

19th November 2019

Senator Alex Gallacher
Chair
Senate Standing Committees on
Economics PO Box 6100
Parliament House
Canberra ACT
2600

Dear Senator Gallacher and Committee Members,

This submission contributes to the Economics Reference Committee Inquiry into Regional Inequality in Australia. The Terms of Reference seek input on *“The indicators of, and impact of, regional inequality in Australia, with particular reference to government policies and programs in the following areas:*

- a. fiscal policies at federal, state and local government levels;*
- b. improved co-ordination of federal, state and local government policies;*
- c. regional development policies;*
- d. infrastructure;*
- e. education;*
- f. building human capital;*
- g. enhancing local workforce skills;*
- h. employment arrangements;*
- i. decentralisation policies;*
- j. innovation;*
- k. manufacturing; and*
- l. any other related matters.”*

This submission focuses mainly on the situation of the Latrobe Valley in Victoria but its discussion, following of the points in the terms of reference, has application to all non-metropolitan locations experiencing the effects of industrial change. I would be happy to respond to the Committee’s questions or provide further information about this submission.

Yours Sincerely

Associate Professor Sally Weller

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Submission to the Inquiry on Regional Inequality

The content of this submission is based on more than 20 years academic research on industrial restructuring in various sites and sectors, and the knock-on effects of crises associated with plant closures and industrial change. The content focuses on the Latrobe Valley, drawing on the research undertaken during my four-year 2012-16 Australian Research Council (ARC) Future Fellowship project on the ‘transitioning’ of the Latrobe Valley as coal-fired power stations are closed down.¹ In addition, I am currently a co-investigator on a five-year ARC Linkage project (2018-23) on the closure of the automotive assembly industry and its impacts in Geelong and northern Adelaide.² Previously I have conducted major studies of the situation of Victorian farmers after the Murray Darling Basin Plan (2009-13), airline workers after the collapse of Ansett Airlines (2001-07), and clothing and textiles workers after trade liberalisation (1993-98).³ Each of these projects had a regional economy focus. My comments summarise conclusions in research papers published in highly ranked international journals; footnotes are used to alert the Committee to key articles, some of which are appended to this submission. This submission makes a brief statement on each of the issues in the terms of reference.

a. *fiscal policies at federal, state and local government levels;*

In my view, the constant tension between the state and federal scales is productive of a robust democracy based on genuine collaborations. Control of money – via its monopoly over income and consumption taxes - empowers the federal government relative to the States, but the States are able to draw on their Constitutional rights to resist federal ambitions. Local government in Australia has no Constitutional recognition, so it is essentially an administrative arrangement of the States rather

¹ Weller, S. A. (2012). Regional dimensions of the Transition to a Low Carbon Economy: Australia’s Latrobe Valley. *Regional Studies* 46: 1261–1272;

--. (2017) The Political Economy of Regional Transformation in the Latrobe Valley, *Australasian Journal of Regional Studies*, 23(3): 110–118;

--. (2017) Fast Parallels? Contesting Mobile Policy Technologies. *International Journal of Urban and Regional Research* 41(5): 821-37;

Weller, S.A. and Tierney, J. (2018) Evidence in the networked governance of regional decarbonisation: a critical appraisal. *Australian Journal of Public Administration*. 77: 2 280–293;

--. (2018) Globalisation, marketisation and the transformation of Australia's electricity sector, *Australian Geographer* 49(3):39-53;

--. (2019) Just transition? Strategic framing and the challenges facing coal dependent communities. *Environment and Planning C: Politics and Space*, 37(2): 298–316.

--. (2020., forthcoming) The Dialectics of Community and Government. In A. Campbell, M. Duffy, and E. Edmondson (eds) *Located research: Regional places, transitions, and challenges*. Palgrave Macmillan.

Weller, S.A. (submitted) Places that matter: Voter response to Australia’s crisis intervention framework, *Cambridge Journal of Regions, Economy and Society*.

² Beer, A., Weller, S., Barnes, T., Onur, I., Ratcliffe, J., Bailey, D. and Sotarauta, M. (2019) The urban and regional impacts of plant closures: new methods and perspectives. *Regional Studies, Regional Science*, 6(1): 380-394.

³ Weller, S.A.; E. Smith; and W. Pritchard. (2013). Family or Enterprise? What shapes the business structures of Australian farming? *Australian Geographer*, 44: 123–136.

- . (2012). Financial stress and the long-term outcomes of job loss. *Work, Employment and Society*, 26(1): 10–25.

- (2009). Critical Events and Labour Mobility: Relocations in the Wake of the Ansett Airlines Collapse. *Geographical Research* 47(3): 227–41.

- (2008). Are labour markets necessarily ‘Local’? Spatiality, segmentation and scale. *Urban Studies* 45(11): 2203–2223.

- (2007). Discrimination, labour markets and the labour market prospects of older workers: What can a legal case teach us? *Work Employment and Society* 21(3): 417–437.

than a tier of government in its own right. Therefore, local governments have very little capacity to stand as equal partners with the State and federal scales. The state-federal structure means that major policy changes in areas that are constitutionally State responsibility (e.g. energy, regional development) must reach a negotiated settlement in COAG. This process to some extent protects the interests of the smaller States and discourages measures that would have the effect of increasing inter-State inequality. The COAG process means that the inter-State effects of any policy are always considered explicitly. Because a consensus must be reached for major policy changes to be implemented, this supports the political health of the federation.⁴ But there are three main problems.

First, is the sharing of wealth. Since the World War II, the federal government has collected income tax, and since 2000 it has also collected consumption taxes (GST). States have limited revenue collection capacity, and local government has even less. Funds are then redistributed from the federal government to the states using a population-based ‘fiscal equalisation’ formula. As population growth concentrates in Sydney and Melbourne – as it must, since that is where the jobs are – the population-based distribution looks increasingly inequitable. In effect, the fiscal equalisation formula rewards unrestrained population growth and punishes productivity growth. The wealth-producing states of Western Australia and Queensland are unhappy with the population-based fiscal equalisation formula and with its slow response to population changes. The sense of inequality is demonstrated by the political preferences of people in places like central Queensland. The fiscal equalisation formula needs to be revised to discourage the further growth of Melbourne and Sydney and redirect more funds to the less populous states, so that they can provide the services that will attract population from Melbourne and Sydney.

b. *improved co-ordination of federal, state and local government policies;*

Improving the coordination of federal, state and local government is obviously desirable; the opposite of coordination is chaos. But in a system where the funding power lies with the federal scale and the constitutional power with State scale, what does ‘improved coordination’ actually mean for local people and local government? The Latrobe Valley’s experience of coordination highlights problems with local representation and voice, territory, and data.

The current federal structure prevents the federal government from intervening directly at the local government scale, except via some specific purpose arrangements. The federal government gets around the constitutional limits on its jurisdiction by establishing Regional Development Australia advisory committees and by working through stakeholder-based vehicles of multiscalar governance such as the Latrobe Valley Transition Committee (LVTC) or Geelong’s corporate G21, which has been lauded as international best practice in regional governance.⁵ However, these arrangements have disbenefits as well. They limit the input of elected local government, by making local government representatives a minority of stakeholders. They include a narrow range of viewpoints typically working only with appointed representatives who are ‘on the same page’ with higher levels of government policy.⁶ This avoids the messy realities of local politics and renders regional development a technical issue coordinated by experts. Because these committees do not have control of funds, much of what they do is concerned with obtaining funding, which in turn

⁴ For example, the failure of a series of federal policies to curtail carbon emissions can in large part be attributed to State opposition.

⁵ OECD (2013) OECD Rural Policy Reviews: Rural-Urban Partners – An Integrated Approach to Economic Development. Publishing <http://dx.doi.org/10.1787/9789264204812-en>

⁶ See Weller, S. A. (2019) Just transition? Strategic framing and the challenges facing coal dependent communities. *Environment and Planning C: Politics and Space*, 37(2): 298–316.

means they are too easily controlled by higher levels of government via the disciplining effect of funding guidelines. Whilst this is efficient in the short term, it is inefficient in the longer term because local people are excluded from a genuine say on their futures.⁷ The composition of stakeholder-based governance arrangements needs to be reviewed to ensure that the local voices are representative of the views of local people.

The second issue is reterritorialization, the ways that these arrangements rework of territory and place to create abstract places. Multilevel governance arrangements typically create bigger regional territorialisations by aggregating local government areas. For example, the Latrobe Valley Transition Committee (re)defined the Latrobe Valley as spanning the three local government areas adjacent to the physical river Valley. Yet the problems of entrenched disadvantage, as compounded by the latest round of job losses after the Hazelwood closures, are concentrated in the industrial Valley within the City of Latrobe local government area. This had a number of political effects. The wider territorialisation gave the statistical appearance of reduced levels of disadvantage, because the sites of entrenched disadvantage (e.g. Morwell) are hidden in the large pool.⁸ In addition, the wider territorial reach of the LVTC enabled remedial funding to be allocated into adjacent agricultural communities, places that were not affected by the plant closures. This sort of displacement breeds resentment. The abstract nature of the new territory also erases the specificities of actual places, which is another means of defusing local politics. Policy should respect the lived reality of place associations and the communities that inhabit real places by adopting spatial scales that are meaningful to affected communities.

The larger territorialisation used by the LVTC purportedly defined a ‘functional economic region’ based on labour market data. But the area did not describe any particular labour market (journey-to-work range) nor a discrete regional economy. In the European union, a functional economic region describes an economy that is sufficiently defined to contain endogenous economic development processes. The equivalent here would be the whole of Victoria. Australia’s ‘functional economic region’ boundaries are little more than lines drawn on maps to facilitate econometric modelling of regional economies. However, since there is no regional scale economic data collected in Australia, the conclusions of this modelling are usually spurious.⁹ There is a case for expanding economic data collection to enable more precise estimations of gross regional product (GRP), but such a collection would need to take account of the flows of money, people and things between regions, and particularly the flows of capital (profit) back to Melbourne from regional and rural hinterlands.

Another mode of inter-governmental cooperation occurs in localised economic crisis intervention. Australia has an established system of federal intervention in local places in exceptional circumstances, through structural adjustment funding.¹⁰ In general, these special funding arrangements are remedial (that is, post-crisis) rather than preventative, and are delivered through bespoke multilevel governance arrangements intended to coordinate federal, State and local resources. The normalisation of these federal programs is a strong indicator of their perceived success. Internationally, however, there is debate about whether these types of interventions succeed in improving regional economic fortunes. The evidence suggests they are successful in

⁷ Weller, S.A. (2017) The Political Economy of Regional Transformation in the Latrobe Valley, *Australasian Journal of Regional Studies*, 23(3): 110–118;

--. (2019) Just transition? Strategic framing and the challenges facing coal dependent communities. *Environment and Planning C: Politics and Space*, 37(2): 298–316.

⁸ Weller, S.A. and Tierney, J. (2018) Evidence in the networked governance of regional decarbonisation: a critical appraisal. *Australian Journal of Public Administration*. 77: 2 280–293.

⁹ Weller, S.A. and Tierney, J. (2018) Evidence in the networked governance of regional decarbonisation: a critical appraisal. *Australian Journal of Public Administration*. 77: 2 280–293.

¹⁰ Beer, A., 2015. Structural adjustment programmes and regional development in Australia. *Local Economy*, 30(1): 21-40.

places that are attractive to private capital (Geelong, Newcastle), and ineffective in places that have been abandoned by capital (Latrobe Valley, Portland).

Interestingly, there is no formal mechanism for identifying a place in crisis so the decision of whether (or not) circumstances are exceptional enough to warrant intervention is in essence a political one. Consequently, there is high likelihood of intervention in (manufacturing) sectors with strong institutions (unions) and a history of involvement with government on industrial matters, and a low likelihood of intervention in sectors that lack an equivalent institutional infrastructure (family farmers in central Queensland). The political nature of the interventions creates difficulties when places that need help don't get it and when promises are broken. For example, people in the Latrobe Valley believed in 2013 that promised federal transition funding would forestall the ill-effects of planned power station closures, but when the power stations didn't close, the funds were directed to Geelong to deal with the automotive closures. This was interpreted locally as betrayal.

Structural adjustment interventions are an important means of reducing regional inequality and avoiding the development of a sense of disenfranchisement in deindustrialising regions, but they need to be available before change has happened. The future of the Latrobe Valley should not wait until after the closure of Yallourn and Loy Yang B power stations. Some would argue, from a market-oriented perspective that establishing these interventions in abandoned places like the Valley is tantamount to 'throwing good money after bad'. I disagree: what these programs achieve is enabling governments to maintain legitimacy in times of crisis by delivering to affected communities a sense of procedural justice.¹¹ While the interventions might not succeed in attracting new capital, the money circulates in the local economy, keeping it afloat and open to new possibilities.

The experience of the Latrobe Valley Transition Committee of 2011-13, under a State Coalition government, suggests that 'improved coordination' in practice means State-level domination of the regional development agenda, the sidelining of local government, and the exclusion of dissenting voices. In the Valley at that time, coordination was a performance of consultation carefully orchestrated from Melbourne. When the plans collapsed, local political disagreement and 'lack of leadership' within the Valley took the blame. In Geelong, conversely, the local corporate G21 arrangements have facilitated the support of both federal and State governments through a coherent local agenda crafted to mimic State and Federal policy priorities. Geelong is a booming location attractive to multiple sectors. The G21 plays the funding game according to the rules, but its success was at a cost: The State government abolished and replaced the old (and contrary) Geelong City Council. These opposing alignments should be viewed as the consequence, rather than the cause, of underlying economic advantages.

Any improvements to coordination need to consider ways to ensure a genuine local voice in State and Federal plans. There is a real danger that local arrangements designed to comply with State and Federal policy priorities will in the longer term stifle the local innovation and local uniqueness that is the basis of sustained local economic development. Any expansion of vehicles of multilevel governance needs to find the right balance between efficiency and democracy. It is important that proposed changes in governance consider possible negative impacts in the future (that is, inadvertently creating a pathway for the retrenchment of services and the abandonment of regional communities in the future).

c. regional development policies;

Regional development policies in Australia have for many years been guided by theories and best practice exemplars that derive from the very different space-economies of the UK and European

¹¹ Weller, S.A. (submitted) Places that matter: Voter response to Australia's crisis intervention framework, *Cambridge Journal of Regions, Economy and Society*.

Union. There have been cycles of fashion: comparative advantage, competitive advantage, learning regions, new regionalism, smart specialisation, local leadership and so on. Global experts descend on our cities to preach the latest fad. Currently the fad is ‘smart specialisation’, an approach insisting the old ways (i.e. interventionist policies) have failed to stimulate development and that new ‘smart’ ways of think will enable entrepreneurial local actors to build on existing regional strengths. This to me is comparative advantage dressed up as smart by the addition of a Hayekian faith in the capacity of market forces to deliver better outcomes for local communities. In the Latrobe Valley and Gippsland, the smart specialisation discourse works to legitimise the withdrawal of interventionist funding except in instances where the funding supports commercial business development, mainly in agricultural-related specialisations.¹²

The problem with all imported theories is that they are designed for a European context where regional cities have been established over a thousand years, with strong local identities, cultures, ways-of-doing, and dense endogenously formed economic networks and specialisations. Australia’s regional cities, in contrast, are relatively young with local economies constructed during the era of protected development. Regional economies in Australia’s ‘settler capitalism’ are oriented to exporting. The wealth produced in Australia’s regions rarely ‘sticks’ in the region to spur further development (due to a combination of foreign ownership, the capital city financial sector, and centralised taxation). In the Latrobe Valley, for example, very little of the wealth created there over the last century have stayed in place. Consequently, there is very little evidence of agglomeration economies in Australia’s regions.¹³ Imported regional development theories focus on enhancing market processes and institution networks with a view to building agglomeration economies are likely to fail except in the small number of places that offer higher than average returns on capital. They will not be helpful in places like the Latrobe Valley

The central problem for regional development in Australia – as it has been since Federation – is the dearth of capital outside the main urban centres. Regardless of the quality of leadership or the innovative content of ideas, there is no development without capital. In the past governments have justified providing this missing capital by appealing to infant industry arguments; that is, by seeing their investments as seeding grants for enterprises that will eventually be competitive in the open market. However, in the global system of centrally controlled commodity chains, distance is becoming more – not less – of an impediment to participation in the global economy. In this new context, government co-investments in regional enterprise will become a permanent feature of the regional economy landscape. This is already happening in South Australia.

d. infrastructure;

For people who believe that the role of government in regional economies should be directed to supporting market processes, the provision of infrastructure is one of the few interventions available to government that – it is claimed - does not ‘distort’ the operation of the market. The infrastructure might be the ‘hard’ version, comprising of roads and bridges and transmission lines, or the ‘soft’ development of ‘thicker’ more development-oriented regional institutions.¹⁴

A contemporary intervention in the soft infrastructure space is the current interest in regional leadership. This follows an international trend. However, in other places local leaders are

¹² This shows how in practice imported theories are incorporated into pre-existing local debates and reinterpreted through the lens of local needs. See Weller, S. (2017) Fast Parallels? Contesting Mobile Policy Technologies. *International Journal of Urban and Regional Research* 41(5): 821-37;

¹³ Plummer, P. and Taylor, M. (2011) Enterprise and competitive advantage in the Australian context: a spatial econometric perspective. *Spatial Economic Analysis*, 6(3), pp.311-330.

¹⁴ On the importance of soft institutions, see Safford (2009) *Why the garden club couldn't save Youngstown: the transformation of the Rust Belt*. Harvard MA: Harvard University Press.

empowered by their control of local resources, which is not the case in Australia. In addition, the multilevel partnership model describes in the previous section requires that regional leaders to embody central policy priorities, which means they are not leading a regional constituency.

Most of the discussion of hard infrastructure in regional areas concerns the narrow topic of transport networks. In the Latrobe Valley, for example, all the years of discussion about regional futures has boiled down to upgrading the Princes Highway. More efficient transport networks reduce business costs therefore business competitiveness, but if business profits do not ‘stick’ in the regions, more efficient transport networks might just more efficiently extract the wealth from regions. If that is the case, then transport will not improve regional fortunes. Worse, if the improved transport networks make it easier for the national retail chains to deliver goods into the regions, there is a risk that local businesses will be lost as a result of the transport improvements.

In financialised capitalism, many infrastructure projects designed to provide reliable returns for institutional investors, and as such any benefit to regional economies is incidental.¹⁵ In this context, the regional costs and benefits of a project are difficult to assess. There is a great deal of infrastructure development in Gippsland to prepare land for residential development. The underlying assumption is that adding more people will lead to the creation of more jobs in the functional (people-services) economy. This assumption is not necessarily true. A final point is that infrastructure projects do not provide on-going employment. In the Latrobe Valley, many workers from the Hazelwood workforce have been redeployed in short-term infrastructure projects which – in the absence of a continuous stream of such projects – will simply delay their post-retrenchment unemployment.

Nonetheless, in the Latrobe Valley, given the repeated failures of private investment, there is a strong case for large scale government infrastructure projects. A “Thompson 2.0” to deliver electricity, a pipeline from the Desalination plant across the mountains to bring water to Shepparton, a tourist road to Wangaratta. The key questions are “which infrastructure?” and “for whom?”

e. education; building human capital; enhancing local workforce skills; employment arrangements;

Labour markets are complex entities produced at the intersection of labour supply, labour demand and systems of regulation. The issues of education, human capital, workforce skills and employment arrangements cannot be separated from each other or from problems of labour demand. Crucial issues are the lack of jobs in regional areas and the mismatch between worker skill sets and the available opportunities. Of crucial importance – and not only in the regional Australia – are the gender-, age- and ethnicity-based segmentations of the labour market that designates some jobs as suitable for certain types of people. Increasingly employers demand that workers are embodiments of their ideal recruit.

The attendant softening of the demarcation between home and work identities means that ‘human capital’ can no longer be understood as an undifferentiated bundle of skills that can be attached to any physical body. Modern recruiters want the whole package – of person, demeanour, and skills – to align with the position description. This creates insurmountable problems for job losers whose careers have created them as embodiments of ‘power sector worker’ or ‘boilermaker’. In this new world, it is impossible to ‘transition’ to the new jobs in retail and aged care without also renovating one’s persona and appearance.¹⁶ People are the product of their experiences, it is very

¹⁵ See O'Neill, P.M. (2016) Capital projects and infrastructure in urban and economic development. Available at SSRN 2775513.

¹⁶ Weller, S.A. (2007). Discrimination, labour markets and the labour market prospects of older workers: What can a legal case teach us? *Work Employment and Society* 21(3): 417–437.

hard to change and even harder for those changing direction to be more employable in, say, retail than someone who has already been socialised as a retail worker. These barriers narrow the ‘opportunity set’ of possible work options. Most former automotive workers in Geelong area, for example, have found new jobs in work related to their old jobs, that is, in manufacturing, warehousing or transport services.

Retraining is not a panacea. Workers who have been retrenched from industrial jobs perceive the available jobs in ‘in-demand’ occupations – in retail or community services – as less skilled than the work they have done previously. From that perspective, retraining for opportunities in these sectors becomes a demoralising exercise in organised de-skilling. The quality of available training has deteriorated significantly since the 1990s. The experiences of workers retrenched from the automotive sector in recent times report an inadequate range of quite low-intensity retraining opportunities offered times and locations that are impossible to reconcile with home and work commitments. It would be preferable to retrain retrenched workers for actual vacancies, but that requires first creating jobs. In regional areas, the range of jobs available is narrow and becoming narrower, that is a bigger problem than worker skills.

The question of skills and education should not be separated from housing issues. People live where they can afford to live, which means that poor people are attracted to places where rents are low. Places with no jobs are places with weak demand for housing, and therefore less expensive housing. So, places that are in decline economically attract (less skilled) people who need low cost housing. Without government interventions, these negative feedback loops lead to ghettoization. Adequate housing provision for welfare dependent families would stem in-migration to disadvantaged places. The creation of quality jobs would stem outmigration from disadvantaged areas.

f. decentralisation policies;

Currently policies in Victoria seek to decentralise the population from Melbourne, but at the same time allow the operation of market forces to concentrate employment opportunities in Melbourne. The places selected for decentralisation-oriented investment, therefore, are all within a (long) commute to Melbourne for work. Upgrades to rail services in Moe and Traralgon are designed to encourage long-range commuting. Long commutes are destructive in quality of life terms. It would be better to have jobs in regional areas.

There is a problem with the residual effects of previous decentralisation policies. The Latrobe Valley – an isolated enclave of industrialisation – is the product of earlier decentralisation policies, as are other problem places like Portland and Warrnambool and Shepparton. The question is what to do about these places where built form exceeds its utilisation. In place like Morwell, economic decline has left abundant under-utilised and potentially ‘stranded’ infrastructure assets (e.g. the electricity transmission system). Given that these places already exist, and that governments have already built the assets, it seems strange that there are no policies in place to promote their maximum utilisation. That means co-investments to create skilled jobs in the Valley.

Australia’s radical decentralisation policies of the 1970s clearly failed.¹⁷ There are plenty of examples globally of ‘cathedrals in the desert’ where large investments were abandoned. In the past, decentralisation policies encouraged the businesses to locate in Sale and in Valley, but the social costs proved too high. Regional towns have been in decline since the Hawke governments reforms ended industry protection and the privatisation of utilities reduced employment. While it is not possible to go back, the way forward will need to mimic the structural arrangements that equalised the costs of business across space.

¹⁷ I recollect reading that people who relocated to Albury-Wodonga in the 1970s carried a significant lifetime loss of earnings.

g. innovation;

Contemporary innovation systems thinking focuses on incremental innovations among existing collaborative networks. These understandings favour places with already dense networks of interaction (cities); they are unhelpful in places like the Latrobe Valley that have thin networks focused around redundant specialisations.

Over the last ten or so years, there have been numerous ‘blue sky’ proposals for revitalising the Valley. They include innovative low emissions or emissions-free uses of lignite and alternative industries that would leverage the existing skills and infrastructure. There was the industry park; carbon capture and storage; integrated, drying, gasification and combined cycle (IDGCC) technology; Blue Gen; the fertiliser project; the cut-flowers-from-CO2 idea; coal-to-gas; the new port; a renewables hub; and the hydrogen project. All of them, so far, have come to nothing. Many of them were interesting ideas with real potential. Some of the ideas reached demonstration stage, although often the expertise and money associated with them found its way to places other than the Valley. Some were almost commercially viable (the criterion for judgement has always been commercial viability), but not viable enough to attract private investors.

In this context, government co-investment supported by research expertise (CSIRO and universities) is the only feasible way to develop these ideas. Government investments could include conditions, such as training local people and buying local services. Even if the projects failed, they would have generated employment and economic activity, perhaps providing a platform for other viable proposals. In the short term, given the history since privatisation, private capital is unlikely to invest in the Valley. Doing nothing, in the context of existing housing and welfare infrastructure, will produce a place even more specialised in the production of disadvantage. This can only be done with government support.

h. manufacturing;

Manufacturing for world markets from Australia is competitive only if the Australian currency remains low. The artificially high value of the AUD in 2011-14 was a major factor in the closure of remaining manufacturing capacity.¹⁸ Even if the currency could be kept low, the production networks of lead firms have consolidated since the Global Financial Crisis and in the process they have concentrated global production into a northern hemisphere shipping corridor. The return of manufacturing to regional areas would supply much needed jobs, but it is not feasible to imagine that small local firms could compete with existing global production networks.

There are opportunities in specialised new generation manufactures related to agriculture, mining, water and fire management. Government innovation grants could target novel products and services. Support for export market development might be possible again if the Trump-China dispute ends the WTO.

i. Other matters

1. Trust. In the Latrobe Valley, an enduring anger was aroused by the privatisation of the

¹⁸ Weller, S. A. and P.M. O’Neill (2014). De-industrialisation, financialisation and Australia’s macro-economic trap, *Cambridge Journal of Regions, Economy and Society*, 7(3): 509–526.

Latrobe Valley electricity sector, now more than thirty years ago. This anger, and the associated sense disenfranchisement and disempowerment, intrudes, for example, in local suspicion of the motives of people and ideas from Melbourne and rejection of good ideas as just more hot air. The resentment feeds a lack of trust and in turn the expectation of betrayal. The suspicion makes repeated betrayals inevitable.¹⁹ 'Higher' governments seem to keep putting more fuel on the fire: taking away promised money, cancelling visits, falling asleep in community meetings, appointing someone from the agricultural sector to lead the Valley transition. Like the stolen generation, like the troubles of Northern Ireland, this sense is not going to go dissolve with time. It is more important, I think, than the immediate problems of economic development. The anger will not go away until 'Melbourne' makes restitution for the hurt inflicted on the Valley and 'the Valley' accepts the apology. Restoring trust is a precondition to a better future.

2. Populism. The way Australia's federal structure and fiscal arrangements sustain regional and rural communities through redistributive transfers dampens the intensification of inter-regional inequality and stems the growth of right-wing populism compared to the UK and US. In places that receive crisis funding, major plant closures do not result in swings against the major parties. In places that do not receive help, these swings are clear to see (e.g. the Upper Hunter in 2019). In the Latrobe Valley's Morwell booth in the 2016 general election, there was a strong swing away from the mainstream parties and more than 8% of voters voted for 'informal'.²⁰ In 2014, with my colleague Phil O'Neill from University of Western Sydney, I wrote a series of articles criticising the too-quick identification of the Australian context with Anglo-American 'neoliberalism'.²¹ We argued that Australian federalism makes it very difficult for governments – whether from the Left or Right of politics – to make radical changes that damage peripheral communities (e.g. the Thatcher government's attack on mining communities). Whilst marketisation and privatisation have been almost universally damaging to rural and regional communities, had Australian governments been able to introduce deeper market regulation – though 'devolution' of responsibility to local level, or introducing the savage welfare cuts associated with 'austerity' – conditions in the regions would be much worse. A better deal for regional communities has the potential to stem damaging political fragmentation.

¹⁹ Weller, S.A. (2017) The Political Economy of Regional Transformation in the Latrobe Valley, *Australasian Journal of Regional Studies*, 23(3): 110–118;

²⁰ Weller, S.A. (submitted) Places that matter: Voter response to Australia's crisis intervention framework, *Cambridge Journal of Regions, Economy and Society*.

²¹ Weller, S. A. and P.M. O'Neill (2014). An argument with neo-liberalism. *Dialogues in Human Geography*, 4 (2), 105–130.
Weller, S. A. and P.M. O'Neill (2014). Actually existing political economies. *Dialogues in Human Geography*, 4 (2), 165–167.

Weller, S. A. and P.M. O'Neill (2014). De-industrialisation, financialisation and Australia's macro-economic trap, *Cambridge Journal of Regions, Economy and Society*, 7(3): 509–526.

O'Neill, P.M. and S.A. Weller (2013). To what extent has Australia's developmental trajectory been neoliberalist? *Human Geography*, 6: 69–84.