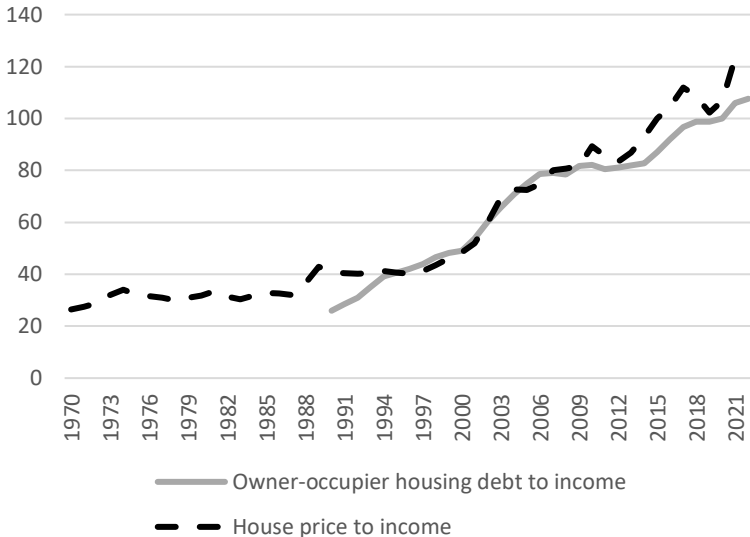
Sources: ABS, Census data; Housing Occupancy and Costs (4130.0).

Source: Eslake (2017).

The HEM is an overlooked factor in this decline in housing affordability and rates of home ownership. Policy favouring housing as an investment (Pawson 2018: 138-9) also increases price competition between investors, and households who need homes. Home ownership becomes more desirable as affordable and secure rental accommodation near to employment becomes harder to find. This increases the pressure on households to subject themselves to the risks of maximising home loans and to minimise their other consumption.

The rise in house prices relative to household income closely matches the rising owner-occupier household debt-to-income ratio (as shown in Figure 2). The average house price-to-income ratio was below 40 percent until the mid 1980s, when deregulation allowed for an expansion of domestic credit (Edey and Grey 1996: 10). The closing of the gap between the two lines in Figure 2 in the early 1990s suggests that the use of NIS/HEM models was effective at identifying and then tapping household surplus. Capture of that surplus in mortgage commitments continues to track the increased rate of growth in household debt and house prices.

Figure 2: The ratio of housing debt to income and the ratio of average house prices to income, Australia 1970-2021



Sources: OECD (2022), RBA (2022b).

The ratio of average house price to income could not have increased so rapidly under the old DSR and LTVR measures. The HEM is a more precise means of allowing mortgage repayments to be set at the limit of households' financial capacity.

The maximum loan size that a bank will approve can also be a critical factor in raising house prices because that inflationary process is partly driven by competition between households wanting to buy their own homes, especially first home buyers. The two critical components that a household must assemble to buy a home are sufficient savings for the deposit and sufficient future income surplus to commit to mortgage repayments. Both have become increasingly problematic, particularly for households with relatively low incomes.

While this article does not survey the interactions between the HEM and all the other lending policies and metrics that affect home ownership, it does suggest that the HEM-accelerated difficulty of saving enough for a

deposit could be a significant contributory factor in explaining the intensification of inequalities of home ownership identified by Konings *et al.* (2021).

Easier lending standards, along with government subsidies to first home buyers, might appear to benefit an individual homebuyer but, collectively, all home buyers become worse off in the twin markets of housing and finance. The expansion in credit availability that came with the HEM increased the amount each household could commit to purchasing a home, which intensified competition between borrowing households and extended the time that it would take to earn enough to repay the loan. In these respects, competition between banks for customers intensifies the competition between home buyers.

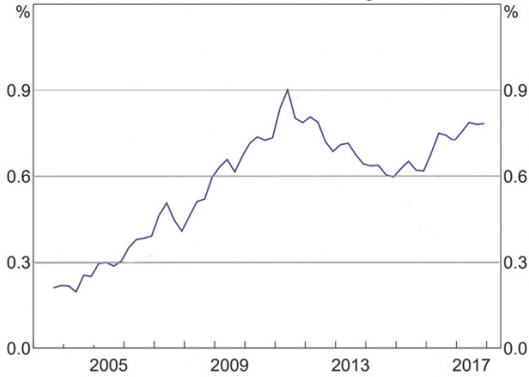
Security and risk of loss of homes

Some of the stresses arising from these processes can be seen in other evidence about households at risk of defaulting on their loans. People who get into arrears with their payments are at risk of losing their homes and face the potential loss of their savings stored in the house as an asset. The premise of the HEM surplus income approach means that households can lose their ability to pay because of even small changes in circumstances, such as arising from insecure employment and earnings, unexpected expenses and interest rate rises.

Prior to be counted in statistics on “non-performing” loans or mortgage delinquency, households have generally been struggling financially for some time to avoid losing their homes. Hence available statistics provide a lagging representation only of households most at risk of losing their homes. Figure 3, based on a data series that the RBA and APRA began in 2003, indicates that the percentage of housing loans that were ‘non-performing’ tripled between 2003 and 2011 and, despite some subsequent fluctuations, remained more than double in 2017. Non-performing is defined by a combination of how many days since the last payment was due and the level of equity that the borrower holds.

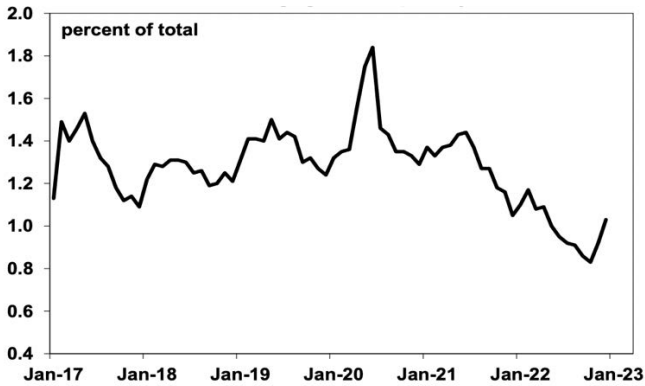
For evidence on trends since 2017, an alternative data source must be used, as shown in Figure 4. This relates to ‘mortgage delinquency’ based on 30-day arrears in mortgagees’ payments. It indicates that, while the rate of delinquency fell during the period of pandemic support and low-interest rates, it began to rise again in early 2023.

Figure 3: Banks' non-performing housing loans (domestic books, share of housing loans)



Source: RBA (2018a: 21).²

Figure 4: Annual mortgage delinquency rate



Source: Mousina (2023), AMP (2023).

² APRA changed the basis for data collection on residential mortgages in 2021, making it too difficult to continue the comparison to more recent data (APRA 2022).

According to S&P Global, in February 2023 ‘nonconforming mortgage arrears’ reached 3.2 percent of loans, compared with 2.66 percent in the previous month (Sweeney 2023). The *RBA Bulletin* of March 2023 foresaw a rise in the number of ‘more vulnerable borrowers’ who are ‘more exposed to large increases in interest rates and typically have fewer margins of adjustment to their financial situation’ as a result of expiring fixed interest rate mortgages that were available during the Covid period (Lovicu *et al.* 2023). Households counted in these statistics had been bearing financial stresses for some time prior - stresses exacerbated by wider contemporary economic shocks such as rising interest rates and falling house prices. Negative equity has arisen for some of them; and the extent of this negative equity is strongly correlated with whether a loan in arrears transitions to foreclosure (Bergmann 2020: 33).

The stresses relate to many interconnected aspects of household life, including ‘job security, changes in real income, changes in costs of living, their loans and debts and savings, and net worth’ (North 2018a), and in categories ‘such as utilities, savings, wages, job security, health, ability to fund retirement, cost of living, government policy’ (NAB 2018). Not surprisingly, the lowest income households are most at risk. Of the 5 percent of households with required mortgage payments greater than 50 percent of their disposable income in 2016, the majority were in the lowest income quintile (RBA 2018a: 21). According to the RBA: ‘Households who borrowed close to the largest amount they could were almost entirely at the lower end of the income distribution of mortgagor households’ (RBA 2018b: 36). Moreover, this burden does not diminish over time:

As loans age (or season), borrowers face a higher cumulative chance of shocks to employment or family circumstance, which may cause financial difficulty. This can be observed from the upward trend in arrears rates over time for loans of different cohorts (RBA 2018c: 7).

Effects on paid work, women and time

Other important consequences of the HEM arise from the increasing pressures on income, work, consumption and time. The capacity of households to earn – *i.e.* paid labour time – is essential to the HEM income surplus calculation. Households can improve their position both by curtailing expenses and by increasing their income. For most households though, the only way to significantly increase income is to increase earnings from work. Because this means longer hours of work, the struggle

to make mortgage repayments translates into pressure on households' time. This is evident in the results of the 2019 HILDA survey which reported on changes in household hours worked in relation to experiences of financial stress (Wilkins *et al.* 2021: 51) and on 'mean time spent on paid and unpaid work combined'. Between 2002-2019 both men and women, partnered with dependent children, increased their average time on paid and unpaid work by 3-4 hours per week, with women averaging 75.7 hours, about 2 hours more than men (Wilkins *et al.* 2021: 88).³

Households with more labour force participants have an advantage over single income households in borrowing, which is reflected in the connection between dual income households and higher home ownership (Hall 2017: 43). Women's right to financial independence – and the personal freedom that the feminist movement expected it to avail – has been transformed from a liberating independent or surplus income into a financial necessity. The NIS methodology reinforces this. So, for example, women's rising labour force participation rates reflect the need 'to add to household incomes as men's labour market opportunities falter' (Jefferson and Preston 2009: 122) and mortgage repayments are harder to maintain.

Because the increase in women's labour force participation has not been accompanied by a reduction in individuals' average working hours, households with two adults now contribute more hours of paid labour: indeed, they are usually compelled to do this in order to compete in the housing market. Not only are single income households least able to compete to buy homes, their need for personal time away from paid work is harder to meet whilst maintaining mortgage repayments.

Fearing losing their homes as both a place to live and as an asset, households, especially lower income households, have been increasingly pressured to increase their earnings by both increasing working hours and reducing consumption. Concurrently, the competition between households to purchase a home, with demand sustained by unrealistic assessments of household capacity to pay, has accelerated house price growth and declining affordability, particularly disadvantaging single-income and female-headed households.

³Because most published working hours data, even more so than earnings data, is for individuals, not households, household working time trends are difficult to understand and respond to.

There are also heightened financial consequences of relationship breakdown in the context of mortgage commitments. Single mothers are more intensely affected by the HEM which, as noted earlier, assesses them as able to survive at the lowest percentage (73 percent) of the Henderson poverty line. What else could support this assessment of single mothers than that they will go to greater lengths than anyone to survive, raise children and meet their needs?

A Marxian political economic perspective on the HEM

The growth of wage labour in the nineteenth century provided the conditions for Marx's work on the labour theory of value as an exposition of the hidden mechanism and calculations behind capitalist exploitation. Marxist theory differentiates between necessary labour time for production of the necessities of waged workers and their households and labour time that is surplus to the production of those necessities. This framework of analysis provides a possible means of understanding how the HEM relates to surplus in an era of financialisation. This era coincided in Australia with the end of national collective bargaining and the erosion of secure employment that occurred during the last two decades of the 20th century.

Financial institutions use the HEM to test household incomes for containing a surplus in the form of current income, while also expecting a capacity to increase future income, including by spending more time in paid labour. The HEM calculates a boundary between necessity and surplus, which applies after the household has obtained income in return for time spent at work - rather than, as in Marx, based on the wage and surplus labour time. This suggests that financialisation has refined a new form of value extraction (not creation) that is still limited by, and rooted in, the necessities of the cost of reproduction of labour power but focused on future value (Postone 2017: 51-2) – with all the unpredictability that entails – rather than only on payment for labour power that has already been expended.

The surplus takes a money form with the HEM, rather than the form of direct labour time. This surplus is defined as household income that is surplus to consumption by labour. In the context of wage labour, consumption and other needs are contested as claims by unionised labour on the basis of the wage in relation to the cost of living. In the HEM, the level of minimum need and surplus income is determined by the bank and

calibrated to each household, projected into the future as a commitment by the household to make payments. The HEM thereby expresses a continuity of capital's necessary interest in living standards.

Marx (1973: 286) noted that labour's private savings and expected capacity to save were of interest to capital in the 19th century, particularly for assessing prospects for reducing wages. It would be consistent with this observation that capital in the 20th century in Australia is aware of labour's capacity to save (*i.e.* to set aside income as surplus to immediate consumption) in relation to both credit and housing (Bryan 2008).⁴ Seen in this context, the HEM is a mechanism for capital to manifest its interest in working class capacity to save, with calculation of the *risks* of households finding themselves committed beyond the limits of their ability to meet their immediate consumption needs at some point in the future.

Financialisation does not negate the performance of paid labour as the underpinning of value. Households, as the source of HEM-defined and risk-assessed repayments, are able to make these repayments only because they work to earn enough to do so. The time horizon of financialised value is not limited in the way that the value of wage labour is. The banks use the HEM, as an income surplus model and as a risk assessment tool, to capture future value with indifference to household needs in insecure and volatile circumstances.

Seeing the HEM in this way suggests connections between consumption and savings, surplus and capacity to pay, risk and the future, households and finance. It points to continuities in these themes in capital's interest in extracting value. The implication is that the role of finance and housing are structural components of the relationships between labour and capital, such that living standards and livelihoods cannot be assured in the sphere of incomes alone, whether coming from paid work or income support.

The HEM calculation sets the terms for a relationship between banks that are aiming for certainty of capital accumulation and households that are dependent on income from labour and seeking to own a home. These households reliably pay predictable long-term streams of revenue to banks, in a context of broader financial volatility and their own income insecurity. The predictability for banks is precisely because households are the site of

⁴ The implications of this for a system of private savings for retirement, *i.e.* superannuation (Pickette 2021) also deserve critical attention from the labour movement.

meeting subsistence needs, such that they absorb the broader economic shocks in their own struggle to survive and keep their homes.

The methodology of the HEM means that banks formulate their strategies for profit on the basis of calculations about areas of household life that had previously been objects of social policy. In parallel, the emphasis of the state has shifted towards monitoring risks to financial stability and away from responsibility for social welfare. Thus, the HEM embodies structural factors in Australian capitalism that are beyond ‘failure of government policy and the persistence of bad ideas’ (Pawson 2018: 139) and that underly insecure and declining living standards, especially the insecurity and declining affordability of housing.

These adverse effects of the HEM suggest a need to reconsider the apparent neutrality of the concept of financial stability. Is it really about protecting and benefitting all, households and investors alike? Indeed, what the RBA describes as disruption to the ‘smooth flow of funds’ (RBA n.d.) would mean widespread losses and disruption to the wider economy, harming everyone. However, while the RBA devotes considerable attention to the potential threat to stability if a critical mass of mortgaged households has insufficient income surplus to meet their repayment obligations, the policies always allow for some households below the critical mass to bear the weight of financial stress and experience foreclosure. The latter generally include the lowest income households attempting to own a home.

Because the HEM pushes some households towards the limits of their capacity to pay into the future, there is always a danger that the limits will be reached. In 2023, more households are approaching those limits: household mortgage payments are increasing with rising interest rates while negative equity has developed where house prices have fallen. These are circumstances which should concern social policy and elicit assistance, rather than loss of homes and greater securities trading. However, there is still no publicly defined benchmark of minimum needs that banks cannot transgress. The various remits of state agencies in relation to the HEM erect barriers to asserting public accountability of finance; and their combined weight in favour of finance has also allowed a HEM below the Henderson poverty line to continue.

From a political economic perspective, we can therefore see the application of the HEM is not so much a product of a neo-liberal state and public policy as an initiative of financial capital itself. The state has been

drawn into new forms of responding to banks and finance, following the period in which it withdrew from social policies that supported minimum living standards as measured against publicly available calculations. No agency is responsible for - and no party of government is committed to - asserting and protecting the needs of households against banks.

Rather, finance can be seen as having displaced government and state responsibility for the welfare of households in relation not only to mortgage regulation, but also over-riding the value of increases in wage incomes which are converted by banks into capacity to repay a mortgage rather than supporting household living standards. State agencies work to monitor and manage the risks generated by this relationship between finance and households, but their purpose is to avoid bank insolvency and to maintain systemic stability rather than the well-being of households. Indeed, financial system stability could be undermined if state action were to require a transparent and realistic HEM which supported less stressful standards of living and helped to lower housing costs for households. Evidently, state intervention and regulation for the benefit of households requires a radical rethink.

Conclusions and alternatives

The distinction that the HEM makes between household income that is necessary for subsistence and the surplus that is available for other consumption spending has two significant previous incarnations in Australian history. These are the Minimum Wage that was introduced in 1907 and the Henderson Poverty Index (HPI) that was introduced in the 1970s. Both made the distinction with a view to guiding improvements in public policy that would reduce poverty and put a floor under low incomes. By contrast, the HEM makes the distinction in order to maximise the take of privately owned finance, places downward pressure on household consumption above its definition of necessity, and is kept secret from the people whose lives it affects. It has the opposite purpose of the Minimum Wage and the HPI.

Alternative ways of resourcing societal needs for housing and wellbeing need to be considered. For a start, the HEM could be immediately taken out of the proprietary domain of banks by being required to be made public information. Subjecting the HEM to public scrutiny would then open possibilities for collective contestation of its social impact. The NCCP

Act's measures against loans that are 'unsuitable' or that lead to 'substantial hardship' are contradicted by the banks' application of the HEM.

Households need access to credit without committing themselves to the limit of their capacity to pay, particularly because of the prodigious cost of housing in modern Australia. If publicly owned and accountably governed savings and loans institutions were to replace the finance and credit institutions that are currently concerned only to capture future value and transfer risk, this purpose might be better served. A government that prioritised societal needs over capital accumulation would also need to replace the existing state agencies implicated in the HEM with new agencies accountable to that priority.

Recognising that secure, affordable housing is a social need, to be collectively assured, would also mean turning away from providing housing primarily through market competition. It would require extensive public housing provision and tenant protections, allowing households to escape from the pressures to compete to secure a home purchase and to commit to mortgage repayments to the limits of their capacity. Collective and social measures to meet household needs also require curbing the profitability of finance and real estate, implying significant disruption to the current financial system and asset values.

Further attention to household needs, relating to both time allocation and income, is also implied. Incomes policy, including a Universal Basic Income, should be on the reform agenda. Minimum standards of income defined to meet the needs of whole households, combined with a shorter standard working week, would create greater protection from time pressures for all households and enable single income households to avoid poverty.

Financialisation has produced distinctive relations between capital and working-class households, which the HEM epitomises. Recognising this, it should become evident to households and workers that these other flows of value that dominate their lives are just as relevant to their exploitation as is earning wage income. Bryan and Rafferty (2018: 198-200) contend that organisations need to 'advocate and enact' responses to risk shifting and financialisation. The political will and collective agency to address these issues requires a basis in critical political economic understanding.

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HOUSING AFFORDABILITY, INEQUALITY AND THE ASSET ECONOMY: A STUDY OF QUEENSLAND REGIONS

Fred Marsh and Frank Stilwell

During the last decade in Australia, the combination of asset price inflation and wage stagnation has made housing affordability a prominent concern in public discussion and social science research. Economists and policymakers have engaged in complex debates about its nature, causes and possible corrective measures. Inequality is a recurring theme in these deliberations, both a cause and an effect of the changing housing asset values. Rising house prices have increased the difficulties facing aspiring homeowners, while existing homeowners, particularly those owning more than one property, have increased their personal wealth. Thus, socio-economic inequalities have both shaped and been shaped by the changing housing market conditions. Some researchers contend that ownership of assets has now become the key determinant of socio-economic structure, as illustrated by the claim that ‘the key element shaping inequality is no longer the employment relationship, but rather whether one is able to buy assets that appreciate at a faster rate than both inflation and wages’ (Adkins *et al.* 2020: 5). This is the crux of what has come to be known as the ‘asset economy’ perspective.

Spatial inequality is an important feature in the situation because the value of residential property, particularly its land component, varies so much between different places. Land values are highest in the cities, particularly in areas with good transport facilities or attractive environmental features. Australian studies of housing affordability have commonly focussed on the major cities, especially Sydney and Melbourne, because that is where

F. Marsh and F. Stilwell (2023)
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the largest investments occur and the spatial patterns of internal inequality are most apparent. This article broadens the focus by considering non-metropolitan areas too, seeking to identify whether similar or different forces operate there. It thereby investigates the salience of the asset economy phenomenon from a broader regional perspective.

Empirically, the focus of the article is on recent changes in housing prices and incomes for nine regions in Queensland. This State provides a good basis for an exploratory case study because it has a series of major secondary centres in regions at large distances from the State capital, enabling an assessment of the extent to which ‘asset economy’ tendencies operate across both metropolitan and non-metropolitan areas.

The article begins by considering how discussions of Australian housing affordability and inequality may be framed, including consideration of how the asset economy perspective sets the issues in relation to the broader processes of capital accumulation. It then examines housing and income levels between 2015 and 2020 in nine selected Queensland regions, ranging from peri-metropolitan regions like the Gold Coast and the Sunshine Coast to more distant regions such as those centred on Mackay and Cairns. Next, it considers housing affordability metrics in detail for four of the regions, revealing some notably contrasting patterns of housing affordability. Finally, the article discusses the implications of this study for the political economy of housing, for public policy and for future research.

Housing affordability and inequality

Housing has long been of interest to social scientists because of its multifaceted role in social stratification and the reproduction of capitalist societies. In Australia in the 1970s, a wave of housing studies explored housing unaffordability in relation to socio-economic inequality. A strong theme was that the ‘great Australian dream’ of home ownership had turned into a ‘great Australian nightmare’ (*eg.* Kemeny 1983). Nearly half a century later, the same motif is still widely used (*eg.* Gittins 2022). In the intervening period, there have been numerous historical, analytical and empirical studies of the patterns, problems and underlying causal factors (*eg.* Paris 1993; Yates 2012; Troy 2012; Pawson *et al.* 2020). Underlying these analyses are differences of framing and perspective.

The focus of neoclassical economic approaches to housing analysis is characteristically on market demand and supply, emphasising the price

mechanism as a responsive, equilibrating process. From this perspective, rising house prices are a predictable consequence of surging demand butting against restricted supply. The primary focus is therefore on whether demand-side or supply-side factors are causing inflationary outcomes and which type of policy ‘interventions’ are appropriate – moderating demand or removing supply constraints. Taking the latter stance, recent calls from housing industry interests have almost invariably been for relaxation of government regulations that supposedly restrict housing supply. Even if demand-side considerations are accorded comparable attention, however, the perspective remains constrained. Like neoclassical economic analysis in general, it fails to confront that inequality is an internal cause-and-effect mechanism within the differential ownership of land and housing wealth. It fails to adequately recognise that any ‘market’ for housing represents ‘a domain of struggle between different, unequal groups’ (Madden and Marcuse 2016: 47).

The analysis pioneered over a century ago by Henry George offers a different framing, putting more emphasis on the origins of inequality. It digs deeper into why and how private land ownership creates problems of housing affordability and inequality (Obeng-Odoom 2022). Land is identified as the key inflationary element in housing markets because it is typically the largest element in property values. Moreover, the private ownership of land acts as a vehicle for capturing the bounty of nature and the fruits of public urban infrastructure investment as accretions of personal wealth. This facilitates the pursuit of speculative gains in property markets, compounding socio-economic inequalities. In this way, Georgist analysis puts the spotlight on the differential ownership of landed property as the primary source of inequality, leading to the advocacy of comprehensive land taxation as the required ‘remedy’ whereby ground rent is captured for public purposes rather than unearned private gain.

A third political economic perspective relates the housing situation more directly to the accumulation process that pervades all capitalistic economic activities. This shifts the focus from land *per se* to capital assets more generally, including the relationship between housing assets and other forms in which capital may be accumulated. David Harvey made a seminal contribution to this Marxian current of political economic analysis with his study of how capital is switched between the primary and secondary circuits of capital – from investment in industrial activities in which surplus value is produced to investments in urban development projects (Harvey 1989). This focus on the dynamics of flows of capital shows the

processes causing the distinctive rhythms of capitalist economic activity, including cycles of investment in housing, the built environment and urban development. Housing analysis is thereby situated in relation to the broader inequalities that shape opportunities for capital accumulation, the principal dynamic of all capitalist processes.

These concerns, centered on understanding the political economic dynamics and inequalities associated with housing provision, are recurrent in contemporary housing debates. While the basic neoclassical framing of demand, supply and equilibrium price remains central to developer lobby- and media-influenced housing policy discourse, housing research has desirably become less constrained by the neoclassical perspective than most other fields of ‘applied economics’. While a full review of this literature is beyond the scope of this primarily empirical study, there is one strand within it that links most directly to the current concerns. This is the recent research on the ‘asset economy’ in Australia that has been pioneered by Lisa Adkins, Melinda Cooper and Martijn Konings (2020; 2021).

The distinctive emphasis of the ‘asset economy’ approach is on investment in housing as a favoured form of capital accumulation, undertaken not only by a capitalist class but by a broader stratum of ‘middle-class’ people whose investment behaviours shape the patterns of both housing supply and demand. The characteristic inference is that ‘asset appreciation operating in tandem with wage depreciation has entailed a thoroughgoing transformation of the social structure such that class and stratification now increasingly follow asset-based logics’ (Konings *et al.* 2021: 453). Inflation of asset prices (particularly housing) relative to average incomes comes to be a defining characteristic of modern capitalism, driving a reconstitution of class stratification and entrenching economic inequality.

Whereas traditional conceptions of class have focused on the structural conflict of interests between workers and owners/managers, proponents of the asset economy viewpoint sees the major economic division as more centred on ownership or non-ownership of real estate. They emphasise that they are not discounting the importance of wages to people’s ability to participate in the economy. Rather, their claim is that employment income becomes ‘less and less itself a gateway to a middle-class lifestyle and increasingly important primarily as a determinant of one’s ability to participate in the logic of the asset economy’ (Adkins *et al.* 2020: 64).

Thus, the growth of the ‘asset economy’ may be regarded as significantly changing modern capitalism’s structure and functioning. Asset economy

researchers observe that many people now plan and live their lives through the prism of speculative asset appreciation (Adkins *et al* 2020: 69). Not all can do so, because of existing inequalities between households' capacities to participate in the process. It is commonly said that the millennial and older generations have derived most benefit from the appreciation in housing asset values, relative to younger demographic cohorts. However, asset economy researchers point out that it is *within* the millennial generation that the fault-lines engendered by the asset economy are becoming most clearly visible (Adkins *et al* 2020: 68). Young people who can access the 'bank of mum and dad' (Wright 2023) to help them enter the housing asset accumulation process have a huge advantage over those for whom this option is unavailable. Therein lies a process whereby *intra*-generational inequalities tend to be perpetuated and magnified.

The development of this 'asset economy' perspective reflects a more general tendency to refocus inequality studies from income (as a flow) to wealth (as a stock). This is partly due to the influence of Thomas Piketty's *Capital in the Twenty-First Century* (2014), a central finding of which is that accumulated asset wealth over recent decades 'significantly outstripped the growth of the economy in general and of wages in particular' (Adkins *et al* 2021: 549). The distribution of that economic wealth – who owns what? – has become a key political economic concern. Piketty points to the transition that has occurred 'from a society with a small number of very wealthy rentiers to one with a much larger number of less wealthy rentiers' (2014: 532).

The asset economy theorists put the point rather differently, arguing that the rentier phenomenon, although still present, is not such a major determinant of the economic outcome as in the 20th Century when large segments of the population came to participate in the dynamics of asset and home ownership. This, they say, 'means that the model of semi-automatic accumulation of rentier wealth in the hands of a small set of elites is of only limited use' (Adkins *et al* 2021: 550). The logics that drive asset inflation are now propagated by people from other segments of society rather than only those at the top.

Some insight into the institutional settings that have led to the growth of the 'asset economy' in Australia comes from Isla Pawson's observation in a previous issue of this journal that: 'the general practice of speculating on housing is integral to Australia's current accumulation regime' (Pawson 2018: 132-3). Pawson highlights the importance of negative gearing,

whereby investment expenses and losses are allowable as offsets against other income for the calculation of personal tax liability. As she says: ‘Because the state is bound by an imperative to (re)produce the conditions in which this can occur, it has doubled down on negative gearing – a key institution that underpins investment demand in housing and protects its role in Australia’s growth regime’ (Pawson 2018: 139). Arguably, the introduction by the Howard government of a 50% capital gains tax discount was even more significant (Adkins *et al.* 2020). These policies created a constituency of homeowners and investors whose economic lives are inextricably linked to the continued growth of property prices. So, even if a government now tried to slow or reverse the appreciation of property prices, it would likely pay a political price for doing so. It is a view echoed by the observation that: ‘The way in which property inflation has insinuated itself into the overall fabric of Australian society and come to occupy a pivotal place in its infrastructure consistently hamstrings attempts to ameliorate its consequences and to counteract the effects of property lock-out’ (Konings *et al.* 2021: 22).

It is how these processes play out ‘on the ground’ that substantially determines who are the winners and losers. The effects in different countries, cities and regions can vary, as noted by urban political economist Brett Christophers (2021b). When reviewing the case made here for the asset economy approach, Christophers points to Australia’s distinctive features, such as the ‘outsized local role of investor-buyers’, to whom 35% of mortgage credit is extended across Australia and up to 50% in Sydney (Christophers 2021b: 10). He also contends that the focus on Sydney is problematic because it is an extreme case of runaway house price inflation, such that they ‘arguably could not have found a less representative case – certainly for Western capitalist societies in general, and even, more narrowly, for those societies whose major urban centres have similarly experienced strong rates of house-price inflation’ (*ibid.*).

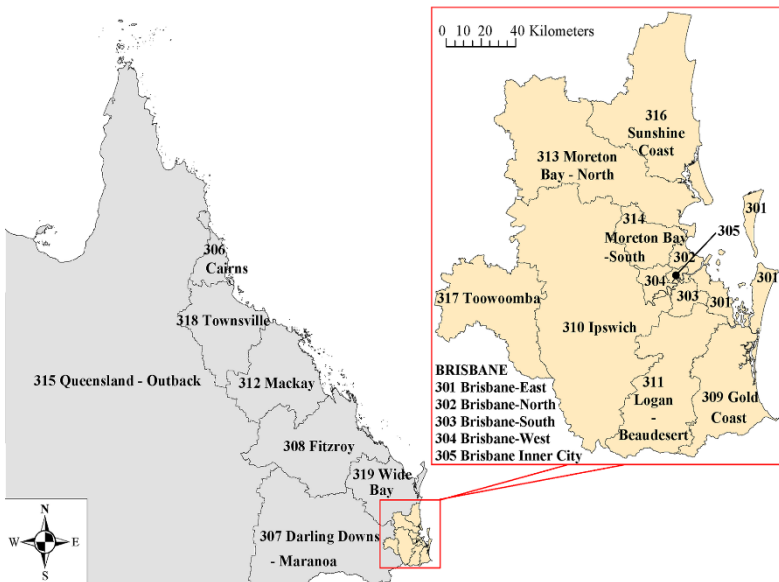
These political economic issues need further investigation in a spatial context to see whether the typical research focus on major urban centres provides an adequate basis for understanding the dimensions of housing affordability. In this spirit, the following empirical analysis explores the applicability of the asset economy’s analytical framework to regions that are substantially different and distant from Sydney and Melbourne.

Incomes and property prices in Queensland regions

Seeking to redress the bias towards capital cities in the scholarly literature and public discourse, Queensland makes a good case study because of its atypical number of secondary urban centres, ten of which have populations over 50,000. It has the most decentralised population of all the Australian States, with more people living outside the Brisbane metropolitan area than within it. The key questions are whether different asset economy dynamics play out in the metropolitan and non-metropolitan regions and what lessons arise for housing policy, spatial inequality and regional policy.

The regions studied are the Brisbane Greater Capital City Area and eight 'statistical area 4' (SA4) regions: Cairns, Townsville, Mackay-Isaac-Whitsunday, Central Queensland, Wide Bay, the Sunshine Coast, Toowoomba and the Gold Coast, as shown in Figure 1.

Figure 1: Regions in Queensland



Source: Parisi et al. (2019: 3).

For each region, the study considers the growth in median house prices relative to median incomes, using the latest data available from the Australian Bureau of Statistics at the time of writing, supplemented by housing affordability reports from CoreLogic-ANZ. The data covers 2015-2021, a period during which there was substantial house price inflation and nationwide concern about the increasing stresses of housing affordability.

The following analysis treats houses and attached dwellings separately, recognising that different market dynamics may apply to each.

Affordability of houses

Table 1 summarises the economic conditions relevant to the affordability of detached houses for the nine regions, listed in geographical order from Cairns in the north to the Gold Coast and Toowoomba in the south. The numerical data relates to: (a) median household incomes (excluding government pensions and allowances); (b) median house property prices; and (c) the ratio between these median house prices and median incomes, taken as the key index of housing affordability in each locality.

From the first column of figures, we see that median household incomes in 2020 ranged from a low of \$41,861 (the Wide Bay region) to a high of \$57,845 (the Mackay region). The second column shows that median incomes grew in each of the 9 regions during the period 2015-20. The fastest rate of growth was in the Sunshine Coast region (13.9%). At the other extreme, Central Queensland had significantly the lowest income growth (6.6%), primarily because of decline in 2015-17 (Australian Bureau of Statistics, 2022d). Greater Brisbane's rate of income growth during the 5-year period (10.8%) was seventh of the nine regions.

The next pair of columns show the levels and growth in median house prices. Here too there is substantial regional variation. The Sunshine and Gold Coast regions experienced the most rapidly rising median prices (by 27.7% and 23% respectively) during the 5-year period. Median house prices fell in the Central Queensland, Townsville and Mackay regions. Greater Brisbane's record was middling, reflecting rates of house price increase that were lower than the coastal regions to its immediate north and south but higher than all the other study regions.

Table 1: Household incomes, property prices and housing affordability, selected Queensland regions, 2015 – 2020

	Median income 2020 (\$)	Change 2015- 20 (%)	Median house sale price 2020 (\$)	Change 2015- 20 (%)	House price: Income ratio 2020	Change 2015- 20 (%)
Cairns	47,752	12.8	400,000	5.3	8.4	-6.7
Townsville	56,111	12.1	315,000	-8.7	5.6	-18.5
Mackay	57,845	13.0	360,000	-4.0	6.2	-15.0
Central QLD	56,402	6.6	305,000	-10.4	5.4	-16.0
Wide bay	41,861	12.8	315,000	9.6	7.5	-2.9
Sunshine Coast	45,591	13.9	645,000	27.7	14.2	12.1
Greater Brisbane	53,851	10.8	546,000	13.8	10.1	2.7
Toowoomba	50,656	11.5	381,000	3.3	7.5	-7.4
Gold Coast	47,097	10.3	63,000	23.0	14.1	11.6

Source: ABS (2022a; 2022b; 2022c; 2022d; 2022e; 2022f; 2022g; 2022h; 2022i; 2022j).

The third pair of columns in Table 1 show housing affordability ratios, calculated by dividing the median dwelling price by the median household income. According to this measure, the Gold Coast and Sunshine Coast stand out as the least affordable regions; moreover, their affordability worsened over the study period. In Greater Brisbane, affordability also worsened a little. Elsewhere, however, housing became more affordable relative to local median incomes.

Affordability of attached dwellings

Attached dwellings, comprising flats, apartments and townhouses, are generally more affordable than houses in the same area but broadly similar property market forces apply. Table 2 shows the price and affordability for attached dwellings in the study regions. As for detached houses, the Sunshine Coast and Gold Coast had the highest average prices and the most rapid price growth between 2015 to 2020. Cairns also saw attached dwelling prices appreciate, growing by just 4.8%. All other areas, even Greater Brisbane, had falling average dwelling prices. The largest falls were in the Central Queensland and Mackay regions, where prices fell by 30.7% and 20.2% respectively during the period.

Table 2: Attached dwelling prices and affordability, 2015, 2020

	Median Sale Price 2020 (\$)	Change 2015-20 (%)	Price: Income Ratio 2020	Change 2015-20 (%)
Cairns	230,500	4.8	4.8	-7.6
Townsville	250,000	-13.8	4.5	-30.0
Mackay	239,500	-20.2	4.1	-41.5
Central QLD	215,000	-30.7	3.8	-53.7
Wide bay	252,500	-2.9	6.0	-16.2
Sunshine Coast	470,000	27.0	10.3	10.3
Brisbane GCSSA	390,000	-4.4	7.2	-15.9
Toowoomba	280,000	-6.4	5.5	-19.1
Gold Coast	440,000	18.9	9.3	7.3

Source: ABS (2022a; 2022b; 2022c; 2022d; 2022e; 2022f; 2022g; 2022h; 2022i; 2022j).

The right-hand columns in Table 2 show the affordability of attached dwellings during the five-year period, calculated on the same basis as for Table 1 and using the same median household income data in that table.

The Sunshine Coast and Gold Coast stand out as the two regions where attached dwellings were least affordable and become even less affordable during the period. Median prices in those regions rose to about 10 times the median household income by the end of 2020 – slightly lower in the Gold Coast but higher in the Sunshine Coast. In all the other seven regions, buying attached dwellings became more affordable relative to median household incomes, particularly in the Mackay, Central Queensland and Townsville areas. Greater Brisbane’s median attached dwelling prices fell from 8.4 to 7.2 times the median income over the five-year period. As CoreLogic’s housing affordability report notes, ‘Brisbane shows persistent discrepancy between house and unit metrics [...] suggesting that buyers have significantly more purchasing power in the unit segment’ (CoreLogic-ANZ 2021: 21)

Disaggregated analysis for selected regions

Shifting from a broad view of the nine regions, we now narrow the focus to look in more detail at four of them - the Sunshine Coast, Gold Coast, Cairns and Toowoomba regions - and the key urban areas within each. This disaggregated analysis is appropriate because of the diversity within and between the more broadly defined regional areas. This was highlighted in CoreLogic’s 2021 report on housing affordability, which noted that: ‘While more affordable purchasing opportunities remain in pockets of regional Queensland, affordability pressures have shown little signs of easing in the coastal, lifestyle markets of the state’ (CoreLogic-ANZ 2021: 23). The varied regional experiences reflect the different real estate ‘climates’ for current or future homeowners. It is therefore pertinent to explore whether specific localities within the ‘lifestyle market’ areas, such as the Gold Coast and the Sunshine Coast, differ from places such as Toowoomba and Cairns in the extent to which they exhibit asset economy dynamics and experience problems of housing affordability.

Focusing on these smaller ‘level three’ statistical areas within the four regions enables a more granular inspection of housing affordability, using the four metrics available from CoreLogic-ANZ’s reports:

- median dwelling price to median income ratios
- the number of years it takes to save for a 20% deposit on a property with the median dwelling price, assuming a savings rate of 15% of median household income per year

- the proportion of median household income required to service a mortgage after making a deposit of 20% of the property value
- the proportion of median household income needed to pay the median housing rent.

The first metric is the principal measure of housing affordability already used here. The second metric is CoreLogic's measure of the height of the hurdle to entering the home buying process. The third is a measure of mortgage stress, which is a major element of financial stress that has intensified during recent years (Wright, 2021), commonly defined as existing when more than 30% of household income is needed for mortgage payments. The fourth metric broadens the analysis from housing purchases to rentals, recognising that housing rental stress may be just as significant as housing mortgage stress in assessing the incidence of unaffordability. The connection between the forms of housing stress is not straightforward: for example, rental stress may be markedly reduced by a plentiful supply of public housing. More typically though, the absence of a public housing option results in stronger correlation between the stresses of purchasing a home or renting a home, both being driven by similarly competitive and inflationary market processes.

Coastal lifestyle markets: Gold Coast and Sunshine Coast

As coastal lifestyle markets that attract a variety of demographic groups, including young families, retirees and investors, both the Gold Coast and Sunshine Coast regions have experienced consistently rising property values relative to median incomes during recent years. Owing to their proximity to Brisbane, natural beauty, climate and lifestyle, they have also been focal points for increasing attention from intra- and inter-State buyers. Adding to this demand growth effect, Queensland experienced record levels of inter-State migration during the COVID-19 pandemic (Pollard 2021), adding fuel to already hot housing markets in which investors have been seeking capital gains.

The affordability data for key centres within the Gold Coast is presented in Table 3, focussing on the period between 2018 and 2021 for which the CoreLogic data is readily available. Across the six level 3 statistical areas (SA3) on the Gold Coast, dwelling prices rose relative to income in all cases, as did the amount of time required to save for a deposit and the percentage of time required to service a mortgage and pay rent.

Table 3: Housing affordability in the Gold Coast region

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Broadbeach - Burleigh	7.7	11.2	10.2	15.0	41.5	54.4	38.0	41.5
Coolangatta	9.3	12.4	12.4	16.5	50.2	60.1	41.3	46.9
Gold Coast - North	7.4	8.6	9.9	11.5	40.2	41.8	39.4	41.3
Robina	7	8.7	9.3	11.6	37.9	42.1	37.5	43.8
Southport	7.6	8.3	10.1	11.1	41.1	40.5	39.9	41.4
Surfers Paradise	6.3	7.7	8.4	10.2	34.1	37.1	40.0	41.7

Source: CoreLogic-ANZ (2021; 2018).

All the Gold Coast localities shown in Table 3 required an average of well over 30% of income to service a new mortgage, thereby putting the median household borrowing to buy under significant mortgage stress. As a consequence, the median household in 2021 needed between 10.2 and 16.5 years to save a 20% deposit, substantially higher than up from the 2018 range of between 8.4 and 12.4 years.

The right-hand columns in Table 3 also show rental stress levels across the region to be generally comparable to the levels of mortgage stress, although rental stress is significantly higher than mortgage stress in Surfers Paradise but lower in Coolangatta.

Because each line of data in Table 3 shows the increasing unaffordability of housing in towns on the Gold Coast between 2018 and 2021, it can reasonably be inferred that the dynamics of the asset economy are fuelling, if not causing, the inflationary effects evident in this region. Similarly, it may be inferred that the contemporary housing market processes observed in Australian capital cities apply strongly here too, remaking the way that households engage with the economy and society. Saving for a deposit for

house-purchase takes more time, even if ever achieved, while increasing percentages of income are required to service a mortgage or pay the prevailing housing rents.

The housing situation within the Sunshine Coast region (Table 4, below) exhibits similar features to the Gold Coast. There was similarly rapid deterioration in all the indicators of housing affordability between 2018 and 2021. Median dwelling prices for the five Sunshine Coast localities ranged between 9.1 and 14.2 times the median income for residents in the region in 2021. For a household on a median income and saving 15% of it annually, it took between 12.1 and 18.9 years to accumulate a 20% deposit to buy median-priced housing, a substantial increase from only three years earlier when it took between 9.8 and 13.1 years. This shows the escalating problem for households seeking owner-occupied housing.

In the rental housing sector, the proportion of income required to pay rent in 2021 ranged between 40.6% and 54.1% for the different localities within the region, whereas the proportion of income required to service a mortgage ranged from 44.1% and 68.7%. All these housing affordability measures for the Sunshine Coast deteriorated between 2018 and 2021.

Table 4: Housing affordability in the Sunshine Coast region

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Buderim	7.5	9.7	10.0	13.0	40.5	47.1	35.9	44.0
Caloundra	7.9	10.4	10.6	13.8	43.0	50.3	35.1	41.8
Maroochy	8.5	10.8	11.3	14.3	46.1	52.2	35.6	44.6
Nambour	7.4	9.1	9.8	12.1	39.9	44.1	34.3	40.6
Noosa	9.8	14.2	13.1	18.9	53.1	68.7	39.3	54.1

Source: CoreLogic-ANZ (2021; 2018).

In general, the housing affordability situation in the Gold Coast and Sunshine Coast regions looks consistent with the asset economy dynamics. Those who own real estate have seen the market values of their property appreciate at levels that far outstrip the average levels of income growth; whereas those who do not have experienced a diminishing capacity to enter the market because of the greater time required to save for a deposit. If the current trend of low median income growth relative to rapid property price appreciation continues, the amount required for a deposit – and therefore the time required to save for it – will increase further, causing exclusion of more households from the market and for longer periods.

Less stressed regional housing: Cairns and Toowoomba

Comparable data for housing in other regions, particularly those centred on Cairns and Toowoomba, reveals a quite different situation. Cairns, the largest urban centre in far north Queensland, over 1800 kilometres from Brisbane, is particularly interesting because, like the Sunshine Coast and Gold Coast, it enjoys strong ‘coastal life-style’ appeal. Yet, empirical analysis reveals that its housing market has not exhibited similar features of growing unaffordability.

According to CoreLogic data (Table 5), residents in Cairns in 2021 needed to save between 7 and 7.9 years for a deposit and use between 25.3% and 28.7% of their income to meet their mortgage costs, substantially less than the averages for the Sunshine Coast and Gold Coasts.

Table 5: Housing affordability in Cairns

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Cairns north	5.1	5.9	6.8	7.9	27.6	28.7	30.8	31.9
Cairns south	4.8	5.2	6.4	7	26.0	25.3	30.2	32.3

Source: CoreLogic ANZ (2021; 2018).

Importantly, the average proportion of income required to service a mortgage in 2021 was below the 30% threshold for mortgage stress. Between 2015 and 2020, wage growth in Cairns outstripped inflation in housing prices, both for detached houses and attached dwellings (Australian Bureau of Statistics, 2022a). Little difference existed between the northern and southern parts of the Cairns locality in these respects. For both, the income growth relative to property price inflation contrasts with the life-style urban property markets in the south of the State, apparently offering opportunity for income, rather than asset ownership, to act as a ‘gateway to a middle-class lifestyle’ (Adkins *et al* 2020: 64).

Toowoomba presents a comparable case. Measured by population, this is the largest inland urban centre in Queensland and it has had a housing experience notably different from other regions where ‘asset economy’ features are more evident. The CoreLogic data (Table 6) shows that, like Cairns, Toowoomba had increasingly affordable housing between 2015 and 2020 because median income growth outpaced the inflation in both house and attached dwelling prices (Australian Bureau of Statistics 2022h). Toowoomba residents required an average of 6.8 years to save for a deposit in 2021, indicating relatively affordable opportunity for people to enter the housing market. The percentages of income needed to service a mortgage or pay local market rents was similar, both below the 30% benchmark for the identification of housing stress.

Table 6: Housing affordability in Toowoomba

	Dwelling: income ratio		Years to save a deposit		% of income to service a mortgage		% of income to pay rent	
	2018	2021	2018	2021	2018	2021	2018	2021
Toowoomba	4.7	5.1	6.3	6.8	25.7	24.8	25.2	26.0

Source: CoreLogic ANZ (2021; 2018).

Overall, it is evident that the housing affordability situation in Cairns and Toowoomba contrasts strongly with the situation in the towns in the Gold Coast and Sunshine Coast regions. Neither Cairns nor Toowoomba has exhibited general property price appreciation relative to household income growth. This partly reflects the higher median incomes of people in these

regions than for both the Gold and Sunshine coasts (Table 1, first column). Moreover, the percentage of the median household income needed to service a mortgage fell in both Cairns and Toowoomba during the 2018-21 period.

This shows the geographically varied experiences of housing affordability, despite all regions being subject to the same national macroeconomic policy settings. The empirical findings provide a springboard for further study of local factors that may explain the observed patterns and trends. They may also offer significant lessons for regional policy analysts and practitioners. Seeking to stimulate such discussions, we conclude this article with comments on some implications for the political economy of housing, public policy and future research.

Implications for the political economy of housing

Housing issues may be observed through different analytical lenses, as noted above. To be applicable to the current housing situation in Australia, however, all analyses need to include recognition of housing's role in wealth accumulation and the severe problems of housing unaffordability. These twin features are two sides of the same coin. The vigorous pursuit of wealth accumulation by already asset-rich people intensifies the problems faced by others who, being asset-poor, lack the 'entry ticket' to comparable economic gain. A right to 'decent and affordable housing for all' (*c/f* Paris 1993) then becomes increasingly unattainable. Thus, housing markets represent an uneven dynamic of struggle between those who own property and those who are renting and/or hoping to own property in the future (Madden and Marcuse, 2016).

By highlighting the need to include a spatial dimension in this understanding of the political economy of housing, this article seeks to add nuance to these broad generalisations. It reveals the more variegated pattern arising from the interaction of the general forces driving housing unaffordability nationwide and the factors causing variability between different localities. The extent to which capital appreciation through real estate assets occurs relative to income growth evidently varies between regions and between localities within regions. The asset economy phenomenon is clearly evident in areas like the Gold Coast and Sunshine Coast, but other areas, such as those centred on Toowoomba and Cairns, exhibit different dynamics. The latter have higher median income levels,

lower property prices and greater median income growth relative to property price appreciation, resulting in significantly less problems of housing affordability. Paradoxically, living in such regions may even offer a potentially clearer pathway into participation in the asset economy.

A political economy of housing therefore needs to blend consideration of the overall dynamics of capital accumulation with recognition of the diversity in how the processes play out 'on the ground'. All social, economic and political activities have temporal and spatial dimensions. Temporally, a major element relevant to this study is the changing pattern of behaviours relating to real estate acquisition, driven in part by policy settings and tending to create processes of circular and cumulative causation (a 'vicious circle') characterised by increased socio-economic inequalities. The prominence of asset economy processes is a significant aspect of these temporal changes, reflecting and shaping a changing real estate 'culture'. Yet, spatially, these processes have different intensity across diverse cities and regions that require more detailed consideration.

Implications for public policy

All public policies have differential spatial effects, whether explicitly stated as policy objectives, or operating implicitly through how they interact with the specific characteristics of different localities. Where public housing policies, for example, are locally targeted, the spatial dimension is necessarily *explicit* in the decisions about where the houses are to be built. But the spatial dimension remains *implicit* – and therefore more hidden – in the broader array of public policies by which State and national governments shape the regulatory and fiscal arrangements within which housing markets operate.

From the 1980s onwards, Australian governments enacted policies that increased the ability of investors to achieve greater net returns on their investments. The Hawke Labor government decision in 1985 to introduce negative gearing and the Howard Liberal-National Coalition government's subsequent provision of a capital gains tax 'discount', coupled with low returns on bank deposits, were policies that incentivised greater investment in real estate. The latter created a situation where investors could 'convert income from labour into income from capital at will – thereby halving their marginal tax rates' (Adkins *et al* 2020: 38). These policies laid the foundation for the decades-long period of sustained property price

inflation, accompanying the shift from centralised wage-fixation to enterprise bargaining during the same period. Arguably, they also paved the way for a new ‘liquidity politics’ whereby public agencies became constrained by the need ‘to ensure that mortgage holders can continue to service payments on their mortgage debts’ (Konings *et al* 2022: 30). The policy settings have thereby served the interests of existing property owners and investors, at the expense of people trying to use their wage incomes to purchase a first property of their own or needing permanent rental accommodation. This has fractured the prospect of across-the-board public support for the adoption of remedial public policies or alternative forms of housing provision and allocation that would undermine the asset economy dynamics. This has become entrenched a problematic aspect of the *political* economy of housing.

More positively, recognition of the implicit spatial impacts of all public policies can lead to amelioration of some of the more damaging influences on housing affordability. The most obvious example here is the use of interest rate policy by the Reserve Bank of Australia to deal with inflationary pressures affecting the national economy. Using adjustments to the official cash rate for this purpose constitutes over-reliance on a policy instrument that is insensitive to the ‘incidental’ impacts on borrowers and lenders, on businesses and aspiring house-buyers, on firms in different industries, and on people living in different regions. More selectivity – socially, sectorally and spatially – is needed in the suite of public policies if the goal is a more efficient economy and a more equitable society.

Decentralisation policy is the most obvious illustration of explicit spatial selectivity. Historically, the case for it has been frequently posited, mainly by parties based in ‘rural and regional Australia’, but its implementation has been intermittent, incomplete and inconsistent. Urban economist Max Neutze famously described it as ‘everybody’s policy but nobody’s program’ (Neutze 1966: v). To the extent that housing affordability problems are more intense and socially divisive in metropolitan areas than in non-metropolitan areas, however, decentralisation policy may now have a renewed rationale. In the national context of worsening housing affordability, places like Cairns and Toowoomba show that mid-sized urban centres can enable more households to access affordable housing.

The flow-on effects of the COVID pandemic may also have some bearing on the possibility of more effective decentralisation policies, to the extent

that the experience of lock-downs has led to rather more flexibility in work-home patterns and locational choices, including somewhat looser ties to the major cities.

The case for a more selective, targeted approach to resolving housing affordability problems sits comfortably in this context. The development of new settlements can be initiated in areas where land values and housing affordability conditions are less subject to 'asset economy' pressures. Effective decentralisation cannot sensibly occur, however, without concurrent attention to the creation and provision of regional employment, infrastructure and services. To be equitable and sustainable, explicitly targeted regional policies also need to be accompanied by nationwide fiscal reforms. From a Georgist perspective, a broadly-based land tax would need to be the central feature of those reforms, discouraging land speculation and channeling the revenue from raised land values into the public sector rather than the private sector asset economy (Ryan-Collins *et al* 2017; Obeng-Odoom 2022). By similar reasoning, land betterment taxation could ensure that decentralisation policies do not create huge windfall gains for landowners and kick-start asset economy processes in the very areas to which growth is redirected.

Implications for further research

Further exploration of such policy possibilities needs to be grounded in comprehensive evidence-based research. For example, it would be useful to extend the regional analysis in this article by examining the proportion of mortgage credit flowing to borrowers in different regions, thereby introducing explicit consideration of the impacts of financial institutions and financialisation. Further research could also explore the incidence and effects of people migrating between regions in pursuit of more affordable housing and/or capital gains from future inflation in real estate values. Attention could also be usefully paid to what demographic and workforce characteristics are associated with the observed regional differences in how housing markets operate.

Yet more directly, this exploratory study could be extended by looking at a wider array of other regions and probing more deeply into the causal factors shaping their revealed variations in average incomes, property prices and housing affordability. Indeed, some aspects of the patterns revealed here are probably unique to Queensland because of the features

that makes this State such an ideal initial case study. Nationwide, the diversity is surely greater. Hence the need for an a wide-ranging analysis that compares trends in both metropolitan and non-metropolitan areas in all the States and Territories. That could also provide a consistent data base for testing the likely effects of alternative public policies that bear on house price inflation.

Turning from descriptive empirical analysis to prescriptive analysis, further research could also focus on the likely impacts of fiscal reforms or decentralisation policies aimed at ameliorating current housing stresses and socio-spatial inequalities. It becomes more pertinent when the prospect for fundamental political economic change is more than will-o'-the-wisp. With Labor governments currently in office in nearly all jurisdictions nationwide, the Greens pressing for more effective policy action and the conservative Coalition in disarray, this could be one such moment. Yet there remains the deep challenge of 'how to reform a society that has become structurally organised around a particular logic of asset values' (Konings *et al* 2023: 31). Political economic analysis that focusses on housing affordability, inequality and the asset economy can make a potentially substantial contribution to a paradigm shift in how these issues are understood and addressed.

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REVIEW ESSAY

CLIMATE CHANGE AND CAPITALISM, CLIMATE DYSTOPIA, AND RADICAL CLIMATE FUTURES

Hans A. Baer

The number of climate change-related books published during the past fifteen years has skyrocketed to a point where it is virtually impossible to keep up. The literature is also written from many disciplinary perspectives, including climate science, economics, the social sciences, the humanities, and science fiction. In this essay, I review eight books, all with a political economic slant, published in 2021-2023. In the review's first section, I discuss three books that recognise a link between capitalism and climate change. In the second section, I turn to the prospect of climate dystopia, a scenario discussed in two other books. Given that the twenty-seven UN Conference of the Parties (COPs) have not managed to successfully reduce greenhouse gas emissions, many climate scientists are now predicting a four degree or warmer world by 2100 if drastic cuts to emissions do not occur soon. Various other voices, including the authors of the two books in the third section of my review, are considering radical future scenarios and calling for some form of post-capitalism that sets the stage for achieving a safer climate along with a more socially just world system. Last but not least, the review discusses a recently published book that brings together my three themes of climate change and capitalism, climate dystopia, and radical climate futures.

Baer, H. (2023)
**'Climate change and capitalism, climate dystopia, and radical climate
futures'**
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Climate change and capitalism

In *The Climate of History in a Planetary Age*, Dipesh Chakrabarty (2021), an eminent post-colonial historian, asserts that the current COVID-19 pandemic, the rise of authoritarian, racist, and xenophobic regimes around the world, discussions about climate change, fossil fuels, renewable energy, water shortages, biodiversity loss, the Anthropocene, etc. ‘signal that something is amiss with our planet and that this may have to do with human actions’ (p. 1). Chakrabarty revisits his four theses first delineated in a widely circulated article, ‘The climate of history’, published in 2009:

- Thesis 1: Anthropocentric explanations of climate change spell the collapse of the humanist distinction between Natural History and Human History (p. 26).
- Thesis 2: the idea of Anthropocene, the new geological epoch when humans exist as a geological force, severely qualifies humanist histories of modernity/globalization (p. 31).
- Thesis 3: the geological hypothesis regarding the Anthropocene requires us to put global histories of capital in conversation with the species history of humans (p. 35).
- Thesis 4: the crosshatching of species history and the history of capital is a process of probing the limits of historical understanding (p. 43).

Chakrabarty asserts that anthropogenic global warming illustrates the collision of three histories, namely the history of Earth system; the history of living beings, including humans, on the planet; and the more recent history of industrial civilization or capitalism. While admitting that climate change raises serious moral and political issues, he argues that even a ‘more prosperous and just world made up of the same number of people as today’ could be one in which the ‘climate crisis could be worse’ (p. 57) This assertion appears to view the poor as collateral damage and overlooks that a more just world would inevitably have to be a post-capitalist one in which there would be a more even playing field in which there would be no large distinctions in access to resources among humans. Furthermore, it would be imperative that such a world would entail a radical decarbonisation agenda, in contrast to earlier socialist-oriented states, such as the Soviet Union and India under the post-colonialist Nehru government; and it would entail a weaning away from coal, petroleum, and natural gas in both the Global North and Global South as quickly as possible.

Chakrabarty says that the climate change literature ‘reconfigures an older debate on anthropocentrism and so-called nonanthropocentrism’: in other words ‘do we value the nonhuman for its own sake or because it is good for us?’ (p. 64). The climate crisis demonstrates the ‘planet’s otherness’ (p. 67) and that humans are latecomers to Earth who function in a ‘position of passing guests’ (p. 67) or as a mere blip in cosmic time.

Chakrabarty asserts that Earth Systems Sciences, a product of the Cold War and the race to space, entail the conjuncture of three histories: ‘the history of planet, the history of life on planet, and the history of a globe made by logics of empires, capital, and technology’ (p. 68). The Globe is a socio-historical construction and a by-product of globalization by which humans spread all over the globe, not only its land surface but also its skies and waters, a process which has resulted in anthropogenic global warming. Conversely, Chakrabarty reports that planetary science tells us that global warming has occurred on both Earth - in the distant past more due to natural causes - and on other planets. Many Earth scientists fear that anthropogenic global warming may spell the 6th Great Extinction.

For Chakrabarty, whereas the global is a human-centred process, the planetary ‘discloses vast processes of unhuman dimensions’ (p. 86). He argues that the planetary crisis has prompted important insights from both post-humanists who query the nature/culture dualism and some Marxists who want to refer to the Anthropocene as the Capitolocene. At any rate, he observes that the ‘climate crisis concerns the balance of all terrestrial life on planet’ (p. 128).

With climate denialism still rampant around the world, Chakrabarty identifies two principal approaches to mitigating climate change: (1) a green capitalism, entailing a rapid shift to renewable energy coupled with market mechanisms; and (2) some form of post-capitalism. In reality, the former is hegemonic, while the latter is marginal but appears to be on the ascendancy, at least in terms of advocacy. Chakrabarty asserts that climate change defies the ‘ontic certainty of earth that humans have enjoyed through Holocene epoch and perhaps for longer’ (p. 180). He maintains that the notion of the Anthropocene recognizes that humans have been interfering with processes that make the planet habitable for complex life forms, including themselves. However, the notion of the Anthropocene tends to downplay the fact that certain actors, such as rich and multinational corporations, have contributed much more to this

interference, something that Marx recognized in his assertion that capitalism is in a metabolic rift with nature (Foster 2000).

While Chakrabarty does not wish to take sides in the debate about the pros and cons of geoengineering as a viable climate mitigation strategy, he does observe that geoengineering champions ‘belong as a rule to sciences that are ahistorical in their analytical approach – such as physics and chemistry’ (p. 182). Ironically, in the postscript to his book titled ‘The global reveals the planetary’ he engages with Bruno Latour, the preeminent science and technology scholar who, prior to his recent death, was a fellow at the eco-modernist Breakthrough Institute, a staunch proponent of geoengineering.

Romain Felli (2021) in *The Great Adaptation* makes a more profound link between capitalism and climate change than does Chakrabarty. His short book focuses on how green capitalists who promote certain technologies, particularly renewable energy, have discovered that the *great adaptation* seeks to ‘answer the climate crisis not by reining in the market, but by expanding it’ (p. 10). Felli maintains that advanced capitalist countries claim to be providing a humanitarian deed by assisting the countries of the Global South to improve their capacities for climate adaptation. He maintains that US climate research by the end of the 1970s was at the cutting edge globally, with Jesse Ausubel, one of the pioneers of the economics of climate change, calling for the creation of a market in carbon pollution permits, a market mechanism that since then has become hegemonic in green capitalist thinking. Unfortunately, despite the creation of numerous emissions trading schemes around the globe - with the EU one being the leading example - none of them have significantly resulted in lower emissions. At the ‘Changing Atmosphere: Implications for Global Security’ conference in Toronto in 1988, the ecological thought of anthropologist Gregory Bateson ‘became an inevitable reference point for debates on adaptation’ (p. 72). As instances of catastrophic climate change, whether in the form of wildfires and torrential rains and floods, occur in increasingly rapidity around the globe, more and more of the climate change discourse has shifted from mitigation to adaptation to increasing temperatures and rising sea levels, often framed around the notion of *resilience*.

Felli argues that neoliberalism came to ‘infuse contemporary responses to the challenge of adapting to climate change’ (p. 7), a process demonstrated by the policies on climate change promoted by institutions such as the

World Bank and Munich Re, the world's largest reinsurance company that finances research programs, research grants, reports and conferences on how to manage climate risks. He provides a nuanced discussion on how climate migrants have been transformed from being regarded as a national security threat in advanced capitalist countries into a 'global market in human labour-power' (p. 140) whereby, for instance, nurses, cleaners, nannies, live-in carers, and homeworkers from the Global South provide the 'care work necessary for social production in the Northern countries' (p. 140). However, the glaring dilemma about a strategy of climate adaptation is that humanity cannot adapt *ad infinitum* as the planet warms. For this reason, Felli maintains that 'environmentalist, democratic socialism constitutes the best hope for reducing climate catastrophe and maintaining freedom within a nature – irreducibly both biophysical and social – which is so complex and divided' (p. 159). Unfortunately, he leaves readers with this parting thought, rather than engaging with the burgeoning literature that calls for some form of eco-socialism (Baer 2018; Brownhill *et al.* 2022).

Here in Australia, in the wake of the 2019-2020 mega-fire, many people, particularly those living in or near bushland, have been struggling how to adapt to the possibility of more bushfires in the future. Along with the United States, Australia is often depicted as one of the two leading climate laggards in terms of mitigation among advanced capitalist countries. In *Carbon Justice*, philosopher Jeremy Moss (2021) argues that Australia's 'dirty secret' is that, as the world's largest coal exporter, its exported emissions are double of those its entire domestic consumption, which includes emissions from coal-fired powered power plants. Furthermore, he highlights that the development of natural gas fields, such as in the North-West Shelf, has entailed huge investments by the carbon majors, with the intention of 'pushing hard to keep their operations going well into the future' (p. 40), regardless of whether a Coalition or an ALP government is at the political helm. Thus, while the development of renewable energy and divestment from coal by superfunds has slowed investment in coal, offshore gas development has proceeded apace, encountering resistance from the Greens and the climate movement but with hardly a peep of concern from the major parties.

Moss argues that it is the actions of governments at various levels that facilitate the export of large amounts of Australia's fossil fuels. He delineates four factors impacting upon the notion of climate justice: (1) the currency of justice or a commitment to mitigate greenhouse gas emissions;

(2) distributive principles, particularly historical responsibility and the ability to pay for emissions generated; (3) climate mitigation solutions that are global; and (4) the issue of which ‘states, communities, institutions, companies, groups of individuals should share the benefits and burdens of a transition away from fossil fuels?’ (p. 18).

Moss reports that the UN Framework Convention on Climate Change (FCCC) distinguishes between Scope 1 and 2 emissions - those produced within a country’s borders from transport, power generation, agriculture, etc. - and Scope 3 emissions, namely those emissions produced outside a country’s borders from products that a country exports. Whereas the UN Framework Convention on Climate Change holds countries responsible for the emissions that they generate domestically, it treats Scope 3 emissions as the responsibility of the consuming countries. This is a policy that Moss regards as unjust in that it leaves the carbon majors off the hook from their complicity in harms emanating from their products. In lieu of the conventional territorial model of assigning responsibility for climate change, he calls for a *contribution model* which ‘includes not just the act of emitting, but actions such as supplying fossil fuels, lobbying governments, funding anti-climate think tanks and public information campaigns’ (p. 45). Reportedly, the ‘emissions of the top ten Australian carbon majors combined are larger than all but seven nations’ (p. 51).

For Australia, Moss delineates the following items as necessary in responding to the climate crisis:

- implementing a national inventory of greenhouse house emissions and other causes of harm emanating from activities of carbon majors
- phasing out the extraction and production of fossil fuels
- phasing out carbon majors’ influence by banning their political donations to political parties and appointment of their executives to government positions
- requiring the carbon majors to address the harms to which they have contributed by their activities, along with any potential future harms
- preventing the carbon majors from leaving Australia without paying for their liabilities.

As part of achieving climate justice, Moss argues that Australia, along with other advanced capitalist countries such as the USA, Canada, and Norway, which have ‘made a disproportionately large contribution to climate change [have] a strong reason to address those harms where they are occurring,

instead of focusing exclusively on domestic emissions reduction' (p. 107). In order to achieve this, Australia and other advanced capitalist countries should carry out the following tasks:

- create a public research dividend to find solutions, such as renewable energy technologies, to climate-related problems
- ban the sale of fossil fuel assets because the carbon majors' claims of achieving net zero emissions constitute a form of greenwashing
- desist from claiming a 2050 net zero target while 'still advocating for the use, extraction, and subsidy of fossil fuels' (p. 118)
- implement an independent oversight of whether the carbon majors' emissions reductions 'are being achieved or even whether they are feasible' (p. 122)
- abstain from 'pollute now, pay later' practices such as spending 'small amounts on carbon reduction strategies while continuing to expand operations and lobby for fossil fuel' (p. 126).

While these proposals are commendable, albeit incomplete, they would require governments with the political will to implement them. In the current capitalist world system, the multinational corporations and their allies - such as the World Bank, the International Monetary Fund, and the World Trade Organization - are in the practice of making or breaking governments and politicians. In Australia, Woodside, Shell, Chevron, Exxon, and other fossil corporations pay little or no taxes, face weak climate policies, and have managed to capture both Coalition and ALP governments alike, making the notion of Australian democracy a sham.

To give him his due, Moss acknowledges the 'rise of right-wing politicians who respond to a backlash from those groups that believe that they are being asked to bear unfair costs' (p. 132) for climate action. He also suggests some room for political agency in challenging the carbon majors, although vaguely defined, arguing that: 'Establishing a national inventory would reveal just how large some of the carbon majors' climate liabilities really are and would allow proper scrutiny of them'; and that: 'Curtailing the impact of the carbon majors and their proxies on the democratic process could make decision-making simpler and more responsive to the electorate' (pp. 134-5).

This raises the issue of whether achieving climate justice will ultimately require deep systemic change, as suggested by climate justice activists, including transcending capitalism rather than merely tweaking it.

Climate dystopia

Despite pledges by governments and increasing numbers of multinational corporations to achieve zero emissions by 2050, the grim reality is that the emissions continue to rise along with increases in global temperature, heat waves, droughts, wildfires, cyclones, torrential rains and floods, melting glaciers and ice caps, etc. These features portend climate dystopias for increasing segments of humanity. In *White Skin, Black Fuel*, Andreas Malm and the Zetkin Collective (2021) refer to the possibility of one genre of climate dystopia that they term ‘fossil fascism’. They report that ‘all European far-right parties of political significance in the early 21st century expressed climate denial’ (p. 4). While some of them have backed off a bit from climate denialism, it looms in their background. Indeed, climate denialism marked the Trump presidency in 2017-2021 and remains embedded in the fabric of the Republican Party. Furthermore, it was part and parcel of successive Coalition governments in power in Australia and significant sectors of the Coalition parties out of power.

Malm and the Zetkin Collective assert that, while ‘white people have ascended the evolutionary ladder in height of comfort and affluence’ due to fossil fuels, black people ‘have stayed behind in the fossil-free bottom to break own backs’ (p. 20). While what they term ‘capitalist climate governance’ regards global warming as a fact with capital positioned as providing the solution out of the climate crisis, Malm and the Zetkin Collective posit that the far right ‘objectively worked as the defensive shield of fossil capital as a totality and primitive fossil capital in particular, even if – or, rather, precisely because – it was not set up or financed by them’ (p. 37-8). Climate denialism has come to be ‘driven deep into countries for decades perceived as the world’s prime paragons of climate mitigation’ (p. 53), such as Austria, Netherlands, Denmark, Sweden, and Germany. In the wake of the closure of the Swedish border in 2015 by a government of social democrats and greens, the far-right Sweden Democrats called for the remigration of refugees who had been admitted into the country previously.

Malm and the Zetkin Collective observe that, while the 2015 COP Paris Agreement pledged to hold global average temperature well below 2°C above preindustrial levels and attempt to limit the temperature increase to 1.5°C, it failed to mention a need to reduce fossil fuel utilisation. Moreover, while renewable energy has become a central plank of capitalist climate governance, far-right parties have been hostile to it and celebrate their commitment to fossil capitalism. Norway, a country of some 5 million inhabitants, is often viewed as a progressive nation on various counts, including environmental policies. However, as Malm and the Zetkin Collective point out, this is a chimera in that, as of 2016, Norway was the 14th largest producer of oil in the world and the 7th in natural gas, fossil fuels which ‘were under the control of the Ministry of Petroleum and Energy’ (p. 119), a body which was, between 2013 and 2020, headed by four leaders from the far-right Progress Party (FrP). They assert that Norway’s ability to juxtapose its purported environmentalism with fossil fuel extraction was developed in the 1990s by an ‘ideological state apparatus – here truly centred on the state – consisting of the Ministry of Finance, state-owned oil company Statoil, the social-democratic and conservative parties and a cohort of paid journalists, working in concert to inculcate in Norway trust in its fossil fuels’ (p. 121). This grim reality suggests that Norway constitutes an example of creeping fossil fascism.

Malm and the Zetkin Collective discuss how various right-wing leaders such as Marine Le Pen in France, along with the likes of Garrett Hardin (author of ‘The Tragedy of the Commons’, possibly the most cited text on environmental economics) and Paul Kingsnorth (author and one of the founders of the Dark Mountain Project), have come to embrace green nationalism which regards borders as ecological protection structures. While disavowing environmentalism in any form, Trump and Bolsonaro, former presidents of the USA and Brazil, were exemplars of fossil fascism. Unfortunately, as Malm and the Zetkin Collective observe, ‘It remains to be seen if the climate movement surging up in the late 2010s can develop into the revolutionary subject the situation cries out for’ (p. 292). This prompted Malm (2021) to suggest that the climate movement should resort to infrastructure property destruction as a route to revolutionary change.

Eve Darien-Smith (2022) in *Global Burning* continues the discussion of authoritarian patterns associated with the climate crisis, using the recent wildfires in Australia, Amazonia, and California as omens of ecological collapse. She regards *free-market authoritarianism* as the ‘collusion between political governance and corporate sectors in banking, energy,

agribusiness, technology, and pharmaceuticals’ (p. 25), underscoring the ‘common antidemocratic agenda of both opportunistic political leaders and the profit logic of corporate CEOs’ (p. 25). Her concept of free-market authoritarianism bears strong resemblance to the concept of *authoritarian neoliberalism* which, according to Bruff and Tansei (2019: 234), entails practices such as ‘repeated invocations of “the market” or “economic necessity” to justify a wide range of restructurings across various societal sites (e.g. states, households, workplaces, urban spaces), the growing tendency to prioritize constitutional and legal mechanisms rather than democratic debate and participation and other nodes of governance, the mobilization of state apparatuses for the repression of oppositional social forces at a range of scales, and the heightened pressures and responsibilities shifted onto households by repeated bouts of crisis and the restructuring of the state’s redistributive mechanisms’.

Darrien-Smith focuses on three specific instances of extractivism which she terms ‘fire as profit’ in which corporations call the shots in legislative settings. The first is Pacific Gas and Electric Company, a utility that provides natural gas and electricity in northern California which has been complicit in climate denial while exerting ‘enormous economic and political influence on California governance’ (p. 49). The second is the mining industry, another bastion of climate denial, which ‘played a direct and indirect role in creating the environmental conditions for Australia’s catastrophic bushfires of 2019 and 2020’ (p. 53). The third is Brazil’s agribusiness which found enormous support from Bolsonaro, a far-right business leader, during his presidency. While Scott Morrison as the Coalition prime minister and Bolsonaro as the Brazilian president were deposed in 2022, both Australian mining and Brazilian agribusiness continue to exert strong influence on political processes. This reality is borne out by the fact that the Australian Labor Party government under the leadership of Prime Minister Anthony Albanese continues to support the expansion of fossil fuel projects, despite its rhetoric of being stronger on climate action than the previous Coalition governments.

Regardless of where it occurs, Darien-Smith maintains that free-market authoritarianism that ‘connects neoliberal capitalism with antidemocratic processes’ (p. 67) exhibits three common features - ultranationalism, withdrawal from cooperative multilateralism, and anti-environmentalism. She argues that extractive capitalism and free-market authoritarianism combine to ‘contribute to climate change and the increasing number and catastrophic scale of wildfires’ (p. 95). She discusses three instances of

violent environmental racism or ‘fire as death’ – the impact of Australia’s bushfires on Indigenous people, the impact of Brazil’s deliberate burning of the Amazonian rainforest on Indigenous peoples in the region, and the impact of California’s wildfires on immigrant farmworkers, mostly from Mexico and Central America.

As Darien-Smith observes in her concluding chapter, the environmental justice movement, taking its cue from peoples in the Global South who are most adversely impacted by climate change, posed a challenge to free-market authoritarianism in numerous sites in late 2019 and early 2020. Unfortunately, the COVID-19 pandemic has created a lull in the movement, albeit not completely. Darien-Smith (2022: 136) observes that the ‘parallels between the catastrophic wildfires and the pandemic [...] emerge out of the same economic and political global conditions of gross inequality that have been shaping the world for the past fifty years.’

Overall, Malm and the Zetkin Collective’s notion of fossil fascism and Darien-Smith’s notion of free-market authoritarianism bear much structural similarity, although the former draws from evidence on the resurgence of European white ethno-nationalism and the latter from experience in the United States, Australia, and Brazil. Unfortunately, in all these regional or national settings, the corporate-based mass media and neo-liberal think tanks have a strong influence on governmental as well as EU climate policies.

Radical climate futures

As humanity proceeds further into the zone of catastrophic climate change and the capitalist climate governance regime fails to seriously mitigate climate change, humanity needs to entertain radical future scenarios that ultimately transcend capitalism. Over the course of the past four decades or so, various genres of ecological Marxism or ecosocialism have emerged to fill the void. Matthew Huber’s (2022) book *Climate Change as Class War* falls into the techno-optimist genre represented by Leigh Phillips’ 2015 work, *Austerity Ecology & the Collapse-Porn Addicts*. While there is much in Huber’s book I agree with, it is a book that ecosocialists, ecoanarchists and degrowth proponents should grapple with because it takes the notion of class struggle seriously – unlike large segments of the climate movement. Huber asserts that the climate movement is losing the battle to achieve meaningful climate action. He argues for a new ecological

Marxist perspective that identifies climate change as a class issue – one that defines the climate struggle by focusing on production rather than consumption and defines class in terms of people’s relationship to the means of production.

Huber argues that, at present, the climate movement is dominated by a professional class, which includes NGO staff, scientists, journalists, think tank analysts, academics and students. In the Global North, this class formation emerged in full force in the post-World War II era, along with mass deindustrialisation. In contrast to the traditional working class, the professional class engages in mental labour or knowledge work. Huber argues that, in contrast to this highly compromised stratum, only the working class has the capacity to defeat the entrenched power of the capitalist class and serve as the lynchpin of a mass popular climate movement that begins to take meaningful climate action. Huber argues that industrial capital – which includes mining, manufacturing, agriculture and construction – is responsible for the bulk of global greenhouse gas emissions. For example, in 2015, 54.8 percent of global consumption of energy occurred in the industrial sector, 7 percent in the commercial sector, 12.6 percent in the residential sector, and 25.6 percent in transport. Conversely, while the industrial sector in the United States consumed only 34 percent of energy, transport consumed 39 percent in a society based upon decentralized suburban housing, automobility, and long-distance trucking of consumer products. At a smaller scale, these characteristics apply to Australia too.

Huber argues that professional climate politics contains bourgeois and radical variants. The former consists largely of scientific communicators and technocrats who believe that climate science knowledge can spur climate action by policymakers. The radical variant calls for system change, not climate change, and by and large believes that small-scale alternatives and anti-consumerism will erode capitalism as the overarching driver of climate change. Huber takes issue with the degrowth movement which promotes reducing consumption and living simply – at least on the part of most people in the Global North. He maintains that some radical academics argue that the working class in the Global North have contributed to the ecological crisis through an ‘imperial mode of living’ that relies heavily on resources expropriated from the Global South.

In making these points, Huber fails to distinguish between those segments of the working class who are compensated for their alienated labour with

a wide array of consumer items and those who are deprived of the essentials necessary to maintain their sustenance and good health. Many of the latter are concentrated in the Global South but are also among racial/ethnic minorities and women in the Global South and North. He takes a swipe at fellow academics, such as eminent climate scientist Kevin Anderson, for choosing to fly less or not at all, on the grounds that they view altering consumption patterns as meaningful climate action. However, he admits that opting to fly less may stimulate discussions about the large-scale changes needed to address the climate change crisis. Indeed, airplanes serve as a key component of the capitalist world system, moving people and commodities around the world in the drive for profits. Huber calls for a *proletarian ecology* that seeks to ensure that the working class can access the basic needs of life: food, energy, housing, transport, and so forth. He points to the US Green New Deal (GND) as a worthwhile evolving program that seeks to restructure the power grid toward zero-carbon energy sources, investing in green public housing and expanding public transport. Huber argues that GND politics seeks to merge working class and ecological interests into the politics of life. In my view, a radical GND would need to go beyond existing GND schemes by requiring large-scale public investment, public ownership and stringent regulation of emissions.

Recognising that the electricity sector is one of the most unionised sectors in the world and in the US specifically, Huber argues that workers need to start building *ecological unionism* within this locus of struggle. For him, ecosocialism blends workers' power and massive electrification across the globe. He lowers his expectations by arguing that a targeted and sectoral union strategy is more realistic, given the immediacy of the climate crisis, instead of seeking to change everything all at once. He maintains that, because socialism is unlikely to be achieved any time soon, socialisation of the electricity sector is a more achievable endeavour. While Huber does touch upon the work of various ecosocialists, such as Michael Loewy and Ted Benton – largely dismissively – he focuses on degrowth advocates as exemplars of radical climate activism. He sides with Marxist techno-optimists, such as Phillips who has argued that we must promote a Good Anthropocene through economic growth and a wide array of technological innovations, such as new materials to replace steel and concrete, improved battery storage technologies and electric cars. However, this Promethean perspective fails to grapple with the limits to growth and so-called green

technologies reliant on resources in short supply that often require labour-intensive and polluting methods to extract.

In direct contrast to Huber's radical future vision is the book by Troy Vettese and Drew Pendergrass (2022) *Half-Earth Socialism*. Maintaining that environmentalists and socialists need a shorthand to regain political momentum, they draw upon E.O. Wilson's notion of *Half-Earth* which asserts that humanity needs to rewild half of the planet to stop the severe biodiversity loss that is presently under way. Vettese and Pendergrass also argue that the pursuit of global social equality must be part and parcel of Half-Earth socialism. While they cannot say how a 'Half-Earth socialist coalition might come to power', they argue that the dire future that current socio-ecological conditions presage makes 'it is all the more pressing to imagine utopian alternatives to motivate and mobilize the dispirited masses' (pp. 17-8). For them, Half-Earth socialism would entail a massive global planning system which would include the following dimensions:

- supplying 'everyone with the material foundation for a good life - sustenance, shelter, education, art, health - while protecting the biosphere from destabilization' (p. 96)
- setting 'half the earth aside for rewilding to limit the ecocide of the Sixth Extinction' (p. 101), a measure that would require shifting food production drastically away from livestock toward veganism
- the manufacture of solar panels, wind turbines, super-efficient insulation and railways
- massive investment in public transit and renewable energy, including a clean hydrogen industry
- an 'almost complete abolition of private vehicles' (p. 110)
- stabilizing global population at a maximum of 10 billion people
- retrofitting buildings to conserve energy and adapting private mansions and private headquarters to communal use
- rewilding private lawns and golf courses
- wide-ranging improvements to industrial processes to reduce pollution, fuel use, and waste water
- grappling with the 'failures of past socialist societies' (p. 130)
- a serious commitment to democracy and meaningful work.

Despite the numerous shortcomings of the Soviet Union, Vettese and Pendergras argue that it had been a ‘crucial player in the development of climate science’ (p. 126). Ultimately, they view their concept of Half-Earth socialism as a ‘starting point for a deeper discussion of how socialism should function in an age of ecological crisis’ (p. 133). While Vettese and Pendergras cite John Bellamy Foster and Paul Burkett’s (2016) *Marx and the Earth* and Kohei Saito’s (2017) *Karl Marx’s Ecosocialism* and, given some striking parallels between their concept of Half-Earth socialism and ecosocialism, I am quite surprised that they did not grapple more with the extensive literature on it. Ecosocialists, within whose ranks I include Vettese and Pendergras, need to go beyond listing the characteristics of an ecosocialist world to strategies for achieving it within specific nation-states and globally.

Linking climate change and capitalism, climate dystopia and radical climate futures

Organising Responses to Climate Change by Daniel Nyberg, Christopher Wright, and Vanessa Bowden (2023), all Australian academics, is a new book that engages with all three themes in this review essay.

Part I of the book, comprising two chapters, touches upon the politics of climate change and states that anthropogenic climate change constitutes the ‘most pressing issue facing human species’ (p. 3). The authors assert that global capitalism, which ‘relies on continued economic growth and fossil fuel consumption’ (p. 4), is the overall driver of the climate crisis, a position previously taken by various radical scholars (Koch 2012, Klein 2014, Weston 2014, Baer 2021). Importantly, the authors identify the key actors in the link between capitalism and climate change, namely multinational corporations, state-owned enterprises, allied governments and political parties, and supporting institutions such as think tanks and the mass media. They say that the ‘COVID-19 pandemic had toppled many of the assumptions of the global economy during the preceding two years’ (p. 5), albeit only briefly, but governments around the world continue to finance fossil fuel projects, a process that has been intensifying as a result of Russian invasion of Ukraine. Ironically, of the largest contingent of delegates at the 26th Conference of the Parties (COP) held in Glasgow in November was from the fossil fuel sector. While many governments and corporations in recent years have made ill-defined commitments to carbon

neutrality or achieving net zero emissions by 2050, the authors observe that capitalism continues to be addicted to fossil fuels in its drive for economic growth.

Continuing this theme, the authors maintain that the concept of *fossil fuel hegemony* 'explains the historical process of political strategies leading to the long-standing impasse on climate change' (p. 24). Drawing on Laclau and Mouffe's (1985) reworking of Gramsci's notion of hegemony, they argue that *difference* permits hegemonic projects to 'connect heterogenic demands and interests in continuously changing formations' (p. 28). In essence, the fossil fuel industry encompasses a wide array of rival companies that compete; with some of them, such as BP, engaging in renewable energy projects, albeit to a limited extent. In their framing of a commitment to achieving net-zero emissions by 2050, Nyberg, Wright, and Bowdon astutely observe that the prevailing corporate and government responses to the climate crisis prioritise 'time over place', thus in essence privileging the 'rights of those living today over those of generations still to come' (p. 37) and valuing the 'wealth of Global North over the well-being of populations in Global South' (p. 37).

In Part II of the book ('The Politics of Climate Mitigation'), the authors assert that decarbonisation 'will necessitate the reduction of emissions not only in energy production, but also in transportation, manufacturing, industrial processes, agriculture and food production' (p. 42), along with terminating 'deforestation and the destruction of other critical carbon sinks' (p. 42) at a rapid speed. Instead, they argue that fossil fuel corporations have attempted to shape public opinion so that they are seen as responsible global citizens; slick marketing and advertising campaigns highlight the purported 'benefits they provide impoverished and marginal communities' (46). Around the globe, including in Australia, the fossil fuel industry and governments have sought to identify a shift from coal to gas extraction as a transitional emissions mitigation strategy. Also, while corporations of different types have come to recognise that climate impacts will impact their operations, many of them have the option of relocation.

Operating at the margins of climate politics, one finds a disparate climate movement that has existed globally since around 1989 (Camilleri and Falk 2010: 309). Nyberg, Wright, and Bowden argue that a second wave of the climate movement emerged in the wake of the 2015 COP Paris Agreement that sought to limit global warming to two degrees, preferably 1.5 degrees. Given the limitations of the Paris Agreement, it joined old stand-by actors,

such as 350.org and the World Wildlife Fund (WWF). The authors identify Extinction Rebellion and Fridays for Future as challenging the ‘everyday – an ineffective – politics of climate change’ (p. 76), thus in essence ‘reconstructing what is seen as the “middle ground” of climate politics by developing the radical flank’ (p. 76). Indeed, while both of these groups were highly effective in mobilising climate protests around the world, at least prior to the COVID 19 pandemic, they have tended to be rather vague in challenging capitalism directly, in contrast to earlier ‘direct action’ groups ‘such the Climate Camps in Europe, Australia and New Zealand, anti-airline protesters such as Plane Stupid; the Keystone XL pipeline blockades in the US and the German anti-coal movement *Ende Gelaende*’ that preceded them (p. 74). Unfortunately, Nyberg, Wright, and Bowdon fail to make a distinction between the climate movement that is focused on ecological modernisation, particularly replacing fossil fuels with renewable energy sources, and a smaller climate justice movement that calls for ‘system change, not climate change’, and which includes eco-socialists and eco-anarchists within its ranks (Baer 2021: 166-94).

In Part III of their book (‘The politics of climate adaption’), Nyberg, Wright and Bowden argue that corporations continue to exert an ‘outsized influence on the critical decisions society will make about how to best to address the challenges of increasingly hot, unstable and inhospitable planet’ (p. 88). They maintain that corporations function as the ‘key actors in how climate adaptation is framed and enacted’ (p. 95), a process facilitated by governments and the mass media. Their litany of corporate-friendly variants of adaptation includes the focus of engineering and consultancy industries in ‘building greater resilience in the world’s biggest cities’ (p. 101) and various forms of disaster capitalism. It also includes oil and gas companies’ activities in the Arctic, Russia’s positive framing of global warming as a means for opening the Siberian tundra for agricultural expansion, geo-engineering, and the ‘space race’ of Jeff Bezos and Elon Musk, two billionaires who - along with Bill Gates - have expressed their respective commitments to climate adaptation.

Nyberg, Wright and Bowden say that, whereas vulnerable communities are experiencing the impact of an ‘ecological unravelling’ (p. 109) in the form of intense storms, floods, hurricanes, wildfire, and droughts, the mass media tends to downplay the underlying role of climate change in its reportage of extreme weather events. They maintain that the ‘localised nature of adaptation initiatives’ leaves these communities ‘susceptible to a lack of resources, potential corruption, short-term preferences, and other

structural constraints' (p. 116). Whereas NGO civil society has served to expose injustices in their advocacy for the powerless, it has tended to focus on climate mitigation in the Global North and climate adaptation in the Global South.

Part IV of the book ('The politics of climate suffering') discusses how corporations have positioned themselves as forces for good in defending themselves against criticisms by NGOs and climate activists. Indeed, some NGOs have been co-opted by such corporate assertions, such as when WWF accepted a \$US100 million donation from Amazon founder Jeff Bezos. Nyberg, Wright, and Bowden examine how people adversely impacted by climate change and environmental devastation have challenged their characterisation as powerless victims by 'making it a potential driver for democratic mobilisation' (p. 149). Representatives from these communities have even utilised COP events as a platform for stating their case. In doing so, 'communities at the forefront of climate change impacts have brought to bear in unavoidable ways, the injustices and the implications of the outcomes for all of the fossil fuel hegemony continues unabated' (p. 157).

Finally, in Part V ('The politics of climate future'), Nyberg, Wright, and Bowden recognize that 'simply implementing renewable energy on a large scale does not necessarily break the links between environmental damage and the constructed foundations on which capitalism rests' (p. 171). They argue that, in contrast to the green capitalist objective of decoupling economic growth from pollution and emissions, 'degrowth calls for an altogether different kind of economy' (p. 174). While indeed some degrowth advocates, such as Jason Hickel (2020), make a case for a post-capitalist world system, others such as Serge Latouche, a pioneer of the degrowth movement, believe that degrowth is achievable within capitalist parameters (see Foster 2022: 367). Finally, in their call for a deeper democracy or what they term *energy democracy*, Nyberg, Wright, and Bowdon maintain there is a need for 'communities' direct involvement in energy governance and their increased participation in decisions on production and consumption' (p. 179).

As the authors observe, while the COVID-19 pandemic provided corporations and governments with an opportunity to 'push back against global climate activism' (p. 183), there are signs that it is being reactivated, although slowly. They delineate three trajectories that have emerged recently that reframe and grapple with the climate crisis, namely what they

term *transformismo*, Caesarism, and scission. Following Gramsci, *transformismo* entails incorporation of the population into a hegemonic regime, thus at least in Western societies constructing an ‘equivalence between a more “sustainable” growth economy and individual consumption’ (p. 186). In this process, corporations and governments try to convince people that ‘clean coal’ and natural gas serve as devices to reduce emissions while maintaining fossil fuel hegemony. Following Gramsci again, Caesarism refers to emergence of a great man who presents himself as offering solutions to an uncertain situation. Thus, like Mussolini, figures such as Donald Trump, Xi Jinping, Vladimir Putin, and Jair Bolsonaro are regarded by their supporters as the solution of the failings of democracy. The authors argue that, although ‘corporate leaders have generally been careful in their public endorsement of such populist leaders, the fact is that many traditional industries have benefitted greatly from the diminishing of environmental protections and the rejection of any form of emissions rejection’ (p. 188). Whereas *transformismo* and Caesarism are hegemonic processes, scission is a counter-hegemonic process such as manifested in the climate movement forming solidarity with the victims of the climate crisis, not only in the Global South but also in the Global North. Nyberg, Wright, and Bowdon argue that bodies such as left-wing government of Kerala, the Left-Green Movement in Iceland, and other regional entities ‘seek to connect climate politics with democratic struggles and aim to interlink on a global level to cooperatively negotiate and create climate democracy’ (p. 191). Of the three scenarios, the authors admit that it is difficult to say which will prevail over the long term, although their preference is for scission.

Conclusion

The eight books reviewed in this essay pose the challenge of determining how we can collectively address monumental political economic, social structural, demographic and ecological problems, while securing a healthy global community, made harder by the on-going COVID-19 pandemic. All these concerns require a safe climate. It is become clearer that capitalism is the overarching driver of climate change as well the larger socio-ecological crisis. In the short run, humanity faces climate dystopian scenarios, given that the various measures to mitigate climate change, ranging from COP declarations to carbon pricing and techno-fixes, are not

being successful in significantly reducing emissions. Although ecological modernisation and green capitalism presently constitute hegemonic mitigation agendas, more scholars and activists are envisioning radical climate future scenarios.

The creation of a healthy planet for humanity, non-human and plant life, and planetary ecosystems will require long-term transcendence of the existing capitalist world system and a movement towards a more equitable and ecologically responsible global order. Emergence of such a mitigation strategy is dependent on a vision for an alternative to the present global capitalist world order. Proposals such as global democracy and eco-socialism constitute long-term steps in the creation of a better world for both humanity and the health of its inhabitants and the planet. The application of these radical transitional reforms will require adaption to the varied political, economic, and sociocultural traditions and ecological conditions in both developed and developing societies.

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REPORT REVIEWS

TREASURY'S REVIEW OF THE AUSTRALIAN FINANCIAL COMPLAINTS AUTHORITY

Evan Jones

The Australian Financial Complaints Authority (AFCA) is the ombudsman for the banking sector, financed by the industry itself. It has a huge number of staff – equivalent to 755 full-time employees as of October 2020. Handling the complaints from customers of banks and other financial institutions is evidently a massive task. Indeed, it is telling for the so-called virtues of ‘the free market’ that this sector’s operations generate so much dissatisfaction to require an ombudsman of this scale.

A major public interest is at stake, requiring periodic review by the Federal Treasury.¹ The review was tabled in Parliament on 24 November 2021, attracting little media interest other than a brief article in the *Australian* on 25 November that reported AFCA’s Chief Ombudsman and the Financial Services Minister as claiming it as a positive report card.

Probably the best thing that can be said of the Review is that its content implicitly exposes some of AFCA’s failures, while hiding others. The statistics on the compensation awarded to complainants, for example, show a total of \$447 million, including \$202 million for remediation on ‘systemic issues’ in 2019-20. Much of this presumably relates to relatively

¹ The Treasury had formally invited public submissions to the Review but did not publish the submissions on its website, as has become customary for Parliamentary inquiries.

straightforward retail customers of banking, financial advisory, superannuation and insurance service providers.

As someone who has responded to requests for help from many bank victims over the years (especially small businesses, amateur property investors or simple home mortgagors), I can attest to the very different experience they had with AFCA and its predecessor, the Financial Ombudsman Service (FOS).

Limiting complainants

The Review states the numbers and types of complainants (p.23). Over 2019-20, '94 per cent of complaints were made by consumers (144,256) and 6 per cent by small businesses [SMEs] (8,910)'. Primary producers (included in the small business category) lodged a mere 125 complaints.

The numbers are limited by design, particularly by setting a monetary limit. For SMEs, including primary producers, the limit (ie. the maximum credit exposure set for those businesses) is \$5.425 million. The limit for compensation claims is a mere \$1.085 million and for primary producers \$2.170 million (these unusual figures being the product of indexing for inflation). In a rare display of frankness, the report noted that the reported numbers of complaints 'may not accurately reflect the volume of demand for AFCA dispute resolution above the current limits', given 'primary production and small businesses may have decided against contacting AFCA in the first place for matters that clearly exceeded the limit'.

Both the Australian Small Business and Family Enterprise Ombudsman (ASBFEO) and the National Farmers Federation recommend that the monetary limits for SMEs and family farmers should be lifted, but the recommendation has been ignored. Treasury claims that the existing limits had already been raised from earlier levels – but the earlier levels were absurdly low. Supporting its claim that there is no 'widespread problem with the current limit', two paragraphs in the report are telling (p.56):

5.14 Like most ombudsman schemes, AFCA was established to resolve smaller, lower-value disputes and provide claimants with a relatively simple process, negating the need for legal representation.

5.15 Complaints that involve very large monetary amounts, for example a \$10 million credit facility as recommended to the Review, would generally involve a high degree of complexity. Given the potential complexity of such matters, AFCA's broader fairness jurisdiction and

the fact that AFCA decisions are binding on financial firms, the Review considers that such matters are most appropriately dealt with by existing legal mechanisms.

The first of these two claims, regarding the intended scope of AFCA, is wrong and pernicious. While the embryonic banking ombudsman, beginning in the late 1980s, was such an animal, the subsequent pressure to include small business/farmers has been persistent and inevitable. The second claim reveals Treasury's attempt to minimise AFCA's exposure to the more grievous abuses and to minimise the prospect of financial entities having to pay sizeable compensation.

The claim that 'such matters are most appropriately dealt with by existing legal mechanisms' also highlights Treasury's partisanship. Reliance on 'freedom of the market place', supplemented by courts to deal with occasional malpractice, indicates a mindset shaped by orthodox economics that ignores the systemic presence and abuse of power in the marketplace.

There is a telling statistic in the report concerning the distribution of outcomes. For the first two years of AFCA's existence, 71 percent of its determinations were in the financial firm's favour and 29 percent favouring complainants (p.29). *A priori*, one would have expected the distribution to disproportionately favour complainants, because the *raison d'être* of an ombudsman is inequality between the parties to an exchange in their capacity to influence the nature of that exchange and its aftermath.²

Regarding the sectoral breakdown of complaints, for AFCA's first two years, 59 percent of complaints (89,660) related to banking and finance. Complaints regarding credit constituted 73.1 percent of banking/finance complaints, thus comprising 42.8 percent of all complaints (p.25). These are telling figures. The report ignores the credit relationship, 43 percent of its 'business', and the sources of this disproportionate cause for complaint.

Of the \$477.6 million total awarded in compensation (2019-20), small business complainants received \$47.9 million, including \$2.25 million to primary producers. The average compensation for all complaints was \$4,100, for small business \$8,300 and for farmers \$56,200 (p.24). It is not clear if the small business compensation total includes that for farmers: if so, average non-farmer SME compensation is even smaller.

² I emphasised this point in an email letter to AFCA's CEO David Locke in April 2019. Locke did not reply to that letter and he evidently ignored its contents.

Regardless, for small business and farmers, these average compensation figures are miniscule. SME/farmer borrowers have lost millions of dollars to their lenders' incompetence and unconscionable conduct, subsequently rendering them destitute.³

Systemic issues

AFCA is supposed to track 'systemic issues' arising across complaints and report serious ones to its overseer ASIC. AFCA claims to have found, in two years, over 2,200 possible systemic issues (p.31)! But the review gives us no examples.

ASIC's 'regulatory guidance' tells us where to find a systemic issue (p.83): '[it] affects more than one complainant; involve many complaints that are similar in nature; affect all current or potential complainants of a particular firm; affect more than one firm'. These are appropriate categories, but no instances are provided.

Predatory lending and default should be the hot systemic issue. It typically involves bank fabrication of customer figures and is innately fraudulent in its character. But there is no mention of it in the Review.

Atypically though, one case study in the Review's coverage of small business complaints (p.65) does relate to and condemns predatory lending without labelling it. In that instance, acknowledgement and compensation was granted for top-up loans when the business (a franchise) was transparently in trouble, but not for the original loan itself. If AFCA can recognise a problem here, though half-heartedly, why not elsewhere?

AFCA has a 'systemic issues' committee and is compelled to send the most significant ones to the Australian Securities and Investments Commission (ASIC). The AFCA Annual Review notes that (p.19): '36 serious contraventions and other breaches [were] referred to regulators [in the 16 months since] 1 July 2020'. No instances are given. Moreover, ASIC has not enlightened us on such referrals. There is no evidence that ASIC takes any action with respect for referrals from AFCA.

³ There's more statistical sloppiness, relegated to a footnote – 'All complaints are factored into the averages, including those for which there was no compensation awarded or recorded'. This conflation is misguided. The reader is not told the average compensation for those awarded compensation.

Independent case assessment

The Treasury Review ‘engaged an independent expert’ to examine a small sample of AFCA-determined cases in conjunction with the related submissions. The Hon. Julie Dodds-Streton QC was appointed (p.4). Her opinions on the 20 cases she was given are detailed in the report (Apps A & B, pp.93ff.). Yet none of the cases evidently relate to the provision of credit. Most relate not to customer complaints but to financial provider complaints. This appears to be a stitched-up exercise on the part of the Review.

AFCA staff ‘qualifications’

Submissions that I and others made to the AFCA Review point out that case managers often don’t understand the nature of the credit relationship – or perhaps they know but don’t want to pursue its implications. The AFCA report crudely bats away these complaints while conveniently ignoring their substance. It emphasises AFCA staff’s formal qualifications and industry experience (p.20), blandly concluding that (p.89): ‘AFCA’s staff are appropriately qualified’.

AFCA boasts: ‘Over 96 per cent of AFCA ombudsmen hold a law degree’. Yet having a law degree is no necessary advantage, given the usual lack of sympathy for the weaker party to asymmetric contractual relations within a legal education. Industry experience is another matter. While desirable to have such experience, it is necessary to recognise its downsides within the industry. We know that some AFCA employees with prior industry experience act to support the industry against complainants. In short, Treasury has no evident concern for skills appropriate for the job.

A personal experience is illustrative. In October 2021, I sent David Locke an 8000-word letter regarding a particular complainant, putting AFCA’s myopia in this case into the context of AFCA’s broader myopia. I claimed that the complainant’s case manager did not understand ‘the nature of the beast’. The bank involved is the National Australia Bank, with a long history of malpractice against borrowers. The case manager had no apparent understanding of the meaning and significance of various bank documents. He was indifferent to the NAB’s reluctance to tender relevant documents and dishonest claim that key documents had been destroyed. The key initial loan document was withheld by the bank.

The case was a clear case of predatory lending, where NAB personnel had dramatically misrepresented the borrowers' financial situation and their property investment competence – with long-term disastrous implications. Fortunately for AFCA, the initial loan package was taken out and, within several years, modified during the period before the arbitrary cut-off limit written into AFCA's rules. Even though remaining current, the loan's limit ensured that AFCA personnel could blindly ignore its egregious character to determine that the complainant had no case.

A 'Service Case Manager', designated to reply to my lengthy expression of concern, did so in mid-December 2021, claiming the appropriateness of the particular case manager's qualifications to be proved by the fact that his superiors agreed with him!

Making malpractice invisible

The cover of the AFCA Review shows a happy-as-larry farming family, which is certainly not representative of the typical farming family's relationship with their bank lender since financial deregulation in the 1980s. The Review also includes myriad 'quote bubbles' from seemingly well-satisfied complainants but none from unsatisfied complainants. The only concession to the extended self-congratulation is a throwaway line (crocodile tears) in the Review's preface: 'The Review also acknowledges the many individuals who have devoted considerable effort to share, via submissions, their stories of often distressing circumstances.'

The functioning of a financial ombudsman is crucial to the 'legitimacy' of the entire financial system, as the Review acknowledges (p.1). It therefore has to be pretended that AFCA is functioning appropriately, but this is an expensive and elaborate charade. Presumably the big players, especially the Big Four banks, are prepared to wear the expense to keep their freedom to engage in ongoing malpractice against their customers. The Government response to the Treasury AFCA Review supported all recommendations of the report. It is to be business as usual.

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THE PRODUCTIVITY COMMISSION REVIEW

John Quiggin

The release of the Productivity Commission's five-yearly review of Australia's productivity performance had very little impact. The central point, aired in advance, was an obvious one: without productivity growth we can't improve living standards significantly. The report included sensible discussion of a wide range of options for promoting productivity, none of which were likely to provoke much controversy. But, like Sherlock Holmes' dog that didn't bark, the absence of controversy is revealing.

The trajectory of the Productivity Commission is a microcosm of the history of neoliberalism (often described in Australia as 'economic rationalism' and 'microeconomic reform'). During the fifty years since the early 1970s, neoliberalism has gone from being an economic policy revolution (or counterrevolution) to a dominant ideology, before finally fading to near-irrelevance.

The Productivity Commission dates back the beginning of that neoliberal period, in 1973, when it replaced the old Tariff Board. In those early days it was called the Industries Assistance Commission, or IAC, and it was part of the first bout of microeconomic reform in Australia. Prime minister Gough Whitlam had recently taken power, and his government – despite its big spending program – was the first to promote economic rationalism. It cut tariffs across the board by 25 percent and abolished the bounty paid to farmers to subsidise the superphosphate fertiliser used in agriculture, repudiating the policy of 'protection all round' promoted most strongly by Country Party leader John 'Black Jack' McEwen. Protection all round' had combined import tariffs, which raised costs for farmers, with subsidies (like the superphosphate bounty) that lowered them. To work out the net effect of these policies, the influential Australian economist, Max Corden, developed the concept of 'effective protection.'

Decisions to cut industry assistance were unpopular, to put it mildly, in the sectors directly affected. The IAC's job was to analyse the impact of such

policies on the economy as a whole. It took on a task that had previously been split between the Tariff Board, which advised on protection for manufacturing, and the Department of Primary Industry, which dealt with assistance to agriculture. While the Tariff Board had moved towards a more critical perspective on protection under its final chairman, Alf Rattigan, the new IAC (also chaired by Rattigan) was unabashedly ideological. Its primary objective was to ‘improve the efficiency with which the community’s productive resources are used.’ Ordinary Australians might have understood this to refer to the efficiency of production, or ‘productivity,’ but the IAC interpreted it in the technical sense dominant in economics, which implied the need to remove all ‘distortions,’ such as tariffs and subsidies. The paradox of an IAC rigidly opposed to assisting industries eventually led to a shortening of its name to the Industries Commission.

Disputes over tariffs dominated the work of the IAC and the IC over the 1970s and 1980s. The cause of free trade lost ground under the Fraser government before triumphing under the Hawke–Keating government and its successors. Today, there is virtually nothing left of ‘protection all round,’ or of the manufacturing sector it protected. What remains of Australian manufacturing is dominated by simple products like meat, bread and wine, along with limited processing of minerals and a handful of niche producers of high-tech equipment. As the importance of manufacturing declined, however, the scope of microeconomic reform expanded. National competition policy, privatisation and public–private partnerships were all on the agenda. From a relatively limited program of ‘getting prices right’ in the 1970s, the advocates of neoliberalism had shifted their focus to comprehensively reversing the growth of government during the twentieth century.

The glory days of the Productivity Commission (PC) were the 1990s. (The name was adopted in 1996 when the IC swallowed its main institutional rivals, the Economic Planning Advisory Council and the Bureau of Industry Economics.) Using measures newly developed by the Australian Bureau of Statistics, the PC announced that Australia was experiencing a ‘productivity miracle.’ More precisely, not so much miraculous as the ‘predictable outcome of policy reforms designed to raise Australia’s productivity performance.’ By the time the PC released an account of its first thirty years in 2003, however, the glow of the productivity miracle was beginning to fade. Yet there were still grounds for confidence that the program of reform would continue, delivering improved living standards.

As it turned out, however, the process of microeconomic reform was pretty much over. National competition policy had run its course. The tide was beginning to turn against privatisation. The one major attempt at continued reform, John Howard's *WorkChoices*, was a political disaster, largely reversed under the Rudd-Gillard government. Moreover, the productivity miracle fizzled out completely. Dispute remains over whether it was a statistical illusion or an unsustainable blip. But, as the latest five-year report shows, the reforms of the late twentieth century didn't deliver a boost in productivity. Over the period since 1990 (which includes the 'miracle' years), annual labour productivity growth has averaged 1.6 per cent, lower than the 2.4 per cent recorded in the 1960s and 1970s.

There are many reasons for this decline, but the most important is the transformation of the economy from one based on producing, transporting and distributing physical goods to one based on human services and information. To the extent that they were ever relevant, the prescriptions of twentieth-century neoliberalism have nothing to offer here. On the other hand, we have yet to see the emergence of a coherent alternative.

To its credit, the PC has responded by focusing on more relevant policy issues. The central themes of its review report are the need to improve education and manage the energy transition. These recommendations are sensible, with little if any ideological content. Privatisation, once the signature policy of neoliberalism, gets only a single, negative mention, in a discussion of impact of the 1990s privatisation of building surveyors. It seems likely that privatisation's last gasp, the sale of states' land titles offices, will be similarly disastrous. The 'good fight' against tariffs gets a brief run, with the argument that tariffs are now so low that compliance costs outweigh any revenue benefits, so they should be reduced to zero.

As has been true throughout its fifty-year existence, the Productivity Commission has produced a well-written analysis. But whether it is worth extending the life of a body so thoroughly tied to the era of neoliberalism is an open question.

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CHALLENGING PC ASSUMPTIONS

Ross Gittins

The Productivity Commission's job is to make us care about the main driver of economic growth: productivity improvement. Its latest advertising campaign certainly makes it sound terrific. But ads can be misleading. And productivity isn't improving as quickly as it used to. We're told this is a very bad thing, but I'm not so sure.

The Commission's latest report on our productivity performance, *Advancing Prosperity*, offers a neat explanation of what productivity is: the rise in real gross domestic product *per hour worked*. So, it's a measure of the efficiency with which our businesses and government agencies transform labour, physical capital and raw materials into the goods and services we consume.

GDP can grow because the population grows, with all the extra people increasing the consumption of goods and services, and most of them working to increase the production of goods and services. It also grows when we invest in more housing, business machinery and construction, and public infrastructure.

Over time, however, most growth comes from productivity improvement: the increased efficiency with which we deploy our workers – increasing their education and training, giving them better machines to work with, and organising factories and offices more efficiently.

Here's the PC's own ad for productivity improvement:

There has been a vast improvement in average human wellbeing over the last 200 years: measured in longer lives, diseases cured, improved mobility [transport and travel], safer jobs, instant communication and countless improvements to comfort, leisure and convenience.

Indeed, it's been a wonderful thing, leaving us hugely better off. But neither GDP nor GDP per hour worked directly measures any of those wonderful outcomes. What GDP measures is how much we spent on – and how much income people earned from – doctors, hospitals and medicines,

good water and sewerage, cars, trucks and planes, occupational health and safety, telecommunications, computers, the internet, and all the rest.

The ad man's 200 years is a reference to all the growth in economic activity we've had since the Industrial Revolution. We're asked to believe that all the economic growth and improved productivity over that time *caused* all those benefits to happen. Well, yes, I suppose so. But right now, the Commission is asking us to accept that our present and future rate of growth in GDP and GDP per hour worked will pretty directly affect how much more of those desirable outcomes we get.

That's quite a logical leap. Maybe it will, maybe it won't. Maybe the growth and greater efficiency will lead to more medical breakthroughs, longer lives, cheaper travel, etc., or maybe it will lead to more addiction to drugs and gambling, more fast food and obesity, more kids playing computer games instead of reading books, more time wasted in commuting on overcrowded highways, more stress and anxiety, and more money spent on armaments and fighting wars. Maybe further economic growth will lead to more destruction of the natural environment, more species extinction and more global warming.

It doesn't follow automatically that more growth and efficiency lead to more good things rather than more bad things. It's not so much growth and efficiency that make our lives better, it's how we get the growth, the costs that come with the growth, and what we use the growth to buy. The trouble is that, apart from extolling growth and efficiency, the Productivity Commission has little to say about how we ensure that growth leaves us better off, not worse off.

Economics is about means, not ends. Its focus is on how to be more efficient in getting what we want. The neoclassical ideology – where ideology means your beliefs about how the world works and how it *should* work – says that what we want is no business of economists, nor of governments. What we want should be left to the personal preferences of consumers.

The Productivity Commission has long championed neoclassical ideology. It wants to minimise the role of government and maximise the role of the private sector. It would like to reduce the extent to which governments intervene in markets and regulate what businesses can and can't do. It has led the way in urging governments to outsource the provision of 'human services', such as childcare, aged care and disability care, to for-profit private providers. It wants to keep government small and taxes low to

maximise the amount of their income that households are free to spend as they see fit, not as the government sees fit.

However, in that list of all the wonderful things that economic growth has brought us, governments played a huge part in either bringing them about or encouraging private firms to do so. We live longer, healthier lives because governments spent a fortune on ensuring cities were adequately sewered and had clean water, then paid for hospitals, subsidised doctors and medicines, paid for university medical research and encouraged private development of pharmaceuticals by granting patents and other intellectual property rights to drug companies.

Governments regulated to reduce road deaths. They improved our mobility by building roads, public transport, ports and airports. Very little of that would have been done if just left to private businesses.

Jobs are safer because governments imposed occupational health and safety standards on protesting businesses. The internet, with all its benefits, was first developed by the US military for its own needs.

The Commission says that, when we improve our productivity, we can choose whether to take the proceeds as higher income or shorter working hours. In theory, yes. In practice, however, all the reductions in the working week we've seen over the past century have happened because governments imposed them on highly reluctant employers. Ditto annual leave and long-service leave.

I don't share the Commission's worry that productivity improvement may stay slow. It won't matter if we do more to produce good things and fewer bad things. But that, of course, would require more government intervention in the economy, not less.

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‘MAKING IT TOGETHER’: 35 YEARS ON

FRANK STILWELL

Some official reports, such as the AFCA report reviewed in this issue of *JAPE*, are white-wash jobs. Other reports offer blinkered views, as the two preceding reviews of the Productivity Commission report argue. However, some others offer balanced judgments and innovative ideas, even maturing and looking better as they age. A good example, published 35 years ago, is a report of the Senate Standing Committee on Industry Science and Development, chaired by Senator Bruce Childs, called *Making it Together: Manufacturing Industry Revitalization*.

This report was prepared during the 1980s when interest in industry policy was more prominent than at any time since. Trade union pressure for an interventionist approach had laid the groundwork, included distribution among workers of booklets such as *Australia Uprooted* and *Australia on the Rack*, compiled by Ted Wilshire, research officer for the then AMWSU. The Metal Trades Union published *Policy for Industry Development and More Jobs* (a bigger, more technical report, including applications of post-Keynesian political economy, that I summarised for this journal in 1984). More memorably, the *Australia Reconstructed* report appeared in 1987, making a further strong case for a change of policy direction. Based on the findings of a delegation that visited various European nations, including Sweden, Norway and Germany, *Australia Reconstructed* was seen within the labour movement as an exemplar of political economic advocacy, even though its direct impact turned out to be disappointing (as discussed in a special issue of *JAPE* on the report's tenth anniversary in 1997).

The Federal government led by Bob Hawke was by then into its sixth year in office and had built political capital through its Accord with the unions. However, rather than embracing the comprehensive alternative economic strategy that *Australia Reconstructed* envisaged, the government chose to emphasise industry plans with the more modest goal of managing and slowing the downward trend in manufacturing industry jobs.

Appearing in the year immediately following *Australia Reconstructed*, *Making it Together* may be regarded as an attempt to add more momentum to the push for reforms across a wider range of industry sectors, not only those facing job losses. Individual chapters in the report focus on industrial relations, work and factory organisation, education and training, research and development; and a central theme throughout is the need for attitudinal change. The attitudes impeding a progressive approach are listed in the report as: insularity, complacency, indifference to economic realities, confrontational industrial relations, apathy, media bias, lack of confidence, dependence, hesitancy about technology, and resistance to change. This is quite a list! What could bring about a transformational shift to overcome such an array of impediments?

Bruce Childs and his Senate colleagues did not shirk the task of trying to find out. Interviews were conducted with 100 expert witnesses from industry, unions, research organisations and academia. They included industrial organisation expert Bill Ford from UNSW (whose schematic illustrations of connections between skill formation, work organisation, skill formation, industrial relations and new technology are in the report) and political economist Ted Wheelwright from the University of Sydney (who had been on the Jackson committee set up by the Whitlam government to advise on industry policy). The *Making it Together* report is punctilious in taking account of – and frequently quoting – the witnesses who helped with the committee’s deliberations, making the whole thing seem like a consensus-seeking process. However, the recommendations fell mainly on deaf ears and the report has rarely been mentioned since.

So, why revisit *Making it Together* now? For this reviewer, the trigger was the recent passing of Bruce Childs, chair of the Senate committee that produced the report. A printer by trade, Bruce had worked his way up through the ranks of trade union and ALP politics, which was a more difficult road then for someone from the party’s minority left faction than it is today. Bruce was elected as Assistant Secretary for the NSW branch at its Sussex Street headquarters, where he was the sole left-faction person in an office dominated by the party’s right-wing. Snubbed and harassed, he learned the value of resilience, as did his successors in the same role including John Faulkner and Anthony Albanese. For Bruce, escape came through getting onto the NSW party’s Senate ticket and then, after being elected, through serving the party, state and nation for 17 years as Senator. Throughout that time, he was a key spokesperson and driver of the ALP left within the Hawke and Keating governments. Beyond the parliament,

he was just as active in numerous social struggles, particularly as a key organiser for the peace movement and, subsequent to his retirement, as President of the Evatt Foundation.

Within parliament, Bruce Childs was renowned for his hard work in Senate committees. He was especially highly regarded for his efforts to get agreements across factional and party lines, becoming atypically well trusted and respected by all for his efforts. The *Making it Together* report is typical of the assiduous committee work for which he was renowned and his unswerving commitment to creating conditions conducive to better jobs and social justice in Australia.

Is this review an eulogy for Bruce Childs? Well, yes, it is. Former Senator John Faulkner and Prime Minister Albanese spoke in similarly glowing terms at his funeral, as did Tanya Plibersek whose first job in the ALP was on Bruce's staff and who had enduring respect and affection for him. Simultaneously though, this review is also a reminder of the tremendous energy over many decades that has gone into trying to create better policies for attaining positive industrial outcomes in Australia.

Making it Together never had the impact it deserved. Rather, it stands as an example of the road not taken. Neoliberalism's emergence as the dominant orthodoxy overwhelmed the report's proposals. Concern with competition trumped the concerns with cooperation, as evident in the way that 'microeconomic reform' was implemented. Rather than higher productivity and more equitable distribution of its fruits, Australia got pro-market ideology, deregulation, privatisation and market-driven structural change. The hollowing out of the manufacturing sector that followed from this neoliberal turn led to the very problems that the first two articles in this issue of *JAPE* address.

So, the question that remains is fundamentally the same that Bruce Childs and his Senate committee explored – what will it take now to get progressive and effective industry policy 'out of the too-hard basket'?

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BOOK REVIEWS

Stuart Rosewarne

Contested Energy Futures: Capturing the Renewable Energy Surge in Australia

Palgrave Macmillan, Singapore, 2022, 424pp., \$195, paperback.

Reviewed by Mark Diesendorf

The energy transition, from fossil fuels to renewable energy, is under way in several countries and states/provinces, many towns and businesses, and billions of households around the world. Scotland already generates 97% of its annual electricity consumption by wind supplemented by hydro, and exports additional electricity to England and beyond. Denmark generates two-thirds of its electricity from wind supplemented by biomass residues from agriculture and a little solar photovoltaics; it expects to reach 100% renewable electricity generation by 2028. South Australia generates two-thirds of its electricity from wind and rooftop solar, and expects to achieve 100% by 2030 (Diesendorf 2022).

The energy transition is driven by concern about climate change and pollution, and by the low and still declining prices of wind and solar photovoltaic electricity. The excellent economics of these renewable energy technologies is determining the broad technological strategy, which is to replace fossil fuelled electricity with wind and solar ‘firmed’ up with storage, and to electrify transportation and combustion heating. Thus, a renewable energy future will be an electrical future (Griffith 2022).

So far, most of the energy transition has been occurring in electricity generation, although sales of battery electric vehicles are increasing rapidly in China and a few European countries, most notably in Norway. So far, very little action has been taken on electrifying combustion heating, although the war in Ukraine has recently triggered action in Europe. Globally and in Australia there is still huge potential for increasing the efficiency of energy use – unfortunately that too is lagging outside Europe.

This is the context for Stuart Rosewarne's important book, which addresses the struggle to grow renewable energy in Australia and its implications for energy democracy. Here, 'struggle' reflects the consistent efforts to hold back renewable energy by federal Coalition governments, which have been captured by the fossil fuel industry. This industry exercises political power by means of political donations, control of the major proportion of the media, and a 'revolving door' of jobs. Rosewarne points out that three of the senior staff of then Prime Minister Morrison were recruited from the Minerals Council of Australia and retiring energy ministers of both former Coalition and Labor governments were appointed to highly paid positions in fossil fuel-promoting organisations.

The book provides a strong critique of the Coalition's energy policies. It also mentions the half-hearted support for climate action pre-2022 by federal Labor governments which, with one hand, implemented several effective policies to develop renewable energy – notably, creating the Australian Renewable Energy Agency, the Clean Energy Finance Corporation and a short-lived carbon price – while, with the other hand, continuing to support the development of new coal mines and gas fields.

The early chapters of Rosewarne's book offer an excellent history and critique, from political science and political economy perspectives, of Australia's energy policies, from electricity market 'reform' or 'liberalisation' in the 1990s to 2021. The radical transformation of the energy market, described by its proponents as 'reform', was

initially driven by a conservative agenda for freeing the sector from the control of the state through a process of corporatising and then privatising state-owned utilities to form an ostensibly perfectly competitive free market, pave the way for private investment to modernise energy generation and creating a new source of accumulation.

But the market 'reform' did not take account of climate change. Indeed, the political power of the coal industry and the mining industry, together with the resistance of the electricity industry, have slowed the growth of renewable energy by shaping the electricity market and by direct influence on Australian governments.

Long before wind and solar became a commercial threat to fossil fuels, I experienced the power of the coal industry in holding back research and development on renewable energy. As a young CSIRO scientist in the late 1970s, I managed, despite resistance by the CSIRO Executive, to set up a small research program on integrating future large-scale wind power into

electricity grids. We obtained promising results that we published widely. In 1982, the Executive shut down *all* renewable energy research in CSIRO, including the organisation's R & D on solar hot water and passive solar housing, which were world leading, and on bioenergy and wind power. I was retrenched and for many years the only energy research in CSIRO was devoted to fossil fuels.

However, by the beginning of the 21st century the global and Australian renewable energy scenes had changed dramatically. There were growing markets for solar photovoltaics – for use on small, medium and large scales – and for large-scale wind power, and the costs of these technologies were falling rapidly. Despite continuing resistance by vested interests, the energy transition was under way and accelerating.

Rosewarne's analysis of the growth of household rooftop solar adds to the drivers of climate change 'a cultural transformation to enable residential Australia taking control of its energy destiny'. This is certainly a factor, although it will not become a substantial force for the democratisation of the energy sector until household batteries become much less expensive, so that many households can choose, or collectively threaten to choose, to disconnect from the grid. Nevertheless, the sheer size of household generating capacity is already having an impact on the operation of the electricity grid and on the economics of fossil-fuelled power stations. Among energy experts, it is widely recognised that the objective and rules of the National Electricity Market (NEM) must be changed, and so do the business models of existing energy corporations. The book examines closely and critically the institutions of the NEM.

Another positive development for energy democracy that is discussed is the growth of community renewable energy (CRE). This became a major force in Denmark, where it ended the local electricity industry's attempt, backed by the government, to introduce nuclear power, and subsequently played a major role in the development and global dissemination of large wind turbines (Mey and Diesendorf 2018). Australia's first CRE project was the Hepburn wind farm in Victoria, but nowadays most CRE projects utilise solar PV. Most of these projects are cooperatives, although the company structure is occasionally used, *e.g.* the Albany wind farm and the Sydney Renewable Power Company that funded the solar panels on the roof of the new Sydney International Convention Centre.

Despite the positive developments of household solar, where Australia is a world leader, CRE, and the continuing rapid growth of large-scale grid-

connected renewable energy, the fossil fuel lobby and its supporters in the Coalition and, to some extent, Labor governments have fought against the rising tide of renewable electricity. Now that King Coal has been dethroned, they are attempting to present gas as a ‘transitional fuel’. However, gas is too expensive for baseload (24/7) power and is being displaced by batteries for peak-load power. It will not be long before pumped hydro displaces gas for energy storage over periods of several days, for which batteries would be too expensive. There is no future for gas in electricity generation, although it will have a longer lifetime from use in industrial processes. Nevertheless, fracking for gas and mining for coal continue. Thus, I agree with Rosewarne’s conclusion that

The transition cannot be left to the market [*the vested interests that dominate the market: MD*], to waiting for those invisible hands to again work their way through the energy system, nor to the hopes of the Coalition government that a technological fix will be orderly or a prospective Labor government that is fearful of being labelled as anti-fossil fuel.

Therefore, community organisations must exert even greater pressure on governments and industry to ensure that the energy transition is completed rapidly and in a manner that increases social justice and democratic decision-making.

The book has a few minor glitches which do not affect the main conclusions: *e.g.* wholesale electricity prices are determined over 5-minute settlement periods, not 10-minute, and ‘solar voltaic’ should be replaced everywhere with ‘solar photovoltaic’.

Rosewarne’s book provides a major contribution to our understanding of the related issues of the struggle to speed up the energy transition in Australia, the role renewable energy can play in improving energy democracy, and the limitations of the present structure of the National Electricity Market. It is essential reading for everyone who is interested in the political economy of energy in Australia.

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Frank Stilwell, David Primrose and Tim B. Thornton
Handbook of Alternative Theories of Political Economy

Edward Elgar, Cheltenham, 2022, 506pp., \$393, hardback.

Reviewed by Matt Withers

Stilwell, Primrose and Thornton offer an authoritative consolidation of the project of modern political economy, here captured in a comprehensive but non-exhaustive volume of 32 chapters showcasing the plurality and interdisciplinarity of the tradition and its importance for analysing (and challenging) the processes of contemporary capitalism. The handbook aims to showcase the depth and breadth of theory constituting a mature political economy alternative and, with minor caveats, it is resoundingly successful in doing so.

In many ways, the handbook reflects concerns originating in the decades' long struggle for the teaching of alternative theories of political economy at the University of Sydney, which famously culminated in 2008 in a departmental split between economics and political economy (Butler *et al.* 2009). Proponents of the political economy faction, including Stilwell, championed the cause of fostering a broad church of dissident economic thinking. This ethos is placed front and centre in the handbook's introduction, which is quick to define the commonality of political economic approaches in their opposition to the inadequacies of neoclassical economics.

Unified in opposition to this orthodoxy and (slightly more optimistically) in an ontological commitment to open-minded plurality, modern political economy is thus seen as a coherent body of scholarship: a 'mainline' continuation of the classical political economy tradition that stands in contrast to the marginalist offshoot of 'mainstream' neoclassical economics. From here, we are given examples of the strengths that emerge from the diversity of approaches encompassed by political economy: the advantages of having a varied analytical toolkit that can be tailored to particular problems; the generative theorising that occurs at the interface of competing or complementary ideas; and the prospect of a productive synthesis between all these currents of thought.

At this stage, the reader might be forgiven for experiencing mild *déjà vu*, given the similar orientation of another major reference work edited by

Stilwell (along with George Argyrous) – *Readings in Political Economy: Economics as a Social Science* (2011). It's worth noting the distinctions. Whereas that volume curated a collection of classic and contemporary texts as a primer for prominent frameworks of political economy, the *Handbook of Alternative Theories of Political Economy* is more ambitious in scope. It is structured around an auditing of the current state of the art of political economy, quickly moving from a recap of foundational perspectives to more detailed contributions on the dynamics and socio-ecological underpinnings of economic systems, before addressing the value of interdisciplinary approaches and the matter of using theory to inform praxis.

Over the course of those sections, there is a general sense that we are being guided by the editors' discernment of how political economic theory broadens outward from core foundational approaches, leaving some room to quibble about what perspectives are (de)centred in the process (as will be discussed shortly). However, the volume does cover a lot of theoretical ground over its 506 pages, and moreover examines the potential for these approaches to confront the array of pressing challenges and more nascent crises that are mutually interlinked with the reproduction of capitalist societies. The unfolding ecological realities of climate change, in particular, are given due emphasis – as denoted by the excellent standalone chapter by Pirgmaier that accompanies the book's introduction.

This showcasing of Pirgmaier's work speaks to another strength of the volume, which is the inclusion of work from academics of all career stages, from PhD candidates through to Emeritus Professors. Though we encounter no shortage of 'big name' contributors writing in their areas of expertise, the perspectives of emerging scholars make a welcome addition alongside those drawing on more extensive bodies of work. Indeed, the editors do an excellent job of demonstrating continuity between established and emerging lines of thought to animate political economy as an evolving project. However, there is certainly room to accommodate greater diversity in authorship, with the few contributions being written within or relating to majority-world contexts feeling like a missed opportunity to give greater global reach to the analysis.

Though the editors openly discuss the curation of the volume's contents with no small degree of justification, some key omissions – whether self-acknowledged (*e.g.* Social Reproduction Theory) or not (*e.g.* Dependency Theories) – are hard to reconcile with certain inclusions. The devotion of

a chapter to Modern Monetary Theory, the central arguments of which are hard to disentangle from post-Keynesian thought and whose ‘flavour of the month’ popularity appears to be waning, seems a conspicuous example of this opportunity cost. Relatedly, tasking a solitary chapter with addressing the contributions of poststructural and postcolonial political economy (perhaps not abundantly intuitive bedfellows in themselves) conveys inadequate attentiveness to major branches of political economic thought that emerge from, and are explicitly attentive to, the questions of production and distribution in majority-world contexts. There are growing calls to decolonise economics beyond the platitudes of curriculum mandates (D-Econ 2019), several strands of which have important intersections with the concerns of modern political economy: whether by returning to imperialism and uneven development as a systemic process of capitalism (Patnaik and Patnaik 2017), recentring Southern intellectual traditions such as dependency theory (Kvangraven 2021), or by challenging the Eurocentric ontological moorings of political economy more broadly (Grosfoguel 2011). Griffin’s chapter does an admirable job of addressing some of these concerns, as too does the contribution by Bieler and Morton, but between them they do some heavy lifting for the volume. One cannot help but feel that majority-world perspectives have been pushed to the margins of the volume’s conceptualisation of a modern political economy approach.

These complaints aside, the handbook provides a thorough overview of the theories and approaches that can be housed within a broad church of political economy – ranging from various strands of Marxist thought all the way through to contributions from the Austrian school. In this regard, the editors deliver on the promise of a book that enables ‘the reader to make a more educated choice between schools of thought; and to form judgements as to if and how different approaches may be combined’ (p.8).

There is obvious value, then, for the advanced undergraduate or early postgraduate student looking to develop an understanding of the diversity of political economic approaches and how they might be used to inform analysis of a given research problem. I suspect it will be of no less use to academics of varying backgrounds who, given the increasing interdisciplinary reach of political economy, might find themselves wanting an entry point through which to bring their work into conversation with those approaches. Beyond these use cases, and the more obvious value of serving as a reliable reference for those working within the tradition already, there is also a practical value to the work.

The final section of the book, 'Making a Difference', is neatly organised around the ways in which modern political economy can reshape the ontology, epistemology, pedagogy, and praxis of our work. These chapters have salience for academics, but also activists and policymakers, looking to translate principles of political economy into processes of change.

In sum, the editors have compiled a valuable snapshot of the state of modern political economy as an alternative to the neoclassical 'mainstream' of economics. They convincingly map foundational approaches, connect these to the more complex dynamics of contemporary economic systems, identify prominent interdisciplinary junctures, and conclude by steering toward praxis. Given the ambition of this task, some oversights have inevitably been made, but these do not ultimately detract from the value of the handbook as an essential reference work emerging from the struggle for political economy in Australia and internationally.

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BOOK NOTES

Alison Pennington

Gen F'd: how young Australians can reclaim their uncertain futures

Hardie Grant Books, Melbourne, 2023, 144pp., paperback, \$25.

Allison Pennington's short book is targeted to young people coping with big personal economic challenges. Its opening chapter looks at the decline in economic security caused by the shift to casual, temporary and 'gig economy' jobs. Its second considers the stresses of getting affordable housing, whether through home ownership or rental accommodation. Its third steps back to reflect on how neoliberalism 'consumed the future', examining neoliberalism's 'false promises' and adverse consequences.

Turning to the question of what can be done, the fourth chapter combines the author's personal journey with discussion of how young people can respond to the current challenges. She refers to 'the historic breakdown' of modern democratic institutions like trade unions and political parties and discusses how the Internet and social media have tended to further undermine class consciousness and solidarity. She observes that 'the trillions of opinions expressed on social media over decades' add little momentum for progressive political change. Facing up to these conditions, she argues that collective organisation and action are essential.

To pursue what ambitions? The book's important final chapter presents a checklist for the sort of changes around which young people need to get collectively engaged: creating good jobs, affordable housing, dignified incomes, a tax system that focuses on big wealth, cradle to grave education and training. These are the elements that Pennington sees as central to the creation of a new 'fair go'.

Written in an accessible way for its target audience, the book astutely uses political economic ideas for its social purposes. Hopefully, it will trigger more consideration of how *intra*-generational inequalities interact with the generational stresses emphasised here.

Book notes
Journal of Australian Political Economy
No. 91, pp. 151-6.

Michael Berry

A Theory of Housing Provision Under Capitalism

Palgrave Macmillan, Singapore, 2023, 240pp., hardback, \$236.

The failure to provide decent affordable housing for all is a pervasive feature of modern capitalist societies. To show why, this book explores Marxist political economy. Its author Mike Berry has been one of the most important contributors to scholarship and research on housing issues in Australia over many decades, having begun with a PhD at the University of Sussex when radical scholarship in housing and urban studies was blossoming, stimulated by pathbreaking contributions from David Harvey and Manuel Castells among many others. Returning to similar themes over four decades later, Berry's mature work says pretty much all you need to know about housing analysis from a Marxist perspective.

The book's four main sections deal with housing as a commodity; housing as a land use; housing and social reproduction; and housing and the state. Berry's analysis shows how the systemic features of capitalism shape the production of housing and land-use, give enormous power to landed property interests, and create huge inequalities of wealth. It also shows how these forces play out at different scales - in the home, in urban areas, across nations and in the global economy. It sets housing in broader political economic context to show how Marxism can illuminate the deep forces operating below the surface appearances of 'supply and demand' and 'ineffective public policies' on which much public commentary focuses. Probing yet more deeply, it explains the problems arising from the treatment of housing as a commodity, the significance of differential and monopoly rents, how the power of landed property operates and how the form of housing provision relates to the reproduction of labour power and relationships between class, gender and age.

In this way, the analysis draws out the underlying causes of the housing problems, identifying their systemic roots in the capitalist economy. Finally, it brings the Marxist political economy of housing up to date, taking account of the COVID pandemic, war and climate change, all of which have significant implications for creating spaces of resistance and finding solutions to the housing question. This is a must-read book for anyone interested in a deep political economic understanding of housing.

Don Munro

Marx's Theory of Land, Rent and Cities

Edinburgh University Press, Edinburgh, 2022, 224pp., hardback, \$286.

Underneath houses, commercial and industrial premises is always *land*. It is the bedrock on which all rests. So, it is appropriate that one of the first books in the series of *Edinburgh Studies in Urban Political Economy* deals with this topic. Analysis of land is crucial in studying housing processes, problems and policies and, more broadly, for understanding the political economy of cities, regional development and socio-spatial inequalities. A Marxist approach to the topic also makes a good starting point, contrary to what is sometimes said about the tendency for Marxism's focus on the capital-labour relationship to accord insufficient consideration to land.

Showing that Marx wrote extensively on the topic is a central purpose for this book by Don Munro, whose exploration of the political economy of land began years ago when he did his PhD at the University of Sydney. Two early chapters look at how Marx grappled with understanding land uses in indigenous, ancient, Asiatic, feudal, capitalist and communist societies. Then comes a careful exposition of the Marxian approach to categorising the nature of rents in capitalism, distinguishing between two forms of differential rents and the *absolute* rent that arises as a one-off payment made to landowners for the use of 'new' lands. A further chapter deals with the state and landowner class, effectively retracing the sequence through indigenous, feudal and capitalist societies to see how relationships to land have shaped the concentration and exercise of class power and led to specific ways in which state power is exercised.

Munro's concern is not just to parade Marx's insights: equally, it is to probe the relevance of this analytical perspective to contemporary concerns about land-uses in modern towns and cities. A substantial chapter - preceding the book's brief conclusion - explores 'implications for urban land strategies', looking at the pros and cons of land taxes, various forms of land nationalisation, customary ownership and community land trusts.

In these ways, the book stakes a strong claim to be both a standard reference on Marx's analysis of land and a contribution to ongoing debates on the land question.

Jeremy Walker

More Heat than Life:

The tangled roots of ecology, energy, and economics

Palgrave Macmillan, Singapore, 2020, 374pp., hardback, \$236.

This scholarly work explores the fraught relationship between economics and ecology. Readers of this journal may not be surprised to know of the tensions. An economics discipline dominated by neoclassical orthodoxy presents a benign view of economic growth, so long as profit-seeking and utility-maximising behaviours are given the necessary ‘market freedoms’. Its failure to explicitly consider the economy’s relationship to nature and its narrow conception of ‘efficiency’ rather than sustainability have been common forms of criticism. This book shows in considerable detail the history of the economic discipline that accounts for these characteristics, including the role of the Mont Pelerin Society formed by Frederick Hayek and other right-wing economists to advocate for those ‘market freedoms’, laying the groundwork for the subsequent rise of neoliberalism.

For specialists in the history of economic ideas, some of this may be familiar ground, although it is handled here in detail and with notable aplomb. What is more distinctive - and probably quite eye-opening for many political economists - is its parallel critique of ecology. Walker points out that the use of a ‘machine’ metaphor has pervaded ecology, physics and economics alike. The ontological and methodological implications of this are thoroughly explored, leading to Walker’s strong case for the study of *complex adaptive systems*. This, he argues, could displace the machine metaphor and shift the practical focus in responding to climate change more vigorously from mitigation to adaptation – a shift already under way. Environmental economics, as it now stands, is an obstacle needing to be replaced by a more comprehensive, evolutionary ecological economics.

Elaborating these themes, Walker extends his presentation of the history of economic and ecological ideas into a significant intervention in current debates about the economy and nature. It is this combination of scholarship and activist intent that makes it recommended reading for anyone interested in linking theoretical issues with practical political responses to the great existential threats of our era.

Nancy Fraser

Cannibal Capitalism:

How our system is devouring democracy, care, and the planet – and what we can do About It

Verso, London, 2022, 208pp., hardback, \$42.

This book by the leading feminist political economist, Nancy Fraser, offers a synthesis of the ways in which capitalism impacts on our social relations, the quality of life and the prospects for our planet. Its six chapters build on articles she has written and talks she has given during the last two decades. Its unifying theme is that capitalism is an economic system that consumes the society it claims to serve – hence its ‘cannibal’ character. The book shows how this plays out in relation to racism, imperialism and sexism, the care economy, environmental degradation and democratic institutions. Beginning with an introductory chapter on different conceptions of capitalism, Fraser then devotes one chapter to each of her four themes.

‘Glutton for Punishment’ shows how capitalism perpetuates structural racism through processes of imperialism and the subsequent character of postcolonial societies.

‘Care Guzzler’ deals with the impact of capitalism on social reproduction, making the care economy a major site of capitalist crisis.

‘Nature in the Maw’ presents an ecopolitical perspective, drawing on James O'Connor's notion of the ‘second contradiction of capitalism’ to show how and why nature, like labour, suffers systemic exploitation.

‘Butchering Democracy’ goes beyond criticism of the Trump phenomenon to the more systemic reasons why capitalism and democracy cannot comfortably coexist.

The alternative is sketched in a chapter on ‘what should socialism mean in the Twenty-First century’. While interesting, this says little about the possible transition to the desired future, which is surprising in the light of Fraser’s renown for pathbreaking work on the politics of ‘recognition and redistribution’. That disappointment aside, as an analysis of the political economic system that is devouring the society, the book is an engaging fusion of social, economic and political critiques of capitalism.

Erik Paul

Australia in the Anthropocene: War against China

Palgrave Macmillan, Singapore, 2023, 166pp., hardback, \$205.

Erik Paul has created a niche in critical Australian writing a series of short books for publication by Palgrave Macmillan, including *Australian Imperialism: the geopolitical state* and *Australia in the Expanding Global Crisis: the geopolitics of racism*. books, this new one has three essay-chapters – on ‘the age of the Anthropocene’, ‘war against China’, and ‘planetary realism’. Paul’s style is socio-political critique, drawing on academic literature and on more popular journalistic sources, synthesised with his own strongly expressed judgments. Readers may see similarity with Noam Chomsky’s writing, differing to the extent that Chomsky’s philosophical basis is in anarchism, but sharing passionate concern about societal and state processes that recurrently undermine the possibility of peace and social justice. Seen from this perspective, there are multiple, crass violations of the public good and abuses of economic and political power in Australia, as in the USA, that cry out for critique.

The first of Paul’s three essays in this book focuses on the Anthropocene, described as an era ‘constructed by capitalist accumulation, leading to the degradation of the biosphere’. Living responsibly with nature requires more socially thoughtful and responsive behaviours. War between nations is its complete antithesis, of course, diverting resources to wilfully wasteful, destructive purposes. Paul’s second essay zooms in on the likes of Peter Dutton who, as Minister for Defence in the Morrison government, kick-started the process of ‘demonisation and militarisation’ that led Australia into the expensive and hazardous AUKUS alliance. Continuing with this theme, the final essay posits that ‘beating the drums of war’ in relation to China is based on an underlying notion of ‘offensive realism’ rather than the ‘planetary realism’ needed for an ecologically, economically and socially sustainable future.

Optimism of the will and pessimism of the intellect both have a strong presence in this volume, right through to the author’s brief concluding comments on climate change and The Voice.

Book notes by Frank Stilwell

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