POLITICAL ECONOMY AS LEADERSHIP

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We shall not cease from exploration
And the end of all our exploring
Will be to arrive where we started
And know the place for the first time
- T.S. Eliot (1943)

After decades of working in international development, foreign affairs, politics and social development, I constantly return to the fundamental principles of political economy learnt at university. In a world of increasing dysfunction and uncertainty, political economy and leadership go hand in hand, with both practices encouraging us to avoid deterministic certainty and instead adapt to changing environments based on pluralism and diversity. From the United Nations to remote African villages, the capacity to face difficult realities while remaining open to alternative perspectives, cultures and understandings is the touchstone of progress. Political economy draws attention to reality in a world where truth and facts are increasingly optional. As an adaptive and pluralistic approach, this generates fresh perspectives to systemic problems through understanding the interrelationship between power, inequality and social justice.

Our experience with COVID showed how fast-moving viruses can mutate in ways which overwhelm the human body. These viruses transmit readily, adapt freely and have deadly results. Similarly, our body politic is having a COVID moment. Groups such as Meta and X joyfully dispense with pesky facts, foment conflict and misinformation, and destabilise democratic and international systems which took centuries to evolve. The

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term ‘disruptor’ and ‘innovator’ have been subsumed by ‘tech-bros’ to supposedly celebrate the destruction of reliance on science and facts in favour of popularism and oligarchy. New technologies are squeezed into old politics, as we are seeing with the widespread misuse of social media and artificial intelligence. Increasing authoritarianism across the world is ushering in uncertainty and remoulding international relations around raw power.

In times of uncertainty, communities demand ‘leadership’ – resulting in it being one of the most misused words in the public arena today. Leadership is already a confused concept, with more than 35,000 definitions in the literature (DuBrin 2000). On a daily basis, our media refers to ‘leadership’, or lack of it, with endless opinion on whether it is good, bad, calculated, strategic or just plain muddled. On one hand, we seek leaders who have the answer, the politician exuding confidence who can provide clarity in troubled times. On the other hand, we know that the image is flawed and there are no simple answers for complex issues such as poverty, inequality and racial or religious conflict. The political bar is not high. Often, we are content to simply settle for someone who can hide the problem from the front pages of newspapers.

In understanding this contradiction, we need to distinguish Leadership from Authority. Authority is positional, claiming expertise and promising solutions and answers (Heifetz 1994). However, too much reliance on authority results in dependency and a ‘top-down’ dictatorial or managerial approach. In focusing on authority, leadership is erroneously reduced to reliance on ‘experts’, getting people to ‘follow’ or coercing them to move in a particular direction. However, for complex issues, there is no clear direction, so simply getting people to follow is folly.

Groups confronting difficult values problems often engage in defensive reasoning and routines which prohibit questioning and avoid scrutiny of the underlying causes (Argyris and Schon 1996). Similar dynamics are the source of much resistance and avoidance in communities dealing with critical social issues, such as child abuse, domestic violence or suicide. Where authorities reinforce these dynamics, simply raising issues, such as racism, generates avoidance or angry denial. Sharing the same root as ‘authoritarian’, it is not surprising that an over-reliance on ‘authority’ is leading the world to increasingly totalitarian political models. Rather than creativity and a commitment to solving critical issues, politicians demand compliance and loyalty to an individual, group or ideology.

For *leadership*, the situation is quite different: how the necessary 'learning' occurs among competing values and interests becomes paramount, bringing contradictory assumptions, beliefs and values to the surface for consideration and negotiation. We should not concede the concept of 'leadership' to a political objective of gaining power; nor a managerial orthodoxy that equates it with KPIs, Mission Statements or Visions. Allowing it to be weaponised as a code for authority, power, control and bullying does little to progress structural dysfunction. Instead, the concept of leadership as pluralism needs to be reclaimed as an important component in achieving paradigm shifts: otherwise, it becomes an obstacle to progress.

For example, a meeting of senior international humanitarian organisations (at which I was present) struggled with how to focus Pakistan and India on the Indus River system, where water shortages are a flashpoint for conflict. Discussion became excited as creative possibilities emerged from combining their skills and contacts. Suddenly, a voice interjected: *'Yes, that's all very well, but who would be the lead agency?'*. Like glass shattering, participants retreated to their organisational agendas and interests, weighed down with the baggage of the status quo. In the name of 'who leads', the creative moment was lost, their enthusiasm subsumed, and conversation shifted from the group being the sum of its potential to instead being the sum of its excuses as to why nothing could be done.

In such environments, political economy and leadership share much in common in going beyond 'solving current problems' to exploring how organisations and communities can increase their 'problem-solving capacity'. In contrast, leadership is an alien concept to orthodox economics which relies on price signals from markets to 'lead' people to rational choices, devoid of power relationships. Orthodox economics sees power diffused among an infinite number of disparate agents, which is ironic given that so many corporate executives lay claim to their 'leadership' as the basis for efficient decision-making.

In biology, organisms that over-specialise in becoming 'efficient' in one environment quickly die out when challenged with a new situation. In the same way, orthodox economic pursuit of 'efficiency' and 'certainty' has left us ill-prepared for the dynamic changes rocking our world, ranging from geo-political instability to climate change. Conversely, social leadership comes naturally to political economy which, in an evolutionary way, adapts to fast changing environments through embracing diversity

and pluralism as part of the fabric of human interaction. The more complex the adaptation necessary to confront a changing environment, the more diversity and pluralist perspectives we require to respond with innovative solutions.

As a catalyst for change, political economy as leadership not only acknowledges competing theories but encourages them as a way of diagnosing contradictions and conflicting values, revealing how conversations on the surface are often different to the dynamics churning below. In my work with senior executives, open conversations are usually about development, creativity, innovation, finding solutions, reaching compromise and avoiding conflict. In contrast, powerful underlying dynamics, which are less openly discussed, are about competing and conflicting values, protecting world views and identity, and struggling with what it even means to make progress.

Even at a local level, a pluralistic approach is essential. For example, a massive land reclamation project in a South-East Asian country sought to build several new islands but also risked destroying traditional fishing villages and damaging marine biodiversity. In my discussions with corporations, consistent with an orthodox economic perspective, they spoke only in terms of cost/benefit analysis, land values and potential profits. Government agencies spoke in terms of infrastructure development, broad policies and multiple levels of government coordination. However, neither could comprehend the underlying values of villagers who spoke in terms of identity, traditions, heritage, environmental protection, culture and history. A pluralistic approach would reach across these boundaries, engaging with the values clashes to expand possible solutions. Instead, reliance on economic modelling, which failed to take account of villagers' concerns, led to protests and political pressure which eventually undermined most of the project.

From a political economy perspective, Stilwell (2023: 196) suggests four elements necessary for steering social change: critique, vision, strategy and organisation. This equates favourably with a social leadership perspective in leading with critical questions: Critique (Where are we now?), Vision (Where do we want to be?), Strategy (How do we get there?) and Organisation (Who will do it?). These pillars provide the foundation for progress based on adapting to new situations and valuing pluralism and diversity for both building awareness of underlying power dynamics and directing action. There are several concepts in social leadership discourse

that can enhance our understanding and practice across all these elements, including learning, innovation and engagement.

Learning as discovery

Framing current challenges as potential 'learnings' rather than 'problems to be solved' generates creative dialogue beyond just competing agendas. Demands such as *'you are either with us or against us'* disempower communities from recognising the reality of power dynamics blocking progress. A pluralist approach breaks away from stale polarised views to instead generate 'missing conversations' based on multiple perspectives. This allows difficult issues to continue being worked on during periods of stress and uncertainty, instead of waiting for authorities to impose solutions. For example, when the Morrison government signed the AUKUS arrangement, it did so without any prior public debate. This saw a leadership process of discovery, based on public engagement and parliamentary scrutiny, bypassed for a politically convenient solution. As a result, the community is still struggling with what question AUKUS is the answer to. Instead, we need to approach challenges as a 'shared dilemma' – a jigsaw puzzle where diversity of priorities, values and approaches are essential. Otherwise, we design systems and processes inwardly focused on their own machinations, rather than the real issues.

Working with Secretaries of Departments in a South-East Asian nation, I was engaged in exploration of sustainability issues in a regional area dependant on tourism. Although a national park, years of rubbish dumped in a neighbouring valley threatened the entire area. *'The poisons from the rubbish are leaching into the soil and mangroves and destroying the whole environment'*, remarked a despondent park ranger. An incinerator that had been installed to deal with the rubbish broke down after only a few weeks. Years later, it was still not repaired despite a simple technical solution. However, senior government officials described the situation as 'very complex' because of contractual issues, overlapping authority between departments, political disagreements, etc. Even facing an existential threat, including the collapse of the regional environment and economy, the system looked inward. Complying with rules and process was more important than survival. They no longer had a system; the system had them!

With seemingly good intentions, we construct organisations, laws, rules and processes to help regulate our safety, and provide certainty and direction. Yet when major problems emerge, such as climate change, we seem unable to take action to circumvent or prevent them. When systems work against our collective interest, we need multiple perspectives to help re-evaluate what is most important and what needs to change. Unfortunately, by the time symptoms emerge, there are usually entrenched interests who are committed to, and benefit from, the status quo, regardless of the inequalities or existential threats which are generated. Inward-looking systems are characterised by people staying silent to avoid risk, covering-up reality in the name of loyalty, maintaining control by limiting agendas, repressing concerns in the name of survival, or maintaining facades of false certainty in pushing agendas. These systems resist reform and become anti-learning and self-protecting. Numerous Royal Commissions in Australia, such as those looking into the Robodebt scheme or institutional abuse, reflect the self-protecting nature of such organisational systems which resist external enquiry or engagement.

Breaking out of myopic systems requires a pluralist approach which generates 'missing conversations' between different perspectives. For example, a large government agency, with multiple regional offices supporting clients with complex needs, decided to transfer services online, justifying this as being innovative, efficient and providing 24/7 service. However, its local staff immediately interpreted this as job losses, reduced access for clients (many of whom did not have internet) and devaluing their face-to-face engagement. Strategic planning sessions only focused on implementation. However, during session breaks in the hallways, the Executive complained about 'dinosaur' local staff who resist change, while the Staff complained about 'out of touch' Executives – but no open discussions took place in formal meetings, leading to rumour and suspicion. The critical learning conversation about how to support client needs with new technology in the face of limited budgets (which was ostensibly the primary purpose of the new policy) failed to occur. This 'missing conversation' adversely impacted millions of people. A pluralistic approach would have actively sought alternative views, worked across boundaries, and developed a 'shared dilemma', thereby allowing a range of stakeholders to interrogate reality and develop alternative options - instead of imposing a program that ultimately was unsupported by staff determined to protect their clients.

The key questions that can help in generating such learning conversations include: What is at stake? What is progress? Who benefits from the status quo and who has the most to lose in any reform? How do we gain and maintain attention to core values issues? How can we increase diversity? Who are the dissident voices and what can we learn from them?

Innovation: shape-shifting challenges

Policy innovation occurs as the environment changes, as values change in the community, and as new obstacles are encountered and overcome. Our most critical challenges are constantly shape-shifting, so policies and best practice models should not be static but rather framed as ongoing 'work-in-progress'. False certainty, the foundation of neo-classical economic models, reduces dynamic communities to staid economic models, which generates limited problem-solving capacity. The track-record of confident economic forecasts based on such models have been dismal, with the International Monetary Fund highlighting that they failed to predict 148 of the 150 recessions between 1992 to 2014 (An *et al.* 2018).

Conventional problem diagnosis is often viewed as a medical or analytical model which presumes a problem exists, symptoms are obvious and that the cause is discoverable. Appropriate treatment is then based on past experience. However, political economy and leadership diagnostics are different, as the reality of the situation itself might be elusive. Symptoms may not only be hidden but actively masked; and the underlying root cause may never be discoverable in a way which lends itself to a 'solution'. The current peddling of 'alternative facts', conspiracies, falsehoods and outright lying in the US is a case in point.

Distinguishing between the foreground (technical) and background (underlying) dynamics is helpful in these situations. In leadership programs, senior executives readily identify and openly discuss technical strategies, vision, productivity and efficiency goals in line with mainstream management and neoliberal discourse. However, such technical approaches tend to generate technical solutions and reinforce existing hierarchies and authority relationships. In contrast, background issues reflect people's values and culture and include issues such as power, control, blame, fear, trust, respect, autonomy, identity, belonging, loyalty, equity and fairness. Addressing these challenges requires learning and interaction between competing values to explore how they may be engaged

or modified to generate new possibilities. Simply applying technical solutions such as efficiency to values issues, for example religious conflicts, may just inflame a situation (Porteous 2018: 33).

Evolution shows that diverse systems thrive while specialised systems die out when the environment changes. Similarly, a monocultural approach to policy is the antithesis of an adaptive and pluralistic learning system. Excessive reliance on technical solutions avoids the values conflicts in the background as populations are instead implored to respect and trust systems and processes as if they are value-free and the only possible solution. Are we to respect and trust systems that took children away during the Stolen Generation? Are we to respect and trust systems that allowed Robodebt to flourish for years? Are we to respect and trust systems of endless arms sales to promote forever wars and genocides? Are we to respect and trust systems that poison our environment and the very air we breathe? People in senior positions often protect and are rewarded by those systems, which are then replicated through mentoring the next generation.

At the international level, this dynamic also limits innovation. UN Trade and Development (UNCTAD) currently estimates that 54 countries representing 3.3 billion people (almost half the world's population) spend more on debt interest than on education or health, with total debt for developing nations having reached $US29 trillion (UNCTAD 2025). A similar situation in 2005 had led to the Gleneagles Agreement, announced with much fanfare and promising $US25 billion in aid for developing nations. In Madagascar, where at that time I was Senior Adviser to the President, I was involved in launching the ambitious Madagascar Action Plan (MAP). Madagascar has a population around 30 million with over 80% of the population living on $2 a day. The MAP represented a two-year engagement with the people to set a national vision and priorities for development around education, health, environment, governance and the economy. However, no funding ever materialised from the Gleneagles Agreement – the vision of the international community was about propping up creditors in the existing system, not reform and national development.

Senior World Bank officials explained that the Gleneagles Agreement was an 'accounting trick' and not even one dollar was available. The funds were in the form of 'debt-reduction' on loans developing nations were unable to service anyway. Cancelling the debt appeared as a huge increase

in overseas aid but resulted in no additional funds on the ground. We were told to abandon our national vision and integrated development strategy to instead engage in a *'beauty contest'* to attract donors because *'it is easier to raise funds for specific sector activities (e.g. AIDS, Malaria, water) that represent donor priorities'* (comment by Senior World Bank Executive). Excessive resources were then diverted to evaluation processes, ostensibly to reassure donors. Compounded with rising food insecurity and the effects of the international economic crisis, it was of little surprise that the result was rioting in the streets in many nations.

In being subsumed into a system, organisations become anti-learning. Neoliberalism, with the language and thinking of managerialism, has overwhelmed our capacity to respond meaningfully to fast-changing environments. I saw this firsthand while on the Executive of a large Australian charity as our Board became corporatised. Management language replaced advocacy, and critique of social policy disappeared in favour of gaining government/corporate favour and grants. Government grant policy expanded to include 'gag clauses', limiting the ability of groups to even warn of policy failures. The Australian Productivity Commission (2010: 308-10) report into the *Contribution of the Not-for-Profit Sector* found that charities had 'a strong sense of disenchantment' with their engagement with government, including opposition to top-down imposed solutions and a 'master-servant relationship'. In contrast, government agencies promoted the same engagements as examples of 'successful partnerships' (Productivity Commission: D2). This has real world consequences. For example, during the 'radicalisation issue', when seeking out youth workers who had been essential in defusing earlier crises involving the Arab community in Sydney, I was told that they had been *'replaced with grant writers and grant acquitters'* (Porteous 2018: 33). The loss of engagement capacity at that critical moment was an own goal for a government that did not understand what was happening.

Engagement: beyond consultation and stakeholders

Beyond a decision-making or problem-solving process, engagement is a joint 'learning dynamic' that frees groups from a reactive siege mindset to re-imagine what progress even means. The heart of engagement should be structural pluralism, whether between sectors, community and government or within organisations, as part of the creative process of understanding

competing perspectives, rather than just seeking sanctuary in like-minded groups.

Most metrics show that people do not feel engaged in decisions that impact them and trust in institutions is plummeting. The Edleman Trust Barometer found that over 50% of people see government and business in Australia as a dividing force in society (ETB 2022: 13) and worldwide almost 70% are convinced we are *'purposely being misled'* by societal leaders (ETB 2025: 10). Recent surveys on how well government listens reported 63% of people felt either 'not heard' (37%) or do not even bother giving feedback (26%) (EMT 2024). An earlier survey revealed that around 85% of Australian citizens felt they had little or no influence over national decision-making (Evans *et al.* 2013). Even within government, 57.4% of public servants under 44 years are dissatisfied and plan to look for another job within 12 months (Mandarin 2024). More disturbingly for our democratic systems, the ANU Australian Values Study found that *'having a strong leader who does not have to bother with parliament or elections'* was considered a very good or fairly good idea by a third of those surveyed. And for the 30-34 age group, that figure increased to a majority of 51% (AVS 2018). If politics is how we solve our most difficult issues, all is not well. Alienation, fuelling the politics of resentment, thrives. The result is usually a mash of competing agendas with the usual suspects locked in stale debates as they attempt to coerce, intimidate, influence or otherwise convince their way to a solution. In this atmosphere, communities are becoming increasingly suspicious of 'consultation' and 'stakeholder engagement' processes which appear designed to reduce opposition to policies rather than generate new approaches (Porteous 2018).

When engagement becomes reduced to transactional dynamics, it shifts the purpose away from critical issues to a misplaced emphasis on resources. Working with the Arab Communities in Sydney showed me how grant funding based on competitive models exacerbated conflict as organisations scrambled for resources. An obsession with *'what's in it for me and my organisation?'* overwhelmed the potential for community groups to work collaboratively. Shifting the question to *'how does it build community?'* generated new perspectives and mindsets based on joint learning and partnerships. The community experienced a major shift away from a transactional competitive model based on markets, business models, a win/lose mindset and hoarding resources to instead be based on a collaborative leadership approach of valuing diversity, partnerships,

community building and evolution of social policy (Porteous 2018: 34). New options emerged, with numerous joint programs and collaborations formed based on existing relationships.

These types of engagements are a learning dynamic which requires:

- revealing contradictions and values gaps between what people say and do
- questioning deeply held assumptions – approaching issues as learners not experts
- encouraging diversity and competing values as a source of new perspectives and potential solutions
- building partnerships, with a keen eye to those groups which most resist change
- avoiding quick-fix solutions and the blame game
- taking action as experimentation, knowing that it can generate tensions
- keeping the focus on purpose and key issues, instead of being centralised around individuals, experts and authorities (Porteous 2013: 16-7).

Conclusion

As we lurch from one crisis to another in housing, health, education, defence, rising inequality, and climate change, political economy plays a leadership role in surfacing underlying dynamics and seeking a plurality of approaches which re-imagine 'progress' through learning and discovery. In posing critical challenges as 'shared dilemmas' and generating 'learning conversations', it can systematically raise critical questions, analyse undercurrents, tease out contradictions, assess opportunities and threats, build collaborative partnerships, prepare for resistance and make critical interventions. Leadership perspectives on learning, innovation and engagement give greater depth to political economy analysis and action to look beyond 'solving problems' to instead increase communities' 'problem-solving capacity'. Making that distinction allows us to understand not just the current challenges we face but also develop the imagination to deal with those yet to arise.

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