

Improving resilience in Australia

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Over the past century, economic theory and public policy based thereon has oscillated between big and small government, with economic rationalism being the driving force latterly. 'Blowback' has led to unintended consequences and an unequal society. New thinking is required informed by complexity theory and employing scenario planning. Using the latter, while we might not be able to predict the future, we could plan for it and would know that whatever it might hold, we could cope with it.

Key words: complexity theory; economic rationalism; futures thinking; Keynesian economics; resilience; scenario planning.

As a strategic planner and commentator, I have been drawn to the issue of resilience via several routes.

Firstly, I have been a member of the The Club of Rome since 1991, the global think-tank which helped trigger the global environment debate in 1972 when it published its report, *Limits to Growth* (Meadows *et al.* 1972).

I also have been an economics commentator concerned 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 the erosion of food security by opting for cheaper food imports.

As a political commentator, I have been concerned about post '9/11' (11 September 2001) terrorist attacks; and as a social commentator/educator, I have addressed 'fragility', mental health and issues such as well-meaning 'helicopter parents' eroding the personal initiative of their children and making them overly anxious².

I have served as a consultant to an oil company for whom I reframed the issue of inadequate infrastructure as a security issue – noting that Australia is not honouring its international obligations about maintaining oil reserves, not least for national defence purposes.

These various lines of work, in turn, have led me to scenario planning and thinking about the future. Inevitably, this has led to despair at society's unwillingness to think about the unthinkable, and so we continue to be taken by surprise, such as by the severity of the crisis triggered by the COVID-19 global pandemic.

What then is resilience? As defined by Rodin (2014: 3), "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". 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 that can impact resilience, such as climate change.

As noted above, I have tackled resilience in a number of situations. There are various levels at which it can be analysed. In this paper, I will provide some recommendations for action as a basis for debate: from ways of looking at the world; to the technique of scenario planning.

Economic Thinking

It is an oft used aphorism that "a fish does not know that it swims in water". In like fashion, people take the economic and social context for granted.

The Great Depression of 1930s led to a new role for government and the emergence of "Keynesian economics", named after John Maynard Keynes, who argued that unemployment was a government responsibility (and not just an act of nature like floods). It followed that government should intervene in the economy and led to United States President Franklin Delano Roosevelt's New Deal policy and the invention of the modern United States presidency. As World War II was drawing to a close in 1945, the Australian Government even successfully argued that a task for the new United Nations Organisation should be to work for full employment.

Shortly after the conclusion of the Second World War, though, a small group of academics was to change economic thought in the western world. In 1947, in Mont Pèlerin, Switzerland, this group, including Friedrich von Hayek, Milton Friedman and Karl Popper, reacted against the growth of government, particularly as a result of two the World Wars and the Great Depression. The Mont Pèlerin Society had little confidence in government. Its members believed that self-interested greed in the market would be moderated by the invisible hand of market institutions and would generate benefits for all. Their philosophy was "leave it to the market" – which came to be referred to as economic rationalism.

By the early 1970s, there was a perceived failure of

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²Good references on this issue include: *The Resilience Project* (van Cuylenburg 2019); and, on the value of a stoical approach to life, www.dailystoic.com.

Keynesian thinking. The resulting vacuum was filled by economic rationalism as evidenced by the policies of Conservative Party Prime Minister Margaret Thatcher in 1979 in Britain, Republican President Ronald Reagan in 1980 in the United States, and Labor Party Prime Minister Bob Hawke in 1983 in Australia – different political parties and social philosophies, yet reading off the same economic policy script.

By the 1990s, a ‘new right’ form of economic rationalism was emerging. It since has come to be characterised by:

- down-sizing of government by outsourcing government functions and services to the not-for-profit or the for-profit sectors, or their outright privatisation;
- just-in-time supply lines;
- elimination of redundancy (‘fat’) in systems³ leaving nothing to fall back on should things go bad, such as in the current United States public health crisis over the COVID19 pandemic – very different from United States situation in World War II (Goodwin 1994); and
- an attitude that the “poor have too much money and rich don’t have enough”.

As a consequence of these policies, we demonise the poor and provide tax cuts for the rich leading to a growing gap between rich and poor and, importantly from a national security perspective, a growing risk of social instability.

Indeed, the next battleground may well be the global supply chain which has been spawned by these policies and has enabled them. The COVID crisis has revealed that it is unwise to place so much reliance on China as the ‘factory of the world’. As India’s prime minister, Narendra Modi, recently observed, the COVID pandemic has shown that China cannot be trusted. It follows that we should engage in trade arrangements based on ‘trust’ and not ‘lowest cost’ as the obsession with ‘low cost’ has made us vulnerable.

Given that there is a need for a resilient global supply chain, is there scope for a new trade alliance between India, Japan and Australia? Japan is supplier of world-class technology and is the world’s third-largest economy; India has a large, well-trained workforce and surplus productive capacity; and Australia has an abundance of natural resources. Importantly, all three are flourishing and stable democracies.

Complexity Theory: the Next Big Theory?

Complexity theory is not a new idea. Indeed, it grew out of the systems thinking of the 1960s and the problems revealed by The Club of Rome’s report on *Limits to Growth* (Meadows *et al.* 1972) which estimated that the planet would run into environmental and resource issues around 2040.

³In contrast, Sydney Harbour Bridge, which was built to 1930s standards, will outlast many of the more recently-constructed buildings surrounding it, and still is able to hold more transport than it currently carries.

The concept of ‘Blowback’ is relevant here. Blowback, traditionally, has been viewed as a political concern. A classic example is the arming of the Taliban in Afghanistan by the United States Central Intelligence Agency in the 1980s in hope that they would create a Vietnam-type quagmire for the Soviet Union in Afghanistan. Unfortunately for the United States, after the Soviet withdrawal, an offshoot of the Taliban, al-Qaeda, turned on the United States – most notably on 11 September 2001 when New York and Washington were attacked.

Blowback as a concept is now being applied to environmental issues. For instance, good global economic growth is now leading to resource scarcity, environmental pollution, ecosystem destruction and biodiversity loss. The planet is richer than ever before in economic terms and yet our civilisation is in its greatest danger from the effects of technological progress, industrialisation, economic growth, population growth, pandemics and climate change. Some of humanity’s greatest achievements seem to be posing the greatest threats to humanity’s ongoing existence on planet Earth.

Indeed, the father of chaos theory, the mathematical concept which informs much of modern meteorology and other fields of science, Edward N. Lorenz, posed the intriguing question to the American Association for the Advancement of Science in 1972: “Does the flap of a butterfly’s wings in Brazil set off a tornado in Texas?” (Lorenz 1972). While Lorenz’s concepts are frequently misapplied, especially outside the natural sciences, political scientists, historians, environmentalists and others are becoming interested in complexity theory and are seeking to apply such concepts even to the rise and fall of empires.

Complexity theory is looking for the hidden structures that are contained within apparently chaotic situations. Problems tend to be interdependent and not resolvable by ‘reductionist’ study via individual academic disciplines. So, researchers need to work together across disciplinary lines, look for the connections and accept that results/findings are probable rather than certain. All life on Earth survives via complex adaptive systems comprised of many components and many individual agents; many are non-linear with multiple feedback loops; interventions can lead to unintended consequences; yet the systems can be robust and resilient, even if change does not lead to an equilibrium state, and they may even have an underlying simplicity.

In a social context, a successful company is a complex adaptive system, as are cities and regions. Therefore, be aware of the rise of complexity theory. New paradigms do not 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

I would like to suggest three ways of thinking about

the future: predicted futures; preferred futures; and possible futures.

Predicting the future involves assessing say a technological capability and its current rate (trajectory) of improvement and then combining current capability with trajectory to predict where it will be in say five years. An example is Moore's Law – the observation and projection based on manufacturing experience that the number of transistors in an integrated circuit will double about every two years. Another example is the time (four years: 2002 - 2006) over which artificial intelligence developed to the point where it could consistently beat the world's best chess players.

Using preferred futures, instead, starts not from where you are now but from where you would like to be in say five years and then building a bridge from there back to where you are today. An oft-cited example is the pledge by United States President, John F. Kennedy, in 1961 to put a man on the Moon by the end of the decade.

In contrast to both the foregoing, possible futures involves scenario planning – envisaging a spectrum of possible futures, assessing their probability and effects and then developing contingency plans based on the more likely and/or more concerning possibilities. Envisaging a spectrum of possible futures necessitates thinking beyond the limits of current paradigms and world views ('outside the square'), not only to likely or to preferred futures, but to unlikely and undesirable ones as well.

Scenario planning

Like complexity theory and chaos theory, scenario planning is not new. Indeed, it has evolved into a sophisticated technique over some five decades from when it was first used in the private sector by Pierre Wack at Shell, London, during the 1973 OPEC oil crisis. Other notable contributors were Clem Sunter, who worked on 'high road/low road' scenarios in South Africa in the early 1980s; and Peter Schwartz in 1984 at Stanford Research Institute. Schwartz was advising on wargaming scenarios and the possibility of young hackers accessing United States military super-computers and creating a World War III situation.

The technique of scenario planning now involves several steps. The first is to decide on the basic 'question' and interview relevant experts. One then looks for the two main drivers of change in this instance, be they social, technological, economic, environmental or political factors (usually summarised by the acronym STEEP). Two or four scenarios (never three) are then produced, which are next discussed with 'remarkable people'/'lateral poppies'. Part 1 of the process then concludes with creating indicators and contingency plans for each chosen scenario.

Part II of the process involves wider evaluation and promotion of the chosen scenarios. This involves first engaging in strategic conversations on the scenarios and 'talking them up'. A report or other document which explains the scenarios and their development is

released and may be followed by determined implementation of the indicators and contingency plans accompanied by sustained advocacy for them.

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

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 at political and strategic levels, not merely a focus on the short-term.

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