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I’ve been researching and writing about Australian cities for 35 years – not quite as long as Pat Troy, whose marvellous contributions we’re honouring today. It is a cliché to say that the cities have changed enormously during that time (particularly at an event held here on Brisbane’s South Bank). But I am just as conscious of the continuities – in particular, the long-standing political economic features of the urban growth process that impart distinctive socio-economic biases, create persistent vulnerabilities and impede the achievement of social goals such as security and sustainability. We’re talking about capitalist cities, in which the imperatives of profit-seeking recurrently butt up against other social and environmental aspects, and in which the planning process recurrently wrestles with the tension between private interests and public concerns.

No wonder our cities, notwithstanding the dramatic physical transformation within them, are still bedevilled with problems of housing affordability, transport inconvenience, environmental stress, economic inequality, personal insecurity and unsustainability.

Of course, the achievements have been impressive; but the political economic constraints have, if anything, become more problematic in the last two decades because of the twin effects of corporate globalisation and neoliberalism. Globalisation had locked the fortunes of our cities more into the processes of capital accumulation and economic power that operate independently of local institutions, including planning institutions. Neoliberalism has legitimised this regime of global capital and, as an ideology and political practice, brought about a transformation in the nature of the state that further inhibits the possibility of policies for security and sustainability. As I will argue in this presentation, policies relating to land, labour and capital – through varied in their immediate impacts – have this common characteristic. Each warrants careful consideration.

LAND

In the beginning there was the land. How we’ve used it is the key political economical issue. That most fundamental of resources, which for the aboriginal peoples is inseparable from their history, their culture, indeed their very existence, has been commodified and made a focus for the accumulation and redistribution of wealth. Commodified land has generated enormous windfall gain for landowners, especially where public authorities have varied the permitted land uses but, more generally, as the urban growth process itself has generated inflationary outcomes. In the state for NSW, for example, land values rose by $361 billion over the period 1993-2003. The existing property taxes clawed back only $44 billion into government revenues, comprising only about 12% of the increased asset values. So 88% of the extra wealth was retained by land owners.

In other words, the overwhelming bulk of the increase of the wealth in land is privately appropriated. The effect is major redistribution between those on the inside
and these on the outside of what Leonie Sandercock memorably termed ‘the land racket’. Redistribution between generations is one particularly important dimension.

In Sydney in 1986 it took 4 years of average annual earning to buy a median priced house. In 2003, after more than a decade of persistent land price inflation, it took 12 years of average annual earning to buy a median priced house. What had changed in the meanwhile was not the cost of the building houses (which increased roughly in line with the general inflationary trend, save for the one-off surge of 10% in 1999 when GST came to be applied to building materials and services). It was the price of the land on which the houses stand. So the acute problem of housing affordability is hardly surprising in these circumstances.

It is a problem with numerous secondary consequences. Owner-occupation is the initial impact point – and, given that this is still the revealed preference of about 70% of households, it is not surprising that the effects would reverberate in the other housing sectors. Private rental becomes a particular stress point, so much so that successive governments have found it necessary to maintain the negative gearing provisions that give major tax concessions to property-owners. Negative gearing is an attempt to boost the supply of rental housing that ignores the source of the stress on demand side. Indeed, to the extent that this tax rort boosts the demand for housing, it becomes part of the problem of the general inflationary process relating to land and housing. So too do first-home buyer subsidies. Meanwhile, public housing becomes ever more sharply squeezed in the resources that State governments allocate to it, with the result that it now functions almost exclusively as a residual ‘welfare’ housing segment, unable to play a broader role in balancing housing demand and supply. Vulnerability to housing stress is a predictable consequence.

None of this adds up to a coherent policy to deal with the problems of urban housing. A simple, but ‘politically courageous’ alternative beckons – the use of land taxation as a means of redirecting the economic surplus associated with private property into public rather than private hands. Land taxes currently applied by State governments are currently quite incapable of fulfilling this role, largely because of the array of exemptions. What would be needed is a nationally uniform land tax regime applying in all property. Creaming off the site revenue from urban land would then drive speculation out of land markets, thereby reducing inflationary pressures and increasing housing affordability. The tax revenues generated could also be used, in part or whole, to finance substantial additions to the stock of public housing, thereby making access to decent, affordable housing for all a more realisable national ambition. That could contribute mightily to reducing urban socio-economic vulnerability.

LABOUR

What about the workers? The problem of vulnerability and insecurity in urban labour markets are coming to be increasingly widely recognised too. In part these problems stem from the nature of the capitalist economy itself: its essential feature is the treatment of labour as a commodity, freed from the constraints that formerly applied in slave and feudal modes of production, but wholly dependent on the vicissitudes of labour markets. In these markets the demand for labour depends on a complex array of macroeconomic and microeconomic variables, including the aggregate volumes of
consumption and investment expenditure, the nature of technology and relative prices of different factors of production, both at home and abroad. In part the problems of vulnerability and insecurity also stem from particular contemporary labour market characteristics, such as the process of casualisation and the proliferation of contract labour, reducing the proportion of employees who have reasonable expectations of on-going, full-time, career jobs.

The third dimension is changes to industrial relations policies. The effects of the 2005 ‘WorkChoices’ legislation in Australia are particularly significant on this respect. The policy effectively seeks to overturn a century-old tradition of collectively negotiated processes in which the power asymmetry of employers and employees is recognised. Some individuals with specific skills and bargaining strength can negotiate personally advantageous Australian Workplace Agreements (AWAs) but most employees are not in a position to do so, being forced effectively into a ‘take it or leave it’ situation. It is inevitable that income inequalities will widen, as various authors in the latest issue of the *Journal of Australian Political Economy* demonstrate. Meanwhile managerial incomes continue to surge. The average weekly remuneration of chief executive officers in the top 51 companies who are members of the Business Council of Australia was 63 times average weekly earnings in 2004-5, up from a ratio of 18:1 in 1989-90. Increased insecurity for some and fat perks for others are two sides of the same coin. Such economic inequalities do not derive directly from urban spatial differences, but they became etched on the urban landscape and tend to overwhelm ameliorative policies applied at the more local level.

As always, there are alternatives. André Gorz’s advocacy of more equitable and worker-friendly working–time arrangements come to mind. Wage incomes need to be determined by reference to criteria of work value and comparative wage justice, not simply market power. Australia was a world leader in the twentieth century in developing institutions to inject equality into economic outcomes – one thinks of the Commonwealth Grants Commission as well as the industrial arbitration and conciliation arrangements in this respect. It is a tradition that should be nurtured, not destroyed. The key issue in practice is whether business interests will accommodate progressive reform of that kind.

**CAPITAL**

It is the interest of capital and those who manage capital that are in the principal driver of urban economic change, for the better or worse. I’ve spent my academic career analysing how the capital accumulation process impacts on society and the use of the urban space – and how the institutions of the state, of labour and of local communities can be a moderating influence. Unions and community groups have sometimes cooperated, for example to frustrate the worst excesses of capital’s assaults on the urban fabric, as in the case of Sydney’s ‘Green Bans’ during the 1970s, justifiably famous to this day because of their effectiveness but also because we’ve seen little like it since. Meanwhile the state, shaped by neoliberal ideologies and practices, has been reoriented towards a capital-facilitating role. And capital itself has ‘gone global’, orchestrated by transnational corporations, financed by transnational banks, supported by transnational business consultancies, and legitimised by neoliberal think tanks. This puts significantly more pressure on individual localities to re-orient themselves into a capital-attracting mode, engaging in vigorous ‘place marketing’ and often in
beggar thy neighbour competition. ‘We’ve got to … seize job–generating investment from the other States’, said former NSW Premier Bob Carr in an unusually frank moment. (He’s since wrested a couple of lucrative job opportunities for himself with Macquarie Bank and Richard Pratt’s packaging business).

Indeed, public-private partnerships featuring the institutions of finance capital such as Macquarie Bank, have come to symbolise how the interests of capital now dominate even what we have traditionally regarded as the public sphere. Fiascos such as Sydney’s airport rail link and the cross–city tunnel are just the most well publicised examples of a more systemic process. Privatising the profits and socialising the risk is the hallmark of these projects. Vulnerability of our cities to the interests of private capital has increased accordingly. I recently gave evidence before a NSW Parliamentary Committee of Inquiry on these issues, but I am not optimistic that my analysis and warnings will have much effect. The interlocks of private capital with public policy are now so pronounced and so corrosive, Bob Carr’s case being just the most blatant recently. The influence of developer interests over the urban planning process are of more long-standing, of course. Hence the importance of the Green Party’s campaign to end the funding of political parties by developer interests. The more general problem is that, in this era of corporate globalisation there has been a dramatic power shift from democratic institutions to essentially undemocratic ones.

Much could be done to reverse the process if there were the political will to do so. We could, for example, develop a national investment fund that would enhance our capacity to fund urban infrastructure, and industry development, by drawing on workers’ savings currently held by the myriad superannuation funds. Some $700 billion dollars is currently held in these funds. A national investment scheme could ensure that a substantial part would go into urban infrastructure and into the development of the industries like solar–power that have the potential to enhance sustainability as well as generate export revenues. But an ‘interventionist’ approach to policy such as this anathema to the neoliberals who currently hold sway in government.

POLITICS

So what is to be done? We can usefully take a lesson from the life and work of Pat Troy – or, rather, three lessons. First is the need to understand history, to see how the current situation emerged from evolving interests, institutions and ambitions. Second is the need to relate the physical to the socioeconomic – reflecting Pat’s background as an engineer and his lifetime experience in addressing issues of social justice and sustainability, manifest in practical contributions relating to housing policy, transport, and other urban services and infrastructure and energy use. Third is the imperative to act, not merely to analyse. In Pat’s case this has been reflected not only in the central role he played in establishing Australia’s most noteworthy national initiative in urban and regional policy, the Whitlam government’s Department of Urban and Regional Development, but also in a host of other policy initiatives in conjunction with State governments since then. And, most fundamentally, a refusal to take the easy line of accepting that the status quo plus some marginal adjustments is ‘as good as it gets’.

A commitment to social progress – including more sustainable and less vulnerable cities – requires critique, vision, strategy and organisation. We need comprehensive
analysis of current problems, a vision of what we are trying to achieve, a strategy for getting from here to there, and an organisational vehicle to make it possible in practice. These four elements are easy to identify but hard to synchronise and operationalise. Critique is always the strong point – academics have that predisposition, but also the responsibility to link an awareness of the urban problem with the casual factors. That is why I’ve tried, in this brief presentation, to indicate some of the drivers that go far beyond ‘the urban’ – into the realm of public policy towards land and wealth, industrial relations, and control of national and foreign investment.

What about vision? That entails going beyond the physical dimension of the ‘the urban’ and raising questions about what sort of society do we want. Clive Hamilton’s analysis of the need to deal with the current epidemic of ‘affluenza’ by shifting to a society in which leisure time, the quality of social relations and spirituality are more highly valued than McMansions comes immediately to mind in this context. We might disagree on the details of the vision, but some consideration of these inherently value-laden concerns is inescapable.

Then come the concerns with strategy and organisation. In my own writings I’ve relentlessly emphasised the strategy of ‘radical reformism’ – redressing immediate problems of inefficiency, inequality and insecurity in ways that open up possibilities for more fundamental political economic transformations. But it comes to little without the organisation to effect the changes. That is why it is so deeply disappointing that the Australian Labour Party – the only alternative government to the ‘dry’ Liberals at both State and Federal levels – has seemingly abandoned its potential political role in the process of radical reform. Mark Latham’s political diary, if nothing else, shows the obstacles. The Greens provide the more inspiring alternative, prioritising security and sustainability along with social justice and community participation. Personally, I’m working with the Greens to develop policies that blend these concerns with economic viability. Even though the prospect of forming an alternative government is remote, this is one significant means of prising open the permissible political possibilities.

As Pat Troy has always emphasised, we should not be satisfied with the status quo, and link research to the exploration of more progressive alternatives. It is a committed position that echoes the case made by JK Galbraith, the great American political economist who died last week, for continually questioning ‘the conventional wisdom’. In the current context it means continually confronting ‘the culture of contentment’, to recycle another of Galbraith’s phrases. There are specific policy measures – such as land taxation, IR reform and the development of a national investment fund, as I have suggested in this presentation – that could, in conjunction with more effective metropolitan planning, really make a difference. Otherwise the prospect for redressing the problems of urban vulnerability and creating more sustainable cities will rapidly recede. We can do better: indeed it would be disgraceful if an affluent society in a beautiful land did not do so. Ultimately it is an issue of political will, as well as analytical and administrative capacity. To adapt an aphorism from another great political economist, Joan Robinson, the answers to most urban problems are political questions.