Submission on the Economic Diversification and Investment Strategy

Overview

Thank you for the opportunity to submit a response to the Draft Economic Diversification and Investment Strategy. This submission is offered in a constructive spirit and in the belief we can do better than reproduce past thinking. I am a former professor, have given advice to the OECD and European Commission, and have almost 30 years working across regional development, policy, tourism and community development in four countries. I now live on Flinders Island where we have been designing and implementing a regenerative living lab since 2021. This work now continues under the Furneaux Collective.

My core concern with this Strategy is that it largely reproduces the same thinking and strategy that has dominated economic development for the last 50 years, yet times call for a more courageous, imaginative and empowered approach. The familiar model adopted in this plan relies on capital investment delivered through top-down facilitation, coordinating bodies, and a reduction in regulatory barriers. It means further exploitation of Tasmania's resources that does not serve the State in the context of a rapidly changing and uncertain future.

It is a strategy that makes only superficial acknowledgement of the massive structural and cultural changes that are already starting to take place across the world of work, labour, investment and the economy. It does not recognise the extraordinary capacity, resilience, knowledge and creativity that exists in Tasmanian communities that will need to carry this change. The strategy is based on a mentality of extraction and exploitation of non-renewable resources further depleting the State's stock and reducing the capacity of the State over the long term. Instead, the Strategy should be considering who the Tasmanian economy should serve, what resources need to be protected to ensure long-term wellbeing, and what economic activities might regenerate what has already been lost.

An outdated paradigm

The Strategy is built on an outdated paradigm. Across the world, significant work has explored innovations such as bioregional economies, diverse regenerative economies, regenerative business models, community wealth building, and alternative grant and funding regimes. None of this innovative thinking has permeated this Strategy. In effect, the strategy looks backwards into the future, not forward with new innovative thinking.

A strategy that addresses "a more demanding economic environment" shaped by AI, geopolitical disruption, climate change, resource scarcity, biodiversity loss, ecosystem decline, declining trust in government, shrinking public sector budgets, global health crises, new attitudes towards work, and the restructuring of labour markets demands a more creative response. While these issues might be debated in politics, the science is clear about the direction of change in all these areas. This strategy just "kicks the can down the road" in terms of brave and courageous action to create the future we want to see.

The sections below respond to the Strategy's own six priorities in turn, so that the comments can be directly matched to the relevant part of the document.

Priority 1: Unlocking private investment

Community wealth building is essential and should be anchored in local production, circulation of value, stewardship, local ownership and participation. While I understand that neoclassical economic thinking dictates the current framing of the Strategy around private investment, community wealth building, localisation and circularity of value are legitimate investment strategies in their own right, not a soft alternative to be considered only once conventional capital investment has been secured. They deserve to sit alongside the existing framing of this priority.

A more effective use of public money would also be to redirect a credible share of the funds currently dedicated to regional coordination and facilitation roles towards flexible, direct funding of communities who already know, and have a solution for, what they need. Accountability for outcomes matters, not just coordination activity at an administrative level, as currently happens in all the regional development activity and the multiple organisations funded to do the same roles.

Priority 2: Accelerating growth and innovation

As conventional employment and labour patterns change, it is essential to start building for the next economy, which will likely include self-employment and micro-enterprises built around creative practice, arts, cultural production, environmental and local food production, and place-based stewardship. Tasmania has a ‘thin’ formal labour market, relies heavily on volunteerism, and has a workforce that includes many people working beyond retirement age. These sources of labour and enterprise will never produce gains in conventional productivity terms, but they are a genuine and growing source of innovation and diversification.

Genuine innovation also means learning from what is already working. The Islander Way and the establishment of the Furneaux Collective illustrate what is possible when a community is empowered to develop its own solutions. It can be scaled, and yet few policy makers have taken the time to learn what is happening on Flinders Island and how it might be scaled and replicated elsewhere. This inability of the Tasmanian Government to learn from the initiatives it already funds says much about its actual appetite for economic and social innovation, as distinct from its rhetoric of innovation.

Priority 3: Lifting productivity

The language, and the assumptions embedded in the terms used, should be made visible so that they can be questioned and debated. "Productivity," for example, is a loaded term that, used in this strategy, means output per hour worked. Tasmania will always lose on "productivity" because of such issues as an ageing population, a high number of small and medium-sized enterprises, and locational "disadvantage" in terms of global markets. The Tasmanian economy is characterised by a high proportion of micro and small enterprises. Small

firms have lower capital intensity and slower uptake of innovation, the very characteristics that make an economy distributed, locally owned, more regenerative, and harder to extract from. The language in the Strategy frames this as a deficiency, and the implied solution is bigger businesses, more capital investment in machines, more output per worker, and more extraction.

The ultimate goal of the Strategy, when framed this way, will inevitably produce job losses as technology improves and AI efficiencies are implemented. Thus, there is an ambiguity embedded in this logic that is profoundly self-defeating: producing more output with fewer workers is exactly what is driving current political concerns around job losses, for example at Bell Bay.

In sum, it is time to move on from a singular focus on productivity in old 20th century terms. Productivity as a metric is good for machines and investment, but there is also a case for holding on to jobs, circulating wealth locally, and supporting local communities. The two are frequently in conflict, and this Strategy does not acknowledge that conflict, let alone resolve it.

Priority 4: Activating our regions

The Strategy's "Foundations for Growth" identifies renewable energy, climate advantage, mineralisation, agriculture and tourism brand, Antarctic gateway status, and research institutions. Tasmanian communities are not named as a foundation, despite the document's promise of "opportunity for every region and every generation." The document also acknowledges that regions "hold diverse strengths... anchored by communities, institutions and partnerships built over many years."

Community is a significant blind spot. Communities are treated in the document as a passive recipient of investment, infrastructure and economic diversification, in a very patriarchal, top-down way. It's time to acknowledge and unlock the innovation that exists in community. This is a significant structural weakness in the entire document.

Communities are an important source of expertise, local know-how, co-design and implementation. The Islander Way, and the establishment of the Furneaux Collective, is a direct example of the value of local empowerment. The Collective is currently designing and implementing a range of economic and social initiatives (the Collective does not see a hard division between community and economy, but symbiosis), including a regenerative business development program, a visitor economy hosting framework, and a range of local activities that are stimulating community engagement and increased confidence. The Islander Way and its journey demonstrate that communities can design and run their own economic development when they are trusted and resourced to do so.

There is currently a massive investment in regional bodies with overlapping roles and responsibilities, all working to facilitate economic development. They produce meetings, travel across the State, and produce reports and prospectuses, rather than the outcomes communities actually need. These bodies work in good faith, but there should be less talking and more doing with, for and through communities. Fund communities, not these organisations. The Strategy's fourth principle, "measure outcomes, not just activity," already provides the direction, and it should be applied to the funding of regional bodies themselves, not only to the initiatives they administer.

Priority 5: Growing our capability

The Strategy's evidence base is drawn from a very narrow and traditional view of the economy (e.g. NAB business surveys, GSP data, past investment pipelines). But we are what we measure - and there are other ways of valuing and measuring the economy that are emerging. Just look at the wellbeing economy and the community wealth building literature! As a result, this draft Strategy is retrospective and produces a projection of the past onto the future. It might be useful in explaining historical assumptions, but the future will look very different from the past. There is very wide agreement that the industrial production and growth model of the last two centuries is now in a transition phase. Building capability for that transition means more than qualification pathways into today's nominated growth sectors.

Building genuine capability requires a genuine foresight exercise. Such an exercise should take seriously changing cultural attitudes to work, careers and lifestyle, alongside AI and automation, rather than relying on retrospective trend extrapolation. Could we have a more honest assessment of the State's economic future, presenting a range of perspectives and directions, so that Tasmanians have a genuine choice about what should happen and what values should be built into the State's economic future?

Priority 6: Strengthening infrastructure

This priority is currently framed entirely around energy, digital connectivity, transport and land. There is a case for recognising social and relational infrastructure, such as the trust, local institutions and community capability that the Islander Way and the Furneaux Collective represent. This is also infrastructure in its own right, deserving the same deliberate investment and attention as the physical and digital networks named in this section.

Recommendations

- Recognise community knowledge and community-led institutions (such as Islander Way and the Furneaux Collective) explicitly as a foundation for growth, on equal footing with natural and infrastructure assets.
- Redirect a meaningful share of regional development funding from standing coordination and facilitation roles to direct, flexible, outcomes-accountable funding for community-designed economic development initiatives.
- Adopt community wealth building and localisation strategies as a named mechanism within Priorities 1 and 4, covering local ownership, purpose-led and cooperative enterprise, and local finance.
- Elevate creative and cultural self-employment as a recognised pathway to participation and productivity, not a minor sub-sector footnote.
- Commission genuine scenario-based foresight work on AI, automation, the future of work, and cultural attitudes to work, careers and lifestyle, rather than relying on retrospective trend extrapolation.
- Build genuine co-design mechanisms into the promised action plans, so that communities help shape delivery rather than just receiving it.

Conclusion

Tasmania does not lack economic diversification and investment strategies. It has, if anything, an oversupply of strategies, coordination bodies, facilitators and boards. What it lacks is a willingness to trust communities with real resources and real decision-making authority, and willing to plan for a future that will not look like an extension of the past. It also lacks the confidence to create its own narrative building upon its strengths, and instead falls back on an outdated view of what the economy ‘should’ look like based on last century thinking.

Flinders Island has in the past been looked down on as "needing help," but the Islander Way and the Furneaux Collective show what is possible when that trust is extended. I would welcome the opportunity to discuss these points further, and to contribute to the development of a more refined, creative and innovative Economic Diversification an Investment Strategy.