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An Economy is Not a Society

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Dr Dennis Glover

My name is Dennis Glover and I'm not an economist. I think that admirably qualifies me to talk about the subject matter of this conference, which is how we put communities back in control. Because communities are only ever in control when the economists are not - or at least when the wrong sort of economists are not. I may not be an economist, but one confession I have to make is that I'm middleclass. But that wasn't always that case. I grew up in a community that used to be working class, but now hardly works at all. It's a community that used to be in control, but now has lost control of its own destiny because it's under the control of an economy that doesn't care about it. It's a community that once was better than it is now, when the people, not the economic reformers, were in control of our society. Let me tell you about it.

It starts with a journey. In December 2013, I attended a children's birthday party for my older sister's granddaughter. It was at Myuna Farm, a community farm and employment project next to the neighbourhood in which I grew up in Doveton. Is anyone here familiar with Doveton? Yeah, a lot of people. You may have read about it, perhaps on the front page, where stories about its unemployment rate, its poverty rate, its imprisonment rate, its drug turf wars, and its savage murders, occasionally appear.

Doveton is a suburb created by the Victorian Housing Commission in the mid-1950s to the late 1960s to house the people employed in the big factories opening up in Dandenong next door. We should think of Doveton the way we think of those communities that philanthropists like the Cadbury family and Robert Owen set-up for the working class in 19th century England – semi-utopian in its moral ambition. We don't think of the Housing Commission that way, but we should, especially in an age when we don't invest in public housing at all and working class people can't even dream of ever owning a home. And I think we could solve a lot of our problems today by investing strongly in public housing – something we're not doing at all.

Anyway, I was early to the family party and, with time to spare, I diverted through the suburb and the street I grew up in, for old time's sake, and what I saw upset me. Now, I've been through the area, and even the street, regularly off and on since I left it to go to university when I was 18. My family still lives nearby. But this time it felt different – poorer, and even shocking. My father had recently passed away and, starting at my old broken down home, now an illegal commercial car junkyard in the middle of a suburban street, it brought back a lot of memories. I guess it was this emotional state that led me, as soon as I got home, to write an essay about it that I eventually turned into a book, which came out last year – *An Economy is Not A Society*. And at the heart of that book lies a memory.

You see, I'm old enough to remember when Doveton and other working class places like it were prosperous; when people who worked in factories weren't poor - weren't the working

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poor, but the working class. Now, people tend not to know this – they assume that places like Doveton were always poor, always had high unemployment, were always full of people on welfare. But it's not true. And this fact is essential to understand just what has gone wrong with Doveton and, indeed, with us.

Doveton was built to house the workers in the three big factories built along the Princes Highway in the mid-1950s onwards - General Motors Holden, Heinz, and International Harvester among them. At the height of the 1960s, 70s and early 80s, those three factories alone, just three factories, had 7,500 jobs. The suburb of Doveton had 2,500 houses. Do the maths – that's three jobs for every home. And I know this because my father, my mother and my older sister worked in them and in the university holidays, I did too. Three jobs in our home. We were average. Today, that would mean a working class family on about \$150,000 a year. Not bad.

Unemployment back then in Doveton hovered around 1-2%. The people of Doveton were working class, but they were far from poor. Their unionised jobs gave them good wages and conditions. Their streets were well-designed and pleasant; their bright little shopping centres were full of customers; their children went to university even before going to university was the norm. All of my close friends from my working class childhood went to university or TAFE and became engineers and psychologists and accountants and insurance executives and politicians and, yes, even bankers. They are still my close friends, even the bankers. We had lunch last Friday. The local Labor Party branches in Doveton, not yet controlled by hopeless right wing union placement, selected the best locals for parliament. But today, after 30 years of glorious economic reform, those three factories are all but gone. The 7,500 jobs have been turned into 540 jobs, and half of those will disappear when GMH and all the other car plants close down next year. Three jobs to every home from those factories is now one job to every five homes.

I've recently done some research on Morwell, a place synonymous with welfare dependency and tragedy. It has an unemployment rate of 12.5% - twice the State-wide average. Well, Doveton's unemployment rate is over 21% - three and a half times the State average. At the height of Paul Keating's recession we had to have, which was in many ways an extinction-level event for old Australia, it was only 19%. Doveton's Labor Party is bereft of ideas, its unions are broken, and as a result those with jobs are often trapped on the minimum wage. Its streets are smashed up, littered with broken and rusting cars. Its shopping strips are full of \$2 shops and charity shops – four in one strip alone. The last two times I went there, my old shopping street had had break-ins; its schools are mostly closed, and the local high school principal told me he didn't expect a single one of his students to get to university – not a single one. It's just heartbreaking for someone like me.

So it's no surprise Doveton's Magistrates Court is full of people whose problems with drugs and alcohol and depression are related back to their inability to make it safely from school to

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work. Doveton, along with similar places like Corio and Norlane in Geelong – an unemployment rate of 20.7%; Broadmeadows, Campbellfield – 21.7% and Elizabeth in South Australia – 33.6% (and *its* factories are yet to shut). These places are proof positive that the promise of economic reform was only meant for some.

Now, the statistics I've just quoted tell us something, but not everything. I actually dislike data because data statistics, algorithms and so on often stop us thinking through the full implications of the issue that we're discussing. Only stories tell us what's really happening. And I heard the most disturbing one of all not long ago. At a friend's birthday party, I got talking to someone who runs a small manufacturing business with about 20 employees right on the boundary of Doveton and Dandenong. He said his employees had recently told him of two disturbing developments near their workplace. It helps to know that this man has two daughters.

The first story is that in the streets around his small factory, in 2014, there was a vicious and possibly sexually motivated knife murder of a young woman. Women are openly picked up by trawling clients off these back streets and, on one occasion, a familiar looking group of them gathered together on a back street and were picked up by a mini bus. We can only speculate as to where they were going and for what purpose.

The second story came from an employee who was watching a family of two parents and a child sitting in a parked car in the same Doveton back streets. The driver's side window was down and the mother, a young mother, was hanging her arm out – not unusual itself on a warm day – except that a drug dealer was sticking a syringe into that arm. And I want you to think about that image and about that woman and her husband and her family. And then I want you to remember: Doveton wasn't always like this. It wasn't always poor. It used to be successful and affluent. Doveton and places like it are the suburbs that were murdered.

And our economic reformers, with their philosophy of creative destruction, are the guilty party in this. But this is something bigger – much bigger than just a failure. The scale of the changes that have happened in places like Doveton, where the big factories are gone and the well-paying jobs are gone and the affluence and upward mobility are gone and the realistic hopes of thousands of people are gone, tells you that economic reform has brought about something far more profound than failure.

What's happened in Australia in the last thirty years, between the mid-1980s and today, wasn't economic reform, it was an economic revolution – one that the little people lost. And it was the moment when our communities, especially our working class communities, lost control of their own destiny. The old economic, social and political world has been swept away and we have to confront that fact and change our thinking accordingly. The economic reformists who began all this change in the 1980s and 1990s promised us that greater productivity by leading to higher economic growth would make all of our communities wealthier; that all boats would

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float as the tide rose and everyone could aspire to something better. They're still saying it. Growth first, distribution second. Even they couldn't have dreamed that their high tide would last for so long, but here it is, in the Year 2016, Australia rich, Doveton and other places like it poor – for 30 years – a generation and a half. Why?

Well, it comes down, I think, to this. We used to create wealth by including places like Doveton. Now we create wealth by excluding them. In the thirty years after the second World War, we built an economy that included all Australians in the creation and enjoyment of our prosperity – creation, as well as enjoyment. And in the last thirty years, by carrying through ruthlessly and heartlessly, a one-sided economic revolution, we have created an economy that excludes millions of Australians from the creation and enjoyment of our prosperity. That's why the Dovetons are poor – not because their people are lazy or unworthy, but because unions have let them down and prevented even more reform, because of the failings of the welfare State. It's because we ripped the economy out from under them.

So how did this happen? How did this transformation of our economy and society away from its egalitarian high tide succeed? I believe it comes down to the power of an idea; a very literally revolutionary idea that has become the dominant political and economic idea of our times. The idea of economic reform or, one should say more accurately, the story of economic reform. Because a story can change the world. For the last 25 years we've been sold a mesmerising national story that has reworked recent Australian economic, social and political history into a one-sided narrative all about economic reform.

It goes like this. We entered the 1970s looking for economic trouble. Our government was too big; our taxes too high; our workforce too unionised; our trade too regulated; our society too insular and too unsophisticated. Places like Doveton had it too easy. In short, we were almost criminally complacent, stuck in the ideas of federation, more like a communist bloc economy than a market economy, thoroughly deserving of the reckoning that was about to come. You can read this sort of thing any day of the week by Paul Kelly or any other big economic theorists in our newspapers. Then, just as time was running out, we were rescued by a class of heroic policy makers – men of courage and genius who hardened their hearts against the cries of the losers from change and began an era of reform that removed the economic protections, sold public assets, slashed tax rates, abolished wage fixing, discovered Asia, made us competitive again and set us up for a quarter of a century of uninterrupted economic growth, at the end of which we think we have the right to tell the world how it should be done. There was no other way, supposedly, than their way and now, despite the fact we're told it has all succeed so well, they tell us we need to turn around and do it over and over and over again in a form of permanent economic revolution.

But is this really an accurate portrayal of what happened? Because at the time, this pre-reform economic past didn't seem all that bad. In fact, to lots of Australians, it seemed very successful, delivering many things whose passing we now frequently lament – full

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employment, job security, high rates of home ownership and a more relaxed lifestyle, weekends off, annual holidays at Christmas – remember them. The reform boosters have rewritten the past to suit their cause, writing out all of the success.

Now, I'm a great follower of the writer George Orwell and he could, of course, explain why this story was necessary. He recognised that those seeking to overthrow the way we live always start by falsifying the past, because it's only by discrediting the good things about the past that they can make their alternative seem necessary, better, inevitable. This is the meaning of the famous party slogan from his novel *1984*, which you may have read at school – "Who controls the past controls the future; who controls the present controls the past." By misrepresenting and discrediting the time in Australia before the heroic era of economic reform, by portraying it as complacent and corrupt and embarrassing and poor, our present narrators are clearing away the positive human memories that might restrain their attempts to create a future that is safe for the relentless task of raising productivity.

This sort of narrative-ising is relentless, utterly relentless. You can't open *The Australian* or *The Australian Financial Review* on any day of the week without being told this narrative and this language of economic reform. Look at the lead op ed by Tom Switzer in *The Age* today if you doubt me. It's designed to make it impossible for us to conceive of another way of imagining a way to live. You know, I'm reminded when reading those newspapers of the jokes that people tell about the bingo they play when the consultants from McKinsey and Bain and Boston and others turn up with their Powerpoint decks and buzz words. You probably know it. Downsizing – bingo; cost benefit analysis – bingo; new paradigm – bingo; cost restructuring – bingo; etc etc. Well, take this. Labour market deregulation – bingo; welfare reform – bingo; business tax cuts – bingo; more deregulation – bingo; innovation – bingo; agility – bingo; never been a better time to be an Australian – bingo, bingo, bingo. For our economic reformers, life is just one big game of bingo. But it's wrong.

This supposedly new era of economic reform that the powerful economic commentators constantly try to sell us isn't about the future at all. It's about the past – the time when things first started going wrong. They're trying to take us back to the 80s and 90s, reliving that era like all those documentaries about the second World War that seem to run on a continuous loop on the History channel. The world today has moved on. Today's 18 year olds were born in 1998 and were just three when the GST was created and the reform era supposedly ended. New ideas are now needed.

We're told by these same people, with another bingo slogan, that our democracy is in crisis; that reform is no longer possible; that governments which try to change things are bound to lose power, and that this is so because our leaders won't stand up to the populace with a promise to relive the 80s and 90s all over again. Well I dispute this, and strongly. If change nowadays is hard, it isn't because our people are averse to any form of change. Hell, we've

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changed more than anyone in Australia. It's because they don't want the sort of change the economic reform boosters are pressing upon us against our will.

The majority of the Australian people have never fully bought into the exaggerated Hawke, Keating, Howard, Costello hero narrative. After thirty years of economic reform, they've had enough - because they know that the drive for more economic reform and greater productivity inevitably means a harder life for them. This so-called failure of Australian democracy is, in fact, the triumph of Australian democracy. It's called people power. And the economic reform boosters just don't get it. Guys, the people don't want what you're selling, full stop.

What, then, is the way forward for us? There will always be economic change and, to some extent, economic reform. We can't stand still, and I think we all know that. But here are two questions that embarrassing places, like my old hometown of Doveton, raise. Economic reform for what? Economic reform for whom? Yes, Australia and its economy had to change over the last 30 years and probably will have to again. The world would have forced change upon us had we tried to resist. But contrary to what the economists have been telling us, we had a choice. There was and is an alternative. We could have changed differently. We didn't have to leave entire communities behind. We didn't have to let our manufacturing industries be destroyed and their people left to rot. We could have done more and we didn't and, because we didn't, we all stand condemned.

Now, I'm prepared to acknowledge that I don't have a ten-point plan for creating a better economy and country. My days as a policy wonk are long over. But I feel I need to leave you with something, some sort of answer to this picture that I've painted for you. There are things I think we need to do. The first is to give new life to Australian manufacturing, because manufacturing is special. It creates working class jobs that are skilled and creative and meaningful in ways that service industries often can't be. They give working people training and skills and industrial power and even sporting clubs and social clubs. A big factory is a community of itself, and those jobs are better paid.

The second is to create low-skilled jobs as well. We used to be good at this, but today we're not. No matter how many times we say the answer to our problem is education and training, the fact is that there are a great many people in our society who will never succeed at retraining and for whom a simple low-skilled job represents a better life. The third is to invest, and I mean really invest, in the communities that have been forgotten. We can get their people into jobs, renew their housing stock, beautify their streets, take away the stigma they carry and stop wasting their potential. We can pay for their success or keep paying for their failure in massive outlays for job search allowance, ill health and imprisonment. That's the choice we can make.

The fourth is to keep pushing to democratise the Australian Labor Party. I know there's probably many here who don't care so much for the old ALP, the way I do. But I think this is a mistake. A well-functioning mainstream social democratic political party that unites the old

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working class and the new middleclass is the sign of a healthy democracy. Look at where this isn't the case anymore - in Austria, say, where Greens and the far right recently faced off for the presidency – Austria, where you-know-who came from back in the 30s. Or the US, where the people, betrayed by governments that thought their job was to rule for Wall Street, are now so alienated and unemployed and betrayed that they have delivered Donald Trump the Republican nomination. Much of Trump's support has come from the US equivalence of places like Doveton - once thriving manufacturing communities, largely in the Midwest, thrown into total social chaos and turmoil by long-term inter-generational unemployment. The Labor Party's future lies in listening to people, not faction bosses. And that's what it has to do.

But the fifth, and I think most important, thing we need to do is change the way our leaders and opinion-formers think about economics. Thomas Piketty and others show that it can be done. Only by changing the way our politicians think, especially our Labor politicians, will we produce change on a big enough scale to really make a difference. You see, the way we do economics is letting us down. We've forgotten that economics started out as a moral science, not a mathematical one. And shorn of its moral dimensions, economics loses its moral force and becomes yet another problem for our democracy. Authoritarian in its ambitions, theocratic in its logic, paralysing in its psychology, heartless in its practice, wrong in its predictions, inhumane in its effects and hated by ordinary people.

To give ordinary Australians in places like Doveton and elsewhere greater prosperity, we have to give them back what we took away. We have to give them back an economy that was willing, when necessary, to shield the little people from the full winds of the market in the name of a better and fairer society, rather than exposing them to the full hurricane, as we do now. But more fundamentally still, if we are to give new life to places like Doveton, we must first change the way that we think. We need to lift our minds beyond the narrowing philosophy of economic reform, with its innovating cult of managerialism and its monomaniacal pursuit of productivity; we need to think wider and deeper and see things in moral terms once again. For this, we need inspiration.

So where does that inspiration come from? To me, it comes from the romantic movement of the 19th century. Those of you who read it, will notice something slightly unusual in my book, at least unusual for a Labor Party speech writer - I quote the romantic poets. Wordsworth, Shelley, his friend Horace Smith, his mother-in-law Mary Wollstonecraft. Why? You see, like us, the romantic poets were a post-revolutionary generation. The French Revolution promised them the liberating freedom and equality of the enlightenment. But they came to see very quickly that the bureaucratic class that had seized power in the name of the enlightenment had little time for human beings. The likes of Rousseau, Voltaire, Diderot and Tom Paine had been replaced by a class of ruthless and blood-thirsty Jacobins to whom human values meant absolutely nothing. The people became an abstraction, a theoretical concept, an agglomeration of popular will. The idea of enlightenment as being all about human happiness was soon lost.

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And in response, the romantics harkened back to the past. Their pastoral verse and paintings sought out the reference of nature, beauty and happiness. Beauty is truth, they said, and truth is beauty. They searched in their own lives for the remnants of the enlightenment, which they realised lay in the realm not of abstract reason but in the realm of the imagination - which Mary Wollstonecraft memorably summed up as “the true fire, stolen from heaven” that leads to the sociability of mankind.

Today, the big promises made to us by the economic reformists have been crushed. Their enlightenment has been replaced by the reality of a revolution carried out by the dull inheritors of the abstract ideas of the neo-Liberal movement, the managerial class, by the new Jacobins and the new nomenclature. Instead of attaining new freedoms, we’ve been turned into data and given productivity increases and debt and, in places like Doveton, 21% inter-generational unemployment. Just as they did for the romantics after the French Revolution, the answers for us, the generation that lives after the neo-Liberal revolution, lie in the past; in the way our parents’ and grandparents’ generations organised this society. We have to become, in some ways, the new romantics. And that once great political party that should be leading the fight back of the Labor Party has to rediscover its romantic convictions too. And to find that inspiration again, we need to reach back and try to recapture the imagination that once led us to try to recreate a country ruled by the idea of decency, and which gave people in places like Doveton, things almost impossible to conceive of today – affluence, success, happiness, and even just a job.

It ultimately comes down to this. We need to begin our economic thinking from a new place, that’s really an old place; from the idea that our economy should include everyone in the creation and enjoyment of our wealth, not just some of us. Thank you.

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