

## IMPROVING RESILIENCE IN AUSTRALIA

### INTRODUCTION

#### 1. Involvement in Resilience Issues

- there have been several routes for my involvement in the resilience issue:
- member of the The Club of Rome which helped trigger the environment debate in 1972 with *Limits to Growth* book
- economic commentator: concern about “new right economic rationalism” and the continual focus on the “bottom line” (which could obscure security issues, such as the risks of disruption to “just in time” supply chains, and eroding food security by opting for cheaper food imports)
- political commentator: concern about post “9/11” (September 11 2001) terrorist attacks
- social commentator/ educator: concern about “fragility”/ mental health; have well-meaning “helicopter parents” eroded personal initiative of their children and made them overly anxious? A good book is *The Resilience Project: finding happiness through gratitude, empathy and mindfulness* Hugh van Cuylenburg; also the value of a Stoical approach to life ([www.dailystoic.com](http://www.dailystoic.com))
- consultant to an oil company: reframing the infrastructure issue as a security issue; also Australia is not honouring its international obligations about maintaining oil reserves (not least for national defence purposes)
- scenario planning consultant: despair at society’s unwillingness to think about the unthinkable, and so we continue to be taken by surprise (such as the severity of the COVID crisis)

#### 2. “Resilience” Defined

- “Resilience is the capacity of any entity – an individual, a community, an organisation, or a natural system – to prepare for disruptions, to recover from shocks and stresses, and to adapt and grow from a disruptive experience”. Judith Rodin *The Resilience Dividend*, p 3
- there is no one single key to guarantee resilience; indeed resilience may be difficult to identify in specific situations: we can improve resilience in Australia but I doubt that we can make a “resilient Australia” as such because of all the emerging issues (such as climate change)

#### 3. Objective of Presentation

- as noted in 1 above, I have tackled resilience in a number of situations and there are various levels of analysis
- this presentation will provide some recommendations for action as a basis of debate, from ways of looking at the world to the technique of scenario planning

### ECONOMIC THINKING

#### 4. A Fish Doesn’t Know it Swims in Water

- people take the economic and social context for granted
- Great Depression of 1930s and a new role for government
- “Keynesian economics”, named after John Maynard Keynes, who argued that unemployment was a government responsibility (and not just an act of nature like floods) and that government should intervene in the economy (the Australian Government in 1945 had even successfully argued that a task for the new United Nations should be to work for full employment)
- this was Roosevelt’s New Deal policy and the invention of the “modern presidency”

## **5. The Small Group of Academics Who Changed the World**

- 1947: Mont Pelerin, Switzerland: a small group of academics who transformed western economic thinking, including Friedrich von Hayek, Milton Friedman and Karl Popper
- they were reacting against the growth of government, particularly as a result of two World Wars and the Great Depression
- Mont Pelerin Society had little confidence in government: they believed that self-interested greed in the market would be moderated by the invisible hand in market institutions and that would generate benefits for all ("leave it to the market")
- with the failure of Keynesian thinking by the early 1970s, economic rationalism filled the vacuum (such as Margaret Thatcher in 1979, Ronald Reagan 1980, Bob Hawke 1983: different political parties and yet similar policies: reading off the same script)

## **6. New Right Economic Rationalism**

- government privatisation, down-sizing, and outsourcing its functions to the not-for-profit or the for-profit sectors
- "just in time" supply lines
- elimination of "fat" in systems ("redundancy" – 1930s thinking: Sydney Harbour Bridge, which will outlast many of the buildings surrounding it, can hold more transport than it currently carries); nothing to fall back on in case things go bad (such as the current US public health crisis over COVID – very different from US in World War II<sup>1</sup>)
- "poor have too much money and rich don't have enough"; we demonise the poor and provide tax cuts for the rich: growing gap between rich and poor; risk of social instability

## **7. A Global Supply Chain? The Next Battleground?**

- COVID crisis has revealed that it is unwise to place so much reliance on China as the "factory of the world"
- India's prime minister Narendra Modi: the COVID crisis has shown that China can't be trusted
- therefore we should engage in trade arrangements based on "trust" and not "lowest cost"; the obsession with low cost has made us vulnerable
- there is a need for a resilient global supply chain
- could there be a new trade alliance between India, Japan and Australia?
  - . Japan: technology and world's 3rd largest economy
  - . India: large, well trained workforce and productive capacity
  - . Australia: resources
- all three are flourishing and stable democracies

## **THE NEXT BIG THEORY? COMPLEXITY THEORY**

### **8. "Complexity Theory" as an Alternative to "Economic Rationalism"**

- 1960s: systems thinking
- 1972 The Club of Rome and *Limits to Growth*: "problematique": planet runs into environmental/ resource problems around 2040

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<sup>1</sup> Doris Kearns Goodwin *No Ordinary Time: Franklin and Eleanor Roosevelt: the home front in World War II*

- note the impact of “Blowback”: traditionally a political concern (such as arming Osama bin Laden against the Soviets and who later turned against the US); now it is developing an environmental component, for instance, good global economic growth is now leading to resource scarcity; planet is richer than ever before and yet our civilisation is in its greatest danger: our greatest achievements seem to become some of our greatest dangers
- Edward Lorenz (1972): does the flap of a butterfly’s wings in Brazil set off a tornado in Texas?
- political scientists/ historians/ environmentalists are getting interested in complexity such as the rise and fall of empires

### **9. Rise of Complexity Theory**

- Complexity Theory is looking for the hidden structures that are contained within apparently chaotic situations
- all problems are interdependent (and not subject to “reductionist” study via individual academic disciplines) and so researchers need to work together across disciplinary lines
- look for the connections
- results are probable rather than certain
- all life on Earth survives via complex adaptive systems: many components, many individual agents, non-linear, multiple feedback loops, unintended consequences, adaptive robust/ resilient, non-equilibrium, underlying simplicity
- a successful company is a complex adaptive system, as are cities/ regions

### **10. Therefore Be Aware of the Rise of Complexity Theory**

- paradigms don’t necessarily suddenly burst upon the world; a new paradigm may emerge slowly and without much publicity (much as economic rationalism itself emerged as a political idea in the 1970s)
- listen for the faint signals of change as people look for alternatives to economic rationalism

## **THINKING ABOUT THE FUTURE**

### **11. Three Ways of Thinking About the Future**

- prediction** “Moore’s Law” doubling power of IT: eg December 2006 “Deep Fritz” beat world chess champion Vladimir Kramnik; in December 2002 he held it to a draw but in four years it got a lot smarter); now Google’s AlphaGo is the best Go player
- preferred futures**: building a bridge back from the future eg 1962 JFK pledge to put a man on the moon
- possible**: scenario planning: importance of paradigms/ worldviews (role of paradigms: Nokia and texting)

### **12. The Evolution of Scenario Planning as a Management Tool**

- Pierre Wack at Shell: 1973 OPEC oil increase
- Clem Sunter: early 1980s: South Africa
- Peter Schwartz: 1984: World War III

### **13. The Technique of Scenario Planning<sup>2</sup>**

#### Part 1

- decide on the basic “question”
- interview experts
- look for the two main drivers of change: STEEP: Social, Technological, Economic, Environmental, Political
- produce two or four scenarios (never three)
- discuss the draft scenarios with “remarkable people”/ “lateral poppies”
- create indicators
- create contingency plans

#### Part 2

- talk up the scenarios (strategic conversation)
- treat the release of the report/ document as the midpoint of the process; determined implementation and sustained advocacy may be necessary

### **14. The Value of a Scenario Planning Process**

- scenario planning is so not much about getting the future right as to avoid getting it wrong
- encourages us to think about the unthinkable
- encourages us to look at current events with different eyes
- encourages us to “see” trends that are currently “invisible” (they are there all right – it is just that we are not noticing them)
- it encourages us to develop contingency plans: we may not be able to predict the future but we can plan for it
- we can embrace the future with confidence knowing that whatever the future may throw at us we can cope with it

### **15. Conclusion**

- “resilience” is acquiring greater saliency but we still have a long way to go
- improving resiliency in Australia will require new mindsets, from how we raise children to how governments enter into contracts and run the national economy
- “resiliency” in its own right should be a topic for risk committees and boards and all other organisations – we need to “talk up” the issue
- more long-term thinking is required (and not just a short-term focus)

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<sup>2</sup> <https://www.churchfutures.com.au/>