

# Manufacturing the future?

## A critical analysis of policy responses to deindustrialisation in South Australia

by

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# Abstract

This thesis investigates the policy responses of federal, state and local governments to manufacturing deindustrialisation in Australia. Automotive manufacturing has provided a foundation for development and innovation in modern, industrial economies, including in Australia. The thesis asks why Australia is at risk of losing this capability, focusing analysis specifically on the impact of neoliberal economic ideas on policies developed in the present era of globalisation in response to deindustrialisation in South Australia, a local-state economy highly dependent on the automotive industry.

The thesis answers this question by addressing the nature of Australia's, and South Australia's, engagement with global change. It provides a radical political economy and institutional examination of Australian governments' policy responses to automotive manufacturing deindustrialisation in South Australia, finding at all levels, policy responses that have been profoundly influenced by neoliberalism. The thesis frames the research from a theoretical point of view that although neoliberalism's ideological grounding prescribes a minimal role for the state in the economy, in reality state intervention has been central to the 'actually existing' neoliberal policy approach of governments. Governments at the federal level and in South Australia have implemented policies influenced by neoliberal economic ideas that have actively promoted market-based economic restructuring. However, this research also demonstrates that the impact of neoliberal ideas at federal, state and local levels has been shaped by a range of endogenous factors that are specific to the local political economy of each jurisdiction.

The thesis begins by examining the central role of the state at federal and local-state levels historically in Australia and South Australia in the post-war boom period, demonstrating how Fordist-Keynesian intervention produced a set of foundational political, social and economic institutions that underpinned industrialisation at each level. It then analyses the policy responses of governments to post-boom deindustrialisation and demonstrates how the embedded institutional framework underpinning industrial development has been eroded, with governments at every level influenced by the increasing dominance of neoliberal policy approaches. However, the thesis argues that it is the dominance of a

neoliberal framework at the federal level in Australia that has greatly constrained policy options for governments at state and local levels. The thesis makes an original research contribution in its analysis of the contemporary period of South Australian political economy under the Rann and Weatherill Labor Governments' social-democratic state interventions. The policy responses of these governments provide examples of the emergence of 'actually existing' neoliberalism at the state level. This has resulted in specific local responses to manufacturing decline and economic crisis. This analysis is extended to the local regional level through an investigation of policy responses to the decline of the automotive industry in the City of Playford in Adelaide, South Australia's urban north.

In summary, the thesis concludes that the neoliberal policy responses of governments in Australia and South Australia to deindustrialisation have exacerbated its negative economic and social impacts. Opportunities for alternative responses at each level have been greatly reduced, though not eliminated completely. The impact of neoliberalism on state intervention has further entrenched manufacturing industry's decline in South Australia, producing challenging social and economic implications for the region, and also the nation.

# Declaration

I certify that this work contains no material which has been accepted for the award of any other degree or diploma in my name, in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. In addition, I certify that no part of this work will, in the future, be used in a submission in my name, for any other degree or diploma in any university or other tertiary institution without the prior approval of the University of Adelaide and where applicable, any partner institution responsible for the joint-award of this degree.

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# Dedication

This thesis is dedicated to the memory of my grandmother, Frances Ellen Goode (1923-2016), and my brother, Peter Garry Dean (1987-2013). Though neither are here to see me finish it, the impact that both had on my life certainly helped me to start it.

# Introduction

Institutions are embodiments of human meaning and purpose. We cannot achieve the freedom we seek, unless we comprehend the true significance of freedom in a complex society.

Karl Polanyi (2001 [1944]: 262)

Manufacturing industrialisation – the process of making things – is a knowledge- and technology-intensive activity. It is central to the process of economic development, improving the living standards of nations by forming the foundation of more economically complex and competitive economies (Hausmann et al. 2014; Kaldor 1967; Targetti 1992, 2005). After World War II (WWII), the transformation of economies through advanced forms of industrialisation was commonly a process driven by an active governmental ‘state’. This period of manufacturing development in Australia was underpinned by government’s active role in developing policy to support its expansion. The automotive industry emerged as the centrepiece of Australia’s industrial economy. Rather than the product of natural market forces, an automotive manufacturing industry came about because government policy responses that utilised the state apparatus played a critical role in its emergence.

Despite the achievements of state intervention in the booming post-war period, under global change from the 1970s, with increasing fervency Australian governments embraced policy responses that emphasised the free market as the primary determinant of industrial development, as did the governments of other nations in the English-speaking world. In the four decades since, the mainstream policy debate has pitted state intervention against free market approaches. As governments have given the latter increasing influence over industrial development in most western English-speaking nations, deindustrialisation has gathered pace.

Generally, deindustrialisation under global restructuring entailed massive worker lay-offs in nations like Australia, the United States and the United Kingdom, and the jobs formerly found in large-scale manufacturing industries were replaced by lower-value service sector work (Sengenberger & Pyke

1990). Making observations in the US context, Bluestone and Harrison (1982: 6) conceptualised deindustrialisation as “a widespread, systematic disinvestment in the nation’s basic productive capacity.” This was characterised by decreases in the real numbers of manufacturing employees in the Anglo-American nations, and the wages of those retained decreasing. Remaining labour costs were lowered as skilled employees were replaced with lower-paid semi-skilled, unskilled and female employees (Fagan & Webber 1999: 37-38). Over the past four decades, the process of deindustrialisation has not been reversed. By the end of 2017, Australia will see its last automotive manufacturer, General Motors-Holden (Holden), end its operations. This has significant consequences for Australia’s industry, its economy and its society.

The deindustrialisation of Australia’s automotive manufacturing industry means the nation faces a future where an important stock of knowledge is being depleted. As Hausmann et al. (2014: 21) have argued, this is because, ultimately, what a country makes is what it knows. Losing the capability to manufacture complex equipment like modern cars erodes national economic capabilities that once lost will be very difficult to rebuild. Meanwhile around 40 industrial nations in the world<sup>1</sup> retain the ability to build cars and by extension a range of products and services that arise from the existence of this capability (OICA 2015). Manufacturing has provided the foundation for innovation in modern, industrial economies like Australia. The automotive industry, in particular, is characterised by high levels of economic complexity and dense networks of suppliers and relationships that benefit from its existence. The collapse of the automotive manufacturing industry represents a critical point in the history of manufacturing in Australia and South Australia, impacting the pace and magnitude of deindustrialisation.

This thesis seeks to analyse how and why Australia has become a nation that will lose the capability to make cars, and along with it, potentially far more. To do this it focuses on the local-state of South Australia (SA), a sub-national Australian economy with a high dependence on automotive

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<sup>1</sup> Based on production statistics of the Organisation Internationale des Constructeurs d’Automobiles (OICA 2015)

manufacturing. This dependence means that the loss of the automotive industry in Australia disproportionately impacts SA. Already the signs of economic and social decline are visible in the State's most vulnerable industrial regions, which are currently experiencing the conditions of deindustrialisation initially outlined by Bluestone and Harrison. For decades, regions where the automotive industry has been dominant in SA have experienced relative economic and social disadvantage, including higher levels of unemployment and underemployment and poverty.

The thesis argues that neoliberal policies adopted and implemented by governments in Australia have exacerbated the process of deindustrialisation in South Australia. Neoliberal policy responses have limited the range of policy options available to reverse deindustrialisation and deal with its negative social and economic impacts. Alternative options for government policy responses at each level have been significantly curtailed as Australian governments at all levels have been influenced by neoliberalism. This is particularly true at the national level in Australia. A federal neoliberal framework has greatly constrained the policy options of sub-national state and local-regional government levels. Neoliberal policy has entrenched the decline of manufacturing industry in South Australia's political economy. It has had profound economic implications for the State, and for the communities and economies of local regions in which deindustrialisation is being felt.

To shed light on the impact of neoliberalism on deindustrialisation, this thesis asks the question: *to what extent have South Australian state and local governments contradicted, or worked within, the neoliberal constraints of global political-economic and federal policy change?* This question permits the exploration of Australia's engagement with global change by examining the policy responses of governments at federal, state and local level to protracted manufacturing deindustrialisation in South Australia. Such an examination demonstrates that at all levels, policy responses have been negatively influenced by a political economy of neoliberalism.

So, what is neoliberalism and why is it a problem for manufacturing? Neoliberalism originated as a distinct political and intellectual project which sought to discredit and discount the influence of socialism on the development of twentieth century capitalist states (Davies 2016: 124-125). As an

evolving logic for capital accumulation, neoliberalism has been mobilised in both an ideological sense and as a set of specific policy prescriptions. But given its ideological and political motives it can be most effectively understood as the contemporary political-economic expression of the claim in neoclassical economics that free markets and rational individuals are best placed to develop a society based on a capitalist regime of accumulation. Hence, neoliberalism prescribes the extensive marketisation of public assets, institutions and spaces through their deregulation, privatisation and commodification. In doing so, neoliberalism consistently serves the interests of globally-mobile capital and its class constituents (Harvey 2005: 2-3).

The influence of neoliberalism is evident wherever economic policy discourse treats 'the market' as an entity unto itself, and where an adherence to 'market fundamentalism' shapes society to neoliberalism's declared faith in the market's implicit natural order and rationality (Fraser 2014; Pusey 2003; Quiggin 1999; Teeple 1995). At the same time, this market fundamentalism treats government as an entity outside of the market-based social system, and so holds that it should not interfere in the market's ordering of capitalist society (Colander & Kupers 2014: 55).

The thinking that drives the neoliberal worldview was incubated in the 1930s and 1940s but relegated to the margins of economic thought until the 1950s and 1960s when key academic institutions in the United States gained the ear of political leaders in their critique of state-planned, Keynesian economic planning and regulation (Jackson 2010; Peck 2010). Alessandro Bonanno (2017: 123) has interpreted the prevailing crisis conditions of the post-war system as the opportune moment for the Chicago School of Economics – and in particular, one of its leading faculty members, Milton Friedman – to produce "salient works that popularized the critique of regulated capitalism and directly inspired the implementation of neoliberalism in the late 1970s and early 1980s". Thereafter, the Chicago School, Friedman, and others were placed strategically to influence the policymaking decisions of governments, answering their decision-making questions with solutions centred on 'monetarist' policy. This monetarism significantly reduced the active role of the state to regulating the supply of money in the

economy, so that market-oriented policy responses, not state planning, restored capitalist profit at the global level.

Critics of neoliberalism argue that it takes no account of the complexity and uncertainty that characterises the organisation of human society, which is made apparent by the exploitative and unstable nature of capitalism. Nevertheless, since the victory of Margaret Thatcher's neoliberal-inspired Conservative Party in 1979, many governments around the world have accepted the logic of her claim that to avoid crisis and restore capitalist profit accumulation, 'there is no alternative' to neoliberal market fundamentalism.

This thesis refers to a particular period of globalisation – 'neoliberal globalisation' – to differentiate the impact of the political and economic practices it has entailed from a centuries-spanning process of globalisation more generally<sup>2</sup>. Many scholars accept the notion that globalisation is a process that has spanned many hundreds of years. Generally, academics settle on the early global period beginning between the 15<sup>th</sup> and 16<sup>th</sup> centuries, when increased trade, exchange, travel and the spread of disease noticeably brought geographically distant civilisations into much closer contact (Bentley, Subrahmanyam & Wiesner-Hanks 2015; Stearns 2009). The key ideological, social, political and power elements of modern capitalist societies emerged later, from around the 1750s; then with increased fervour during the Industrial Revolution from the 1840s (Mann 1986, 2012).

The neoliberal global era is of particular focus of this thesis because of its very particular impact on the development of capitalist societies since the 1980s. The triumph of neoliberal ideas over political practice led historian Francis Fukuyama (1992) to declare at the height of neoliberal globalisation that the world had arrived at 'the end of history', at which the capitalist free market had emerged victorious from its ideological struggle with socialist state planning over the best way to arrange production to grow economies and societies. However, neoliberalism's embrace from this particular period of

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<sup>2</sup> Henceforth, throughout the thesis 'globalisation' refers to the particular neoliberal period of globalisation (neoliberal globalisation), except for where otherwise specified.

globalisation has meant the dismantling of notions of social democracy, thus representing the economy's de-politicisation (Battin 2017). The re-orientation of societies towards the free market and away from political action has produced inequality, stifled alternatives for positive social reform and subverted democracy by transforming socially-oriented institutions into market-oriented institutions (Bruff 2014; Burchardt & Kirn 2017; Western et al. 2007).

Critics of neoliberalism have also argued that capital requires an 'institutional fix' if it is to avoid crisis. This fix is expressed in a cohesive balance between social and political structures and capitalist accumulation (Aglietta 1979; Boyer 1990; Jessop 2000; McDonough 2011). The fundamental flaws of capital's logic mean it will inevitably outgrow its institutional fix, producing crisis. This fact is not recognised in neoliberal theory or practice. By promoting the free market-basis of capitalist development, neoliberalism rejects capital's social embeddedness. As it only provides an economic solution to capital's crisis of profitability, neoliberalism ignores the social dimensions to crisis which must be understood to arrive at sustainable outcomes. Therefore, neoliberal policy development over the past forty years has represented an unsustainable institutional fix, demonstrated in its consistent inability to provide the broader social and institutional changes required to combat processes of deindustrialisation (Block 1990; Block & Somers 2014).

### **Analytical purpose**

The embrace of neoliberalism in policymaking has resulted in a failure of governments to formulate responses to economic crisis that are commonly observed in the capitalist system. The thesis' objective is to demonstrate that states at every level of government have variously failed to combat deindustrialisation in Australia's economy in the era of neoliberal globalisation. Post-war federal and state governments in Australia were heavily involved in manufacturing industry development (Rich 1993b; Sheridan 1986). The prevailing interventionist industry policies of governments during this period have been under sustained assault from neoliberal critics and policymakers.

The thesis shows that neoliberal policies have become embedded in Australian and South Australian political economies. However, while the influence of neoliberal globalisation has changed the role of

government, it has not removed it. Rather, an 'actually existing' neoliberalism has pervaded the policymaking and bureaucratic structures which has not reduced the role of state intervention, but rather has significantly changed its aims and the forms it takes (Brenner & Theodore 2002a). Hence, the thesis problematises the conflict present in neoliberalism. As a market-fundamentalist ideology which holds that government should not intervene in the economy, in practice, neoliberalism operates in total contradiction by placing the state at the centre of moves to further remove social and political regulations from economic development.

Therefore, this thesis frames the research from a theoretical contention that neoliberalism is a more complicated phenomenon than common academic readings can explain. It is not just a process of state intervention to deregulate the economy, but a process of state intervention to re-regulate the economy on a foundation of free market principles (Cahill 2013; Reich 2016). Such orientation in policy can be interpreted as the 'neoliberalisation' of government rather than simply its replacement by neoliberal free markets (England & Ward 2007; Peck 2013). In this way, the 'actually existing' form of neoliberalism in Australia's political-economic development since the 1980s represents a significant departure from neoliberalism's idealist interpretation (Cahill 2007, 2013, 2014; Pusey 1991).

An objective of this thesis is to posit that alternatives to neoliberal industry policy could hold more sustainable and equitable outcomes for economy and society. An analysis of neoliberal policy responses by Australian governments opens a further area of inquiry regarding the impact of neoliberalisation on alternative responses to the crisis of capital represented in deindustrialisation. This asks, *what has been the impact of neoliberal government policy on the development of alternative responses to deindustrialisation?* Answering this question means investigating the way that government policies have created neoliberal conditions by subverting the power of established democratic institutional structures, shaping them to reflect narrow, anti-democratic, market-oriented dynamics as a solution to restoring capitalist development.

In the global age, social movements, academics, and labour organisations in Australia and South Australia have attempted to influence policy for an egalitarian social and economic future. To combat

deindustrialisation, they have presented strategies to develop robust policy alternatives capable of forging socially beneficial economic developments under increased global competitive pressures (ACTU & TDC 1987; Broomhill et al. 1994; Jones 1997; Spoehr & Shanahan 1994). These have commonly recommended programs of interventionist responses to economic issues, designed to mitigate neoliberal policy responses at national and local levels through industrial developments supported by social institutions.

Such institutions and their policy initiatives were embedded in the Australian economy by post-war governments, in support of social development through manufacturing industrialisation. But instead of embracing similar responses to deindustrialisation, Australian governments have, since the late-1970s, increasingly oriented policy development to market forces under neoliberalism. This has included the market-driven reform of social institutions and industry policy mechanisms. Such reforms have favoured only the most efficient and competitive industrial sectors, exposing manufacturing to the global free market and transferring public wealth to private capital interests.

However, throughout the era of neoliberal globalisation from the 1980s, the extent to which neoliberal policy has been able to shape responses to crisis at national and local levels in Australia has depended significantly on the political and financial relationship between federal and state governments. Since the post-war expansion of federal government economic planning, fiscal policy has been increasingly centralised at federal level, increasing the financial control of federal governments over state finances (Kenwood 1995: 219-223). This 'fiscal federalism' has left SA with a diminished range of taxing instruments.

The significant dependence of South Australia's policy responses on a 'vertical fiscal imbalance' in federal funding has impacted its ability to carry out its responsibilities in the era of globalisation. This is further emphasised by the local-state's responsibility to local government areas (LGAs), which rely on funding and service delivery from state governments. The Local Government Association of SA has called for this imbalance to be addressed, to provide LGAs with greater autonomy to tax and spend on

local responsibilities for which they are often underfunded (LGASA 2013). As Chapter 7 illustrates, the federal and SA governments have not responded favourably.

Given the historically interventionist role of the state in Australia and South Australia, interventionist policy responses have become path-dependent. Path-dependency means that “the past strongly influences your choices for the future [...] in order to understand policy options you must understand the past, which vastly complicates the analysis” (Colander & Kupers 2014: 54). The path-dependency established by this pattern of state intervention in Australia has, to some extent, modified the increasing impact of neoliberal ideas on economic policies.

The era of globalisation still features an actively interventionist state. However, neoliberal policy is embedded by governments in its ongoing role. Therefore, this thesis also narrates the effects, since the 1970s, of contentions or affinities between centre-left (ALP) or centre-right (Liberal-National Coalition) governments and their South Australian counterparts, as indicated in Table 1 below, on the ability of SA governments to implement and fund alternative policy responses.

*Table 1: Australian federal and South Australian state governments – 1970s-2010s*

	<b>Australian federal governments</b> (ALP) – Australian Labor Party (C) – Liberal-National Coalition	<b>South Australian governments</b> (ALP-SA) Australian Labor Party (SA) (L-SA) – Liberal Party of Australia (SA)
<b>1970s</b>	Gough Whitlam (ALP) 1972-1973 Malcolm Fraser (C) 1973-1983	Don Dunstan (ALP-SA) 1970-1979* David Tonkin (L-SA) 1979-1982
<b>1980s</b>	Bob Hawke (ALP) 1983-1991	John Bannon (ALP-SA) 1982-1993*
<b>1990s</b>	Bob Hawke/Paul Keating (ALP) 1991-1996^ John Howard (C) 1996-2007	Dean Brown (L-SA) 1993-1996 Dean Brown/John Olsen (L-SA) 1996-2002*^
<b>2000s</b>	John Howard (C) 1996-2007 Kevin Rudd (ALP) 2007-2010	Mike Rann (ALP-SA) 2002-2011
<b>2010s</b>	Kevin Rudd/Julia Gillard (ALP) 2010-2013^ Tony Abbott (C) 2013-2015 Tony Abbott/Malcolm Turnbull (C) 2015-^	Mike Rann/Jay Weatherill (ALP-SA)^ 2011-

\*South Australian administrations that either began or ended with a different Premier. As these were ‘interim’ leaders within a term of government won by the previous leader, references to interim leaders are omitted.

^Leadership of a government that resulted from a party leadership challenge while it was in office.

## **Locus of analysis**

To make concrete sense of neoliberalism's harmful implications for path-dependent policymaking, neoliberal government policy responses to manufacturing deindustrialisation are exemplified in a study of South Australia, one of two sites in Australia where Holden will cease production on 20 October 2017 bringing automotive manufacturing in the country to an end<sup>3</sup>. The thesis provides an empirical analysis of neoliberal policy responses to deindustrialisation under the SA State Labor Government administrations of Mike Rann (2002-2011) and Jay Weatherill (2011-present).

Under these Labor governments, policy responses to significant stages of manufacturing industry decline have been shaped, by the interaction of historical patterns of state intervention with the tide of neoliberal economic thinking that has come to dominate policymaking over past decades. The South Australian Labor Governments of Mike Rann and then Jay Weatherill, in power since 2002, differed in nuance, but both sought to make capitalist development fairer and more equitable by implementing various policy responses that dealt with the some of the negative consequences of existing patterns of economic development. But given the powerful influence of neoliberalism, the policy responses of both contemporary leaders have been characterised by neoliberal reforms that undermine the very social-democratic processes and institutions they have attempted to defend. A continuity of policy from previous governments has been evident, often influenced by the perceived emergence of duty to be seen to be fiscally conservative.

## **Theoretical approach and research contribution**

This research contributes a critique of the neoliberalisation of government policy responses to deindustrialisation in Australia. It also argues for the relevance of developing policy alternatives based on new institutional structures that recognise the importance of effective industrial outcomes, rather than merely efficient ones. To do this, political economy insights from Marxian and Institutionalist traditions are most useful and relevant. Political economy is the integrated forerunner of the social

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<sup>3</sup> Ford ended operations in Australia in 2016 and Toyota will depart on 3 October 2017, just weeks before Holden.

sciences. Analysing policy from a political economy perspective means providing a critique of not just economic policy, but also social policy, and of the relationship of each to the other (Colander & Kupers 2014: 71).

Marxian political economy is useful because it analyses key aspects of capitalist development. These are the mode of production, the institutional-policy arrangements of a society's formation, and the balance of class forces this arrangement permits (O'Connor 2010). It permits engagement with the central problem of how the capitalist mode of production is riddled with contradiction and must reproduce itself by increasing profit. But in this endless pursuit of accumulation, capital is prone to crisis because labour and the environment are the essential components of its expansion, and profit is extracted via their exploitation (Harvey 2006; Marx 1995[1867]). This leads to class conflict and environmental degradation, so the expansion of capitalist production over space and time becomes the only way to overcome these obstacles. This expansion is best realised through free markets, yet Marxian political economy demonstrates how this inevitably produces the above contradictions and ruptures capitalism's social fabric.

Finding sustainable solutions to capitalist crisis means understanding that society is built upon more than just markets. Institutional political economy provides an insight into the socio-structural foundations of economic development. It highlights how the substantive social institutions within which the capitalist economy is embedded can produce sustainable solutions to capitalist crisis. Karl Polanyi proposed a definition of the market as itself an institute embedded in social systems. Institutions are society's encoded rules, norms and regulations and therefore the embodiments of human meaning and purpose (in Polanyi 2001 [1944]; Polanyi, Arensberg & Pearson 1957). Therefore, in institutional terms the economy should be interpreted as always-embedded in socially instituted systems, and policies that promote the free market should be understood as an attempt to make society subservient to capital's limitless profit-driven interests (Block & Somers 2014).

## Theoretical framework

When these two traditions of political economy are combined, they demonstrate that the state plays a strategic role in 'legitimising' the institutional forms that can maintain the development of a capitalist economy in the wake of economic crisis. This is represented in a Marxian-institutionalist political economy perspective offered in the French school of Regulation Theory (RT) and the North American school of Social Structures of Accumulation (SSA) (Aglietta 1979; Boyer 1990; Boyer & Saillard 1995; Kotz 1994; Kotz, McDonough & Reich 1994; McDonough 2011). These schools present analyses of the mode of production, the institutional and political conditions that define social balance, and suggest how the transformation of capitalist society is driven by institutional forms given meaning by the state's political-economic intervention.

When combined, Regulation Theory and Social Structures of Accumulation are well suited to a study of how neoliberal policy responses have impacted institutional developments in Australia. These schools of thought provide a useful framework in which to interpret deindustrialisation in South Australia as the story of a crisis of capitalist production that originated at international level during the 1970s, and a tool with which to examine the neoliberal policies that have been subsequently developed by federal and state governments in response to globalisation and economic crises.

A range of historical social, political and economic institutional developments have mitigated neoliberal ideology in the practice of neoliberalism by the state, and have contributed the key social structures of capitalist accumulation in different stages of industrialisation in Australia and South Australia. The state's 'actually existing' neoliberal interventions have driven the development of neoliberal institutions to structure capitalist growth. It is for this reason that SSA theorists commonly interpret neoliberalism as a newly emergent SSA (Kotz, McDonough & Reich 1994; Kotz 1994). This concept is taken up further in Chapter 3 to establish the position this thesis takes as an empirical investigation of the way that deindustrialisation has represented a crisis of the neoliberal regime of capitalist accumulation. It contributes to existing recent regulationist theory and scholarship which contends that neoliberalism represents the most recent social structure of accumulation facilitating the expansion of capitalism.

Having undergone neoliberalisation following the breakdown of the post-war institutional order, the capitalist regime of accumulation now develops upon a suppressed and unsustainable institutional fix characterised by industrial and financial market deregulation, and accompanied by growing income inequality and the domination of the capitalist class over labour (Wolfson 2003: 255).

At its core, this thesis is a critique of the impact of market-fundamentalist industry policies at the regional level, and a call to focus further research on the importance of institutionally-driven responses to capitalist crisis. It doesn't advocate capitalism as a sustainable system, but instead suggests that embracing socially-driven alternatives to neoliberalism to structure capitalism will help to embed the economy in social institutions for development towards a post-capitalist society. Neoliberal economic policy is something that exists only within capitalism. Capitalism represents the "[...] social formation in which processes of capital circulation and accumulation are hegemonic and dominant in providing and shaping the material, social and intellectual bases for social life" (Harvey 2014: 7). Yet through marketisation, commodification, privatisation and deregulation, neoliberalism regards the market as a natural order outside of this logic and mutates the state apparatus and key social institutions so that they deliver global neoliberal capital accumulation. Ironically, in practice its policy realities represent a threat to capitalist society's sustainable social reproduction. Thus as Robert Reich (2016) argues, if capitalism is to serve the many instead of only the few, we must produce institutional balance between markets and society.

### **Research methodology**

This thesis combines a historical analysis of the political-economic conditions for manufacturing industrialisation and deindustrialisation in Australia and South Australia with an institutional political economy analysis of the contemporary regime of accumulation shaping both jurisdictions. It utilises a methodological approach that differentiates neoliberal economic theory from its actual practice through an analysis of policy responses in Australia and South Australia, both prior to and during the global era. This policy analysis is augmented with information gathered from in-depth interviews with

policymakers and participants, which is analysed using a Grounded theoretical approach to capture details about the reality of policy responses to deindustrialisation in SA.

### **Methodological tools**

The adoption of a historical approach to investigating the evolution of Australian and South Australian policy frameworks provides the opportunity to uncover the path-dependent development of Australian economies and the influence of neoliberalism on the interventionist state. The concept of ‘actually existing’ neoliberalism is a methodological tool useful for explaining how there is a great deal of difference between neoliberal theory and its practice in an institutional context. This is also where, as a subject focused on the relationship between economy and society, a political economy approach is useful, because it addresses the social and political context of policymaking.

To trace institutional developments throughout the thesis, I model my investigation on Polanyi’s multi-level analytical approach to political economy, by examining the global context in which a society is situated, the actions of states, and the conflicts among social classes and other groups within those states (Block & Somers 2014: 68-70). I use Polanyi’s framework to interpret the institutional arrangements at each level that – in responding to economic crisis – have made different social and economic outcomes possible at different historical moments in specific geographical and institutional settings.

This approach involves looking at the ‘big picture’ of Western capitalist industrialisation. It serves as a background for understanding how the welfare state institutions that shaped post-war developments became central to neoliberal capitalist transformation in response to global crisis. I then locate this process within the Australian context to analyse its local expression. Here, the South Australian context emerges, providing an important empirical dimension to shifting national political and economic dynamics, which are influenced increasingly by neoliberalism.

### **Case study: the City of Playford**

I chose to focus on the City of Playford for several reasons. Playford is a major LGA in Adelaide’s northern metropolitan region. It was founded on post-war manufacturing industrialisation it has been more

severely affected by manufacturing deindustrialisation in the era of globalisation than anywhere else in South Australia. At the outset of my project, my research focused explicitly on Playford and its experience of deindustrialisation. However, upon further investigation of the political-economic forces influencing federal and state responses to Playford's predicament, it became increasingly clear to me that conditions in Playford represented the local expression of a global economic crisis mediated by state and federal political-economic forces.

Hence, it was necessary to expand my initial focus on Playford to an analysis of government responses to manufacturing deindustrialisation in South Australia in the context of global and federal political-economic conditions. Therefore, the thesis has broadened from investigating Playford's local institutional change, to investigating how, at multiple levels of government, responses to crisis have produced a range of different institutional arrangements through which neoliberal policy is mobilised. The Playford region offers a unique opportunity to analyse the local impact of this mobilisation.

Governments in South Australia have offered different solutions to Playford's plight, recognising its significance to the State's manufacturing-based economy. The Playford region has been the focus of state government policy responses over the course of several decades. These policies have included interventionist responses to crisis, the implementation of pilot projects for broader policy experimentation, and – more recently – deliberate policy intervention in response to economic crisis. These have produced different outcomes and been influenced by the interaction of policy with federal political-economic conditions and global market dynamics.

Specific local institutional developments have emerged in Playford in recent decades. Their interaction with South Australian state governments becomes important for interpreting the dimensions of policymaking. This is where, as Yeung (in Tickell et al. 2007: 298) has discovered, 'local knowledges' emerge and represent a "[...] highly contextualized understanding of patterns and processes in particular geographical settings [... which] might just come from ordinary people rather than academics". The importance of local knowledges to make sense of larger phenomenon is therefore considered in Chapter 7's case study focus on local-state and local government policy responses to crisis

in the City of Playford. The case study of Playford is relevant because, by taking a local view of global political-economic phenomena, analytic generalisations can be made to establish “[...] a logic that might be applicable to other situations” (Yin 2012: 18). The local case-based analysis of the ‘bigger picture’ of neoliberalism reflects what Peck (2012: 647) has comprehended as the broad institutional rule regimes which apply to other regions even though they manifest in variegated forms in local settings.

### **Grounding theory in data collection and analysis**

Bringing this study to life has involved gathering data through analysis of federal, state and local policy documentation, and analysis of data collected from in-depth interviews. Policy analysis has focused on that produced at South Australian local-state and Playford local government levels, but has been interpreted within the context of a rich critical literature<sup>4</sup> dealing with national policy responses to changes at global political-economic level. Beyond this, my approach to collecting interview data was informed by Grounded Theory.

The methods of Grounded Theory (GT) produce a strong convergence between empirical investigation and theoretical background. They “[...] consist of systematic, yet flexible guidelines for collecting and analyzing qualitative data to construct theories from the data themselves” (Charmaz 2014: 1). This interview methodology was ideally suited to the changing course and scope of the research project. As a fieldwork experience, it involved a process of producing data inductively and allowing the path between collection and analysis to be developed flexibly. The meaning I gained from initial interviews expanded significantly in latter phases of the research – particularly as I recognised a growing convergence between the literature on ‘actually existing’ neoliberalism and the context emerging from the data. As the research process matured, meaning emerged in the data that I could not have grasped at the beginning of the process.

The significance of GT to my project can be elaborated on more specifically. Interview participants were initially recruited because of their status as a ‘stakeholder’ in the local regional economic development

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<sup>4</sup> A note to the reader: all references listed in the Bibliography (beginning on Page 281) are referred to in-text.

of Playford. This meant they were actively involved in the region's flagship *Playford Alive* project delivered by local stakeholders in partnership with South Australian state government (discussed at length in Chapter 7). Hence at first, interviews with stakeholders in Playford's policymaking processes were undertaken to investigate the values, attitudes, and political roles of representatives from key stakeholder categories or sub-groups thereof. As initially outlined in the *Playford Alive Community Engagement Report*, these representatives came from state and local government departments and agencies, non-government organisations and service providers, industry and business, non-government groups representing the general public, and other representatives from the community engagement group (Janet Gould & Associates 2007: 2).

In liaison with former senior project officer at the City of Playford, Ken Daniel<sup>5</sup>, I developed an extensive list of potential interview participants that included key stakeholders in these categories. A list of approximately 12 potential participants were contacted in July 2014 via a letter explaining the research project's background, aims and procedures (see Appendix on Page 327). At this point the aim of the research was fundamentally focused on investigating policymaking in Playford in specific relation to urban rejuvenation and industrial transformation projects. However, as mentioned above, the scope of the thesis quickly grew, as with each interview, emerging concepts and themes drew my attention to patterns in the data beyond the focus of the explicit study on the Playford region. These are what Sarantakos (2005: 347) refers to as 'indicators', which point towards the presence of a provisional concept.

As further indicators appeared in proceeding interviews, this concept was developed with more confidence. What the data was revealing were larger patterns of policymaking that, despite being discussed in the local context, were indicative of larger forces at play at state, national and global levels. The relevance of my theoretical tools became more evident with the additive layering of data to my

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<sup>5</sup> Ken Daniel was also a key interviewee in my project, being an individual fundamental to the development of the *Playford Alive* project and its strategic direction.

analysis. As this process unfolded, distinct 'categories' emerged into which various units of information could be placed. These were the recurring references amongst interview participants to concepts that could be organised to form the basis of 'theoretical sampling' – the guided selection of units of data that inform further choices of respondents, leading towards comparison and development of the theory (ibid.: 348-349).

From this sampling, the interview schedule evolved to include questions about the bigger issues being revealed by sampling and coding. Therefore, the recruitment of interview participants expanded to encapsulate stakeholders involved at higher levels of policymaking. This meant interviewing participants whose involvement related directly to policymaking in Playford – such as within state agencies and departments, and those whose involvement was indirectly relevant – such as through industry associations and service providers with a stake in South Australia's social and economic development. But additional interview participants were more commonly included in data collection because of their stake in policymaking at the South Australian State level, the regulatory jurisdiction in which *Playford Alive* ultimately resided.

By the end of the interview data collection period in May 2016, I had conducted a total of 27 interviews with a total of 24 participants (see References on page 291). Three participants required a second interview to ensure the full development of themes. These were an exercise in iteration, ensuring that well-developed theory was grounded in an inductive process. Excerpts from interviews with 20 of the participants (23 interviews in total) are included in the thesis. The 4 participants not included were conducted early in the fieldwork process, and the GT approach meant that these interviews were nevertheless useful in contextualising the problem and providing background to the emerging themes arrived at through detailed coding of later interviews. By constantly making comparisons between data, I reached saturation at the point of expanding interviews to 24 total participants – both in terms of theoretical relevance and in terms of data.

The depth of detail and the repetition of themes relating strongly to my growing theoretical conceptions made me confident that I had enough evidence to test the theory developed. From the beginning, this

entailed testing the specific evidence, developing it through broadened investigation, and ultimately creating empirical convergence with the theory. Hence, the original research contribution of this thesis is largely empirical, anchoring the theoretical concept of ‘actually existing’ neoliberalism in the specific local conditions where it is given new meaning – in its political-economic interaction with the local knowledges which are the lens through which homogenous ideology finds heterogeneous expression. Furthermore, the period of Rann and Weatherill Labor Governments remains a relatively under-researched period in the State’s political-economic history and is thus important for critical analysis.

### **A note on de-identification**

In the data collection process, several participants requested de-identification in the publication of my final thesis. All were South Australian public servants, making for interesting implications in my research. In Australia, public servants are not allowed to speak on record with the media; however, as private citizens they are permitted to engage in discussion of policy and practice for research purposes. Therefore, de-identification requests were the result of more interesting considerations. On numerous occasions, interview participants asked for segments of their interview to be ‘off the record’. At such points, my recording, to which they had consented in writing (See Appendix, page 329), was paused. Thereafter, they disclosed to me information about the technocratic and bureaucratic machinations of their agencies and departments, revealing a symptom of SA’s neoliberal political economy – the politicisation of bureaucratic processes despite the de-politicisation of policymaking under neoliberal conditions.

This politicisation has been reported by former senior public servants in the media. Following termination of his employment, former head of South Australia’s Department of Planning, Transport and Infrastructure (DPTI), Rod Hook raised concern in the press that the State’s public service was being politicised at “[...] an alarming rate”, with very little concern shown “from the Commissioner for Public Employment or the unions” (Hook 2015). In the 2016 Bettison & James Oration, Greg Mackie, a long-serving senior public servant and incumbent head of statutory body, the South Australia History Trust, criticised the politicisation of the senior echelons of the public sector as a phenomenon leading to

significant time-wasting practices and a lack of external focus on the needs of SA's community (Mackie 2016; Washington 2016). I believed that discussing policy matters under such conditions represented a considerable risk to de-identified participants. Hence, all ethical consideration has been taken to protect the people whose contribution to my thesis has given it a South Australia-specific richness and made it a valuable empirical contribution to addressing the issues faced in the State's political economy.

### **Organisation of the thesis**

The research is organised into three parts and a concluding chapter. Part 1 seeks to introduce the reader to the importance of manufacturing, provide an account of what political-economic change meant for South Australia in two epochs of its development. It goes on to explain why the changing nature of government intervention the neoliberal global era was particularly damaging to the State's manufacturing industry.

Part 2 deals with the role of state intervention in shaping institutionally-driven processes of industrialisation and deindustrialisation in Australia and South Australia. Specifically, this relates to how socially-driven institutional change was achieved through the interventionist role of the state in the post-war period of capitalist expansion, and how, since the era of globalisation, the neoliberal response of governments to economic change hastened deindustrialisation in Australia. Part 2 demonstrates how in both the case of post-war industrialisation in Australia and in the era of globalisation, government policy responses driven by the interventionist state shaped industrial outcomes to produce either positive or negative results for manufacturing.

Part 3 interprets the local impact of Australia's neoliberal political economy on manufacturing in Australia, in South Australia, and at local regional level. This interpretation is formed through policy analysis and original empirical research findings. It provides a detailed analysis of the impact of federal and state neoliberal policies on the decline of manufacturing industries in South Australia, and presents original research on the local-regional impact of neoliberal policy responses on the Playford urban industrial region. Data obtained through semi-structured interviews with SA policymakers and other stakeholders in industrial transformation at state and local Playford levels supports the notion that

neoliberal responses to crisis at state and federal levels represent capital's attempt to find suitable institutional fixes that dismantle existing social-institutional regulations and re-regulate them on market terms. It also illustrates how neoliberal policy has destabilised alternative responses to crisis – including at the local level.

### **Outline of chapters**

Chapter 1 outlines the importance of manufacturing industrialisation to both social and economic development and argues that the state's interventionist role in the industry policy development of government is essential to industrial transformation. Adding an empirical dimension to this initial context, Chapter 2 describes the characteristics of industrialisation in South Australia as a local-state expression of the institutional developments experienced across Australia from the 1930s to 1970s. As a response to social demand for an institutional response to crisis, this embedded a role for the state in shaping economic transformation. The neoliberal transformation of government's policy responses to deindustrialisation dramatically reshaped the interventionist role of the state in local industrial transformation, as the world entered a new phase of capitalist accumulation.

Chapter 3 sets out a theoretical framework to understand deindustrialisation as a crisis of capitalist accumulation brought about by the development of neoliberal government policy responses. The turn to neoliberalism in the global era reflects the philosophy of market fundamentalism in economic development, which cannot accurately explain deindustrialisation because it neglects important characteristics of capitalist development and social-institutional factors.

A synthesis of Marxist and Institutional political-economic theories of the capitalist cycle is found in the schools of Regulation Theory and Social Structures of Accumulation. This combination explains why the lack of a solid institutional settlement under globalisation means global capital has continued to face crisis and been driven to find further forms of commodification in non-market areas of society. It explains neoliberalism in the global era as the state's legitimisation of market mechanisms at the expense of social institutions which, despite continuing to exist, have been increasingly subjected to marketisation.

Chapter 4 provides an empirical dimension to the process of industrialisation in South Australia, unpacking the theoretical dimension of institutionally-driven capitalist growth outlined in Chapter 3. It demonstrates the way economic crisis compelled the embedding of a federal Fordist-Keynesian institutional arrangement and how this political economy influenced institutional developments for industrialisation at the local-state level in SA, legitimised by the policy interventions of the State Government of Sir Thomas Playford. In combination, these institutions promoted industrial developments in SA in a manner that helped the State avoid the capitalist crises that had previously plagued its far less economically complex regime of accumulation.

Chapter 5 analyses government policy responses to deindustrialisation in the era of globalisation from the 1980s. It uncovers the deepening influence of neoliberalism on a federal political economy and the growing reflection of this in South Australian government policy responses to manufacturing industry decline. The neoliberalisation of federal government policy is interpreted in state interventions under various government administrations of both major political parties. This begins with the initial embedding of conditions for neoliberalism under Whitlam Labor and Fraser Coalition Governments' policy responses to crisis in the 1970s, followed by neoliberalism's embrace by the Hawke-Keating Labor Governments in the 1980s, its entrenching by the Howard Coalition Government policy responses in the 1990s and its hegemony as expressed in the Rudd-Gillard Labor Governments' and Abbott Coalition Government's policy responses to manufacturing decline in the twenty-first century, but with reference throughout this analysis to the various contradictions and complementarities of state intervention's interaction with neoliberalism.

Chapter 6 augments historical data with new empirical findings that show the parallel shifts in South Australian government policy responses to deindustrialisation. It analyses how attempts by various administrations to springboard the State's economy into global market competition entailed experimental institutional developments that were consistently met with deeper expressions of the capitalist crisis at regional level. These crises were resultant of the federal neoliberal political economy and its local impact. This chapter highlights periodic attempts to diversify the economy, and draws out

how this was always framed to greater or lesser extent within overall neoliberal economic reform. It highlights the tension between efforts to develop institutions that regulate the local economy in a global market setting, and the neoliberalisation of SA's bureaucratic systems that has made this an increasingly difficult task.

Chapter 7 presents an analysis of the most recent post-GFC policy responses of the South Australian Weatherill Labor Government to the closure of Holden. This chapter analyses the state's interventionist role in the government's regionally-based *Playford Alive* urban renewal project as an expression of its attempt to develop new local conditions for innovation. This investigation reveals the neoliberalisation of the Weatherill Government's policy orientation in the context of federal neoliberal policy interventions like workfare, outsourcing and privatisation. The Weatherill Government's local-state interventions have emphasised the administration's neoliberal conception of the 'entrepreneurial state', adopted in the context of an increased federal policy focus on global competition for economic development.

The conclusion presented in Chapter 8 connects the neoliberal political economy at federal level to its concomitant sub-national expression in South Australian government policy around deindustrialisation. The research findings reveal a disjointed neoliberal industrial rejuvenation strategy focused on urban 'boosterism' as a form of local marketisation for global investment. A neoliberalised state bureaucracy and policy strategy neglects producing locally-specific policy responses in Playford by undermining endogenous institutional developments. The neoliberalisation of federal government has been a major factor in the increased influence of global finance capital and investment over Australia's economy, displacing labour power and decimating manufacturing industries, resulting in the departure of the automotive industry.

This thesis finds that neoliberal policy responses do not only continue to distract South Australian governments from asking the hard questions and building the socio-economic institutional responses to economic crisis. These policy responses also epitomise the way capital's ongoing expansion – necessary to overcome its crisis tendencies – consistently exploits labour and the environment, in the

process subverting democratic institutions that might seek outcomes based on more than just market value. For this reason, socially-driven policy alternatives must replace neoliberalism to better inform governments' response to deindustrialisation. This thesis provides an investigation of a specific local experience of industrialisation and deindustrialisation to highlight the fundamental importance of the idea that 'the economy' needs to be embedded within its social context on a far broader global political-economic scale to restore substantive meaning to the economy, so that it once again serves social ends and produces conditions for democratically-driven reform.

**PART I:**  
**Understanding and contextualising  
industrialisation and deindustrialisation**

# 1 A brief introduction to industrialisation and industry policy

This chapter conceptualises manufacturing industrialisation as critically important to the transformation of societies, enabling nations to increase their economic complexity, which demonstrates their ability to combine different types of knowledge held by individual social actors into products and services with higher value. Because of this, industrial transformation – the process whereby manufacturing processes evolve into more advanced forms of manufacturing through innovation – is critically important to ensuring the development of high-value industrial trade exports and a society that enjoys greater levels of wealth and equality.

## 1.1 What makes manufacturing so important?

According to *The International Encyclopedia of Human Geography* (Kitchin & Thrift 2009) manufacturing entails a process whereby more efficient ways of creating value in primary products like agriculture and mining can be held to comprise a distinctly ‘secondary’ division of economic activity (Simandan in Kitchin & Thrift 2009: 419-425). This secondary sector of activity is referred to as ‘manufacturing industrialisation’, or simply ‘industrialisation’. Throughout this thesis, each reference is treated synonymously. Industrialisation sees primary resources manufactured into products with added value. Hence the numerical assignment to manufacturing industrial activity betrays its importance to the development of an economy.

The importance of manufacturing is understood further when a landscape has been altered fundamentally by industrial activities and infrastructure is developed to support it. Manufacturing industries are commonly complemented by a tertiary sector dedicated to providing services to the secondary industry (ibid.: 419). Service industries emerge because of manufacturing and are a clear signifier of how broader economies develop and become structured around manufacturing industries. But there is further depth to industrialisation’s impact on economies and societies.

### 1.1.1 Principles of manufacturing as economic development

Industrialisation develops an economy because it takes resources and increases their value by applying more intensive labour processes to them. This draws on more elements of economic organisation. Adam Smith (2008[1776]) theorised this as the 'division of labour' between great numbers of people and industrial organisations which broadens production and increases the complexity and interconnectivity of labour in an economy. This is understood as the way an individual's specialisation in a task raises the capability of that individual to complete it and contribute meaningfully to the broader organisation of production, into which other individuals also contribute their specialised share. David Ricardo's (1973[1817]) *labor theory of value* concept based the value of a commodity on the amount of social labour required to produce it. The price that commodities attract in market trade is determined by efforts to produce them. The combination of various material elements is far more labour-intensive than basic commodity production. Therefore, the value-adding of manufacturing to commodities contributes most significantly to a nation's economic development.

These theories have been tested and supported by empirical findings. In an investigation of the income and income per capita among European nations, the development economist Nicholas Kaldor (1967) discovered that after 1750<sup>6</sup>, several countries in Western Europe experienced rates of growth thirty to forty times higher than the rates they had achieved in the previous seventeen centuries (Targetti 2005: 1187). Kaldor attributed this enormous rate of growth to the manufacturing industry developments that these nations undertook, finding that "[...] the manufacturing industry is the engine of growth for every country at every stage of growth" (ibid.).

Kaldor showed that increases in manufacturing output give rise to a greater increase in economic productivity and to explain this, developed four laws (ibid.: 1186). Following Kaldor's findings, Targetti (ibid.) explained the first law, increasing returns in the manufacturing sector, as the way that

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<sup>6</sup> Generally the point beyond which the first Industrial Revolution took place over approximately 80-100 years.

manufacturing provides capital goods with embodied technical advancements that act as inputs to other sectors. Increased output and employment in manufacturing reduces employment in agriculture, but not its output. Increased manufacturing sector activity produces greater turnover per worker in the supply chain. The manufacturing sector increases output in other sectors because the process of manufacturing leads to the discovery of new processes, increased differentiation in products and new subsidiary industries, permitting increasing returns to scale.

The second law, effective demand-constrained growth, can be understood with reference to the way the limits placed on manufacturing output derive not from constraints imposed by lack of supply of materials or labour, but from constraints placed on demand. For manufacturing to generate output, demand must ultimately come from outside of the manufacturing sector to induce it, either from the agricultural sector or from the world market (ibid.: 1188). The third law, the agriculture-industry relationship, partially explains this. When economies undergo an agricultural revolution, they can be considered 'underdeveloped'. However, to Kaldor industrialisation *presupposes* an agricultural revolution meaning that the two economic sectors are intimately linked.

Advances in agriculture lead to higher productivity and therefore build demand from industry for capital goods. This stimulates the manufacturing sector to provide them (Targetti 1992: 208). Manufacturing produces goods for investment, whereas agriculture produces goods for consumption (Targetti 2005: 1189). Therefore, agriculture does not drop in output even when employment in the sector does. As manufacturing workforces grow, there is more demand from agriculture for consumption goods, and as each sector is constrained by demand from the other, this stimulates investment in capital goods to create higher output of consumption goods.

These principles describe Kaldor's theory of why manufacturing is the driver of economic development. An economy is 'developed' when the Gross Domestic Product (GDP) of the manufacturing sector outstrips the primary sector and its workforce holds a greater proportion of total employment than the primary sector labour force (Simandan 2009: 419). This leads to a fourth law, internal-external market

relations. This law explains that at an advanced point of development, demand from the manufacturing sector will derive from outside of the country in other markets. Therefore, the manufacturing sector's focus of output must turn to exports (Targetti 2005). Exporting capital goods to external markets is a critical step in national economic development in which manufacturing must continue to play a key role.

### **1.1.2 Conceptualising the importance of manufacturing today**

In terms of increasing domestic economic growth and in exports for world trade, manufacturing is of critical importance for developed nations. It is also of equally critical importance to developing countries. Contemporary empirical support for Kaldor's original thesis is offered by McCausland and Theodossiou (2012), whose analysis of manufacturing data from 11 nations between 1992 and 2007<sup>7</sup> showed manufacturing output continued to be an important determinant of productivity growth and GDP growth in the global era, with the services sector not exhibiting the same contribution to these signifiers of prosperity. In a study of foreign direct investment (FDI) into 12 developing Asian economies over the period from 1987 to 1997, Wang (2009) showed that FDI inflows in the manufacturing sector had a significant and positive effect on economic growth in these 'host' economies. Non-manufacturing sector FDI did not have the same impact. This means that manufacturing investment in rich and poor countries alike holds significant implications for policymaking.

### **1.1.3 The political-economic rationale for manufacturing industrialisation**

The importance of manufacturing to economic development means considering it closely for its role in the social and economic progress of nations. Advanced countries with industrial economies of scale benefit from exporting manufactured goods and importing cheap agricultural products. In this sense, they hold a *competitive advantage* in the trade of high-value goods to external markets, placing them in an enviable position in the world market (Porter 1990: 18-21). Altogether, the interpretation of

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<sup>7</sup> The representative countries McCausland and Theodossiou (2012: 84) chose were the United Kingdom, the United States, Canada, Australia, Germany, France, Sweden, Greece, Japan, South Korea and Taiwan

Kaldor's laws describes how manufacturing plays a central role in creating a 'virtuous circle' of economic growth:

[r]apid growth of demand and output leads to an increase in the growth of productivity due to increasing returns to scale, which increases capital accumulation. In an open economy, this leads to competitive advantages, and consequently to faster growth of exports, which in turn contributes to the growth of demand and to a virtuous circle in a process of cumulative causation (Targetti 2005: 1191).

Therefore, where an economy is open to international trade, Kaldor also recognised the necessity for industrialisation to be protected temporarily by tariffs imposed on the importation of manufactured goods from trading partners. Following the Industrial Revolution, in which Great Britain was 'first cab off the rank', other nations were at a significant disadvantage by undergoing industrial development at later stages. Industry protection was necessary to stand any chance against the British monopoly on manufactured goods, which was stifling the ability of other nations to increase agricultural productivity, stimulate industrialisation, and establish national markets for their own goods (Targetti 1992: 210). Nascent industrial development requires protection because this allows nations to 'catch up', create their own markets, and then establish a competitive export trade in manufacturing.

Protecting manufacturing industries is a duty commonly performed by governments. Evans and Rueschemeyer (in Evans, Rueschemeyer & Skocpol 1985: 44) noted that industrialisation was, in both its early and late forms, a process influenced by policies of government, and that these have played a major role in determining the distributional effects of production and accumulation. Gough (1979) interpreted the state as having a political role in the systematic and continuous support of capital accumulation and social cohesion. Fundamentally, the state cannot be an entity functioning outside of the economy and society given its political role to balance capitalist and societal forces through intervention in the market. Essentially, state intervention must entail a set of functions that permit it to intervene in a way that balances capitalist production with social redistribution (Screpanti 2001: 131).

Thus, in a mixed economy of private and public capital – as defines most globally-integrated capitalist nations today – it is likely government will utilise a well-developed state bureaucratic system to facilitate decentralisation of the means of production and private access to capital for investment, whilst maintaining a structural coherence of action to coordinate production as a public good. However, Jessop (1990: 25) explained that despite a presupposition that the state plays an active interventionist role in market forces, it is strangely neglected as a field of analysis in dominant economic disciplines.

#### **1.1.4 The mainstream view of industrialisation**

The theory of a virtuous circle produced by a competitive advantage in manufacturing differs extensively from theories of manufacturing production based on a *comparative advantage*. This is the advantage a nation has in exporting the goods in which it has the lowest opportunity cost. Having not yet ‘developed’, poorer nations commonly possess comparative advantage in the export of agricultural goods. Where there is no protection of their industrialisation process from external competition, they can find themselves in a ‘vicious circle’. This is because a comparative advantage approach to export trade is indicative of constant returns on investment, not increasing returns.

Trade based on comparative advantage does not lead to the rapid economic development and progress of nations. It means the absence of production in the kind of economic sectoral activity which, by its very nature, leads to learning and technical change, which in turn increases returns on investment and greater capital accumulation (Galbraith 2008). Kaldor demonstrated that the basis of international trade between a poor country’s comparative advantage and a wealthy country’s competitive advantage means the wealthy country’s increasing returns lower the cost of exports so far that the poorer country’s manufacturing sector is unable to compete when exposed to direct competition. The primary industries in which it holds comparative advantage also crowd out any development of the only sector from which increasing returns are derived (Targetti 2005: 1192).

Nevertheless, mainstream Classical and neoclassical economists promote comparative advantage over competitive advantage because they believe that the market produces conditions for industrialisation. They believe “[...] free trade benefits every participating country by re-allocating resources in a way that

every unit of labour can contribute more than previously to the national product” (ibid.). This assumes the factors of production are homogenous across all countries and that such allocation of resources to supply and demand will create ‘market equilibrium’. With such logic, nations should trade what they can most easily produce. But in this way, production is measured without due recognition of the cumulative process of causation that emerges from manufacturing industrialisation to advantage countries with more competitive exports.

Comparative advantage does not permit any effective industrial planning by the state and so cannot produce specialisation in the kinds of technology essential to economic development: “[i]f the market thus reigned there would be, and could be, no planning” (Galbraith 1967: 33). The failure of free trade advocates to see specific economic sectors as more important than others to improving the productivity of all sectors is indicative of a failure to understand the key notion explored above: that manufacturing industries depend implicitly on effective demand from other sectors, and that these other sectors are made more productive by the expansion of manufacturing processes.

#### **1.1.5 Industrialisation as knowledge and economic complexity**

Kaldor’s theory of industrialisation as economic development stressed the importance of government policy for protecting fledgling industrialisation processes. Protection effectively helps a nation profit from increasing returns to the scale of their growing industrial production, and the nation benefits from acquiring knowledge through these developments. However, Kaldor stressed that this process must be temporary and provided to industrial sectors that a country decides to prioritise (Targetti 1992). Entering trade on the world market requires product offerings that are distinguishable from those products offered by other nations. This is where the role of knowledge of industrial processes is critically important to prosperity beyond protection, in export-led growth.

Knowledge and innovation are the most important factors in economic development because they drive industrial transformation. Dosi and Nelson (in Hall & Rosenberg 2010) suggest that there are considerable implications of having information as a fundamental input in all economic activities. The capabilities acquired through transformation increase complexity, with clear societal effects. Another

way of understanding this is by conceptualising industrialisation in terms of knowledge. In *The Atlas of Economic Complexity* Hausmann et al. (2014: 31) explain that what a country makes is what it knows. Manufacturing represents the major expression of production by multiple individuals that possess distinct fragments – or ‘modules’ – of knowledge. Knowledge takes two forms: explicit – the kind that can be easily written down or explained and interpreted; and tacit – the specialised kind embedded in the knowledge held by individuals, organisations and networks which is harder to capture or learn in conventional processes (ibid.: 16).

They explain that “[u]ltimately, differences in prosperity are related to the amount of tacit knowledge that societies hold and to their ability to combine and share this knowledge” (ibid.: 15). As societies advance and innovations influence the way we make things, tacit knowledge becomes the most important variable for adding economic value to output. Tacit knowledge increases as networked interactions become more intricate (ibid.: 19). The closer various elements of society interact, the more effectively specific forms of knowledge embedded within them can be mobilised. Nations with the closest interactions between diverse forms of productive knowledge have higher levels of economic complexity and are best positioned to produce highly innovative things.

Nations with a narrower base of productive knowledge produce less complex products, demonstrating that they are not as advanced and less able to mobilise the knowledge spread throughout various elements of a society (ibid.). Adapting this concept to modern industrial circumstances means integrating the specialist knowledge held within the individuals, organisations, and networks of a society in ways that harness tacit forms of knowledge to produce more complex goods with increasing levels of capability. Ultimately, tacit knowledge is the key variable in determining potential for innovation in industrialisation.

Manufacturing today is a process linked to an ever-expanding range of capabilities from research and development (R&D) to design, maintenance and the environmentally sustainable disposal of products at the end of their productive life. Spoehr (2015: 2-3) has suggested that manufacturing

industrialisation's intricate threading throughout the economy means that a diverse range of capabilities beyond manufacturing are so often associated with the process of making things that they cannot be considered an alternative to it. Today manufacturing industrialisation is a key stimulus for innovations in other parts of the economy (Stanford 2016: 5). As the engine of economic and social growth, manufacturing must also transform to respond to changing economic, social and environmental conditions (Bergh, Hofkes & Ooserthuis 2006). This must be planned for, and is something that only government is capable of doing.

## **1.2 Industry policy for economic transformation**

Government must promote industrial transformation by formulating policy which guides the development of knowledge and innovation. Where manufacturing continues to contribute most significantly to this, its transformation must essentially become part of a nation's strategy for prosperity. It has long been accepted amongst non-mainstream economists that a nation's industrial system depends deeply on the state. When this is understood in terms of the way development occurs through increased technical sophistication (ibid.: 392), the state's role in coordinating the goals of industry with the goals of broader society is paramount. Linda Weiss (2012) has contended that state 'guidance' of a nation's economy reflects the shared history of all countries that have successfully industrialised. Weiss explained that even Britain and the United States have used tariffs to protect infant industries, appropriated intellectual property and placed controls on capital and technology markets to help plan economic development on the back of manufacturing industrialisation (ibid.).

When a nation achieves industrialisation, the export of manufactured goods in a way that maintains pace with the overall rate of economic growth becomes essential to increasing the overall value of employment and industrial productivity, wages, and standards of living (Cantner & Malerba 2007: 210). However, beyond this principle is a contemporary reality that the highly competitive global market sees great attention paid to what a country exports. Increased investment and the deliberate differentiation between areas of manufacturing industrialisation and other less-productive sectors produces

transformation in a context where high-technology and innovation are the hallmarks of successful industrial transformation into areas that facilitate development and growth.

The key to transformation is a deliberate structuring of sector-specific industry policy for applying knowledge to manufacturing industrialisation. Thus, industrialisation must be understood to impact whole economies and hold critical importance to building prosperous societies. The reality of a globalised economy today does not change the fact that emerging and advanced nations alike draw on the state to guide and shape development (Weiss 2012). Understanding that what a country makes is what it knows means planning for economic development through strategic government industry policy. This induces output and the various factors of differentiation and innovation that allow broad, effective industrial expansion – not just favouring of the comparative advantage of only efficient firms or industries (Targetti 2005: 1187).

An interventionist form of industry policy thus focuses on the dual objectives of reducing imports and increasing exports of high-value, advanced manufacturing industry products. In place of the market, aims of full employment and the equitable distribution of wealth help to shape effective demand for products that embody the national strategic approach to maximising industrial innovation. Taking advantage of the domination of manufacturing exports in global trade means channelling knowledge resources into efforts to enhance the complexity of processes and the performance of products so that manufacturing industries attain competitive advantage.

### **1.3 Conclusion**

This chapter has introduced the key features of the industrialisation concept at the core of this thesis, arguing that it is the driver of economic development and that the state's role in developing manufacturing industry is essential. In contemporary global economic circumstances, a nation's prosperity depends upon its competitive advantage in advanced manufacturing industries. Knowledge is the key to innovations that lead to industrial transformation, but the state must play a critical role in ensuring that opportunities exist for new industrial processes to take place. Moving forward, this thesis

engages with an investigation of the implications of interventionist state action within the Australian context of manufacturing industrialisation and deindustrialisation, uncovering the changing interventionist role of the state in the shaping of Australia's manufacturing sector.

## 2 South Australia's industrialisation and deindustrialisation in the context of global political-economic crisis and change

This chapter outlines the historically-specific context of manufacturing industrialisation and deindustrialisation in South Australia (SA), referring to how conditions in the global economy have impacted local experiences of change. It describes how, in response to economic crisis, the government implemented interventionist industry policy to industrialise the State from the mid-1930s, which saw SA's industrial economy grow throughout the war and post-war eras, into the early-1970s. The chapter subsequently identifies the period beginning in the mid-1970s as a period of global economic restructuring that marked the beginning of manufacturing decline in SA and represented a return to conditions of economic crisis. From this time, the State's industrial economy began to experience deindustrialisation as investment therein declined over the following thirty years without a reversing trend. The pending departure of Australia's last remaining automotive manufacturer, Holden, makes deindustrialisation a crisis to which the State must respond with policy for industrial transformation. However, as SA's history of industrialisation reveals, such transformation has only occurred where government has spearheaded interventionist policy responses. At present, an industry policy with transformative capacity is more strategically essential than ever before. However, this chapter reviews an empirical history of SA's industrial patterns to suggest that since the 1970s, the State's policy responses to crisis have been qualitatively different to the form of intervention evident in the period of industrial expansion before it. Hence, the chapter makes clear from a historical political-economic background that SA's industrialisation involved the State's leading role in a response to crisis. This serves as a foundation for the remainder of the thesis to argue that, given a looming crisis of deindustrialisation, the State's policy response to manufacturing decline since its deindustrialisation began, and most pressingly since the announcement of Holden's closure, warrants further critique.

## 2.1 Background to South Australia's industrialisation

The South Australian economy was conceived as a British capitalist enterprise after the British colony's capital city Adelaide was founded in 1836 (see Figure 1 below). The colony was founded on the core principles of the 'free market' – unfettered trade free of taxation or legal restrictions imposed by government (Jarrett in Sheridan 1986: 112). South Australia's establishment under the theory of 'systematic colonisation' comprised a class-based foundation whereby rural landowners, commonly also parliamentarians, retained wealth and the means of production, whilst a lower-class possessed neither land nor the means to pursue their own livelihoods (Wanna 1980: 4). The State's political and economic control rested with the property-owning class because of the concentration of their wealth in primary resource industries and the sector's importance to trade relations with Great Britain.

Figure 1: Location of South Australia and its capital, Adelaide, in relation to Australia



Source: DECD (2014)

Primary industries dominated South Australia's economy such that it initially recorded negligible value growth in manufacturing. Sheridan (in Sheridan 1986: 35-36) notes that between 1871 and 1900, SA's employment by industry comprised 33.5 percent of employment in manufacturing compared with the

primary sector's 33.3 percent. But rather than signify the development of an industrial economy, the bulk of manufacturing activity was related to the mechanisation of agricultural production (McFarlane in Sheridan 1986: 5-6).

The focus of manufacturing innovations on agriculture meant South Australia had essentially developed characteristics of the manufacturing industrialisation process without having become industrialised (Sheridan in Sheridan 1986: 41). Specifically, manufacturing 'innovations' in manufacturing produced customised solutions for agricultural application but not at an economy of scale that would represent a transformation of the State's industrial base, as per Kaldor's laws outlined in Chapter 1. Despite the continued dominance of primary industries, manufacturing's primitive beginnings would become centrally important to SA's economy, with a fledgling automotive manufacturing industry emerging most clearly.

### **2.1.1 Early automotive manufacturing in South Australia**

South Australia's automotive manufacturing industry effectively began in SA's capital city, Adelaide. In 1914, the company Holden and Frost of Grenfell Street in central Adelaide began to build customised vehicle bodies (the outer shell of a car) for a range of imported vehicles of Canadian and United Kingdom (UK) origin, but most notably the Model T Ford chassis and engines imported from the US (Haigh 2013). In 1917, the renamed Holden's Motor Body Builders (HMBB) relocated to a King William Street factory and commenced building more bodies for imported American Dodge and Buick chassis and disassembled engines. From the mid-1920s, HMBB and another Adelaide firm, Richards Industries Ltd., were at the centre of Australia's motor body manufacturing industry (Stutchbury in Sheridan 1986: 61). Of the two firms, HMBB emerged as the most strategically important to South Australia's industrial development.

Holden's Motor Body Builder's provision of bodies and component parts for imported vehicles grew throughout the 1920s. Over five years at its King William Street premises, HMBB produced more than 5,000 bodies. In 1922 alone, the production number increased to 6,621, and by 1925 the scale of annual body production had peaked at over 25,000 units (Darwin 1983). Yet despite the initiation of a

manufacturing industry based on automotive production at this time, the greatest focus of manufacturing remained on building equipment for farming and mining operations (Stutchbury 1981b; Wanna 1980).

During the interwar period, successive Liberal Country League (LCL) governments held to a *laissez-faire* policy approach to economic and industrial development in the State (Rich 1988b: 137). There was significant public investment in development but it was focused narrowly on provisioning physical facilities for agricultural developments (Sheridan in Sheridan 1986: 43). The shortcomings of this strategy became apparent when the Great Depression threatened the legitimacy of the LCL government and its commitment to maintaining political and economic power in the hands of South Australia's landholding elite.

### **2.1.2 Early industrialisation and economic crisis**

The interwar years saw the continuation of South Australia's economic foundations on a primary industrial basis. However, in 1927 British investment support for SA's primary industries reduced greatly, which was a prelude to world economic crisis. By the end of the decade, the lack of appetite for transforming the manufacturing industry into a secondary industry distinct from the primary sector ensured that the Great Depression had a particularly negative impact on SA. This significantly limited HMBB's ability to maintain rising production volumes (Darwin 1983; Rich 1988b: 135). A lack of support, combined with falling commodity prices for primary exports, placed SA at a great disadvantage in comparison with eastern states, and SA faced an economic crisis (Rich 1993a: 9).

Factory employment in South Australia in 1928-29 reached 36,800 workers ahead of Western Australia and Tasmania but well behind the eastern states of Queensland, New South Wales (NSW) and Victoria (Rich 1987: 37). But in the same period manufacturing still only contributed 14.8 percent of Gross State Product (GSP), compared with 26.3 percent from agricultural activities (Rich 1988b: 136). The ongoing prioritisation of primary industry in SA was undermining further economic expansion. World market conditions had changed and the State's industrial structure anchored it to markets with rapidly shrinking

demand. The Great Depression represented a crisis of SA's economic foundation on free market enterprise as well as a crisis for the government's leadership.

But even in the grip of the Depression era, the South Australian government's approach to industry was to interfere as little as possible with private enterprise, despite the continued dominance of the primary sector. Its provision of infrastructure to primary industries was founded on ensuring sound economic policy through a balanced budget, low expenditure, and higher taxes to preserve the tenets of SA's colonial development, even in the face of the State's rates of unemployment, which were also the nation's highest (Wanna, Sheridan in Sheridan 1986).

Despite the social upheavals of the interwar period that had swelled support in South Australia's labour movement, a split in the State's Labor Party (ALP-SA) during the Great Depression paved the way for an unbroken succession of LCL governments from 1934 to 1965. Despite no change of government, the government could not mount an adequate response to the economic crisis it faced in the Depression by adhering to its passive *laissez-faire* policy position. This approach was not adequate to producing industrialisation. The extent of unemployment led to industrial tensions, and the Great Depression signalled the crisis point of a regime of capitalist accumulation which, since colonisation, had been dominated by elites strongly linked to agricultural production (McFarlane in Sheridan 1986: 11).

This arrangement threatened to undermine South Australia's growing industrial base. Given its interests in the rural sector and its status as beneficiary of *laissez-faire* economic policy, SA's elite was entirely incapable of mustering the political and economic momentum to transform the State's industrial foundations (Stutchbury in Sheridan 1986: 11). The global threat to SA's primary production was augmented by threats much closer to home in inter-state competition from more firmly established industries and markets (Rich 1988b). In 1935, General Motors-Holden (GMH) – which had acquired HMBB in 1931 – threatened to shift its headquarters from its plant in Woodville in Adelaide's urban inner-north, to a new site at Fisherman's Bend in Melbourne's harbour. State taxes in SA were far higher than in Victoria (Stutchbury in Sheridan 1986: 61-62).

As developing countries began to emerge as Australia's competitors in primary industry, the cost of doing business in South Australia risked further weakening its position comparative to other Australian states that were rapidly developing their manufacturing industries and capabilities. There were fears within government that Holden's departure would see Richards depart as well, thus raising unemployment in the State significantly (ibid.: 71). This concern provoked a groundswell of new policy responses to industrialisation in SA that positioned government as the driver of transformation. Henceforth, responsibility for economic development fell upon a far more interventionist state.

## **2.2 South Australia's manufacturing industrialisation**

South Australia's struggles to recover economically from the Great Depression left a profound impression on government policymakers. However, the South Australian government's role in underwriting development stretches back to the notions of economic liberalism, under which SA was colonised. Yet with the State's economy becoming increasingly dependent on manufacturing industrial expansion to sustain development, public sector decision-makers quickly realised that market forces alone were not capable of delivering the economic transformation necessary to survive further economic shocks.

State intervention was essential to South Australia's economic development following the Great Depression. Hereafter, the history of industrialisation in South Australia reveals an 'enterprising state', whereby the government apparatus has been the key economic developer (Sheridan 1986). Faced with a national context in which the powerful industrialised states like NSW and Victoria possessed greater economic might and lobbying power, it quickly became apparent to policymakers that SA would benefit in the long-run from encouraging the development of its own manufacturing industries (Stutchbury in Sheridan 1986: 60-61).

### **2.2.1 Beyond the Depression**

The critical elements of South Australia's industrial foundations were laid between 1935 and 1940. Mitchell (1962) argued that the SA government took positive action, firstly, by attracting outside capital investment to the State, leveraging from the boom in industrial development across Australia occurring

at the time. Secondly, determined efforts were made by the government along with interest groups like the South Australian Chamber of Manufacturers and the Industries Assistance Corporation, to aid small local industries in their industrial transition or expansion efforts. Government policy responses to industrialisation were implemented most evidently from 1938, when Sir Thomas Playford took over from Richard Butler as SA's Premier. Highlighting the relationship between agriculture and manufacturing, Playford "[...] rationalised the new industrialisation goal as being as important to the farmer as to anyone else" (Stutchbury in Sheridan 1986: 61-62). Playford's interventionist premiership was a significant step toward a standard SA government embrace of policy responses to economic development which recognised the need for industrial diversity.

Under the Playford Government, manufacturing industry promotion remained an important goal (ibid.). From this point onward the state, with assistance from peak bodies and other groups, drove policy responses that began to transform South Australia's economic base. It is important to recognise that the impetus for the state's interventionist response to economic transformation originated with one of its most senior public servants, J.W. Wainwright, the Auditor-General. Wainwright's role in mobilising public and private support for a Keynesian-inspired industry policy platform had the most influence on the state's embrace of an interventionist response to economic opportunities. The industrial transformation that took place under the state's interventionist role and the important place of Wainwright in structuring this period of expansion is detailed at length in Chapter 4.

Foreign investment in the 1920s and 1930s had also given the Australian automotive industry a foundation for growth. Foreign firms of North American and UK origin were attracted to Australia because an automotive industry was being nurtured by federal industry policy settings of high tariff protection and import-substitution. This was fertile ground for foreign operators to establish, or acquire, subsidiaries in a burgeoning industrial nation.

By the mid-1930s the United States' three largest carmakers had firmly established capital investments in the developing Australian automotive manufacturing industry (Conlon & Perkins 2001: 29). The

decisions of General Motors and Chrysler to invest in South Australia were predicated initially on their acquisition of local firms in a developing Australian industry that had yet to market any indigenous vehicles. Therefore, it represented no direct threat to dominant US industrial operations (Conlon & Perkins 1995; Haigh 2013).

The expansion of these firms into full-scale production resulted from government policies to attract greater foreign direct investment during the interwar years. In this time, it made a focused attempt to attract foreign investment to South Australia rather than other states (Wanna 1980: 6). This entailed an extensive public-sector approach to economic development that allowed the government to set in motion a manufacturing development strategy competitive with the larger eastern states.

Within a context of government policy incentivising further foreign investment, foreign firms bailed out South Australia's domestic industries following the Great Depression, and permitted the local automotive industry to survive economic crisis. Thus, SA's state-driven 'subventionist' industrialisation agenda was also dependent on building collaborative relationships with foreign capital (Wanna 1984: 352). The years prior to WWII also established SA as a key centre for defence-related industries, with a major site of defence industrial research and development established in Adelaide's north. There, a munitions plant and a Weapons Research Establishment were built, laying the foundation for spinoffs in high-technology activities as several firms located nearby to research, develop and manufacture defence and aerospace products (Rich 1987). Adelaide's relative isolation from the Pacific Theatre made defence industrial investment in the State a strategic national imperative (McLean 2013: 181-182).

### **2.2.2 World War II and beyond**

Industrial activity in World War II (WWII) helped to consolidate South Australia's policy response to industrial development for post-war expansion. At the war's outbreak, the expanding automotive industry turned to the manufacture of military vehicles, artillery and engineering equipment for the war effort (Wanna 1980: 10). In this period, Holden's operations focused on the production of war materiel. As General Motors had to date made the most significant foreign investment in Australia by providing

physical infrastructure and trained staff and experience, Holden was ahead of the curve in terms of possessing the skills and facilities to contribute to the war effort (Darwin 1983).

During WWII, there was a more active involvement in local-state affairs from the federal government for obvious national security and defence reasons. The combination of infrastructure initiated by investments from both federal and state governments in response to WWII “[...] made *physically* possible the rapid attraction of manufacturing in the post-war period” (McFarlane in Sheridan 1986: 15, emphasis in original).

### **2.2.3 South Australia’s post-war industrialisation**

With South Australia now boasting a foundation of manufacturing industrialisation, favourable post-war conditions enabled its government to create further cost advantages for foreign investment in manufacturing industrialisation. Attracting key foreign investment away from producers and markets in the more populous eastern states continued to be the key to this strategy (Stutchbury in Sheridan 1986: 64). Throughout the 1950s and 1960s, the policy of government assistance to promote industry attraction and expansion saw more foreign investment in SA taking place in a sustained fashion due to the mass-scale nature of industry development in the post-war period. Most significant amongst these new industrial developments were steel production at Whyalla in the State’s mid-north by the mining and metals company BHP, and an oil refinery at Port Stanvac, south of Adelaide (McFarlane in Sheridan 1986: 16).

South Australia’s rapid industrialisation in this period reflected national trends in Australia and was no different to the industrial boom experienced in other Western economies. However, Rich (1987) argued that SA’s relative isolation from war zones, a surplus of female labour and a reputation for good industrial relations brought the most rapid manufacturing industry growth to the State in this period. South Australia’s suitability to industrial investment is made clear in comparison with data with from other states. Over the post-war period SA’s percentage share of national manufacturing industry hovered around 9 percent compared with roughly 42 percent for NSW and 33 percent for Victoria (McLean in Mules 1989: 24). Yet by 1969-70, SA accounted for as much as 22 percent of Australian

employment in automotive manufacturing, and 24 percent in whitegoods (Davis & McLean in Parkin & Patience 1981: 36).

Given its geographical isolation and a much lower population, South Australia was never going to match the level of manufacturing activity conducted in NSW and Victoria. However, the percentage of manufacturing in SA represented a significant share of industry compared to these states' much larger populations and more diverse economies. The concentration of 'industry mix' in metal-based industries, as manufacturing is broadly defined in the data, made SA's relatively small share of overall national manufacturing far more significant in real employment and productivity terms (McLean in Mules 1989: 24). This represented a continued reliance on the investment of Holden and other foreign investors like Bridgestone in tyre manufacturing, and other foreign firms supplying component parts to the automotive industry that had been established throughout the 1940s and 1950s (McFarlane in Sheridan 1986: 14-17).

### **2.3 South Australia's deindustrialisation**

In the years prior to WWII and in the post-war period that followed it, the government's role in shaping industrialisation through interventionist policy was critical to avoiding crisis. However, global economic changes from the 1970s meant that the kind of interventionist industry policy responses seen hitherto in South Australia were now incapable of facilitating competitiveness in the manufacturing industries that had built its economy. Within this global context, the serious economic problems SA faced because of mounting global economic pressure signalled the beginning of the deindustrialisation of manufacturing in the State.

From the early-1970s, it was apparent that SA's manufacturing industries faced problems relating to their global market integration. The State's manufacturing employment peaked in 1973-74 at 128,170, but after that 35,300 jobs disappeared from the sector up to 1984, which was higher than the average Australian rate (Rich 1987: 227). Retrenchments in the manufacturing sector would "[...] become almost institutionalised by the mid-1970s" (Stutchbury Sheridan 1986: 82). This is because federal anti-cyclical

measures such as credit squeezes and sales tax increases impacted most heavily on the manufacturing industries SA's economy was built upon. Between 1968-69 and 1983-84 manufacturing in SA declined by 17.9 percent, marking the beginning of a long process of reduction in the State's industrial capacity (Rich 1987, 1988a).

Over this period, South Australian manufacturing declined in not just employment, but in competitiveness and overall productivity as well. Rich (1987: 129) showed that between 1968-69 and 1983-84, despite the loss of more than 20,000 jobs, the production increases of manufacturing firms had not been reflected in savings, where a rise of only 4.3 percent in value-added was a far worse performance than the national average (ibid.: 129, 134). The State's poor performance was due to a weak export orientation of industry, which was problematic as domestic consumption had declined dramatically as well (Rich 1983, 1987).

Manufacturing firms began to uproot and move their operations overseas or consolidate their activities with operations in other states. Baum and Hassan (1993) analysed census data across a ten-year period from 1976 to 1986, finding a sharp decline in high-waged manufacturing employment in Adelaide's north, where the bulk of manufacturing industry was based, and a corresponding increase in lower-waged service sector employment. Between 1980-81 and 1985-6 the South Australian economy experienced decline in employment multipliers for 13 out of 21 manufacturing sectors (Mules 1992: 49) including automotive; reflecting, along with reductions in workforces, a significant loss in manufacturing complexity and capabilities for enhanced productivity and innovation. Firms attempted to increase profits by rationalising production and workforces. Global economic restructuring permitted this to occur. This is detailed further in Chapter 5. The analysis below takes account of the empirical experience of such change in South Australia.

### **2.3.1 Global economic restructuring and South Australia's disadvantage**

The impact of deindustrialisation was felt by all Australian states, but in South Australia – and in Adelaide particularly – the process had the most serious long-term ramifications. Adelaide's urban regions of concentrated manufacturing industry saw an above national average representation of poverty and

deprivation throughout the 1970s and 1980s (Baum & Hassan 1993; Winter & Bryson 1998). In these decades, regions more disproportionately dependent on manufacturing suffered the harshest consequences of deindustrialisation.

The impact of deindustrialisation on South Australia can be understood where global economic restructuring altered the interventionist role of government in industrial patterns. Global changes induced regulatory restructuring from the national level both upward (supra-nationally) to the global scale and downward (sub-nationally) to the local-state or regional scale. As national regulatory powers were eroded, key forms of global industrial, service and financial forms of capital were strategically located at the sub-national level (Swyngedouw 1997: 156).

These patterns of development were characterised by unevenness. Urban and regional centres emerged as prominent sites of localised production for global markets (Brenner 2004: 6). This undermined the regulatory role of government and focused the outcome of labour market restructuring on local governments, industries and communities. Deregulation and advances in technology permitted capital great mobility, with new developments gravitating towards the most efficient and globally-connected regions. This restructuring saw a growth in lower-value work in the industrialised countries and the share of industrial profits increasingly flowed away from industrial communities to more competitive ones.

As regions were thrust into competition with each other for a share of globally-mobile investment, the regions losing investment were prevented from being able to achieve any self-generated local growth (Walker 1978). Competition spatially reorganised regions, dividing working-class communities from middle-class ones, adding a dimension of competition along class lines for the role that particular territories would play in global markets (ibid.: 30). Fagan and Webber (1999) described the way global economic restructuring also meant the increasing internationalisation of Australian-based transnational corporations that relocated capital to the newly industrialising regions of the Asia-Pacific, but also into the core markets of North America and Europe. To maintain pace with global competitiveness,

Australian industries had to become more flexible and specialised, or offer high-value products and services.

Other Australian cities, particularly Melbourne and Sydney, had suffered the consequences of deindustrialisation just like Adelaide, undergoing a large-scale shedding of jobs. But a tell-tale sign of economic transformation and adaptation to global economic restructuring was evident where these other cities witnessed a shift from manufacturing jobs to high-value service sector jobs, such as in professional fields like finance, property and business services. Murphy and Watson (1994) calculated that manufacturing employment as a percentage of Sydney's workforce was 61.9 percent in 1971, but was just 24.6 percent by 1991 alongside 26.3 percent in services; likewise, Melbourne's 67 percent of employment in manufacturing in 1971 was just 30.9 percent in 1991 with 12.7 percent in services.

The struggle to achieve transformation was most apparent in Adelaide. In comparison to Sydney and Melbourne, Adelaide's manufacturing percentage of total employment was 58.4 percent in 1971, and in 1991 it was 29.2 percent with just 8.6 percent in services (ibid.: 584). These figures represented a much higher and greatly disproportionate reliance on heavy industry which translated to a significant inability to adapt to global economic change. Although Sydney and Melbourne suffered comparative rates of unemployment across the period of global economic restructuring, they also possessed economies with far more industrially diverse manufacturing sectors (Rich 1983, 1987, 1988a). This diversity helped buffer the transition to global market competition and brought to their economies more robust service and professional sectors than Adelaide could achieve with a narrow industrial base.

The key factor in transition was industrial labour productivity. South Australia's industrial mix exhibited specialisation in the industries with low productivity – clothing, textiles, transport equipment, and machinery – as opposed to higher productivity industries like food, paper, chemicals, and basic metals that other states' industrial mix comprised (Rich 1983: 409-410). Resultantly, SA's industrial mix contributed substantially to below-national-average productivity and held little opportunity for creating the kinds of complementary service industries that yield even higher labour productivity.

In the eight years between 1974 and 1982, nearly 16,000 manufacturing jobs were lost across the Greater Adelaide Area (Forster 1986). The regions dependent on a declining manufacturing sector suffered the most, and these were spatially concentrated in the outer metropolitan areas, far from access to public resources (Baum & Hassan 1993). Operations of the automotive firm Mitsubishi in Adelaide's inner- and outer-south shed 5,300 jobs between 1973 and 1983. Holden's workforce was reduced from 11,800 to 5,700 in the following decade, and this included the shutdown of its Woodville factory in 1984, costing a further 1,300 jobs, although some production line work shifted to the firm's operations in Elizabeth, in Adelaide's north (Rich 1987). Between 1989-90 and 2003 17,000 jobs in manufacturing were lost in South Australia (Gelber in Spoehr 2005b: 7).

Although manufacturing jobs were departing South Australia *en masse*, not everyone in the State suffered proportionately. The distribution of higher-paying professional industry employment flowing to Adelaide was concentrated on the city's more affluent inner suburbs, and all showed far lower indicators of welfare dependency, such as receipt of aged and unemployment benefits (Forster 1986: 7). Due to outer-Adelaide's significant reliance on a narrow scope of manufacturing industries, the experience of restructuring in these urban industrial regions was of pronounced poverty and deprivation.

In 1984, 41,000 people were receiving unemployment benefits; compounded by a State-wide recession, by mid-1991 unemployment in Adelaide had reached 51,900, with a corresponding unemployment rate of 9.9 percent (Winchester 1991). Altogether, Adelaide's industrial regions were at the centre of South Australia's experience with deindustrialisation, particularly where the search for cheap housing magnified the stark contrast between inner-city wellbeing and outer-metropolitan poverty and disadvantage (Forster 1986: 7).

Adelaide and South Australia emerged from global economic restructuring at a significant disadvantage compared to Australia's major urban and economic centres. Throughout this time, the state's interventionist role was seriously limited. Despite reforms to aspects of the government's welfare

policy, like social housing provision during the 1970s and 1980s to mitigate growing unemployment, Adelaide's once-thriving industrial regions became sites of urban poverty (Winter & Bryson 1998). The primary policy response to increasing unemployment and social disadvantage was to provide social assistance as manufacturing firms relocated their operations overseas.

### **2.3.2 Deindustrialisation in South Australia in the twenty-first century**

The Australian Bureau of Statistics (ABS) announced in 2011 that since 2000-1, manufacturing in South Australia had recorded negative average annual employment growth and since 2006-7 had been surpassed in average annual employment by the health care and social assistance industry (ABS 2011b). In SA as a whole, manufacturing in 2010-11 accounted for 77,908 jobs, and health care and social assistance employed 100,593 people (ABS 2011a). Although it trailed SA's largest industry sector by employment, manufacturing remained the largest contributor to the economy. It made the largest contribution to SA's GSP in 2012-13, in terms of adding value to the State's economy – \$7.748 billion compared to just \$3.889 billion in mining and \$4.538 billion in agriculture, forestry and fishing (ABS 2013: 39). In 2015-16 manufacturing employed 68,000 people, with sales and service income of \$23 billion and wage and salaries of \$4.3 billion. In comparison, healthcare and social assistance employed 81,000 people, with only total sales and income revenue of \$5.3 billion and wages and salaries of \$3.2 billion (ABS 2017). The growth in employment in this latter sector was indicative of lower wages and salaries and significantly lower productivity in parallel to manufacturing's decline across all indicators.

These figures also demonstrate, in productivity terms, that despite manufacturing's decline it was still comparatively more important to the South Australian economy than other sectors. Manufacturing held importance over the high-end service occupations like construction (\$6.935 billion) and financial and insurance services (\$6.857 billion) (ABS 2013: 39). But ABS statistics also revealed that as a contribution to GSP, manufacturing growth reduced by -1.7 percent on the previous year, compared to mining's increase of 3.2 percent.

Although partially reflecting higher productivity, these figures reveal structural changes to SA's, and Australia's economy at this time. Indeed, over the years 2010-11 to 2012-13, mining's share of value to

the State economy increased, whereas manufacturing decreased (ibid.: 39). The mining boom fuelled a steep rise in the Australian Dollar's exchange rate, placing enormous competitive pressure on other trade exposed sectors like manufacturing. This was the major contributing factor to South Australia's growing challenge to avoid deindustrialisation.

## **2.4 The closure of Holden in Playford**

In late 2013, Holden – one of the two automotive manufacturers still operating in Australia – announced that it would end manufacturing operations in the country in 2017, meaning closure of its automotive manufacturing plant at Elizabeth in the local government region of the City of Playford in Adelaide's north. Holden cited the impact of a high Australian Dollar on the sustainability of a heavily trade-exposed automotive industry as a major factor in ending Australian manufacturing operations (GMH 2013). When Holden closes it means the direct loss of 2,900 jobs – 1,600 from Playford, and 1,300 from Melbourne's southwest, across the four years from 2013 to 2017 (ibid.).

Holden pledged to local communities its intention to continue producing vehicles until the end of 2017. But the incremental dismantling of this promise quickly became evident. Decisions to end production of major Holden models like the 'Cruze' by October 2016 led to the loss of 320 jobs in Playford, bringing employment numbers at the plant to less than 1,000, and the number of cars produced daily down from 240 to 165 (Griffiths 2016).

When all is accounted for, far more than just 1,600 Holden jobs will disappear in South Australia when the plant in Elizabeth closes. This is because the end of the automotive industry puts far more at stake than only jobs at Holden. To illustrate this fact, Kurmelovs (2015: 15) described how "[e]ach day, the 123-hectare Holden factory sucks in 402,000 car parts [...] either made on site or received in one of 274 truck deliveries or 33 cargo containers from any of 33 direct suppliers in a supply chain made up of 700 to 800 companies." When Holden leaves, so too may those truck-driving and cargo-transporting jobs, and they are merely the tip of the iceberg.

Recent data reflect the way the loss of automotive manufacturing will ripple through the South Australian economy. The signals of this are apparent in Holden's rolling layoffs, and production slumps that reduce effective demand. This means that Holden's closure will make some of its major component suppliers uneconomic, affecting also the State's wider supply chain that services Holden in Playford and other activities undertaken by these businesses elsewhere (Burgan & Spoehr 2013a).

Because so many manufacturing firms rely on Holden for most of their business, its 2017 closure may be their death knell, unless they possess the capability to relocate operations inter-state or overseas, or successfully diversify their production and remain in SA. Former Chair of the South Australian government's Automotive Transformation Taskforce (ATT), Greg Combet, noted that firms most at risk from the closure of Holden are the SA subsidiaries of international companies: "They say they'll keep working until the last car rolls off the assembly line at Elizabeth and then they're out" (Russell 2015).

The consequences of deindustrialisation are most apparent to the local regions confronted by plant closure, despite them having little voice in the process. Just as the Holden closure was decided beyond Australia's shores, other manufacturers in South Australia may not be the ones to decide whether they close their doors, adding scores of workers to the growing population of unemployed people in the State. The flight of foreign capital investment from South Australia since the 1970s makes clear that, when such decisions are made overseas, profitability is the decisive factor. If production cannot yield a company adequate financial returns somewhere, it will relocate to where profit can be made, or at least seek to stem losses through local closures. With employment predicted, in both national and local-state level modelling, to decline in the Playford region by nearly 16 percent four years after closure (Burgan & Spoehr 2013a; NIEIR 2013), the end of production by Holden reflects the consequences of decisions made in faraway board rooms.

South Australia's deindustrialisation is just an element of a much wider pattern of global restructuring. The State's economy risks succumbing to these forces if government is unable to develop policy responses that facilitate economic transformation into advanced forms of manufacturing. But it also

indicates that at the federal government level, industry policy has not been conducive to new industrial developments in SA, particularly where a privileging of primary resources has only damaged prospects for Australian manufacturing to be a globally-competitive industrial sector. Further discussion of the way this policy context risks manufacturing competitiveness is taken up in later chapters to demonstrate how it has great consequences for SA's economic future.

#### **2.4.1 Life after Holden: opportunities for industrial transformation**

The long road to automotive deindustrialisation was paved with the exit of a range of foreign companies from South Australia. In automotive manufacturing, Mitsubishi Motors ended operations in 2006, and Bridgestone in 2009. In the broader supply chain, Coca Cola-Amatil announced in 2017 that it would close its manufacturing plant in Adelaide in 2009, consolidating its operations in Queensland at a loss of 150 direct jobs in SA and a saving of \$20 million (Scopelianos 2017). It is apparent that the loss of Holden will produce more of the same reduction in jobs and economic activity. Yet recent investment trends draw attention to historical developments in SA's post-war industrialisation. The Weapons Research Establishment – renamed the Defence Science and Technology Organisation (DSTO) remains at the centre of a growing defence industrial complex bordering Playford. This holds significant opportunities for the State to transition its automotive industrial capabilities into advanced manufacturing knowledge, technology and innovation industries.

Additionally, there are promising signs in other advanced manufacturing sector industries. The number of people employed in manufacturing in South Australia has increased by 500 between 2012 and 2017 to 77,400 total. Enrolments in Vocational Education and Training (VET) courses related to manufacturing industry have also increased (DSD 2017b). Despite the winding down of automotive industry activity, manufacturing continues to make a significant contribution to the SA economy.

However, industrial transformation from automotive to defence industrial activity cannot be achieved overnight. To make matters worse, the automotive industry will close quickly, relative to the seven-year period economist Göran Roos has estimated is needed to save companies in the automotive supply chain and assist their diversification into an industry like defence (Lynch & Hawthorne 2015). But cuts

to the volume of goods supplied to the automotive industry will grow with severity to the end of 2017 as production at Holden winds down. Roos has commented that, at this point, their business may no longer be viable, meaning they will no longer exist (ABC Radio National 2013).

The premature loss of Small-to-Medium Enterprises (SMEs) that have relied on Holden will diminish opportunities to leverage from defence. Where the collapse of an automotive industry occurs before alternative forms of advanced manufacturing can be established and contribute to industrial rejuvenation, deindustrialisation is a real concern. Defence industrial activities have a history in Adelaide's north and could be instrumental in industrial transformation, but currently the federal policy environment is significantly unsupportive and this thesis argues that this is the result of several decades of industry policy erosion. Thus, short-term events in the automotive industry will have long-term implications for South Australia in the absence of significant policy responses from governments at multiple levels.

## **2.5 Conclusion**

This chapter has outlined how the impact of global economic change on South Australia has been profound, and how the State's diminishing fortunes are largely the outcome of changes at the federal political-economic level in Australia. At present, SA is poised at the most significant policymaking crossroad since the 1930s. What kind of response will take it forward to economic growth and social prosperity? The following chapter frames the argument that prosperity will not result from the current trajectory on which SA, and Australia, is currently set.

### 3 Understanding deindustrialisation as capitalist crisis: a framework

This chapter establishes a theoretical framework that interprets deindustrialisation as the local outcome of a crisis in global capitalist accumulation. This has implications for understanding how crisis is expressed in the deindustrialisation of South Australia, a matter examined later in this thesis. The chapter contends that restoring profitability and social stability in the wake of economic crisis requires providing an 'institutional fix'. This is achievable through government policy responses which, through state intervention, embed the capitalist system in stable institutional forms. It argues that the neoliberal market basis of global capitalist expansion is an unsustainable institutional fix. Understanding the capitalist system's embeddedness in social institutions and producing policy responses that reflect this can, over an extended period, prevent capital from reaching crisis conditions. To explore this hypothesis, the chapter employs a Marxian-Institutionalist political economy approach to interpreting capitalist regulation offered by complementary schools of Regulation Theory and Social Structures of Accumulation. This approach contends that capitalist production has only been able to expand sustainably over long time periods when stabilised by state-sanctioned social institutions. This provides for an interpretation of neoliberalism as a capitalist crisis where, in the absence of a corresponding social structure, capital has continued to expand, but its tendencies to reach crisis conditions have been heightened, producing market failure. The state has legitimised the neoliberal expansion of capital, which emphasises the finance basis of capitalist market expansion at the expense of productive industrialisation processes. This form of market-driven institutional change has produced deindustrialisation in developed economies like Australia's, with ramifications for the policy responses of governments to the ongoing crisis it represents. Governments have continued to intervene in creating policy responses, characterising neoliberalism as an 'actually existing' phenomenon whereby the state is the key agent producing market-oriented capitalist expansion.

### **3.1 Understanding the market-institutional foundation of the global economy**

The history of modern capitalism has been characterised by disagreement over the extent to which the state should intervene in the workings of the market economy. This has had implications for the creation of economic policy as it relates to both social and industrial development. The most important concept to those advocating for economic freedom beyond the control of government's intervening role in the economy is the notion of economic liberalism. This is a philosophy that freedom can only be guaranteed when the individual can enter freely into commodity exchange in a *laissez-faire* or 'free' market – one left alone without external interference (Gilbert 2009).

The free market has no more vocal advocates than subscribers to neoclassical economic theory. Neoclassical economists perceive the most optimal society as one based on market institutions, whereby rational individuals and firms are the basic actors. Society's institutional organisation is thus interpreted "[...] as a set of interconnected and self-regulating markets in which buyers and sellers freely interact without the need for substantial government regulation" (Stilwell 2012: 150). This means exchange must be formed on a basis of competitiveness between rational actors vying for profit maximisation (Block 1990: 22). Non-competitive and inefficient forms of economic development risk causing the misallocation of resources. Competitive market exchange ensures that the free interaction of rational individuals generates investment in forms of industrial activity that are most optimal to society and to the employment of its resources (Wade 1990: 9).

#### **3.1.1 Neoclassical foundations of policy**

Modern neoclassical economists focus analysis on 'microeconomic' theory. This is the study of the dynamics of individual markets, not whole economies. It develops economic theory by beginning with assumptions of rational individuals acting in free markets, then applies mathematical logic to how they would coordinate their actions. This allows neoclassical economists to infer what, if any, role state intervention should play in coordinating markets (Colander & Kupers 2014: 89). Most commonly, neoclassical theory holds that external interference from government or other non-market actors to attempt market regulation produces 'market failure', because external interference has a distortive

effect on the market's natural tendency towards equilibrium between the supply and demand of resources (Brennan & Moehler 2010; Wade 1990). Thus, neoclassical theory assumes that the market contains 'perfect' information and is therefore self-regulating, having no need for the state to intervene.

This 'market fundamentalism' is not a useful way to analyse economies. Essentially, microeconomic analysis relinquishes any "[...] quest to understand the complexity of economic, social, and political institutions and the conditions for social progress" (Stilwell 2012: 156). The development of society is driven by far more than market exchange and thus the market-based interpretation of the economy falls far short of making sense of reality. Microeconomic analysis avoids any acceptance that society is more complex than mathematical modelling of market transactions can emulate. Critically, the foundation of microeconomic analysis on markets makes no provision for the fact that the free market basis of society propels the capitalist system towards crisis.

### **3.1.2 Marxian critique of free market institutions**

Capital, and the wealth of the individual capitalist, must continually expand. The radical political economist, Karl Marx (1995[1867]), challenged classical political-economic assumptions that commodities are traded fairly and optimally in a *laissez-faire* capitalist market system. The inherent conditions of capitalist production mean that capital invested in production must be enlarged when it emerges from circulation (Marx 1995[1867]: 121; Mattick 1981). Thus, the individual's imperative in market transaction is to create additional value (profit) from exchanging their commodity for a price greater than the cost of its production.

The class-based nature of capitalist society makes domination and exploitation a key feature of market-based exchange under capitalism. Capital's imperative to expand means exploiting labour and the environment without regard to the consequences. This produces a vertical social relation of domination and subordination (Harvey 2006: 424; Mizuoka 2009). Capital's most compelling contradictions, and those that ultimately lead it to crisis, lie within this circular and effectively self-destructing logic of capital's exploitation of the inputs it depends upon.

Crisis is an inherent condition of the capitalist system. Capital inevitably reaches crisis conditions, and in several ways. First, the capitalist market system is bereft of order and coordination. Within it, crisis can result from *disproportionality* in the decision-making processes and productive activities of capitalists: under *laissez-faire* the absence of a central planning mechanism to coordinate different sectors of the economy means individualistic actions can trigger an economy-wide crisis (Kenway in Eatwell, Milgate & Newman 1990; Stilwell 2012).

Second, over time, there is a *tendency in the rate of profit to fall*. This is because the more successfully individual capitalists accumulate capital, the greater downward pressure is placed on the rate of profit. This can cause systemic failure by reducing the inclination of capitalist enterprises to expand their productive capacity, with crisis resulting from falling investment and output (Stilwell 2012: 143).

Third, the growth of *underconsumption* in markets can produce crisis, particularly where capitalists must either increase prices or suppress labour wages to sustain profits. Paying low wages and asking higher prices reduces the purchasing power of consumers, and a surplus of production results: “[...] the production of surplus value requires low wages, whereas the realisation of surplus value is facilitated by high wages” (ibid.: 146).

Thus, there is no egalitarianism within the free market structure under capitalism. Above all else the capitalist process entails production only for the expansion of capital, not for expanding the means by which the forces of production (labour) can reproduce their own shared benefit (Marx 1995[1867]: 455). The capitalist system is thus characterised by the pursuit of both profit for profit’s sake and accumulation for accumulation’s sake (Harvey 1985; Marx 1995[1867]). Inevitably then, crises cannot be avoided in a capitalist market system where accumulation “[...] is the means whereby the capitalist class reproduces both itself and its domination over labor” (Harvey 1985: 1). When these crisis tendencies emerge, the squeeze placed on the productive element of the capitalist system – labour and the environment – threatens destruction of the system.

The expansion of capital on a free market foundation cannot sustain increased profits nor produce socially beneficial ends (Eaton 1966: 145). The downward spiral of cumulative production caused by these expressions of crisis results in market failure (Clarke in Fine & Saad-Filho 2012; Harvey 1985: 11-12). Understanding the crisis of capital in its full scope, and proposing solutions to the restoration of productive economic development means seeing capitalist accumulation as only sustainable insofar as it is driven by social institutions capable of making it as equitable a system as possible, offsetting its predilections over a sustained period.

### **3.1.3 The Keynesian macroeconomic approach to shaping social institutions**

Not all neoclassical economists have dismissed a substantial role for government in directing economic development. John Maynard Keynes (1970 [1936]) determined that there was a role for government to stimulate the economy through active monetary and fiscal policy in times of business cycle downturns, given capitalism's proclivity to a repetitive cycle of boom, bust and renewal, which interventionist government action can offset.

Keynes proffered that markets will not automatically adjust to equilibrium because of uncertainty in production and consumption. This can lead to the underemployment of productive resources and hence market failure (Foley 2014: 14). Keynes' solution to understanding economic crisis related to analysing the economy as a whole – a 'macroeconomic' view that has suggested supply and demand cannot alone determine suitable economic outcomes. Rather, understanding labour markets and the importance of achieving full employment to promote aggregate demand within an economy feature as important variables that require government intervention through macroeconomic policy settings (Stilwell 2012).

In the Keynesian neoclassical tradition, government spending is necessary to enhance aggregate demand within the economy. This can achieve full employment by stimulating adequate investment expenditure in the private sector and a return to economic growth in the face of uncertainty that will otherwise produce economic crisis. However, government is also critical to managing aggregate demand through full employment and preventing excess aggregate demand, which drives currency inflation, and hence, capitalist economies to crisis (ibid.: 269-271).

The Keynesian macroeconomic approach, which views government as essential to productively manipulating the sum of an economy's diverse parts, has been critical to the expansion of capitalist economies throughout extended periods in the twentieth century. Keynes' ideas were successfully implemented in the post-war industrialisation of advanced economies. The institutional forms this took to guide expansion of market-based economies from the post-Depression era to the post-war era, and their impact, are discussed further in Chapter 4 in the context of Australia's industrial boom with specific reference to South Australia's industrial development. For this chapter's theoretical treatment of economic ideas, it suffices to say that the use of Keynesian macroeconomic policy responses to industrialisation in the wake of capitalist economic crisis has represented a deliberate attempt by governments to intervene in building the institutional framework for capitalist expansion. This has been accomplished in line with social-democratic principles whose rationale is explained astutely by Frank Stillwell (ibid.: 272):

The characteristically Keynesian belief is that government can, and should, contribute to social progress, working within the general context of a capitalist economy to eradicate its most antisocial features. It is not that governments always get it right [...] [but] Keynes believed that governments should play a significant role in securing the 'possibility of civilisation'.

### **3.2 The economy as an institutionally-embedded process**

This thesis employs a framework which asserts that the economy is fundamentally embedded in institutional forms. The above critique of market institutions demonstrates how unfettered market processes drive the capitalist system to crisis, and suggests why the theory of state-regulated market economies is important to capitalist expansion. On such a foundation, the institutional framework approach, developed by a range of political economists, presents an argument that the capitalist system can only expand over a long period without reaching crisis when embedded in social-institutional forms. In a critical account of *laissez-faire* capitalist market systems, Karl Polanyi argued that embedding economic processes in market institutions means prescribing a set of responses to economic crisis that can only deepen it. Observations of both social and market dynamics led Polanyi (2001 [1944]: 147) to

remark<sup>8</sup> that the establishment of *laissez-faire* was a deliberate move of government on behalf of the capitalist elite to embed social systems in market dynamics. Such a market-embedded arrangement benefits capitalists most of all because it subordinates social order to the rule of the market.

Society's collective response to forced market servitude under *laissez-faire* was spontaneous resistance, manifested in what Polanyi called a 'double movement'. In this response, movements of government at the behest of capital to subordinate society to market institutions provoked social struggles. In turn, these moved government to enshrine collective values in the social-institutional regulation of market system. Real-world examples of this include organised labour movements that developed in the nineteenth century in the revolutionary overthrow of European monarchies, the social-democratic 'New Deal' in post-Depression-era USA, and modern post-war welfare states.

Treating *laissez-faire* markets as the foundation of society – in which social relations are embedded – produces the conditions of crisis within the capitalist system. It exploits and subordinates working people in service of the never-ending pursuit of profit and accumulation by the capitalist class. To emphasise how and why this is not a natural order, Polanyi conceptualised markets as institutions embedded in social systems of life, and inferred that the economy is not an autonomous component of society<sup>9</sup>. It is subordinated to politics and social relations (Block 2001, quoted in Castles et al. 2011; Polanyi 2001 [1944]).

Polanyi's insights warned against the utopian vision offered by the *laissez-faire* basis of capitalism. As Michel Aglietta (1979: 10) has explained, the free, self-regulating market's power of seduction lies in the way it suggests that a market-based society comprising autonomous individuals produces a collective harmony free of conflict. Yet Polanyi contributed the original idea that a utopian society is not

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<sup>8</sup> Polanyi's quote: "Laissez-faire was planned; planning was not" (Polanyi 2001 [1944]: 147).

<sup>9</sup> Polanyi demonstrated, through an ethnography of the barter and exchange systems of multiple pre-capitalist cultures how, before capitalism, civilisations displayed common tenets of reciprocity, fair exchange and cooperation in collective and socially-oriented societies, whereby markets featured simply as a medium of trade embedded with other norms and customs (Polanyi 1957, 2001 [1944]).

possible when the organisation of its economic system is based on exploitation and a lack of fairness in exchange. In fact, Polanyi disavowed the concept of utopianism altogether. To him, it described a condition of society in which the role of politics has no place in the economy. But as Fred Block and Margaret Somers elaborate in their thorough analysis of Polanyi's critique of utopianism, "[t]he question is never *whether* the economy is politically embedded, rather it is what *kinds* of political interventions are used and to whose benefit do they operate" (Block & Somers 2014: 106). Polanyi accepted that the fundamental embeddedness of the economy in social relations means that the political role of government is also essential for shaping a society on institutional foundations that either permit market rule and greater exploitation, or enshrine social regulation of the market and hence greater equity.

Economists of a neoclassical persuasion have throughout history sought to overcome the crises that follow from capitalism's promotion of free market rule over society by deepening the commodification of labour, money, and the environment (Burawoy 2013; Polanyi 2001 [1944]). This represents an attempt to base capitalist society in market institutions. But I argue that this approach has not overcome or prevented crisis in capitalist accumulation. The unfettered role of markets only drives the system to crisis, and does so far quicker than when it is grounded in social relations and institutional forms.

Interpreting the economy as a socially instituted process instead assumes the sociological foundations of economic phenomena (Vidal & Peck in Barnes, Peck & Sheppard 2012: 596). Numerous institutionalist analyses have formulated a robust theory of markets as embedded in far broader economic systems shaped by social relations (Block & Somers 2014; McDonough 2011; Peck 2010; Safford 2009). This scholarship demonstrates that stronger social institutions are capable of not just making the capitalist system fairer, but propelling society closer to a more stable economic system in which the market is merely another institutionalised means of exchange and reciprocity alongside non-market institutional forms.

### **3.2.1 Bringing in non-market institutions for capitalist development**

Polanyi's conceptualisation of the economy as a socially instituted process offers a substantive approach to understanding how economies develop (Polanyi in Polanyi, Arensberg & Pearson 1957: 243-270). The

substantive approach adopts a view of the effectively functioning capitalist economy as an institutional phenomenon, itself embedded within the otherwise-non-economic organisation of society. In modern societies with a capitalist economic system, non-economic institutions can be instrumental in restraining the economic system's tendency to crisis by integrating it with the 'social system of production' (Hollingsworth & Boyer in Hollingsworth & Boyer 1997a). The capitalist economy's social embeddedness can help it to offset its natural tendencies towards crisis for extended periods of time; for example, by producing space for governments to influence positive social outcomes in the economy with active policy interventions.

Capitalist development cannot avoid crises without being embedded in robust social and political institutional forms. These can include, but are not limited to, the industrial relations system, corporate structures and relationships between capital and labour, and – at a more abstract scale – a society's customs, norms, rules, morals and other social idiosyncrasies (ibid.: 2). These and other institutional forms reside at the centre of capital and society's ability to reproduce coherently, and the expanding capitalist economy becomes embedded within them. Anchoring analysis of capitalism in such terms rejects the privileging of *laissez-faire* markets as the foundational structure of society. Reading economic action as a product of social relations provides a substantive methodological framework to analyse the embeddedness of economic processes in institutions for industrial transformation.

This chapter has so far provided a foundation from which to critique the dominant economic theory that shapes the neoliberal policy responses to industrialisation in the global economy. This foundation has consisted of the Marxian critique of free markets, the Keynesian belief in a macroeconomic role for the state to intervene in the market to prevent crisis, and the Polanyian view that the free market's role in propelling capitalism to crisis can only be guarded against by effective social-institutional structures supported by the state.

Altogether, these perspectives contribute to the development of a theoretical framework capable of demonstrating that a socially instituted framework for capitalist accumulation is much more sustainable

and socially desirable, and that the neoliberal expansion of capitalist accumulation is neither sustainable nor desirable. Considered together, these perspectives provide a space in which better policy responses to both crisis, and the need for economies to become more complex through industrial transformation, can be explored.

### **3.3 Regulating capital: a substantive theory of capitalist accumulation's foundation in social institutions**

How can this theoretical framework be mobilised? The French Regulation school analysis of capitalist accumulation offers key analytical tools for understanding that the expansion of the capitalist economy on a long-term sustainable foundation is a process made possible by its social embeddedness. Regulation Theory (RT) concerns itself chiefly with regimes of accumulation (RA) and modes of social regulation (MSR), which in combination define a process of capitalist development (Boyer 1990: viii). The regime of accumulation describes the organisation of production, circulation, consumption and distribution. It can be extensive (such as increases in working week days and hours, and expansion of labour), or intensive (like labour process transformation over time with constant productivity rise). The MSR describes the institutions, laws, rules, norms, policies, forms of state and government, and other social practices that interact with the RA to determine the conditions of capitalist growth (Kotz in Kotz, McDonough & Reich 1994: 88).

Regulation Theory focuses on the traditional Marxian definition of crisis to explain that the rate of profit and the realisation of value is determined by balance in the relation between the RA and MSR. When arranged in balance, the RA and MSR are capable of counteracting capitalist production's inherent crisis tendencies, at least temporarily (Aglietta 1979). For example, during the interwar period, in which the capitalist class dominated social relations, there existed intensive accumulation but no balance in mass consumption. No expansion of wages meant increases in consumption were impossible. This imbalance between labour and capital produced intensified class struggle (Kotz in Kotz, McDonough & Reich 1994: 89).

An American cousin to Regulation Theory, the Social Structures of Accumulation (SSA) framework, adds Keynesian macroeconomic insights to its analysis of capitalist production's cycles of boom, bust, and transformation (McDonough 2011). The SSA framework recognises that the market economy cannot function without being embedded in social arrangements that emerge over an extended period. It situates capitalism as existing only in relationship with an array of conditioning institutions. These institutions are shaped at economic, political and ideological levels to ensure stability in capitalist accumulation (ibid.). However, these institutions inevitably break down due to class conflict, competition, and the accumulation process itself, producing a period of crisis and stagnation. Like Regulation Theory, SSA theory argues that the only way to overcome these difficulties is with the construction of a new set of institutions.

Thus, RT and SSA both focus on explaining the character of accumulation during a given period of development. This places great focus on interpreting social struggle as the product of institutional imbalance within a capitalist regime of accumulation. Each pairing of accumulation and institutions reaches crisis eventually, given capital's inherent tendencies. Thus crisis resolution requires a new pairing of accumulation regime with mode of social regulation, which in working together produce greater stability over the long-term (Kotz in Kotz, McDonough & Reich 1994: 88-89). Stability may resume, but a period of uncertain and fragile transition can follow until they match (Boyer 1990: 98).

### **3.3.1 The role of the state in the economy as an instituted process**

The key to understanding capital's social regulation is in viewing it as an instituted process. There is, furthermore, a role for the state to play in guaranteeing this institutional process. Achieving stability following a crisis of capitalism requires expanding the capitalist state's role in legitimising new institutional forms within the economy. Tickell and Peck (1995: 357-358) have explained that maintaining a coherent relationship between production, consumption, and distribution entails their regulation by "state forms, social norms, political practices and institutional networks." Crucially, this is a point on which both Regulation Theory and Social Structure of Accumulation perspectives agree (Kotz in Kotz, McDonough & Reich 1994: 88-89). This convergence between the two schools is an important

theoretical standpoint from which to interpret capital's regulation (Kotz in Kotz, McDonough & Reich 1994: 96). It is an intermediate position that recognises the role of the state in creating the political-economic context for economic activity to be embedded in new institutional forms that are capable of driving further accumulation.

The SSA theory elaborates on this point. It explains that avoiding capitalist crisis through the production of new social structures is the very product of class conflict, political innovation, and the need for social stability to guarantee accumulation (ibid.: 94). These factors for sustainable economic recovery can achieve institutional change when supported within the framework of the state, but the key area of focus becomes the *type* of institutional change sponsored by government.

Proponents of the Social Structures of Accumulation theory of capitalist regulation contend that neoliberalism is the current form of institutional change sponsored by the state. A speculative market-driven accumulation regime is apparent as the driving force of the global economy, with economic inequality and social struggle significantly visible as the state supports this neoliberal regime via the creation of new institutions that benefit capital over labour. These theorists critique the way earlier formulations of SSA theory (as elaborated above) understood an SSA to coherently establish the institutional conditions for a rapid period of capitalist growth. In reconceptualising SSA for the political-economic conditions of the twenty-first century, neoliberalism can be understood as an institutional regime which supports capitalist growth.

SSA scholars now interpret neoliberalism as an institutional structure facilitating economic growth, but not at the rates seen in historical periods of long-run capitalist expansion, such as in the post-war period (McDonough, Reich & Kotz 2008). The key to this re-interpretation is in recognising that dynamic growth is not the defining factor of its success. Although failing to promote accumulation that is rapid by some historical standard, the neoliberal SSA nevertheless promotes profit-making by global capitalist interests and serves as a framework for capital accumulation in its financialised form (Kotz & McDonough in McDonough, Reich & Kotz 2008). Kotz (2003) and Wolfson and Kotz (2010) have suggested

differentiating a 'liberal institutional structure', which limits the state's role in regulating economic activity, from a 'regulationist institutional structure', which is typically one which features a more interventionist state. This enables neoliberalism to be understood as an SSA, shedding the need for rapid accumulation but regardless, highlighting the inevitability of capitalist production expanding at the expense of social institutions that would arrest the associated issues of profit within a regulationist institutional structure. Subsequently, Keaney (2014) has expanded on this reconceptualisation to argue that a turn to more state-regulated economic growth may be essential to preventing the global neoliberal SSA from 'imploding'.

Altogether, what the neoliberal SSA concept reveals is that, where the state embeds institutions to stabilise capitalist accumulation, the form these institutions take may be democratic or undemocratic in design. The more liberal regulation of neoliberal capital expansion suggests market-oriented reforms embedded at the expense of social institutions. In the remainder of this chapter, the context and characteristics of a neoliberal SSA are articulated to demonstrate how this is evident, and how this has produced crisis. Kotz (2008) has highlighted in neoliberalism's post-GFC state a very clear turn to the crisis phase of its development, and furthermore, how the 'actually existing neoliberalism' crucial to this SSA implicates the state in capital accumulation through dispossession.

### **3.3.2 The neoliberal institutional fix: making sense of government policy responses in the era of globalisation**

The theoretical framework employed in this thesis pays due attention to how government's role in the economy determines the structure of capitalism. Specifically, the thesis describes the institutional forms that government legitimises in the wake of crisis to restore capitalist accumulation, which then becomes affixed to a new institutional form that can sustain its expansion.

As both Regulation Theory and Social Structures of Accumulation recognise capital's logic to expand continuously, they agree that the post-war period made this possible with what David Harvey (1978: 124-125) defined as capitalist production's 'spatial' institutional fix. This was capital's successful reproduction within the geographical territory of nation-states, realised in urbanisation and then

'suburbanisation', and hence perpetual consumer market growth. RT and SSA locate capital's regulation at that time in the dual institutional arrangement of the Fordist industrial regime of accumulation (RA) and Keynesian mode of social regulation (MSR). This post-war paradigm was state-driven and placed restraint on capital's instinctive drive for profit by regulating the market in a way that guaranteed cohesion between social development and capital's stable expansion. These institutional forms are discussed at greater length in Chapter 4.

Understanding the institutional fix means determining whether government promotes embedding the market in more democratic institutional forms, or whether it promotes the dis-embedding of the market from social institutions. This thesis argues that the latter inevitably produces crisis in the capitalist system, whereas the former is more capable of offsetting crisis for an extended period – time in which the social institutions produced and legitimised by the state can develop new forms of social organisation capable of transforming economies and societies.

Despite the attempts of a post-war Keynesian macroeconomic institutional structure to produce sustainable societies and economies, the influence of more market-fundamentalist neoclassical thinkers has been persuasive in the development of the global economy. This has reinforced capitalism's most antisocial market-oriented features during this period. Microeconomic reforms have largely obscured a macroeconomic approach to understanding the political economy. The global political economy has developed on a neoliberal basis and challenged many nation-states to competitively adapt to emerging global market trends by eradicating the state's macroeconomic interventions in economic development.

In the era of globalisation, a re-orientation from state interventionism to global market-based economic development has become apparent in the industry policy responses of governments (Stilwell 2000). Policy has most commonly presented a view that government's role is to provide suitable conditions for capital expansion and to otherwise not intervene in a market-fundamentalist system geared towards

competitiveness and efficiency. In this way, the expansion of capitalism at the global level has been influenced most heavily by neoliberalism.

Commonly, political-economic analyses of contemporary neoliberalism treat it as a form of economic organisation that rejects a role for the state in the workings of the self-regulating free market. When read as an ideology, neoliberalism removes the role of the state in the functioning of markets, except where it is tasked with creating markets for goods and services hitherto not marketised, and with guaranteeing the free market functions without external interference (Harvey 2005). This makes neoliberalism a contemporary incarnation of neoclassical market-fundamentalist ideas.

However, this is not an accurate description of the realistic practice of neoliberalism in the modern era. Harvey's (ibid.) analysis most importantly stresses "*the decisive role of the state in an era whose neoliberal rhetoric has minimized government's role in capital accumulation*" (Kunkel 2014: 172, emphasis added). It is this critique of the state's decisive role in capital accumulation that must be drawn out because it differs extensively from the rhetoric that harkens back to neoliberalism's intellectual origins.

### **3.3.3 Defining neoliberalism as it actually exists**

In recent decades, neoliberal policy regimes and forms of economic governance have been increasingly focused at the global level. National government regulation of capital has diminished significantly as it has passed to supra-national institutions involved in the regulation of global markets (Mackinnon in Barnes, Peck & Sheppard 2012: 346). But this process of re-regulation has entailed significant internal changes in institutional forms and a transformed political rationality of the state (Peck & Tickell 2002: 383). Damien Cahill (2014: ix) has argued that neoliberal practice is discernibly different from neoliberal ideas because the actual practice of neoliberalism has been "constituted by historically specific institutions and social relations which structure people's everyday lives". Becchio and Leghissa (2017: 3) have suggested that neoliberalism merges organisational and institutional practices with systems of thought. These systems of thought, being based in market-oriented notions of societal development,

are nevertheless mobilised through pre-existing social institutions and systems of economic organisation.

Altogether, these critical analyses posit neoliberalism *in practice* as something far less ideologically-driven than its philosophy would indicate. Thus, neoliberalism has in reality resembled what Brenner and Theodore (2002a: 2) termed 'actually existing' neoliberalism. The actual practice of neoliberalism suggests that the period of globalisation from the 1980s may have represented a process inspired by the ideology of neoliberalism. However, as a process produced unevenly within the historically-specific political-economic conditions found within the organisation of nation-states, its practice has emerged in contradiction to its free market philosophy and state intervention has been a critical component of its diffusion.

Making sense of neoliberalism means understanding the form it takes does not reflect its ideological prescription. Neoliberalism "is significantly contingent on the outcome of conflicts between social forces, and the way these are mediated by the nationally and historically-specific institutional architectures of labour market regulation in particular nation-states" (Cahill 2010: 314). This indicates a critical role for the state in guaranteeing balance of forces between capital and labour, and indeed, a role in shifting the balance of forces from the latter to the former as state intervention is increasingly shaped by market institutions. From this perspective, neoliberalism has undergone a significant transformation, with the role of the state being key to the specific form and ideological purity its practice takes when interacting with existing institutional conditions.

Thus, instead of reflecting the doctrine of economic liberalism, from which it supposedly springs, neoliberalism represents a contradictory outcome, resultant of the state's very central role in the market economy, even while the ideology imposes increasing market rule on society (Ryan 2015: 81-82). Under neoliberal globalisation, governments have been strategically responsible for shaping institutional changes that shift forms of state intervention away from the supportive role played in

economic development and towards more coercive and disciplinary forms that impose market rule (Brenner & Theodore 2002a: 352).

### **3.3.4 The political-economic implications of ‘actually existing’ neoliberalism**

The conditions of globalisation have not removed the state’s regulation of economic development. It has seen governments re-oriented towards the production of policy with market-driven outcomes, and so neoliberalism underpins ongoing state intervention. Considering the key role of the state in shaping institutions, this means that neoliberalism must be interpreted as a process of political-economic change embedded within class relations, institutions and political practices that altogether re-constitute it as it increasingly influences social, political, and economic dynamics (Cahill 2014: 28-29).

‘Actually existing’ neoliberalism highlights the fundamentally central role of the state in legitimising the market’s influence over existing institutional forms. This can be understood in the way the era of globalisation has seen the increased marketisation of society delivered by the state’s administration of the free market principles for economic development embraced by governments. In Brenner & Theodore (2002b: 36), Peck and Tickell described ‘actually existing’ neoliberalism as a process of the state ‘rolling back’ its regulatory activities, and subsequently ‘rolling out’ neoliberal policy reforms that direct interventionist efforts into policy mechanisms and decision-making processes based on market logics, rather than democratic ones. This process entails significant internal shifts in institutional forms and political rationality, having significant economic and social consequences (ibid.).

Most notably, neoliberalism has increased government’s regulatory power in terms of authoritarianism. Its neoliberal reconfiguration has produced a far less democratic entity shielded by constitutional and legal changes that insulate it from social and political conflict (Bruff 2014: 121-122). This has meant coercive government interference in the lives of individuals – suppressing political dissent and dismantling collective labour bargaining - in order for the neoliberal restructuring of economies to take place (Cahill 2014: 17-27).

Ultimately, the neoliberalisation of government's policy intervention has entailed a market-oriented dis-embedding of economic policy from its social foundations. This is not a process of starting over, but of building market-based reforms atop historically existing, yet fundamentally social institutions and transforming them from the inside out. This process aligns historically social-institutional structures to the market, rewriting their rules and reshaping their policy prescriptions. It locks further developments in step with neoliberal reforms, and ongoing policymaking interactions occur on increasingly neoliberalised foundations (Schmidt & Thatcher 2014).

In relation to its role in reshaping existing social, economic and political institutional structures, neoliberalism is understood as a process that has sought to transform the political-economic development of society by embedding it in free market foundations. However, the market-oriented reform of existing social institutions has been enacted through the historic embeddedness of the state in the still-existing institutional structures of the post-war period. In this way, 'actually existing' neoliberalism is most evidently the contemporary form of a tradition of neoclassical economic thinking that developed in the 1930s and 1940s.

But this early incarnation of neoliberalism differed in distinct ways from the contemporary form that has defined the global political economy from the 1980s onwards. In an analysis of the origins of neoliberalism, Jackson (2010) explained that early neoliberal thinkers rejected the idea of the *laissez-faire* market as capable of most efficiently ordering society and safeguarding within it the principle of economic liberalism for all. Instead of adhering to the market-fundamentalist belief in *laissez-faire*, early neoliberals saw a strong role for government in securing economic freedoms. They viewed monopoly capitalism as the antithesis of this freedom, and considered state intervention critical to protecting society against the accumulation of wealth in the hands of a minority group of elites. Preventing this from taking place would require state intervention to break up monopolies; state-sponsored redistribution to create equality of opportunity; and state fiscal intervention in the economy to offset downturn in business activity (ibid.: 142).

Ostensibly, early neoliberal thinkers simply disagreed with their socialist and social-democratic counterparts on the path to achieving socially beneficial outcomes. But more specifically, their ideas were popular amongst the English-speaking nations that sought an approach to economic development which guaranteed economic liberalism, whereas other nations pursued alternative social-democratic approaches as an 'antidote' to communism – a 'middle way' between Soviet central planning and *laissez-faire* capitalism (ibid.: 130). Such alternatives included corporatist and tripartite strategies to underpin a more democratic form of economic planning. In comparison, neoliberals rejected forms of economic planning exhibited in the post-war European development of social-democratic states, and argued instead for the state to intervene only where it guaranteed the proper functioning of markets. In this way, the free market and the state were understood by neoliberals as inextricably linked, not as diametrically opposed institutions. This is evident where Jackson (ibid.: 129) concluded that:

[n]eo-liberals of the 1930s and 1940s therefore believed that the legitimization of the market, and the individual liberty best secured by the market, had to be accomplished via an expansion of state capacity.

The neoliberalism that emerged under economic globalisation from the 1980s differs in significant ways to the neoliberalism conceptualised in early twentieth century neoclassical thought. The notion of a strong state to intervene in promoting economic freedoms and free markets is fundamental to both versions of neoliberalism. But in the era of globalisation since the 1980s governments have legitimised a form of neoliberalism that expands capital at the expense of society's stable transformation into a new regime of accumulation and mode of social regulation.

The contemporary global era of capitalist development has been shaped by a very different form of neoliberal state intervention than neoliberals originally intended. In contemporary neoliberalism, governments not only *support* monopoly capitalism, they also redistribute wealth upwards to capitalist elites and produce market conditions that drive capitalism to crisis. Capitalist expansion is based on the neoliberalisation of existing social institutions, and on the market-driven expansion of non-productive

wealth<sup>10</sup>. In this way, government policy has been influenced by neoliberalism so that responses to crisis are defined by the very anti-social *laissez-faire* logic that drives capitalist accumulation to crisis.

### **3.4 A regulation interpretation of globalisation: capitalist crisis and accumulation**

Synthesis between the Regulation and Social Structures of Accumulation theories provides tools with which to interpret the geographical expansion of capital during the global period as an attempt of states to legitimise new institutional forms within the economy. Globalisation was an attempt by governments to overcome the capitalist crisis that emerged in the post-war institutional order. Specifically, the argument of deindustrialisation's causes presented in this thesis contends that under globalisation, governments have mobilised the interventionist state to embed the capitalist regime of accumulation and the mode of social regulation in globally-oriented neoliberal markets. This has been attempted at the behest of capitalist interests, and to the detriment of social institutions and social regulation at large. Capital accumulation has been restored, but it has not been sustainable. It has only exposed the greater tendency of capital accumulation to reach crisis because of its lack of a social foundation.

#### **3.4.1 A new institutional fix?**

In the early-1970s, the international economy faced a crisis that challenged the role of nation-states in promoting the growth of capitalist expansion through the Fordist-Keynesian institutional regime. The late-1960s was dominated by a peak of fiscal crises. These resulted from increased social spending, organised labour strength made possible by government's tripartite arrangement between state, unions and management, and high wages resultant of labour's strong bargaining position within this corporatist institution (Cerny, Menz & Soederberg in Soederberg, Menz & Cerny 2005: 8).

The post-war system faced limits to expansion from the early-1970s which could not be overcome by the institutions that grounded it. In 1973, a crisis of capitalist accumulation was reached when a steep

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<sup>10</sup> The influence of Milton Friedman's neoliberal theory on the evolution of contemporary neoliberalism here is significant. Friedman's rejection of the state's role in controlling monopolies, as argued by Bonanno (2017: 125-126) explicitly rejects the anti-monopoly argument of Keynes and Keynesian economists that monopolistic companies are not interested in investing in the productive elements of society and thereby contributing to socio-economic growth.

price increase in oil exports by OPEC<sup>11</sup> affected the ability of the industrialised nations to increase the rate of accumulation within their economies (Marglin in Marglin & Schor 1990). Increased energy prices placed enormous strain on firm profits, where high costs prevented the expansion of industrialisation through investment and increased production capacities (Lovering 2009: 234). Profit, productivity, and employment declined amongst large and small companies alike (Fröbel, Heinrichs & Kreye 1980). Industrialised nations were now confronted by the issue of stagflation<sup>12</sup>, which could not be overcome by the institutional foundations of post-war industrial expansion.

In the absence of local consumer markets, firms became more dependent on gaining competitiveness in markets beyond their borders. This required achieving higher levels of economic productivity (Rueschemeyer and Evans in Evans, Rueschemeyer & Skocpol 1985). To attain this, limits previously imposed on capital by nation-states through regulation of wages and profits were quickly dismantled so firms could pursue accumulation at a global level (Amin 2004; Brown 2002; Cerny 2006). Profits expanded as wages were reduced under the provision of the deregulation of labour and finance capital markets.

The period that followed was characterised by significant economic shock. But it temporarily stabilised in a 'post-Fordist' period that gave capitalist production what Bob Jessop (2000: 331), elaborating on Harvey, called a 'spatio-temporal' institutional fix. Advances in technology, combined with labour market deregulation and global market integration reduced nation-state authority over capital flows, and permitted the finance market-based expansion of capitalist accumulation at global level.

The common mainstream view of the causes of the economic crisis faced by the capitalist system in the Fordist period describes how, despite the struggle of capital to expand, the protective measures of the state and its regulation of capital meant that labour continued to benefit from industrial profits with

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<sup>11</sup> Organisation of Petroleum Exporting Countries

<sup>12</sup> The combination of stagnant economic growth, high inflation and high unemployment in an economy, producing a collapse in demand and consumption.

high wages. Firm profits were 'squeezed' by the pursuit of full employment within national industry policy and institutional parameters. This led to a build-up in the strength of organised labour and their upper hand in the bargaining process, undermining business investment in R&D and production – ultimately leading to necessary cuts to workforces (Mandel 1975).

This view contends that the post-war system reached crisis because labour gained too much power, and that national strategies to pursue full employment undermined the system. It also suggests that unleashing financial capital at global level restored balance to the system because capital accumulation was restored, bringing balance back to the international economy's new global market characterisation. However, an alternative position challenges the notion that full employment and the increasing wages bill it created was to blame for the collapse of the post-war system.

Rather than place blame on labour's squeeze on capitalist profits, Brenner (2006) located the causes of crisis in intensified international competition in manufacturing production, which peaked in the late-1960s and early-1970s. Brenner analysed capitalist expansion from the end of WWII to the early twentieth century to reveal a dynamic economic boom from 1945 to 1973. Thereafter, a long downturn followed in which the global economy witnessed an extended phase of suppressed economic dynamism. Throughout this latter period, despite the appearance of economic growth, the global era has seen declining economic performance in historical terms.

Brenner's analysis identifies the increased competition industrialised nations like the United States and the United Kingdom experienced from newly industrialised economies (NIEs) like Japan from the 1970s, Southeast Asian 'Tigers' in the 1980s, and China in the 1990s and 2000s, as the cause of the downturn. Using the latest technology in combination with low wages, NIEs produced the same goods for the world market, but at a much lower price, placing extraordinary downward pressure on profits (Brenner 2017:3). This saw business investment, payrolls, and R&D expenditure in the developed countries shrink significantly, leading to declining productivity gains from further developments in technology.

With the bulk of capital in the industrialised countries sunk into mass-scale production, firms rationalised by accepting lower rates of return than average instead of risking business failure. This had the effect of undermining the entire system. Wherever capital became free for investment, it was directed towards speculative forms of finance in newly opened global markets, rather than be re-invested in the riskier grounded, productive manufacturing (Kunkel 2014: 80-81). Although this restored the profitability of firms now invested in various global markets, it also produced far more volatility than growth in the global economy. Such 'hypermobile' financial capital filled an abstract space of international flows separate from productive capital that could only be realised in the fixed, physical sense. This spatio-temporal fix facilitated the increased speed and intensification of foreign investment transactions across the world (Harvey 2001: 26).

#### **3.4.2 Neoliberal market institutions: an unsustainable institutional fix**

In response to crisis, governments of English-speaking nations, particularly the United States, the United Kingdom and Australia, underwent a form of state reorganisation characterised by deregulation, trade liberalisation and financialisation to facilitate the restoration of capital accumulation. Neoliberalism gained great ideological influence as the ideas incubated in the 1930s and 1940s were received positively in these nations by conservative think tanks, amongst politicians and their advisors and in university economics departments in the post-war period (Hall 2011: 11; Peck 2010: 82-83). The influence of these ideas over government policymaking ensured economic growth was driven increasingly by a shift of national policy away from full employment and towards free market competitiveness. The financialisation of the global economy transformed the social structures of post-war capitalism, and introduced an era of global capitalist expansion based on principles of market fundamentalism.

It is evident that capitalist accumulation based on market institutions is unsustainable where capital has been detached from the social institutions that structure it and help it to avoid crisis. The above lays bare the reality that since 1973, GDP growth, real wages and capital stock have declined and never matched the heights reached in the post-war era to 1973. Fundamentally, the liberal market-based

expansion of capital accumulation at the global level has required an obsessive pursuit of cost-reduction by capitalist elites. These reductions are necessary to restore profitability in the face of intensified global market competition (Brenner 2006: 28).

The era of neoliberal globalisation has represented capital's expansion on non-productive investment to the detriment of productive industrial investment. As financialisation began to take hold from the 1970s onward, "the rentier element of the capitalist class re-emerged, and with it a great deal of economic power and influence" (O'Connor 2010: 703). Capital has sought only efficient investments, which in government policy has translated to a comparative advantage approach to trade. This has been beneficial to capitalists' pursuit of profit and accumulation, realised by capital's spatio-temporal expansion at the global market level.

Consequently, the spread of neoliberalism emanates from a crisis of capitalist production. The restoration of capitalist accumulation through global financialisation has produced deindustrialisation. Bluestone and Harrison (1982: 6) argued that the problem represented in investment decline in the wealthy countries of the world was that "capital – in the forms of financial resources and of real plant and equipment – has been diverted from productive investment in our basic national industries and into unproductive speculation, mergers and acquisitions, and foreign investment." As a result, the period of global capital expansion since 1973 has returned suppressed growth and productivity compared to the post-war period from the late-1940s, representing the significant transfer of wealth from labour to capital, and a deepening of inequality (Brenner 2006: 143). New investment has been driven increasingly to financial speculation, yet increases in profit have not been reflected in wage growth or productive industrial investment. Under globalisation, capitalist accumulation has not matched the levels of growth seen in the post-war era because investment has been shifted away from the productive elements of society.

The global period of capital accumulation has been made possible not by the absence of state regulation, but instead by its reformation under the tenets of neoliberalism, producing a state that

responds to a free market-driven crisis with more free market-oriented reforms. Rather than representing a post-Fordist period of economic development on new institutional grounds, the global period has resembled merely an 'after-Fordist' expansion of capital that has not become affixed to institutional structures, thereby exhibiting a characteristic instability in its market-driven form (Peck & Tickell 1994; Tickell & Peck 1995: 381). Under conditions of after-Fordist capital expansion, accumulation is plagued by economic crisis and struggles around production, and so must continue to seek out new forms of marketisation as avenues to profit, which are found in the market-based reform of society (Aglietta 2008; Boyer 2000).

### **3.4.3 Deindustrialisation in the era of globalisation as a crisis of neoliberal social structures of accumulation**

The regulationist analysis of capitalist production provides the basis from which to argue that the current phase of capitalism remains prone to crisis due to its fundamental design flaws. Specifically, neoliberal capitalist expansion propels the system towards crisis in the key ways outlined when Marx first critiqued market capitalism. Neoliberalism has enhanced capital's bargaining power over labour's but has produced uncertainty and inconsistency in private capitalist investment decisions, thus creating disproportionality. Capital may have expanded through the unleashed forces of neoliberal markets, but where the rate of profit has fallen, the dynamism and sustainability of capitalist accumulation seen in the post-war era has not been restored.

Full employment has been abandoned in an effort to extract efficiency and productivity from rapidly declining numbers of workers and by manufacturing automation, in an attempt for production to adhere to capital's logic of continued expansion. But given declining rates of growth and productivity, the market basis of global capitalist expansion – characterised by the exploitation of its productive elements – has been unable to sustain expansion. Where this process has also suppressed wages and so reduced the purchasing power of workers, underconsumption has resulted.

In these ways, neoliberal globalisation is the expression of capitalist crisis, and it is evident in deindustrialisation. The global market expansion of finance capital represents the capitalist system

attempting to overcome its own internal barriers by expanding free market rule. But all that this has done is place the same barriers back in its path. Neoliberal capitalism has failed to provide a social foundation for capitalist expansion and in doing so, contributed significantly to deindustrialisation. It provides no minimum of fairness to all in society, opening up previously quarantined areas of social organisation for commodification (Went 2005: 379).

To overcome its contradictions over a period of long-term expansion, capital must become affixed to a stable set of institutions through which society can sustainably reproduce itself along with capital expansion. The expansion of a global capital regime of accumulation on a political-economic foundation of neoliberal market institutions lacks a corresponding mode of social regulation from which society can benefit. Hence, neoliberalisation has embedded deindustrialisation and represents an unsustainable institutional foundation for capitalist accumulation.

The 'actually existing' form of neoliberalism has implications for the state's role in deindustrialisation. As the theory of capitalist regulation contends, the state can maintain balance between markets and society by legitimising institutional mechanisms for the transfer of investable resources into productive investment. In this way, the state can play a strategic role in fostering economic transformation whilst providing minimal levels of social welfare (Evans 1995; Wade 1990). Explicitly, Evans (1995: 6) has pointed out that the state possesses 'embedded autonomy' with which to participate in economic transformation. The acknowledgement of state autonomy implicates it in the process of capital accumulation, but when government accepts an active role of the state, this also makes it responsible for economic growth and social welfare. Governments that take such action implicitly reject the market's ability to alone deliver positive outcomes in both capital accumulation and social regulation.

Arguably, under global capitalist accumulation, the state's intervention has driven the embedding of social relations in markets, and the result has been a failure to deliver sustainable outcomes in both aspects. To restore dynamism to capitalist development, government-driven deregulation has permitted firms to reduce labour costs, privatise state enterprises, and remove restraint from the

financial sector. Thus, capital accumulation has largely taken place on the back of commodity-driven markets and speculative investment, rather than the productive processes of industrialisation. But, as clarified in Brenner's (2006) analysis described above, this has not created any adequate level of dynamism in the capitalist economy. The return to profitability brought by these reforms under globalisation has only driven the capitalist system further to crisis.

In the era of globalisation, government intervention in industrial processes has created neoliberal conditions that produce efficient outcomes, not effective ones. Its policies have not stabilised capitalist development. Concern that narrowly conceived policy responses to economic crisis are largely ignoring effective economic growth has led some scholars to argue for an innovation solution to contemporary economic crises (Ranga & Etzkowitz 2012: 1429-1437). However, productive advancements require alternative forms of state intervention to the current neoliberal policy response.

Under neoliberalism the role of governments in industry policy formation has been reshaped to produce market-oriented outcomes. The state's choices of policy response under conditions of global capital expansion have become an important reinforcer of the phenomenon of deindustrialisation. Has this experience of 'actually existing' neoliberalism been pronounced in the policy responses of governments in Australia to deindustrialisation? In the following chapters, this thesis employs the theoretical tools of radical and institutional political economy to investigate whether deindustrialisation in Australia has resulted from the same patterns of neoliberal reform.

### **3.5 Conclusion**

This chapter has established a framework for understanding that the market-based expansion of capital drives it to the crisis conditions to which it is inherently prone, but that these conditions can be avoided over the long-term by the stable grounding of capitalist production in socially structured institutions. As Polanyi argued, the economy must be understood as a socially embedded process. The theory of capitalist regulation developed from Polanyi's insights by the complementary schools of Regulation Theory and Social Structures of Accumulation interprets the substantive nature of the economy,

understanding that it can only be sustainably structured and avoid capital's crisis tendencies by balancing the regime of accumulation with a mode of social regulation that expands alongside it. This rejects the free market foundation of capitalist expansion, and stipulates a critical role of government in legitimising new institutions to sustain stable capitalist accumulation.

Therefore, this chapter has sought to interpret the causes of deindustrialisation in the era of globalisation as the product of global capitalist restructuring. Restructuring has been facilitated and reinforced by nation-states implementing neoliberal policy responses. The regulation approach permits neoliberal capitalist expansion to be understood as a process driven by a form of state intervention which, despite the neoliberal ideology of market fundamentalism, places the state's interventionist role at the centre of market-oriented reforms.

The historically-specific institutional structures of capitalist accumulation in the post-war period have not been replaced by market institutions, but reconfigured into market-oriented institutions. These institutions create conditions for the unstable expansion of capitalist accumulation at global level, by increasing the marketisation of the economy – shifting it toward non-productive speculative financial markets to the detriment of productive manufacturing processes in many advanced capitalist economies. The following chapter asks: how can this phenomenon be interpreted in the Australian context?

**PART II:**  
**The implications of state intervention for  
industrialisation and deindustrialisation in  
Australia**

## 4 Embedding industrialisation in Australia: The implications of global and federal institutional crisis and change for South Australia's industrialisation

This chapter uses historical and empirical data to demonstrate how industrialisation in Australia and South Australia in the twentieth century emerged from the interventionist state's role in embedding institutions to support it. The theoretical framework of capitalist regulation outlined in the previous chapter is applied to this analysis to demonstrate that capitalist expansion on a foundation of free markets leads to economic crisis, requiring a new institutional structure for which the state must create conditions. This is demonstrated where, during the interwar years, the state's framing of Australia's *laissez-faire* economic development did not lead to industrial transformation but rather to economic crisis; whereas capitalist accumulation on social structures following the crisis of the Great Depression led to transformative industrialisation. This transformation was built upon the state's interventionist role in embedding a Fordist industrial regime of accumulation and a Keynesian mode of social regulation. The chapter presents the regulationist notion that institutional change is the product of political action produced by social relations and their expression in institutional networks. It details how new developments in SA over the interwar and post-war period of industrialisation in Australia commenced outside of government in various forms of social and political action. These were not embedded within a regime of accumulation until government-driven state intervention institutionalised a new social framework for economic development. This embedded the state in ongoing economic developments and set the path-dependent conditions for the neoliberalism that emerged from the 1980s.

### 4.1 Early institutional developments in the global context

The end of World War I (WWI) in 1918 was followed by an interwar political-economic period in which international trade expanded through market institutions. As an attempt to undo the residual

interventionist role granted to states during wartime, an international currency stabilisation conference was held in Genoa, Italy in 1922. The leaders of nations in attendance sought to curtail exchange controls, remove trade obstacles, establish central banks, limit government borrowing, and mandate their repayment of wartime loans, institutionalising the gold standard as it had operated prior to the war (Dyster & Meredith 1990: 79).

Advancing the free market system was the key feature of a monetarist policy that sought only to entrench market fundamentalism in the ongoing economic development of nations. This *laissez-faire* international economic system favoured capital in a market-based system of capital accumulation. The wealthy industrialised nations – particularly WWI's victors, the United States and the United Kingdom – thought the re-embedding of accumulation in free market institutions would result in a return to normalcy, allowing the international economy to grow unimpeded.

This interwar period of capitalist expansion illustrates the important role of social institutions in capitalist accumulation. By the 1920s, the United States was the dominant industrial economy in world trade, and it rose to prominence in parallel with the decline of European industry and overproduction of primary resources, supplied also through distant colonies (like Australia). Given the USA's hegemony in the international capitalist system, its provision of enormous percentages of exports (42 percent of world manufacturing trade in 1929), its self-sufficiency in most primary and secondary products, and its supply of international capital, it was a net creditor nation in the interwar world economy (ibid.: 77).

With declining export earnings in European nations, debtor nations faced a balance of payments problem, where they could not service loans from the USA. In the USA itself, speculative market practices occurred in parallel with flattening consumer demand – exposing the country's consumption-driven industries as its structural weakness (ibid.: 78-79). Where this did not permit expanding wages, growing industrial production on a *laissez-faire* system was unsustainable. Attempts to correct international trade imbalances saw the imposition of tariff walls in many nations to protect domestic

markets from imports. Collapses in value brought international trade to a grinding halt by the end of the 1920s. The Great Depression followed, lasting from 1929 to 1933 (ibid.: 74).

## 4.2 Australia's early market institutions for industrialisation

After Australia's Federation in 1901, the federal government overturned the local-state tariff policies of each former colony, adopting a *laissez-faire* policy approach to domestic inter-state trade. This pleased some states, such as pro-free trade NSW, but frustrated many others like pro-protectionist Victoria. However, the federal government's rationale was that ending regional tariffs would be balanced by nationally encompassing tariff protections that imposed a common duty on foreign imported goods (Mitchell 1962: 31). Effectively this created a protective framework within which a domestic free market was expected to flourish, but it represented the most interventionist form of policy response from the federal government at the time.

Tariffs contributed to the expansion of manufacturing in Australia. Prior to Federation, manufacturing existed only in simplistic forms like beer, bricks, timber, leather and farm implements (Davidson 1969: 2). The introduction of measures like the Lyne Tariff in 1908 protected domestic primary industries from overseas imports. Tariffs on imported manufactured goods were also introduced in response to fading prospects of expanding rural and agricultural industries, and as a means to direct employment to growing opportunities in manufacturing (McLean 2013: 178). In the first decades after Federation, cars purchased in Australia were imports either from Europe or the United States, partly produced and assembled in Australia (Haigh 2013: 45-47).

Beyond broad tariff protections, the federal government in Australia did little to waver from its belief in the self-regulating market's allocation of resources. This was problematic, because the development of manufacturing industrialisation in Australia was challenged by the outbreak of WWI. Australia's manufacturing efforts at this time largely entailed textiles and clothing, food processing and agricultural implements, all of which suffered from the halt of international trade for consolidated war efforts (Davidson 1969: 4). Automotive and other high value-adding industries that would diversify output and

increase productivity remained largely absent from the economy, or were not developed to industrial scale.

The lack of preparedness in manufacturing capabilities for an economic response to war shook the economic cohesion of a federation of states only recently bound by constitutional ties<sup>13</sup>. In 1913-14 primary industries (agriculture and mining combined) comprised 28.6 percent of GDP, compared with just 13.4 percent in manufacturing (Kenwood 1995: 6), contributing to stagnation in real GDP from 1914 through to the interwar years as primary industry export values decreased (McLean 2013: 145, 175). This provoked further interest from the federal government, which saw the opportunity to encourage greater industrial activity. The *Greene Tariff Act* of 1921 promoted vehicle assembly within Australia and stimulated local body and panel manufacturing to satisfy the domestic market, where foreign investors saw no challenge to their own profits from a fledgling Australian industry (Wanna 1980: 10).

A federal Tariff Board (TB) was established as part of this Act. The TB existed in no more than an advisory capacity, making non-binding recommendations to the federal government on what manufacturing industries should and shouldn't be protected by tariffs (Horridge 1988). Despite its limitations, the TB reflected that, by the 1920s, there was broad acceptance within government that industry protection was a form of intervention necessary to Australia's industrial development<sup>14</sup>. However, this remained the extent to which Australia's federal government considered state intervention necessary to create conditions for the flow of resources to comparatively advantageous industries in a free market system.

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13 Relations between federal and state governments were complicated from the outset. Else-Mitchell (1977) described Federation as 'coercive federalism'. The federal government's control over revenues enabled it to allocate funding to sub-national states on an ad hoc basis for their own projects relating to industry and infrastructure. The impact of this regime of federal policy measures for industrialisation did not target specific industrial developments and exhibited selectivity in financial support for state-specific economic matters. However it evidently denoted "nothing more than a structural division of sovereignty [and] assumed the diverse qualities of differing, indeed extreme, political philosophies" (Else-Mitchell 1977 citing Mathews 1974: 109).

14 By 1921, virtually all opposition to government policy on industry protection through tariffs had disappeared (Kenwood 1995: 71).

#### 4.2.1 Depression and economic crisis

The Great Depression amplified the structural crisis of Australia's regime of accumulation. The passive national policy response to economic development was still largely preventing the concerted development of secondary industries. At this time, primary exports were yielding high returns, yet the whole interwar period actually saw economic stagnation in output (MacFarlane in Playford & Kirsner 1972: 36). Australia's Great Depression experience had much to do with factors in the international economy and in events that originated in overseas countries (Valentine in Maddock & McLean 1987: 68-69). Although, Schedvin (1970: 47) afforded most weight to the role played by domestic factors that directly correlated with international conditions of downturn.

International economic downturn impacted Australia significantly, yet it was the lack of adequate state intervention in Australia's domestic economy which exposed the nation's structural economic weakness in relation to the international economy. Australia was ill-placed to recover because it lacked significant diversification into secondary manufacturing industries, and the exposure of its primary commodities to a deflated international economy had a severe impact on the nation's productivity. Most jobs lost during the Great Depression in South Australia were in agriculture; but at the national level, 43 percent of job losses between 1928-29 and 1931-32 were in manufacturing industries, and manufacturing accounted for fifty percent of the fall in national income in the same period. By 1931, Australia's unemployment rate was at 30 percent (MacFarlane in Playford & Kirsner 1972: 36)<sup>15</sup>.

The Great Depression was the manifestation of market-driven capitalist crisis on an international scale where production outran consumption. The Great Depression's negative impact on demand within the agricultural sector for manufacturing innovations revealed the central importance of industrialisation processes as a vehicle of economic transformation. Evidently, missing from Australia's fledgling manufacturing industrial economy following WWI were "the social and political institutions capable of

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<sup>15</sup> Based on trade unions' returned estimates of unemployment – a requirement of Australian labour organisations from 1913 onwards (MacFarlane in Playford & Kirsner 1972: 36).

enhancing the balance of power between workers and capital, the sphere of production, and correspondence between the technological potential and the realization of that potential” (Tylecote 1992: 239 quoted in O’Hara 1994). The market-fundamentalist expansion of capital had not facilitated industrial transformation or social development.

The causes of the Great Depression can be clearly found in the international market’s expansion through speculative finance-led growth. The nation-state’s support of this system ultimately drove capital accumulation to crisis. After a decade of failing to achieve the goals of *laissez-faire* to the point of recession, it became apparent to politicians, economists and policymakers alike that returning to the pre-war world was not possible (McLean 2013: 148-149). In response to the Great Depression there were massive build-ups in labour organisation and in social-democratic movements to increase protections against the volatile dynamics of the free market. To ensure a return to economic growth the system had to also ensure expansion of wages for ever-increasing consumption, which required the implementation of new economic policies embedded in new institutional forms.

Data capturing economic change in Australia from 1901 to 1933 reveals primary industries exceeding secondary manufacturing activities consistently (Boehm 1971). The crisis that Australia’s economy faced following the Great Depression initiated strong support for further state intervention. But, following in the wake of recession were the seeds of institutional transformation as well. Support for an increased interventionist role by government was made on the grounds of not just industry protection, but employment protection as well. Further tariffs and other key national policies were implemented in Australia as part of new institutional structures that became the norm in the wake of the Great Depression, sustaining capitalist industrial growth into the 1970s (Kenwood 1995: 37).

#### **4.2.2 Industrialisation under Fordism**

Industrialisation in the early twentieth century took place on an institutional foundation of Fordism. This mode of production first emerged in advanced Western nations such as the United States, and those of Western Europe in the 1900s. It was the product of a long process of economic change that began in the mid-nineteenth century in the Industrial Revolution. Fordism represented the modern

manifestation of this process and gradually became embedded in industrialised countries as the primary regime of accumulation.

Fordism was named by Antonio Gramsci after Henry Ford, the founder of Detroit's automotive industry, who first successfully combined technology and Taylorist<sup>16</sup> management principles. This increased manufacturing efficiency on highly organised economies of scale, whereby large volumes of unit output made production costs cheaper and increased profits (Gramsci in Hoare & Nowell Smith 1971: 280). From this time manufacturing was subjected to persistent process controls that standardised the administration of work practices to increase profitability (Glyn et. al. in Marglin & Schor 1990: 55).

The Fordist mode of industrialisation utilised advances in technology to mechanise and standardise production. It harnessed management structures of professionally trained industrial specialists to apply economic rationality to manufacturing processes, and disciplinary methods to labour and social planning (Antonio & Bonanno 2012). As the origin of the mass-scale factory production line consisting of fragmented tasks and labour discipline, Fordism effectively institutionalised a corporately guided form of 'managed capitalism' (Antonio & Bonanno 2012: 582; Hoare & Nowell Smith 1971).

Productivity gains resulting from Fordist industrialisation methods were balanced by growing consumption as a normalised condition that could perpetually sustain increases in production (Hudson in Kitchin & Thrift 2009). Fordist industrialisation entailed living wages for workers so that not only were they producing manufactured goods, they now had also the means to consume them, as further Fordist expansion made it possible for expanded patterns of social regulation.

In this way Fordism represented what Gramsci considered the ultimate stage in the process of capitalist industrialism, where it overcame Marx's law of the tendency of the rate of profit to fall (Gramsci in

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<sup>16</sup> 'Scientific Management' (or 'Taylorism' after its creator) involved separating stages of the labour process between design conceptualisation, skilled manufacture, and unskilled assembly. This division of labour replaced the focus on manual skills for production with imposed constraint on individualistic expression in production, establishing a distinct managerial role between employees and owners (Lovering in Kitchin & Thrift 2009).

Hoare & Nowell Smith 1971: 280). Hence, Fordism marked a new stage in the regulation of capital – one in which “the principle of an articulation between the process of production and mode of consumption” found the state-sponsored capitalist class engaged in industrial activities that expanded its control over the production process in exchange for wage-earners being able to maintain adequate means of consumption (Aglietta 1979: 116-117).

The sustainability in economic, political, and social growth garnered by Fordism resulted in harmonised national economic and social conditions (Antonio & Bonanno 2012; Hudson 2009). The building up of Fordist industrial activities was evident to Gramsci (in Hoare & Nowell Smith 1971: 287), particularly where the mass-scale planning of big cities and the situating of sizeable factories to house Fordist production methods was apparent. The rational principles that recognised the benefits of economies of scale, division of labour, and living wages underpinning the Fordist regime of accumulation ensured mass industrialisation could expand.

The stable formation of Fordist industrial processes also provided a site of struggle over the benefits of this mode of production. Gramsci’s view was that workers had entered a ‘Faustian’ deal: continued growth in consumption was traded for dehumanising work and political consensus, in place of creativity and the realisation of class consciousness, to make Fordism function (Lovering in Kitchin & Thrift 2009: 232). Gramsci thus hypothesised that Fordist regulation would also permit workers to organise against the capitalist class-based system and challenge its domination, but that this critique would take place through new culturally instituted forms of struggle as consumption and expansion increasingly defined societal development (Lovering in Kitchin & Thrift 2009). Thus, Fordism institutionalised a form of capitalist accumulation that was structured by clearly defined labour and capital relations which enabled the working class to make demands on the share of profits going to their constituency.

#### **4.2.3 Keynesian macroeconomic policy**

From the 1930s, Fordist production processes developed within the parameters of Keynesian economic management policy. Keynesian social management and economic planning represented the manifestation of new institutional developments won by the labour movement’s organisation against

the market basis of ongoing economic development. The gains made by labour were largely the result of the state's legitimisation of institutional forms following John Maynard Keynes' *General Theory of Employment, Interest and Money* (Keynes 1970 [1936]). Keynes' argument emphasised the importance of government's interventionist role in stimulating a mixed national economy of public and private capital through demand-oriented fiscal policies. Public sector economic stimulus offset recessions and market failures in private sector business and investment cycles (Lindahl 1954).

Under Keynesian policy formulations, the nation-state was politically committed to full employment of the labour and capital resources at the national economy's disposal. Full employment ensured a balance between Fordism's expansive industrial capacity, and the consumption patterns of workers in growing capitalist societies, whereby government focused its macroeconomic fiscal policy on maintaining low inflation to encourage the spending of wages, and thus, effective demand. Economic security against unemployment was considered crucial to the safeguarding of purchasing power, which creates demand in economic production (Galbraith 1958 [1998]: 96).

Decent wages allowed workers to consume the bulk of the manufactured goods a nation produced, guaranteeing markets at industry's doorstep. Basic welfare provisions ensured social protections for the unemployed, but the active policy responses of government to investments in industrialisation sought to minimise unemployment rates. However, the relatively small consumer markets of Australia compared to the much larger populations of the United States and Western Europe, meant achieving production expansion and full employment with targeted immigration policy. The federal *Immigration Restriction Act of 1901* – colloquially known as the 'White Australia policy' – prevented immigrants of non-European descent from participating in this expansion. Although the policy sought to protect Australian workers from an influx of cheap Asian labour during the fledgling industrialisation period, it was also a means of defining the nationalist identity of a young Australia. European migration to Australia reinforced this identity, and integrated expanding production and demand with socio-economic policy (Walsh 2012: 357).

The Fordist regime of accumulation was thus matched with a mode of social regulation in what is broadly conceptualised as the Keynesian National Welfare State (KNWS). The KNWS became the standard social-structural basis of capitalist accumulation in Western industrialised economies from the 1930s, although implementation varied dependent on the history, politics and culture of each nation (Boyer 1990: 98). The solidified planning strategies of KNWS economic policy entailed the integration of technology and mass-production of consumable goods sustained by local markets and international trade.

Australia's national recovery from the Great Depression came with much more targeted Keynesian state intervention for Fordist-based industrial transformation. The Labor government's introduction of the Scullin Tariff aided in this transformation, being designed to produce greater manufacturing employment opportunities as primary industry competitiveness diminished (McLean 2013: 178). A raft of emergency measures between 1929 and 1931 to encourage both manufacturing industrial expansion and increased foreign investment in the sector significantly lifted its average share of GDP as Australia gradually recovered from the slumps in employment and productivity that had characterised the prior decade (Merrett & Ville 2011: 51).

#### **4.3 Embedding Australia's Fordist-Keynesian industrial regulation**

Manufacturing industrialisation in Australia only began in earnest from the mid-1930s, following the introduction to Australia of a Fordist regime of accumulation and a mode of social regulation framed by Keynesian macroeconomic policy responses. Fordism was initially made possible from a boom in large-scale foreign capital investment in manufacturing in Australia. Although foreign investment in Australia began in the 1920s, and evidently involved some degree of Fordist industrial processes, it was not sustainable given a lack of wages growth to expand domestic markets. Throughout this period the federal government adhered to economic measures to balance national budgets – low public spending, wage reductions, and currency deflation – which greatly limited the purchasing power of labour (Sangkuhl 2015: 41-42). This provided no opportunity for industrial expansion.

To sustain Fordist industrial expansion, state intervention with Keynesian welfare policies of government were necessary to guarantee consistently growing consumption. A shift, albeit gradual, towards Keynesian ideas began to take place in the policymaking of governments at federal and local-state level in Australia. Nevertheless, Australia's embrace of Keynesian economic policy was underscored by strong neoclassical principles – a fact that became evident later in the discrepancies between post-war social and economic policies (discussed at length below). Prior to this shift, the 'Premiers' Plan', produced by an array of economists to bring Australia out of the Great Depression, posited a solution in 'constructive deflation' – deflating Australia's currency and reducing real wages while increasing government spending and implementing price stabilisation to stimulate investment (Millmow 2005b: 89). Despite not being Keynesian in design, the Plan was produced in part by Australian Keynesian economists, and considered by Keynes himself to be a staggering achievement within the economic discipline (Millmow 2005a: 1014-1015).

Boehm (1973: 606) declared that where the Great Depression wrought catastrophe on Australia's economy in the period from 1929-1932 it gave birth to the Keynesian revolution in economic thought, restoring national prosperity. From the early-1930s, US President Roosevelt's 'New Deal' shaped the thinking of Australian policymakers and governments. As a blueprint for economic planning it was crucial in provoking Australia's industrialisation in manufacturing and eventually, Fordist-Keynesian institutional developments.

After Keynes' publication of *The General Theory* in 1936, the influence of economists and other Keynesian thinkers (like J.W. Wainwright in South Australia) increased. The federal treasury department embraced an interventionist role for government spending and macroeconomic management of national income, aggregate demand, savings, and investment (Millmow 2010: 264). The policies produced thereafter advocated for government fiscal and monetary policy to prevent fluctuating market activity and avoid the periods of high unemployment they caused. This was made possible through the goal of full employment, and achieved with extensively planned economic growth (Boehm 1971).

The development of a sophisticated industrial base was supported with an increased focus of policy on Keynesian objectives to achieve higher standards of living through further manufacturing industrialisation and growth in domestic consumption. However, a federal focus on macroeconomic conditions for industrialisation meant that much of the framework for industrial relations remained a matter of government policy. There was no national institutional body for wage negotiations established until 1956 (ibid.). This signified that states would have to play a major role in producing the local conditions for sustainable institutional expansion within their own regulatory jurisdictions.

This reality lends support to Sangkuhl's (2015: 49) argument that Australia's adoption of the Keynesian approach to addressing the Great Depression's worst outcomes was a gradual process, at least at the federal level. The initial embedding of Keynesian economic development in Australia was characterised by 'measured' state intervention in economic matters, as liberalism was mixed ambivalently with pragmatic nation-building efforts (Bongiorno 2005). However, an adherence to the common tenets of neoclassical economic theory had not yet been fully shaken.

Nevertheless, Keynesian state intervention helped manufacturing to recover, beginning the economy's decisive industrialisation on new institutional foundations throughout the 1930s. The necessity of continued tariffs was due in part to the high concentration of primary industries in non-metropolitan areas where alternative forms of employment were either limited or non-existent (Robertson & Trace 1983: 113). This was a direct result of the way economic crisis had resulted from a disproportionate policy focus on diminishing primary industry prospects, which had inflated Australia's currency and made industrialisation far more difficult.

Keynesian economic management helped to encourage the transition of Australia's central economic base towards higher-value industries. It allowed individual states to pursue their own stimulative measures and attract long-term investment. Protection from foreign competitors was guaranteed to each state, encouraging them to rapidly industrialise (Davidson 1969: 3). By 1937-38 there were more workers in secondary industry than in the entire primary sector (Thomas 1988: 246). The KNWS

embedded the institutions that would define the industrial growth of many regions for decades to come (Kenwood 1995; McLean 2013).

Australians quickly became consumers of a well-protected manufacturing sector, guaranteeing automotive manufacturing industries a domestic market at a time when foreign firms invested in the nation were seeking expansion. From this time employment figures in manufacturing quickly overtook those in the primary sector, trending upward through to the late-1960s as primary industries steadily declined in parallel. In Table 2 below (adapted from Boehm 1971: 74-75), these trends virtually mirror each other and demonstrate how a Fordist regime of accumulation was sustained following the Great Depression by its embedding in the institutions of Australia’s economy, along with Keynesian macroeconomic policies to regulate it. Consequently, Australia’s economy boomed and along with all those of the Western industrialised nations, Australia’s living standards rose steadily up to the early-1970s (Kenwood 1995).

*Table 2: Labour force (%) share in the Australian economy, 1901-1966*

<b>Industry</b>	<b>1901</b>	<b>1911</b>	<b>1921</b>	<b>1933</b>	<b>1947</b>	<b>1954</b>	<b>1961</b>	<b>1966</b>
<b>Primary</b>	32.9	30.2	25.8	24.3	17.6	15.1	12.4	10.8
<b>Secondary</b>	16.8	19.8	21.2	19.0	27.6	28.0	27.5	27.6

(Table based on ABS census data)

#### **4.3.1 Industrialisation and state intervention in the post-war era**

Institutions established prior to WWII evolved in the new post-war economic order to centralise government’s role in social and economic progress. The protectionist intent of government in the post-war period was such that it intensified the central organisation of economic policy to guide the industrial regime of accumulation in developing nation-states. As an instituted process, the KNWS facilitated social and economic recovery in many countries following the political, economic, and social setbacks of global conflict in WWII.

In the post-war era, government economic planning policy continued to guide the regulatory mechanisms balancing supply with demand through a subtle combination of coercive work practices and appealing consumer habits. Glyn et. al. (in Marglin & Schor 1990: 55-56) attribute post-war prosperity to the Keynesian macroeconomic structure that framed Fordist industrialisation processes. It was characterised by stable shares of profit between capital and labour resulting from parallel growth in productivity and wages; an unprecedented investment boom; moderate inflation rates; and balance between productivity growth rates and demand for output.

The Fordist-Keynesian institutional arrangement permitted administrations to plan economic and social organisation further into the future, using its collection of taxes from industrial profits and workers' wages to fund expansion. This was balanced with socio-economic stability made possible with the institutional provision of public services like health and education – necessary for societies to reproduce themselves through consumption and sustain the Fordist system (Lovering in Kitchin & Thrift 2009). With its basis in these social-institutional forms, the post-war era was a stable epoch of capitalism. The embeddedness of capitalist accumulation in the institutions of the KNWS stabilised the expansion of industrialisation, delivering prosperity to industrialised nations of the capitalist west (Lipietz 1986).

#### **4.3.2 Fordist-Keynesian state intervention for industrial development in post-war Australia**

Australia, like many post-war capitalist industrial nations, benefited from a post-war boom that saw its economy and population grow exponentially between 1945 and approximately 1973. This was made possible within the established social and political institutional structure of Fordist industrial production and Keynesian macroeconomic policy. It included the development of a social welfare system during WWII and the establishment of an industrial relations system of compulsory arbitration in 1956. As Sangkuhl (2015: 40) explains, a shift to Keynesian policy prescriptions took place between the 1930s and 1950s, irrespective of whether the promulgating party was from the right or left side of politics. The Keynesian policy response was legitimised by its post-Depression relevance to restoring economic growth through full employment, industrial capacity and productivity, rather than through faithful adherence to self-regulating market forces.

Furthermore, the White Australia Policy was gradually dismantled after WWII, easing immigration restrictions. The post-war boom period saw great increases in non-European migration when governments acknowledged that re-population was essential to economic recovery in an era of increasing international industrial competition.

Some of the impetus for the White Australia policy may be explained by the fact that the post-Depression development of Australia identified economic liberals in government commonly as protectionists rather than free market advocates. This reflected a broad acceptance throughout Australia's political class, and across society, that market institutions could not alone guarantee economic growth and social prosperity. Thus, the interwar period, which required protection from international industrial and labour competition, evolved in the post-war regulatory settlement. Henceforth, a just society capable of withstanding both domestic and international economic shocks was engendered by a relative level of income and wealth equity. The institutions for social security developed upon "the belief that an absence of relatively large disparities in income and wealth would provide the basis for a more just society and reduce the likelihood of economic discord, thus enhancing economic performance" (Kenwood 1995: 40).

The relatively moderate approach to industrialisation exhibited by state intervention in the early post-war period was largely due to policy responses implemented under the conservative administration of Robert Menzies' Liberal Government (1949-1966). The Keynesian economic policies of the Menzies government instituted full employment and the family wage; thus social protection was guaranteed throughout the post-war period<sup>17</sup>, though Australia's development still lagged behind that of most of the OECD countries (Castles in Esping-Andersen 1996).

The foundations for post-war industrialisation were laid by the role of the state being embedded in institutional change. The state made essential the establishment of norms regarding wages, profits and

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<sup>17</sup> Albeit, in the gender-divided and often racially segregated norms prevalent amongst Western nations during this period.

economic growth strategies, creating consensus between labour, business and government for non-inflationary growth in the post-war years (McLean 2013: 213). Consensus was made effective under the chief KNWS institutions of industry protection, welfare and full employment policy. Social protections designed to provide wage and home-ownership guarantees were instituted, ensuring class-based but cohesive social reproduction.

Owing to the conditions of the KNWS settlement in the early decades of the post-war period, Australians experienced a relatively high level of social protection. Prosperity was shared broadly with income inequality declining (ibid.: 208). MacFarlane (in Playford & Kirsner 1972: 37) termed the post-war period a 'Second Long Boom', as it produced similar leaps in living standards to the 'First Long Boom' between the 1860s and 1890s. What these two boom periods exhibited was the state's strategic role in guiding economic development. Australia's economy was far from resembling the conditions necessary for industrialisation to emerge during the latter half of the nineteenth century. But nevertheless, the period was defined by the concentration of state resources into infrastructure that facilitated the expansion of Australia's burgeoning primary sector, providing an era that approximated full employment despite it not being an explicit goal of colonial governments (ibid.: 35).

In the latter half of the 1940s, Keynesian ideas continued to grow with important influence over federal institutional developments, and states intervened with adequate responses. By the 1950s the economists filling departments at all levels of Australian government were advocating for Keynesian economic planning and management to make the nation's mixed national economy capable of continuing to deliver full employment, industrial diversity, and welfare (Millmow 2005a: 1016). With government targeting full employment in its interventionist economic policies, the Tariff Board's capacity to provide protection through tariffs was increased. This contributed to both the advanced development of Australia's economy and to the total expansion of employment through ongoing industrialisation (Boehm 1971: 165).

Due to their significance to industrialisation, pre-war tariffs and import restrictions on the manufacturing industry remained in place until 1960 (Bureau of Industry Economics 2012[1988]). This encouraged the further decentralisation of industries to regions to spread manufacturing evenly, and state governments were presented with opportunities to diversify their economic bases. Manufacturing industry was considered vital to this process of decentralisation, both for creating jobs in regions as massive immigrant arrivals increased populations, and for firms to establish themselves in provincial areas and develop more urban areas.

In the 1960s a highly protected Australian manufacturing industry provided sufficient employment to large volumes of migrants arriving in Australia from Europe. The federal government was successful in attracting its desired demographic group as part of a strategy to enhance national defence, grow the population, and ensure long-term development under the uniting pursuit of nation-building. Where Australia's manufacturing GDP was now proportionate to the manufacturing GDP of North American and Western European nations, it had successfully restructured its economy away from a reliance on agricultural exports, and had achieved status as an industrialised country (Robertson 2008: 17-19).

The Fordist regime of capitalist accumulation was regulated by Keynesian policy to structure social reproduction in step with industrial expansion. State intervention was critical to realising the necessity of combining these forces for initial recovery from economic crisis, and ultimately expansion of a thriving industrial economy in the post-war era. The post-war Fordist-Keynesian regime sustained Australia's economic transformation throughout the 1950s and 1960s and into the early-1970s.

#### **4.3.3 Implications of federal state intervention in Australia's industrialisation**

Australia's general economic recovery from 1933 was growth made possible by the state's interventionist measures to protect developing industries. Growth in manufacturing generated massive employment opportunities (Robertson & Trace 1983: 110). This was in contrast to the relatively hands-off approach to economic development that characterised federal state intervention during the interwar years, an approach which reflected the dominance of mainstream, neoclassical ideas about

industrialisation. Protective interventions by government worked well to nurture Australia's manufacturing sector, and this was important for its exports to the international market.

It is evident that the adoption of Keynesian policy at the nation-state level was a gradual process that retained elements of economic liberalism, despite extending greater welfare protections to Australians over the several decades of industrial expansion. As a decentralisation strategy, Keynesian policy ensured that the even distribution of manufacturing activity spread with it employment opportunities across the federation. Yet highlighting the restraint government showed in directing nation-building developments, Jones (1989) argued that the industrial policy regime of Australia's post-war boom was not prescriptively Keynesian. Multifaceted government policy contributed to growth that was connected to a longer wave of economic activity originating in 1930s industrial expansion.

As the state's interventionist role guaranteed capital accumulation, we can consider the post-war boom in Australia to have been a period defined by 'actually existing' Keynesianism. Specifically, Australia's attraction of foreign capital had seen its industrial development rely almost entirely upon the forces of production locating in Australia from other parts of the world, for the sake of maximising their own capital accumulation in the nation's burgeoning protected industries. The federal government's policy was consistently to select the foreign company best meeting its requirements for economic development and then allow it to proceed relatively unhindered, albeit with the government reserving overarching interventionist mechanisms of import and exchange controls as part of its Keynesian macroeconomic management strategy (Bell 1993; Conlon & Perkins 1995).

This suggests that, beyond its discretionary intervening powers, government stimulus in Australia was limited, aimed mostly at supporting ongoing liberalism in business activities and negotiating wages with labour. However, industry protections were notably employed to protect the growing profits of local subsidiaries owned by foreign interests. This meant the leveraging of a social return through industrialisation was relatively marginal to the larger accumulation strategy of firms based in other countries.

Thus, government Keynesian policy responses increasingly focused on social policy whilst industry policy began to be treated as a separate entity, showing increasing deference to market dynamics. This can be interpreted in the international context for post-war industrial expansion. The domestic post-war institutions of nation-states were ostensibly designed as a KNWS arrangement; yet coordination between each nation was ensured by the Bretton Woods Institutions (BWIs)<sup>18</sup> that regulated international trade and investment (Harvey 1989). These international institutional structures were put in place as a bulwark against the market-based system that had created widespread uncertainty and inequality in the interwar capitalist system.

This was an institutionalised system which John Gerard Ruggie (1982) termed 'embedded liberalism'. The system of embedded liberalism was designed for both domestic cohesion between capital and labour, and coherence between each industrial nation in international trade relations on the world market. National surplus production could be traded internationally, bringing in revenue for stimulative investments like infrastructure and public services that offset potential shortcomings in consumer demand.

Embedded liberalism emphasised the importance of international economic development based on free market trade between state-managed national economies (*ibid.*). Market liberalism was embedded in the BWIs' coordination of the international order, but the nation-state mediated between the market and their domestic societies through interventionist policies. Yet despite the state's central role in domestic economic development, governments could still set the conditions for intervention in the domestic economy. Jones (1989) argued that the penetration of Keynesian policy in Australia's post-war development was relatively weak. Ultimately, Australia's post-war Keynesian political economy still yielded to the power of market institutions at the international level.

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<sup>18</sup> The key BWIs were the International Monetary Fund (IMF), which coordinated monetary and exchange rate policies between nations; and the International Bank for Reconstruction and Development – now the World Bank (WB) – which provided loans to nations for economic stimulus.

Smyth (1994) argued that the first post-war decades saw governments focus on attaining and maintaining full employment as the foundational principle of the welfare state. But even if initially formulated as Keynesian policy following WWII, “the political dimensions of the Keynesian compromise were transformed in the 1950s in ways which obscured the social and political dimensions of the Keynesian economic regime” (ibid.: 4). This was a period of transition from a Labor government, led by Ben Chifley, to a far more economically liberal Menzies’ Liberal Government.

Under governments with deep roots in economic liberalism, industry policy management became a matter to be administered on principles of economic principles rather than bureaucratic processes. The mixed economy increasingly focused Keynesian policy on the social role of the state, exhibiting growing neglect for the industrial character of the Keynesian institutional foundation (ibid.: 5). Although Keynesianism defined Australia’s post-war development nominally, the seeds for neoliberalism – in its ‘actually existing’ form – had been planted.

State intervention in the post-war period was the outcome of its embedding under institutional changes that took shape from the 1930s. This had significant implications for industry policy formation from the late-1970s. The state’s embeddedness in industrialisation meant its political-economic turn to neoliberalism was tempered by this embeddedness. This had significant implications for South Australia, and these issues are explored in the chapters that follow.

#### **4.4 Institutional changes for industrialisation in South Australia**

The embedding of a KNWS at federal government level in Australia created opportunities for institutional change at the local-state level in South Australia. Throughout the 1920s and in the early-1930s, SA’s property owning class benefited greatly from federal and international *laissez-faire* economic conditions, and because of this, they also drew benefit from a government policy focus on primary exports that gave their ownership of rural and agricultural land priority position in capitalist accumulation strategy. This policy response reflected dominant national macroeconomic conditions.

Before 1935 the only significant manufacturing venture for inter-state export in South Australia was Holden's factory at Woodville – at the time the largest automotive body building works in the southern hemisphere (Mitchell 1962: 28). However, given the challenges SA faced in a changing world economy – whereby industrialisation, not agriculture, was providing nations with economic transformation and development and hence, prosperity – a concentration of Fordist manufacturing industrialisation had to be pursued to avoid missing opportunities for economic transformation. The implications of federal institutional change towards Keynesian macroeconomic policy strategy meant the policy responses of governments in South Australia eventually recognised industrialisation as a key social and economic goal. But a push for industrialisation originated in a network of political actors long before the state intervened to transform the *laissez-faire* regime of accumulation into a more deliberate strategy of capitalist accumulation grounded in social institutions.

Pursuant to Kotz, McDonough and Reich's (1994: 25-26) theory of the social structures that stabilise and regulate capital accumulation, Gordon, Edwards and Reich argued that constructing institutional changes to develop capitalist accumulation "requires explicit and self-conscious actions by leading political actors [...] occurring quite openly and [...] involving first the development and then the mobilization of a consensus supporting the new institutional structure." And as argued by Granovetter (1985), economic action occurs within the social structures of networks of individuals and firms, not just the rational actions of individuals themselves. Patterns of institutional change adhering closely to this argument are apparent in South Australia. The conditions that were taking shape at national level provided the opportunity for decisive change driven by the state's interventionist role in government industry policy responses.

#### **4.4.1 Embedding industrialisation in South Australia: political action, state intervention and new institutional structures**

Because of the state's interventionist role in industrialisation, the story of transforming the South Australian economy from primary industries to manufacturing-led industrialisation is often interpreted in political-economic literature as one of 'forced growth' or 'induced' industrialisation through

'subventionist' policy responses (Wanna 1980, 1984; Warhurst 1978). This is a view of industrialisation achieved not purely by market dynamics, but by the capitalist state's significant role in fulfilling or directing economic activities for industrial development.

The state's role in industrialisation was critical. However, it did not come on board in South Australia until networks of individuals and firms took the first explicit and self-conscious political actions to develop institutional conditions for industrialisation. Historians like Mitchell (1962) have argued that the push to develop heavy manufacturing industries in SA was most vigorously supported by individuals in both public and private spheres of the economy and society, and from their interaction, a network was built in which new institutions could be established.

An analysis makes clear that the ideas of these individuals were developed and then mobilised in a networked consensus between government and business enterprise to transform SA's regime of accumulation with the eventual backing of the state government. The origins of political action begin with key individuals and their ideas. In *The Economic Effects of Federation*, Melville and Wainwright (1929) argued that the federal government's control over financial resources did not match with local-state responsibilities regarding investment. A system of free trade between states meant tariff policies were advantageous to the more industrialised ones like Victoria and NSW, whereas South Australia relied more heavily on non-tariff-protected primary industries (Stretton & Stretton 1990). The federal government's minimal intervention in setting the direction of a free market national Australian economy was not conducive to SA's transformation.

In 1935, John William (J.W.) Wainwright, South Australia's Auditor-General, openly advocated for government to support initiatives in secondary industrial production. Wainwright believed unemployment could only be combated "by the development of a sound secondary industry policy" (quoted in Mitchell 1962: 30-31). As a devoted Keynesian, Wainwright believed private capital accumulation was insufficient to accelerate State-wide manufacturing capabilities (quoted in Sheridan 1986: 12). However at this point in time, SA's Liberal Country League Government under Richard L.

Butler consistently maintained the status quo of primary industrial expansion and thus the maintenance of capitalist class interests (Rich 1988b: 137).

But the influence of Wainwright's ideas was timely and necessary. A positive take on the institution of government and its pragmatic appeal to private investment painted Wainwright as a Keynesian theorist in principle, with a practical approach to effectively regulating business activity (Stretton & Stretton 1990). Besides having strong connections to business and industry, Wainwright's ideas won support from civil servants and trade union leaders drawn to the underpinning philosophy that drove Wainwright's Keynesianism: that economic development required a productive culture and collective purpose (Mitchell 1962: 30).

In South Australia's private economic sphere, sympathies for Keynesian-driven industrial transformation were expressed by T.J. Richards, proprietor of Richards coach building firm, and E.W. Holden, proprietor of Holden saddlery. These entrepreneurs had observed institutional changes taking shape at the federal level, and ones that would produce the conditions leading to a boom in consumption in Australia, a surge in manufacturing to meet demand, and thus increased foreign investment to develop markets from which SA could seek its share (Mitchell 1962; Rich 1988b: 137-138). Both Richards and Holden had facilitated the takeover of their companies by foreign investment, which contributed to the initial capital conditions for industrialisation in the State. In 1931 the US company General Motors (GM) acquired HMBB and founded General Motors-Holden (GMH); Chrysler-Dodge acquired the firm Richards by 1936 (Wanna 1980: 10). These takeovers facilitated massive foreign investment in new Fordist modes of industrial production in SA.

Keynesian initiatives provided the perfect middle-ground for government to work together with capital and labour to induce manufacturing industrialisation in South Australia. The impact of these ideas was a change in SA's political status quo, with landed capitalist elites shaken up, and space created for new institutional developments. In this spirit, Wainwright's thoughts on government's important role in smoothing out capitalist tendencies towards boom and bust and the social rationale for industrial

economic development influenced the development of new networks between public and private spheres of SA's economy and society. Collective political action sparked the development of local networks between different areas of the State's economy.

The state, and its chief public servant, Wainwright, supported the efforts of the South Australian Chamber of Manufacturers – secondary industry's peak body – to find further opportunities for investment in the State's industrialisation. E.W. Holden founded the Industries Assistance Corporation of South Australia Limited – a descendant body of the Chamber – in 1937 along with a small group of local politicians, entrepreneurs, union leaders and engineers. The purpose of the Corporation was to provide financial assistance to industries that were making local substitutes of products being largely imported, or of products that could find export opportunity (Miles 1969). These institutions augmented the protections already enshrined at federal level and, despite possessing moderate budgets, helped to institutionalise manufacturing industrialisation in SA.

But the South Australian government was playing only a supportive role to business-led industrial development. In the 1938 *Report of the Auditor-General of South Australia* Wainwright followed up his earlier Keynesian philosophical deliberations by acknowledging the need for SA's government to take a more interventionist role in the State's industrialisation. Wainwright believed that any kind of progressive future for South Australians relied on a role for both business and state in economic development (ibid.). The achievements of an assemblage of public and private actors had demonstrated significant progress. Thus, under Premier Playford, the government responded positively to Wainwright's recommendations (Mitchell 1962). The economic policy position of the Liberal Country League Government from the late-1930s showed a clear departure from SA's normal business ideology, which to that point had clearly favoured market forces (McFarlane in Sheridan 1986: 12).

From 1938, South Australia's government carried out the primary function in capital accumulation. In 1941, the *Industries Development Act* was passed, permitting the SA government "to enact certain provisions for the promotion and development of industries, and for incidental purposes" (Parliament

of South Australia 2003[1941]: 1). Specifically it gave the State Treasurer powers to provide direct assistance for new or expanded industrial plant and equipment (McFarlane in Sheridan 1986: 14).

The policy response produced under the provisions of the *Industries Development Act* encouraged new manufacturing developments through assistance, encouragement, and financial inducements to foreign and inter-state manufacturers (McFarlane; Stutchbury in Sheridan 1986: 12, 70). The government's commitment to taking on this role meant the state absorbed key established institutions. In 1946 the Industries Assistance Corporation of South Australia was dismantled and its balance of funds were transferred to the Industries Development Committee, established under provisions in the Act of 1941 (Miles 1969: 96).

#### **4.4.2 Embedding state intervention in South Australia**

Following the cessation of WWII hostilities in 1945, physical capital (i.e. factories and land) established for military purposes was returned to civilian productive functions. This had the effect of placing South Australia at an advantage due to an above-average industrial mix that helped fulfil consumer demand in the post-war period (Rich 1988b: 140-141). Thereafter, SA's manufacturing employment numbers rose steadily each year from a level of 69,417 in 1946-47, nearly doubling to 121,396 by 1970-71 (McLean in Mules 1989: 10-11). Between 1940 and 1949, 23 manufacturing firms were established in SA, and between 1950 and 1959, 26 firms were established (McKnight 1968: 358) – doubling the number established during the 1930s and representing the peak of industrial investment in the State during the Fordist-Keynesian institutional era.

The Playford Government further intervened in industrialisation with a framework for industrial relations as well as industry nationalisation. South Australia displayed lower wages, lower costs of living and a far lower occurrence of industrial disputes than the eastern states. The Playford Government sought to attract new industrial investors by leveraging these comparative advantages, further retaining them with the public provision of subsidised worker housing through the South Australian Housing Trust (SAHT) (Wanna in Sheridan 1986: 132). In the process, both capital and labour were placated and

brought inside in the State's relatively sound industrial transformation. Altogether this was significant because this interventionist Playford Government was a conservative one<sup>19</sup>.

The Playford Government further sought to attract new industrial investors by keeping energy prices low and expanding its network to less economic areas to decentralise industry throughout South Australia. It nationalised the State's electricity supply in 1948 (McFarlane in Sheridan 1986: 14). This intervention created the Electricity Trust of South Australia (ETSA). The development of brown coal by SA's energy industry and its expanded power grid was key to establishing an energy base that underscored industrialisation in the decades that followed WWII (ibid.: 14-15). Low energy costs were combined with a good record of industrial relations and the opportunity to pay lower wages to make SA an attractive investment location.

#### **4.4.3 Interpreting South Australia's industrialisation**

The embedding of Fordist and Keynesian institutions for industrial transformation in South Australia was achieved with the development, mobilisation, and implementation of policy ideas by political actors which, through open collaboration, gradually gained the support of the state government, which implemented Keynesian macroeconomic reforms. Under the growing influence of federal institutional change, the state legitimised newly formed social structures that became fundamental to industrial transformation. Under these institutional conditions SA's industrialisation unfolded rapidly.

Once established, the South Australian government's policy approach saw it engage in a much wider array of administrative interpenetration with the manufacturing firms that invested in SA. The state government had taken positive action to encourage industrialisation and take advantage of Australia-wide industry developments. It did this in a way that gave SA impetus to generally attract outside capital

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<sup>19</sup> Despite being a conservative government traditionally linked to the tenets of market fundamentalism, the Playford Government's interventionist policies resembled the wide influence of Keynesian ideas spreading throughout political parties on both left and right sides of politics in the post-war period.

through incentives and provision of economic, social and environmental conditions suited to industrial expansion.

Deliberately interventionist policy was an opportunistic response to changing external and internal economic events (McFarlane in Sheridan 1986: 5). By pursuing complex exchange relationships, the SA government and manufacturing industries from the late-1930s onward were mutually dependent, guaranteeing capital and resources, job creation, profit accumulation and political support (Loveday 1978: 102). Incoming foreign and inter-state investment saw SA's manufacturing industry expand rapidly throughout WWII. In 1938-39 the State's factories employed 36,800 people, but by 1945-46 the number had – at 63,200 – come close to doubling since the beginning of wartime (Rich 1987: 37).

The absence of state intervention would have made South Australia unable to respond adequately to the demands of a 'total war' economic effort from 1939, as it had been unable to in 1914 with the State's primitive agricultural economy. It also could not have maintained and grown a post-war manufacturing industry (McLean 2013: 668). The protective policy response of the federal government helped states to nurture their industries, but alone could not guarantee SA's industrialisation.

However, in the literature on South Australia's industrialisation, there is contention between the neoclassical position and the more pragmatic Keynesian and Marxian-Institutionalist interpretations of how the process took place. From the neoclassical position Stutchbury (1981b, 1984) has contested the idea that state intervention was critical to SA's industrialisation, arguing that interventionist measures had instead a distortive impact on the market. Stutchbury (1981b: 37) explained that a Playford "legend" narrative emerged to take credit for industrialisation because of its highly public appearance and its channelling through cooperative efforts between business, government, and a moderate union movement consulted and placated in the process (Rich 1988b; Wanna 1980).

This perspective holds that the market would have naturally created conditions for industrialisation through its ability to efficiently allocate resources within the Australian economy and within international market conditions, creating far more suitable industrial outcomes (Stutchbury 1981b). The

neoclassical argument presented here ignores the characteristic fragmentation of Australia's national economy historically, economically, politically, and geographically, and is based upon the assumption that the act of Federation created one unified national market in which South Australia was evenly placed against other states for investment. However, SA was uniquely disadvantaged compared to Australia's eastern states. Given its relatively low population, geographic isolation and higher transport costs, industrialisation certainly required state-driven government policy responses to economic transformation.

Thus, Stutchbury's argument can be rejected along with any other claim that federal *laissez-faire* discretion would have facilitated an industrial process comparative to those of the eastern states. As the analysis of change at federal and local-state level in Australia in this chapter has revealed, a regime of capitalist accumulation based on primary resources was incapable of delivering adequate economic transformation. In this way, it served capitalist interests. However, economic crisis revealed the inability of the free market to produce economic growth where it lacked any incentive for industrial transformation, which eventually was also to the detriment of capital accumulation. Appropriate institutional developments were required for such change.

This reality is further evident, where the protective shell of federal policy effectively encouraged each state to pursue its own entrepreneurial aims and address the needs of its citizens through territorially specific economic policies (Sheridan in Sheridan 1986: 214). The non-interference of the federal level of government in local-state industrialisation strategies furthermore suggests exactly that SA acted pragmatically and in the interests of its unique societal conditions. This was in direct correlation to the federal framework that encouraged states to stand alone and produce their own institutional changes within a federal political economy gradually shifting towards the idea of state intervention as a critical investment in the development of productive industrial processes.

As Wanna (in Sheridan 1986: 137) further implied, Stutchbury's anti-interventionist argument is based on the false assumption that free markets would spur an expansion of economic activity. Critically,

where the market-fundamentalist position considers only market information necessary to economic development, “it does not acknowledge sufficiently the significance of a South Australian strategy which sustained industrialisation through cost-offsetting provisions, labour regulation, and expansion caused by wartime mobilisation and decentralisation policies” (ibid.).

When interviewed for this project, Lance Worrall, former economic adviser to Premier of South Australia (2002-2011) Mike Rann, and a career public servant in the field of manufacturing industry policy, argued that the material reality of SA’s socially-driven industrialisation is customarily omitted from the claims of neoclassical economists like Stutchbury:

If we look at most of the commentary today it's almost like a secular version of *The Fall*. It's like we were conceived in sin. Arbitrated wages, tariff protections are supposedly why we're in such a bad state now [...] but from the vantage point of those commentaries there is no counterfactual about what would have happened had we not done that, had war not supervened, and had we just been a completely natural comparative advantage economy. Would the outcomes have been better or worse? I'd suggest, without being able to prove it, that they would've been worse [...] so it's just a completely ahistorical set of claims. Moreover, what they don't do is [...] regard this as a form of social and economic adaptation to reality, and [...] if you look at it from that point of view you can look at it quite pragmatically as [...] the ability [...] to grow the population and have a high living standard [...] even if we accept that it was based on no Asian industrialisation [...] on high levels of tariff protection [...] why should that blind us to its successes for a long period of time which actually industrialised the place? How are we to square that historical achievement with this idea of *The Fall* or the apocalypse? The people that come from that perspective have no view about what industrialisation represented as social, political, and economic adaptation to reality<sup>20</sup>.

The industrialisation of South Australia was, very evidently, the product of policy responses driven by state intervention. This was supported by key stakeholders and firms developing shared ideas that were mobilised into a new institutional structure to transform SA’s economy. An array of institutions took advantage of an emerging regime of accumulation in Fordism, and the growing influence of a new mode

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<sup>20</sup> Interview: Lance Worrall, 2015b

of social regulation in Keynesianism, to create an institutional nexus of capital, labour and state which benefited all South Australians. During this time, SA's manufacturing industry was proportionately the fastest growing in the nation (Stretton & Stretton 1990).

Were Premier Playford to have let market forces determine local industrial developments, Stutchbury opines, an efficient and expanding industrial base would have arisen absent of the structural issues the South Australian economy would eventually face. This, I argue, would most certainly have not been the case. The actions under Playford's interventionist style of leadership, within the context of global political-economic changes that impacted industrial processes the world over, established the institutional structure that permitted sound Fordist industrial processes in the lead-up to WWII, and more importantly, in the post-war period, offset crisis in the local regime of capitalist accumulation into the early-1970s. Under *laissez-faire* conditions, SA's economy would not have recovered from crisis in the absence of sustainable institutional structures to enable continued capitalist accumulation. The SA government's interventionist role in creating policy conditions for industrialisation was critical to the State's manufacturing industrial transformation.

#### **4.5 Conclusion**

This chapter has outlined the way industrialisation in Australia during the twentieth century was socially embedded in the wake of economic crisis, and shown that this process required the local-state to legitimise new institutional changes to support a return to stable capitalist accumulation. Following an interpretation of Australia's market-fundamentalist origins in a similar global context, I demonstrated how interventionist tariff protections of the interwar domestic economy was not adequate to transform a regime of accumulation based on primary resources into a new industrial regime. Thus, I exemplified how in response to the Great Depression, social upheaval, and the fight for social protections, the federal government moved to institute Keynesian macroeconomic policy to balance with Fordist industrial production and facilitate a new regime of accumulation in Australia based on mass industrial production and mass consumption. This development focused government industry policy on full employment, and consumption to guarantee both conditions for capital accumulation and growing

wages which would stabilise industrial productivity with social regulation. The chapter illustrated how the Keynesian National Welfare State embedded in Australia structured change at a macroeconomic level, which contextualised the institutional changes in South Australia that facilitated industrialisation. However, delving deeper into the minutiae of this process at a local-state level, the chapter drew broadly on the institutionalist insights of regulation theorists to argue that this was a transformation undertaken by an array of political actors. Under the provisions of Keynesian economic management, these actors influenced the SA government to embrace an interventionist role for the state in economic transformation that helped to industrialise South Australia.

## 5 Embedding (de)industrialisation in Australia

This chapter outlines the transformation of Australia's post-war macroeconomic institutions in the era of neoliberal globalisation with the neoliberalisation of federal state intervention in the economy. It explains that this transformation had implications for South Australia's manufacturing industry. The chapter argues that from the 1970s federal governments in Australia have gradually unravelled the post-war institutional order and embedded neoliberalism in forms of state intervention as Australia's economy has become integrated into the global economy. This has had negative implications for both Australia's economy and society. Neoliberal policy responses from federal governments have contributed to deindustrialisation by implementing forms of state intervention that increase the reach of market forces, creating a political-economic situation whereby the state is viewed as the antithesis to the market, despite its ongoing central role in market-driven reforms. This means it has been possible for the state to intervene in alternative ways, and instances of this are explored in this chapter. However, the embrace of neoliberal policy responses by governments has limited the potential of these alternatives and created an economic structure more dependent on commodity exports and global financial investment than prior to globalisation. This is the contemporary reality of Australia's political economy, despite globalisation being an era in which industrial transformation has been critical to the advanced development of national economies in a highly integrated global economy.

### 5.1 State intervention in the era of neoliberal globalisation

The neoliberal era of globalisation in Australia has seen governments at federal level embrace neoliberal policy responses to economic crisis. They have implemented microeconomic structural reforms to the national economy through deregulation of finance and labour markets, privatisation of public assets and the abandonment of industry policy along with the neoliberalisation of social policy. This has marked a significant shift in the institutions through which the state supports capital accumulation.

The rationale for post-war state intervention in the economy was grounded in the protection of society from the problems caused by "free market systems" (Went 2005: 379). In the interwar period, as shown

in Chapter 4, international trade broke down due to its founding in a system of market fundamentalism. Where this prevented any significant role for governments in global trade, development resulted in significant underinvestment in industrial production (O'Connor in Gottdiener & Komnios 1989: 24). In the global era, reforms driven by emerging global market trends diminished the interventionist role of the state so that free markets could again achieve economic growth and expand capitalist interests (Went 2005: 379). Organised labour's position was undermined by capital in the re-ordering of industrial production, private investment became speculative and increasingly based in finance capital instead of productive capital, and the position of government in directing economic matters was altered dramatically.

If these trends are not immediately evident, data clearly illustrates this as reality. At the same time as deindustrialisation has occurred in the neoliberal period of globalisation, the economies of all industrialised nations have grown. Organisation of Economic Cooperation and Development (OECD) data for twenty industrial countries including Australia showed steady growth in average Gross Domestic Product (GDP) over the period. GDP grew from 8,832 US Dollars (USD) per capita in 1980 to 35,159 USD in 2008 before falling in 2009 to 34,837 USD in the wake of the Global Financial Crisis (GFC). From 2010, there was a return to growth, albeit at a reduced rate (OECD 2017b). The data showed that Australia's average GDP was consistently above the OECD average throughout this period. Thus, at face value neoliberal globalisation has had a positive impact on industrialised nations even where deindustrialisation has taken place.

However, productivity gains have not been reflected in the share of economic growth going to workers and by extension, the public and its social institutions. The period of global economic integration since the 1980s has seen a massive shift in the distribution of wealth away from middle-class and low-income earners and towards accumulation by a comparatively small fraction of capitalist elites. Using US data, Mishel, Gould and Bivens (2015) showed that between 1979 and 2009 the gap between productivity growth and average worker's pay increased, with middle-class wages stagnating and inequality

increasing dramatically; the hourly wage increased by 6 percent amongst this group in the period whilst very high wage-earners saw a 41 percent increase.

Despite significant economic growth, the global period has produced clear winners and losers. Patterns of disparity are repeated throughout Western industrialised nations that embraced deregulatory measures with neoliberal globalisation. Across the same period, average wages (labour compensation) in the OECD have declined (OECD 2017d). The patterns that emerge detail massive increases in executive salaries and a decline in collective bargaining and union membership, producing growth in social inequality (Mishel, Gould & Bivens 2015: 12). Increases in productivity in the era of globalisation have raised the value of industrialised economies. But increased wealth and higher living standards have not been distributed equally across most societies.

### **5.1.1 From post-war Australia to after-Fordist Australia: global crisis and change**

The interpretation of neoliberalism in much 'progressive' Australian political discourse measures its impact only when it is disseminated as a purely ideological program (Higgins 2014; Weller & O'Neill 2014). It rejects neoliberalism's impact by asking: if the neoliberal case had been made successfully, why do we not have the 'small' government neoliberalism promises? The problem with this argument is that it is based upon an idealist reading of neoliberalism as it applies to Australia's political economy. Citing increases in the size of Australia's welfare state across several decades of economic liberalisation under global market conditions, Fenna and Tapper (2012) demonstrated evidence of the welfare state's integrity despite neoliberalism's notions of small government and deregulation.

Such rejections of the entire neoliberalism thesis have argued that under the current period of globalisation the state has not succumbed to neoliberalism, having instead increased in size. However, this sceptical view is refuted by the fact that the state's neoliberalisation has characteristically produced uneven deregulatory measures. The marketisation of many state institutions and services has increased, removing state powers in some areas but growing its regulatory power in others (Cahill 2014: 17-27). It is this latter interpretation of 'actually existing' neoliberalism which most accurately depicts the native case of political-economic change in Australia in the era of globalisation. Neoliberalism, as applied to

government policymaking in Australia, in fact relies on the interventionist role of the state to restructure social institutions towards market principles.

The neoliberalisation of federal governments that took place from the 1980s was made possible in the first instance by incremental changes to the form of state intervention during the 1970s. Before the 1970s, during the post-war period, state intervention was characterised by structural changes to the economy through government's macroeconomic policy responses. By the 1970s, there was a degree of debate over the extent to which government should be permitted to set the direction of industry policy and to what extent it should instead be left to market forces (Freedman & Stonecash 1997). But despite this, setting a new direction out of the post-war crisis was broadly understood as requiring a reduction in the protective role of the state, to be reshaped in a way that would drive greater industrial productivity and investment.

In the post-war years, Australia's federal Treasury department was tasked with Keynesian-influenced economic management, but with a critical eye to the potential threat of inflation (Bell 1997b). But increasingly, the established macroeconomic structure began to undergo reform. From the 1970s, making Australia competitive in global markets was considered achievable by bringing industries up to international competition standards which would take pressure away from a rapidly rising currency.

From this time, the policy responses of federal governments in Australia began to undermine the key tenets of post-war political economy in Australia: full employment, the labour movement's industrial strength, national economic sovereignty, and state economic management capacity (ibid.: 81). This initially had implications for the protections that industry received. Both Whitlam Labor (1972-75) and Fraser Coalition (1975-1983) Governments began to dismantle the post-war institutional settlement that had tied industrial protections to social protections, ensuring full employment based on high wages was connected to the productivity of industrial firms.

Under the Whitlam Government, industry protection was reduced significantly. The government was committed to making Australia's economic system more efficient and more closely integrated with the

world market, particularly Asia (Catley 1996: 61). Following the Tariff Board being renamed to the Industries Assistance Commission (IAC), the Whitlam Government implemented the IAC's recommendations of 25 percent across-the-board tariff cuts. In relation to the automotive industry, this cut reduced the general tariff on vehicle imports from 45 percent to 33.75 percent, generating an effective protection rate of 27 percent (Conlon & Perkins 1995; Robertson & Trace 1983). The significant reduction in the level of tariffs on manufacturing imports aimed to force Australia's manufacturing sector to respond with increased productivity and competitiveness and thereby overcome issues of stagflation (Robertson and & Trace 1983).

Government policy responses turned to address rapidly rising inflation rather than actively support industrial transformation. It was thought that a market-oriented "shake out" of the Australian economy would be driven by reducing government assistance, making it more efficient and internationally competitive (Catley 1996). A turn away from pursuing full employment towards pursuing a stable and slow rate of currency appreciation signified the rejection of Keynesian economic management and its replacement with more rationalist monetarist policies. Monetarism meant ceding regulation of the economy to the market, with the government managing aggregate demand through the quantity of money in circulation (Bonanno 2017). The Whitlam Government committed Australia's economy to a more market-oriented approach moving forward (Catley 1996: 62).

The Whitlam Government had, initially, sought to commit to industry protection reforms to safeguard social protections within the framework of the post-war welfare state. By attempting to restructure industry and make it more productive through removing protection, it was balancing its social-democratic duties to the Australian public through expansionary Keynesian social welfare policies<sup>21</sup>. It thought that this would deliver on its social protection aims, rather than deliver social outcomes simply

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<sup>21</sup> The Whitlam Government's social reforms included free university education, public health insurance and economic stimulus to regions undergoing hardship in the face of global economic downturn (Whitlam Institute 2015).

by continuing to protect industries (Freedman & Stonecash 1997: 177). Initially, rationalising industry didn't necessarily mean rationalising the welfare state as well.

But despite attempts to make Australia's economy more efficient through industry reforms whilst bolstering social policy objectives, a strategic direction for industry policy development was lacking. This significantly damaged the health of the manufacturing sector. The exposure of heavily protected industries only added to worsening economic conditions in Australia. Australia's three car-producing companies at the time – Chrysler, Ford, and Holden – retrenched a total of 7,000 workers, with remaining employees taking wage freezes for the companies to remain afloat (Conlon & Perkins 1995).

The rationalisation of the manufacturing sector did not prevent unemployment from rising further. By 1974 inflation had reached 16 percent as global recession intensified its impact in Australia, placing tremendous pressure on the Whitlam Government's expansionary social policy commitments. The removal of industry tariffs was not met with significant investments in its transformation – either in terms of private capital or government policy intervention. A series of *ad hoc* policy decisions were made, aimed at managing the sector's transition to self-reliance with the application of mathematical models and economic assumptions about how to drive economic reform. This made sustaining social protections in their current guise difficult.

The Fraser Government that replaced the Whitlam Government in 1975 exhibited the same key characteristics of burgeoning neoliberalism. In many ways, the Fraser Government responded to the challenges of Australia's economic predicament with 'actually existing' neoliberal state intervention. Its attempts to restore capital accumulation were built upon the suppression of wages, cuts to welfare and the far more decisive abandonment of full employment than under the Whitlam Government. Its mixture of market-oriented reforms with a continuing role for intervention in industry policy reflected what Stephen Bell (1997b: 140) has documented as a widely held belief among economic rationalists that the Fraser Government made a half-hearted effort to embrace neoliberalism.

This was demonstrably a sign of the Fraser Government's 'actually existing' neoliberalism. It kept to a policy response of fighting inflation which meant further tightening fiscal and monetary policy on top of measures taken previously by the Whitlam Government (*ibid.*). It also considered further industry protection reforms necessary, to remove the burden of the manufacturing sector on the wider community. Yet with the sector and the broader economy facing ongoing hardship with stagflation remaining a debilitating issue, the Fraser Government's rolling back of industry protections were effectively put on hold.

Despite the position of authoritative policymaking institutions like Treasury insisting that government's role was to deregulate and reform rather than assist (Freedman & Stonecash 1997: 178), tariffs were reduced only by 1 percent, lowering the effective rate to 26 percent (Conlon & Perkins 1995). In fact, as the late-1970s were characterised by struggles to address stagflation, the Fraser Government returned to Keynesian stimulus policy responses characteristic of post-war era governments. It committed to industry stabilisation measures that would safeguard jobs and productivity by introducing quotas for both imports and locally produced vehicles as an import-substitution measure (Conlon & Perkins 1995: 53; Robertson & Trace 1983: 114).

However, these measures were intended to be a temporary stimulus until global market conditions improved and the Australian Dollar depreciated to export-competitive levels. Therefore, the Fraser Government's rationale for generally maintaining industry protections was not to restore any protective measures that would offset social expenditures and assist Australia's adjustment to ongoing employment losses. This is evident where, as part of its policy response to economic change, it also sought to rationalise the welfare state.

In its social policy reforms, the Fraser Government implemented an austere policy response focused on disciplining labour and tightening fiscal policy to arrest inflation. This included cuts to 'unproductive' areas of government spending like welfare, in attempts to restrict fiscal expansion and increase economic efficiency (Catley 1996: 62). Income tax increases on the working and middle classes, and a

pause on wages, weakened the bargaining position of labour and squeezed its share of productivity growth (Pusey 1991: 260). Cuts to social protections – premised on the government's belief that Australians experiencing disadvantage should instead turn to the charitable nature of the Australian community – contributed to growing unemployment, which had hovered between 5 and 7 percent since the late-1970s (Bell 1997b: 141).

The Fraser Government pursued other means to undo the perceived burden of inefficient big government on the economy. It encouraged the commercialisation and privatisation of many government functions. It sought to produce an investment-led recovery, whereby the private sector would solve the ongoing structural unemployment problem in Australia (ibid.: 140). This appeal to capital investment coincided with the growth of newly industrial economies in Asia, particularly Japan. It created high demand for Australia's commodity exports, particularly as Asian nations struggled with currency appreciation and sought restructuring of their own economies (Rich 1988a: 414).

The Fraser Government's perception of stability in Australia's comparative resource industries invigorated the production of alternatives to oil. This made the energy sector export-competitive, and a high demand for mineral resources led to a boom in mining exports (McLean 2013: 214-216). Hence, a boom in the minerals sector in Australia was touted as the hope of the Fraser Government's electoral and economic success (Catley 1996: 63). However, the mining boom produced problematic macroeconomic developments that undermined efforts to strengthen Australia's manufacturing base, limiting prospects for growth (Goodman & Worth 2008: 207). A high volume of commodity exports appreciated the Australian Dollar's exchange rate, disadvantaging non-mining sectors.

In this period, the 'resource curse' first became apparent in the trajectory of Australia's industrial economy. This concept argued that a resource boom which, by causing Australia's dollar to appreciate, damaged the competitiveness of sectors like manufacturing which were competing with cheaper imports. This placed pressure on wages to grow, even though sectors like manufacturing were already under stress to prevent wages growth (Mitchell & Bill 2006: 14-15). The boom also risked seeing

resources flow disproportionately to the mining sector, undermining economic diversification, and leading to macro mal-development (Goodman & Worth 2008: 207).

Promoting the mining boom in the absence of a dedicated policy response to the manufacturing sector was emblematic of the Fraser Government placing all its eggs in one basket – that of the financialisation of investment producing economic growth. By 1981, the boom was over due to further global economic downturn. Thus, in 1982 the Fraser Government's reversion to an *ad hoc* Keynesian economic stimulus produced a record budget deficit, which was inherited by the incoming Hawke Labor Government in 1983 (Bell 1997b; Catley 1996). Ideological preferences for neoliberalism notwithstanding, the Fraser Government took a far more pragmatic approach to market-oriented reform as it faced challenging macroeconomic circumstances, responding with the kinds of adapted neoliberal policy responses to be expected when market fundamentalism is adopted and moderated by the interventionist state.

### **5.1.2 Implications of reforms to state intervention in the 1970s**

During the 1970s, the policy responses of both the Whitlam and Fraser Governments to making Australia's economy more competitive overall entailed adjustments to the macroeconomic structure that had been embedded in Australia's post-war settlement. However, these governments effectively began to dismantle the state's macroeconomic intervention in the economy. Changes to state intervention under both governments effectively meant reshaping policy responses to industrial and social development in market terms. This was evident in the way policy responses were designed to curb inflation and expose inefficient sectors to the market, by rolling back government intervention and making individual firms become more competitive in international markets, as the post-war goals of full employment, high wages, and economic transformation through demand-driven policies were abandoned.

In this way, both Whitlam and Fraser Governments created precedents for the replacement of macroeconomic policy responses with microeconomic reforms that emphasised the free market. Government stepped back from its responsibility to provide a direction for industry at a macro-level, and embraced market-driven policy responses that focused responsibility at the micro-level – on

rational individual actors like manufacturing firms. The first threads of post-war institutional unravelling came with the embrace of market-driven government intervention at a macroeconomic level, not from the free market beginning to exclusively determine ongoing development.

## 5.2 'Actually existing' neoliberal state intervention in Australia in the global era

Reforms to government intervention during the 1970s have had major implications for the policy responses of governments in the decades since. However, arguably the most significant implications have been for centre-left Labor governments and the outcomes of their intervention in economic and social policy. Traditionally, their social-democratic agenda has focused on "...reforming and humanising capitalism, to improve the position of the working class and other disadvantaged groups, rather than on a more radical transformation to a socialist society" (Johnson 1989; 2011: 563). After only spending three years in government during the post-war era (under Whitlam), the global era was predominantly defined by Labor government administration. Hence, in an era of rapid national market integration with the global economy, the decisive acceptance by Labor governments of "the ascendancy of the market paradigm acted as a *constraint* on traditional labour strategies and as a spur for developing new policy mechanisms in social policy" (Wilson & Spies-Butcher 2016: 409).

The market paradigm for economic and social development has been an increasing influence upon the policy responses of governments from the 1980s onwards. From the early-1980s it was apparent to analysts of Australia's federal government that neoliberal reform ideas had infiltrated various elements of the bureaucracy, bringing a brand of 'economic rationalism' to public policymaking (Pusey 1991; Schwartz 2003). Since 1983, "...macroeconomic 'stability' (i.e. business confidence) became rhetorically central, and interventions increasingly relied on 'supply side' mechanisms" like expanding opportunities for education and training and part-time or casual work (Wilson & Spies-Butcher 2016: 410). In practical terms, economic rationalism has meant the neoliberal formulation of social and economic policy decisions by adherence to balanced budgets, a smaller public sector and an open economy free of tariffs and controls on inflows of foreign capital (Bryan & Rafferty 1999: 124).

Neoliberalism has characterised government policy responses in the present era of globalisation to make Australian industry more competitive in international markets, and promote more competitiveness amongst domestic firms (Robertson & Trace 1983). It has entailed rolling back the state's industrial protections, meaning targeting heavily regulated industries, exposing them to greater competition (Bryan & Rafferty 1999: 75). Within this new economic scenario rationalists expected that "winners would emerge because they were efficient and competitive in markets, not because they had government support" (Bell 1997b: 131).

Policy responses of governments since the 1980s have been made with an assumption that the private sector's ability to allocate resources efficiently is far superior to that of the public sector, and when the economy performs badly government regulatory interference is to blame (Whitwell 1990: 124). Rationalists have argued that Australian governments have taxed businesses excessively and eroded their profits to limit further investment, stunted productive growth, and discouraged entrepreneurialism; and that too much regulation had tied up labour markets and kept wages high, reducing business profits (Bell 1997b: 131-132).

Throughout the present era of globalisation, policy responses have increasingly been shaped by the standard notion that government control over economic development is exerted in direct opposition to growth driven by free market forces. However, given the actual practice of neoliberalism, government's interventionist role has also exposed "the misconception that neoliberalism brings a reduction of government power, showing rather that such power has become less accountable, and that neoliberal claims of deregulation instead entail a high degree of reregulation and control" (Battin 2017: 3).

Neoliberal globalisation has focused government policy responses on privileging capitalist interests. This has been achieved by reducing trade union power, increasing employer powers and privatising public assets. It has resulted in the transfer of wealth and power to private interests, with accountability removed from decision-making authorities. Neoliberal state intervention has depoliticised politics, "placing policy in the hands of technical experts or the hidden hand of the market and beyond the

scrutiny of public debate” (ibid.: 2). As the following section demonstrates, state intervention in the global era has been carried out with a far greater orientation of government policy responses towards market-driven capital accumulation, and less accountability to the public.

### **5.2.1 Neoliberalism embedded: the Hawke-Keating era**

From the 1980s there was a far deeper penetration of neoliberalism into Australia’s macroeconomic policymaking framework. Following the reforms of the 1970s, intervention increasingly involved the deregulation of capital and labour markets and their free market re-regulation. This has resulted in the transferral of power away from labour and towards global capital, beginning with the Hawke-Keating Government becoming more identifiably neoliberal through changes to the government’s role in macroeconomic policy and industrialisation strategy (Freedman & Stonecash 1997: 178).

From 1983, over more than a decade, the most significant embedding of neoliberal reform in state intervention was implemented by the Hawke-Keating Labor Governments<sup>22</sup>. At first, the Hawke Government oversaw a partial revival of the post-war tripartite strategy between government, labour and capital, initially rejecting the Fraser Government’s neoliberal policy responses to stagflation (Bell 1997b: 141). Through a post-Keynesian expansionary fiscal policy it attempted to stimulate economic growth with job creation that it thought would in turn expand private spending (Bell 1997b; Broomhill 1991).

After inheriting a significant budget deficit – caused by spending under the Fraser Government that had failed to address stagflation – the Hawke-Keating Government set about addressing the Australian economy’s structural issues. It sought to reform the manufacturing sector’s competition-stifling structure and delimit wage increases through microeconomic policy responses. Its solution to making

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<sup>22</sup> The subsequent analysis of the Hawke and Keating Labor Governments deliberately does not make a distinction between Hawke’s Prime Ministership from 1983-1991 and Keating’s from 1991-1996; it follows the argument by Evan Jones (2005: 37) that “[t]he Hawke Government was essentially a Hawke-Keating Government”, and that this was due to a large gap in decision-making between the Prime Minister and Treasurer and the rest of the federal Cabinet. Therefore, this distinction usefully narrates the neoliberal policies of governments under the leadership of both Prime Ministers.

the manufacturing sector competitive in a more open Australian economy was the Prices and Incomes Accord ('the Accord'). As one part of a raft of microeconomic reforms, the Accord was implemented as a labour market adjustment that would promote industrial competitiveness and raise productivity by restraining wages (Wright & Lansbury 2014). Under the Accord, wage-fixing was centralised in decisions of the federal industrial tribunal; however, wage negotiations were decentralised, allowing employers and unions to negotiate at the industrial level within federal regulation.

### **5.2.2 An alternative to neoliberalism?**

The Accord was a bold attempt of the Hawke-Keating government to intervene in Australia's economy with a typically Keynesian policy response. Overall there is wide acceptance that it met its initial objectives to address wage inflation, real wage costs, and industrial disputes (Hancock 2014). In this sense, Hancock (ibid.: 269) has argued that it was a viable alternative to the neoliberal reforms taking place in other industrial nations:

[i]n seeking the cooperation of unions and by providing a social wage to cushion workers from the adverse effects of economic and wages policy reform, the Accord represented a more equitable alternative to the neoliberal approaches of the Thatcher government and its counterparts in the United States, New Zealand and elsewhere.

The Accord was a response to the challenges of Australia's global economic integration. It built political solidarity across the labour movement and created strong inter-union coordination. But it was structured by three distinct phases that progressively narrowed its scope and meaning. In the first phase, objectives of macroeconomic stabilisation to address stagflation were balanced with improvements to the social wage and a host of welfare concessions including universal healthcare (Medicare), labour market education and training programs, and initiatives to support industrial restructuring, like the 'Button Plan' (discussed below) (Buchanan, Oliver & Briggs 2014: 298).

In the second phase, a shift away from centralised wage-fixing to managed decentralism was a response to the 'moral panic' that followed dire reductions in Australia's terms of trade during the mid-1980s, and it produced greater labour market deregulation. The third phase brought a new industrial relations

settlement that completed the decentralisation of wage-fixing to enterprise-level bargaining agreements. The broader provisions of the Accord then acted only as a 'safety net' for workers unable to secure a bargain with their employers in a now further deregulated labour market (ibid.).

The Accord represented a robust intervention by the Hawke-Keating Governments to create a protective institutional bulkhead against the rising tide of neoliberal globalisation. It was supported by the Australian Council of Trade Unions (ACTU) which had a vested interest in keeping the ALP in power. However, Cahill (2008: 326-327) has contended that, as the Accord programmatically deregulated the labour market, government-union consensus also reflected organised labour's acquiescence to the neoliberal agenda becoming the defining political-economic background to Keynesian microeconomic reform, which helped to facilitate the neoliberalisation of Australia's interventionist state and the economy.

The labour movement had hoped the Accord would elevate the status of industry policy in the government's responses to economic structural adjustments (Jones 2005: 37). The 'Button Plan' for the manufacturing sector contained some hope for such positive intervention. It recommended that industry policy responses to globalisation should not be based on an *ad hoc* approach. Along with a more accelerated reduction of tariff protections to local industry, government assistance programs for individual manufacturing industries, particularly steel, cars, and textiles, clothing and footwear, were implemented to help them deal with restructuring and transformation (Conley & van Acker 2011; Wright & Lansbury 2014).

However, the selectivity of these individual plans and their focus on what were considered 'lame duck' industries showed that the Hawke-Keating Government lacked a comprehensive and coherent industry policy agenda (Conley & van Acker 2011: 503). Where effectively comprising fragments of a more extensive Keynesian intervention, industry policy simply aided the 'managed decline' of manufacturing (Conley 2013). Individualised industry plans reflected the growing dichotomy between government

intervention and market-driven growth, with the Button Plan not advocating for positive assistance due to a perceived need to expose industries to market discipline (Conley & van Acker 2011: 507).

Microeconomic policy was as far as government would intervene in industrial restructuring. Indeed, the Button Plan also endorsed greater trade liberalisation to incentivise the competitive transformation of the manufacturing sector. It accelerated the removal of protections at the same time as advocating the further deregulation of financial markets and tax cuts to business and banks to drive an efficiency based economic recovery (Owens 1995).

### **5.2.3 The Keynesian-neoliberal policy contention in state intervention**

The impact of neoliberalism on Australia's macroeconomic policy framework overshadowed the impact of Keynesian policy-driven state intervention for economic transformation under globalisation. However, it is apparent that the Hawke-Keating Government's policy interventions over the critical first decades of Australia's global integration focused largely on precariously balancing the ALP's traditional social-democratic objectives with its attempts to make Australia more competitive in global markets. To achieve the latter, the government had actively adopted policy responses that dismantled much of its macroeconomic apparatus. The concurrent passive implementation of more interventionist policies made it susceptible to the neoliberal political economy, with significant implications for manufacturing industries.

Alongside the Accord, the Hawke-Keating Government initiated far more neoliberal microeconomic reforms to Australia's economy in attempts to induce a more competitive structure. It significantly reformed normative policy commitments to full employment and demand management, turning policy increasingly to responses that would emphasise market determinations of employment and economic growth (Wilson & Spies-Butcher 2016: 410). Government's role in this 'actually existing' neoliberalisation process in Australia expressed what Anderson (1999: 18) critiqued as the 'doublespeak' of neoliberalism: market-driven reforms that not only redistribute wealth to corporations and away from the public, but also categorically involve more – not less – government intervention.

A raft of deregulatory measures occurred. The government floated Australia's dollar on international markets. This was a move that Wheelwright (1984: 28) criticised as "totally out of keeping with the Labor ideology of attempting to control the economy in the interest of the working people of Australia". Where a floating exchange rate entailed depreciating Australia's dollar to increase exports, it also encouraged increased financial speculation in Australia's economy. The foreign capital that subsequently flowed into Australia to purchase currency had "little to do with real economic forces such as exports, imports and actual investment... [occurring] through a variety of motives, often to do with the situation in other countries" (ibid.: 28).

Deregulation also saw gradual privatisation of the publicly owned Commonwealth Bank of Australia (CBA) and national airline QANTAS; publicly owned postal and telecommunications services were corporatised, all to help facilitate increased inflow of global financial market investment. Thus, beyond restricting a wage explosion, policy to make Australia's economy competitive and capable of attracting foreign capital was founded on removing government's exchange and interest rate regulations, as well as the removal of restrictions on bank lending in terms of volume, and recipients (Bell 1997b: 143-144). These actions "opened the way for the free movement of capital in and out of Australia" (Pierson 2002: 183).

As firm profits soared under the Accord's restraint of real wage costs, more Australian capital was invested in global markets. The CBA and other new foreign competitor banks entering Australian markets increased the amount of money being lent to speculative financial investors without making any productive investments in Australian industry. Their profits were not reinvested in job creation and "instead went to finance property or stockmarket speculation, increased dividends, increased executive salaries, increased investments off-shore, increased profit repatriation overseas or into the foreign exchange market 'gambling pit'" (Broomhill 1991: 5-6). Growth in productivity was supported by a boom in Australia's commodity prices, which undermined the productivity of Australian manufacturing industries (Bell 1993: 131-132).

The neoliberal turn in Australia's macroeconomic management had thus far failed to create the competitiveness and productivity required to make the nation suitably competitive in the global economy, and provide commensurate levels of employment and economic wellbeing. By 1985, Australia was faced with a continuing decline in its terms of trade, increased balance of payments problems, and rapidly growing foreign debt. Domestically, business had failed to increase productive investment within the national economy despite recording enormous growth in profits. Treasurer Paul Keating's 'banana republic' comment, made in 1986<sup>23</sup>, was an admission by the government that declining manufacturing, poor trade performance, and rapidly increasing foreign debt placed the nation in great peril of becoming a third world country if it could not raise efficiency and competitiveness (National Archives of Australia 2016).

In 1991, unemployment in Australia had risen from 8.4 percent in January to 9.3 percent by June, reaching a record high of 10.4 percent by November – the worst unemployment figures since the Great Depression (Castles 1991a, 1991b, 1991c). In 1992, the government released its *One Nation* statement, a significant state intervention which set out a policy response that would see extensive investment in public sector infrastructure and job creation. However, this expansionary fiscal response was backgrounded by the acceleration of the Australian economy's neoliberalisation through further microeconomic reform. The *National Competition Policy* aimed to extend the deregulation of government controls on banks, trade, capital and foreign exchange that had "straitjacketed the economy in earlier times" (Keating 1992: 3). Tax cuts were implemented to lower the burden of government expenditure on the public, and 'public benefit' tests of assets to determine whether privatisation would contribute to market-efficient economic growth were implemented to encourage greater competition and productivity.

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<sup>23</sup> The term that then-Treasurer Keating used in May 1986 to describe the declining direction of Australia's economy

The Hawke-Keating Government's policy response to economic crisis was a Keynesian intervention framed within a broader neoliberalisation of Australia's macroeconomic structure. Bell (1997b: 213) has asserted that "[a] litmus test of the change is the fact that the tariff reductions of the kind announced in March 1991 – in the midst of severe recession – would have been unthinkable a decade ago." Even with a more active industry policy approach, positive forms of state intervention were implemented within a contractionary fiscal policy response to economic crisis. Throughout the 1990s, the melding of Keynesian public investment with neoliberal financial deregulation in state interventions continued to shape government responses. To stoke competitiveness in manufacturing, tariff cuts implemented in March 1991 reduced protection from 16 percent to 5 percent by 1996. A cut in public investment in manufacturing produced equivalent falls in private investment (Lucarelli 2003: 89).

Within the broader *One Nation* policy statement, the Hawke-Keating Government released a strategy that aimed to build a more competitive Australian industrial economy through advanced industrial transformation. The *Working Nation* policy response to growing unemployment and ongoing structural problems in Australia's economy contained within it a component dedicated to industry policy development. It promoted manufacturing innovation through greater R&D investments and public procurement driven by a corporatised government structure designed to create investment and employment growth in the manufacturing sector (Jones 2005: 39-40). *Working Nation* purported that upskilling for high-value manufacturing job creation would flow from increased investment in a competitive economy.

The government's new efforts to promote competitiveness were stunted by the sectors that had either produced widespread inequality through unproductive investment, or crowded out productive investment with a mining boom. Attempts to develop sectoral industry policy were aimed at making manufacturing more competitive by doubling down on efforts to transform industries into those capable of producing high-technology goods for export (Pierson 2002: 185). But policy was effectively governed by the imperatives of neoliberal global markets (Lucarelli 2003: 81). Where the government's

attempts to attract investment were already premised on deregulation of labour and industry, the finance and primary commodity sectors of the economy had grown stronger.

The Hawke-Keating Government's interest in developing microeconomic policy for economic transformation was not enough to deliver reform. Yet it was now embedded within its embrace of neoliberal policy responses to industrial restructuring, trade liberalisation and labour market deregulation (Jones 2005: 38). Where the aim of microeconomic policy responses was to drive anti-inflationary policy by steadying wages at the same time as encouraging Australia's global economic competitiveness, it served the needs of business most of all.

Despite the Hawke-Keating Government propping up capital accumulation, unemployment continued to rise, and any recovery of profit did not translate to equitable social redistribution. A lack of public dissent to such regressive structural change to Australia's economy in the 1980s and 1990s was, arguably, due to the labour movement's complicity in the Accord's assent. Bell (1993) has reasoned that this period saw the government and unions make the greatest concessions in attempts to increase global competitiveness. Cahill (2008: 327) has also argued that the ACTU's consensus-building with a form of state intervention that ultimately undid its post-war era power ensured "that the introduction of neo-liberalism in Australia did not generate the sort of social unrest and political protest as occurred, for example, in Britain under Margaret Thatcher".

#### **5.2.4 A missed opportunity for an alternative direction**

Despite complicity amongst the labour movement leadership, alternatives to neoliberalism were also presented. In *Australia Reconstructed* (ACTU & TDC 1987), a 1987 report to the Department of Trade, the ACTU and Trade Development Council (TDC) made recommendations for alternative policy responses to balance of payments and industrial transformation issues based on findings from a study tour to Sweden, Norway, Austria, West Germany, and the UK. Most importantly, they found that the experience of the Scandinavian countries and Austria was of low inflation, reasonable growth and improved balance of payments. This was achieved on the back of a tripartite capital-labour-state development of productivity and efficiency enhancing policy responses, framed within a national

objective of full employment. Such corporatist approaches contrasted with the UK and West German experiences of policy responses implemented within neoliberal macroeconomic settings that produced low inflation and good growth but did so with great social cost and productive inefficiencies (ibid.: xii).

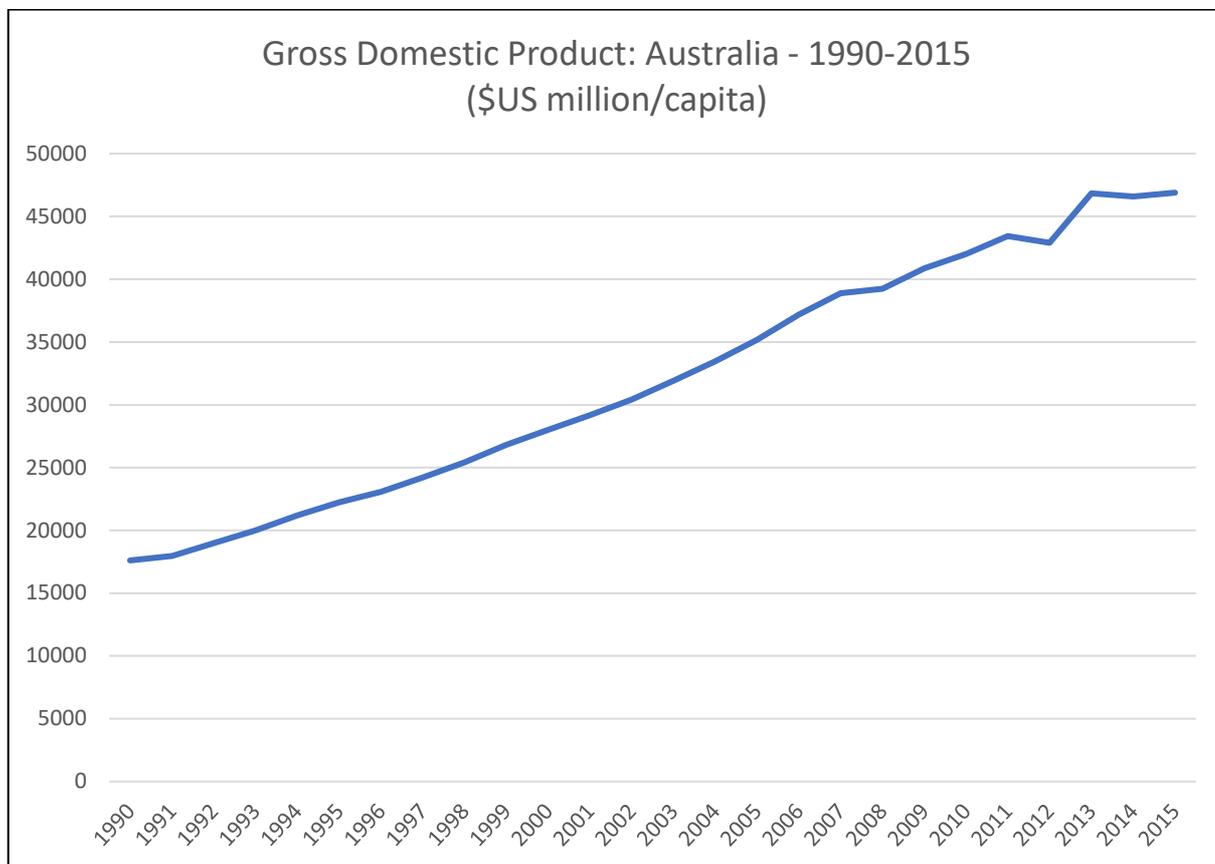
A consensus-based policy response to economic restructuring under globalisation was essential to successful outcomes for the economy and society. The findings of *Australia Reconstructed* suggested that a government policy which committed the interventionist state to full employment, a mix of incomes policy, support for efficient industries, encouragement of industrial restructuring, and active direction of measures to promote productive investment could produce successful policy responses to the challenges of globalisation (ibid.). Despite Australia's generally positive experience with the Accord, its existence within a macroeconomic structure of neoliberal state reform contrasted significantly with the far more coordinated approach of nations whose social-democratic governments ensured productivity remained tied to equitable distribution measures.

The cohesive and comprehensive policy response represented in *Australia Reconstructed* was a missed opportunity for Australia to meet the demands of global competition in a more socially equitable way. This was at least in part "because key decision makers in government were unwilling to embrace such a comprehensive program of economic reforms" (Stilwell 1997: 39). The proposal faced sharp contempt from Australia's business community and had no impact on the Hawke-Keating Government's blunt neoliberal monetarist policy interventions in the nation's macroeconomic structure, preordained via the Treasury (Jones 1997: 32-33).

Despite early Keynesian interventions like the Accord and the Button Plan – and by the absence of any impact by *Australia Reconstructed* on policymaking – neoliberalism's influence over state interventionism had triumphed. Having relied so much on the partnership between the ALP and the ACTU, the positive impacts of these policy responses on the Australian workforce's adjustment to a period of widespread economic restructuring and reform were either implemented over a period when

neoliberal deregulation nevertheless increased the share of productivity increases going to capital and diminished that going to labour; or were simply crowded out by its policy supremacy.

Figure 2: Gross Domestic Product – Australia (1990-2015)



Source: OECD (2017b)<sup>24</sup>

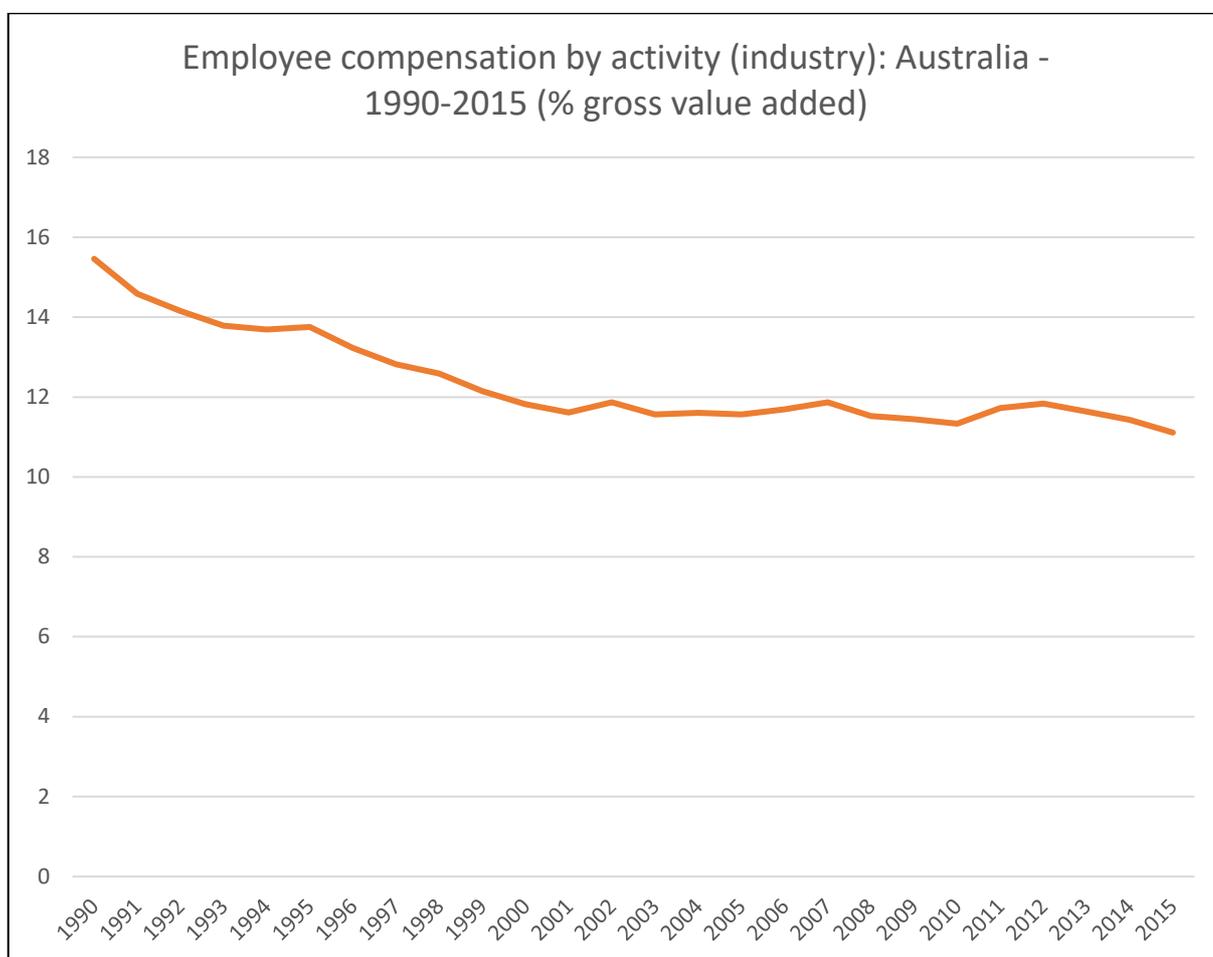
In Figure 2 above, data from the OECD captures the steady GDP growth in Australia between 1990 and 2013. Figure 3 overleaf reveals how commensurate labour compensation as a percentage of national gross value added for industrial employment has declined over the same period. These charts suggest that the increase in the structural power of capital with global economic restructuring produced financial deregulation that helped to place business interests in a stronger economic position than labour.

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<sup>24</sup> Data are not displayed in constant dollars; comparing Figure 2 with Figure 3 demonstrates an increase in GDP over the period of neoliberal globalisation with a parallel reduction in the share of GDP going to manufacturing sector workers in the same period.

The 1980s and 1990s saw a dramatic increase in economic inequality in Australia. In a study of the experience of the effects of this period of economic reform, Michael Pusey (2003) has shown that the outcome of the increasing globalisation of Australia’s economy through the neoliberal microeconomic interventions of the Hawke-Keating Governments hollowed out ‘middle Australia’. Wealth shifted in seven notable dimensions: from the public to the private sector; from the bottom 70 percent of wage earners to the top 10 percent; from wage and salary earners to corporations; from small business to big business; from regions to the cities; from consumers to producers; and from households to the market (ibid.: 6).

Figure 3: Employee compensation by activity (industry) – Australia (1990-2015)



Source: OECD (2017a)

The growth in productivity recorded in the remainder of the 1980s increasingly siphoned profits to capital investors in global finance markets, transforming the economic ownership of Australia’s

industrial structure into monopoly capital that spread to a small number of entrepreneurial millionaires (Broomhill 1991: 4). The decline in manufacturing that occurred in parallel entrenched further unemployment and poverty amongst the lower class as well.

### **5.3 Implications of neoliberalism for Australia moving forward**

The Hawke-Keating Government decisively brought Australia's economy into the neoliberal era. The neoliberalisation of Labor's macroeconomic policy responses to the problems of Australia's economy failed to address underlying structural issues. Microeconomic policy responses to economic restructuring were overwhelmingly aimed at disciplining the labour movement by containing wages so that business would become more competitive and thus attract investment. The benefits would only then return to labour and broader society by the 'trickle-down' of proceeds from corporate profits to other groups within society (ibid.). This was necessary to move forward with neoliberal policy, which meant prioritising market-led economic growth as the panacea of employment growth (Jones 2005: 46).

Finance, industry, and labour deregulation only helped accelerate the restructuring of Australian capital and its integration into global markets. This damaged Australia's opportunities for long-term productivity. The lack of a macroeconomic strategy in policy responses was indicative of the government's broader neoliberal agenda, and lack of full commitment to an active intervention to advance Australia's industrial transformation. Witnessing instead a growing neoliberal market-driven orientation of policy, Stephen Bell (1997b: 82) predicted a bleak outlook for the nation's economy:

In 1993-94, only 17 per cent of Australia's exports were classified as elaborately transformed manufactures, while a further 8 per cent were simply transformed manufactures. The balance was made up of primary commodities exports and manufactures. Such an export profile looks more like that of a Third World staples/resort economy than that of an advanced industrial economy, whose export profile is typically weighted much more towards high value-added manufactures exports [...] Increasingly [...] it seems that the winners in world trade produce high value-added manufactured goods and services, the losers produce commodities. This is a core problem with Australia's economic structure and our resultant trade pattern.

It is for this reason that Lucarelli (2003: 77) argued that Labor “presided over unprecedented structural decline and deindustrialisation”. Though the origins of deindustrialisation dated back to global restructuring and industrial stagnation in the 1970s, “the neoliberal policies enacted during the Labor era accentuated this historical phase of structural retrenchment” (ibid.). Deregulation, trade liberalisation and privatisation were central parts of these policy responses. The strategy also targeted investment-driven economic growth based primarily on corporate tax cuts, which ultimately were not reinvested in employment growth, but instead in corporate profits.

Microeconomic reforms became the official position of the government’s industry policy response to economic development. This meant that as it introduced more market-driven reforms, the government itself drove the restructuring, and managed decline, of the manufacturing sector. Arguably, productivity has continued to grow in Australia into the twenty-first century. Yet it is in observing neoliberalism’s beneficiaries that a complete image of an increasingly divided Australian society emerges. From the 1980s, wealth flowed upward and offered little in terms of trickle-down benefits. This was reflected in the collapse of trade union membership – in 1980 it was 54 percent but by 2011, following the impacts of Hawke-Keating and later Howard Coalition labour market deregulation, it had reduced to 18 percent (Brown 2014: 315).

Effectively, Labor’s neoliberal interventions softened up the political-economic landscape for the Howard Coalition Government’s reforms during the latter half of the 1990s. The Hawke-Keating Government created neoliberal conditions “as a result of its application of New Right, or restrictionist, economic policies” (Broomhill 1991: 5). This would only worsen the conditions for Australia’s manufacturing sector, and the living standards of a society dependent on manufacturing industrial transformation. But the embedding of neoliberalism within the policy responses of federal government during the years of Labor government in the 1980s and 1990s ensured that the continued pursuit of industrial competitiveness and efficiency was premised on neoliberal forms of state intervention. These would further fail to address the economic issues driving Australia’s economy towards deindustrialisation.

### 5.3.1 Neoliberalism embraced: the Howard Coalition era

The Howard Coalition Government years of 1996-2007 extended the microeconomic reform of Australia's political economy in several significant ways. Its appeal to market-led economic growth was, at least ideologically, driven by core neoliberal principles of minimalist government and minimal intervention in the economy (Bongiorno 2005; Hollander 2008). Its leadership promoted neoliberalism's core tenets of individualism, entrepreneurialism and the free market, and the government committed to cutting tariffs to the manufacturing sector shortly after being elected. This formed part of a broader attempt to reduce a budget deficit – a 'budget mess' – which the Howard Government claimed to have inherited from Labor. The Howard Government's cuts to the manufacturing sector reduced R&D supports to industry and other assistance programs, and its rejection of recommendations to provide incentives to attract foreign investment in the sector suggested that firms would be expected to become more competitive globally through their own adjustments (Bell 1997a; Hampson 2012: 46).

These were signs that the Howard Government had no plan to provide positive industry policy. However, it continued to provide assistance to the manufacturing industry in attempts to raise competitiveness and productivity across the Australian economy. Assistance to manufacturing firms entailed one-off loans and structural adjustment subsidies, but nothing that would help the manufacturing sector innovate and transform (Conley & van Acker 2011: 510-511). The Howard Government may have been opposed to strategic industry policy, but not to returning to pragmatic forms of *ad hoc* policy assistance when needed (Conley & van Acker 2011; Jones 2005). In this way, the Howard Government exhibited an acceptance that both tempering further tariff cuts and retaining some form of intervention was important to garner electoral support (Hampson 2012: 45). Yet the continued assistance to manufacturing sectors it provided revealed, in other terms, the Howard government's eschewing of targeted industry policy that could transform manufacturing.

The Howard Government's proposed solution to a growing gap between imports and exports was to favour the booming mining sector. This was government intervention to construct a free market regulatory environment for competitive investment in the industries in which Australia possessed

comparative advantage (Jones 2005: 48). As a boom in mining export revenue flooded Australia, increasing corporate tax revenue and driving the Australian Dollar to a twenty-six-year high, federal treasurer Peter Costello implemented a personal income tax cut. Many economists concluded that this policy response squandered a once-in-a-lifetime mining boom opportunity to invest in R&D and education that would assist Australia's economic adjustment once the boom ended, restoring some hope for the manufacturing industry's advanced transformation (Ferryhough 2015). But throughout the period from the boom's beginning around 1998 to the Global Financial Crisis almost ten years later, targeted assistance to the manufacturing sector was not forthcoming.

The mining boom increased domestic and foreign investment in mining, as well as in non-productive activities in the finance and property sectors (Bell 1997a: 16). Promoting greater competitiveness in these sectors was matched with further attempts to deregulate the labour market and redirect productive resources into speculative investment. The Howard Government abandoned the Accord – the platform of the Hawke-Keating institutions for manufacturing to adjust to globalisation – and moved to replace it with a far more punitive form of labour market regulatory discipline.

Analysis of the Howard Government's approach to neoliberal reform reveals further evidence of the nature of neoliberal state intervention. Although the Howard Government displayed a degree of economic and industry policy pragmatism, it also demonstrated a much greater bent towards the neoliberal reform of labour markets and widespread privatisation of public assets (Hollander 2008). It supported large-scale nation-building projects, but their means of procurement were couched in market terms that concentrated planning powers in the economic rationalism of private corporations (ibid.: 93-94).

The Howard Government's *Workplace Relations Act of 1996*, and later its WorkChoices policy platform, together shifted wage negotiations further into the realm of the market. They weakened the power of unions and industrial tribunals by decentralising bargaining to enterprise level and limited the scope of negotiations, and introduced individual contracts that could undercut minimum employment award

standards (Wright & Lansbury 2014: 8). In restricting union workplace activity and placing limitations on workers' capacity to organise in defence of employment conditions and job security, WorkChoices "was the most radical IR legislation in Australian history" (Battin 2017: 4). The goal of its labour market reforms was to create more workplace flexibility, decentralising and de-collectivising employment relations, so that the powers of corporate finance were maximised even beyond those conceded by the Hawke-Keating Governments. The Howard Government's decisive focus on labour market reform significantly narrowed the opportunities for trade unions to positively influence forms of state intervention (Wright & Lansbury 2014: 8).

The neoliberalisation of the Australian welfare state did not necessarily represent a reduction in social expenditure, but rather its redirection away from certain disadvantaged groups – single parents and people with disabilities – and its redistribution to low-income families and older people. This was an attempt to re-regulate welfare payments in line with neoliberal market values by producing more workfare and less welfare (Mendes 2008: 109). In this way, neoliberal state intervention maintained the real income levels of disadvantaged Australians who reflected the Howard Government's social conservatism, but applied punitive measures to those that did not.

The power of labour was further weakened by an increasing stagnation in wages. With concomitant declines in manufacturing productivity, the mining sector overtook manufacturing as Australia's largest industry by GDP. Over the decade from 1998 to 2008, Australia's economic complexity deteriorated significantly as national exports came to be dominated by minerals including coal and iron ore (Hausmann et al. 2017). By 2001, total employment in 'extractive industries' reached 83,000 (1 percent of Australia's total employment) and then rose to 136,000 by 2007; but employment in manufacturing fell from 1.87 million to 1.63 million in just three years between 2004 and 2007, despite increased output in the sector (Goodman & Worth 2008: 208).

### **5.3.2 Neoliberalism contested? The post-GFC era under Rudd-Gillard Governments**

The Global Financial Crisis (GFC) of 2007-2009 challenged the hegemonic 'common sense' of neoliberalism. Leading up to the 2007 election, Labor opposition leader Kevin Rudd used various

campaign platforms to critique and condemn policy responses of the neoliberal Howard Government years (Rudd 2006a, 2006b). The GFC shook Australia's economy and led the Rudd Government to enact a counter-cyclical Keynesian-inspired policy response. A stimulus spending package worth 3 percent of GDP arrived in two parts: first in December 2008 to boost household spending through cash payments; and second, in February 2009 to stoke investment in public infrastructure and employment creation through construction projects (Wright & Lansbury 2014: 10). The package was acclaimed by governments and economists throughout the world. Rudd's rationale for the post-Keynesian fiscal expansion was further expounded in an opinion piece for *The Monthly* magazine (Rudd 2009). In it, the Prime Minister once again criticised neoliberalism and championed Keynesian economic logic in response to economic crisis.

The package of measures targeted at public works and consumption expenditure helped Australia avoid the worst of global recession. In a quantitative model-based analysis of the stimulus package, Li and Spencer (2014) concluded that its neo-Keynesian combination of transfers to households and investment expenditure on public works was effective in reversing the GFC's impacts on demand and domestic output. However, these economists conclude that, despite its efficacy, the Rudd Government stimulus may have been excessive, potentially undoing these short-term gains due to future budgetary contraction (ibid.: 29). The accrued public debt in the years following the stimulus package, though not particularly high by historical or global standards, was significant enough to allow the Abbott Coalition Opposition a strategic point of attack on the Labor government in the lead-up to the 2013 federal election.

Other scholars have been critical of the merit and effectiveness of the Rudd Government's stimulus package. Fenna (2010: 354) has argued that its post-GFC policy response was not so much Keynesianism as it was short-term fiscalism, presenting a one-dimensional tax-and-spend approach to economic stimulus without a more long-term objective of full employment. Furthermore, given the bureaucratic hold-ups of policy implementation, which saw programs implemented after the economy's deflationary period, anti-cyclical stimulus likely had less impact on Australia's economic growth than continued and

consistent demand from China for Australia's commodities (ibid.: 365-366). But even if government stimulus was not entirely responsible for Australia's good post-GFC good fortune, its impact on buoying business and consumer confidence through increased employment contributed to its economy's ability to avoid recession. Compared to other OECD countries, Australia has retained an unbroken period of growth, which reached 25 years in the 2015-16 fiscal year (DIIS 2016).

There is merit to this argument that the Rudd Government's policy responses, overall, represented much less than a sophisticated break from the past twenty years of microeconomic reform. Rudd consistently failed to criticise the neoliberal policy responses of the Hawke-Keating Governments that had preceded the Howard Government (Battin 2017; Johnson 2011; Wilson & Spies-Butcher 2016). In doing so, it was evident that Rudd lacked a sophisticated critique of the broader neoliberal agenda that had characterised the 1980s and early-1990s under the previous Labor government (Battin 2017: 6).

Analysis by Battin (ibid.) revealed the Rudd Government's residual neoliberal shortcomings, particularly the way it eschewed attempts to return to full employment policy which would have signalled a clear break from neoliberalism. Its policy response focused on the output gap, thus only aggregate demand in the economy, rather than effective demand in the economy which could more successfully address labour demand and create more certainty in the market. Nevertheless, the Rudd government's suite of post-GFC stimulus measures cannot be underestimated for its significance as an expansionary fiscal policy response to the crisis. As a response to great instability in global finance markets the bank guarantee helped to stabilise the financial sector.

The Rudd Government also dealt with the GFC's impact by attempting to initiate a round of labour market reforms. Rudd had campaigned on distancing the Labor leadership from the union movement. Thus, in the absence of a new agreement with labour akin to the Accord, the Rudd Government responded to economic challenges without any formal partnership in place with the unions (Wright & Lansbury 2014: 10). Despite defeating the Howard Government through an effective anti-WorkChoices campaign in the lead-up to the 2007 election, the Rudd Government differentiated rhetorically, more

so than practically, from its predecessor's industrial relations policy. In campaign mode, the Rudd Labor Opposition narrowed its focus on reforms to more basic issues like protecting penalty rates and overtime. Job security, increasing work casualisation, the right to take industrial action and labour's share of national income were all swept under the rug (ibid.: 5). These were all issues embedded initially by the Hawke-Keating Government's devolution of wage bargaining to enterprise level, entrenching microeconomic policy responses to issues that, to address effectively, now required far broader macro-policy scope to address.

The Rudd and Gillard Governments' attempts to implement industry policy consistently reflected the neoliberalism embedded in the policy responses of government. This is evident in key policy plans introduced between 2008 and 2013. A report released by the non-government members of the Rudd Government's Prime Minister's Manufacturing Taskforce pressed the need for a strong interventionist policy in areas like industry cluster support and the development of smarter workplaces. However, Hampson (2012) noted particularly that these recommendations were not front and centre of the report. This was clear evidence of a policy culture that emphasised supply side market solutions whilst diminishing the notion of active interventionist approaches (ibid.: 50).

Other policy responses had the effect of providing industry protection without a strong focus on the innovation intended to help the sector adjust to global pressures and new competitive demands. The *New Car Plan for a Greener Future* policy for the automotive industry was launched during the GFC and designed to not just create conditions for industry to build a 'green car', but to also establish the conditions for a 'green car industry' that could respond to growing environmental sustainability trends. (Goods, Rainnie & Fitzgerald 2015). However, the impact of the GFC was soon felt by Australian automotive manufacturers. It forced Ford and Holden to cut production and workforces, so the Rudd Government shifted the focus of its plan to responding to the economic crisis the GFC represented (ibid.: 104-105).

This was an economically rationalist reallocation of funding which demonstrated the lack of active policy responses and neglect of targeted industry policy's potential transformative capacity. Further economic pressures saw the incumbent Labor government, under new leader Julia Gillard from 2010, reduce its contribution to the Green Car Fund. By 2011, funding was shut down, with \$600 million out of the program's allocated funding \$1.3 billion cut and reallocated for emergency flood relief in Queensland. This made clear that state intervention in the form of emergency funding was politically equivalent to a more thorough government commitment to a long-term policy response that might transform the automotive industry and restore productivity to the manufacturing sector (ibid.: 105).

Gillard's tenure as Prime Minister was defined by a struggle to effect policy as a minority government in the face of relentless attack from the Opposition's ultra-conservative leader, Tony Abbott. Although Gillard led a legislatively effective government<sup>25</sup>, Abbott had tremendous electoral success, eroding the political capital of the Gillard Government so that at the 2013 federal election, he comfortably formed a Coalition government<sup>26</sup>.

### **5.3.3 Neoliberalism hegemonic: the Abbott Government and the end of automotive manufacturing**

Under the Rudd-Gillard Government, intervention had eschewed active and sector-specific industry policy development in the very sector that required the most significant transformation because of its ongoing importance in global competition. The final sign that a government response to manufacturing decline in the form of industry policy was no longer a possibility came in early December 2013, during Question Time in Parliament. Joe Hockey, then-Treasurer of the Abbott Coalition Government, goaded Holden into revealing its intentions for its Australian operations whilst the two parties were engaged in

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<sup>25</sup> The Gillard Government had more success passing legislation in its three-year term of minority government (gaining confidence and supply support in parliament from The Greens) than any other Australian government in the Federation's history, before or since (Evershed 2013).

<sup>26</sup> Abbott was able to gain enormous support particularly after Gillard explicitly indicated that her Labor Government would not take the introduction of a 'carbon tax' to curb the nation's biggest polluters into the 2010 election, but then introduced it as a Bill to Parliament in 2011 with the law coming into effect in 2012. The Abbott Opposition's assault on interventionist, 'big government' initiatives like pricing carbon to combat climate change, backgrounded by enormous financial support from corporate interests in heavily polluting industries, portrayed most strikingly neoliberalism's hegemony over policymaking.

commercial-in-confidence negotiations. As Lynch and Hawthorne (2015) wrote in the *Sydney Morning Herald*, this was “...a clear signal that the federal cabinet had turned on the company and wanted a swift end”. Even before this stunning act, there had been a clear lack of industry policy certainty from the Abbott Government.

The Coalition government questioned the justification for ongoing support for the industry in a global market economy. In the wake of Holden’s announcement of closure, the federal government launched a Productivity Commission (PC) inquiry into ongoing public assistance to the automotive industry. More than 50 public submissions were made to the PC from manufacturing firms, regional and state governments, universities and policymakers (Productivity Commission 2014b). Among their recommendations were calls for government to enhance advanced manufacturing capabilities by committing to longer-term industry policy at the national level which recognised the importance of developing manufacturing capabilities at local-state and regional levels to supporting transition and transformation. But the PC found “no compelling evidence that spillover and multiplier benefits exceed the costs of assistance to the industry” (Productivity Commission 2014a: 2).

In response to the closure announcement from Holden and the findings of the PC, the federal government attempted to legislate a faster winding down of the Automotive Transition Scheme (ATS). This was a federal program designed by the former Labor government to assist automotive manufacturers and suppliers with transition into new industrial opportunities. The government’s argument for truncating the ATS’s operational life from 2021 to 2017 was that it wouldn’t be needed “as Holden, Ford and Toyota would no longer be making cars in Australia from the end of 2017” (Kelly 2015).

The government’s position contradicted expert advice that intervention was necessary for businesses in the automotive industry to transition into new industrial areas after the closure of all automotive

OEMs in Australia at the end of 2017. Numerous stakeholders<sup>27</sup> recommended that the ATS be expanded to the broader industry to help small and medium-sized firms (SMEs) deal with the shock of losing their biggest customers. Although, under political pressure, the government backed away from this pledge, \$900 million in funding was removed from the program whilst the pool of struggling component suppliers was growing and local-states were relying on strong federal commitments to underwrite their transformation initiatives.

The outcome of the Abbott Government's policy responses to the struggling automotive industry, and its impact on the broader manufacturing sector, indicated a clear divergence in Australia's economic development away from prioritising opportunities for advanced industrial transformation. The Abbott Government failed to recognise the importance of such federal schemes for sustainable growth, dealing a serious blow to the nation's competitive advantage in manufacturing. Its increased focus on resource exports had the effect of crowding out other industries, which also contributed to a significant decline in manufacturing.

#### **5.3.4 Implications of neoliberal state intervention for Australian manufacturing in the twenty-first century**

A rapid retreat from coordinated industry policies is evident at the federal level in Australia in the neoliberal era of globalisation, with an active role of government being gradually replaced by a state intervening to create more market freedoms for capital. However, despite the increasing influence of neoliberalism that this has entailed, government has not been removed from the equation. The neoliberalisation of structural adjustment is evident to many scholars, who have concluded that Australia has lacked a coherent and long-term industry policy strategy to maintain competitive

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<sup>27</sup> Support for at least the maintenance of ATS support and funding, and at most, its expansion, derived from a diverse range of stakeholders. These included individual Tier 1 automotive component suppliers linked to global supply chains, their peak body, the Federation of Automotive Parts Manufacturers, the Victorian Automobile Chamber of Commerce, BlueScope Steel, and the South Australian and Victorian Governments.

advantage, other than in terms of the free market's embeddedness in industry policy (Bell 1993; Conlon & Perkins 1995; Fagan & Webber 1999; Lucarelli 2003).

Overall, the pathway to the federal government's neoliberalisation is exhibited by the incremental embrace of microeconomic reforms in response to globalisation. This began in the early-1970s, with the unwinding of direct state intervention in industry protections – a move designed to make manufacturing more competitive and to allow market forces to more efficiently allocate Australia's economic resources. The influence of neoliberal policy over economic restructuring in the era of globalisation entrenched Australia's deindustrialisation, where the market-driven accumulation of capital represented the economy's financialisation as the path to economic growth, displacing the productive manufacturing sector, which – under all governments – underwent a process of managed decline.

At the same time, the policy responses of governments in Australia contributed to growth in inequality. A quantitative analysis by Valenzuela, Lean and Athanasopoulos (2013) showed that the long-term trend of inequality from 1983 to 2010 increased up to 1993-94 – over the time that the Hawke-Keating Government deregulated Australia's economy. This was followed by ten years of growth and recovery prior to the GFC, but thereafter an increasingly disproportionate distribution of wealth away from female-headed households, older households and single-parent households. Under the Howard Government, not only did neoliberal policy responses hurt non-traditional Australian families, but economic growth was largely tied to the commodities boom, disguising worsening conditions in the export of manufactured goods and diminishing Australia's economic complexity.

Between 2008 and 2014, manufacturing as a percentage of GDP in Australia fell from around 10 percent to less than a 7 percent share, despite the fact that Australia was ranked the 12<sup>th</sup> largest economy in the world at this time (World Bank 2016a, 2016b). By 2013, mining comprised more than 50 percent of Australia's exports (Bliss 2013). This held significant implications for Australia's political economy. Goodman and Worth (2008: 201) have argued that mining booms lay bare the contradictions of capitalist development, specifically in the way that “[t]he class contradiction, a labour-capital

antagonism between those who benefit from and those [who] bear the costs of accumulation, is borne-out in sharp social divisions created by resource extraction.” Under the Howard Government, the victors and the victims of surging commodity prices were starkly revealed.

The largest share of benefits from productivity in Australia in the era of neoliberal globalisation has gone disproportionately to the minority of wealthy citizens, and increasingly so post-GFC. In an analysis of data from two large-scale national surveys in 2006 and 2010 – one before, and one after the GFC – Saunders and Wong (2011) found that Australia’s unbroken streak of economic growth masked negative social impacts for several groups within society, particularly in worse employment outcomes for young people, and worse income effects for middle-aged and older people. Data from the OECD showed that Australia’s Gini coefficient, on a 0-1 scale (with 0 being total income equality) had risen from 0.336 in 2008 to 0.337 in 2014 (OECD 2017c)<sup>28</sup>. In the post-GFC economy, groups already experiencing disadvantage and deprivation – through homelessness, poverty and social isolation – tended to fare worse than others in Australian communities (Saunders & Wong 2011: 306).

Ever since the Fraser government’s initial expansion of the mining industry in parallel to dismantling manufacturing sector support, the embrace of microeconomic policy under subsequent governments has created conditions for the growth of social inequality. Neoliberal reforms have influenced a structural shift in Australia’s economy which exacerbates this disparity. They have produced a less progressive tax system, and less generous social welfare payments have created disparity in the distribution of post-tax income (Quiggin 1999: 258). The massive social and economic consequences at the local-state and regional level of this are explored in the subsequent chapters.

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<sup>28</sup> OECD data post-2011 has been calculated on new Terms of reference to provide a more detailed breakdown of household transfers and income, including breakdowns of income by household type, gender, employment type and even types of poverty (OECD 2017c). Thus, whilst this increase in Australia’s Gini coefficient between 2008 and 2014 appears statistically small, calculating inequality for the same years based on the more simplified pre-2011 OECD Terms of reference reveals a significant *decrease* from 0.336 in 2008 to 0.324 in 2012. Arguably, this suggests the pre-2011 Terms of references provide a far less sophisticated measure of post-GFC income conditions that disguised greater growth in inequality in what appeared to be a very minor increase.

It is important to note that the most significant reforms to Australia's political economy took place during the 1980s through the interventions of Labor governments. This signified the embrace of neoliberalism by social-democratic parties and the systematic restructuring of the post-war order through the embedding of neoliberalism in policy responses to economic decline, particularly in manufacturing. It is therefore interesting to note that in March 2017, new leader of the ACTU, Sally McManus argued in a National Press Club speech that the neoliberal experiment of privatisation and wage suppression – and the growing inequality it produced – “had run its course”. McManus explained that in Australia “[w]age theft is a new business model for far too many employers. Inequality in our country is now at a seventy year high, and six hundred and seventy nine of our biggest corporations pay not one cent of tax” (National Press Club 2017).

Significantly, former Labor Prime Minister, Paul Keating, agreed with the ACTU Secretary, despite McManus' speech representing a critique of many of the Hawke-Keating Government's policy responses (Snow 2017). I argue that, although Keating did not fully accept McManus' charge that Labor's reforms of the 1980s embedded the current political-economic reality, his agreement with the ACTU secretary's comments in the context of neoliberal policy responses since the GFC suggests that a new approach to economic crisis in Australia is warranted.

Nevertheless, proponents of neoliberalism continue to influence the public policy debate most vocally. In recent years, they have argued that industrial relations, and the favouritism shown unions in wage bargaining, has limited industrial efficiency and competitiveness. Neoliberal-aligned mainstream media outlets, and Australia's Coalition government responded to the closure announcements of Toyota and Holden by placing blame squarely on organised labour and award wages – and even on industrial laws enacted by previous Labor governments (Coorey 2014; Owens 2014). Yet Clibborn, Lansbury and Wright (2016) have argued that such positions ignore the global context that backgrounds Australia's experience with deindustrialisation in the neoliberal era of globalisation. The gradual decline in effective industry protection, the weakness of industry policy intervention, and the inability for domestic producers to maintain profitability due to a commodity boom-induced appreciation of the Australian

Dollar were the chief causes of automotive firms ending their involvement in Australia's manufacturing industry (ibid.: 3, 12-13).

#### **5.4 An engagement with critics of the Australian neoliberalisation thesis**

As Chapter 3 established, this thesis contributes to the existing literature on 'actually existing neoliberalism' given the assertion that this conceptualisation of the actual practice of neoliberalism affords critical analysis the most weight. This perspective warrants a reply to contentions by authors such as Weller and O'Neill (2014) that Australia has not shown any sophisticated, nor successful, characteristics of neoliberal reform in the present era of globalisation. However, these authors' criteria is polemic in stating that "for a policy to be recognizably neo-liberal, we say it must accord with the logics and rationalities of *neoliberalism-in-theory*" (ibid.: 114, emphasis in original). As the theoretical insights of 'actually existing neoliberalism' explain, however, this is hardly ever the case given the interaction of neoliberalism with already-existing political, economic, social and cultural institutional structures that so often counteract, or dampen, the implementation of neoliberalism-in-theory. Where Weller and O'Neill's (ibid.) thesis falls down is in their demand that policy responses reflect theory in order to separate "for example, a recognizably neo-liberal financial market reform from, say, a Keynesian one".

The demand that neoliberal policies reflect theory for them to be legitimately interpreted as neoliberal fails to establish a realisation that neoliberalism is intrinsically a paradox. This is clearly evident in the various uneven movements of federal Australian governments from Hawke/Keating through to Abbott. This is determined in further reference to Weller and O'Neill's (ibid.: 114-122) test of whether Australia's neoliberalism-in-practice represents neoliberalism-in-theory. These scholars suggest that Australia's industry restructuring process exhibited crucial differences to the neoliberalisation of the USA and UK in that it selectively deregulated commodity markets, but not labour markets. Likewise, they contend that the National Competition Policy contained political and policy caveats which indicated a recognition of Australia's vulnerability to the advantage afforded foreign MNC-dominated industries, and so stalled the neoliberalisation of the business landscape to prolong a return to Australian businesses. They

further point out the way that the state's financial deregulation never fully ceded economic power to *laissez-faire* capitalism, and that where the growth in the finance sector made urban centres like Sydney and Melbourne powerful drivers and beneficiaries of finance and property market speculation, this exacerbated increased uneven spatial distribution, with a turn to entrepreneurialism and innovation defining the typical policy attempts to smooth out regional inequalities.

These movements within Australia's engagement with neoliberal global change evidently do not stack up to Weller and O'Neill's (Ibid.) demand of a direct theoretical-practical relationship. However, this is not a useful way of interpreting changes to Australia's political economy in the most recent era of globalisation, because it dismisses the actual impact of neoliberal ideas that were moderated by a range of institutional factors when deployed. As Cahill (2010: 305) has explained with regard to the relevance of 'actually existing' neoliberalism, "[n]eoliberal theory assumes that markets and states are entirely separate spheres of human activity". This position also recognises that "the centrality of the state within capitalist economies means that real economies were never likely to conform to the normative ideal of neoliberal theory... the uneven development of 'actually existing neoliberalism' means that it cannot conform precisely with universal neoliberal template derived from neoliberal theoretical postulates" (Ibid.: 206-307). In actual fact, throughout the period of neoliberal globalisation, the state has remained the chief coordinator and regulator of markets, as well as permitter of freedoms for capital, with neoliberalism never being able to achieve the desired free market economy it ideologically strives towards.

In summary, a far more useful means of understanding how neoliberalism is in fact deployed by the state is in understanding its ongoing experimental, inelegant, and often-contradictory means of market-driven economic restructuring. This process effectively results in favouring capital over labour in national economic development, driving the regime of accumulation towards crisis conditions. One concession that Weller and O'Neill (2014: 119) make is in viewing the Accord as an institution that restructured capital-labour-state relations in such a way that business was able to decisively and deliberately curtail the long-established social wage framework in Australia's industrial relations system

– “a process of labour market neoliberalisation from below, but a process that could only ever be partial given the labour market structures encountered”. Thus, where I have shown above how the Accord and its inability to produce positive structural changes within the context of economic recession, these authors admit that the Howard Government’s WorkChoices legislation was a recognisably neoliberal objective (Ibid.). As I have contended above, this was a policy response made entirely possible by the Hawke-Keating Government’s attempts to arrest industrial wages growth to increase productivity, which preceded the growth of corporate profit at the expense of proceeds to labour.

An additional comment on Weller and O’Neill’s antithesis to neoliberalism in Australia is offered in reference to Kotz & McDonough’s (in McDonough, Reich & Kotz 2008) argument that neoliberalism does indeed represent a global SSA. Upon rejecting the all-or-nothing test of neoliberalism, Australia has in a variegated way folded into a global neoliberal social structure of accumulation. Kotz and McDonough highlight how neoliberal restructuring from the early 1980s in the USA and UK was accomplished at a far greater rate than the KNWS was from the 1930s. Given the institutional structural barriers encountered in Australia’s engagement with neoliberal global transformations, it can be posited that the nation may in fact still be undergoing a process of neoliberal institutional settlement which remains contested by the labour movement’s adverse position to presently dominant capitalist interests.

## **5.5 Conclusion**

This chapter has provided a historic perspective on the transformation of the nature and form of federal state intervention in the Australian economy in the era of neoliberal globalisation. It found that, despite the ideological aims of neoliberalism to minimise the role of the state and increase the role of free markets in the economy, government policy responses have embedded neoliberalism in existing state structures. Evidently, this has meant neoliberal microeconomic reforms to the federal government’s capacity for effecting macroeconomic change. The state’s ongoing intervention in the economy produces market-oriented outcomes through government policies of deregulation, privatisation and attacks on organised labour. The chapter has dealt with the specifically Australian context of

neoliberalism: where historically interventionist state institutions are now the vehicles of neoliberal reform. Under globalisation, governments have created conditions for market-based competition to drive the most efficient and competitive forms of economic development, favouring the interests of global finance capital. The neoliberalisation of government policy has fundamentally changed the relationship between the economy and the social institutions it is embedded in. The marketisation of social policy has also eroded the role of the state in addressing social issues, having negative implications for democracy and social justice, as government policy increasingly concentrates the accumulation of wealth in the hands of a wealthy elite at the expense of labour.

This chapter has argued that state intervention in the economy can be understood as an ‘actually existing’ form of neoliberalism, as it is driven by government policy responses. This is visible where policy has been consistently framed in terms of economic productivity on the basis of comparative advantage – a policy setting which has favoured economic development based on Australia’s abundance of natural resources, rather than value-added industrial production. This has obscured the continued structural decline of Australia’s economy, and the result has been a significant loss of the economic complexity which developed nations depend on to pursue advanced industrial transformations.

An engagement with chief critics of the ‘actually existing neoliberalism’ thesis has revealed the problematic interpretation of neoliberalism by scholars holding that neoliberalism’s policy practice must meet the requirements of neoliberalism in its theoretical context. I have drawn on the key differentiation between theory and practice that ‘actually existing neoliberalism’ makes in the way this latter position accepts a clear reality that the state is key coordinator and regulator of capital, permitting at times greater capital freedoms to exploit labour and benefit from market competition. The neoliberal period is one in which the state’s policy responses have effectively suppressed labour’s position in the development of Australia’s economy. I argue that this has been a project implemented at the expense of positive industry policies that could mitigate deindustrialisation. This engagement with the critics of the Australian ‘actually existing neoliberalism’ thesis is supported empirically with further elaboration

of the experimental and conflicted neoliberalisation of South Australian and local City of Playford policy responses to deindustrialisation in Chapters 6 and 7.

**PART III:**  
**Embedding 'actually existing' neoliberalism  
in South Australia's political economy**

## 6 Searching for the 'silver bullet': embedding neoliberalism in South

### Australia

This chapter analyses the effects that the neoliberalisation of state intervention at federal level in the present era of globalisation has had on the policy response of the South Australian Rann, and later Weatherill, Labor Governments, to manufacturing decline. The chapter initially examines the social-democratic attempts of the Dunstan Labor Government to mitigate the impact of global economic restructuring in the State in the 1970s. This social-democratic approach has been increasingly undermined by the influence of neoliberalism on the policymaking of subsequent governments in SA, from the Bannon Labor Government (1982-1991) through to the Brown-Olsen Liberal Governments (1993-2002), entrenching neoliberalism in the interventionist policy responses of the Rann Government (2002-2011). The chapter then investigates the impact of neoliberalism on the Rann Government's policy interventions in the early twenty-first century, particularly its policy response to the ongoing decline of SA's manufacturing industries.

#### 6.1 Responding to global change in South Australia

By the early-1970s, automotive manufacturing in SA was in decline as global economic restructuring of the industry was underway. Competition from foreign nations – particularly in the industrialising economies of Asia – placed great pressure on the post-war institutions to keep pace with change. As detailed previously in the thesis, nation-states underwent significant social and economic upheaval as they sought to adapt to a newly emerging flexible, post-Fordist (or after-Fordist) industrial paradigm. Australia's policy response to change predominantly reflected a national political-economic shift towards neoliberalism. As has been argued earlier in the thesis, neoliberalism has in actual practice taken a form whereby government has continued to intervene, but with policy responses that have increased the influence of free markets on economic and social developments.

In South Australia, the global period has been significantly dominated by social-democratic Labor governments. Their policy responses have sought to produce institutional alternatives in response to the pressures from neoliberal federal policy for industrial restructuring. Despite their efforts, increasingly neoliberal policies at the national political-economic level, and the impact of global economic changes, have significantly transformed the framework within which SA governments have produced policy responses to deindustrialisation.

In Regulationist terms, solutions to South Australia's economic transformation have always originated in, or at least been driven by, the government's role in legitimising new political-economic developments and subsequent institutional change within a new regime of accumulation. Early on, the interventionist approach of SA governments to global change contrasted significantly with their federal counterparts. However, the increasing embeddedness of neoliberalism in the policy responses of governments at federal level ultimately also embedded neoliberalism in the policy responses of historically and traditionally interventionist state governments in SA.

### **6.1.1 Implications of neoliberalism for state intervention in South Australia in the global era**

It was argued in Chapter 4 that the interventionist approach of the Playford Government to the development of South Australia's industrial economy embedded government's role in promoting industrial transformation through newly developed social institutions. Sub-national state intervention became the norm at a time when government's role in providing industrial and social protection was a legitimate response to social struggle against a failing regime of accumulation, in which market forces had strengthened the importance of primary exports to SA's economy. This regime had benefited only the State's wealthy land-holding capitalists. World economic change brought crisis to bear on this structural arrangement, and a new foundation for development was embedded by government policy that shaped more equitable socio-economic outcomes through state intervention. However, the political action of social relations and networks of actors in public and private spheres of South Australian society and economy was critical to leveraging government support to legitimise new institutional developments.

The interventionist industry assistance of the Playford Government had expanded South Australia's industrial economy throughout the post-war boom period. However, it was largely opportunistic and thus *ad hoc* in its development (McFarlane in Sheridan 1986: 16). Loveday (1978: 95-96) has recounted that Playford's *ad hoc* policy response to industrialisation reflected the Premier's highly informal and personal nature in industrial promotion. But now the widely accepted use of state intervention had entrenched the state's ongoing role in industrialisation and problems began to emerge.

There was no long-term planning strategy evident in the policy responses of the Playford Government. Intervention involved attracting any investment capital from any source without a focused blueprint for industrial development (Stutchbury in Sheridan 1986: 31). State-driven policy responses had created an industrial base vulnerable to external shocks. The Playford Government's *ad hoc* approach to industrial development significantly narrowed South Australia's industrial base to automotive and whitegoods industries where significant injections of foreign monopoly capital had embedded specific industrial systems of production (Wanna 1980, 1984).

The unfocused nature of industrialisation also reflected government incentives for industry to invest, but not for industry to increase performance. The result of a lack of policy scrutiny was a lack of industry depth. Manufacturing productivity growth in South Australia was largely the outcome of firms being taken over by foreign investors. Foreign ownership of local industrial capital meant that, instead of firms attempting to increase productivity, when production became unprofitable, capital simply took flight from the State (ibid.: 17).

The strong mediating role of government in this Fordist industrial period had maintained relative harmony in South Australia's industrial relations and made the State attractive to both foreign and domestic investors (McFarlane & Sheridan in Sheridan 1986: 107). But despite the way this aided SA's rapid industrial expansion in the post-war period, the state had not been strategically interventionist enough to ensure a diversity of local manufacturing industries were produced and sustained. The

emergence of just two specific industries within the sector represented an enormous threat to the State's future.

Global restructuring following the end of the post-war boom period demonstrated South Australia's economic vulnerability. The election of a Labor government in SA in 1965 broke a twenty-seven-year streak of the Liberal Country League Government, and by this point there was agreement on both sides of politics that a government-led strategy was necessary to accelerate advanced transformation of the State's manufacturing-based economic structure.

Throughout the Playford era of state intervention, new bureaucratic structures had developed to integrate manufacturing development into government's administrative activities. The new Labor government carried forward the interventionist policy response disposition of the earlier Playford LCL Government. However, it quickly realised that to this point an assumption had been formed within government that transformation could be achieved merely by providing conditions suited to manufacturing investment (McFarlane in Sheridan 1986: 16-17). The Dunstan Government embraced a more hands-on form of intervention in attempts to move beyond a policy apparatus that was inherently reactive, and thus not capable of economic transformation in the rapidly integrating global economy.

### **6.1.2 Policy responses of the Dunstan Government**

The Dunstan Government took measures to improve industrial conditions in South Australia. It criticised the overspecialisation that made automotive and whitegoods manufacturing the major industries upon which the manufacturing sector depended to an extent much higher than the national average (Stutchbury in Sheridan 1986: 81-82). The broad strategy of the Dunstan Government was to assist the State's industrial future through government activities that reduced unemployment and promoted economic growth at the same time as correcting the market system's failures (Davis & McLean in Parkin & Patience 1981: 22).

Thus, in the 1970s, policy developments focused on several key areas of state intervention. First of all, these entailed an expansion of South Australia's bureaucratic structure with the creation of numerous

statutory bodies. The SA public sector grew under the impetus of an expanding national economy, at least up until the global crisis of 1973-74; and due to the general trend in growth in Australian government across the board during an era of expansive fiscal macroeconomic policy responses to the tumultuous circumstances of the decade (Davis & McLean in Parkin & Patience 1981: 25-26).

Expansion of the state apparatus required increased taxation. This increase was largely due to the limited options South Australia had for raising revenue through an economic structure that was significantly lacking in diversity (ibid.: 29). But by increasing its bureaucratic size, the Government would absorb capital risks that would otherwise be borne by entrepreneurial businesses (Stutchbury in Sheridan 1986: 64). It was hoped that this would help to attract external investment focused largely in mining industries.

Expansion of government's role in South Australia's economic development entailed a defence of existing SA producers against the external forces of changed global market conditions that threatened local job losses. It contained unemployment protections against ongoing job losses in manufacturing. In addition, employment within the public sector increased as the Dunstan Government's policy response to growing unemployment was to create public sector employment through its bureaucratic expansion (Davis & McLean in Parkin & Patience 1981: 43-44). In an interview with a Senior Public Servant, the interventionist intent of the Dunstan Government was brought into focus, along with the consequences of a significant interventionist role in directing the economy:

Don [Dunstan] said "the barbarians are always at the gate and if we do not legislate something into existence it can be just too easily wiped away". And he was probably right, albeit there's a downside to that, in that everything becomes thoroughly dependent upon government, and therefore beholden to government, and therefore constrained<sup>29</sup>.

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<sup>29</sup> Interview: Senior Public Servant (de-identified), 2015

Along with a defence of South Australia's existing industrial capabilities, the Dunstan Government set about using its expanded policy purview to drive an agenda for economic transformation. Rather than adopt a purely protectionist position for the sake of protecting inefficient industries akin to the post-war structure, Dunstan centred state intervention in the development of a diversified economy, built on high-technology industries (Davis & McLean in Parkin & Patience 1981; Rich 1987). It expected that this could safeguard South Australians against the anti-social tendencies of the self-regulating market (Stutchbury 1981a: 200).

The Dunstan Government emphasised the development of industrial institutional structures that it hoped would go beyond simply producing further patterns of industrialisation based on the whims of global investment. It sought to counter anti-industry protection sentiments which, through the strategic policy direction of the federal Industries Assistance Commission, were developing at the federal level (Davis & McLean in Parkin & Patience 1981: 38-39).

Thereafter the Dunstan strategy consisted of a scientific approach to industrialisation. In this way it represented a departure from the post-war Playford legacy of opportunistic, *ad hoc* treatment of industrial development in South Australia which had made it difficult to create conditions for industrial diversity. Industry diversification entailed a strategy to identify 'gaps' in the State's industrial capabilities. With this approach, the Premier's political pitch was to make SA the technological and design centre of the nation (Stutchbury 1981a: 200), attempting to distance its industrial development further away from the narrow Playford strategy both politically and economically.

The key aim of South Australian government policy was to adapt to the disruptions global market conditions were bringing to industry, and to buffer local communities and business from the way the more rationalist approach of federal government was responding to neoliberal globalisation. The Dunstan Government's strategy contained four strands: providing incentives to attract employment-creating industries; protecting South Australia's existing industries by lobbying for continued tariff measures; facilitating efforts to capture greater overseas market share; and collaborating with private

industry on the search for new ventures that could provide long-term employment in the State (Warhurst 1979: 86).

Its industry policy intervention sought to identify South Australia's competitive advantages and also mitigate the loss of jobs to the State within an ongoing federal political economy hostile to protecting industries that were not efficient or competitive (Davis & McLean in Parkin & Patience 1981: 38). A peak body, the Industrial Research Institute of South Australia (IRISA) was established in 1972 to coordinate R&D between private industry and research organisations in working towards competitive industrial transformations. But its attempts to induce collaboration between the private sector and universities were stalled by bureaucratic inertia and industry support was not forthcoming (Stutchbury in Sheridan 1986: 88-87). Important reasons for the lack of private sector initiative, as cited by IRISA, were industry's own general perception that external research findings would not have relevance to individual firms, and that most local firms were subsidiaries of foreign companies anyway (Stutchbury 1981a: 202-203).

Although the Dunstan Government's gaps approach to industrial development was prescient<sup>30</sup> it nevertheless retained a focus on firm import-replacement potential. This revealed continued adherence to the post-war industry policy outlook (ibid.: 205). But the fulfilment of government objectives relied heavily on federal government funding (Davis & McLean in Parkin & Patience 1981: 24). This was not readily available for local-state objectives that clashed with the national policy regime of rationalisation and efficiency – policy responses that were incapable of preparing Australia's manufacturing industries for enormous competition from industrialising nations in Asia.

Cultivating endogenous growth in South Australia was difficult, given the significant removal of a national tariff protection safety net upon which the State's protected industries had relied disproportionately. They were now exposed to unprecedented competition in global markets. From the

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<sup>30</sup> The 'gaps' approach recognised the growing participation of females in the workforce and so sought to attract foreign businesses that had high ratios of female to male employees; it also targeted firms with high export potential, revealing recognition of the need to look at competitive advantage absent of protection measures (Stutchbury 1981a: 205).

mid-1980s, Lance Worrall was a Research Officer at the Manufacturing Advisory Council, a tripartite body chaired by Premier Bannon. It became clear during interview that experience in this role provided Worrall with informed retrospection on this period of rising global pressure:

If you look at Don Dunstan [...] he was someone who [...] embraced social liberalism very strongly and because of that he also embraced the achievements of post-war industrialisation and [Premier] Playford [...] I also think he would've been as blind as everybody else to what Asian industrialisation would actually mean, but we're talking about forty years ago so that's a fair enough lacunae<sup>31</sup>.

Seeking protective measures – if not through federal tariffs, then instead through government policy guidance, the Dunstan Government turned to similar aims as the *ad hoc* Playford strategy for attracting further sources of foreign investment. Stutchbury (in Sheridan 1986: 87) has contended that numerous government enterprises were created to make up for a lack of local private initiatives. However, in this post-war era setting, establishing public enterprise was an acceptable means of stimulating local economic activity, supported by the long history of state intervention that had defined Australia's industrialisation. Nevertheless, these corporate bodies, lacking the capital necessary to instigate economic development, could do little more than support the narrow industries already shaping South Australia's industrial structure, even though they were in decline. This returned government's strategy to the 'growth for growth's sake' response of the Playford industrialisation era (Davis & McLean in Parkin & Patience 1981; Stutchbury in Sheridan 1986).

### **6.1.3 Implications of Dunstan Government policy responses for South Australia**

South Australia faced a difficult uphill battle to achieve both diversification and competitive advantage. The Dunstan Government's belief that government should plan the way forward represented a qualitatively different approach to what was taking shape in federal government policy changes. Federal policy 'initiatives' were built on microeconomic market principles of industrial rationalisation for

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<sup>31</sup> Interview: Lance Worrall, 2015b

efficient growth and competitiveness. But a historically strong reliance on foreign investment to industrialise SA had crowded out strong institutional developments from within the State itself.

The Dunstan Government sought not only to expand the types of manufacturing industries. It aimed also to provide broad-ranging employment opportunities in industries including tourism, craft industries and the arts (Stutchbury in Sheridan 1986: 83). In 1981, South Australia's manufacturing sector accounted for 25.1 percent of male employment and 12.1 percent of female employment, but the tertiary sector accounted for 39.1 percent and 34.7 percent respectively (Rich 1987: 214). As the tertiary sector was on the rise, manufacturing's contribution to GSP fell from 20 percent to 18 percent by 1986-87, despite recovering to 20 percent by 1992-93 (Castles 1994: 6). However, manufacturing's increased importance most significantly reflected SA's unchanged economic over-reliance on the sector compared to other states, further evident in the way critical metal industries contracted more in SA than nationally over the 1970s and 1980s (Rich 1987: 227).

Despite the value of such attempts to strengthen the institutional foundations of South Australia's economy, a historically narrow industrial base that limited opportunities for economic diversification in manufacturing meant the areas of economic activity that grew were not capable of replacing the rapidly declining manufacturing sector and the jobs disappearing with it. The Dunstan Government's policy responses focused more heavily on expanding the service sectors of the State's economy than on creating competitive advantages in manufacturing (Davis & McLean in Parkin & Patience 1981: 22). But ultimately, political-economic trends at national and global levels were impacting SA, acting with substantial force against otherwise-successful local interventions. These replacement industries were not capable of reproducing the institutional structures embedded in South Australia's economy in the post-war decades to maximise the development of local industrial capabilities that could help SA adjust to global economic restructuring. After an extensive public service career focused on industry policy development, Lance Worrall's impressions are that these adjustments have not been able to achieve institutional change:

I think it's hard to say that we've [...] succeeded in creating robust alternative institutions in the face of globalisation, in the face of the break-up of the old models. You wouldn't say that they were embedded strongly<sup>32</sup>.

Ultimately, the absence of robust local institutional developments contributed to a continued reliance on foreign investment. Industrial change depended heavily on attracting foreign firm investment to serve the purposes of diversification, with the remaining perceived industrial input gaps expected to be filled by local manufacturers (Stutchbury 1981a: 203). But federal industrial support was disappearing from manufacturing industries, and federal government support was shifting further towards Australia's comparative export advantages in primary resources.

National economic restructuring in the form of reduced tariff protections was to have a long-term impact, where South Australia's disproportionate dependence on specialised manufacturing industries made it highly susceptible to federal tariff changes (Stutchbury Sheridan 1986: 82; in Stutchbury 1981a: 199). This helped make a strategy for manufacturing industry diversification in SA one which, despite its level-headedness, worked detrimentally to the State's chances of participating in the nation's competitive global engagement.

Davis and McLean (in Parkin & Patience 1981: 47) conclude their critique of Dunstan-era government interventions by claiming that the objectives of economic and industry policy were never integrated into a consistent whole. The strategies chosen by the Dunstan Government often aligned with ideology rather than pragmatism. This explains attempts to create social-democratic outcomes even in an era of neoliberal economic rationalism at the national level. Hence, a focus on enhancing South Australia's technological capabilities arrived far too late and without being adequately integrated into a broader industrial strategy.

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<sup>32</sup> Interview: Lance Worrall, 2015b

The difficulties faced by the Dunstan Government related primarily to the challenge of responding with policy that could transform manufacturing under changed global conditions. The experience of South Australian industry policy for institutional development makes clear that the State's industrial institutions were strikingly dependent upon external conditions – at global level in terms of patterns of industrialisation; and at national level in terms of the influence of a neoliberal political economy on SA's opportunities and weaknesses.

The challenge that faced South Australia was creating an institutional foundation that did not depend so extensively on foreign capital. The Dunstan Government's apparent inability to shape institutional change away from the embedded industrialisation model meant that SA entered the global era in a vulnerable position economically, while – simultaneously – the state's interventionist role in the economy became more deeply entrenched. This would create significant problems going forward, as policy responses to economic decline in SA turned towards neoliberalism.

## **6.2 Neoliberal turns in South Australian government policy responses**

Under globally-oriented economic change, old institutional arrangements were vulnerable to the global market forces taking hold in the late-1970s. Labor's political opponents benefited from the alternative they offered in a more thorough embrace of the free market. Although its incumbency was brief, the Tonkin Liberal Government (1979-1982) pursued a similar diversified economic growth agenda to Dunstan. Its policy responses focused more distinctly on capitalising on the emergent knowledge-based economy. But the lack of success in South Australia's industrial diversification attempts made benefiting from the growing importance of information technology very unlikely, especially where it could not be clearly demonstrated that the State's economy showcased the diversity and development Dunstan had set out to achieve.

When the Bannon Labor Government took office in 1982, it targeted industrial 'winners' with an export focus. An attempt was made to manage public finances soundly and seek big projects to underpin economic recovery (Macintyre in Spoehr 2005b: 122-123). This was a pragmatic response to the federal

deregulation of the 1980s that had threatened South Australia's industrial base so viciously. In essence, industrial winners meant those able to compete in global markets; that is, firms able to adopt high-technology in production, or service delivery. This also meant diversifying the economic base of the State through industrial restructuring projects.

But the Bannon Government's approach to industrial development emphasised the features of microeconomic policy reforms that favoured competitiveness and industries able to fit the mould of industrial flexibility suited to global market efficiency. Most significant amongst such neoliberal competition-enhancing policy responses was a pitch to incorporate Japanese-style industrial innovations in the form of a proposed Multi-Function Polis (later renamed Technology Park Adelaide). The MFP was supposed to capitalise on the great leaps in technological change driving capitalist development in the global era with a more flexible approach to manufacturing (Healey & Gibbs in Mules 1989: 111). The technology park rose to prominence with the Bannon Government because it hoped the concept would aid South Australia's manufacturing sector by overcoming the inefficiencies built into it through its state-sponsored development (ibid.: 121).

During the 1980s and 1990s, high-tech cluster and precinct-based initiatives were global best-practice for advanced industrial manufacturing. The state-of-the-art in mainstream economic geography was emphasising the industrial effects of 'agglomeration'. A body of literature grew around the central contention that the ability of regions to gain competitive advantage in the global economy resulted from their endogenous development of multiple forms of capital, including knowledge, technology and human varieties. As economic growth is considered to originate in large part from within a regional economic system rather than from external forces, the role of human capital, innovation, knowledge, and collaboration were taken as the primary drivers of development (Romer 1994).

During the 1990s, a body of literature developed that was focused on analysing agglomerations of flexible accumulation. For instance, Sengenberger and Pyke (1990) mapped the organisational characteristics of regional industrial districts comprised of SMEs contributing to local economic

regeneration, and theorised that regional development policies must not focus on the success of individual firms, but rather on regional growth as a whole. Morgan (1997) built on this notion to suggest the 'learning region' as one in which collaborative interaction and knowledge-sharing drives innovation. Similarly, Staber (1998) showed that institutionalising inter-firm cooperation within industrial districts encourages innovation. Malmberg, Sölvell and Zander (1996) focused on the connection between geographic location and industrial performance, with 'spatial clustering' the major factor in achieving success.

The main notion of agglomeration economies that has continued to contemporary times is that clustering of industries improves overall regional performance. Industrial clusters represent the development of general labour markets and specialised skill pools and enhanced interaction between local suppliers and customers; shared infrastructure and localised externalities contribute to lower costs of production and increased revenues for firms participating in local exchange (*ibid.*). These developments occur because of an emphasis on localised information flows and knowledge and technology spill-overs between firms, and alongside the development of diverse academic and cultural activities necessary to further develop human capabilities (*ibid.*).

The Multi-Function Polis (MFP) was an experimental industrial development concept significantly ahead of its time in Australia. It reflected best-practice and cutting-edge experimentation. It emulated the Japanese cluster-based networking strategies that had contributed to Japanese national industrial competitiveness (Worrall in Genoff & Green 1993: 192-193). However, it failed to achieve sustainable outcomes for South Australia. A large component of establishing a technology park as state-sponsored infrastructure relied on attracting inter-state and overseas investors and firms that could develop, produce and export high-technology based products and services to global markets (Mules 1989). Altogether, this prevented the development of a network-driven strategy for cooperative interdependence between R&D, industries and sectors to form in compatible coexistence, which is something the literature on agglomeration economies has suggested is possible even for firms that maintain an otherwise-competitive global outlook (Worrall in Green & Genoff 1993: 183).

Altogether, the MFP relied significantly on foreign investment because the Bannon Government's policy response saw neoliberal restructuring at local-state level as the solution to enhanced competitiveness – individualistic firm competition rather than cluster-based global competitive advantage. As the managing director of the Manufacturing Advisory Council from 1989-1994, Lance Worrall's impression of the Bannon Government's industry policy development was that, whilst it followed the trends, it did not produce the institutional transformations to sustain them:

The governments of the nineteen eighties and nineties, in particular, had not very intelligent ideas about how you might adapt, and in certain senses were absolutely blind to the rise of Asia [...] they adopted a lot of propaganda about it [...] you know, 'Japanese workers having more pride' [...] they adopted and adapted to some extent some of those ideas that were extremely fashionable about Japanese production systems, so that was pushing all those ideas back into companies [...] but when I say they were almost oblivious to the rise of Asia I mean something else [...] they had no idea of how fast Asia was going to industrialise [...] it was Taiwan, South Korea and China, and they had no idea of just basically how big it was going to be [...] there was no adaptive response institutionally, so there was no fundamental understanding of what they were doing and how we should respond<sup>33</sup>.

South Australia was missing a critical mass of diversity in manufacturing industries, and at the federal level, the Hawke-Keating Government had largely taken the microeconomic axe to notions of any sound federal macroeconomic strategy for industry policy. The result was that the Bannon Government's attempts to nurture an industrial transformation of the State's economy based on flexible, competitive industrial processes were largely premised on marketing SA as an 'entrepreneurial state'. This meant attracting foreign capital investment through local neoliberal restructuring. It was aimed at increasing firm efficiency, and therefore global competitiveness in step with federal microeconomic reforms, rather than the development of local productive capacity and capability. Lance Worrall interpreted this as a misguided attempt to reproduce the systems without a concomitant supporting institutional and policy structure:

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<sup>33</sup> Interview: Lance Worrall, 2015b

They tried to push things like Japanese production systems into individual firms and that was about getting cost out of the system, about becoming leaner and fitter [...] [It] adopted none of the understandings about the importance of having a national strategy, having a set of macro plans, because it was all about freeing up markets as well<sup>34</sup>.

### **6.2.1 Embedding neoliberalism in South Australian state intervention**

Under depressed economic conditions and with no possibility for embedding flexibility, the manufacturing sector declined in importance to South Australia's economy over the 1980s. National recession from the middle of the 1980s also hit SA hard because it depended disproportionately on the manufacture and export of consumer durables. Up to 85 percent of automotive and home appliance industries were exported to inter-state markets (Rich 1988b: 226). This meant that when interest rates and sales taxes increased as part of the anti-cyclical economic measures of the early Hawke-Keating Government period, the State's short-term growth suffered. Between 1980-81 and 1986-87, the number of workers in SA manufacturing employment reduced by more than 14,000 – by far the largest drop of all states in Australia (McLean in Mules 1989: 11).

It became clear by the late-1980s that an investment-led strategy for industrial growth was not proving successful for growing investment in South Australia. With markets largely located in the eastern states, SA suffered from declining demand (Burgan in Green & Genoff 1993: 29). Burgan (ibid.: 29) also considered the long slump in the State's recession compared to the rest of Australia as possibly the result of head offices shifting operations away from more isolated regions like SA in times of low business confidence. The number of listed companies with SA-based head offices declined by 55 percent, from 88 to 39, over the 1980s up until 1992 (ibid.).

The establishment of technology and research institutes had little chance of getting off the ground. This was due to the fact that strategies for regional industrial clustering and innovation largely overlooked developing the essential institutionalised R&D culture that was required for universities and industry

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<sup>34</sup> Ibid.

research collaborations to successfully embed new concepts for regional economic development. Import-replacement industries developed, but critical export opportunities were not grasped without the embedded network of research institutions and R&D-driven collaboration. Despite the technological underpinnings of the government's industry policy, a federal injection of \$40 million to fund the Multi-Function Polis project, and with better economic conditions in Australia after 1985, the manufacturing sector was not revived as the 'engine for growth' as had been hoped (McDonald & Burgan in McDonald & Burgan 1989).

Throughout the entire decade of Bannon Government, South Australia's unemployment rate remained above the rate for Australia as a whole. Even with some expansion of manufacturing activity in Australia after 1985, SA's economic performance declined, with a reduction in motor vehicle production in the State that showed very little recovery until the end of the decade (Parkin & Patience 1992). This was all despite the initiatives of the state government to integrate the manufacturing sector into global markets and make it more competitive.

The entrepreneurial state approach to economic transformation and industrial development under the Bannon Government reflected the neoliberal ideals of competition and efficiency driven by market forces. This eschewed a more active role of government to direct developments towards more effective investments, being structured within the federal context of neoliberal deregulation. Adapting to neoliberal globalisation meant rationalising and reforming existing institutional structures, not improving them and in the process strengthening existing institutional foundations. Again, Lance Worrall's experience in first informing, and then later leading, the Manufacturing Advisory Council gave him insight into the fact that alternative institutional developments were required, but were simply made impossible with the growing neoliberalisation of state intervention:

The point about the adaptative response is that you can actually see strong adaptative responses in other parts of the world and they are underpinned by strong institutions and strong behavioural norms. But [...] the adaptation required in turn requires an understanding that you couldn't just have an overlay of neoliberalism and a little bit of micro-intervention, and that was pretty much the view

of someone like John Bannon [...] and we did not create institutions that had a life; that would help provide some of that adaptative response<sup>35</sup>.

### 6.3 The neoliberalisation of state intervention in South Australia

Within the context of the federal Hawke-Keating Government's deregulation of Australia's finance sector, the Bannon Government's policy emphasis shifted towards favouring competitive market forces for South Australia's economic development (Bastalich & Broomhill in Green & Genoff 1993: 85). Hitherto, government had played a key role in economic policy and industrial intervention. The adoption of neoliberal thinking by the Bannon Government was manifest in its untested belief that the State's government business enterprises could, and should, play an entrepreneurial role in the global market economy (Broomhill et al. 1995). This belief was also premised on a new role for the public sector. In the 1980s, governments influenced by neoliberal policies restructured the public service in fundamental ways. Radbone in Parkin and Patience (1992: 110) explained that:

In South Australia as elsewhere, either State activities have been economised or State activities have tried to ape the private sector as much as possible. Public-sector entrepreneurialism became fashionable. Pursuing profits became more important than serving the community.

This initiated a neoliberal transformation of government. Changes to public policy in South Australia resembled earlier trends at the federal level – a perception of government intervention as a burden on market efficiency and firm competitiveness. The State's government would need to become more entrepreneurial, business savvy and commercially viable to attract the industries deemed essential to the prosperity that proponents of the market reasoned would result from SA's true entrance into global market competition.

Within this federal neoliberal context, and policy shift of the Bannon Government towards a more 'hands-off' approach to public enterprises, the State Bank of South Australia (State Bank) operated as a

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<sup>35</sup> Interview: Lance Worrall, 2015a

corporate entity at arm's length from the government of the day. Beyond its 'commercial brief', the State Bank was tasked with promoting SA's economic development, and so set about participating in global markets, well beyond its original mandate in domestic housing loans. As a consequence, relatively few loans were made to traditional industry sectors, whereas nearly half of its loans were made to speculative finance and property-related investments (Scott in Parkin & Patience 1992: 89-91). The State Bank engaged with unproductive forms of capital, acting in a way that made it "indistinguishable from the private banks" (ibid.: 90). By the early-1990s, very little in the way of inward industrial investment in South Australia had been attained, and the State's entrance into the hyper-global era had not begun positively.

The State Bank's collapse in 1991 was disastrous for the Bannon Government, as it resulted in the loss of more than \$3 billion of state funds. The deregulation of the finance sector at the federal level had significantly constrained the Bannon Government's ability to respond adequately to the crisis, and in turn, the crisis was largely a result of nation-wide recession in 1991 which exposed weaknesses in Australia's banking and finance sector post-deregulation. Thus, although the Premier quickly took the blame and resigned his position, the high-risk, speculative actions of neoliberal adherents within South Australia's financial sector were the actual cause of the State Bank's collapse (Martin 2009). Nevertheless, the Labor government, having veered dramatically from its social-democratic course towards a neoliberal agenda, was blamed by the public and exiled to the political wilderness at a time when the State's industrial future looked shakier than ever. The election of the Brown Liberal Government in 1993, in a landslide, marked a ten-year period of more explicitly neoliberal government in SA.

### **6.3.1 Embedded neoliberalism in government's response to crisis: the Brown-Olsen era**

The neoliberal reforms of federal Liberal governments in turn led to a more neoliberal approach in South Australia's industrial policies under Liberal administrations during the 1990s (Genoff & Spoehr 1993). In

response to South Australia's economic crisis, the Brown-Olsen Liberal Government<sup>36</sup> set up an Audit Commission. It determined that SA's credit rating should be improved to AA+ in the short-term in order to regain AAA status in the long-term, thus creating a more competitive business environment (Broomhill et al. 1995). This indicated the importance of strengthening SA's financial framework so that foreign capital might again find the State an attractive investment destination.

The objective to maintain credit ratings exemplified the Brown-Olsen Government's broader neoliberal agenda. South Australia would pursue responses to the local impact of the national crisis in similar fashion to those of newly elected Liberal governments in other states through commissions of audit. This was a technique they employed to justify neoliberal-inspired government roll-backs in response to perceived economic mismanagement by outgoing Labor governments. Economist John Quiggin (2012) has noted that "the appointment of an Audit Commission is a routine political manoeuvre undertaken by incoming governments in seeking to abandon electoral commitments" (ibid.: 2)<sup>37</sup>. Liberal governments in Western Australia, Tasmania, Victoria and NSW had pursued the recommendations of audit commissions to deregulate labour markets, privatise community services like hospitals, implement austerity measures and further corporatise public enterprises (Bancroft; Harvey; Palmer & Down; Pragnell & O'Donnell in Spoehr & Broomhill 1995).

The primary goal of neoliberal governments that appoint audit commissions is a fundamental re-ordering of society and its institutions. Audit commissions commonly fail to discover any substantial errors in the budgeting estimates of outgoing governments. Nevertheless, they identify the pretext for

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<sup>36</sup> Dean Brown was leader of the Liberal party and Premier from 1993 to 1996, and when challenged for the leadership in 1996, John Olsen became Premier until resigning in October 2001 following a political scandal, whereby he was replaced for a brief time by Rob Kerin until the Liberal government's election lost to Labor in March 2002. The unbroken streak of government and neoliberal policy under Premiers Brown and Olsen explains why these Liberal governments are referred to together as the Brown-Olsen Government.

<sup>37</sup> Quiggin's findings were based on a report of the Audit Commission appointed by the then-recently elected Newman Liberal Government in Queensland (which had defeated an incumbent Labor government). The report of this Commission – headed by Peter Costello, federal Treasurer in the Howard Government – recommended a severe austerity and privatisation response to the state's perceived fiscal inefficiencies. In response, the Newman government embarked upon an extensive program of public assets and services privatisation, quarantining only policing, public safety, emergency services and justice, with all other areas of public service up for sale (The Courier Mail 2013).

austerity measures by highlighting disproportionately optimistic fiscal forecasts as a sign of unsustainable public sector spending (ibid.). As a policy instrument, audits restore economic efficiency and write off public debt through outsourcing, and the market privatisation of government services to remove the 'distorting' effects of government interference (Shore & Wright 2015: 430). As a political tactic, audits manage the increased neoliberalisation of public goods as a calculated managerial practice which promotes individualisation and responsabilisation in place of cooperation and workforce professionalism (ibid.).

To these ends, the Commission appointed by Premier Brown produced a two-volume report. *Charting the Way Forward – Improving public sector performance* (Commission of Audit 1994b) first and foremost recommended that “[t]he South Australian Government should fundamentally reassess its role in the economy, in order to concentrate on its core functions and to promote efficiency and effectiveness in service provision” (Commission of Audit 1994a: 335). It outlined how economically rational decisions must be made about a range of critical public services. First among them were cuts to education, health and policing, and then later, the privatisation of public utilities like water, and outsourcing of public services like the state’s data management services (Broomhill, Genoff, Juniper & Spoehr in Spoehr & Broomhill 1995: 215).

### **6.3.2 Ignored alternative responses to a deepening neoliberal crisis in South Australia**

How would the government respond? It is clear that it was presented with alternatives to neoliberal reforms. The neoliberal agenda was already failing to deliver in key public services at both federal and state levels. In the early-1990s, the National Electricity Market (NEM) was established on the grounds that it would create a more efficient energy industry and provide cheaper power to consumers. However, in operating “too much like a highly speculative stockmarket” (Spoehr in Spoehr 2003c: 3), the NEM’s neoliberal foundations represented uncertainty in energy provision, and certainty in consumer price rises. Although the NEM did not require the sale of publicly owned electricity assets, the Brown-Olsen Liberal government used its ideological belief in market efficiency to privatise electricity in South Australia, and deepen the neoliberalisation of South Australia’s public institutions.

The rationale for this policy failure and the key privatisation recommendations of the Audit Commission were critiqued by an independent group of South Australian academics. Their report, *Charting the way forward... or backward?* (Broomhill et al. 1994) highlighted problematic weaknesses in the Audit Commission's methodological approach to its public sector evaluation and proposals for reform. In typical audit commission fashion, it had exaggerated the size and scope of SA's debt problems, and proposed unprecedentedly high increases in prices for basic public goods, along with the sale of key public utilities (ibid.). Furthermore, the lackadaisical assessment provided by the Audit Commission revealed little, if any, regard for the distributional impact of public sector cuts on vulnerable groups in society, and this was a clear failure to test the fairness and equity of its recommendations. The neoliberal ideology of its report was evident "in its mistaking markets as synonymous with efficiency" (ibid.: 7).

Thus, the independent critique recommended a progressive alternative to neoliberal austerity. The 'better way forward' in South Australia it proposed championed investment in advanced infrastructure development over the decade of the 1990s (ibid.: 11). It considered increased investment the key to efficiency, not market-led growth, as the former would foster the uptake and diffusion of new technology, highly skilled and flexible workforces and a participative culture (ibid.: 70).

A complementary report, *Alternatives to Retrenchment* (Spoehr & Shanahan 1994) addressed the issue of worsening labour market conditions in manufacturing – ongoing since the 1980s, deepened in the early-1990s national recession and State Bank collapse, and now occurring in conjunction with the Audit Commission's proposals to cut public workforces and assets. It recommended a strategic government response integrating economic and industry policy reforms with policies for labour markets and incomes, education and industrial relations, linking them all to a macro-objective of full employment (ibid.: 4-5).

Considerable evidence of international and Australian experiences in the 1980s attested to the efficacy of government commitments to demand-driven policy responses to structural adjustments (Burkitt &

Whyman 1994; Genoff & Spoehr in Green & Genoff 1993: 136-137). There was also evidence of the way neoliberal policy responses had only deepened labour market problems and stifled demand at local level (Stilwell 1991). A policy response that retained key public assets and services and expanded upon them with the aid of active, integrated state intervention to achieve full employment would progressively grow South Australia's sources of revenue, combat the debt issue in the short-term, and strengthen the State's economy in the long-term. Nevertheless, using the report of the Audit Commission as justification, the Brown-Olsen Government implemented a radical neoliberal agenda of austerity, which began with the sell-off of the failed State Bank.

Several years passed in which the South Australian public paid for the State Bank's collapse through austerity measures. Then, it privatised the Electricity Trust of South Australia (ETSA) in 1998. Premier Olsen argued that eliminating risk from SA's entry into the NEM made ETSA's sale a necessity, but this was later revealed untrue. Privatisation, in fact, risked violating national energy industry policies that could have increased SA's debt obligations (Spoehr 2003a; Spoehr in Spoehr 2003c: 32-33).

Within a neoliberal austerity policy response, the privatisation of state institutions and assets such as the State Government Insurance Commission, the State Bank and ETSA was defended as partly fiscal and partly ideological. To the Brown-Olsen Government, austerity and privatisation was a means by which South Australia's debt could be repaid, as it believed the private sector could better engage competitively in the financial market (Macintyre in Spoehr 2005b: 125). However, as Lance Worrall – then heading the South Australian Manufacturing Advisory Council – observed, this mostly suggested that the Liberal Government lacked political and fiscal nous in its policy responses to crisis:

What they said was, if we sell this, we will have an extra seven-hundred-and-fifty-million a year to spend [...] it was complete voodoo economics. It ignored the fact that you're only going to sell it to somebody on the basis that it earns an income. So it's the difference between the interest payments and the income you would've received had you maintained ownership; and then they sold it too

cheap, so the savings on interest were less than the retention value of it and the income you would've got from it<sup>38</sup>.

### **6.3.3 South Australia's neoliberal state intervention pathway paved**

The Brown-Olsen Government's neoliberalisation agenda over the 1990s deepened South Australia's reliance on global market conditions. However, this only contributed to how the dynamics of globally-mobile capital impinged on any ability to effect economic development from within the State. Between 1999 and 2002, South Australia's wine and motor vehicle exports spiked (O'Neil, Neal & Nguyen 2004). However, due to the State's traditional reliance on these low-growth industry sectors, the export boom following austerity measures reflected national increases in competitiveness that had resulted from a low Australian Dollar (Gelber in Spoehr 2005b: 11-12). With conditions from 2003 of drought and currency appreciation, SA was affected most of all Australian states. A subsequent fall in GSP was evidence of its reliance on sustaining export growth (O'Neil, Neal & Nguyen 2004: 2).

But while the Brown-Olsen Government fully embraced neoliberal ideology, its actual practice fell short of its aim to minimise the government's role in South Australia's economy. Its neoliberal agenda for SA – in which the official slogan literally declared the State was 'going all the way' in its free market approach to reducing public debt – was criticised by the same academics who had presented an alternative policy response to the Audit Commission's recommendations; along with an assemblage of activists and community services professionals. These critics of the government's agenda observed the acute 'actually existing' neoliberalism contradiction at its core. The marketisation of public assets did not lead to significant reinvestment in other public goods, yet the budgets in 1995-96 and 1996-97 contained a total of \$310 million in business incentives (Broomhill, Genoff, Juniper & Spoehr in Spoehr & Broomhill 1995: 220). The government's neoliberal intervention had, like in other national and international jurisdictions, shown how 'smaller government' was in practice "little more than a shift of

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<sup>38</sup> Interview: Lance Worrall, 2015a

State resources away from welfare and social wage spending in the direction of business subsidies” (ibid.).

This version of neoliberal state intervention defined the Liberal agenda for economic development moving into the twenty-first century. Privatisation stripped government of long-term revenues and did not deliver on any semblance of sustainable industrial development. Efforts to privatise publicly owned industries reduced the South Australian government’s influence in negotiating a course between federal and local-state government policy imperatives. For example, the NEM’s neoliberalisation of the industry and then the sale of ETSA weakened the State’s bargaining position in national electricity pricing (Spoehr in Spoehr 2003c). Thus, SA lost critical capital infrastructure, while the local automotive manufacturing industry continued to decline and experience marginalisation in industrial policy discussions.

Pursuing an ‘actually existing’ neoliberal austerity response to crisis was made at the expense of developing a coherent industry policy framework. This was evidence of the way neoliberal government represented the abandonment of an active state sector to drive industrialisation – as had characterised the post-war Playford era – despite no actual reduction of government’s role in the economy (Broomhill et al. 1995: 224). This is usefully illustrated with reference to comparisons of economic planning strategy under the Bannon Labor and Brown-Olsen Liberal Governments. Bannon lacked a well-articulated strategy, yet did seek to involve the community in a shared vision of development delivered through investments in integrative social and economic infrastructure. In contrast, the Brown-Olsen’s agenda resembled quite obvious attempts to spruik an entrepreneurial South Australia by pushing *ad hoc* projects that would attract isolated cases of outside investment (Bunker & Hutchings 1997, quoted in Hamnett 2005: 4).

However, the competitiveness of South Australia’s manufacturing sector was not improved with the Brown-Olsen Government’s neoliberal policies. As an industry underwritten by government subsidies, their hands-off approach to manufacturing did not amount to a plan for industrial transformation to make manufacturing in the State more efficient and competitive. Yet government intervention remains

an important element of SA's development story. As detailed in Chapter 4, literature spanning several decades has made elaborate reference to the important role of government as a developer in SA, where public enterprise has been the major instigator of economic growth. However, the nature of public enterprise has been altered under neoliberal conditions, impacting government's role in promoting local industrial development, and its capacity to provide active support.

#### **6.3.4 The implications of neoliberal state intervention in South Australia**

The decade of Liberal government from 1993 to 2002 marked the deepest embedding of neoliberalism in South Australian state institutions. By the end of the 1990s – after the State's assets had been largely privatised, labour power eroded, and further sectors of the economy deregulated – a rigid neoliberal pathway drove the policy responses of governments. Despite the Brown-Olsen Government's reinvestment of public money in private initiatives, this trickle-down approach did not significantly reduce the unemployment rate, which remained at 7.1 percent in January 2002, its final month in government (ABS 2014). A neoliberal investment-led strategy resembled a wrong-headed commitment of state resources to attracting major projects and inter-state or international investment at the expense of better developed economic and social infrastructure (Broomhill et al. 1995: 224).

The “greater rhetorical emphasis on promoting a business environment conducive to investment” (Hamnett 2005: 4) of the Brown-Olsen era characterised the policy responses which marked the pinnacle of South Australia's neoliberalisation. It was made more possible with the hard-line neoliberalism of the federal Howard Coalition Government, discussed in Chapter 5. Industry policy had been a significant part of previous Dunstan and Bannon Labor Government policy responses to economic crisis and change, and was evident to some extent in the Tonkin Liberal Government term, with its political support of local industry engagement in high-technology manufacturing. But the Liberal government decade of the 1990s squandered much of the momentum in government economic planning and industrial policy development.

According to Lance Worrall, who from 1994 was economic adviser to Labor Opposition Leader Mike Rann, after the Manufacturing Advisory Council became a casualty of the Brown-Olsen Government's

cuts, the 1990s in Australia were “the lost years”, both locally and at the national level, particularly after the Howard Government entered government<sup>39</sup>. At national level, the Coalition oversaw the neoliberal reform of labour markets and widespread privatisation of public assets (Hollander 2008: 94). Reform was delivered through assaults on the welfare state’s legitimacy, and on centralised industrial relations systems in the Australian states. It undermined the role of labour in industry policy development with the increased focus on investment-led decisions made out of the control of democratic institutions within Australia. The South Australian Liberal government’s assault on unions, workers and basic welfare rights with regressive workplace legislation were made to give employers more power, extending the market’s influence over labour (Murray in Spoehr & Broomhill 1995).

These neoliberal mechanisms were at the core of the Coalition and Liberal Government strategies for industrial restructuring. They signified a massive reduction of the state’s interventionist role in economic development, with critical powers given over to private institutions and market-driven policymaking processes. But despite a rapidly reduced interventionist role of government from this time, a significant regulatory role was maintained. From his advisory role for SA Labor’s Opposition, Lance Worrall’s reflection suggested that characteristically, it was ‘actually existing’ neoliberalism:

There was a kind of contradiction and presumption that we're embracing the free market now and yet [...] they expected a whole lot of it [government intervention] to just to keep going. So there's a big contradiction there. When we get to the nineties it's all about [...] the hangover of financial deregulation and more of those ‘animal spirits’. So it's all about everything is transposed onto state finances as if somehow that's an explanation for broader economic health and performance, whereas it has not much to do with it<sup>40</sup>.

In South Australia, the public-sector sell-offs of the 1990s after the global economic decline of the decade reduced the capacity for positive government interventions in the economy. They also

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<sup>39</sup> Interview: Lance Worrall, 2015a

<sup>40</sup> Ibid.

weakened the social institutions upon which the local economy depended, and these institutions could not easily be revived. The marketisation of economic policy and the redefinition of government's regulatory role have also contributed to greater social and economic costs.

In the wake of two decades of increasingly economic-rationalist policies taken up by both Labor and Liberal State Governments, the task of attaining the kind of industrial growth needed in South Australia fell to Labor governments under the administration of Mike Rann (2002-2011), who was later succeeded by Jay Weatherill (2011-present). The efforts of these Labor governments to shape policy responses to deindustrialisation in recent decades depict the difficulties governments have faced in responding to the altered political-economic terrain produced in processes of neoliberalisation.

Labor's return to government early in the twenty-first century would require a markedly different approach to governing for it to occupy its traditional role as the government of social and economic reform in Australia. In South Australia, the Rann Government made significant commitments to policy and institutional changes designed to facilitate industrial transformation in the State in a way that, in keeping with its social-democratic principles, was also socially transformative. But generally, the embrace of neoliberal policy at federal level in Australia from the 1980s placed enormous pressure on state governments to fall in line. This presented the greatest challenge to social-democratic governments, specifically.

Given such circumstances at national level, manufacturing was neither a priority for the South Australian state government, nor for the federal government. Labour market and financial market deregulation, and the privatisation of public assets at both local-state and federal levels further weakened SA's responses to economic downturn experienced from the early 2000s. Policy responses were focused on balancing budgets, not investing in productive assets to achieve long-term economic development.

The privatisation of key public assets and essential services under Liberal Governments in South Australia embedded the neoliberal agenda deep into the policymaking of a local-state that, historically, was actively interventionist in the economy. Government's centrality to economic development moving

forward was no different. However, with the economy having undergone an extensive process of market-oriented re-regulation, neoliberalism was now hegemonic. But most strikingly, in its continued and growing influence over policy responses from one government to the next, 'actually existing' neoliberalism has nevertheless varied from its more ideological application mediated by the state under Liberal Governments, to its application in more practical and pragmatic forms in interaction with the social-democratic positions of Labor governments.

The mutability of neoliberal intervention makes clear that governments have consistently responded to global market opportunities, but that depending on the government of the day, objectives have differed: to more favourably position the economy to broadly benefit South Australia through increased competitiveness; or to use efficiency as an excuse to narrowly benefit capital accumulation. Under the Bannon Government, a somewhat naïve embrace of neoliberalism undermined its social-democratic credentials and laid the groundwork for an all-out assault under the Brown-Olsen Liberal Governments. The path-dependent development of state intervention meant the Rann Government began at somewhat of an axis, with its social-democratic core values plotted against the neoliberal project begun in the 1980s in the State. This revealed tensions in policymaking but also opportunities for alternatives.

#### **6.4 A 'third way': neoliberal state intervention under the Rann Government**

Under the federal Howard Coalition Government's industrial policy response, Australia's economic growth from the late-1990s became increasingly based on the high commodity export prices and demand driving a primary industry boom period. The absence of a more direct interventionist role in industry policy development by the Rann Government can be explained in part by the impact of neoliberal industry policy under the Howard Government. This backgrounded the Rann Government's clear embrace of a program of state intervention to create gain from the global economy, returning its benefits to the people of South Australia. However, the Rann Government acted pragmatically in yielding economic policy to the market, because this would help it to hone a social-democratic agenda echoing the social policy initiatives of Don Dunstan.

Dunstan had sought to create economic diversity in a balancing act between social-democratic progress and global market integration. The Labor Party faction-unaligned Mike Rann – Dunstan’s *protégé* – had a similar vision for South Australia, in a concerted attempt to harness neoliberal globalisation for social-democratic purposes. The Senior Public Servant, having worked closely with the Rann Government in its early years described what this meant in terms of Rann’s political acumen:

When Rann and [treasurer/deputy premier] Foley came in they were determined to put behind them the questions about economic management ability and they led a very fiscally conservative administration. What they did have going for them was the global and national economic growth spike. It was the very best of times and when receipts were growing by four percent per annum without having to try too much, there was wriggle room for governments in which to ‘innovate’ [with policy], without affecting what critics would determine to be ‘the core’ [economic policy]. So, in a sense, Rann Labor was able to lead conservatively when it came to economics and law and order, but on the other side of the spectrum, were able to experiment with models of collaboration<sup>41</sup>.

The Rann Government accepted the potential social and environmental harms of neoliberalism because its goal was growing South Australia’s participation in the global knowledge economy, and therefore the participation of all citizens. This would entail the State’s economic growth becoming chiefly driven by the production, distribution and use of knowledge and information (Liefner in Richardson et al. 2017). But in a neoliberal political economy, instead of a knowledge-based approach to transforming the industrial foundations of SA, success meant conforming to the global market’s neoliberal rules: responsible government spending and private sector-led growth and development.

#### **6.4.1 Policy collaboration and experimentation as neoliberalisation**

The Rann Government’s commitment to establishing a form of intervention that embraced elements of the market and of society entailed the development of key institutions of reform built on public-private collaborations. It established the Economic Development Board (EDB) as an independent advisory

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<sup>41</sup> Interview: Senior Public Servant (de-identified), 2016

committee which sat external to State Cabinet from shortly after the Rann Government took office. From its inauguration, the EDB was tasked with advising the government on emerging economic opportunities that could maximise South Australia's competitive position in the Australian and global economies (EDB 2016). The Board was made up of a spectrum of individuals from across State economic sectors (mostly private) and could critique the government's performance and report shortcomings to the SA public (Manning 2005). Its independent and authoritative position – along with a significant degree of strategic power – was considered critical to ensuring government transparency, responsibility and accountability. The government's responsibility to the EDB demonstrated a commitment to broad governance beyond its own Labor Party and the political mechanisms available to it, clearly evident to the Senior Public Servant, whom articulated the Rann approach to leadership:

When social-democratic parties are in government, the smart ones like when Rann led [...] they know that their Party networks don't have all the answers. And in fact, once you become premier [...] you take the counsel of a broader network of people. That's why the Economic Development Board exists<sup>42</sup>.

Altogether, the Economic Development Board's role was to advise government on how to become more efficient and more responsive to the private sector. It advocated for deregulation as a policy response capable of shaping a more competitive business environment. This was the EDB's perception of what governments did, and it was inspired by report, *Urban Future 21 – a global agenda for twenty-first century cities* (Hall & Pfeiffer 2000). The report provided neoliberal principles for reform, arguing that planning had become rhetorically synonymous with centralised government control, and as such was antithetical to market forces. It promoted effective 'collaboration' and 'partnerships between actors from government, private sector, community, religious groups and other relevant stakeholders, rather than older hierarchical arrangements that placed government at the top, with other stakeholders

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<sup>42</sup> Ibid.

beneath. Hence, the report reflected a belief held by members of the EDB that governments could only achieve economic growth goals through cooperative entrepreneurship:

Good governance needs a climate of tolerance and cooperation. It needs integrative institutions and decentralized participation. It has to survive with a permanent tension that will always occur between stable organizations and spontaneous activities which arise as answers to urgent needs or to urban crises (ibid.: 171).

Naturally, *Urban Future 21* found a spiritual home in the Economic Development Board. The EDB urged partnerships for economic development because partnerships could “bend and shape market trends” (ibid.: 133), rather than work against them. The underpinning neoliberal assumptions that government should facilitate the market’s relatively unhindered role in shaping economic policy is made further clear with interpretation of the EDB’s objectives. These included: to advise government on reforms that maximise economic development; increase business competitiveness; promote SA’s ‘narrative’ to attract global investment; and act as a steering body for project groups tasked with producing these outcomes (EDB 2016).

The Economic Development Board championed the pursuit of neoliberal reforms to South Australia’s government structure as a way to increase the State’s ability to showcase the benefits of economic neoliberalisation to the world. The EDB believed SA could become an example of economic development through market-led reform by engaging with private interests and investment. It was imbued with a considerable degree of authority to ensure government responded to its directives by doing all in its power to minimise market interference. In these ways the EDB presented an outline of neoliberal reform in idealistic terms. However, its early efforts to embark on further neoliberalisation of SA’s economy was tempered by the interaction of its own neoliberal ideas with the reality of its social embeddedness, and the potentially conflicting social and economic goals shaping the Rann Government’s agenda. Thus, the form of neoliberalism that emerged in the Rann period was based on a mixture of these sometimes complementary and sometimes contending influences.

The EDB was forced to find its place within a relatively settled framework for intervention – one in which it could influence the role of government, but not prevent it from continuing to intervene in South Australia’s economy and society. In this way, the power of neoliberal ideas sitting within the EDB’s ideological agenda were tempered by political process, as was confirmed by Lance Worrall, who was instrumental in establishing the EDB as one of Rann’s chief advisers:

[EDB] could've been a straight neoliberal thing, and it wasn't. There was plenty of neoliberals on it, don't get me wrong, but it did actually see its remit as broader than just obeisance to market forces<sup>43</sup>.

Due to a historically strong and large public sector in South Australia, the EDB had to vie with the social-democratic agenda of the Rann Government. Despite the EDB’s early recommendations to cut employment in the public sector, the Rann Government refused to embark on such textbook neoliberal reforms (Manning 2005). Instead, it attempted to find a middle-ground between the EDB’s neoliberal proclivities and the government’s default position on social and economic justice.

## **6.5 Countering neoliberalisation? Embedding new social institutions**

A tripartite arrangement of the government’s engagement with South Australia’s social and economic leaders formed the kind of institutional change the Rann Government hoped to create in the State. Key developments to counter-regulate the policies of the Economic Development Board were implemented. These were the Social Inclusion Board (SIB), tasked with ensuring that the benefits of economic growth would reach the most disadvantaged people in SA’s community; and the Premier’s Round Table on Sustainability (PRTS), appointed to advise government where economic development impeded environmental protection. Together these boards formed a ‘triple bottom-line’ approach to balancing the State’s challenges of economic development, social equality and environmental sustainability (ibid.).

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<sup>43</sup> Interview: Lance Worrall, 2015a

Because of the competing forces impacting on South Australia's policymaking process, the EDB was forced to compromise on its hard-line neoliberal agenda. The document that emerged from the Rann Government's negotiations with the EDB's neoliberal vision for the State was *South Australia's Strategic Plan* (SASP), launched in 2004 and updated in 2007 and 2011 (DPC 2004). This plan was designed to engage SA with the global economy through an experimental strategy focused on the State and its regions. But this meant focusing on building collaborative partnerships between government, business and the wider community at the local level.

The *Strategic Plan* emerged from a series of summits. These involved the three key advisory boards in collaboration with a representative alliance of South Australia's business, peak bodies and NGOs engaged in collaborative policy development with a 'joined-up' government (DPC 2011b). A list of 79 targets set out SASP's 'shared' approach to making the State more competitive in the global economy. This entailed improving SA's average employment rate, increasing its population, significantly expanding its export income, improving the education of its citizens, bringing environmental sustainability to the forefront of its development, and tackling its rates of crime to build safer urban communities.

This policy response of the Rann Government reflected its social-democratic agenda for twenty-first century change in South Australia. Rann sought to model his Premiership on his mentor, Don Dunstan<sup>44</sup>, by embracing Labor's reformist traditions and producing associated policy responses (Manwaring 2014: 95). It aspired to provide a way of developing social institutions to mitigate the State's neoliberal economic trajectory. The Premier's introduction to SASP noted that despite numerous plans, "what [the state government has] lacked over the decades is a comparable zeal for implementation, let alone setting ourselves clear and hard targets" (DPC 2004: 1). This statement echoed the reality of SA's engagement with policy responses to globalisation that had largely failed to transform the State's industries towards increased competitiveness.

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<sup>44</sup> Mike Rann had served in Dunstan's government as the Premier's press secretary, speech writer and adviser. Manwaring (2014: 95) explained that Rann was "explicit about the legacy and importance of this period of reform on his own politics."

Hence, SASP would place greater stock in the innovative capabilities of South Australia's people and private institutions than in government's sole leadership on development. It reflected the global trend of the time toward broader governance of economies, rather than more rigid forms of state intervention. This approach was designed in a way that local actors – local government, business, social services and community – were made responsible for driving change. This would open up SA to a State-wide response to the challenges ahead.

However, this would also entail a neoliberal approach to economic and social transformation that was incapable of producing the kind of institutional change that South Australia really needed. By handing control of economic management largely to the stakeholders that operated closest with market forces, economic policy ultimately relied on the private sector to deliver a strategy for the State's infrastructure development and investment attraction. As part of implementing a State-wide approach to achieving SASP's targets, the EDB played a significant role in ensuring that the government committed to regaining South Australia's AAA credit rating. It argued that doing so would encourage increased inter-state and overseas investment in SA and so increase the private sector's competitiveness in global markets. Echoing earlier comments about the Rann Government's general political approach to governing, the Senior Public Servant appeared to justify its management of economic uncertainty by ceding economic and social regulation to collaborative initiatives beyond government:

[These] were bodies formed because you co-opt advocates and champions. But they were also formed because Rann understood that the public sector on its own, and Cabinet on its own, don't have the answers. They were not necessarily the only places – repositories – of knowledge, and insight into the future<sup>45</sup>.

### 6.5.1 'Thinking' about South Australia's future

A key knowledge-broadening initiative to drive change was the *Thinkers in Residence* (TIR) program. According to TIR's website, when it first began in 2003, the program was designed to bring "new ideas

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<sup>45</sup> Interview: Senior Public Servant (de-identified), 2015

into the state and translate them into practical solutions to improve the lives of the people who live here” (DPC 2011a). Thinkers attracted some of the world’s most renowned experts in their fields and set out to generate new thinking, inspire momentum, provoke change and activate results for the people of South Australia (ibid.). Projects between 2003 and 2011 covered strategies to attract creative thinkers to Adelaide (Landry 2003), taking advantage of digital economy possibilities (Bell 2009), building vibrant communities around good public transport (Hansen 2011), addressing health challenges in modern society (Kickbush 2008), achieving more responsive public services (McTernan 2012), and innovating childhood education (Rinaldi 2013).

Not all Thinker projects had produced tangible success and been incorporated into institutional change, though most had produced long-term outcomes. In the opinion of the Senior Public Servant, these were a testament to the state government’s willingness to expand its knowledge base, apply best-practice concepts informed by experts, and then experiment with new directions in public policy and community engagement:

I'd say that Thinkers in Residence was a pinnacle program. It wasn't a policy *per se*; it was a systematic way for the Premier to cast a brighter light on a particular area of state performance that he believed was deserving, where we could do better by citizens, by rate payers, by tax payers<sup>46</sup>.

Many of TIR’s outcomes, developed in collaborative engagement between Thinkers and a host of stakeholders, were applied in policy. The TIR program was officially ended in 2011. However, when interviewed, the program’s Director from 2009-2013, Gabrielle Kelly, highlighted the longevity of its influence:

It's still influencing conversations in road safety. It's still influencing the judiciary and conversations about [...] how to keep people out of prisons [...] it's still influencing the policy on water [...] its

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<sup>46</sup> Ibid.

impacts on renewable energy are completely available for anyone to see [...] over a hundred and fifty-five million dollars invested in homelessness solutions [...]<sup>47</sup>.

At an institutional level, TIR gave the green light to experimental processes and to innovative approaches built on new institutional structures. The Senior Public Servant described how the TIR was another acknowledgement by the Rann Government that legitimising a spectrum of ideas and insights to develop SA was important:

What the Adelaide Thinkers In Residence program did was systematise and normalise the principle that you take expert advice from externally, and that advice can sometimes help to engineer change<sup>48</sup>.

The TIR program embodied all the hallmarks of a government conforming to the dictates of greater neoliberalisation as a solution to economic transformation. With clear reference to neoliberal rationality driving its practice, Gabrielle Kelly seemed to justify the decentralisation of decision-making processes as itself a way of translating innovative policy into outcomes more rapidly than would've been achievable if attempted by only the government:

We were after the gold and the gold was implementation of new ideas more quickly, and change, and new policy, and advancing the State. So we moved aggressively towards those goals [...] yes the idea is 'ticked', yes the collaborators have come together, yes they've decided two of them will put in fifty-to-eighty-thousand, the other three will put in twenty or ten or five, depending; but we've got a budget of somewhere between one hundred and fifty and three hundred and fifty which is sort of, roughly, the budget area, depending on cost because a couple of 'Thinkers' came to us with no charge, with their organisation paying them their own wage<sup>49</sup>.

The TIR was a unique opportunity for Rann and Labor to rebrand government in South Australia, although it was conceived to do much more. Rann sought outside opinion and independent critique of

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<sup>47</sup> Interview: Gabrielle Kelly, 2015

<sup>48</sup> Interview: Senior Public Servant (de-identified), 2016

<sup>49</sup> Interview: Gabrielle Kelly, 2015

government processes and decisions. However, Martin (2009) and Manning (2009) have both highlighted Rann's 'presidential' style and how it shaped his attempts to drive social-democratic reform, where ultimately Rann was 'the decider' of the way forward. It is clear, however, that such intent was tempered by the unapologetically neoliberal ideology of the Rann Government's Treasurer, Kevin Foley. The task set by the EDB of improving SA's credit rating was received well by Foley, who had strongly embraced neoliberal policy ideas. The Treasurer was opposed to big government, high taxation and public sector intervention in the economy (Martin 2009)<sup>50</sup>. In his first State Budget, Foley – employing the typical rhetoric of Liberal Governments – declared Labor's intent to steer away from the profligate and wasteful spending that had placed the State in the midst of a 'crisis'. Expenditure was rationalised to produce a budget surplus and gain voters' trust of Labor in economic matters (O'Neil 2003). There was significant conflict within the ranks of the new Labor government. The Senior Public Servant suggested that its forward momentum would be predominantly defined by a context of neoliberalism as 'common sense':

I think Mike Rann made a point that he would govern as though he had a majority of ten, not of one, because the alternative would be to cower. The State at that stage did not have a triple-A credit rating, it had been lost on the back of the previous Labor government's management of the State Bank. The Liberals had come in and done the hard yards in terms of asset sales and restoring the government's balance sheet to a better position<sup>51</sup>.

Arguably, Foley's first budget reflected what the Rann Government considered to be the South Australian public's expectations – essentially the provision of basic services, whilst stepping aside to

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<sup>50</sup> There is other significant evidence that Foley was a staunch 'left-wing' advocate for neoliberal ideas. For example, at the State Labor conference in 2010, Foley – backed by the great strength of his Right Faction lobby led by the socially and economically conservative Shop, Distributive and Allied Employees Association – refused to give in to demands for reform to Party and policy matters made by Labor's progressive Left Faction, thereby maintaining neoliberal control over Party and Government policy (Owen 2010). Following his political career in South Australian Parliament, Foley moved on to work as a consultant with the lobbying firm Bespoke Approach, which advises business and corporate sectors on dealing with local-state and federal governments. In his new job, Foley joined ranks with none other than former Liberal Premier of South Australia, John Olsen, former Federal Minister for Foreign Affairs in the Howard Coalition Government, Alexander Downer, and a number of other federal and state Liberal and Labor Party advisers (Kelton 2012).

<sup>51</sup> Interview: Senior Public Servant (de-identified), 2015

allow business and community sectors to develop the State's economy. However, the government's commitment to operating within these confining neoliberal rules meant that the full scope of its campaign promises – and arguably, the Premier's personal social-democratic agenda – for spending on education, health and community services, as well as infrastructure modernisation, could not be fulfilled early on (Spoehr in Spoehr 2005b: viii).

The Economic Development Board's expectations that government should not only minimise its role in the economy, but do so with efficiency, were elaborated in the *Strategic Plan*. To facilitate cross-sector and cross-institutional involvement of stakeholders to effectively 'pick up the slack' of a reduced government role in economic development, SASP determined that government pursue a 'whole-of-government' (or 'joined-up') approach to policymaking. In theory, this would break down the barriers created by 'departmentalism' and 'silo-thinking', and so improve communication and coordination between departments and ministers in government, increasing transparency in decision-making processes and cost effectiveness in service delivery (Manning 2004: 618).

The Economic Development Board's compromise with the government thus settled on a policy response that would make the public sector more efficient in response to the community and remove regulatory impediments to business-driven economic development. The whole-of-government approach was considered necessary in times when there was broad political pressure on governments to reduce their fiscal footprint and become more responsive to the public and to markets (Christensen & Lægreid 2007). The EDB had earlier been critical of the Rann Government's attempts to develop a more coordinated government (Manning 2005). It apparently conflated the idea of better government coordination with increased levels of government intervention.

Altogether, enshrined in SASP was the Rann Government's policy response was a joined-up, collaborative approach to transformative change. Achieved through collaboration, it was an assessment by the South Australian community of the Rann Government's strategies, a review of its economic infrastructure and a long-term plan aimed at the areas where the State's economy could improve its

performance (Macintyre in Spoehr 2005b: 129). But most of all, it was a litmus test of government's willingness to make way for greater market-based economic change, and collaborative governance of reforms to service delivery, infrastructure provision and economic development. Thus, it ultimately held the greatest implications for the character of government intervention.

### **6.5.2 Implications of neoliberal state intervention under the Rann Government**

The Rann Government's streamlining of policy and its self-imposed limitations in policymaking reflected a deepening of neoliberal trends in state intervention. Rann had sought to "cement his image as a premier for all South Australians" (Manning 2005: 215). To do this, the government embraced a 'third way' approach to its interventionist role in shaping SA's future through its tripartite initiatives for new social-institutional developments.

Rann took inspiration from earlier models of 'third wayism', particularly the UK Labour Prime Minister Tony Blair's 'Social Exclusion' policy initiative from the late-1990s. Blair's ideas were particularly echoed in Rann's emulation of the former's Social Exclusion Initiative (the Social Inclusion Board in SA), which sought a solution to social disadvantage in which the concept of 'social welfare' was transformed into 'social innovation' (Rann 2012). Social welfare services were effectively neoliberalised. Multiple guises of the third way approach have been criticised for their reliance on largely unpaid work and under-funded services in the social sector to address issues of poverty and social exclusion (Coombs 2011; Pedlar 2006; Whelan 2012). The decentralised nature of third way policy has depoliticised action on social development. It has embedded neoliberal discourse in welfare reform to modernise society in line with global free market capitalism. Therefore, 'third wayism' has institutionalised the very economic program causing the socio-economic problems that it responds to (Haylett 2001; Skowronek 1996).

Under third way government policy responses, 'collaboration' and 'partnership' quickly became buzzwords that defined the engagement of states throughout the world in economic development into the decades that followed (Blanco 2014; Elwood 2002; Williams 2006). These buzzwords effectively became synonymous with the neoliberal transformation of state intervention. The development of third way policy responses meant actively outsourcing many of government's social and economic

responsibilities, and increasing dependence on voluntarism and not-for-profit sector initiatives as a basis of public sector reform. However, third way policies are 'vehicular ideas' for quickly conveying problematic situations toward solutions in only a discursive sense. They simultaneously avoid any ideological 'ownership', meaning they are often appropriated to shape the discourse of contemporary neoliberal government policies (McLennan 2004: 485).

Third way policymaking signified the Rann Government's embrace of a political-economic 'cultural turn' to foster 'modernisation' by solving economic and social problems with collaboratively based initiatives. But the experimental model of achieving reform through a tripartite institutional system, driven chiefly by the agenda of the Economic Development Board, represented a transformation in government's interventionist policymaking role. The 'collaborative' model for development meant governments owned the strategic direction, but there was less control over how implementation occurred. This is because partnerships in private and community sectors formed the vehicle for SASP's implementation. Government service delivery was effectively outsourced in many areas, as its commitment to balanced spending put SASP's strategy to operation in the private and not-for-profit sectors.

The third way approach in South Australia has entailed shifts from *government* to neoliberal *governance*. The Rann Government's approach can also be conceptualised in terms of the 'New Public Management' (NPM). This describes how competing pressures of stakeholder interests, public demands and political cycles have led governments in Australia to outsource responsibility for public services and program delivery (Aulich & Hein 2005). The NPM has enabled governments to reform the public sector as part of a broader microeconomic agenda to reduce the limitations of public services on market competition. It has entailed the introduction of performance management, decentralisation of program delivery to line agencies, public sector industrial relations restructuring to contract-based models, and outsourcing of service delivery to third-party providers.

In a global neoliberal political economy where competition and efficiency is key to attracting investment, the NPM has represented an attempt of governments to achieve conflicting goals under

increasingly difficult financial and economic circumstances. The outsourcing of policy production and service delivery to private and community sectors, although seemingly facilitated by collaborative partnerships, has effectively marketised public goods. Government's position in SASP's implementation was designed so that it would be more facilitative of the private sector's capital expansion.

The Rann Government's neoliberal state intervention has produced a policy framework, but not a decisive policy role for government. This has extended neoliberal reforms of deregulation, privatisation and commodification into South Australia's public sector, and the EDB has directed this expansion of capital's power over economic development. Streamlining government effectively created a policy 'management' role for the bureaucracy, with services increasingly outsourced to third parties, hollowing out opportunities for policy responses to embed institutional change. The government retained ownership of ideas, but policies were coordinated through largely ineffective external collaborations. Ideas for positive change were increasingly propelled along in a neoliberal political-economic context that did not produce robust institutions, and instead increased the importance of the market in delivering social and economic development.

Therefore, a significant neoliberalisation of the Rann Government's interventionist role in South Australia's political economy meant SASP produced a neoliberal blueprint for new social institutions. Government's role in achieving the targets of SASP was to provide the basic foundational functions for the State – health, education and training, and law and order. If government could provide the bedrock, communities and businesses were thought able to drive the process of change. Benchmarking the success of outcomes would be left to an independent auditing process that measured the achievements of government. In this way, the state government's policy response was to limit its involvement and allow business and community to drive change. This has had implications for the development of policy responses to industrial development in SA.

### **6.5.3 Neoliberal policy responses to economic transformation**

In 2003, the Rann Government resolved to expand the future of industry in South Australia beyond the responsibility of government. Its workforce action plan, *New Times, New Ways, New Skills*, was prepared

by government in partnership with South Australian individuals, industries, communities and businesses (DFEEST 2003). It established SA's approach to industrial transformation through broad collaboration on innovation and the opportunities it presented to develop the knowledge and skills needed for global competitiveness. The plan acknowledged government's belief that globalisation was transforming the long-established structures of industry, requiring considerable market-oriented adjustments driven by collaborations beyond government (ibid.: 3).

The Rann Government's policy response to raising education and skills in South Australia to compete in the global knowledge economy focused on innovation. Through collaborative initiatives, it set about developing a statement on innovation. But these met significant roadblocks. A collaborative approach to industry policy, facilitated by the state and driven by private sector leaders, was unable to achieve any traction. Efforts to get an outcome outlining a coherent position on economic and industry strategy was unsuccessful. The Senior Public Servant – involved actively in this process – explained this failure:

I began to be invited into the meetings early on in the Rann Government, and it was determined that we would produce an innovation statement. Lance Worrall, who was at that time the Premier's chief economic development adviser, was certainly around in those times, and there were these meetings [in which they both participated] and they went on month after month – all of the very heavy top players [...] sitting around in this sort of large conference, and getting absolutely nowhere, to the point where it was abandoned as an objective<sup>52</sup>.

In the absence of a sector-spanning strategy, ideas for industrial change depended greatly on another partnership involving various stakeholders in South Australia's manufacturing sector. The Manufacturing Consultative Council (MCC) was a tripartite body comprised of government, industry and union leaders tasked with advising the government on how SA's manufacturing industries could develop global competitiveness. It raised issues affecting manufacturing, and provided feedback on the impact of government policies and programs on the sector. The MCC's *Blueprint for South Australian*

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<sup>52</sup> Interview: Senior Public Servant (de-identified), 2015

*Manufacturing* aimed to strengthen the competitive foundations of the State's local supply chain. It promoted utilising the existing industrial base and local networks of skills and knowledge through partnership-based initiatives between firms, within skill and knowledge networks at regional level, and between various economic sectors (MCC 2005).

The MCC's position was that if South Australia was to be competitive in the twenty-first century global economy, it would need to enhance local strengths, diversify its exports and innovate in ways that fulfil niche market demands in global supply chains. But it recognised that none of this would occur without support from government, industry, service providers and the wider community to improve the public profile of manufacturing, showcasing it as a considerably diverse career path for a range of professions. Hence, the MCC also cautioned that a general failure to communicate the value and importance of manufacturing to South Australians would create an obstacle to greater local industrial competitiveness.

The importance of manufacturing was marginalised by the Rann Government's support for a collaborative approach to state intervention. Without an active interventionist role from government, the MCC's recommendations were not effectively implemented. This was also due to a lack of leadership in business, industry and community that could replace the state's diminished role in driving innovative policy developments. This situation differs decisively from the approach that Sir Thomas Playford took during the 1930s in response to the push for industrialisation by J.W. Wainwright and his alliance of public and private sector actors. The Playford Government had accepted the need for state intervention to drive industrialisation. Eighty years later, the influence of neoliberalism on South Australia's institutions had changed the ongoing interventionist role of government dramatically.

The South Australian government's leadership in industrial development and policy responses to building innovation and skills capabilities had been significantly diminished. This had serious consequences for the Rann Government's response to a watershed moment in the State's deindustrialisation. In 2004, Mitsubishi Motors Australia announced that it would close its automotive

manufacturing plants in Adelaide's southern regions<sup>53</sup>. In the wake of decisions made in a Tokyo boardroom, John Spoehr (2004) from the Centre for Labour Research at the University of Adelaide suggested that the response should be short-term economic stimulus through public infrastructure projects, entailing jobs suited to laid-off Mitsubishi employees. Instead, the Rann Government's response involved limited labour market assistance to workers, mainly in the form of services which included career and financial counselling, and résumé assistance. Delivery of these services was outsourced to the private employment agency, Job Network.

As Armstrong, Bailey, de Ruyter, Mahdon & Evans, in Beer and Evans (2010) have explained, the response of both federal and state governments represented a minor intervention when compared to previous government responses to automotive closure. Structural adjustments achieved little beyond income loss and employment insecurity, and the Rann Government thought that a boom in mining and defence manufacturing industries would absorb unemployed workers (ibid.: 97). Thus, the Rann Government's inactive policy response focused largely on achieving growth through comparative advantages, not competitive ones, although defence represented an opportunity for manufacturing transformation. But as CEO of the City of Playford in Adelaide's industrial north from 1997 to 2015, Tim Jackson observed what to expect from the Rann Government's policy response to an automotive region's decline. When interviewed, he shared his expectations of what negative and positive consequences this might have for local government areas like the one he administered:

Rann probably saw manufacturing as a dirty old industry, not the future. He's more into international universities, food, the arts, festivals [...] but they seemed to go into other sectors, into defence, and there's a lot of manufacturing in defence, and I think they did a fantastic job positioning South Australia as the 'Defence State'<sup>54</sup>.

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<sup>53</sup> Mitsubishi operated an engine manufacturing facility in Lonsdale in the City of Onkaparinga council area, and a vehicle assembly plant at Clovelly Park/Tonsley in the City of Marion council area.

<sup>54</sup> Interview: Tim Jackson, 2016b

Despite the government's belief in the market-based power of mining and defence industries to absorb manufacturing workers, only 2 percent of displaced workers were absorbed by these industries, respectively (Armstrong et al. 2008: 347). This owed to the government's failure to provide the education and training opportunities to equip them with skills in these fields. No funding was provided to facilitate this, despite the Rann Government's recognition that South Australia faced a skills shortage (ibid.). And it was reported that, where assistance was outsourced to Job Network, the agency lacked the resources to provide quality long-term assistance to redundant Mitsubishi employees (Armstrong, Bailey, de Ruyter, Mahdon & Evans, in Beer & Evans 2010: 97).

The Rann Government's outsourcing of policymaking and service delivery to collaboration also diminished its financial commitment. Despite *New Times, New Ways, New Skills* recognising South Australia's skills shortage, no funding was committed to retraining workers made redundant, or to developing their skills. Instead of a seamless transition into areas of the economy thought to exhibit demand for manufacturing skills, research one year on from Mitsubishi's closure found that only one-third of displaced workers had found full-time employment, 20 percent were in precarious casual employment, and a further third were no longer participating in the workforce (Beer et al. 2006: 20-22).

The Rann Government's direct response to the Mitsubishi closure was lacklustre, given the scale of redundancies and the expected impact of the plant closures on the southern Adelaide region. An investigation of the policy responses of federal, state and local levels of government conducted by Beer and Thomas (2007) found that only the local regional governments in which the majority of firms and workers contracted to Mitsubishi were located responded adequately to the plant closures. Their responses entailed a range of initiatives focused on the regions in which the closure took place, yet they lacked the commensurate resources to ameliorate impacts given the scale of retrenchment.

However, the Rann Government did commit to a longer-term plan to transform the region's industries. Mitsubishi sold its Tonsley manufacturing site to the state for \$35 million in 2008. The funds were transferred to the Urban Renewal Authority as an equity injection for the earmarked development of

the site (Public Works Committee 2012). Tonsley was thereafter developed by the state to attract investment and become a hub for industry cluster-based R&D in collaboration with university and commercialisation institutions. The government's support for the Tonsley redevelopment was aimed at developing sectors reflecting South Australia's industries of natural advantage – mining and resources, clean technologies, sustainability, and medical devices and assistive technologies (Antcliff & Kunic 2013).

But the Rann Government's policy response to the Mitsubishi closure held different priorities to the more active local response to structural challenges. It ignored the more pressing short-term needs of the region, made evident in the structural adjustment policies that rewarded enterprises not geographically related to Mitsubishi's operations, but nonetheless related to broader goals of state and national economic policies, which looked outward to national and global markets (ibid.). Local government's weakness in intergovernmental interactions left it unable to exert significant impact on the outcomes of manufacturing decline.

Despite providing the greatest political investment in regional development, local governments lacked the financial capital needed for transformation, placing them at a great disadvantage. This revealed the issues associated with multi-scalar governance when formed by a neoliberal decision-making agenda rather than more interventionist forms of governance. Specifically, the Rann Government's policy response failed to recognise the importance of regionally-specific responses that retain knowledge and innovation in the industries clustered there.

Based on record high commodity export prices, the government held to the hopes of mining company BHP Billiton's commitment to expand primary industrial operations in South Australia at Olympic Dam in the State's north. The government's confidence in the mining boom reflected BHP's self-reported optimism. BHP exhibited a strong financial position, and cited how its varied asset portfolio and wide breadth of commodity production made it capable of responding to changed global market conditions.

This left it in what the company's CEO at the time, Marius Kloppers, described as an "enviable position in its industry" (BHP Billiton 2009: 7).

The expansion of Olympic Dam was to be an investment so great that it would boost the South Australian economy for many years to come<sup>55</sup>. It would impact across a multitude of sectors, from the importation of goods and equipment, to engineering, construction and business services, along with supporting demand for offices, factories, warehouses and transport (Gelber & Circosta 2009: 6). When established, \$47.7 billion was expected to flow to SA over the course of the Olympic Dam project's forty year life (Manning 2012). This represented the economic windfall SA needed to facilitate the transformation of its manufacturing industries and to grow its competitive edge in the global knowledge economy.

The vision shared by South Australian local-state and federal governments of market self-adjustment reflected the way that the neoliberalisation of government policy responses had removed assistance to industries no longer thought competitive. The failure of government to provide appropriate support to manufacturing firms and workers owed much to the neoliberalisation of industry policy. Its deregulation, outsourcing, and deferral to market forces may have been considered necessary for economic efficiency and competitiveness, but it was not effective for positive manufacturing industrial outcomes.

The minimal attention to industrial transformation in South Australia's most important manufacturing industry was evidence of the Rann Government's loss of influence over policy development and intervention as a result of the influence of neoliberalism. Policy responses, as enshrined in the government's *Strategic Plan*, neglected to take automotive manufacturing development seriously. Collaborative partnerships did not produce sound policy responses to manufacturing decline.

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<sup>55</sup> The scale of the Olympic Dam project was so great it was expected to produce the largest open-cut mine in the world: "a mining pit over forty kilometres long and three and a half kilometres wide and deeper than Mt Everest is high" (Spoehr 2009: ix).

The 2007 update of SASP (DPC 2007) referenced initiatives seeking to improve the manufacturing sector's competitiveness through centres for innovation and advanced manufacturing, which were established within local universities. This suggested government's more active treatment of the industry in the wake of Mitsubishi's final closure in 2006. Yet in the 2011 update, just one reference to manufacturing was made comparing the number of jobs in manufacturing in South Australia in 1991 (1 in 6) to the number in 2007 (1 in 10). Here it highlighted the need to continue diversifying the State's economic base, but made no specific mention of the importance of maintaining manufacturing capabilities due to the path-dependent nature of industrial developments. Innovation and advanced transformation in manufacturing was evidently lacking from the government's strategy.

In both updated versions of SASP (DPC 2007, 2011b), developing and maintaining a stable mix of industries across South Australia was considered achievable with a competitive business climate and by increasing the exports of food, minerals and defence industries. However, no mention was made of the automotive manufacturing sector activities that would be required to transfer knowledge, skills and labour to these sectors. The lack of attention to automotive manufacturing in these documents, prepared well beyond the initial warning signs of the Mitsubishi closure, indicated a lack of consideration by the Rann Government of the devastating impact automotive deindustrialisation would have on the State.

The significance of manufacturing to South Australia's future was not accorded concomitant importance in the Rann Government's vision for State-wide collaborative, partnership-based decision-making. Populism was at the core of Rann Government policy, explaining – at least in part – why the future of automotive manufacturing was not central to its policy agenda from the early 2000s. Populism-driven policy drove the Rann Government to see a mining boom, forever just around the corner, as a 'silver bullet' to both social-democratic and global market problems. It promised to yield South Australia significant prosperity.

#### 6.5.4 ‘Actually existing’ neoliberal government policy responses to global economic crisis

The Rann Government’s economic strategy held serious consequences for South Australia. The hope of finding a ‘silver bullet’ to the State’s challenges explains why the Rann Government pinned its reform objectives to the national mining boom, rather than commit more actively to innovation in manufacturing. Much of the infrastructure spending that entailed part of the government’s commitment to facilitating the collaborative approach to transformation was already being funded based on an expected \$250 million in receipts from mining royalties over the next decade (Manning 2013). But by the second half of 2008, commodity prices on Wall Street nosedived. In flow-on effects, deep recessions in many countries across the globe shook confidence in global markets and by 2009 the Global Financial Crisis (GFC) dented a period of national economic prosperity in Australia.

The sound fiscal management that the Rann Government considered essential to navigate between economic markets and public opinion disappeared as its surplus estimates were replaced by a budget deficit. Sharp reductions in South Australia’s economic growth forced the government to consider asset sales and the rescheduling of expenditure in significant infrastructure projects over longer timeframes (Manning 2009). By year’s end, the Rann Government was forced to revise down its spending to deal with an estimated \$1.1 billion of lost revenue – the majority due to shortfalls in the federal government’s GST receipts, meaning reductions in earmarked distributions to the states – a transfer payment SA’s struggling economy depended upon, at least over the short-term.

The GFC diminished the hopes of economic growth from the resources boom in South Australia. Nevertheless, the Rann Government hoped that prudential budgetary management would triage SA’s economy between GFC and its imminent mining *El Dorado*. The State’s parliamentary Liberal Opposition was critical of the government’s focus on dealing with debt instead of building the State. Then-Opposition leader, Martin Hamilton-Smith<sup>56</sup> attacked the Rann Government for a perceived weakness

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<sup>56</sup> Hamilton-Smith later resigned from the Liberal Party of South Australia, and as an Independent member, played king-maker to future Labor government Leader, Jay Weatherill, being the deciding vote on Labor’s forming of minority government following the 2014 State election.

to make difficult choices, like reduce public sector employment and implement efficiency dividends for social services to pay for important capital works that would keep the State's economy moving (ibid.: 293). This indicated Opposition dismay that the government's 'neoliberal lite' response to the GFC was not a more austere state intervention. However, where polling showed voters abandoning the government, Hamilton-Smith's approach appeared to have some effect on the government's responses to crisis. It committed to further spending on infrastructure and urban development, but at far lower levels to appease credit rating agencies poised to downgrade South Australia's AAA credit rating (ibid.). Then, in October 2009, the last remaining tyre manufacturer in Australia, Bridgestone, closed in Salisbury in Adelaide's north<sup>57</sup>. In the midst of global crisis, Bridgestone's Australian board of directors decided that the company was no longer able to compete in the global market, voting to end its operations and taking 600 manufacturing jobs with it. John Short of the Australian Manufacturing Workers Union described the death of another Australian industry as "a sign that state and federal governments are really not fair dinkum about protecting and saving local jobs" (ABC News 2009).

The loss of Bridgestone reflected the way a neoliberal approach to industry at federal level had exposed local manufacturing operations to overseas markets in which they could not compete, at the same time that it embraced Australia's mining boom to the detriment of manufacturing export competitiveness. The South Australian local-state level embrace of this comparative advantage approach was highlighted in the ongoing neglect of manufacturing industry policy. The Rann Government had relied heavily on the Olympic Dam expansion to deliver growth to SA, hoping that it would help it to catch up to the rest of the nation on development once its proceeds could be realised in an agenda of State social and economic development.

In reality, the 2010-11 State Budget document was an exercise in conservative fiscal management, and aversion to any kind of strategic spending. The budget identified how the Rann Government's spending

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<sup>57</sup> Salisbury is a suburb and LGA in the greater northern Adelaide industrial region

on infrastructure had declined in all key target areas, revealing that it had failed to measure up to objectives of the *Strategic Plan* (DTF 2011). It demonstrated the government's attempts to provide the minimum foundational investments in post-GFC recovery – well short of a Keynesian stimulus – whilst waiting for the mining boom's flow-on effects to reach South Australia.

## **6.6 Leadership change and a new direction for industrial transformation?**

By 2011, dissatisfaction had emerged in the labour movement over the Rann Government's strict adherence to economic management decisions that appeased international credit rating agency Standard & Poor's. Uncertainty was hurting consumer and business confidence, which in turn was damaging the state's budget (Martin 2011). A change of Labor government leadership from Mike Rann to Jay Weatherill, after a Party vote in late-2011, opened a way for questioning the government's commitment to maintaining the AAA credit rating, and Premier Weatherill moved to increase public spending (Manning 2012). Despite the fact that a downgrading would cost the government more in interest on borrowing, it possessed a small debt-to-GDP ratio, meaning public debts would remain manageable over the short-term (ibid.).

The Weatherill Government set about an agenda to produce economic outcomes that would deliver the vision first established by the government under Rann, yet which had been unable to deliver as neoliberal ideas became further entrenched in its post-GFC policy responses and rhetoric. In the absence of numerous attempts to stimulate industrial transformation, the government's strategy began to more actively focus on recommendations from one of the key *Thinker in Residence* programs. Visiting from Sweden as a 'Thinker', Professor Göran Roos produced the *Manufacturing into the Future* strategy paper (Roos 2012). Its objectives were to advise government and other partners in developing manufacturing business model innovation and transferring knowledge and providing skills development advice to South Australian SMEs to help build a competitive cohort of industries. Part of making this an advanced, transformative process involved bridging the evident gap between the research needs of industry, and activating university research to meet this demand.

Roos recommended a policy framework for manufacturing that emphasised transforming and rejuvenating mature or declining industries, and identifying existing industries in which South Australia possessed comparative advantage – such as food, wine, agriculture, mining supply chain firms – and building competitive advantage in these industries by adding value through applied advanced manufacturing technology (ibid.: 9). The strategy laid out in *Manufacturing into the Future* was premised on replacing the dominant neoliberal model of market-driven industrialisation and its supply side mechanisms, with policy instruments on the demand side, particularly regulations to build cluster-based innovation ecosystems linking universities with manufacturing, science and technology and skills development, plus a role for government and other major ‘lead customers’ in other organisations with the use of policy for advanced procurement (ibid.: 11-16).

The Weatherill Government was, initially, poised to take South Australia in a new direction by addressing some of the key economic sectors relatively neglected by the Rann Government. Importantly, in the recommendations for transforming the State’s economy, Roos had made explicit reference to the fact that SA was on the precipice of developing ‘Dutch Disease’, due to the increased demand for labour in the primary resource sector and its related negative impact on manufacturing and service sectors (ibid.: 7). This recognition also contained a warning that the resources boom was likely to be shorter than believed amongst SA’s decision-makers (ibid.: 8).

Hitherto, the failure to heed Roos’ warning was significantly damaging to South Australia’s economic development prospects. The new strategy would invest resources into the regions and enact spending reforms commensurate to driving the government’s transformative industry policy and innovation strategy. But it quickly became evident that its policy responses would not wander far off the neoliberal script. As far as the government’s leadership was concerned, the Olympic Dam expansion was a panacea

for economic development<sup>58</sup>. It meant infrastructure vital for the State's economic future could still be funded through borrowing that would easily be paid back.

But on 22 August 2012, BHP announced that it would shelve the expansion of Olympic Dam well beyond the 15 December 2012 date specified in its indenture agreement with the South Australian government (BHP Billiton 2012). The mining conglomerate cited unfavourable market conditions of subdued commodity prices and higher capital costs, which were symptoms of the GFC's squeeze on global market investment. The pressure to cut costs, stay competitive and remain profitable was placed on even Australia's most lucrative primary industry, giving evidence of continued global economic challenges in the wake of the GFC.

BHP's decision had serious ramifications for South Australia's economic development. On behalf of the government, Premier Weatherill broke the news to South Australians that the expansion project would be postponed indefinitely. Weatherill's statement regarding the postponement made clear the government's hopes that the expansion would continue benefiting the State's regions to the north, and economic activity in SA more broadly (DPC 2012b). Government had been banking on expected significant future income. But on the basis of predictions in the wake of the GFC, long-expected gains were no longer certain. South Australia suffered a further credit rating downgrade from AA+ to AA. A looming record budget deficit of \$1.7 billion threatened further expanding the level of public debt (Manning 2013: 310).

Facing a mounting economic crisis, the government enacted emergency budget measures and made public service cuts to help reduce government spending. Treasurer Jack Snelling attempted to convince voters that budget deteriorations were due to nearly \$2 billion of Goods and Services Tax (GST) revenue cuts from the federal government, rather than the infrastructure spending that had already been

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<sup>58</sup> The expansion of the Olympic Dam mine remained so important that the initial leadership quarrel between Rann and Weatherill appeared to centre "on a dispute over who should announce BHP's expected expansion of the Olympic Dam mine" (Owen 2011). Ultimately, Rann introduced the Bill to parliament on his final day in office.

announced and begun, yet which could not be funded in the absence of industrial revenue (ibid.: 310). Massive revenue reductions presaged the further axing of key platforms for political and economic reform – including the *Thinkers in Residence* program, Rann’s pinnacle program for driving change in line with the *Strategic Plan*. Significant aspects of the government’s suite of programs to promote joined-up governance and cross-sector partnerships were cut from its 2012-13 Budget. Snelling cited a need to rationalise programs and create sensible economic conditions (DPC 2012a).

Whatever progress had been made on breaking down ‘siloes thinking’ within the bureaucracy was abandoned, as the Weatherill Government effectively removed much of the policy direction from the Department of Premier and Cabinet (DPC). This stripped a great deal of political capital from DPC, whilst some public service management and bureaucratic infrastructure was retained within it. The Senior Public Servant offered a perspective on this change, based on their own experience under Rann:

I don't think that was necessarily Premier Weatherill's desire. But it was what happened when he let his then-Chief Executive [...] get rid of anything that had policy complexity, farm that back to departments, to the line agencies. He took in all the easy stuff, which was basically widgets and service delivery – so Service SA, Office of the Chief Information Officer, *et cetera* [...] There's no question that the big departments were pushing back at the end of Rann's time; ministers wanted more control, they wanted their agencies to have more control and accountability [...] Weatherill, when becoming premier, acceded to that; and the pendulum sort of swung the other way<sup>59</sup>.

### **6.6.1 Interpreting ‘actually existing’ neoliberal intervention under Rann and Weatherill governments**

How can the actually existing neoliberalism of Rann and Weatherill Governments be interpreted? Under Rann, whole-of-government planning saw services delivered through local partnerships and collaborations. But these services remained the responsibility of Rann and DPC. Policy responses under Rann decreased the administrative size of government, but increased its neoliberal political and regulatory capacity. Under Weatherill, policy responses entailed shifts *within* already-neoliberalised

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<sup>59</sup> Interview: Senior Public Servant (de-identified), 2016

intervention, which increased the size of government, but reduced the government's capacity to assert political and regulatory authority from its re-centralised position.

This shift is clearly illustrated in the ongoing management and delivery of the *Strategic Plan*, which was repositioned under the government's public engagement platform – YourSay. As an “online consultation hub where you can have your say and influence government decisions” (DPC 2016a), YourSay remained in DPC, but as only a service platform, its location within the Premier's narrowed portfolio grew DPC's administrative size without the concomitant policy substance. This yielded critical comparison between DPC under Rann and under Weatherill from the Senior Public Servant:

The YourSay stuff was around when Rann was there, but the popular media construction was that Rann and Foley were about 'announce and defend' [...] that gave Weatherill the absolute opportunity to differentiate his brand, 'consult and decide'; and as an operational unit by another name, in the premier's department, it has expanded<sup>60</sup>.

A commitment to satisfying the speculative whims of global market dynamics was clearly evident in the Rann Government's policy response to economic transformation in South Australia, given a general impression that a 'silver bullet' was all that was needed to grow and sustain the State's economy into the twenty-first century. Its neoliberal focus on credit ratings and budget surplus, rather than institutionally-driven industrial development, led to a poor level of preparedness for what global crisis would throw at SA in the years to follow. Lance Worrall – whose time as adviser to Rann ended in 2008 – offered a retrospective lamentation of a period in which the Rann Government's initial intentions were quickly overcome by federal and global political-economic crisis:

The extent of the mining boom [...] cut the throats of so many other much more stable, viable industries [...] meanwhile, giving a once in a hundred years terms of trade boost that masked it all<sup>61</sup>.

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<sup>60</sup> Ibid.

<sup>61</sup> Interview: Lance Worrall, 2015a

At first glance, the Weatherill Government's changes were indicative of continued 'smaller government'. But in response to problematic fiscal conditions, it actually expanded the size of the bureaucracy by unravelling previous efforts to consolidate the public sector and cut regulations. The undoing of Rann-era joined-up government effectively grew the administrative size of the public sector. Such actions demonstrated the regulatory unevenness of neoliberalism in its 'actually existing' state-driven form.

However, a shift back to program delivery by individual ministers and departments had a positive impact on the Weatherill Government's active response to challenges in the manufacturing sector. Once it was apparent that BHP would not expand Olympic Dam, the Weatherill Government focused its economic policy response efforts on an active industry policy for innovative industrial transformation, modelled extensively on Göran Roos' *Manufacturing into the Future* TIR program recommendations. In 2012, the Department of Manufacturing, Innovation, Trade, Resources and Energy (DMITRE) released *Manufacturing Works – A strategy for driving high-value manufacturing in South Australia* (DMITRE 2012)<sup>62</sup>.

As the grounds for the government's industry policy, *Manufacturing Works* represented an initial response to the challenges faced by the manufacturing sector as an outcome of the GFC. It focused on identifying current and prospective industry opportunities aligned to the existing or achievable new capabilities of South Australian manufacturers. It outlined value chain and opportunities mapping, technology fore-sighting, smart procurement, alignment to high growth value chains and market opportunities.

To accomplish outcomes, *Manufacturing Works* sought to combine these technical aspects of manufacturing with the organisational and strategic. Built into the strategy was a blueprint for South Australia to develop high performance workplaces and innovative design-led business models to

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<sup>62</sup> As then-Deputy Chief Executive of Manufacturing and Innovation in DMITRE, Lance Worrall was chiefly responsible for producing *Manufacturing Works*.

accelerate the diffusion of key enabling technologies (ibid.). It laid out a clear strategy based on local-level industry cluster developments and regional smart specialisation (ibid.: 23).

The *Manufacturing Works* strategy represented a response to the hardship the manufacturing sector faced in the wake of the GFC. A high Australian Dollar had combined with national conditions manifest since the GFC of rising living costs and low productivity growth, to erode the international competitiveness of manufacturing significantly. Despite BHP so far holding off its major project, mining in South Australia had expanded due to enormous demand from Indian and Chinese markets. *Manufacturing Works* was designed to realise the opportunities this demand presented for local manufacturing at the intersection of mining, manufacturing and services (ibid.: 22).

Thus, the purpose of *Manufacturing Works* was to aid South Australia's manufacturing firms in their transformation to higher value production activities so that they would be competitive globally in current markets for advanced manufactured goods, and prepared to innovate and compete in the markets where future growth would be identified. In this sense, it held potential to revive some elements of an alternative to straightforward market-efficient industrial growth. As a positive industry policy, it held potential to facilitate the industrial transformation necessary to diversify the State's economic base, thus developing both industrial resilience to economic shocks and global competitive advantage.

The new manufacturing strategy built ostensibly upon the literature on agglomeration economies and industrial innovation districts by seeking to overcome South Australia's small economic scale with a focus on clusters with access to "suppliers, support services, specialised infrastructure, institutions and education providers concentrated in one location" (ibid.). Adding to these characteristics of successful clusters is the notion that the quality of relationships and the flow of knowledge within these relationships are an important factor of success. However, the neoliberal context in which *Manufacturing Works* unfolded had serious implications for developments in the Playford region – developments that are critiqued in the following chapter.

## 6.7 Conclusion

This chapter has documented the shifts in the policy responses of South Australian governments in the current era of globalisation towards neoliberalism, which has produced negative outcomes for the government's role in shaping the future of the SA economy. Despite numerous local-state attempts to produce policies for competitive industrial diversification on new institutional foundations, Australia's neoliberal political economy has limited the extent to which SA has been able to amass the political and financial capital to achieve significant outcomes for the State's industrial economy.

Hence, the increased influence of neoliberalism means solutions to the deepening crisis have consistently been found in market-driven social and economic restructuring, particularly public sector reform under South Australian Liberal Governments, to restore profitability to the capitalist system. The most damaging consequences of neoliberalism have been played out in Liberal Government policy responses, because they have narrowed opportunities for alternatives to the political-economic status quo available to successive Labor governments tasked with responding to crisis in the contemporary period in ways that reflect social and environmental justice.

After the most extensive neoliberal policy program of Brown-Olsen Liberal Governments, the Rann Labor government of the early twenty-first century was forced to enact its social-democratic policy responses to ongoing economic issues within a neoliberal framework. The neoliberalisation of state intervention transformed the policy role of government so that, whilst it was still held accountable for the creation of policy and regulation of new market-driven policy processes, it emphasised the role of collaborative partnerships in driving social and economic transformation. This was an outcome of social-democratic Labor governments seeking a 'third way' between the neoliberal free market and progressive social values to develop new institutions. But ultimately, an already-neoliberalised political-economic framework undermined the latter, and entrenched the former in the policy responses of governments in South Australia to automotive manufacturing deindustrialisation and industrial transformation.

Thus, under the Weatherill Government, a re-orientation of sorts took place, but nevertheless within the bounds of neoliberal state intervention. Specifically, neoliberalism has transformed the interventionist role of the state in ways that limit government's policy responses to economic decline. Although market-driven reforms and collaborations with sectors have outsourced both policymaking responsibilities and resources to unaccountable alliances of private interests, the bulk of bureaucratic regulatory and administrative roles have remained within government.

Therefore, the neoliberalisation of state intervention in South Australia has represented a specific local-state level expression of the 'actually existing' neoliberalisation of state institutions and government policy in place of democratically-driven forms of industrial transformation. Despite the consequences of this transformation, government has focused on a more active and targeted strategy for regionally-driven advanced manufacturing industry developments. However, as the following chapter case study of the state's interventionist impact on the City of Playford shows, the state apparatus has largely been unable to counter the impact of deindustrialisation, whilst concurrently undermining the state's socio-economic institutions.

## 7 State government policy responses to deindustrialisation in South Australia: a case study of neoliberal transformation in the City of Playford

This chapter presents a case study investigation of the local experience of ‘actually existing’ neoliberalism’s impact on an industrial region in South Australia – the City of Playford – which has been in decline since the early-1970s. It investigates how economic transformation in the local region has been affected by the impact of neoliberalism on local-state and federal approaches to state intervention. This reveals how recent instances of neoliberal reform have limited the scope of state intervention in industrial rejuvenation and urban renewal in Playford to administering government policy responses that entrench the extraction of public wealth at the local institutional level for global capital accumulation.

### 7.1 The City of Playford: industrial and social history

The City of Playford began as the City of Elizabeth. As part of the post-war industrialisation detailed in Chapter 4, Elizabeth was a planned urban regional industrial centre established with the intervention of South Australia’s Premier at the time, Sir Thomas Playford. Elizabeth’s development from the 1950s was a mass-scale state intervention, built on a large stock of uniform housing designed for occupation by workers and their families and championed by a Housing Trust (SAHT) which was far more active in its vision for social and economic development than its counterparts in other states (Peel 1995). Tim Jackson, introduced in Chapter 6 as Playford’s CEO from the late-1990s to 2015, recalled the historic significance of the state government’s interventionist role in Playford’s development:

Elizabeth was [...] very much part of the industrialisation of South Australia. I mean, it's called Playford because Tom Playford was the architect, and the Housing Trust was the economic

development agency of the state at that time [...] the debt-to-state product compared to now was massive [...] at the end of the day it was about creating economic activity<sup>63</sup>.

As one of the very first Australian 'new towns', Elizabeth successfully attracted foreign investment, expert technicians, industrial workers and new immigrants to build the type of community envisaged by this post-war Fordist-Keynesian form of experimental industrial urbanism. Elizabeth quickly became a significant hub of automotive manufacturing in Australia in the late-1950s, when the multinational company General Motors (GM) established its Holden automotive assembly plant there to complement its existing plant in the inner-northern Adelaide suburb of Woodville. As explained in Chapter 4, this state intervention attracted GM and other foreign investors to industrialise South Australia. Manufacturing industry and employment in Elizabeth provided a foundational infrastructure for cultivating a robust and expanding working-class community and pool of workers for high-skilled jobs in automotive manufacturing and related industries.

The enormous volume of production in these two decades in the Playford region was a microcosm of the growing prosperity that South Australia and Australia were experiencing in the post-war boom years. At its inception, the Holden Vehicle Operations (HVO) Elizabeth plant employed close to 2,000 workers and nearly 7,000 at its peak in the 1970s. Over more than sixty years, Holden built a series of motor vehicles that would become an Australian cultural icon. Productivity of the manufacturing industry and associated business boomed in Elizabeth and surrounds in the post-war period after Holden's establishment. Holden's automotive manufacturing production peaked in 2005, with 153,206 vehicles produced. At the HVO Elizabeth plant, this saw up to 780 vehicles produced daily (GM Holden Corporate Affairs 2012).

At Elizabeth's industrial height during the late-1960s, 14 of 50 local factories and workshops in the region were directly dependent on subcontracting for the production of Holden's motor vehicles (Peel

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<sup>63</sup> Interview: Tim Jackson, 2016b

1995: 76). Others contracted business from sources outside of Holden, but still dealt significantly with the automotive manufacturer. However, Elizabeth and its industrial economy began to feel the impact of global economic restructuring that swept Western countries in the early-1970s. Only 11 of 21 factories initially established in the industrial portion of Elizabeth remained in 1982; of 13 major factories operating in 1965, only four remained in 1986 (ibid.: 161).

The growing pattern of deindustrialisation in Playford was evident between 1976 and 1986. In this decade, the percentage of higher-paying manufacturing jobs compared to lower-paying service sector jobs effectively reversed position – manufacturing declined from 34.5 percent to 30 percent, and services increased from 25 percent to 29 percent. Due to Holden’s weak position in national markets from the 1980s, the foreign-owned operations that remained at Playford were only able to survive after large workforce cuts. This maintained the profitability of companies like Holden, but at the expense of socio-economic conditions. When interviewed, a Strategic Planning Manager with the Department for Planning, Transport and Infrastructure (DPTI) involved in a range of planning initiatives in the region – and an Elizabeth native who lived through the good times and bad – described the region at its peak:

Up until about nineteen seventy-six, nineteen seventy-seven, pretty much full employment in the north. If you wanted a job, there were jobs there, and people were buying houses, buying goods and services, getting out and about, high community participation rates [...] there was a hell of a lot of sporting clubs, a lot of people doing a lot of different things<sup>64</sup>.

In the decade 1976-1986, unemployment rose from 5.71 percent to 18.47 percent and ‘welfarism’ amongst local residents, principally the receipt of unemployment benefits, rose from just over 20 percent to nearly 28 percent (Baum & Hassan 1993). Between 1986 and 1996, socio-economic polarisation between Elizabeth and more affluent surrounding suburbs increased rapidly, with severe

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<sup>64</sup> Interview: Strategic Planning Manager, DPTI (de-identified), 2015

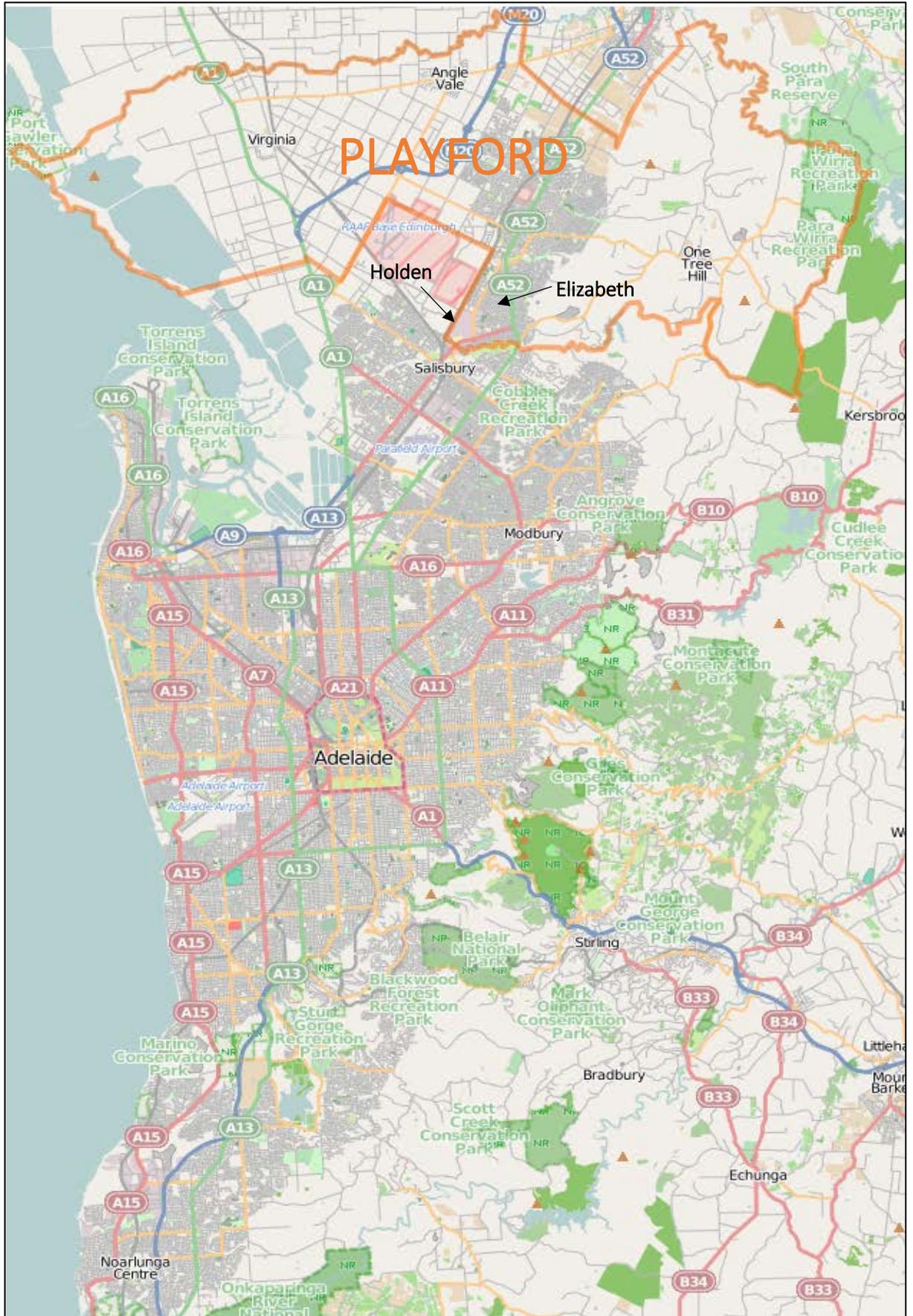
income declines experienced by these marginal areas as the number of low-income families increased by 70 percent (Glover & Tennant 1999).

Elizabeth was at the centre of South Australia's experience with deindustrialisation. In response to increasing urban poverty in Elizabeth, the Dunstan Government intervened. The SAHT transferred large volumes of housing stock, initially built for automotive workers and their families, to social housing. This populated Elizabeth's estates with increasing numbers of economically disadvantaged tenants (Peel 1995: 112). Given the high concentration of social housing in Playford there was a tendency for new migrants, the unemployed and single-parent families to populate the region for its affordability. The search for cheap housing in Elizabeth magnified the stark contrast between inner-city wellbeing and outer-metropolitan poverty and disadvantage (Forster 1986: 7).

The City of Elizabeth was renamed the City of Playford in 1997 after it merged with the City of Munno Para, expanding its local government area (LGA – see Figure 4 & Figure 5 below). The northern Adelaide region encapsulating Playford experienced slow economic growth performance between 2000 and 2005, due largely to poor political and economic outcomes for manufacturing (Brain 2005: 78). The impact worsened in the years leading up to the Global Financial Crisis (GFC). The shock of economic restructuring, then the speeding up of this process in the post-GFC period has shaped Playford's urban and social form. It remains the most disadvantaged region in Greater Adelaide, and now one of the most disadvantaged urban regions in all of Australia.

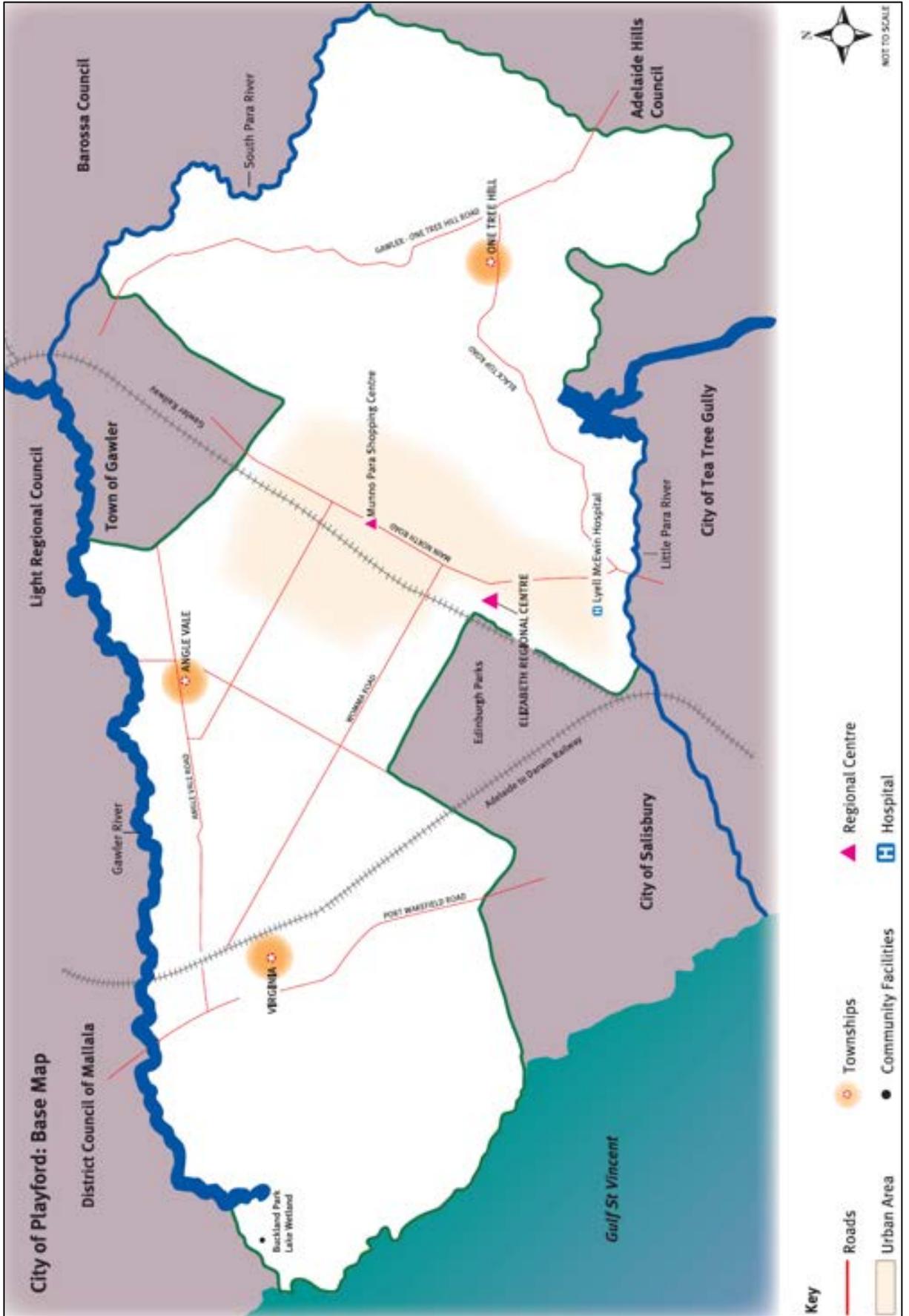
In 2013, a socio-demographic, employment and education profile of Playford analysed ABS data to report on a range of indicators that depicted current trends in the region (Hordacre et al. 2013). The profile indicated a lower labour market participation rate of 59 percent in Playford compared to 64 percent in the Greater Adelaide Area, and also a higher unemployment rate of 10 percent compared to 6 percent in Greater Adelaide. In September 2013 – barely three months before Holden announced its 2017 closure – Playford's unemployment rate was 14.1 percent and had risen to 14.7 percent by September of 2014, and further still to 15.1 percent by December 2015 (DoE 2014, 2016b).

Figure 4: Greater Adelaide Area with outline of Playford LGA



Source: AURIN (2011)

Figure 5: Map of the City of Playford Local Government Area (LGA)

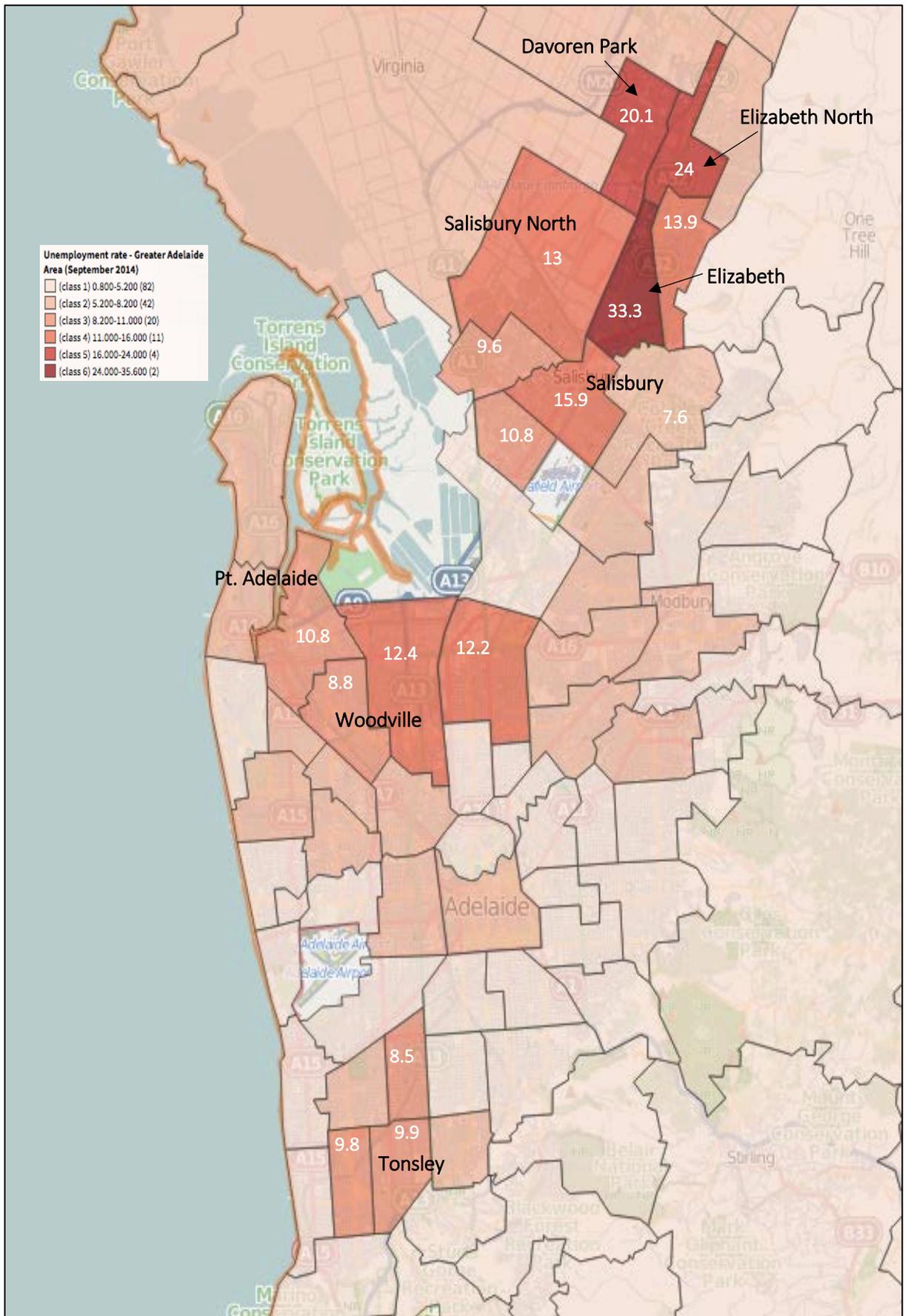


Source: City of Playford (2016)

The most recently available visual data in Figure 6 overleaf reveals small areas in Playford in September 2014 with unemployment rates exceeding 20 percent, and in Elizabeth itself, 33 percent. The largest sectors of employment for those working in Playford are in manufacturing, health care, social assistance and retail trade. Median weekly incomes in Playford were found in the 2013 profile to be almost \$100 lower than the rest of Adelaide, and the region had a higher proportion of residents receiving government benefits and allowances compared with the equivalent rate for Adelaide (Hordacre et al. 2013). For the reader's information, Figure 6 includes data from some of Adelaide's other regions which were historically industrial to reveal that all have been impacted by deindustrialisation, with higher rates of unemployment than areas of metropolitan Adelaide in which non-manufacturing industries have been the dominant form of employment. However, deindustrialisation has most heavily impacted Playford.

Several critical statistics combine with other factors to highlight Playford as, presently, a heavily disadvantaged urban region. Almost a quarter of Playford's population self-reported their health as 'poor', and the region depicts higher levels of chronic disease, psychological distress, social isolation and barriers to service use than metropolitan Adelaide (ibid.). The average level of education in Playford is much lower than that for Greater Adelaide. There is a higher proportion of (mostly female) sole-parent families in receipt of income assistance, and a surging population in the 15-29-year age category. In spite of its increasing social and economic problems the population of Playford is growing at two and a half times the rate of Greater Adelaide – largely due to the lower cost of housing in the area (ibid.).

Figure 6: Unemployment rate (%) by small area – metropolitan Adelaide (September 2014)



Source: AURIN (2014)

### 7.1.1 Situating Playford in South Australia's current economic trajectory

Playford has experienced the social and economic consequences of manufacturing decline for nearly forty years and now faces manufacturing deindustrialisation. But the closure of Holden in Playford will have a tremendous impact on the wider South Australian community as well. Measuring the full economic multiplier effect of Holden's contribution to South Australia's economy makes clearer the true picture of what could be lost. A 2011 economic analysis accounting for the relationship between manufacturing and other sectors of the economy found that Holden generated \$1.1 billion towards GSP, 11,700 jobs and nearly \$65 million in tax revenue (Burgan & Spoehr 2013b). It suggested that Holden's closure could mean a loss of \$1.24 billion to economic activity in SA, up to 13,200 jobs and a \$72 million reduction to the tax base (ibid.).

Support for these research findings is revealed in employment trends in the years since Holden's closure announcement. These show the beginning of a significant wind-down of production. In March 2016, South Australia's unemployment rate was 7.4 percent (DSD 2016a), and it was ranked the equal worst performing state economy with Tasmania (Nicholson 2016). But despite reductions in unemployment in both states, by May 2016, SA's 6.9 percent unemployment rate had surpassed Tasmania's rate of 6.4 percent (DoE 2016a). Significantly, in Adelaide's north, the regional rate of unemployment was 9 percent in March, and 9.1 percent in May, and the highest in the State (DSD 2016a).

In December 2016, South Australia's unemployment rate was 6.8 percent, but by January 2017 it had dropped to 6.4 percent (DSD 2017a). Although this placed the State's unemployment rate beneath that of Western Australia, SA's trend rate was the most stable, having remained unchanged since December 2016, and the highest of all Australian states and territories (Washington 2017). The Western Australian unemployment rate reflected the wind-down of its mining boom, demonstrating the short-term character of commodities booms, and the long-term detriment they cause to high-value industries like manufacturing.

A contracting economy due to manufacturing decline will likely have significant long-term effects on investment. Economic modelling by Mahmoudi, Burgan and Spoehr (2014) has suggested that

infrastructure investment in Playford will fall steeply from \$103.7 million in 2014 to \$16.1 million by 2023 due to Holden's closure. Reduced infrastructure spending in Playford will have an enormous impact on the region and on South Australia in social and economic terms, because as manufacturing contracts and disappears, so too will economic activity in general. Foreign capital investment influences the spending decisions of other private firms as well as those of government.

Throughout the global era, the combination of increasingly neoliberal state intervention with global forces of economic restructuring has forged urban regions like Playford into sites of urban poverty (Winter & Bryson 1998: 60). The increasing neoliberalisation of the state's intervention in Playford has eroded its regime of accumulation and its mode of social regulation over decades of economic restructuring. This has increasingly placed the burden for transformation on the region itself. This has provoked unique policy responses from Playford's local government and other actors. However, often these have been frustrated by the policy responses of state governments, particularly by the Rann and Weatherill Governments over the period since 2002.

## **7.2 Pre-GFC urban renewal at local level in Playford: building regional institutions**

From the late-1990s, Playford's commitment to twenty-first century governance reform was more advanced than other local government authorities in South Australia. Playford's local government authority adopted a proactive approach to regional economic development, evidently understanding the need to transform in preparation for global competition in the knowledge-based economy. Its economic plan, *An Innovative City* (Genoff 1999), centred on building regional competitive advantage through industry clusters of technology and manufacturing organisations. Former Playford CEO Tim Jackson explained that, as "one of the earliest [councils] to have an economic development officer"<sup>65</sup>, Playford embraced a regional innovation approach to advanced industrial transformation in preparation for twenty-first century political-economic challenges. Tim continued:

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<sup>65</sup> Interview: Tim Jackson, 2016a

The thing that we did well at Playford, and I think, much better than most other councils in South Australia, is that we saw ourselves as the government of Playford, there's no one else that's got this patch as its principal objective. Not the state government, not the federal government. We stick our nose into everything that goes on in our city, so whether it's education or law and order, or economic development, whatever it is. And I think that is the role that local government could and should play<sup>66</sup>.

In the absence of significant state and federal investment in, and ownership of, local issues, outcomes in Playford were to be delivered through partnerships between the local public and private sectors (Genoff & Sheather 2003). At the heart of Playford's local government response was a "bottom-up approach with joined-up solutions", focusing on "developing regional and inter-regional industry projects, incorporating whole of government initiatives" (ibid.: 9).

Thus, the Playford region's response to economic decline was not to find a way to rebuild the region's old industries. Rather, through local collaborative efforts it would reshape local social and organisational networks around the innovative transformation of its industrial structure. Developing capacity in local industry and capabilities in R&D to achieve the desired outcomes from these clusters required policy innovation and a commitment to action (ibid.: 9). This entailed a focus on major industry clusters including defence, automotive, food, horticulture, engineering, electronics, plastics and related services.

Literature has described how interventionist innovation policy can rejuvenate industries and renew industrial urban areas through strategies that build on existing capabilities, institutions and social networks (Kilpatrick & Wilson 2013; Rutten & Boekema 2007; Solly 2016; Tödting & Trippel 2005). Policy based on the 'regional innovation system' (RIS) concept has emerged as particularly useful, and was detailed to some extent in the discussion of cluster-based developments in Chapter 6.

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<sup>66</sup> Ibid.

From the 1990s, the RIS concept grew with importance to advance strategies for regional smart industrial specialisation and advanced manufacturing (Asheim 2001; Howells 2005; Martin & Trippel 2013; McCann & Ortega-Argilés 2015). Specialisation in the form of industry clusters has been deemed crucial to the formation and sharing of knowledge at multiple levels and the strengthening of ties between different parts of the economy (Landry, Amara & Lamari 2002). The closer interaction of heterogeneous actors fuels ongoing skills, technology and productivity transfers between individuals, firms, industry clusters, regions and nations (Tura & Harmaakorpi 2005). In RIS-driven strategies, the competitive foundations for regional urban and industrial renewal are identified through the collaborative initiatives of government, industry, unions and the wider community (Spoehr 2015: 5).

The *Playford Partnerships* (henceforth Partnerships) defined a RIS approach aimed at maximising positive social and economic impact from locally-driven industrial transformation. It would leverage networks to build social capital in the region, and it aimed to develop local social capital as a collaborative venture bringing together all levels of government, not-for-profit organisations and the community to produce sustainable projects for positive local outcomes (Hall 2005).

As Playford's Director of Partnership Development between 2000 and 2016, Ken Daniel was instrumental in this collaboration-building process at the local level, explaining when interviewed how it was conceptualised and how it influenced change in Playford:

The genesis of this is around the CEO of the City of Playford [Tim Jackson], some maybe fifteen years ago or so, saying, that he saw the council as [...] more than just a roads, rates and rubbish council; we were concerned about everything and our job was to engage with other players – governments, not-for-profits, industry and so on in terms of how we address the complex and integrated needs of our community. And I think that really started a whole process of partnership development and collaboration, which is, for all our many sins in the north, quite strong and effective, compared to other regions<sup>67</sup>.

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<sup>67</sup> Interview: Ken Daniel, 2015

Yet what was not apparent with the Playford region's response to industrial transformation was regional economic development based firmly on existing industrial institutions. A reliance on forming new partnership-based arrangements between public and private actors at the local level, not a more robust institutionally developed policy response, was evident. The absence of a broader government policy framework for the RIS approach is evident in the way the Playford region demonstrated preparedness to take on great responsibility for regional economic development.

However, a focus on building relationships and harnessing local resources placed Playford at a great advantage in relation to the policy response that would follow under the neoliberal influences on the Rann Government. To Playford's CEO at the time, Tim Jackson, economic development in Playford was a practice of "getting [state] government out of it"<sup>68</sup> and encouraging locally-driven change. At higher levels of government, it was "the politicians, not the bureaucrats"<sup>69</sup> who were engaged for political support. Lobbying the decision-makers produced success because Playford's local institutional resources were mobilised to carry out the role of delivering outcomes, leaving political interests at higher levels untied from greater financial commitments. Developing Playford's community cohesion became the responsibility of local partnerships with little involvement from broader bureaucratic systems to effect local collaborative efforts.

The strategic design of Partnerships permitted new governance frameworks. Through collaboration, these could take smaller, under-resourced projects and bundle them into flagship projects capable of attracting federal and state funding. This degree of integration made these packages look more appealing as funding opportunities. It showcased their potential for regional transformation by building greater social and economic interconnectivity and shared responsibility. As the lead consultant on the development of Playford's later community engagement strategy (detailed below), Janet Gould of Janet

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<sup>68</sup> Interview: Tim Jackson, 2016a

<sup>69</sup> Ibid.

Gould & Associates explained, when interviewed, the extent to which collaboration encompassed diverse stakeholders:

Partnerships [tried] to get a collaborative approach between state government, local government and key departments of government [...] community leaders and other people that are semi-government, semi-community based, and they probably go right through to church leaders<sup>70</sup>.

### 7.2.1 New institutional developments in Playford

By 2005 Partnerships conceptually underpinned all Playford local government relationships with the region's community and organisations. Partnerships "became a way of doing business in Playford"<sup>71</sup>. The embedding of a 'partnership philosophy' in Playford's innovation practices encouraged a culture of broad collaboration, which facilitated the community's involvement. Partnerships was also designed to empower Playford council's staff to embed collaboration and joined-up decision-making in their daily work practices (Hall 2005). In this way, as Ken Daniel explained, collaboration was a decentralised and reflexive practice of institution-building, *ad hoc* and from the ground up:

It wasn't systematised at all. It became opportunistic – good people coming together, finding opportunities, finding funding sources, and putting, really, a considerable amount of effort into developing models<sup>72</sup>.

The institutionalisation of Partnerships permitted Playford council to work with local partners to leverage resources. This effected a more sophisticated integration of community needs (City of Playford 2005). Policy responses were a regionally-driven process, embedding a whole new model of local governance that could be applied in other contexts. It was implemented as a bottom-up strategy for collaborative local economic development with scalability. This is evident, as Ken Daniel elaborated, where it also influenced policy development at the state government level:

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<sup>70</sup> Interview: Janet Gould, 2016

<sup>71</sup> Interview: Ken Daniel, 2015

<sup>72</sup> Ibid.

If you look, for example, at the education department's Flexible Learning Options<sup>73</sup> strategy, the forerunner to that, the ICAN - Innovative Community Action Networks<sup>74</sup> – started in Playford [...] a great example of how something commenced in government but on the periphery, and grew to a size where it then had to become embedded into the system. So the system, the bureaucracy, whether it wanted to or not, had to embrace this and find a way forward for it, and to fund it<sup>75</sup>.

The innovative policy and programs produced in Playford aligned internally with the council's strategic planning objectives (City of Playford 2006). Externally, it aligned with the goals of the Rann Government's *South Australia's Strategic Plan*. Partnerships met SASP's objectives to integrate local responses to regional economic development with state government priorities for policy change, cohering with the state's overall response to global economic change (Genoff & Sheather 2003). From the Partnerships' inauguration, the Playford council's role became to work with key stakeholders to develop the local conditions for collaborative development, and acquire the backing of political support from higher levels of government, particularly the state government. This ensured a mandate for the region's strategic direction, and produced opportunities for local actors to develop an innovative approach to regional economic development.

The Rann Government had always acknowledged that the Playford region required special attention for its economic importance. The region's significance influenced both the particular challenges and opportunities the area faced, and the policy responses to be taken (Trainor 2005). So despite the Playford region's institutionalised innovative pathway to change, the Rann Government turned quickly to dealing with the Playford region's 'dual dynamic' of concentrated disadvantage and site of future urban growth and industrial economic development (ibid.). Its influence over the Playford region's social and economic trajectory increased with the state government's ongoing management of economic

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<sup>73</sup> Flexible Learning Options (FLO) attempts to engage students in South Australian schools who are experiencing difficulties staying in school (DECD 2016).

<sup>74</sup> ICAN is a Department of Education and Child Development (DECD) initiative to re-engage in learning young people who've either dis-engaged from school, or are at serious risk of doing so (DPC 2016b). FLO is a program that sits within the ICAN initiative.

<sup>75</sup> Interview: Ken Daniel, 2015

development, which ultimately detracted from the innovative initiatives that had emerged from the Playford region.

### **7.2.2 State and local collaboration: the Playford Alive project**

The tailored approach of the Rann Government to decentralised governance in Playford would ultimately need to address the significance of its industrial history, and the role it would play in future innovation and growth. As a testament to the Partnerships model's efficacy, a state agency called the Office of the North was established in 2002 to align the political muscle of the state government with the collaborative initiatives of local business and community leaders to further shape Playford's strategic direction. Tim Jackson recalled that the Office of the North was "very helpful in getting government support, a package of commitments from various players [...] a fine example of collaboration"<sup>76</sup>. The Office of the North was a significant starting point for the state to commit resources to the collaborative work that Partnerships had already achieved, to background the region's most significant economic development project.

With the Office of the North acting as the state government's representative agency for strategic collaboration in Adelaide's urban north, plans emerged for a collaborative project called *Playford Alive*. From 2008, *Playford Alive* became a public-private partnership worth \$1 billion of public and private investment in urban renewal. It was led by the state's urban renewal authority the Land Management Corporation (LMC – later renamed Renewal SA) in partnership with the City of Playford, the Department for Communities and Social Inclusion (DCSI), Housing SA (the SAHT, renamed in 2006) and the local community. It was approved by State Cabinet in 2006, and urban renewal work was subsequently initiated in early 2008. The LMC was made responsible for overseeing the development as part of its remit to manage surplus government land and assets.

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<sup>76</sup> Interview: Tim Jackson, 2016a

*Playford Alive* was an urban economic development policy archetype of the Rann Government's strategic goals: decentralising the delivery of state urban development projects to partnerships between stakeholders in local regions. An initial community engagement process undertaken by Janet Gould & Associates, in collaboration with Renewal SA, involved local stakeholders. Their feedback indicated that the *Playford Alive* master plan did not need to be significantly refined, having met the ongoing aims of the Partnerships and the Rann Government's SASP (Janet Gould & Associates 2007). Accordingly, it represented a regionally-specific approach to renewing housing and facilities in an area of heavy public housing concentration and social disadvantage. To Tim Jackson – a stakeholder who, over the course of two interviews made clear his approval of the Rann Government's agenda – this clearly explained why the project flourished:

So we got Playford Alive off the ground [...] the model was good as well, because the LMC as it was then, or Renewal SA as it is now, was away from government, it could make lots of decisions [...] they did have to go through cabinet, but they had their own board who were selected by the government, who were charged with a certain amount of authority and autonomy [...] so we were able to get on with it [...] so I think this is a theme of governance and how you make things happen – keep it out of the public service<sup>77</sup>.

With infrastructure spending decisions now based in collaborative processes, *Playford Alive* represented a state government policy response to the need for regional urban renewal to create the conditions for future industrial developments. It evidently also recognised the need to make the renewal process socially inclusive, driven by partnerships with a mission to forge locally-oriented solutions. To these ends, the former Renewal SA Employment Program Manager operating within *Playford Alive*, Emma Sckrabei, explained that it was “two projects combined into one”<sup>78</sup>. Both urban renewal and new urban

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<sup>77</sup> Interview: Tim Jackson, 2016b

<sup>78</sup> Interview: Emma Sckrabei, 2015

development components were driven by South Australian government agencies, but delivered by local community stakeholders and increasingly by private capital investments.

The urban renewal component of *Playford Alive* involved revitalising the Peachey Belt suburbs of concentrated public housing stock in Davoren Park and Smithfield Plains. The new urban development component saw a further 500 hectares of greenfield development take place in Andrews Farm, Munno Parra Downs and Penfield, which all became new postal codes on the northernmost urban boundary of the Adelaide metropolitan area (see Figure 7 below). This included a new school, medical and transport facilities, plus parklands and retail developments (Renewal SA 2016). Most work in *Playford Alive* was new urban development because, as Emma Sckrabei elaborated, over the decades of industrial decline in the region, much of the state's public housing stock assets were sold to the private sector, and were thus removed from the state government's renewal focus:

[W]e have the development of brownfield land, which means existing dwellings, or existing housing [...] There's about three and a half thousand houses in there and at one stage they were all owned by the [Housing] Trust. Now only about one third are, because the Trust has sold them off over the last thirty years. So two thirds of properties that are in the renewal area of Playford are either owner-occupier or private investor. The other third is the stuff that we're working on with the Playford Alive project. So we are knocking down a whole lot of old double-units that were built in the mid-nineteen forties that haven't been touched, that are in quite bad condition. We're knocking them down, digging up all the old services, taking those big blocks [...] building new Trust homes, but also selling off that land to the private sector [...] so that's what urban renewal is about<sup>79</sup>.

Newly developed areas were instrumental in creating social conditions for the region's economic transformation. They resembled significant attempts to cultivate local solutions to problems that were global in origin, but had very clear local characteristics in the region's decline. Therefore, *Playford Alive* was designed to balance positive social outcomes with the state government's desire to bring areas of Playford to market so that renewed areas would be open for new urban investment.

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<sup>79</sup> Ibid.



### 7.2.3 Emerging tensions between state and local policy responses in Playford

From the end of the twentieth century, the onus of responsibility for transformative change fell largely on local governments. As posited in Chapter 6, with reference to the *Urban Future 21* framework (Hall & Pfeiffer 2000), the neoliberalisation of globally-diffused policy models influenced federal and state governments so that those local regions committing themselves to taking full responsibility for local fiscal, social and planning needs were rewarded with political support from higher authority (Tonts & Haslam-MacKenzie 2005: 197). However, the neoliberalisation of federal and state government service delivery during the 1990s increased local responsibilities without increasing the concurrent financial resources required to achieve sustainable social and economic outcomes.

With Partnerships, the City of Playford most actively and effectively embraced this responsibility in South Australia, even absent the provision of adequate financial resources from federal and state governments. The neoliberalisation of policy responses to local urban issues had placed much of the responsibility for outcomes on Playford itself. However, *Playford Alive's* integration with the state government's broader strategic urban development priorities brought it into greater focus as an important development. Section 46 of the *Development Act 1993* gave the state government's Minister for Urban Development and Planning prerogative to focus state resources on urban developments with perceived significant economic, social or environmental importance. *Playford Alive* received this status. Henceforth, discretionary planning powers were removed from local governments in metropolitan areas of great economic significance (Hamnett & Hutchings 2009: 267). Tim Jackson described what this meant for state-local relations:

Local government is a delegating responsibility from state government. And so it can do certain things but in every way, state government can pull back on it, like what's recently happened over planning. And Rau, the current minister in planning, is very adamant about state government

keeping control, and they've done that through calling projects 'major projects', and when they call them major projects well, then the state government has much more say in it<sup>80</sup>.

Consequently, tension was experienced between the state government policy approach and the local Playford approach to development in the region. By 2006 the structure and functions of the Office of the North had undergone significant change. Responsibility for overseeing it shifted hands between four different state government ministers, and between two different state departments. The Office of the North belonged to the state's Department of Transport and Urban Development. When a less active and more junior minister took over the portfolio it reduced Playford's importance in the government's priorities. When it was later administratively re-positioned in the Department of Primary Industries and Resources (PIRSA), the Office of the North's authority in facilitating the connection between local programs and state government policy on regional economic development was diminished (Trainor 2005).

This involved little consultation with Playford local government and the Office of the North. Their brokering of collaborative arrangements was also overshadowed by the Northern Adelaide Economic Development Alliance (NAEDA). NAEDA sat within the more politically important Department of Trade and Economic Development (DTED), and from this relative position of authority NAEDA took responsibility for the northern region's economic development. The process saw the Office of the North become tasked with partnership activities in health, education and housing sectors, not in economic matters (ibid.: 14). This supplanted the Office of the North's role in the direction of Playford's transformation, as it became far more state government-driven in its objectives.

Playford's newly-institutionalised policy and planning tools initially complemented the Rann Government's strategy of decentralised regional governance. But the powers of the state government over regional economic development undermined Playford's autonomy. When the state government's

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<sup>80</sup> Interview: Tim Jackson, 2016a

aims became a priority, the region became a focal point as site of South Australia's future economic development. In this way, locally-driven solutions to local problems were side-tracked by the Rann Government's determination to capitalise on a growing economy and the promise of Australia's commodities boom soon bearing fruit and transforming the State's industrial structure.

The transformed role of the Office of the North's involvement in local regional development highlights the tone of governance difficulties to emerge from collaboration going forward. These would arise from the fact that, despite the Rann Government's attempts to streamline the state government's role in Playford, it had not managed to overcome the siloed and fragmented roles, policies and programs of individual departments. When interviewed, Greg Pattinson, Manager of Planning Policy at Playford, provided further insight based on his experience of state-local policy collaboration:

I think within state government [...] it's a big organisation, they're inherently siloed. It doesn't only happen in a bureaucratic sense, you also have to think about the ministerial level and the impact of, potentially, ministerial directions to their [Chief Executives] in terms of their priorities, in terms of how they work across [...] state government. I think there's [...] emphasis on potentially representation on committees rather than accountabilities of committees to drive things. So you'll get, you know, committees set up with ten representatives from different agencies. And that's seen as a collaboration across, but not necessarily accountability of anyone on those committees, to drive a particular issue<sup>81</sup>.

Despite its efforts at reducing the 'burden' of government on policymaking, the neoliberalisation of state intervention produced contradictions. As detailed in Chapter 6, neoliberalism now pervaded the state's continued interventionist role in economic policy implementation at the regional level. Solutions to local economic crisis were increasingly determined by the neoliberal-driven logics of outsourcing and creating competition between providers for a shrinking pool of funding from government. Within such political-economic conditions Playford and its Partnerships were faced with the need to develop relationships, collaborations and policy outcomes with an even greater number of state authorities. This

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<sup>81</sup> Interview: Greg Pattinson, 2015

had implications for Playford, where the neoliberalisation of the state government's policy and bureaucratic structures was now having a greater impact on the region.

### **7.3 Neoliberalising the state government's policy responses to global economic crisis**

The Rann Government's budget measures in 2008 affirmed its commitment to the underlying role it had promised to play in delivering *South Australia's Strategic Plan (SASP)* through major infrastructure spending. But remaining true to SASP's foundations, it opposed ramping up spending on the services being delivered in collaborative arrangements across sectors. It outlined its funding allocations to the projects that would support growth in the State's emerging resources and defence industries. Thus, despite Playford's strategic economic importance and its rapid population growth, the Rann Government and its strategic imperatives sought answers to economic transformation in the defence manufacturing sector and in the mining boom. Yet, policymaking did not relate clearly to the transformative opportunities they presented for the declining automotive industry in Playford.

Why has the automotive industry continued to suffer ongoing decline? Through interviews with numerous state officials and Playford local government policymakers, it became clear that dealing with deindustrialisation should focus on the opportunities found in 'economic transition'. Amongst many, though not all, interview participants, there was a sense that we should 'get used to' the idea that automotive manufacturing cannot be saved. Playford, along with South Australia, must move to, presumably, the kinds of industries that reflected participation in a digitally-connected smart city of the future.

A key example of this is the 'CBD of the North' project. With a \$2.7 million grant from the federal government, Playford sought to rejuvenate the Elizabeth city centre with mixed-use developments including main street retail, offices and apartments integrated with smart city technologies that might attract private business investment and relocate federal and state public departmental resources (City of Playford 2014). Such projects have been formulated with a degree of hype around an idea that 'innovation' is something 'done' by 'entrepreneurs'. This has evidently permeated the socio-economic

imaginaries of decision-makers, even where projects do not necessarily reflect the immediate needs of local communities experiencing the ongoing decline and eventual closure of local mass-scale manufacturing industries.

The CBD of the North project has displayed no vision to attract industrial activity to Playford. It has consisted of little more than office building development to attract private investment, and where possible, federal and state government agency offices. Incumbent City of Playford Mayor, Glenn Docherty, spoke to local newspaper *Northern Messenger* about how the council's vision had "potentially resonated with the business and development community" (Henson 2014). This contrasted with a user comment – albeit anonymous – on a later online report in *Northern Messenger* which implored "Industry start up please... It [CBD of the North] will add more vacant shops to Elizabeth" (Conlin 2015).

The narrow priorities in economic transition are made further apparent in the response of Playford's Manager of Planning Policy, Greg Pattinson, to an interview question in which I asked why responding more strategically to the industrial economy of the region was not a priority. Pattinson's answer revealed that such projects were Playford's response to opportunities emerging from the state's ongoing neoliberal intervention:

Council's agenda is on driving the economy of Playford. I think it's trying to change the economic nature of the city in terms of diversifying the economy. If you look at the CBD of the North, that is all about diversifying the economy and moving from a manufacturing base and moving to a services type component. I think the state actually sees that as a positive and I think you'll see very shortly that the state will be on board and giving much more focus to those types of projects and job creation in the north<sup>82</sup>.

There is a Keynesian element to this response, hence it is important to elaborate on the notion of economic transition further within the South Australian context. By 2010, the impact of the GFC on the Rann Government's silver bullet solution to South Australia's economic malaise called for a more

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<sup>82</sup> Ibid.

interventionist policy response. In 2010's *The 30 Year Plan for Greater Adelaide*, the government outlined a planning strategy which aimed to renew Adelaide's urban form through record infrastructure spending, targets for population growth and housing development, and the encouragement of industries that still showed promise like mining, defence and green technologies (DPLG 2010). These were targets established through the government's collaboration with business and the community.

The *30 Year Plan* emphasised a regionally-based approach to achieving the kind of urban environment conducive to global competition in the twenty-first century – new growth areas reflecting mixed-use development precincts that would bring together the social, cultural, economic, technical and political elements of an innovative city. Achieving the Plan's targets would prepare South Australia “with land for jobs, land for housing, new transport and infrastructure [...] that will allow for certainty of investment and faster decision-making” (ibid.: 3). Overall it represented a more decisively state-driven approach to achieving change in the regions.

The state government's distance from a more cultivated industry policy to prepare for Playford's future without Holden was justified by tight budgetary management, and the delivery of services and infrastructure with as little disruption to the public purse as deemed possible. However, where the state government's strategic priorities overrode Playford's local innovative initiatives to transform the region, the state was under-prepared to intervene with a targeted strategy for industrial transformation. As Playford's former CEO, Tim Jackson experienced the impact of this state government strategy on local change:

One indicator was that he [Rann] absolutely slashed the [industry] department in terms of heads [...] they picked some different sectors, I don't think they saw automotive manufacturing as the 'advanced' manufacturing, rather as the less-advanced, more traditional manufacturing, and I'm not sure if there's any sort of manufacturing left that's not advanced<sup>83</sup>.

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<sup>83</sup> Interview: Tim Jackson, 2016b

The Rann Government had indeed cut its executive staffing numbers in the Department of Trade and Economic Development (DTED – later DMITRE) in its 2010-11 budget in pursuit of the AAA credit rating. The Budget overall entailed a reduction of 1,762 full time equivalent (FTE) positions in the public sector, 89 of which came from DTED. Spoehr and Burgan (2010) modelled the impact of workforce cuts to produce a \$174 million loss in Gross Regional Product in South Australia, with a further 650 FTE job losses to flow from the initial cuts. Pursuing the AAA credit rating as a means to leverage investment opportunities by cuts to employment and effectively, state resources, would evidently not be without significant costs. But Lance Worrall – Chief Executive of DTED in 2010-2011, and thus directly responsible for its rationalisation, drew attention to the way that in the absence of any strategic state institution-building, his Department had already slid into a default position of technocratic industrial policy administration, something endemic of the neoliberalisation of state intervention:

There [was] a culture of 'we are generic public sector leaders; we are leaders in culture and values' [...] it was almost like a void [...] so that today all the talk is about agility and entrepreneurialism<sup>84</sup>.

The Rann era saw the government invest much of its strategy for the State's future industrial development in the mining boom and BHP's expansion. This meant that *Playford Alive* was an urban renewal project designed to provide the kind of social environment and physical infrastructure necessary to prepare for the growth in population that would result from a booming economy in which entrepreneurial activity was expected to flourish. Therefore, the neoliberalisation of the state government's policy responses to economic crisis did not offer extensive institutionally-driven industrial transformation.

But it is also important to highlight the federal conditions that made the Rann Government's focus on the resources boom, in place of more active manufacturing sector assistance, a likely policy response. A lack of strategic direction for manufacturing in the federal Howard Government, which resulted in its

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<sup>84</sup> Interview: Lance Worrall, 2015a

heightened exposure to global market forces, was significantly damaging to SA's industrial prospects – a point stressed, during interview, by the Strategic Planning Manager:

I think it's also fair to say that the strategies have been beholden to those businesses which are here and also factors which are beyond the control of either the Playford Council or the state government. So both governance entities are choosing to influence where they are able to influence<sup>85</sup>.

### **7.3.1 A framework for alternative state government industry policy intervention**

As detailed in Chapter 6, 2011 was a year of Labor government leadership change, and a new direction for South Australia's economic development became a focus. At its outset, the Weatherill Government understood that higher-value manufacturing was needed for the State's economic transformation. Its policy responses sought solutions to the crisis of deindustrialisation in the Playford region with a departure from the way Rann-era policies that had addressed economic restructuring with little attention paid to local needs in regions where deindustrialisation was impacting hardest (Beer et al. 2006; Beer & Thomas 2007). Hence, the focus on clusters in DMITRE's strategy, which "typically arise at the local rather than the national level – although some countries have sought to connect their clusters through networks in an effort to amplify the impact of local innovation" (DMITRE 2012: 22).

To transition manufacturing, the local cluster approach became the Weatherill Government's framework for addressing issues of industrial transformation in South Australia, and several initiatives and policy developments outlined how it would implement this strategy. Specifically, as *Manufacturing Works* highlighted the importance of a regional approach, and given Playford's centrality to the State's manufacturing industry, the Weatherill Government augmented *Playford Alive* with a more programmatic policy for industrial rejuvenation and diversification.

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<sup>85</sup> Interview: Strategic Planning Manager, DPTI (de-identified), 2015

Under Weatherill, a response to crisis conditions produced by the GFC initiated a shift in neoliberal reform; although this was not a shift *away* from neoliberal reform. This became particularly apparent after the announcement that Holden would close in 2017. From shortly after this time, South Australia's economic transformation was driven by a 'mega department', the Department of State Development (DSD). The DSD was formed in a merger between DMITRE and the Department of Further Education, Employment, Science and Technology (DFEEST). Despite consolidating the administrative size of the state, the Weatherill Government more deeply entrenched it in regional economic development. This expanded its role in economic transformation, with typical bureaucratic implications. It also revealed the contradictions in neoliberalism's manipulation of state functions. A condensed administrative apparatus nevertheless created more policy and procedure as the state's responsibility for development increased – something clearly observable to Gail Sulicich – a Partnership Broker with the local training and employment not-for-profit, Northern Futures – when interviewed:

Department of State Development have regional managers [...] they get a lot of intel in the department that we don't get [even though we] build some of these programs, or start to build some of theirs. They have a preferred provider process. So if you want funding you have to become a preferred provider and you have to fit a criteria [...] and there's a process you have to go through. Everything has a process with state [...] usually ten or fifteen processes that could be one<sup>86</sup>.

Despite this view from beyond government of state regulatory changes, actors within the bureaucracy held different opinions. Most pertinently, during interview, a Program Manager in the Department of State Development praised the intent of this merger between two major transformative state departments, given that it suggested more strategic thinking within government:

[DSD] is one of the few mergers that I've looked at and actually gone, 'my goodness, that makes sense'. So we are starting to see a joined-up approach at that level, both in attempts to attract business, but also in assistance with business. So my role now is stakeholder engagement, but it's

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<sup>86</sup> Interview, Gail Sulicich, 2015

increasingly almost like ‘jack-of-all and master-of-a-lot’. They call it the ‘no wrong door’ approach which is about as cliché as you get. But we’re pretty much the first door in the approach<sup>87</sup>.

But as the latter part of this statement suggests, the merger also resulted in service delivery and policy development that remained far from strategic. Indeed, ‘joining up’ departments has delivered nothing short of the neoliberalisation of state intervention in the ongoing problems of the Playford region. This has become evident in the changing shape of urban renewal policymaking processes. The policy response of DSD has been designed to help manufacturing businesses transition away from South Australia’s declining industries and fulfil the objectives of *Manufacturing Works*. But it was apparent to Tim Jackson that the focus has consistently looked to the industries of the future, without responding more attentively to the regionally-specific struggles of existing businesses in Playford:

The councils met with state government, [Department of] State Development people, and the message was the companies are struggling to keep their head above water now, let alone think about the future<sup>88</sup>.

Thus, the impact of neoliberalism on the state’s interventionist role shifted the Weatherill Government’s policy responses further towards developing a market-driven response to making South Australian urban industrial regions competitive. This has had significant implications for the way the *Playford Alive* project has been driven since. The project has become much more centralised in the agencies of the state government, removing powers of decision-making from local collaborative initiatives involving partners in the Playford community. This transformation has also been apparent to Tim Jackson, in his experience as progenitor of the Playford Partnerships, and as executive decision-maker in collaborative development of the Playford region spanning two different Premiers in the same government:

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<sup>87</sup> Interview: Department of State Development Program Manager (de-identified), 2015

<sup>88</sup> Interview: Tim Jackson, 2016b

We had a [Playford Alive] steering committee, which Weatherill wound up without any consultation with us [...] after the election he went through all of the government committees and wiped many out. It was part of his cutting red tape exercise. But without any consultation with us, and we were a partner, he just cut it off. And it had an independent chair, it had a board [...] it worked really effectively, but they discontinued that as well<sup>89</sup>.

This began to transform the role that the state government was playing in urban renewal. The powers of different state agencies were consolidated, enhancing the position and regulatory scope of the state in *Playford Alive*. Given the state government's power to be more authoritative in major projects, market forces increasingly shaped policymaking in the project. This has resulted in a series of microeconomic reforms to Playford's industries, services and the urban renewal of the region, producing outcomes that, even where attempting to address the region's most pressing needs, only further entrench the neoliberal response to manufacturing decline.

### 7.3.2 Policy responses to crisis in Playford

The shift in emphasis of *Playford Alive*, from a focus on socially-oriented urban renewal to a focus on private property investment-driven development, is chief amongst significant neoliberal changes to Playford's regional economic development under the Weatherill Government. Since Holden announced its closure, this shift has elicited a decisively different role for the state's urban asset management agencies. With its establishment in 1936, the SA Housing Trust (renamed Housing SA in 2006) had been the government's authoritative agency for managing public housing stock. Its responsibility included public housing in Playford, which had initially been built in the 1950s and 1960s as workers' housing, but which had been progressively transferred to social housing with ongoing manufacturing decline.

When the Land Management Corporation (LMC) was established as a corporate government body in 1997 by the state government, its focus on commercial development mandated it to promote a competitive market environment by managing and disposing of commercial land and property assets

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<sup>89</sup> Ibid.

owned by the state. This gave it responsibility across South Australia to partner with private developers and facilitate the transition of public assets to private developers following the appropriate planning processes. This frequently involved the re-regulation of industrial land into residential, business or commercial land. Interpreting the state government's ongoing interventionist policy responses despite its neoliberalisation, Oakley (2014: 241) suggested that its regulatory role was to promote the transfer of public assets to private capital:

[This] highlighted the extent to which the state government was prepared to reduce its role and responsibility of being planning-driven to one of enabling the developer consortium to undertake the planning and delivery; and ultimately, profit from the finished product.

Prior to the GFC, LMC's involvement in *Playford Alive* represented the state government's acknowledgement of the positive role public land agencies could play to facilitate complex mixed-use projects (Hamnett & Hutchings 2009: 281). It used public institutional strength to maintain balance between private capital accumulation and social-democratic outcomes in urban renewal. In this capacity, LMC facilitated the delivery of greenfields land to developers and the re-development of subsidised housing in brownfields areas where old public housing stock needed to be replaced. Thus, *Playford Alive* commenced with LMC being accountable for delivering urban development outcomes, and Housing SA being responsible for managing housing stock as a public asset.

During the GFC, Housing SA spearheaded state intervention to buffer South Australia's economy against global economic crisis. Tim Jackson's interpretation suggested that this represented the local expression of the federal Rudd Government's Keynesian fiscal expansion:

I can remember when Pat Conlon [Weatherill Government Minister for Housing and Urban Development] made some comments about Playford Alive [...] he said, 'I don't want the bloody developers getting the profit off this development, I want the community to get the profit'<sup>90</sup>.

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<sup>90</sup> Interview: Tim Jackson, 2016b

A similar account of what was evidently a Keynesian policy response was apparent to Renewal SA's Project Officer 2, whom, having worked at various times in their career on *Playford Alive* projects, suggested during interview why the state's interventionist role was driven by such a historically strong public institution:

The GFC was an anomaly in that broader trend where the Housing Trust received something between four-hundred and five-hundred million dollars to spend on quick stimulus housing construction projects [...] constructing twelve-hundred new social housing dwellings in the space of two years. To do something like that required half-a-billion-dollar injection from the federal government<sup>91</sup>.

These functions were separate and meant that *Playford Alive* was driven by local government in negotiation with different agencies for different priorities. But late in 2011, LMC and Housing SA were combined to form the Urban Renewal Authority, which traded under the name Renewal SA. This was a move lauded by Planning Minister John Rau, who to *Indaily* claimed that "to have the silos between the land assets held by [LMC] and Housing SA dissolved and treated as a collective Government land asset portfolio is immensely more efficient (quoted in Richardson 2015). The new agency was now tasked with locating both publicly owned land and public housing for urban renewal (ABC News 2011). The rationalisation of both agencies into Renewal SA meant that, for the sake of creating a more efficient public agency, property developers had greater access to public housing. But the agency's apparently more 'transactory' role was, perhaps, not altogether detrimental given its public ownership. In interview, this was contended by Project Officer 2, and expanded on by former Practice Specialist at the City of Playford, Georgia Heath:

The game's changing now that the Housing Trust has been assigned to Renewal SA. So Renewal SA, theoretically, has a broader scope to conduct urban renewal<sup>92</sup>.

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<sup>91</sup> Interview: Project Officer 2, Renewal SA (de-identified), 2015

<sup>92</sup> *Ibid.*

I'd probably say they're no different to any other developer we work with [...] they've gone through a different approach and they do have social outcome as one of the key targets that they're driving for but, you know, all developers work like that, and at the end of the day it's selling land that people want to live in. It wouldn't matter if it was Renewal SA or Delphin or Lend Lease [...] they design what they think people will want and then leave<sup>93</sup>.

However, Renewal SA's role in the development of Playford was altered by neoliberalism, with implications for the roles of both state and local governments in Playford's renewal. Public housing had effectively become a commodity in the state government's policy for urban renewal and industrial rejuvenation in Playford. The shift to a market-based approach can be understood in several dimensions. Reductions in funding flowing from federal to state governments had required the state to develop new ways of achieving urban renewal outcomes. This, in turn, required it to attempt to make a profit from development and sustain this by placing employment generation at the centre of its initiatives. Where the state's urban development agency had previously facilitated commercial property development, market conditions were created and a dividend was returned for the state's upkeep of public housing interests. But when LMC and Housing SA were combined into Renewal SA, the broader scope of the agency produced a far more market-driven role, as revealed in interviews with a current public servant involved in *Playford Alive*, Greg Pattinson, Tim Jackson, and Renewal SA's Project Officer 1 – the latter two to which the deregulation of housing stock implied by Renewal SA's establishment seemed especially positive:

In the greenfields [...] it's just pure market-driven<sup>94</sup>.

In the old Land Management Corporation days we were mostly about selling land [...] to the private sector to develop anyway. So questions have always been raised by the private sector, particularly through organisations like the Urban Development Institute about 'why is the LMC playing in that field?' Because we get right down into selling allotments, so very much competing with the private

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<sup>93</sup> Interview: Georgia Heath, 2015

<sup>94</sup> Interview: Greg Pattinson, 2015

sector [...] so in some respects I would say that perhaps we're just returning to what the old LMC always did<sup>95</sup>.

I said to Weatherill that we've got to get housing off the government books, and he was [the Rann Government's] Minister for Housing. And he said the government was never going to transfer public housing to anyone else [...] and now here we are now, four thousand have been transferred to the not-for-profit sector and that's fantastic, government doesn't have to run housing, there are so many other organisations around that can do it [...] bureaucracies are not very good at running services<sup>96</sup>.

As urban renewal and development in Playford has been increasingly commodified, the revenue available to the state to pursue community objectives in *Playford Alive* has not increased. The symptoms of deindustrialisation – high unemployment, declining industrial productivity and decaying urban infrastructure – have challenged the state's administrative efforts to induce hospitable market conditions for urban and industrial investment. Yet government's deregulation of development has been necessary to draw any investment into the region. This means that the deregulation of publicly held property and land assets has been designed to incentivise private capital. The government has funded its public initiatives by leveraging market-driven investment. But with Renewal SA now embracing a far more market-driven role, this brought with it whole new implications that were elaborated by Emma Sckrabei:

The reason why we were involved [in Playford Alive] is that the private sector was never going to be picking up the Peachey Belt for renewal [...] the land values are so low that there's nothing in it for them [...] from a financial point of view, the greenfields development in effect pays for the renewal part of the project [...] Renewal SA in the past was about selling assets, and selling greenfield development land. We don't have any land to sell anymore, because the urban growth boundaries have stopped. So gone are the days where [LMC] is about selling surplus greenfield land to

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<sup>95</sup> Interview: Project Officer 1, Renewal SA (de-identified), 2015

<sup>96</sup> Interview: Tim Jackson, 2016b

developers and making mass amounts of money off that over a twenty-to-thirty-year development<sup>97</sup>.

Because a market-based approach to the Playford region's urban renewal has increasingly featured in state government policy, urban areas directly affected by deindustrialisation have continued to sit outside of the renewal area, where there is no incentive for private developers to invest. The state government's market-driven response has neglected these areas, and stripped of powers, Playford has been powerless to produce a more locally specific response. In future, it is unlikely that a large commitment will be made to extending urban development beyond the project's current scope. The efficacy of market-driven government rationalisation, chiefly exhibited in the property-led funding of urban renewal in *Playford Alive*, has not delivered sustainable outcomes. This is something that was evident to Greg Pattinson:

In the brownfields, in terms of rejuvenation of the housing stock [...] it's very challenging to do it from a market base, especially if you want an integrated urban renewal project [...] the reality is you probably do need to put more money in than has been put in to achieve. And it's challenging for Council as well [...] the original [Playford Alive] budget is probably half of what we needed to put in to get decent urban outcomes. And that's only for a component of the city, let alone all the older parts of Elizabeth. And I think our challenge is how do we actually get the older parts of Elizabeth into an urban renewal program as well? I don't think it'll happen in the short-term. So I think they'll look at very small-scale projects, potentially working with community housing providers to achieve some urban renewal. But there's no huge commitment for another Playford Alive, which we really need<sup>98</sup>.

### 7.3.3 Policy responses to industrial transformation

Global pressure on automotive manufacturing in Australia had long characterised economic conditions in Playford. But in the period following transition to Weatherill as Premier, more than ever the region's main industry was exhibiting the local impact of the GFC. Yet *Playford Alive's* economic aim was to help

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<sup>97</sup> Interview: Emma Sckrabei, 2015

<sup>98</sup> Interview: Greg Pattinson, 2015

leverage major investments in infrastructure, training and services in the northern Adelaide suburbs, and provide the physical and the social infrastructure for a site of future population, business and employment growth. There was no sign of a plan in the project's scope to deal with downturn in the manufacturing sector, when the key to funding economic transformation – the mining boom and the investment that would flow from it – was just over the horizon. In the views of both Greg Pattinson, and Project Officer 1 – and therefore to key operatives at both the local Playford level and at state level – the state's apparent lack of preparedness conveyed a troubling sense of complacency within government:

The economy was quite different back then. The rate of growth was substantially greater than it is now [...] in terms of employment, that took a backseat in terms of driving the residential development, but acknowledging that Holden is a significant part of the economy as well [...] I think there's always been general discussion in the community about Holden, but no firm decision being made by then [...] I think it wasn't at the centre of their attention because they had other priorities in terms of dealing with the delivering the residential component of the Plan for Greater Adelaide, rather than the industrial<sup>99</sup>.

I think we've known about Holden's for a number of years now that it was coming. And I suppose there's a sense of what has really been done about that to now?<sup>100</sup>.

When premised on the ability to underwrite such an enormous urban development with mining royalties, the goals of *Playford Alive* were likely achievable without rapid industry structural adjustment. The tertiary services sector – expected to grow exponentially because of the higher wages associated with new urban development – would provide the structural adjustment needed to propel South Australia's economy further into the global information age. However, when it became apparent that a resources boom would not fill the void produced by the federal government's revenue shortfall, far more significant support for SA's industrial transformation was needed.

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<sup>99</sup> Ibid.

<sup>100</sup> Interview: Project Officer 1, Renewal SA (de-identified), 2015

In the wake of Holden's announcement of closure, the state government released a suite of policy initiatives to transform the economy under the title *Building a Stronger South Australia* (DPC 2014a). Within this policy framework, *Our Jobs Plan* detailed the state government's strategy to assist social and economic transformation in the form of re-skilling for workers, employment strategies for communities and assisting firms and industries affected by automotive manufacturing deindustrialisation with the transition to advanced manufacturing. This strategy placed great emphasis on new economic opportunities in expanding Asian markets.

The government believed that South Australia could achieve competitive advantage by enhancing capabilities in the key sectors of resources and energy, food and wine, health and medical products, tourism and international education (ibid.: 6). However, being competitive relied on transforming the State's traditional economic structural base of automotive manufacturing industrialisation, from which it had long competed on cost, into higher value advanced manufacturing, where it could instead compete on value.

The closure of Holden's operations in Australia occurred around the time that the socio-economic objectives of *Playford Alive* were increasingly being overshadowed by the market-driven objectives of the state government. Soon thereafter, the Weatherill Government established the Automotive Transformation Taskforce (ATT), designed to support the transition of enterprises and workers into new areas of industry opportunity. The focus of the ATT and state government policy was to identify opportunities for Small and Medium Enterprises (SMEs) – mostly locally-owned automotive component suppliers – in new product and market niches; as well as the future of the Playford region's Holden plant.

The overarching goal of the ATT strategy has been industry diversification. Despite being a State-wide policy, it was heavily focused on Adelaide's northern regions. It committed \$60 million to assist displaced workers with reskilling, supporting urban regeneration and local projects in communities affected by deindustrialisation, and helped companies diversify into new markets and products. In

responding to regional needs, the ATT was designed to accelerate advanced manufacturing, provide support for clustering and accelerated business formation through infrastructure improvement, a fund for new plant and equipment, retraining and business development.

The ATT's focus was on enhancing the capabilities of clustered industries in the Playford industrial region to develop diverse capabilities. To drive the State's transformation towards these competitive opportunities, the *Manufacturing Works* strategy was synthesised with *Our Jobs Plan*. The latter now also emphasised the importance of job creation through cluster-based innovation in the regions, to be facilitated by a 'Future Industries in the City' stream with a focus on health and medical devices, business services, creative industries and tourism and hospitality; and a 'Future Industries in the Suburbs and Regions' stream, focusing on defence and aerospace, mining and resources, forestry and food (ibid.: 17).

To aid the rejuvenation of regional industrial activity in these key competitive industries, the state government implemented an Industry Participation Policy through its Industry Advocate agency. This ensured that state government would favour local business for tenders over \$33,000 relating to procurement for infrastructure and construction, public-private partnerships, assisting the development of workforce and skills, industry capability, and supply chain innovation in South Australia. Businesses tendering for projects were required to demonstrate that their contracting would maximise local metropolitan or regional employment opportunities (Office of the Industry Advocate 2017).

The state government's investment in the Playford region was already largely focused on infrastructure and urban renewal. The Rann Government had initiated a record public infrastructure investment in infrastructure spending – \$11.4 billion over the four years from 2009-10 to 2013-14 – as outlined in the *30 Year Plan* (DPLG 2010). This stimulus package included State-wide works, like the construction of the state-of-the-art Royal Adelaide Hospital, the expansion of the Adelaide Oval sporting complex, rail electrification, and major roadworks. This package resembled a Keynesian intervention and Playford's programs increasingly focused on its spillovers.

This focus on infrastructure was evident in the bottom line of the state government's policy response to manufacturing decline in Playford. But its commitment to industrial transformation was premised on a matched commitment from the federal government of \$100 million which never materialised, hence the Weatherill Government's efforts to actively shape industry policy fell short of successfully delivering outcomes for the priorities of industry in Playford. Much of the work in the region related to project-based infrastructure and roadworks projects like the Northern Expressway, which was constructed through the centre of the Playford LGA. This was not an ideal outcome, considering that state investment in the *Manufacturing Works* strategy was what could have reasonably been expected as a response, given the fallout from the GFC and earlier automotive plant closures in the State's history. But the stronger focus on creating the conditions for new economic developments, as opposed to already established industrial patterns, was evident in the biggest focus of the Weatherill Government's employment plan.

The *Manufacturing Works* strategy was absorbed into the broader State-wide employment transformation strategy. As an active, targeted industry policy it was significantly eroded by broader neoliberal policy settings. In moving forward, this suggested a targeted focus within *Manufacturing Works* on regional economic development priorities driven at the local government level. However, it was apparent that the government had thus far failed to implement any of the necessary infrastructure to support such integrated developments. When interviewed, Paul Wood, the former Manager of Food Innovation in the High Value Food Manufacturing Hub – an offshoot of the Weatherill Government's programs within *Manufacturing Works* – explained his own experience of the government's failure to implement the full scope of the strategy:

If government had invested in some business development managers who could actually connect people, rather than just be for the next promotion, I think that would be great. Because they'd be

able to create links that would have benefits [for the region]. Most of the developments that have come out of my program are incidental links that have turned into projects<sup>101</sup>.

With the manufacturing base neglected for a focus on urban renewal, much needed attention was taken off the automotive manufacturing industry that represented the foundation of the State's industrial path-dependency. The abandonment of industry policy for manufacturing and its replacement with a typical set of neoliberal responses made the delivery of outcomes from programs a difficult task for the state's agents working in Playford, like the DSD Program Manager:

There isn't enough responsiveness to industry [...] we have forums, we do have good engagement with employers, and they do venture their opinions and they do respond. But the things they raise with us are things we can't change – payroll taxes, work cover levies; public holiday pay. They're [...] probably the three biggest things I hear from the small guy right down to the multinational that says 'I'd love to take twenty people but I can't for this reason'. And it's the reason why labour hire does so well, it's the reason why there is increased casualisation of the workforce which is another risk to building sustainable jobs and wealth. If you can't bank on thirty-eight hours a week, it's pretty hard to get a loan, any of those things. I hope the days of real snap policy, you know, announce and defend, are over. I'm not necessarily confident they are<sup>102</sup>.

The reality that this was in large part due to the Weatherill Government's shift away from targeted industry policy was not lost on Tim Jackson, who was still the City of Playford's CEO at the time; nor was it anything short of transparent to one of Renewal SA's Program Managers responsible for managing state assets in projects including *Playford Alive*:

That [Manufacturing Works] was some bloody bold stuff. But you know, of course Weatherill's ditched all that. I mean, he hasn't officially ditched it, it's just disappearing gracefully into the sunset<sup>103</sup>.

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<sup>101</sup> Interview: Paul Wood, 2015

<sup>102</sup> Interview: Department of State Development Program Manager (de-identified), 2015

<sup>103</sup> Interview: Tim Jackson, 2016b

The jobs issue for Holden's is going to have a more metropolitan-wide impact than just Playford. So I think there needs to be [...] almost a state solution and approach to it [...] you sort of look at initiatives of the [Victorian] Geelong Council with the Ford closure. They really started in earnest ten years before the closure actually occurred in terms of trying to transform and look at alternatives and they really sort of focused in on the health sector. And you don't [...] see that same focused long-term and regional approach here, which has been a bit disappointing<sup>104</sup>.

#### 7.3.4 Labour market reforms

Despite a clear shift to the collaborative governance of urban policy in twenty-first century urban development, the concept of 'social procurement' increasingly featured as an attempt of state governments to regulate labour markets. It entailed the use of purchasing power to link private supply of projects with social justice employment outcomes (McCrudden 2004: 257). When used in conjunction with greater inter-departmental government coordination, social procurement has achieved outcomes of long-term partnership with the private sector, and enhanced social capital through the networks established (Erridge & Greer 2002: 503).

As part of the Weatherill Government's urban renewal commitments in Playford, a program was developed for the state to collaborate with local governments on 'shovel-ready' projects in regions, from which local job and training opportunities could be leveraged for local participation (DPC 2014a). From 2008, the *Playford Alive Works* (henceforth *Works*) program sought to provide economic opportunities for people experiencing disadvantage within Playford, through training or employment facilitated by certified training providers and local stakeholders. It was premised on the idea that the cause of much social exclusion and 'multiple social disadvantage' was an absence of employment. As such, a training and employment strategy became essential to delivering social inclusion outcomes (Perrett & Spoehr 2014: 1). It exhibited collaboration between public and private stakeholders in partnership to achieve socio-economic outcomes with a direct regional impact.

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<sup>104</sup> Interview: John Blaess, 2015

Three separate streams in the *Works* program – pre-employment training, live training and work experience placement – addressed the diverse circumstances faced by different people in the Playford community. They included employment and work experience opportunities in Renewal SA managed contracts; engagement, training and employment programs; and live training sites using Renewal SA-owned land to provide local on-site training for Registered Training Organisations (RTOs). All three streams were demand-driven in that training, work experience and longer-term job placements met the demands of employers in the area.

The *Works* program delivered public infrastructure through partnerships between local stakeholders. This gave local unemployed people training and hands-on work experience – in civil construction, building, horticulture, retail, child care and aged care – developing skills, experience and employability (Playford Alive 2016). It was a program that Emma Sckrabei, one of its architects, spoke of positively:

[W]hat we've done there from a training and employment perspective [...] is we've involved accredited training programs to have local people do some of that work in the area. We've also written into our contracts to do the refurbishment work, the landscaping, the civil works, the paving works – mandatory work experience and job opportunities for local people. So while we're not the be-all and end-all of training and employment in the north, we've been able to leverage the state government infrastructure spend on that renewal component and actually provide some economic opportunities for local people, and most of them are young<sup>105</sup>.

In Playford, the *Works* program was viewed as an effective model that assisted residents to overcome barriers to training, and helped many unemployed people take important steps towards ongoing labour market participation. With a sense of achievement, Ken Daniel, another of the *Works* program's key backers, explained that owing to its regional success, it was rolled out across the State's other urban renewal projects as infrastructure spending expanded to further stimulate the economy:

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<sup>105</sup> Interview: Emma Sckrabei, 2015

The state government comes along and says 'well we're interested in that. We need jobs, we have a lot of infrastructure works happening, what do we do?' The Playford Alive Works model has been adopted as policy within Renewal SA and is being applied to their other development locations. So that's fantastic. The model is, in fact, being recognised and work is being done in terms of adopting it in other locations<sup>106</sup>.

Expansion was premised on its successful initial implementation in Playford. Outcomes from the *Works* program's three streams were generally deemed a success across the multiple sites in the State where the program was implemented (Renewal SA 2015). Official figures from 2014 on local participation in the *Works* program revealed that, in the four years since 2008, more than 1300 people undertook pre-employment training; 650 people underwent live training, with 85 percent gaining a formal qualification; and over 200 others undertook a work experience placement, with around 110 new jobs created across industries (Perrett & Spoehr 2014: 1).

But these official figures did not account for the employment outcomes of participants not gaining employment following their work experience or training, even if their level of employability improved as a result. Although the government developed the policy framework that connected unemployed peoples' demand for skills and work with the demand of businesses for trained employees, it could not regulate program delivery and sustainable employment outcomes. The number of positions, whether ongoing or temporary, were indistinguishable in the data, as clarified by Project Officer 1:

Some people have had one day's work, other people have gotten permanent jobs [...] for some [employers] though, when they say 'we've given people work experience' or 'they've had a working opportunity', it just needs to be for a day to count as statistics because it all looks good, and that's what state government likes to report on<sup>107</sup>.

Within major state infrastructure investment, the *Playford Alive Works* program demonstrated success in transitioning participants from unemployment to training and increased job market opportunities, or

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<sup>106</sup> Interview: Ken Daniel, 2015

<sup>107</sup> Interview: Project Officer 1, Renewal SA (de-identified), 2015

from unemployment directly to work for already-skilled participants. But as is evident in the vague reporting of statistics, the *Works* program was not capable of addressing the chronic shortage of productive economic transformation in the region. Both the DSD Program Manager and Ken Daniel made it clear that the economic stimulus was lacking as a policy response, where it was evidently not linked to a strategic industry policy direction:

One of the buzzwords that go around at the moment is 'shovel ready projects'. Now that's just a load of crap [...] there are projects that you can do quickly – simple training-to-employment projects with a number of employers [...] but a lot of that is just shifting labour. And while I'm a big advocate for any job for someone, whether it's their first job, or a return to work job or a transitional job, the issue we've got here, and particularly in northern Adelaide, is the only sort of jobs we have in abundance with the exception of aged care and community services sector, we have big infrastructure jobs which are effectively short-term, and then we have transferal of wealth jobs like retail, like hospitality. They don't create anything, you're just being paid to do a service. We don't have anything that is creating wealth, and that's where we're going to run into trouble, and that's where those things like payroll tax really come in, because what impetus is there for a big company to come here? There are federal and state issues at play here, and never the twain shall meet<sup>108</sup>.

We know the larger the contract, the less opportunity there is for local training-to-employment opportunities. So if you're building a Northern Expressway, they won't want a trainee on their road. It interrupts them, reduces their time costs and quality [...] and then you need the commitment of the players to engage effectively, which I didn't think happened on the Northern Expressway construction, but could have. It could've happened in terms of all of the landscaping, for example. So without interfering with their road, there are other works that could've happened with engagement of [local people in] training-to-employment programs<sup>109</sup>.

The reality of underwhelming real outcomes of the *Works* program reflect one of the most present realities of deindustrialisation in Playford – growing unemployment and underemployment that cannot be combated effectively under post-GFC global market conditions which regulate stimulus through

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<sup>108</sup> Interview, Department of State Development Program Manager (de-identified), 2015

<sup>109</sup> Interview: Ken Daniel, 2015

neoliberal state intervention, and neglect strategic industry policy alternatives. The state's fiscal capabilities have been severely diminished, and its role in industry policy has been further undermined by global market forces and a lack of investment. Nevertheless, in continuing to face crisis, the state government's role in Playford extended the reach of neoliberal reform as part of a more deeply apparent State-wide strategic orientation.

To another decision-maker interviewed, Michael White, Playford's former Manager of Planning Strategy, the weakness of the state government's commitment to a more targeted, strategic intervention in Playford in the face of Holden's closure could at least partially be explained by the informality of the agreement<sup>110</sup>. This has contributed to the Weatherill Government's considerable slide back into *ad hoc* policy responses – prioritising job creation – in the face of a more wide-ranging crisis:

I think the really disappointing thing is that we didn't ever formalise the agreement with Renewal SA other than in a memorandum of understanding [...] that's really resulted in a lack of formal decision-making in the delivery of the project. And now when things are tough, Renewal SA will [...] act in their own interests, not in the interests of the project<sup>111</sup>.

There was also further evidence of a lack of a Playford-specific strategy for transformation within state government policy beyond jobs. Government intervention in the region was nevertheless overlooked by its budgetary process, and the setting of priorities at state level without due regard to the commitments already made to the sustainable transformation of a region of significant importance to the State economy. Michael White also gave context to this notion:

Part of the handshake deal at the beginning was an understanding between both organisations that the profits of the greenfields would be spent in the renewal area [of Playford Alive]. And in fact, that wasn't the case. Treasury came in and said 'no, all surplus from the greenfields comes straight to

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<sup>110</sup> When interviewed, Michael White indicated that partnership between Renewal SA and Playford resulted from, quite literally, a handshake agreement, which was the preferred arrangement between partner agency executives, with the MOU facilitating partnership between agency operatives at the next level down.

<sup>111</sup> Interview: Michael White, 2015

Treasury; if you want any of that spent in the renewal area then Housing SA will need to make a case through the state budget process to access funds'. So there was no linkage between the two [...] we had no levers to do anything about it, other than be disappointed<sup>112</sup>.

### 7.3.5 Training market deregulation

The influence of economic policy imperatives on Playford's renewal was only a reaction to Holden's closure, not the foundation of a more robust approach to the region's socio-economic challenges. Over this post-GFC period, the *Playford Alive* project's focus also shifted in large measure towards training programs and initiatives. Though this shift implied the state government was aware of mounting challenges to creating a sustainable economic future, its deviation from the social and community planning principles of the project meant withdrawal of significant levels of resources from the urban renewal components of the project, and this undermined the social objectives tied to it. This was evident in the experience Greg Pattinson recalled of Playford dealing with the way state funds were merely diverted from the urban renewal component to the new industrial rejuvenation component. This revealed a pressing urgency for the state government to develop better economic conditions, but at the expense of local urban needs:

I think it's fair to say that in the last twelve months, there's been a much greater focus on creating jobs in the north and a much stronger emphasis for state government to come in and implement initiatives to create jobs in the north [...] The commitments [relating to urban renewal] which were made to us verbally around the time of facilitating this, they are facilitating, but probably not to the same level, and not the same level of resources. It's being put back on the Council to drive it now, rather than Renewal SA. I see it as having been more of a favour, rather than their obligations<sup>113</sup>.

The *ad hoc* character of the Weatherill Government's strategy is further visible in initiatives relating to jobs that were shaped by the first phase of the its *Skills for All* program. Its gearing towards advanced manufacturing sectors, agriculture, and defence industries was a recognition of the need for the future

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<sup>112</sup> Ibid.

<sup>113</sup> Interview: Greg Pattinson, 2015

provision of skilled workforces that will cater to emerging industry possibilities. From 2012, a total of \$194 million over six years was provided in two phases for *Skills for All* to re-train and re-skill SA workers via Vocational Education and Training (VET) pathways.

A large proportion of the policy's program delivery took place in Playford, given its situation at the centre of economic crisis, with unemployment rates reaching 13.9 percent in the first quarter of 2012 and the highest in South Australia (DEEWR 2012). *Skills for All* expanded to private RTOs the provision of VET qualifications based on competitive tendering, beyond the previous model of delivery through only the state's Tertiary and Further Education (TAFE SA) system. *Playford Alive* was a suitable foundation from which to deliver the government's employment priorities, where *Skills for All* would contribute to developing a workforce with the capability to innovate and adapt to change.

The *Skills for All* program meant Renewal SA and DSD played important roles in delivering local outcomes. The relationships they developed with private sector players were important. They were increasingly driven by policies for employability that provided a link between the supply and demand sides of the labour market (Gore 2005: 343). Thus, there were discernible outcomes from the program's objectives.

But closer scrutiny highlights significant shortcomings in the market-driven nature of state government policy. Since implementation of *Skills for All* in 2012, public funding fell by \$1.15 per training hour to 2015, reflecting a trend from 2006 of a decline in public funding of 45 percent in South Australia, compared with just 26 percent in other states. An audit of the program, carried out by ACIL Allen Consulting (2015), found that this decline was due to the shift in program delivery from TAFE SA to private RTOs which generally provide training at lower costs than TAFE.

The shift to a demand-driven VET model that provides more choice to consumers was welcomed for its encouragement of RTO competitiveness and efficiency. But although the program increased the skills levels of the State's workforce, it was not in direct relationship to industry demand. ACIL Allen's audit found that this was due mainly to the establishment of a training market in which trainee choice was

not balanced with rigorous monitoring protocols (ibid.: 4-5). It was apparent to the DSD Program Manager responsible for the state's policy in the Playford region that deregulation of the training market did very little to tackle unemployment in a way conducive to industrial transformation:

What we saw a lot of was people going into Certificate Twos in things like retail, hospitality, warehousing and storage [...] Certificate Three in aged care, home and community care and disability. Now, the community services sector is the fastest growing employment sector in northern Adelaide, but it also takes a special type of person to do that job [...] so you saw all of these people pumped into these courses, not necessarily because they wanted to be there, but because they were looking for work, in that [...] it fulfilled their participation requirements under Centrelink. So they continued to receive their employment benefits and their Commonwealth Employment Service Provider got a payment from the Commonwealth. And monitoring that, because some of the checks and balances weren't put in place effectively, or weren't rigorous enough, it just got out of hand<sup>114</sup>.

This suggested that labour market adjustment took place in a neoliberal sense only. There had been little in the way of positive results for employment and industrial transformation from the implementation of the state government's employment programs. A focus on employment would have benefited local people were it not structured simplistically around the notion of 'getting outcomes', and targeted at purely economic indicators (a focus on efficiency) rather than deeper regional social and economic development and industrial transformation. Neoliberal market-based reforms met requirements of federal social welfare policies in the absence of an active national industrial policy strategy to tackle structural economic symptoms by addressing the actual political-economic problem. The hollow outcome of well-intentioned, yet – due to the neoliberalisation of intervention – misdirected policy, was described further by the DSD Program Manager:

The realities of operational project delivery are, I guess, often at odds with the policy statement [...] take Skills for All, a significant amount of funding spent on accredited training. Excellent policy intention: increase the number of VET completions, increase the availability of training, increase the opportunities of people to engage in training at a reduced cost to themselves; implementation of

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<sup>114</sup> Interview: Department of State Development Program Manager (de-identified), 2015

the policy: not so good. Minimal checks and balances put in, no requirement and/or connection to employment. So what you had was [...] an artificially created training market where there was a large flow of money going into the accredited training space [...] Accountability? Yes, in that they didn't get paid unless they completed people. But no requirement to link it to jobs, no requirement to [...] vet the people that were being put in [...] so meanwhile, the training market ran away and we're now in a situation where there are many, many people with qualifications, sometimes multiple vocational qualifications, and still no job<sup>115</sup>.

This had implications for the government's overall industrial transformation strategy. By largely outsourcing the policy structures to private providers, training undertaken by local Playford residents, did not link to industry demand where the state government failed to provide positive industry policy responses. *Playford Alive* became a project of major state significance, taking attention away from local community priorities of industrial rejuvenation. This re-prioritisation relied on market-driven mechanisms for industry creation, which reflected a level of social and economic tone-deafness towards the Playford region's longer-term plight.

The impact of the shift to a jobs-driven agenda in *Playford Alive* was not significant for the region, or for South Australia. The positive industry policy response that *Manufacturing Works* contained was ultimately absorbed by, and 'disappeared' within, a state government strategy which in response to crisis effectively hid a neoliberal agenda within a non-strategic, short-term Keynesian intervention. This was a lamentable move in the opinion of Phil Stump, the former Northern Manufacturing Development Officer at the Polaris business and innovation hub. When interviewed, he laid out an argument certainly shared by many with similar hopes for the emergence of alternatives to neoliberalism:

The biggest thing with what automotive has done [...] it's fuelled a 'school space' for all other businesses [...] that skill transferred from automotive into other industries [...] when the auto industry goes, where is that lean manufacturing, that advanced manufacturing skill base going to

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<sup>115</sup> Ibid.

come from? [...] The landscape going forward is going to look quite interesting without that skill-set [...] when we don't have that flow-on to other industries, what's going to be our skill base?<sup>116</sup>.

In July 2015, the *Skills for All* program's second phase, *WorkReady*, continued to open up the VET education sector to private providers. It was the next phase of the Weatherill Government's reactive response to changed economic conditions in the wake of South Australia's acceleration towards automotive deindustrialisation. Although *WorkReady* was rolled out with a far more targeted approach to meeting the state's economic priorities (DSD 2015), as at the time of writing, it remains to be seen whether it has, or will be able to, achieve any significant change in Playford or the State. Playford's rate of unemployment in mid-2014 was 15.6 percent (6,155 people); by the December quarter of 2016 there were 5,892 unemployed people in Playford, a rate of 14.7 percent. There were also 6,525 people engaged in VET training, down from 7,851 people engaged in VET training in 2015 (DSD 2016b, 2017c). Despite a recent reduction, unemployment in Playford remains high, due to the way that South Australia's economic difficulties are pronounced in the pending closure of automotive manufacturing operations in Australia.

The state government has been unable to substantially induce new forms of industrialisation and has instead created a 'reserve army' of highly trained unemployed people with no job prospects in the foreseeable future. This means the drops in unemployment and VET training enrolment may, in part, be explained by individuals exiting the job and training markets altogether. In the absence of federal leadership on industrial transformation, and an active, targeted state government policy response to replace microeconomic reforms to labour and training markets, the State economy will continue to face difficulty in producing transformative industrial outcomes that involve sustainable job outcomes. This was apparent to the DSD Program Manager working in the region:

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<sup>116</sup> Interview: Phil Stump, 2015

Our programs can be there, and our programs can retrain them and we might connect them to work. But that's just getting harder, because programs like mine, programs like Renewal SA's, don't have the ability to [...] bring sustainable industry to this State<sup>117</sup>.

This explains why the state's involvement in Playford has related less to local developmental priorities and more to a bottom-line of employment creation to improve South Australia's overall economic figures. Despite the major project status that a focus on jobs entailed, market-driven programs largely defined how any outcomes were generated. The Weatherill Government's initiatives in the Playford region have lacked a clearly defined strategy with substantial target outcomes. Renewal SA has become a 'facilitator' of the market's allocation of resources to developing South Australia's industrial future. This has so far proved ineffective given global market conditions, particularly in the wake of the GFC and the subsequent announcement of Holden's pending closure. The state government has certainly been in a position of knowledge and hindsight to consider alternatives more seriously. The insight provided by Phil Stump on the matter of industry policy responses by government indicated that the neoliberalisation of state intervention has eschewed the kinds of responses needed:

The advantage of Mitsubishi ten years ago - we still had three other manufacturers staying in the landscape. And there's people at Holden's now who were ex-Mitsubishi, and I'm sure that's probably in the other supply chain too. So they were absorbed to a certain extent, but [...] we're not going to have that ability, and [...] the gun probably went off prior to twenty-thirteen when they announced they were going to close. It probably went off two or three years before but they just didn't hear the gun go<sup>118</sup>.

### **7.3.6 Outsourcing service delivery**

Labour force marketisation in Playford has been tied to federal labour market deregulations, which have neoliberalised industrial relations since the Howard Government's WorkChoices industrial relations policy. Furthermore, austere budgetary conditions generated by economic crisis have presaged the

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<sup>117</sup> Interview, Department of State Development Program Manager (de-identified), 2015

<sup>118</sup> Interview: Phil Stump, 2015

outsourcing of service delivery to Non-Government Organisations (NGOs), based, like training services, on competitive tendering. Contracts have been awarded to the organisations capable of delivering these services cheapest, raising issues of policy governance rigour and program quality. This also threatens the survival of smaller, less-competitive local service providers which, by being at the coalface, are often more attuned to regional labour market industry and employment trends. In interview with Project Officer 1, it became clear that these outcomes reflect wider deregulatory measures that have shifted money away from its intended targets and thus failed to match highly trained unemployed people with jobs:

All the money that they brought through Skills for All – a lot was spent on inter-state RTOs and they spent within six months what was meant to last twelve months [...] so the effect has been that local RTOs are 'going under' because of that. I think it was the way the state government decided to implement that program. They just let a lot of inter-state RTOs come in and they spent the money really quickly. We packaged them up for what local people needed and where we knew the jobs were, whereas the shift in that funding [meant] now it went to the individual, and you could use it wherever you wanted to [...] so people just providing programs and they weren't necessarily leading to jobs<sup>119</sup>.

The neoliberal marketisation of urban renewal and industrial rejuvenation in Playford has achieved little beyond the deregulation of government policy responses to deindustrialisation. This has seen the creation of new markets in further areas of public welfare and service provision. The delivery of programs by NGOs in the community sector has not improved outcomes. The community sector has suffered the impact of rationalisation in the way government funding has been diminished, becoming far more competitive and forcing NGOs to base their own operations on the marketisation of the not-for-profit sector. Contextualising this in interview, Emma Skrabei drew on her experience in partnering with the community sector on the kinds of programs that have been undermined by the neoliberalisation of funding to them:

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<sup>119</sup> Interview: Project Officer 1, Renewal SA (de-identified), 2015

The not-for-profit sector is a very interesting world, because all these charities get established and they all think they do special things but guess what – a lot of them do very similar things but they just market it differently and they like to think they have a key point of difference. They don't [...] they all provide similar services to similar cohorts [...] and what's happened over the last twenty years, and I've seen it – you used to have a certain amount of NGOs and they used to apply for a certain amount of federal funding, or state funding. Now they're all complaining because there's not enough funding to go 'round. Well there's not enough funding because now instead of only ten or twelve key NGOs, there's about fifty of them. And instead of getting a hundred thousand dollars a year they're only getting eighty thousand, because a couple of thousand are going to this smaller NGO over here<sup>120</sup>.

This describes a considerable symptom of service delivery deregulation and outsourcing. However, placing full blame on the NGOs themselves for increased competition does not fully capture the trend. With a significant market share in service delivery and with considerable resources, Services to Youth Council (SYC) has benefited from state and federal funding grants for service delivery to disadvantaged people in Playford, and throughout South Australia for many decades. Yet Paul Edginton, SYC's Chief Executive, believed that the state government's market-based intervention has excised strategic intent from its aims in regions like Playford. During interview, he contextualised this reality:

My frustration with services delivered in Playford is that it is often program-based and not properly evaluated. So some programs that are developed, one wonders why they were developed for that area, because they lack, I think, a strategy. Other programs that have run really well have stopped because they've come to the end of their program life. What I've also noted over that long period of time is that lots of policy development and program development lacks a sense of a cohesive strategy [...] What's the outcome we're trying to achieve and how will we define it, measure it?<sup>121</sup>.

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<sup>120</sup> Interview: Emma Sckrabei, 2015

<sup>121</sup> Interview: Paul Edginton, 2015

## 7.4 Implications of the state government's neoliberal policy responses to crisis in Playford

The Weatherill Government's agenda in Playford has detoured significantly from the original regional innovation underpinnings of *Playford Alive*. But subsequently, the state government's increased role in regional economic development has failed to emphasise the important industrial aspects critical to South Australia's transformation. Its interest in the region's economic development became a priority because of the strategic importance of manufacturing industries to the State's economy. However, its program delivery sought labour market adjustment rather than make a commitment to any significant industry policy strategy despite its policy framework to facilitate it.

Effectively, government programs implemented by the state in Playford are mobilised within the unemployment reforms at federal government level that apply punitive restrictions to welfare benefits. Under the Abbott Government, the federal welfare benefit agency, Centrelink, has been empowered with income management powers in only two LGAs in South Australia – the indigenous communities of the Anangu Pitjantjatjara Yankunytjatjara (APY) Lands in remote north-west SA, and in Playford (DHS 2017)<sup>122</sup>. Income management prohibits recipients from spending their payments on alcohol, tobacco, pornography or gambling. This means welfare payments going to Playford's people experiencing unemployment, even if participating in the *Works* program, are commonly managed by Centrelink-appointed social workers and case managers.

Income management and the outsourcing of its delivery is the local outcome of punitive federal welfare policies under the federal Abbott Coalition Government, which sought to reform federal welfare structures. In place of the balanced redistribution of wealth from federal tax receipts, recipients of government support, including long-term unemployed and low-income residents of Australia's most disadvantaged urban areas, have seen their payments cut to levels below the poverty line. At the same

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<sup>122</sup> Centrelink's income management program has operated throughout Australia in remote regions predominantly inhabited by indigenous Australians, and in urban or regional areas of major cities where manufacturing decline and deindustrialisation has contributed extensively to unemployment.

time, they have been forced to seek out opportunities in failing labour markets which can at most offer under-employment. Emma Sckrabei did not speak to this policy failure directly when interviewed. But her critique of the models within which Renewal SA's own policy responses were expected to operate nevertheless revealed the local experience of a long-term failure at federal level to exhibit any employment opportunities based on an industry policy for the advanced transformation of manufacturing:

There's a real disconnect between skill-sets in the north [...] when you take somebody who's coming out of Holden's or coming out of process production who doesn't have a high level of education attainment, doesn't have the numeracy and literacy capacity to be able to be re-skilled [...] there's a real mismatch of skills. So people say defence, or IT, or advanced manufacturing. Well that's all very well and good, but the skill-set of the majority of individuals in the north that are working currently don't have those skill-sets, but they [also] don't actually have the academic skills to be re-trained. So going forward over the next couple of years is going to be very interesting [...] there needs to be other areas of workforce development created [...] if you look at the amount of people working in the [...] manufacturing industry, there's no other industry, without re-training, that those people can just transfer into. So while it's all very well for state and federal government to say they're going to give all this funding to re-train these people, they have to be capable to be able to do that training, otherwise it's just going to fail<sup>123</sup>.

Despite the reality of declining industries and lack of employment opportunity in regions like Playford, unemployed people have been disciplined when failing to comply with workfare's market-based logic (Peck 2001). In the Playford case, federal government mandates have enforced work and residualised welfare as a right (ibid.: 9-10). The trend of labour market deregulation in Australia – from the Accord at federal level to the contemporary local experience in Playford – has exhibited what Peck (1996: 141) has termed the 'defensive' type of flexibility, in which the selective deregulation of labour markets individualises employment relations and sharpens competition.

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<sup>123</sup> Interview: Emma Sckrabei, 2015

This is obvious in Playford. The delivery of training-to-work programs with no prospect for employment implies a punitive form of welfare, shaped by neoliberal moralism at federal level (i.e. ‘the best form of welfare is a job’), and bluntly implemented at state level in response to economic crisis. Pressure on state governments to rationalise their expenditure will continue to increase, which means that only more of the same workfare policy – regardless of the guise it takes – can be expected when the regulatory oversight of even well-meaning programs like *Skills for All* and the other initiatives of *Our Jobs Plan* are framed within the neoliberalisation of the federal welfare state. Reforms have been driven by the government’s attempts to attract investment. But its strategy has departed from support for transformation of already-established industries and employment.

Policy responses under social-democratic governments have, at best, mitigated the speed and veracity of this transfer of wealth. At worst, they have embedded neoliberalism in the sub-national state and local government responses to the economic crisis of deindustrialisation. Interpreting the perspective of Lance Worrall – in his work, a long-time advocate for policy alternatives to neoliberalism (in Broomhill et al. 1994; in Spoehr & Worrall 2016; Worrall 1993; Worrall & Spoehr 2014) – it is evident that where the development of local institutions has been stifled, what is left may be a weak ‘defence’ at best:

There's nothing that I can see that compares to the sort of institutions you might need to do the job that needs to be done [...] there is some hope at the level of intermediate institutions [...] like regional innovation systems [...] but it's essentially a defensive position, it's basically trying to hang onto something that you have without losing the whole lot. It's a defensive posture<sup>124</sup>.

Despite the Weatherill Government’s repositioning of the state as a central administrative authority, its policy responses have lacked a significant degree of ‘institutional thickness’ for regional innovation. This refers to the role that local networks of economic, political and civic actors play in aiding the performance and operations of locally agglomerated industries (Amin 1999). The optimal kind of

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<sup>124</sup> Interview: Lance Worrall, 2015a

institutional thickness is that whereby local arrangements offer tacit characteristics of economic interaction that facilitate unique knowledge spillovers and relationships, which cannot be derived simply from the usual characteristics of agglomerations, like availability of suppliers, infrastructure, customers and labour markets (Kent 2014: 1).

The state is critical to this process. This is a point argued by Mariana Mazzucato (2015: 79), whose research into the US innovation system has found no linear relationship between R&D spending, company size, the number of patents and innovation in an economy. Mazzucato explained that an innovation system alone is not enough. Rather, a precursor for innovation to take place within a system is a highly-networked economy, with feedback loops established between diverse individuals and organisations which enables knowledge-sharing and boundary-spanning. Mazzucato's research has suggested that "[o]ver time, more impressive results can be achieved when the State is a major player operating within this system" (ibid.: 80).

The development of regional indices by Beer and Lester (2015) showed South Australia to be at a relative disadvantage to the more populous eastern states in terms of institutional thickness. Their measurement considered state legislative changes the greatest impact on the effectiveness of institutional developments to aid economic growth. In the SA case, the neoliberalisation of state intervention have been particularly detrimental to an industrial economy dependent on foreign investment instead of local capability development. The regulatory power of the state has shifted *Playford Alive's* goals of endogenous institutionally-driven regional economic development in Playford to a market-driven urban renewal reflecting state government priorities.

Where attempts to appease market forces have been implemented in the wake of crisis, economic changes in Playford have mostly just entrenched finance capital's extraction of local wealth for accumulation at global level. This has embedded a neoliberal regime of accumulation in regional economic development in place of the institutions that can aid industrial transformation driven by socio-economic goals. The evidence in this chapter has suggested that this lack of institution-building has not

come without the alternative policy foundations to embed them. When interviewed, the thoughts of a Senior Project Manager in Renewal SA suggested that neither have they come without warning:

We've had a political leader go overseas recently saying they're going to look at how the rustbelt economies of the US have fared when we've known this day was coming for more than ten years. How can we not divert a bit of money into something like that? It just beggars belief, really. We all saw it coming. Short-termism, insular thinking [...] and lack of policy leadership<sup>125</sup>.

#### **7.4.1 Interpreting the contradictory logic of 'actually existing' neoliberalism in South Australia**

The policy responses of the Rann and Weatherill governments in South Australia in the twenty-first century have expressed most effectively the conflict and contradiction at the heart of neoliberalism's logic. When it is applied in its practical form within existing institutional settings, governments quite evidently structure a range of institutions which most effectively complement capitalist production and facilitate its accumulation. Understanding this logic in Kotz's (2003) terms means interpreting institutional developments as ones which are either socially-regulationist in character, and thereby utilise the structures of the welfare state to promote sustainable social and industrial developments; or market-liberal in character, facilitating the deepening financialisation of accumulation and deregulating the markets that can make this a more efficient process.

At present, the regime of accumulation expands on an institutional structure which creates more freedoms for capital. Over the past decades, such an institutional structure has become embedded to create the competitive environment for greater capital investment – initially at SA State level, and with increasing focus as revealed in this chapter, at the Playford local government level. The specific logics through which neoliberal reforms have been actually practiced are outlined by Clarke (2004: 35-36). Specifically, these relate to 'direct privatisations' by Brown-Olsen Liberal Governments during the 1990s; the 'outsourcing' of public service delivery through contracting processes, 'public/private partnerships' that involve finance, capital projects and local economic development initiatives, and the

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<sup>125</sup> Interview: Senior Project Manager, Renewal SA 2016

creation of new markets, particularly for labour and community sector service delivery, all of which the Rann and Weatherill Government's policy responses were increasingly dependent upon in the twenty-first century. Transformations have been made possible in particular through neoliberalism's logics of transforming the state's role in the economy through marketisation and commodification of its services, through austerity, attempts to stimulate speculative property markets, and with labour market deregulation as a response to growing unemployment in the declining and deindustrialising manufacturing sector. At most, this project has only achieved the ideological goals of neoliberalism in terms of the way that, as is evident in much of the interview data, stakeholders and policymakers have begun to embody the logic of neoliberalism – as subjectivities that actively speak in terms of the state's illegitimacy in role of social or economic developer. Writ large, neoliberalism cannot exist in practice; but its actual practice in interaction with SA's institutional structures has produced a more complex scenario in which the state remains key interventionist regulator of neoliberal market institutions.

## **7.5 Conclusion**

This chapter has detailed the ways that the commitments of the Rann and Weatherill Labor governments to industrial transformation and new institutional developments in their policy responses to deindustrialisation are limited by their implementation on South Australia's already-neoliberalised political-economic foundations. Because of this, alternative approaches to deindustrialisation at local level in Playford are consistently stifled by state government policy responses to the region's issues, particularly as the economic rejuvenation of Playford has increased with importance to the State's economy. Under Rann, this was chiefly exhibited in the neglect of industry policy, where a mining boom was expected to ease the State's economic woes; and under Weatherill, a reactionary post-GFC response to crisis has been exhibited in the deeper neoliberalisation of policy development in the Playford region. Key examples in this chapter demonstrated the neoliberal deregulation of labour and training markets and service delivery. This is evident in state government policymaking for the Playford region in attempts to make the State and its economy appear attractive to outside investment, even as the automotive industry unravels despite its centrality to industrial transformation.

The purpose of this chapter was to investigate the impact of the neoliberal era of globalisation on state intervention, and its implications for the Rann and Weatherill Governments' responses to the economic crisis South Australia faces in manufacturing deindustrialisation. It revealed that, as local regions have become sites of great importance for competition in the global economy, the Rann and Weatherill Governments have focused industrial transformation strategies on the City of Playford in Adelaide's north, where the Holden closure will occur in 2017. However, in this focus on raising regional innovation and competitiveness, Rann and Weatherill Governments have inherited path-dependent neoliberal policy responses from a history of market-oriented changes to state intervention at federal and state levels of government in Australia under neoliberal globalisation. In response to the GFC, the neoliberalisation of policy intervention has become increasingly apparent. Labour market, welfare and social service delivery reforms have all exhibited neoliberal turns.

Thus, the impact of global market forces, and the neoliberalisation of the state's role in policy implementation as a response to federal funding conditions have been severely damaging to Playford's chances of generating sustainable long-term outcomes. This has been clear in the effects of the South Australian government's deregulation of training and employment programs, and the marketisation of the mechanisms that fund the community sector tasked with delivering state government policy. Analysis of the state's interventionist response to the impact of manufacturing decline, and the potential implications of deindustrialisation in the Playford region point towards the increasing influence of neoliberalism on the state government's interventionist policy responses. Attempts to create suitable market conditions for global capital investment have not been abandoned in favour of more robust institutional developments, and this reality must be questioned at both federal and state levels.

## 8 Conclusion

[I]t is up to us to invent institutions and formations that are not less but more representative, and more sincere in expressing the real conflicts, giving citizens back the power to influence governmental choices.

Étienne Balibar (2017)

This thesis set out to investigate the policy responses of governments in Australia and South Australia to processes of industrialisation and deindustrialisation. From a historical perspective of political-economic change, it sought answers about the impact of neoliberalism on the government policy responses that have shaped state intervention during each transformative period. This perspective has been important to the thesis' analysis, as it has observed how the state's interventionist role in industrialisation in Australia has remained a constant feature of the nation's development – interacting with, and adapting to, political-economic change at federal, state and local levels.

Federal and state governments were instrumental in establishing an institutional framework for patterns of industrialisation to emerge in the early decades of Australia's Federation. They aided the subsequent development and embedding of social protections that guided Australia's economy and society out of economic crisis into a post-war period of exponential growth. This helped Australia to enter the global period as a developed economy. However, the era of neoliberal globalisation represented a significant shift in the policymaking role of the state towards the neoliberal market-driven transformation of established state institutions. This has had a negative impact on the development of SA's economy, and on the social institutions that have structured its transformation.

The increased impact of market-oriented government policy responses on industrial development has failed to counter deindustrialisation in the economy. To make this argument, the thesis has drawn upon a body of Marxist and Institutionalist theory to provide an analysis of deindustrialisation as the result of a crisis of accumulation and social regulation. This crisis has been enhanced by a neoliberal social

structure of accumulation which has favoured the development of the global economy via unproductive industries, particularly finance, at the expense of manufacturing industries that produce more effective economic outcomes for a broader stratum of society. It is evident that neoliberal globalisation has entailed a stage of capitalist development based upon the dominance of capital over labour (Wolfson 2003). The theory of capitalist regulation has showed that the capitalist system of accumulation, being prone to crises borne of its own contradictions, can only expand sustainably over an extended period when it is embedded in a stable regulatory arrangement capable of balancing accumulation with social regulation. Neoliberalism, in its 'actually existing' form exemplified by policy responses of government, has failed to provide the kind of institutional balance that produces social benefits alongside buoyant capitalist growth.

The neoliberalisation of state intervention has not been accompanied by any stabilising institutional arrangement in this regard. The speculative finance-driven growth of global markets does not translate to effective productive industrial outcomes that redistribute wealth to societies through industrial expansion supported by social institutions. Neoliberalism has guaranteed the expansion of capital at the expense of labour. However, the economy's neoliberalisation has propelled the system towards crisis. To avoid crisis, capital must consistently seek out new areas of commodification for financial investment.

Where has Australia featured in this process of global capital accumulation? The thesis has investigated how the political practice of neoliberalism in Australia has differed extensively from neoliberal ideology. Specifically, the influence of neoliberalism on government policy responses to deindustrialisation has not diminished the state's regulatory role in the economy. Rather, the interventionist role of the state has shifted to the regulation of neoliberal policy solutions that unravel the economy's social embeddedness. The economy's ongoing development has been increasingly embedded in market-based mechanisms as the outcome of 'actually existing' neoliberal government policy responses driven by state intervention. This expression of neoliberalism has had significant implications for the social protections enshrined in Australia's development.

Under conditions of neoliberal globalisation, federal governments in Australia have sought to enhance the efficiency and global competitiveness of Australia's industrial economy. To do this, they have progressively exposed society to global market forces through the neoliberal deregulation of labour markets, privatisation of public assets, and commodification of societal norms. Policy responses of Whitlam Labor and Fraser Coalition Governments first introduced economic-rationalist principles into macroeconomic policymaking in the 1970s. The Hawke-Keating Labor Governments embedded neoliberalism with their microeconomic reforms to finance, industry and labour markets, effectively adopting a market orientation to economic transformation by neutralising the adversarial position of labour in industrial relations.

Moving Australia into the twenty-first century, the Howard Coalition and Rudd-Gillard Labor Governments embraced neoliberalism, the latter at first critically counteracting Australia's neoliberal trajectory in a return to active policy responses, but ultimately arriving at the same microeconomic program of reform that began with their Labor predecessors in the 1980s. The Abbott Government, following several decades of neglect of active economic policies capable of transforming manufacturing, oversaw the end of automotive manufacturing, and along with it, the central platform of Australia's one-hundred-year-old manufacturing industry. The interventions of these governments to enhance competitive economic development has not been achieved by positive state interventions to transform existing social institutions through alternative responses to neoliberalism.

In Chapter 5, the thesis challenged the contention of scholars that neoliberalism is a problematic concept, given that neoliberalism in its practice has in barely any ways reflected its theory. I sought to confront this argument by rejecting the necessity to essentialise neoliberal practice as a pure expression of theory. The 'actually existing neoliberalism' concept has been argued to be the most useful tool with which to analyse the Australian experience of neoliberal globalisation. Understanding the paradoxical nature of neoliberalism as its actual, and only possible, way of existing justifies a view of neoliberal reforms throughout the last forty years as consistently in conflict with historical institutional structures,

and in ongoing contradiction with the rhetoric of governments that promote market-oriented and market-driven reforms to Australia's political economy.

The empirical case for the local institutional impact of this conflicting nature of neoliberalism was elaborated at the more local level of political economy, revealing tensions between the reality of the South Australian local-state's record of 'enterprising' state intervention, and the growing influence of neoliberalism over the political economy at the federal level. This thesis has therefore focused on investigating the specific character of 'actually existing neoliberalism' in South Australia as a specific and unique case of neoliberal political-economic change within Australia's neoliberalisation. It has found that the neoliberalisation of state intervention in SA has varied over the decades of globalisation, being expressed within the federal neoliberal political economy to either further embed neoliberalism, or where alternative policy responses become possible, attempt to challenge neoliberalism and embed institutionally-driven economic transformations.

However, the empirical portion of this policy critique has revealed that the impact of neoliberalism on the historically interventionist state has limited the alternatives for social-democratic Labor governments to embed the economy in social institutions. Initially, the Dunstan Labor Government sought to adopt a transformative state approach to change with significant economic diversification initiatives to build industrial resilience against global industrial restructuring. But opportunities for diversification were limited by a historically narrow industrial base, and new industrial developments never managed to replace the importance of manufacturing's contribution to economic complexity.

Many of the Bannon Labor Government's policy responses to the development of a high-technology based economy failed to achieve sustainable outcomes. Absent the diversity of manufacturing industry, these were largely premised on attempts to attract foreign capital investment through processes of local neoliberal restructuring. Crisis struck in this entrepreneurial approach to industrial transformation when the Bannon Government adopted a far more neoliberal approach to South Australia's finance industry, a policy logic made possible within the federal context of the Hawke-Keating Government's

competition-enhancing microeconomic reforms to Australia's finance sector. The sale of SA's State Bank drove the State's economy into recession when the Bank's assets collapsed, reflecting the unproductive conditions of its declining industrial economy.

Over a decade in the 1990s, the Brown-Olsen Liberal Government launched an unprecedented neoliberal austerity program, using the crisis of economic recession and the need to create a competitive environment as justification for selling off key public assets and reducing public employment. By the end of the 1990s, after South Australia's public assets had been largely privatised, labour power eroded, and further sectors of the economy deregulated, neoliberalism had become embedded in the policy responses of governments, with further state intervention bound to a path of 'actually existing' neoliberalism.

Thus, the social-democratic policy agendas of both Rann and Weatherill Labor Governments have been produced on a landscape deeply transformed by more than two decades of neoliberal reform in South Australia. The 'actually existing' neoliberalism embedded in policy responses over an era of global economic restructuring has narrowed the ability of these governments to mobilise the interventionist state and deliver on their social justice objectives in any other way than through attempts to first make the State a globally-competitive investment location. Effectively, this draws on the role of the state in the social structures of accumulation theory's reconfiguration of the neoliberal SSA as a framing institutional arrangement. Though not delivering dynamic economic growth, the neoliberal SSA has nevertheless stabilised capitalist expansion and at the expense of labour.

The neoliberal SSA's local South Australian expression is one of existence alongside an array of conditioning social, political and economic institutions with a long history of influence over the shaping of economic development in the State. Where this has not represented a 'pure' form of neoliberalism simply lifted from an abstract international rule-regime and layered upon a local political-economic landscape, the project has influenced policy responses in its 'actually existing' form. Evidence of this reality is provided in Chapters 6 and 7, where interviews with stakeholders in processes of neoliberal

change at state level provided informed insight to the growth in state solutions to economic crisis resulting in various forms of market-oriented reforms, and transformations to the state's role in delivering social and economic change that placed increased emphasis on the community and private sector to achieve positive outcomes.

Significantly, the thesis has shown that 'actually existing neoliberalism' is a valid tool for interpreting this transformation, as the state is always the central legitimising institution of a new regime of accumulation. It is evident that social-democratic governments in South Australia in the post-GFC period have experienced major barriers to the enactment of socially-oriented, democratic institutional reforms. Policy responses have reinforced the market orientation of state intervention, with little or no opportunity for the influence of policy alternatives over transformation. Whereas the networked political action of social actors in South Australia leveraged state support to legitimise new institutional arrangements and industrialise the State, the influence of neoliberalism over government policy responses has legitimised only market-driven state interventions and limited opportunities for institutionally-driven transformation of the economy, particularly at regional level where it has been most necessary.

What lessons can be taken away from the possible social and economic trajectory Australia is currently on, given their influence over the local expression of crisis in South Australia? This thesis has examined the extent to which the policy responses of governments in South Australia have contradicted, or worked within, the neoliberalisation of Australia's federal political economy in the present era of globalisation. Its conclusions are based on evidence that neoliberal policy responses have altered the role of government in Australia's industrial development, and are developed from the thesis' historical analysis of the political-economic institutions that have shaped industrial conditions in Australia and South Australia.

The regime of accumulation and mode of social regulation embedded in response to the economic crisis of the Great Depression, institutionalised in the post-war period of industrialisation, has been

dismantled by government policies that shape neoliberal political-economic state intervention. This has been a major factor in the extensive decline of the manufacturing sector, and the deindustrialisation of the automotive industry in particular. Freeing up markets continues to be viewed as the solution to crisis, despite the alternative policy responses offered by social organisations to highlight the advantage of institutionally-driven responses to global change.

The experience of 'actually existing' neoliberalism in Australia during the present era of globalisation clearly details the way that state intervention has been central to shaping the regulation of capitalist accumulation at the federal level in Australia and at the state level in South Australia. However, it also makes clear that it is only when government's policy reforms enhance social institutions that a substantive economy which serves social aims can be developed. This is of critical importance because, as this thesis has demonstrated, within the neoliberal strictures of policy, tough decisions about how a sustainable social and economic future can be built are avoided in favour of a political-economic regulatory structure that serves only capital accumulation, despite the intentions of interventionist social-democratic governments.

In South Australia's case, this is visible in contemporary state interventions where neoliberal government policy responses to attract global investment as an economic 'silver bullet' – even where damaging to both society and environment – have positioned the state as the key facilitator of neoliberalism's global hegemonic expression at the local level and not created the institutional structures to sustainably transform the economy out of crisis. Neoliberal policy responses have secured a regime of accumulation that crowds out alternatives for socially-driven economic growth.

The neoliberalisation of state intervention has failed to help build social institutions that are effective. This has meant efforts to sustain and transform the State's industrial structure have been weak. Local initiatives are based on only the appearance of transformation through collaborative partnerships, without any linkage to progressive initiatives like full employment, or a focus on the specific social and economic capabilities and needs of regions to build competitive industrial clusters. Achieving

sustainable outcomes requires governments looking to more than just markets for answers, and instead creating policy responses that increase the state's socially-driven regulation of markets to offset capital's inclination to crisis.

South Australia has been left with a policy response to crisis that is idealistic in its vision for innovation, but which operates through mandated neoliberal mechanisms that limit opportunities for new and alternate political-economic turns. Although numerous institutionally-driven policies for industrial transformation have been pursued by federal and South Australian governments, and by social institutions like labour unions, during the period of industrialisation, these have failed to gain traction when proposed within a neoliberal paradigm.

The situation in South Australia represents just one specific case of a neoliberal project that reaches across the globe, and which has been implemented with devastating effect in the Anglophone nations. Despite the moderating forces of historic institutional structures that make each individual case empirically unique, neoliberalism seeks global market homogeneity through such heterogeneous local expressions. Thus, what has made the original contribution of this thesis important to research in political economy is that, despite the social-democratic political orientation and aims to develop institutions for industrial transformation of recent South Australian Labor government policy responses, the adherence of state intervention to narrow neoliberal policy mechanisms has led to the production of 'fast' policy based on the transfer of neoliberal ideas from market-based experiments in other national and international jurisdictions to local settings (Peck & Theodore 2015). Future research on this topic may seek to focus on the way "that *making policies work* very often remains a hands-on, messy, and very much "local" affair" (ibid.: xvii, emphasis in original). As Peck and Theodore proffer, problematising the local situation of neoliberal 'fast' policy means exploring:

both the connections and contradictions between the smooth spaces imagined and made by global policy models and the more mundane and "sticky" reality of day-to-day delivery, between the apparently limitless world of the business-class policy guru and peripatetic consultant on the one

hand, and the more circumscribed spheres inhabited by local administrators, stakeholders, and frontline workers on the other (ibid.).

Chapters 6 and 7 have attempted, through a Grounded methodological approach, to provide a more extensive investigation of the 'stickiness' which, as became apparent in this research on conditions in Playford, also extends to other spheres of state government policymaking, and which therefore indicates how neoliberalism has extensively replaced opportunities for state intervention to augment an socially-embedded regime of accumulation. In regard to the empirical findings of regional economic development in Playford as a response to the crisis of manufacturing deindustrialisation, positive industry policies have been mobilised through neoliberal state interventions that dull the social outcomes and ultimately further exacerbate the inequalities being pronounced by a response to economic crisis which ostensibly benefits the interests of capital at the expense of labour's ability to participate in the process of reform. Notably, local policymakers interviewed frequently spoke in terms of deindustrialisation as an 'economic transition' rather than a crisis. Instead of producing policy responses that build on SA's institutional strengths, they simply reproduce new iterations of the 'entrepreneurial city' and an urban environment suited to attracting the 'creative class' evangelised by Richard Florida (2002).

Entrepreneurial policy responses lack any analysis of capitalist society's class relations. They contain only the same hollow neoliberal solutions to a crisis perpetuated by financial speculation, deregulation and commodification of deindustrialised urban space that serve to enhance the wealth of a globally-mobile elite (Krätke 2010). Where during interviews in this thesis, several de-identified policymakers spoke 'off the record', they criticised the South Australian government's major focus on attracting what Thomas Frank (2016: 197) has, in the US context, named the 'innovation class'. This suggests that the neoliberal approach to addressing economic transformation in SA won't change any time soon. Neoliberal government policy has politicised state bureaucratic decision-making, and imposed the contradictions of a 'There is No Alternative' mindset. This shapes decision-making in the State's policymaking circles even as around them collapse the industries and labour movements – and by

association, public institutions – that have underscored the affluence and privilege enjoyed by the bureaucrats and ‘innovation class’. But often – as is the case in Playford – the growing misery of once-proud working-class communities is veiled by its isolation in the outer limits of urban conurbations, far beyond the vision (or concern) of inner-city ‘creative types’.

The focus of policymakers on partnership-building without the commensurate resources is yet another symptom of a failure of state governments to offer policy responses that embed robust institutions for economic transformation. This has had negative implications for the efficacy of regionally-specific responses to deindustrialisation. Policymaking attempts involving collaboration between government, business and the local community to develop projects driven by local actors and networks with a regionally-specific mandate have been overlooked by state government policies that operate within a paradigm of neoliberal economic development. In the absence of robust institutional structures to regulate South Australia’s regime of accumulation and mode of social regulation, state intervention has been contextualised within a federal neoliberal political economy, and reproduced in government policy responses at state and local level, with detrimental impact on employment and public services.

Therefore, this thesis highlights the reality that South Australia’s failures must be interpreted within the structure of Australia’s federal neoliberal political economy. This is one which privileges the extension of market-fundamentalist ideological dominance in the formulation of local responses to crisis. This has narrowed the selection of policy responses – a fact to which the history of SA policy experimentation attests. Where these patterns are seen at multiple levels of government, and have produced negative effects, the legitimacy of neoliberal responses to national and local issues must be questioned, and alternatives mobilised.

Such is the case of this path-dependence in the South Australian context that attempts to forge new institutions have largely failed to impact the decision-making processes and policy outcomes of governments. This is the case, even though numerous thinkers have, throughout the global era, backed institutionally-driven pathways and presented positions for industrial developments that take

advantage of knowledge and innovation for global competitiveness, particularly at local level where they are most effective.

The failure of these ideas to influence changes can be directly linked to the impact of a federal neoliberal political economy on state government responses to the challenges faced in SA's industrial development. In turn, this has had a damaging impact on the State's embedded institutional structures developed in the post-war period, and produced barriers to opportunities for pursuit of alternative policy responses. Only by charting a social-democratic course away from neoliberalism, towards more socially-oriented institutional reforms, will local, state and federal governments be capable of maximising the opportunities of the twenty-first century global economy.

The neoliberalisation of state intervention has had consequences for economic complexity, at both Australian federal and South Australian state levels. The range of things Australia is able to make has diminished the knowledge value of its exports, and so significantly reduced the range of opportunities to compete in high-value global markets. This thesis has highlighted how, in neoliberal era of globalisation, the comparative advantage of a vast natural resource endowment brought extraordinary wealth to Australia. Although resource-based industries may generate great profits, mining booms are always followed by busts and add very little knowledge value to economies. Thus, mining alone provides little long-term advantage to nations that wish to develop the innovations that can propel them into the future. To maintain a sustainable standard of living – and as is the contention in Nicholas Kaldor's original argument about the importance of industrialisation – nations must make things.

What the findings of this thesis have revealed is that Australia remains affixed to solving long-term problems with short-term solutions. It risks losing the ability to sustain a viable manufacturing sector, given a failure to cultivate sustainable change based on innovative ideas. This failure is linked to an inability to maintain strong social institutions, given the influence of neoliberalism over state intervention. Prioritising capital accumulation has reinforced the global market orientation of local-state

responses to a crisis of global capital, in place of supporting the development of socially-oriented and, where necessary, regionally-specific political and economic frameworks for sustainable change.

Given the long abandonment at federal level of any strategy for institutionally-driven alternatives to market-driven industrial transformation, South Australia has been at a major global disadvantage. In the absence of a federal government policy framework for transformative state intervention, SA is bound to a neoliberal policy pathway embedded within an already-neoliberalised political-economic landscape. Sustainable alternative institutions will likely only be created with at most, structural changes to the policy responses of governments at federal level; and at least, a re-orientation of their priorities towards social justice and economic fairness in pursuit of the innovative activities that build economic complexity. As Australia now faces a crisis of the loss of manufacturing complexity, only significant political-economic change, and alternative policy responses capable of promoting new institutional formations within it, can achieve positive social and economic transformation in South Australia, and in Australia.

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# 10 Appendix

## 10.1 Participant Information Sheet



### PARTICIPANT INFORMATION SHEET

**PROJECT TITLE:** Economic crises and the wicked problems of urban and industrial rejuvenation in post-GFC Playford

**PRINCIPAL INVESTIGATOR/S:** A/Professor Ray Broomhill; Professor John Spoehr

**STUDENT RESEARCHER:** Mark Dean

**STUDENT'S DEGREE:** PhD in Social Sciences (Gender Studies & Social Analysis)

Dear Participant,

You are invited to participate in the research project described below.

*What is the project about?*

This project is about the impact of industry and economic policy changes on Australian manufacturing regions, particularly in the era of globalisation since the 1970s. It seeks to understand the trends of government policy at federal, state and local levels as they have adapted to global market competition, and the impacts that these trends have had on local regions hit by manufacturing de-industrialisation.

The project focuses a case study on Playford, one of Australia's most vulnerable manufacturing regions. It considers how government, private and community institutions have responded to manufacturing de-industrialisation, and what institutional capacity is required for South Australia to positively transform its manufacturing industries in the face of challenging national and global economic conditions. The primary questions of this project thus ask: what have been the policy responses of government at multiple levels to de-industrialisation in the era of globalisation?; and what capacity exists in South Australia's institutions for positive industrial transformation?

*Who is undertaking the project?*

This project is being conducted by Mark Dean, PhD Candidate in the School of Social Sciences at The University of Adelaide.

This research will form the basis for the degree of Doctor of Philosophy at the University of Adelaide under the supervision of Associate Professor John Spoehr and Associate Professor Ray Broomhill.

*Why am I being invited to participate?*

Associate Professor John Spoehr has identified you as someone participating in a project in Playford where the integrated partnership approach engages stakeholders in collaborative policymaking processes. This means you represent the interests of either government, non-government organisations and service providers, industry and business, minority groups, or the general public. So we are interested in learning more about your experiences representing one of these organisations or groups in processes designed to encourage cooperation, collaboration, inclusion and equal opportunity to have a say on important issues.

*What will I be asked to do?*

The project asks you to participate in an interview. You will be asked to respond to a series of questions about your experiences of partnerships for policy-making in Playford. These partnerships may be between local government and different levels of government, business, industry and the community/not-for-profit sector. Some questions will relate to your attitudes towards partnerships, your impressions of effectiveness, and your personal values and opinions of the process. Your responses to interview questions will be audio recorded, and the interview will take place where and when works best for you. The interview is designed to flow as a

conversation where you will have an opportunity to share your knowledge and experience and where I may seek to ask you further questions about particular points that you raise.

*How much time will the project take?*

Your participation in an interview will take no more than an hour. If we run over time, you may be asked for a second interview. But your participation is voluntary, so a follow-up meeting is entirely up to you. Any time you're willing to share will be very useful to the project. Any time you can spend being interviewed will be very much appreciated. You may also be asked to recommend further potential interview participants.

*Are there any risks associated with participating in this project?*

No risks are foreseen in your participation. You will be given the choice to be made anonymous in the way your answers are recorded, and all interviews will take place in a safe environment, such as your office, office building, or on the University of Adelaide campus. The relatively small number of people being interviewed (approximately 30 people) means that we cannot guarantee your participation will not be known to other people working in your field and on the same projects. However, because you can be made anonymous in the way your answers are recorded, there is no risk of anyone else knowing what you've said in interviews if you so request. In the event of anything going wrong or any risks emerging, The University of Adelaide's Legal and Risk unit will be notified to follow up and make a report.

*What are the benefits of the research project?*

Participants will share their thoughts and experiences in a project that is important for investigating how projects are carried out in Playford. So the benefit of participating is firstly in making a contribution to the knowledge we have about the partnerships approach and what it may have to offer for socio-economic development in the region. However, there is no guarantee that participants will gain more benefit than this, which is why your participation is completely voluntary.

*Can I withdraw from the project?*

Yes – if you agree to participate, you can withdraw from the study at any time.

*What will happen to my information?*

The recording of your interview will be transcribed by the researcher and kept electronically on a PC at The University of Adelaide that is password protected and used only by the researcher. After it has been copied to PC, recordings will be deleted from the audio recorder but retained in accordance with the Australian Code for the Responsible Conduct of Research. However only the researcher will have access to the raw data obtained and retained. Results will be reported in the format of a PhD thesis, and may be published in part in either journal publications or as papers delivered at conferences. Participants that wish to remain anonymous will not be identified in any publications produced. Participants will be provided with a summary of findings upon completion of the project if they are interested. Interview data collected will be retained in a secure location at The University of Adelaide for no more than 5 years from the date of the project's completion in 2017.

*Who do I contact if I have questions about the project?*

Participants can contact the researcher by emailing [mark.dean@adelaide.edu.au](mailto:mark.dean@adelaide.edu.au) or by phoning 8313 3723. Should participants have queries for the research supervisor, they can email [john.spoehr@adelaide.edu.au](mailto:john.spoehr@adelaide.edu.au) or phone 8313 3350.

*What if I have a complaint or any concerns?*

The study has been approved by the Human Research Ethics Committee at the University of Adelaide (approval number **H-2014-166**). If you have questions or problems associated with the practical aspects of your participation in the project, or wish to raise a concern or complaint about the project, then you should consult the Principal Investigator. Contact the Human Research Ethics Committee's Secretariat on phone (08) 8313 6028 or by email to [hrec@adelaide.edu.au](mailto:hrec@adelaide.edu.au). If you wish to speak with an independent person regarding concerns or a complaint, the University's policy on research involving human participants, or your rights as a participant. Any complaint or concern will be treated in confidence and fully investigated. You will be informed of the outcome.

## 10.2 Participant Consent Form

### CONSENT FORM

1. I have read the attached Information Sheet and agree to take part in the following research project:

<b>Title:</b>	<b>Economic Crises and the Wicked Problems of Urban Rejuvenation in post-GFC Playford (Human Research Ethics Committee project title)</b>
<b>Ethics Approval Number:</b>	<b>H-2014-166</b>

2. I have had the project, so far as it affects me, fully explained to my satisfaction by the research worker. My consent is given freely.
3. Although I understand the purpose of the research project it has also been explained that involvement may not be of any benefit to me.
4. I have been informed that, while information gained during the study may be published, *I reserve the option to not be identified and to not have my personal results divulged.*
5. I request to be de-identified in the results. Yes  No
6. I understand that I am free to withdraw from the project at any time.
7. I agree to the interview being audio recorded. Yes  No
8. I am aware that I should keep a copy of this Consent Form, when completed, and the attached Information Sheet.

#### Participant to complete:

Name: \_\_\_\_\_ Signature: \_\_\_\_\_  
Date: \_\_\_\_\_

#### Researcher/Witness to complete:

I have described the nature of the research to \_\_\_\_\_

*(print name of participant)*

and in my opinion she/he understood the explanation.

Signature: \_\_\_\_\_ Position: \_\_\_\_\_  
Date: \_\_\_\_\_