

## **5. From state direction to community self-efficacy: The devolution of responsibility for regional development in Australia**

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The main purpose of this paper is to examine the general movement from direct and centralised government efforts to promote regional development in Australia to a situation where greater responsibility for that development falls on local government, communities and individuals. Given differential settlement and development patterns across the country and a federal system in which power and responsibilities cross three tiers of government, there are no easily identifiable steps or periods in this transition. The approach here is to think in terms of policy layers, with periodic changes in emphasis that overlay, but do not entirely extinguish previous approaches. The 'layers' described in this discussion, in order of initial significant manifestation, are classified as: producer settlement and retention; services equity; decentralisation; and self-sufficiency and adjustment. The pre-European layer of social and economic activity in which indigenous groups were spread throughout the country and engaged in varying forms of resources use, is not considered here as decision-making was highly devolved and this discussion focuses on national approaches.

From this discussion, several contentions are developed. First, Australian governments have generally moved away from direct support for regional development, such as providing subsidies for producers to 'settle' in regional areas, in favour of enabling industries and communities to help themselves. There are however, remnants of direct support in ad hoc responses to political circumstances and in some state and local government programs. Second, regional development policies have largely been an extension of industry policy, especially agricultural and manufacturing industry policy but there are two exceptions to that. There is some notion of equity of communication, transport, health and social services no matter where people live, and there is a largely ineffectual but recurring interest in decentralisation as an extension of urban policy. I also argue that a form of post-productivist industry policy is emerging whereby governments resume certain rights to the use of natural resources, which will have a significant impact on regional development in Australia. This discussion will describe some manifestations of the policy layers and then consider the evidence for overarching directions in regional development policy. To start the discussion though, some features of the policy context are described.

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## The Policy Context

Regional development is shaped and perhaps constrained, by Australian geography. There is a concentration of population in an 'archipelago' of settlements, running from Cairns in the far north east, down through the major population centres of Brisbane, Sydney and Melbourne, around to Adelaide, with relatively isolated settlements in other parts of the coast and further inland than 200 km of the eastern and southern coasts. That is, we mainly live on some edges of a vast continent. This in contrast to the US where both the east and west coasts have population concentrations and there are more substantial infrastructure connections across the country. In terms of a conventional understanding of settlement, Australian inland roads are often 'roads to nowhere'. Australia has however one of the most concentrated populations in the world, and that concentration is in or near several major cities, and in or near, some selected coastal areas. There is some 'inner regional' population growth in areas that have some 'natural' amenity, not too far from major centres, with some interest in a rural, though not too rural, idyll or lifestyle (Tonts and Greive, 2002, 60).

Inland areas still relatively dependent on rural industries are generally depopulating (Argent and Walmsley, 2008, 142). The number of farm businesses has decreased from a peak of approximately 220,000 in the mid-1950s to about 150,000 and there is extensive and relentless adoption of labour saving technologies in agriculture and mining. This contributes to high out-migration rates amongst young people and women in rural areas (Argent and Walmsley, 2008, 143-145). There is however, also a net loss of young people from coastal areas that otherwise have growing populations (Argent and Walmsley, 2008, 144). Apart from the social attractions, the majority of Australia's universities are in the state capital cities and jobs in the services sector, which is a growing part of the Australian economy, are disproportionately located in metropolitan areas (Birrell and O'Connor, 2000). Given Australia's large area and five major metropolitan centres spread around the population archipelago, a move to the city usually means a move far from regional origins, which weakens on-going social and cultural connections to those regions (Argent and Walmsley, 2008, 148).

There are three exceptions to the depopulation of the rural inland with growth in some regional service and administrative centres, some remote area indigenous peoples' communities and mining services towns. While there are cultural and traditional pull factors to the remote indigenous communities, social problems, lack of employment opportunities and the social attractions of urban areas are push factors for out-migration just as they are for non-indigenous people in remote areas. Mining towns are also subject to fluctuations in commodity demand and many rely on a 'fly-in fly-out' workforce, which limits some of the regional economic benefits from having a large labour force. This also affects the social structures of those communities, with the 'original' town and then outlying camps of transient workers.

In relation to political institutions, as with the US and Canada, Australia is a federation with a layer of local governments covering most of the country, so responsibility for regional development is distributed between three tiers. Constitutionally, states have control of the conventional mechanisms of regional development in infrastructure, land use regulation, health and education services and the direct regulation of business operations. From that, states (colonies prior to 1901) have a considerable history of competing for investment, using a variety of incentives and protection measures to attract businesses (Linge, 1967, 47), with this patchwork of policies and internal competition being reasons for national governments having sought to coordinate economic, industry and regional development policy. Local governments also have some powers over land use

regulation, local infrastructure and business operation but they remain subservient to the states, being created under state legislations. So, states are in some ways the central tier in regional development but Australia is a centralising federation, due to particular constitutional judgements in relation to taxation powers, so that the national governments are increasingly able to set and lead the policy agenda through a system of coordinate federalism, in which the central government works with, and sometimes coerces, the state governments to develop national frameworks.

Regionalism, that is the defining and administration of regions that are more than local government areas but less than states, has some institutional manifestations but as yet is not a major component of Australian federalism. Institutional arrangements have included voluntary aggregations of local governments into regional organisations of councils (ROCs), which can engage in as little as information sharing and as much as sharing resources and jointly managing regional development organisations. Some of these organisations, along with business groups, also promote a regional identity to attract business and tourists, emphasising particular features, such the 'surf coast', 'alpine country' or the 'green triangle'. Then there are also local government amalgamations, most notably the ones forced by state governments in Victoria in the late 1990s and Queensland in 2008 that created some regional scale councils. Another regional scale arrangement is the set of regional natural resources management organisations that cover most of the country, which are state-defined but jointly (state and Commonwealth) funded. The strongest regional institutional arrangements are in Western Australia, where the State Government has defined regions, with a Government minister responsible for each one and there is routine reporting of expenditure in those regions.

Finally, Australian economic policy has undergone a major change since the 1960s and early 1970s, under the influence of neo-liberalism, which is really a revival of the principles of classical liberalism, of limited state intervention (for further explanation see Argent, 2005; Beer *et al.*, 2005). This is in contrast to a long policy history of intervention in areas such as land ownership and use, commodity pricing and industry protection. Such intervention was not only tolerated by citizens but expected and explanations for this tendency have variously included: the authoritarianism of the original penal settlements that were the foundation of the current states; the sparse settlement and harsh climate of the continent; and the influence of British social liberalism and to some extent emerging social democracy, at the time of the formation of the nation. The widely accepted narrative, by both critics (Bell, 1997; Carroll and Manne, 1992; Schott, 1991; Pusey, 1991) and supporters (James *et al.*, 1993; Kelly, 1992), is that the revival of classical liberal ideas in the UK and the US spread to New Zealand and Australia in the late 1970s, becoming the dominant policy paradigm in the 1980s.

The dominance part of this story is evident in policy changes of the 1980s, which included a significant decrease in levels of industry protection (Productivity Commission, 2008 summarised in Figure 1), the floating of the Australian currency, campaigning to reduce international trade 'distortions' (Hawke and Kerin, 1986, 70-72) and a raft of microeconomic 'reform' policies but there are three qualifications to this. First, while the contemporary neo-liberal story is of 70 years of insularity, followed by economic enlightenment, the Australian economy has long been subject to international economic forces and pressures for change and innovation (Jones, 2002, 313). Second, there were home-grown and vocal critics of agricultural protectionism in the 1960s (see for example Campbell, 1964; McKay, 1965; Anon, 1967; era reviewed by Gruen, 1986) and moves to reduce protection to manufacturing industries started in the late 1960s were evident during the time of the

Whitlam Labor Government (1972-1975) (see Figure 1). Third, as will be shown in this discussion, governments have not eschewed intervention, though they are more reluctant to commit to direct and/or on-going support for industries and communities. This reluctance is partly belief in the limits of state intervention and also because in contemporary political discourse, a balanced or surplus budget has become the mark of good government (Argy, 2008 71).

**Figure 1: Trends in Effective Assistant Rates**

[INSERT FIG 1]

Source: Productivity Commission 2008

## The Development of Approaches to Regional Policy

### Producer settlement and retention

This approach to regional development refers to government efforts to settle 'producers' in non-metropolitan areas and then to keep them there. The overwhelmingly dominant regional development 'strategy' in Australia from European settlement until at least the 1920s and far beyond that time for some of the northern and western areas was to encourage the establishment of agricultural producers, in what became known as 'closer settlement', or the process of encouraging an increase in population in agricultural areas. This form of industry policy was not just about economic growth since other goals included: the reform of emancipated convicts through agricultural labour (Connors, 1970; Ward, 1975); promoting desirable (agrarian) characteristics in the populace (Davison, 2005 01.4); counterbalancing the power of the squattocracy (class of large-scale livestock producers) (Roberts, 1924); the civilisation of the frontier (Waterson, 1968; Pike, 1962; Johnston, 1988); offsetting the effects of an economic depression (Connors, 1970); supplying resources to the industrial hub of the British Empire (Schedvin, 1988); and managing social unrest after the gold rushes and the first world war (Callaghan and Millington, 1956; Connors, 1970; Lake, 1987; Ward, 1975). Though the reasons for promoting settlement varied, the closer settlement dream of farms and communities spread across the 'countryside', perhaps even reminiscent of European landscapes, was strongly supported in political and popular discourses (Davison, 2005 01.2).

Initially the main policy instruments were the assumption, resumption and allocation of property and property rights and the provision of direct and indirect subsidies. All colonial governments assumed control of land, initially from the Indigenous peoples and later from the 'squatters' who had occupied large holdings for grazing purposes, and then they redistributed that, often with subsidised financial arrangements for purchasing and development. Usually the allocation of land required that people clear and cultivate it and even grow particular crops (Shaw, 1990; Roberts, 1924; Bromby, 1986; Lines, 1991). There were major closer settlement schemes from the 1860s through to the 1920s, with some later activity after the Second World War and again in the 1960s in Queensland and Western Australia. From early in the 20<sup>th</sup> century, state governments, recognising the limits of dryland agriculture, started to build major irrigation infrastructure to support further intensification, with the last of these major developments in the 1980s.

Closer settlement is however a remarkably persistent idea and concerns about climate change leading to a reduction in output in the southern agricultural areas resulted in a discussion of developing 'the north' (The Sydney Morning Herald, 2007; Shanahan, 2007), which has loomed large in post-settlement 'dreaming'. Under climate change projections, some northern areas may get higher rainfall, while there are expected decreases in the south (Bureau of Meteorology, 2008). The Labor Government agreed to a modest expansion of an existing irrigation scheme in the north of Western Australia (ABC News, 2008), while the Coalition developed a much more ambitious discussion paper (ABC, 2013). Such dreaming is somewhat constrained by historical experiences with earlier grand settlement schemes being cautionary tales for policy-makers (see for example Davidson, 1966; Davidson, 1981; Graham-Taylor, 1982) but nation-building generates its own enthusiasm. The problems of closer settlement schemes, such as uneconomic farm sizes, inappropriate crops and a lack of understanding of the environment were known in government circles at least as early as the 1920s and were identified in: a 1929 inquiry into the soldier settlement schemes that followed World War One (Royal Commission on Soldier Settlement, 1929); a 1933-35 inquiry into the state of the wheat industry (Royal Commission into the Wheat Flour and Bread Industries, 1935); and the 1944 Rural Reconstruction Commission (Rural Reconstruction Commission, 1944b). The Queensland and Western Australian governments had land distribution schemes into the 1960s, with some even in the 1980s, but in the post-war era governments generally turned from producer settlement to supporting those who survived the economic pressures for farm aggregation and mechanisation.

Support measures started in the colonial era with governments, developing scientific and education facilities to support primary industries. Governments also provided the infrastructure to support production, with rail lines, grain handling facilities and roads, with social infrastructure to support farm families and farm workers, such as country schools and hospitals. The post-war era to the early 1970s was the high point of industry and farm business 'stabilisation'. In this period, state and federal governments developed a network of commodity boards that included minimum pricing schemes, government underwriting and regulated central marketing arrangements, including export monopolies, as well as interest rate, machinery and fertiliser subsidies (Wilkinson, 2005; Malcolm, 1989; Martin, 1990; Watson, 1979). Thus, farmers could concentrate on production while specialists could take care of the marketing, with compulsory collectivism increasing the market power of the particular industry, in an environment where other countries had even more significant industry protection (Coleman, 1998).

While support for agriculture helped develop major export industries, such as the wheat industry, and closer settlement did increase populations and particular areas, relentless technical innovation in Australian agriculture meant that fewer and fewer people were needed to deliver an increasing volume of commodity exports. Larger farms, mechanisation and lean supply chains meant that rural towns became increasingly economically decoupled from agriculture. This was recognised as early as 1944 when the Rural Reconstruction Commission broadly defined 'the rural economy of a country' as covering 'every aspect of its rural life as well as the economics of those industries which are the mainspring of the existence of its countryside' (Rural Reconstruction Commission, 1944a, 5). In 1973, another Labor Government commissioned an inquiry that was to 'consider rural policy that serves the interests not only of those directly involved in farming, but of the rural community as a whole' (Harris *et al.*, 1974, 3). This recognition of the non-agricultural aspects of regional development has resulted in an array of support measures for other industries, some based on local business

attraction and others growing out of secondary industry policy which also tended to be interventionist.

Following a period of free trade (1850-1865) the Victorian colonial Government started to impose manufacturing tariffs which, with the inflow of surplus labour from the goldfields, enabled an expansion in secondary industry (Logan, 1966, 144). With Federation, the national government increasingly engaged in industry policy, accelerated by central planning during two world wars, and took over tariff setting, with the states moving to other forms of inducement to attract business investment. The southern states (NSW, Victoria and SA) started to press for industrialisation from the 1930s, though there was little in the way of explicit efforts at regional distribution of industry (Linge, 1967). In the post-war period, some state governments had decentralisation funds, and there was some initial growth in major regional coastal cities, such as Geelong, Newcastle and Wollongong, but little activity elsewhere (Linge, 1967, 55).

In 1944 state and Commonwealth governments established regional development committees, following a structure used for planning during the war, but little industrial devolution came from that (Beer, 2000, 173; Stilwell, 1974, 154), with this first attempt at regionalism fading after the election of a Coalition Government in 1949 (Stilwell, 1974, 154). A Commonwealth Secondary Industries Division (Later Division of Industrial Development), set up during the war, did oversee the allocation of land in some regional centres for manufacturing (Jones, 2002, 324). Some state governments provided money so that local governments could reduce services costs to businesses and engaged in individual negotiations with firms (Stilwell, 1974, 154). By the early 1970s, all states had some establishment and retention incentives, usually to offset start-up costs, with some having on-going measures ( summarised in Wilson, 1978, 182). The most interest in regional industry development was in NSW and Victoria, whereas the less populated states were more concerned about competition from the big two states (Wilson, 1978, 182).

So, by the early 1970s, there was an array of support measures for agriculture and some secondary industries and some incentives for regional businesses. As noted above, successive Federal governments then started to wind back industry assistance and to concentrate on national economic policy settings (see below). This tended to leave programs to support the establishment and retention of businesses in regional areas with individual states and, increasingly, with local governments or regional development bodies. A review in the early 1990s identified some typical forms of assistance available at state and local levels, including

- provision of administrative and informational services;
- relocation of government departments;
- cheap land and buildings;
- subsidised infrastructure and/or services;
- tax (and rates) concessions; and
- grants, loans and other forms of financial assistance (to lower the cost of labour, capital, relocation etc). (Industry Commission, 1993 330)

Many of these policy instruments are still in use but state governments have increasingly moved towards supporting community and business self-help. The problem for many regions though, is that

they have struggled to attract non-agricultural businesses and as argued here, there has been almost no national policy to support the decentralisation of capital.

## Services equity

Initially, rural communities and the social services therein were seen as extensions of, and support for, agricultural producers and industries but by the 1920s the idea of services as a means of making rural life more bearable started to take hold (Davison, 2005 01.8). The Rural Reconstruction Commissioners (of the 1940s) thought that rural industries and towns could only be viable if living conditions were satisfactory, and so housing, electricity, education and health services needed to be supplied, including where necessary, through some degree of implicit subsidy (Rural Reconstruction Commission, 1944a). By the late 1960s services such as telecommunications, mail and electricity had three forms of cross-subsidisation: the cost of the infrastructure for the service; the price of the service; and the staffing of the services, which also contributed to the local economies (Tonts, 2000 61) and this assistance was by then seen as partly about social equity (Tonts, 2000 60). Australia had long had a fiscal mechanism with a geographical services equity component. Since 1934, the Grants Commission redistributed money to the states as part of 'horizontal fiscal equalisation' (Gerritsen, 2000, 135; Walmsley, 1993). In addition, since 1974, there has been a requirement that states pass on money as general purpose grants to local governments, which was some effort to prevent funds from pooling in the state capitals and surrounds.

The neo-liberal wave rather undercut arguments for cross-subsidisation, which was considered economically inefficient (see below), but programs with a component of geographical equity remained, with governments particularly highlighting them in periods of political unrest in non-metropolitan regions. In 1989, the Federal Labor Government released a statement in the wake of anti-government protests in rural areas, pointing to the 'special' programs for health services and decentralised social services agencies and services (Hawke, 1989, 18-33). That one of these programs was for Rural Counselling might have highlighted the protestors' concerns. The Prime Minister, Bob Hawke also pointed to the continuation of 'subsidised' postal, telephone and, for some areas, air services (Hawke, 1989, 38-39). The return of the Federal Coalition (Liberal and National<sup>2</sup> Parties) to government in 1996, with most Liberals having rediscovered Classical Liberalism, led to cuts in many regional programs and public sector agencies, just as some states were also cutting service deliver areas.

Once again though, the Commonwealth was drawn back into regional development policy following the sudden rise of a populist party, One Nation (McGrath-Champ and Searle, 2005, 7). In 1998, 11 One Nation members were elected to the Queensland Parliament, further damaging a once dominant state National (formerly Country) Party. In that same year, the Federal National Party also lost ground to One Nation in the national election, being widely seen to have failed to protect rural and regional Australia. As a further lesson, the Victorian State Government, known for its attachment to neo-liberalism, unexpectedly lost the 1999 election, with unfavourable results in regional areas. The Federal Government held a 'Summit' and enacted a range of 'regional'

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<sup>2</sup> The National Party was formerly the Country Party and remains a largely agrarian party with some recent efforts at developing a more regional identity. It usually attracts 6-8 percent of the popular vote and holds about 8-10 percent of Federal House of Representative seats.

programs, such as Rural Transaction Centres and Networking the Nation, to directly address what was seen as a services deficit (Gerritsen, 2000, 132). There followed specific, though financially limited regional development programs and regional adjustment packages for dairy and sugar producing areas, feeling the cold winds of international competition. Over time though and with the decline of One Nation, regional disadvantage faded from the political agenda until 2010, when neither major political party managed to secure a majority and the balance of power was in the hands of two 'rural' independents. The independents supported the Labor Party on the conditions that 'governing for Australia means ensuring regional Australia:

- a) had its voice heard in the Federal Parliament and in the Federal Government,
- b) had its needs and special circumstances considered diligently,
- c) benefited from economic development; and
- d) had fair access to services'.

(The Australian Labor Party and The Independent Members, 2010)

This has led to some expansion of the Regional Affairs Department (under various titles and agglomerations) and its programs, later cut back with the post-GFC focus on managing the national budget.

It is however, notable that the Labor Party did not agree to undo the major market-based 'reforms' enacted in the previous 30 years, despite the efforts of a third rural independent (Bob Katter) to bring such ideas to the negotiating table. The contemporary attitude to the supposed rural/urban services deficit is one of qualified sympathy and caution in making promises. In a statement prior to the 1999 Summit, the then Leader of the Nationals and the Deputy Prime Minister, John Anderson, displayed this caution. 'The Government recognises the urgent need to address a growing sense of alienation in many parts of regional Australia and to bridge the increasing gulf between metropolitan areas and the bush' (Anderson and McDonald, 1999, 1). Notably, the Government did not so much 'recognise' the problems of 'the bush', but the discontent therein. Nonetheless, there are special rural health and education programs, such as assistance for remote area students, and there has been some commitment to 'whole of government' approaches to the provision of services (Anderson and McDonald, 1999).

## Decentralisation

Decentralisation as a theme was evident from at least the 1920s, when there were inquiries into the problem of the 'townward tendency' (Davison, 2005 01.3). This was initially about the possible effects on the sustainability of communities and the impact that depopulation would have on the quality of services (Harris *et al.*, 1974, 262). This remains a theme in contemporary discussions of rural depopulation, especially in relation to small towns. The Federal Labor Government's 1974 rural policy discussion paper noted that decentralisation of population was becoming an extension of urban policy, especially to alleviate pressure on infrastructure and services (Harris *et al.*, 1974, 262). Decentralisation came back on the Federal Labor Party platform in the 1960s and the long-reigning Coalition Government had formed a National Urban and Regional Development authority in 1972 (Beer, 2000, 174). The Labor Government, elected in 1972, formed the Department of Urban and Regional Development (DURD) which proposed decentralisation as an urban strategy that would have regional development benefits (Beer, 2000, 174). The Government opted for a more targeted approach, identifying regional 'growth centres', some of which were to be virtually new towns and



some were to be enhanced regional centres. Little progress was made with these centres and once again a change of government led to the programs being wound up, replaced by a small Regional Development Program.

The Labor Government of 1972-75 also changed legislation to allow the Grants Commission to allocate money to regional organisations of councils, in what Stilwell describes as “back door regionalism’ (Stilwell, 1974, 185). The aim was to enable the ROCs to undertake regional planning and to develop strategies to attract and retain businesses and people. In the 1980s ROCs were supported to some extent through the Commonwealth Local Government Development program, to enable them to take a greater role in regional development but there were very uneven performances in these organisations and resistance from local governments (Marshall *et al.*, 2003, 171-172). Some local governments have tried well-publicised land and house giveaways, while the Queensland Labor Government (to 2012) even offered housing subsidies for people who built away from the crowded south east of the state. The Victorian Coalition Government (from 2010) also claimed to want to develop existing regional centres to take the pressure off Melbourne. Generally though, decentralisation policies have been limited and appear to have had little effect. Almost 24 percent of the population live in Sydney or Melbourne and both continue to grow and sprawl outwards, with infrastructure pressure issues being features of Victorian and NSW state elections. Outside of the major cities, the growth appears to be more related to beaches, mild climates and certain types of landscapes rather than to any decentralisation policies.

### **Self-sufficiency and structural adjustment**

The final, most recent and still most dominant policy approach to regional development is the drive for businesses and communities to be self-sufficient, with governments helping with structural adjustment to ease the transition to these states. The new paradigm was evident in a 1986 rural policy paper, where the focus was on the benefits that would flow to rural industries from internationally focussed macro-economic policies (Hawke and Kerin, 1986, 24-25) and reduced export costs (Hawke and Kerin, 1986, 54-55). It also highlighted the need to continue to reduce protection to other industries to reduce input costs (Hawke and Kerin, 1986, 27), implying that to be consistent there could be no additional assistance for agriculture, other than delaying progress on deregulation. There would continue to be programs to help structural ‘adjustment’ and to support ‘technical progress and innovation’ through industry research funds (Hawke and Kerin, 1986, 27-45). This focus on national economic policies and assistance with adjustment were again evident in a 1989 rural and regional statement, highlighting programs to support businesses, especially for export industries and indigenous peoples enterprises (Hawke, 1989).

There was a re-statement of the various market reforms as a ‘series of changes which would further lower costs faced by farmers, thereby contributing to improved living standards in country and regional Australia’ (Hawke, 1989, 8) and reference to the benefits of ‘economic self-help’ which ‘requires’ a local commitment to change’ (Hawke, 1989, 10). Generally there was an implicit effort to ‘wean’ industries and communities away from assistance, with industry and regionally specific programs seen to distort the efficiency of cumulative individual choices (Freebairn, 2003). There was also a focus on ‘small government’, or rather minimising the direct involvement of governments in economic production and service delivery (Beer *et al.*, 2005; Gerritsen, 2000). While the manifestations of neo-liberalism were most apparent from the 1980s on, state directed development had its early critics. The ‘rural romantics’ who wanted farms spread across the

countryside were criticised by the 'environmental determinists', who were sceptical about the economics of closer settlement in a harsh climate. (Davison, 2005, 01.2).

The Rural Reconstruction Commission of 1944-6, thought that price support mechanisms were 'both politically troublesome and financially awkward to the governments concerned' and they discouraged 'efforts to improve efficiency and remedy faults in the cost structure' (Rural Reconstruction Commission, 1944a, 30). The Commissioners were also cautious about efforts to attract industries to the regions, noting potential problems with transport costs and water (Rural Reconstruction Commission, 1944a, 53). They also noted, the importance of the 'general spirit which pervades the district' that 'can do much to overcome difficulties' (Rural Reconstruction Commission, 1944a, 46). The 1974 rural policy paper, though commissioned by a party nominally of the left, also noted that 'the market is generally the most effective method of allocating productive resources' though there was still some attachment to intervention in that 'government will not accept the full implications of the free working of the market mechanism in the agricultural sector and recognise the need for to intervene to improve the manner in which the market operates or to compensate for its consequences' (Harris *et al.*, 1974, 48). It was the consequences of structural adjustment that kept the Federal Government involved in regional policy.

With a general economic downturn in the early 1980s and differential unemployment rates across regions, the Federal Labor Government introduced a Regional Development Program (RDP) that was to focus on infrastructure that would: enhance competitiveness; facilitate local initiatives; and establish Regional Development Organisations (REDOs) with a broader development focus (Beer, 2000, 177). The REDOs would also support some of the burgeoning labour market programs, developed in the face of persistent unemployment in some regions (Beer *et al.*, 2005, 53). Nonetheless, there the major national policy focus remained on macroeconomic management. The Labor Government commissioned a report in 1993 that noted that many regions were growing faster than the metropolitan areas (McKinsey & Company, 1994, 14) and recommended that the regions 'experiencing decline' should not be 'propped up' because it would be inefficient to do so (McKinsey & Company, 1994, 15). These vulnerable mining communities and small rural towns were subject to the big external forces and the role of government was to facilitate adjustment. The consultants argued, from their review of regions, that 70 percent of investment in regions was endogenous and they too emphasised the importance of 'local leadership' (McKinsey & Company, 1994, 25). They then went on to instruct prospective regional leaders on how to encourage growth, citing examples, far from the Australian rural town experience, such as Glasgow.

This was followed by the Working Nation initiative in which 'industry policy and regional strategy were positioned as central and complementary elements in national economic development' (McGrath-Champ and Searle, 2005, 2). This was the culmination of several reports on the state of the regions and although the orthodoxy of microeconomic reform remained, there was some attention to spatial disparities (McGrath-Champ and Searle, 2005, 4). The components of the strategy were: 'improving finance options, facilitating infrastructure investment, encouraging best practice, promoting export activity, and better programme delivery' (McGrath-Champ and Searle, 2005, 4). There was also some support for industry clustering (Enright and Roberts, 2001, 71). With the 1996 election of the Federal Coalition Government, the RDP was abolished, as were the REDOs, with arguments that regional development was the responsibility of the state and local governments (Beer, 2000, 177; McGrath-Champ and Searle, 2005, 7).

Once again though, political unrest dragged the Federal Government back into this policy area. A particular area of contention was National Competition Policy (NCP), set up by the previous government to pursue microeconomic policies that would enhance economic competition and efficiency. This included ensuring that government entities charged competitive prices for external work, which was often a source of revenue for local governments. NCP, an institutional expression of neo-liberalism, enjoyed little support in the bush. It was seen as hastening the withdrawal of services, especially from smaller towns (Tonts, 2000 63) and contributing to a loss of jobs (Gerritsen, 2000, 126). Competition policy was described by one notable National Party Senator as acting 'like a giant vacuum sucking people out of the bush and putting them on the shores of the seaboard' (Boswell cited in Productivity Commission, 1999, XXIII). In 1997, the Productivity Commission, another institution of neo-liberalism that had evolved from the Industries Commission, which in turn had evolved from the Tariff Board, was set the task of examining the impact of competition policy 'reforms' on rural and regional communities.

From its public hearings, the Commission found considerable concern about the withdrawal of services, the centralisation of management functions and the threshold effects of services losses (Productivity Commission, 1999, 10). The Commission concluded though that the impacts between rural areas were more variable than those between metropolitan regions. That is, some regional areas gained more than most metro areas, while some fared worse but in the end, the Commission concluded that the greater threats to communities came from the major external forces (Productivity Commission, 1999, XXXIX; Banks, 2000). Where there were regional disadvantages, then the best approach was to use existing 'assistance measures', such as welfare payments and job placement services to facilitate 'adjustment' (Productivity Commission, 1999, XLI), rather than designated regional development programs.

With the political backlash of the late 1990s however, the Government re-entered the policy field. It had already set up Area Consultative Committees (ACCs) though these were restricted to labour market issues and providing advice to the government (Beer, 2000, 177). Following the Summit, several regional development programs were developed to support local projects to improve services, which later shifted to business support and some support for clustering initiatives (Enright and Roberts, 2001, 72). This largely remains the approach. There are programs to support communities that show initiative and funding varies according to the political situation. The regional advisory/delivery structure changed yet again with the election of the Labor Government in 2007 (now Regional Development Australia) but the organisations were slow to develop and there have been no major regional initiatives. There has been a developing consensus between the states and the Federal Government for devolution to regional and local levels (McGrath-Champ and Searle, 2005, 6), with state programs also now tending to focus on education, leadership and clustering (McGrath-Champ and Searle, 2005, 8). The intention is to 'build capacity' (Martin, 2006, 218) so that businesses and communities are resilient and able to make their own adjustments.

There is as well, an increasing focus on environmental issues (McGrath-Champ and Searle, 2005, 11) and this has ramifications for regional development. On the positive side, many renewable or low-carbon emission energy enterprises such as solar farms, geo-thermal sites, wind farms, bio-fuel plants and natural gas extraction, will potentially be located in regional areas, though none of these will generate high levels of employment. On the negative side, governments are withdrawing or reducing access to some natural resources, such as native forests, mineral sands and water for

irrigation. Both timber and sand mining regions have received regional adjustment packages, just as dairy farming areas did. The most dramatic example of this trend however is the plan to buy back water entitlements in the Murray Darling Basin, the inland region that runs from South Australia, through northern Victoria to southern Queensland, where most irrigated crop production takes place. In 2004, the National Water Commission (NWC), another manifestation of coordinate federalism, was formed, with the aim of addressing 'over-allocation' and of securing sufficient environmental flows to create 'sustainable' river systems. In 2008, the Murray-Darling Basin Authority (MDBA) took over from the MDBC and it is required by the Commonwealth *2007 Water Act*, amongst other things, to '... protect, restore and provide for the ecological values and ecosystem services of the Basin' (Murray-Darling Basin Authority, 2010, p. xii).

The Federal Government will buy water on behalf of the environment from willing sellers, based on proposed regional targets (Murray-Darling Basin Authority, 2010, p. xxv). The Murray Darling Basin Authority proposed the acquisition of 20-49 percent of current diversions, depending on the region (Murray-Darling Basin Authority, 2010, p. xix) and this would again necessitate structural adjustment, with some irrigation areas having little in the way of alternative industry. Thus, governments are now withdrawing resources that were by way of an environmental cross-subsidy. That is, now that natural resources are seen to have non-market values, then the opportunity cost of using them in production has increased and so the previous implicit 'subsidies' have become apparent and are being removed. Hence, the neo-liberal wave led to the removal of explicit subsidies, while environmentalism has led to further reductions in implicit subsidies.

## Reviewing Australian Regional Development Policy

From this review, I argue that the dominant approach to regional development policy has been industry policy that is expected to produce beneficial spillover effects in the regions. The initial focus was on producer establishment, then later on producer retention and business attraction which remain major foci of local governments and regional development bodies. However, as Beer *et al.* (2005, 55) argue 'Australia does not have a strong national policy on regional development, or strong industry policies (apart from a few exceptions, such as the motor vehicle industry) which, in turn, constrains the ability of regional development organisations to promote regional development'. This is true unless the definition of industry policy is extended beyond the conventional thinking on direct intervention for there has been a second 'stage' of industry policy, whereby governments try to create an environment favourable to business no matter the location of that business. The problem with the macroeconomic approach is that capital overwhelmingly concentrates in major cities, with even mining companies having their headquarters there. The 'third' stage of industry policy in which environmental costs are considered, will further affect resources-based communities that are disproportionately in regional areas. The use of regional and industry adjustment strategies will continue, but these are generally time limited and project driven (Beer *et al.*, 2005, 55).

Governments must be seen to be doing something but they are constrained by an attachment to neo-liberalism (Stilwell, 2000) or as Beer (2005, 54) argues, 'the practice of regional development in Australia has been subject to both ideological pressures for less intervention in regional economies and local demands for more assistance for regions'.

Other than industry policy, attempts at decentralisation have had little institutional or geographic impact. Services equity is an idea that has some currency in the community and government but

attention to this tends to vary according to the political influence of regional voters and it too is subject to neo-liberal constraints. The 'small government' aspect of neo-liberalism has seen governments move away from direct delivery of services to become coordinators (Beer *et al.*, 2005; Gerritsen, 2000), which particularly affects regional policy delivery with the networks distributed across three layers of government and business and community organisations (Beer *et al.*, 2005). Argent (2005) argues that devolved networks have undermined the capacity of central government agencies to deliver outcomes (Argent, 2005). Similarly Gerritsen (2000, 126-127) argues that the privatisation of services allows for a strong centre and cutting at the 'periphery' that gives the appearance of small government. The retreat of the state is however, well entrenched and Argent (2005, 30) argues that the model of the 'entrepreneurial, self-reliant community' has been adopted so widely and readily across Australia (and in other countries) that large-scale, central state-initiated intervention in regional affairs has generally come to be seen as unwelcome, wasteful and/or inappropriate.

The problem remains that there are limits to the self-reliant community. Just because the 'locals know best' (Tonts, 2000 65), does not mean they can manage the large economic forces to which they are subject. This approach still relies on generating funding and having local leadership capacity (Tonts, 2000 67). For some, this apparent devolution is just 'regulatory dumping' with responsibility passed to communities (Argent, 2005, 37) or as Gerritsen sees it, there is 'jurisdiction shifting' with responsibilities passed to the states and increasingly local governments (Gerritsen, 2000 123). The problem with this is that local government is based on an infrastructure culture, not social services and economic development and may not have the people with the necessary skills (Martin, 2006, 233) or the funding.

## Conclusions

In Australia, governments have moved away from directly supporting producer establishment. This is partly a function of the rise of neo-liberalism but there is also a history of producer establishment schemes generating considerable economic, social and even environmental costs, eventually making governments understandably wary. Then too, the seemingly relentless growth of the major metropolitan areas, common to almost all countries, must seem a social and economic phenomenon that is hard to influence. On the other hand, there is little policy continuity. The federal system is part of the problem, but so too is the tendency to tear apart the works of previous governments and then seemingly rebuild similar regional structures, as is the flurry of 'regional' programs that appear during political crises.

Perhaps though, the approach to industry policy in Australia has created a degree of path dependency. The forms of assistance to agriculture, for example, were largely indirect, as opposed to the direct payments to US and EU farmers. Australian governments could therefore dismantle these without obviously stopping direct income. In the EU and to some extent in the US, there was greater political pressure for commodity support money to be re-directed into regional development and agri-environment programs. Perhaps though, the scale of those economies also enables more money to be set aside for regional development. Then too, Australia is still a vast country with an inhospitable interior and landscapes that hardly conform to modern notions of attractiveness, while many country towns show little more than their functional origins. Regional development in Australia is difficult, but there has hardly been much of a coordinated effort to achieve it.

Given a likely fairly long period of post-GFC 'austerity' measures, there will be little appetite for interventionist regional policy. The Federal Coalition, with the support of the Queensland and WA non-Labor governments, has disinterred northern development, foreshadowing new dams, but it is hard to see where the infrastructure investment will come from. The resource-rich states could adapt the WA Royalties for Regions program which aims to retain mining income through regional expenditure but states have many calls on their limited income and the mining boom may not last. Decentralisation is likely to remain a discussion point, but again, a serious approach to that requires expenditure, for example on high speed rail connections to the relevant major cities and water supply system and the problem of shallow labour markets in regional areas remains. One cost-saving, but politically difficult (impossible) strategy, would be to reduce real expenditure on urban infrastructure, which is in itself a considerable cross-subsidy, making living conditions more difficult and thereby encouraging autonomous decentralisation in accord with 'market' principles.

Also politically unlikely, given the centralist tendencies in Australian politics, but perhaps the best approach within the current political economy, would be some serious devolution of finances and responsibilities. This could start with the recognition of local government in the national constitution, followed by more serious alignments of regional bodies, including the NRM organisations and regional organisations of councils, and direct funding of regions to include infrastructure and business programs. The role of RDAs, or whatever follows them, could then evolve into true coordinating agencies. The history of regional development and Australian federalism would seem to mitigate against true devolution with Federal and state governments nominally supporting the notion that communities know best while supporting funding and policy models based on central control.

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