

Australian Regional Policy and Its Critics

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Introduction

There are broadly two set of critics of Australian regional policy – those who think that too much is currently done by governments to encourage regional development, and those that think that too little is done. There are, of course, plenty of other, more specific, criticisms of policy, but these are two of the most common. Of the two critiques, the “governments do too little” argument is easily the more vocal and prominent.

What are the key elements of Australian regional policy? Indeed, is there such a thing as a distinctly Australian approach to regional policy? And are the critics right?

Regional policy in Australia has evolved in a number of ways since the 1960s, and for a number of reasons. Several elements of former policies have been discarded, and other elements have been taken on board as new and more complex regional problems emerged and new ways of dealing with old problems have been discovered. There is something of a consensus in regional policy across the major political parties and across the States. Most jurisdictions now accept a number of key principles – the “bottom up” approach; self help for regions and communities; a partnership approach; facilitation rather than central direction; a focus on delivering services and managing change; a region-specific approach (local solutions to local problems); a focus on regional leadership; and strategies based on regional competitive advantage. Decentralisation, a focus on big city primacy and on “balanced development” has gone out of fashion and has been quietly dumped, even though “regional” mostly still means non-metropolitan for policy-makers.

Despite broadly shared views across governments, no such consensus exists among the broader regional policy community (which includes both critical academics and country interest groups). There are many critics of government policy, mostly believing that governments don’t do enough (especially the current Commonwealth Government); that governments have been overtaken by “economic rationalism”; that this both has helped cause (or exacerbate) regional problems and will not fix them; that more public funding would improve regional outcomes; that more “national” regional policy coordination is required.

The paper discusses the extent to which a policy consensus has emerged within governments and the reasons for this, and attempts to characterise Australian regional policy. It then defends the current approach against those who believe that governments don’t do enough, could do more, that economic rationalism is to blame for current policy approaches, and that doing more would necessarily help resolve regional development problems.

The paper focuses on regional policy in New South Wales and at the Commonwealth level. While it does not claim to provide a comprehensive analysis of regional policy across all States and Territories, many of its conclusions would nonetheless apply to regional policy as practised elsewhere in Australia at the present time.

A Regional Policy Consensus?

No two governments ever have exactly the same approach to regional development, for the latter includes a whole range of philosophies, objectives, definitions of “regional”, policy instruments, tools, implementation strategies, bureaucratic structures, funding mechanisms, and so on.

Yet in Australia, and perhaps many other countries with an interest in spatial economic development, certain ways of thinking about regional development have emerged over the last twenty years. There is a certain coherence to these ways of thinking, and a commonality. If one looks at a contemporary New South Wales regional policy document, or

One of the key developments in regional policy over the last twenty years has been the emergence of new objectives, new concepts, new regional development tools, and new ways of thinking about regional development. Hurley (1993) suggested that a new set of “buzz words” had crept into the Australian regional policy lexicon.

The key new ideas that inform and drive the current policy approach include the following:

- Sustainable development;
- Regionalism and regional competitive advantage;
- Region specific policies and “local solutions to local problems”;
- The “bottom up” approach and community driven economic development;
- Facilitation, partnerships, the self-help ethos and the emergence of new “meso” level organisations that drive regional strategies;
- An emphasis on regional leadership;
- A focus on growing existing businesses rather than industry attraction; and
- A move to selective and targeted regional assistance and away from open-ended assistance.

These are the new ideas that have shaped the way governments think about regional development and respond to regional problems. The current NSW Government has dubbed this approach “strategic intervention”, with the emphasis on the “strategic” rather than on the “intervention” (NSW Government 1998).

According to recent governments, regional development must be “sustainable” (Department of Business and Consumer Affairs 1990; Egan 1997; Collits in Epps 1998). In other words, economic development in non-metropolitan areas should be based on private investment, or “commercial realism” (McDonald 1993). Assistance is provided only where there is a solid business case for the development, and there is a strong preference for new industries with strong future prospects. There is a close link between sustainable development and the notion of regional competitive advantage, and an

emphasis on indigenous investment. Sustainable development implies that government policies should not be used artificially to support regions and that policies should be consistent with market-driven outcomes.

The focus of regional policy has become infused with the notion of regionalism. This at times has included metropolitan regions. According to McKinsey:

Regions are becoming the natural units for making change happen (McKinsey 1994: 19; see also Ohmae 1995, Storper 1997).

On this view, “regions compete – not countries” (McKinsey 1994: 18-19). The notions of regionalism and regional competitive advantage have become embedded in government regional policy thinking and programs, including *Working Nation’s* Regional Best Practice Program, the and the Regional Business Development Scheme in New South Wales (Porter 1990; Department of Business and Consumer Affairs 1990: 1; Simmons 1992: 2,7; Garlick 1992: 12-13; Department of Business and Regional Development 1993: 11; Bureau of Industry Economics 1994: 57-63).

The emphasis on regional competitive advantage runs counter to the whole balanced development ethos, at a number of levels. Development should occur where it will be “competitive”, not where it may be “needed” on balanced development grounds. And the point of reference for regional success is no longer how well the region does against Sydney, but how well it does against other regions, and against its own previous performance.

Carter argued strongly for region-specific policies (Carter 1983: 8), and these have largely been adopted by all governments, to the clear detriment of those who argue for “blanket” policies that assist all non-metropolitan regions. New programs find “local solution to local problems”, rejecting the “one size fits all” approaches of the past and recognising that regional problems vary from place to place and over time (Carter 1983: 15-18; Local Government and Shires Association 2000: 28-32). Place management has become an important tool in some cases (Latham 1998: 214-20). The Hunter and Illawarra Advantage Funds in New South Wales, the Regional Assistance Program (RAP), the Regional Economic Transition Scheme and the Country Centres Growth Strategy best exemplify the new thinking.

That solutions should be tailored to local problems also reflects the notion that communities should drive their own development. This is the “bottom up” approach that so clearly rejects the centralist, top down model. What distinguishes the bottom up, community economic development model is the notion of local “ownership” of strategies, the conviction that local actions make a difference to outcomes, and the emphasis on endogenous development (Coffey and Polese 1985; Blakely 1989; Wildman et al 1990; Flora et al 1992; Collits 1997; Municipal Association of Victoria undated; Kenyon 1999). The philosophy is seen in the NSW Main Street/Small Towns Program and the Commonwealth’s Country Centres Project (1987) and Regional Solutions Program. The

community economic development spirit also drove the 1999 Regional Australia Summit. On this view, the role of government here is extremely limited:

All government can really do for the future of our regions is to give them the tools for success – the “how” part (Garlick 1992: 6).

This is the “facilitation” or “partnership” role of government that is central to the new policy consensus, where governments assist regions to become “investment ready”, essentially by helping to build regional capacity and empowerment (Kelty 1993). There would be no rescue by the “cavalry” (Garlick 1992: 6; Kenyon 1999). The directed development model seen in balanced development thinking has no place in the new approach. A plethora of “meso” level organisations has emerged, for example Regional Development Boards, to fill the void left as governments have devolved strategy formulation to the regions (Public Accounts Committee 2001).

Also related to the partnership approach is the key role of leadership now central to the policy consensus (McKinsey 1994; Legislative Council 1994: 42; Epps and Sorensen 1995; Henton et al 1997; Collits 1999). Governments have recognised the key role of local leadership in achieving regional development success, and in some cases have encouraged its development (Keating 1994).

Governments have either de-emphasised or removed the tools of balanced development, mainly firm relocation, and increasingly focused on indigenous development, fortified by McKinsey’s finding that up to 70 % of new regional jobs were created by existing businesses (McKinsey 1994: 19). Equally, “targeted” assistance has become the norm, replacing the open-ended assistance beloved of balanced development supporters (Legislative Council 1991; Sanzone 1993).

The visions of governments for regional development linked to these new approaches vary, from a “strong” regional Australia (Anderson 2001) to one where the benefits of economic growth are shared by all regions (NSW Government 1998). Objectives of policy have become more specific, related to the solution of very particular problems in space or in time, and far removed from the decentralisation objectives of the 1960s.

The regional policy approach described here is often contrasted with approaches overseas, for example the United States and Europe (Manning 2001). Yet Hugonnier (1999) demonstrates that many Organisation for Economic Cooperation and Development (OECD) countries have adopted policies that resonate with those described above.

How Did the Current Policy Consensus Come About? The Drivers of Regional Policy Change

Policy development and policy change are complex processes with multiple dimensions and explanations. In Australia, with its three tiered system of government, short term

electoral cycles, spatially differentiated electorates, vigorous political debates, varying geography and widely (and increasingly) divergent regional issues, it is not surprising that regional policy would be subject to shifts in emphasis, changing levels of resources, and the comings and goings of intellectual fashions. Regional policy is also, of course, hostage to many other areas of policy which inevitably have varying and often unforeseen impacts on regions.

The “canvas” on which regional policy debates are painted is also subject to dramatic shifts over time, as regional development has multiple and variable drivers that include natural resource endowments, changing technology, new production methods, individual lifestyle preferences, business and investor location decisions, business performance, and human capital (Sorensen 2000).

Nonetheless, it is possible to discern policy positions and chart their changes over time (Collits 2002). Of course, the sometimes subtle changes that have occurred in regional policy objectives and content can be obscured by more dramatic, but perhaps less important “marker events”. A good example of this was the abandonment of regional policy by the Howard Government in 1996. This proved in the longer term to be simply part of the political cycle and had no real implications for the evolution of regional policy objectives. Yet it was seen by some (for example, Beer 1998) as indicative of the triumph of economic rationalism. Regional policy duly reappeared at Commonwealth level in 1999, again at an expected stage of the political cycle (driven in part by Hansonism). What is important to the analysis here is not the reappearance but the direction of policy when it reappeared on the Government’s radar screen. Focusing on the events of 1996 and 1999 can obscure longer-term evolution of policy ideas.

Hence there have been two processes occurring in Australian regional policy. The first is essentially a political process. Interest in regional policy has waxed and waned over time, especially in Canberra. Generally, Coalition governments have tended (1949, 1976, 1996) to view regional policy as the proper preserve of the States, and have wound back inherited regional programs. On the other hand, in the States, the process has been more evenly evolutionary and bipartisan, though, on occasions, there have been more dramatic overturnings (Greiner in 1989).

The second process, occurring separately from the politically driven peaks and troughs of policy interest, has been a more fundamental shift in thinking about policy *objectives*. There can be both politically driven events and longer-term trends that require deeper explanation. The dramatic events don’t tell us nothing about regional policy evolution, but, equally, they do not tell us everything.

What, then, have been the drivers of longer-term change?

Regional policy development in Australia has been characterised by what might be termed “pragmatic incrementalism”, borrowing from Charles Lindblom (Lindblom 1959; 1965; 1968). Policy change has been gradual. New bits have been added, and other elements have been discarded. New ideas have emerged. Old problems have either gone

away or have been quietly come to be regarded as insoluble (Downs 1972; Hurley 1993; Bridgman and Davis 1998; Collits 2002). New regional problems have emerged. New ideologies have come to be accepted by governments of varying persuasions. All these developments have played some part in the emergence of the new policy consensus, although no one explanation (such as the emergence of economic rationalism) could be said to have “caused” the current pre-disposition of governments against substantial intervention in regional development.

There is no one single explanation for the current direction or content of policy. However, there are clear explanations apparent from an examination of regional trends, the emergence of new regional problems, the abatement of earlier problems, the acceptance by governments of new economic policy ideas generally, and reflection by governments and policy makers generally on the effectiveness of earlier approaches.

The following provide some clues to the nature of regional policy evolution in Australia.

MORE

Characteristics of Recent Regional Policy in Australia

The above section described the content of current Australian regional policy and outlined its principal objectives and emergence. However, the process of regional policy-making in Australia also has a number of “marker” characteristics, as follows:

- Policy is characterised by pragmatic incrementalism;
- Regional development has been typically a peripheral interest of governments, though this has changed in recent years;
- Generally regional development is a part-time portfolio for the minister responsible for it;
- Regional policy is generally something that all governments do – it is, to some extent, a “motherhood” commitment;
- Undoubtedly regional development is a heavily politicised area of policy;
- There is a regional policy “political cycle” in which regional development comes to prominence at certain times in the electoral cycle;
- There are therefore, limited windows of policy opportunity;
- Regional policy is characterised by blame shifting between State capitals and Canberra – it is hostage to Commonwealth-State relations;
- Often the big questions of spatial development, such as the development of primate cities, are placed in the “too hard basket” – they are “wicked problems” whose resolution will always elude even governments that are motivated to confront them;
- Policy is driven by programs, and regional policy is often formulated post hoc after specific programs and initiatives have been deployed in response to specific problems; and

- Governance in relation to regional policy is characterised by silos, fragmentation and the questions over the issue of coordination (Collits 2002).

The processes described here reveal a complex set of conditions that drive regional policy, and, of course, regional policy itself is merely one part (and often a minor part) of the business of government. At the same time that regional policy evolution was occurring in Australia as elsewhere, government itself was changing in important ways. Interest group pressures have increased and have become more sophisticated across the wide range of government policy interests; there are increasing pressures on government budgets; and government's capacity to achieve desired spatial outcomes has waned as a result of globalisation (more of this later).

Summary

The key features of Australian regional policy, then, are that policy should attempt to influence outcomes in partnership with locally driven strategies and objectives, recognising, on the one hand, the limits of government policy and, on the other, the reality (including the political reality) that communities and regions value "place" and are willing to put resources into strengthening their local economies. The position is one of "limited" government intervention. It is not simply a position that markets should rule spatial outcomes unimpeded by an intervention, but it is also a rejection of substantial intervention. Policy now seek to influence some of the drivers of regional development, largely at the margin, and in ways that "make a difference" where governments can.

In the 1970s, policy made an attempt, however limited and imperfect, directly to shape spatial outcomes. The problem was largely seen as metropolitan primacy and the development of "bloated cities". Government provided open-ended incentives for firms (mainly manufacturing firms) to relocate. Little was said or known about the endogenous drivers of regional development. There was faith in government solutions. Concepts such as local leadership may have been implicitly recognised, but they were not part of policy thinking. There was an emphasis on "hunting" rather than "gardening". The approach was "top down" and on size was seen to fit all. Globalisation had not then had its dramatic impact on our space economy. Terms such as "regional competitive advantage" and "sustainable development" did not then appear in government regional policy documents.

Much indeed has changed in Australian regional policy formulation.

Critics of Australian Regional Policy

There are many views on the nature of the regional problem (country-city divide versus regional disparities), the capacity for government to deliver spatially satisfactory outcomes, the very determination of what "spatially satisfactory" outcomes are, and the proper means of delivering what regional communities want. There have been a number

of challenges to the view that governments should try to achieve a more even spread of development between capital cities and non-metropolitan regions (Collits 2002)

However, there are two broad critiques of the current regional policy consensus described above. First, there is the view that governments should not try to

Regional Policy Does Too Much

There are those who believe that governments do too much in regional development. These critics have included, over time, the Productivity Commission (formerly Industry Commission), Commonwealth and various State Treasuries, and academics such as Sorensen. There are a variety of arguments against both the notion of regional policy and against specific attempts to influence regional outcomes, including the following:

- Regional policy is simply political window dressing;
- Governments control few of the drivers of regional policy, hence their efforts aimed at influencing the “where” of economic development will be futile;
- Markets generally deliver favourable regional outcomes, with regional economies converging over time despite differences in regional performance;
- Policy should aid, rather than seek to resist economic restructuring, which is inevitable;
- Australia’s history and geography have led inevitably to the settlement pattern that we have today, with a few large cities located on the coast and much of the continent empty;
- Regional disparities are inevitable in open economies, and resources move freely between regions (see Legislative Council 1993: 114-16).

The Industry Commission

The Productivity Commission and its predecessors have published a number of reports on regional development. In particular, the former Industry Commission (1993) came down heavily in favour of moving people to jobs rather than moving jobs to people. In effect, this was a clear rejection of much regional policy, which has at its core the attraction of investment and businesses to regions where they have not gone through market forces.

Sorensen

Sorensen has been a consistent critic of interventionist regional policies (see, for example, Sorensen 2000). His major concern relates to what he has termed the “tyranny of the macro” (Sorensen in Sorensen and Epps 1993).

Sorensen has argued cogently that of the many regional processes that drive economic performance, governments (at any level) have relatively little power to control, or even in

some cases, to influence them. Sorensen's list of regional development drivers includes the following:

- Biophysical resource endowment;
- Geographical accessibility;
- Human and social capital;
- Demography;
- Changing lifestyle preferences;
- Space transforming technologies;
- New production technologies;
- Expenditure on public infrastructure;
- Business management and development; and
- International events (Sorensen 2000: 19).

Sorensen finds, perhaps unsurprisingly, that governments exert little control, or even influence, over most of these regional drivers. Forth (2001) has deployed similar reasoning in his view that many smaller towns are the victim of inexorable historical forces that no amount of government intervention or local development efforts can withstand.

Treasuries at Commonwealth and State levels have been persistent internal-to-government critics of regional development

Regional Policy Does Too Little

One school of thought (Beer 1998; Pritchard and McManus 2000) has it that contemporary Australian regional policy is driven by largely economic rationalism. Or as Apthorpe has stated:

The 'free market' and economic rationalism have given the regions what they have today – low performing economies (Apthorpe undated: 3).

This is not the place to debate the nature of economic rationalism (for an excellent summary of the issues, see Coleman and Hagger 2001).

Specific Criticisms

There are a number of specific calls for greater government intervention in regional development in Australia, that go beyond the usual thrust and parry of party or Commonwealth-State politics.

Calls for “Balanced Development”

One of the persistent criticisms of regional policy is that governments lack the “political will” to address problems such as metropolitan primacy and regional disparities. In relation to metropolitan primacy, a perceived problem for many decades in New South Wales, organisations like the Country Mayors’ Association (CMA) and the NSW LGSA have persistently argued for greater government intervention (see CMA 1993; LGSA 2000).

Calls for balanced development and decentralisation have been a tradition in Australian regional development politics for many decades, especially from the 1960s on. They were reflected in demands for new states, for “nation building” infrastructure projects, and during the growth centres period of the 1970s. Governments in various states and the Commonwealth sought to accommodate these concerns during a period which lasted about ten years from 1965 to 1975, peaking with the Whitlam Government. Since then, governments have effectively abandoned any commitment to fighting the forces of agglomeration economies and globalisation which clearly favour large cities, particularly in a nation with Australia’s history, geography and settlement pattern (Collits 2002). Instead, (State) governments actually compete to attract increasingly mobile investment to their capital cities, seemingly fearing the loss of investment to other jurisdictions more than favouring a wider dispersal of development within their borders.

More recently, Independent country politicians such as Tony Windsor (New South Wales and now Commonwealth), Richard Torbay (New South Wales) and Peter Andren (Commonwealth) continue to provide a voice for balanced development, and advance their positions through events such as the Country Summits of 1996 and 1998. The contemporary enemy of balanced development is seen as economic rationalism and ongoing “metro-centrism” by these champions of more intervention.

The Case of Enterprise Zones

One of the stronger recent challenges to the policy status quo has been the calls for enterprise zones (EZs) to be established in Australia. Ostensibly, the case for enterprise zones attempts to address the perceived problem of spatial inequality and the apparently growing disparities between and within regions, generally defined in terms of high unemployment and low employment growth (Manning 2001).

Briefly the case for EZs rests on a number of assumptions and assertions, as follows:

- The market has not delivered regional development – governments should do something;
- Australia has low performing regional economies;
- There is an “... unacceptable divergence in regional unemployment rates” (Manning 2001: 36);
- Governments can control regional outcomes;
- EZs have worked overseas;

- Recent Australian government regional programs are insufficient to solve regional development problems / are ineffective;
- Local community actions are insufficient of themselves to ensure positive regional development outcomes;
- The key problem is private sector risk, and EZs will reduce risk for firms;
- Regional policy should attempt to address disparities in regional performance; and
- Tax incentives are likely to alter business location decisions.

According to supporters of EZs, current governments are simply leaving it to the regions to help themselves. Regional policy is said to be ad hoc and ill considered. Governments are said to have ignored the success of overseas programs. Economic rationalism, neo-liberal policies, and blind faith in the free market are said to drive regional policy.

Apthorpe has argued that currently government is "... insisting that communities find their own solutions" (Apthorpe undated: 4). Present programs in this area are no more than a sprinkling of short-term competitive grants; they must be replaced by long-term serious commitments.

There can be little doubt that the push for EZs is wrapped up in an argument for a fundamental shift in regional policy. This sometimes takes the form of a ten year plan (or longer), a far greater commitment of taxpayer funds, a return to top down policies, and greater cohesion and coordination between the different levels of government.

According to supporters of EZs, the costs of regional divergence in unemployment rates have reached the point "... divergence of unemployment rates between Australia's regions is now too great to be countered by a policy of moving the people to the jobs. Jobs have to be moved to the people" (Sheppard 2001).

This goes to the heart of the old debate in regional development theory between convergence and divergence. On the neo-classical view, regional welfare converges over time because of the free flow of resources among regions. Labour moves to high wage areas, while capital moves to low wage areas, thereby narrowing the divisions between richer and poorer regions. On this view, presented most clearly in recent times by the then Industry Commission (1993), the proper role of regional policy is to remove impediments to regional adjustment and the free movement of resources. In other words, governments should help people to move out of poorer regions, if anything, rather than moving investment to declining regions.

Evidence of widening regional disparities tends to support a divergence theory of regional economics, and to deny the neo-classical view that regional disparities narrow over time.

The public campaign for enterprise zones has waned since the 2001 Commonwealth election and in the face of their apparent rejection by the Howard Government. Nevertheless, their proponents continue to believe that European and North American solutions are worth pursuing in the Australian context. In particular, the European

approach, with its massive subsidies to regional industries and regions, is held in high regard as a contrast to the Australian "hands off" approach to regional policy.

A National Urban and Regional Development Policy

Another recent manifestation of the criticism that regional policy in Australia does too little is the demand by a number of observers for a national urban and regional policy. The twin evils of the absence of a national policy, on this view, are the hegemony of the market in determining regional outcomes, and the subservience of regional policy to political pork barrelling.

McManus and Pritchard argue that the market is the "de facto spatial planner" for Australia and that this under this model regional policy will always remain on the "back foot" (McManus and Pritchard 2001: 256). A proactive and sophisticated version of regional impact assessment is another of the recommendations of McManus and Pritchard (McManus and Pritchard 2000: 257).

The McManus and Pritchard plan echoes that proposed by Gleeson (2001). Gleeson describes the current national stand-off approach as reflecting "ideological and political intransigence" (Gleeson 2001: 2), "crude Darwinian ideology that eschews national spatial planning" (Gleeson 2001: 3),

Calls for a new national approach to urban and regional development (a nephew of the Department of Urban and Regional Development, or DURD?) show the same faith in big government solutions that occurred in the 1970s.

Yet it remains largely content free and fails to suggest how outcomes would differ from that delivered by current processes and policies. It remains ill-defined and does not mount a case to establish the bona fides of government intervention in regional development.

For Gray and Lawrence, globalisation and neo-liberalism are to blame for the condition of regional areas. Gray and Lawrence sub-titled their recent book "escaping global misfortune" (Gray and Lawrence 2001). Neo-liberalism is described as a "juggernaut with hegemonic power" (Gray and Lawrence 2001: 182). A new paradigm is recommended in order to free regional Australia from the limitations imposed by the market. Gey and Lawrence examine the communitarian solutions, the potential of the sustainable development model and the notion of regional government (Gray and Lawrence 2001: 188-208).

What Do the Critiques Have in Common?

The various critiques who argue that current regional policies do too little share several features in common:

- A view that, on balance, globalisation has brought negative outcomes for regional Australia
- An abhorrence of “economic rationalism” and a belief that policies favouring freer markets have duded regional Australia;
- An undiminished faith in government though not in governments;
- A belief that much of regional Australia is in decline;
- A view that regional policy is a national rather than a State responsibility;
- Non-acceptance of “do it yourself” regional development;
- A belief that regional disparities should be diminished and that regional policies are an appropriate vehicle for achieving this.

Regional policies are seen as either insufficient, or politically motivated, or short-term, or lacking national focus and coordination.

A Defence of Current Regional Policy Against Its Critics

Current regional policy occupies essentially a middle position, between those who want government to do no more than free up barriers to the movement of regional resources, whether labour or capital, and those who want to shape spatial outcomes through government action that moves resources to particular places.

Regional policy as practised by Australian governments is far from perfect. It is often based on less than a full analysis of regional problems. It is sometimes driven by purely political motivations. It is hostage to democratic processes (some might say, thankfully), which often lead to abrupt and premature terminations of policy experiments. It is too rarely evaluated meaningfully. It is sometimes the subject of sudden reversals and given too little time to work.

Yet regional policy has evolved into a workable and coherent set of measures designed to help regions and communities adjust to change. It recognises both the limitations of governments and their obligations to assist communities and regions to adjust to ongoing structural and social change. Here the content of regional policy, which arguably has a good fit with Australian regional conditions and the limits of government action, should be distinguished from the process of regional policy, which is sometimes messy and uncoordinated.

Moreover, the claim that governments actually “do little” in regional development in Australia may itself be open to question. The most casual glance at the Commonwealth’s 2001 compendium of interventions in regional Australia – suggested by the Deputy Prime Minister to be of the order of \$28 billion since 1996 – gives lie to the “stand off” descriptor.

The Free Market Approach

Those that call for less intervention than exists at the moment present a less vocal, but in some respects more formidable, challenge to regional policy defenders. For they expose the problematic nature of much of regional policy and some of its internal contradictions. They also lay bare the limits of government action.

Supporters of regional policy traditionally appeal to one or more of a number of motivations in defending it against those who prefer purely market solutions. These include economic arguments, equity arguments, political or social harmony arguments, environmental arguments and, on occasions defence arguments. The main arguments are economic and equity. The first is that the spatial organisation of economic development delivered by the market may not be economically efficient. For example, too much concentration in large cities might lead to inflation (as in the current spatially concentrated housing price boom). The second is that economic concentration, or the concentration of economic problems (regional disparities) may lead to outcomes that are not socially optimal, nor favoured by communities. (Sometimes the latter is erroneously confused with the notion of market failure. Markets never promise to deliver spatially even outcomes, and to suggest that regional disparities show that markets are “not working” misconstrues the nature of markets).

The power of these arguments varies, and they are deployed differently in different circumstances. Certainly, a case can be made for regional policy against the “do nothing” critics. In particular, an argument against the “no intervention” critique of regional policy is that current policies generally do not interfere with market forces, hence they do not distort business and location decisions. They do not cost governments large sums of money. They allow the free movement of resources between regions. They seek merely to influence outcomes at the margin. They provide information to key players in regional development and build skills in economic development. They do not “pick winners” in terms of dictating where economic development should occur, and what kind.

Much of the top down approach has been jettisoned by governments, diminishing the argument against particular interventions and rendering the free market critique more powerful against those who favour substantial government intervention than against the “strategic” intervention approach.

The Interventionist Approach

Those responsible for calls for greater regional policy intervention are clearer about what they object to than about what they favour. It is not clear what a national regional development policy is meant to deliver, other than something other than what “the market” delivers now. The latter, of course, includes either metropolitan primacy, or regional disparities, or both. These outcomes are deemed to be unacceptable from various perspectives.

Insufficient Understanding of Regional Economies

Critics of current regional policies betray a certain lack of understanding of how regional economies actually work. As Jensen and West have noted, local and regional economies have a number of characteristics which help determine growth drivers and also place constraints on growth (and policy). These include the following:

- Regional economies are open, with growth and decline influenced by a wide range of internal as well as external factors;
- There is a high degree of interdependence between the different local and regional economies;
- Local economic outcomes are largely determined by the operation of the market;
- History and geography, including the existing settlement pattern, provide constraints on local and regional economic performance;
- In a market economy, it is inevitable that growth will not be evenly distributed;
- Migration of resources between regions is inevitable; and
- Some towns are particularly advantaged by location, either through access to markets, raw materials and infrastructure; or through amenity (see Jensen and West 2002; see also Collits 2001a).

The rich literature on regional economies and the drivers of regional development, of growth and decline, and of industry location, provide a sophisticated analysis of these phenomena and suggest a complexity of process and diversity of outcomes of which simplistic notions of “national spatial plans” fail to take account. In short, there are good reasons why the Australian space economy and settlement pattern has evolved in the ways that it has, and no amount of invoking government intervention comes close to addressing the imperatives of history, geography and economy described above.

An Exaggeration of the “Decline” of Regional Australia

Critiques of the alleged inadequacy of Australian regional policy approaches need to have a big problem to solve. Hence it is common to most of the critics to suggest that large parts of regional Australia are in decline, or are depressed. A related claim is that the “divides” are increasing. In other words, the arguments for a more interventionist approach are, if anything, strengthening. While acknowledging that it is in the interests of governments to suggest the opposite – and governments do routinely talk up the performance of regional economies (normally in direct proportion to their time in office) – it is still the case that the critics tend to exaggerate the woes in order to justify their demands for greater government involvement.

While the “real” condition of “regional” Australia requires in depth analysis, it is sufficient to note here that, rather than having embedded and worsening disparities, there are many regional areas in Australia with low unemployment, and a few with very high unemployment, perhaps caused by very specific factors that require very specific stimuli

over a short period of time. Changes in regional conditions can occur quickly, both for better and for worse. Again, this would suggest a strategic rather than a broad-brush approach.

A Misreading of Regional Policy Change

Those who suggest that governments have come simply to believe that markets work best for regional Australia have, I suggest, fundamentally misread the course of regional policy development here over the last thirty years.

Governments have decided, not that “markets” will deliver the best outcome for regional Australia, but that only market-driven development can provide sustainable economic development in the regions. There is a subtle but important difference between these two positions. Governments have also decided that intervention in regional economies on the scale required to turn around market-determined outcomes is not likely to lead to sustainable or sustained positive outcomes.

In fact, the reality is that governments gave up certain policy objectives and policy instruments, and took up new objectives and instruments, for a variety of reasons. One of them was the perceived “government failure” of earlier interventions. The reasons why governments changed direction partly explained by two of the key regional policy developers of the last twenty years:

... centralist and interventionist approaches to regional development policy formulation are no longer directly relevant or appropriate in Australia. They are no longer appropriate to shape the process affecting regional economies except as simple compensation. However, as purely compensatory measures they are now unaffordable and in many cases poorly targeted. Most significantly they can inhibit the structural change that is essential for a regional economy and hence the national economy, to remain viable. Interventionist policies have also tended to create a welfare mentality in regional areas with communities both encouraged to expect external, or central government solutions to every local manifestation of structural change. More importantly, interventionist regional policies deny the significance of local capacities to cope with change, to overcome impediments to adjustment that have been allowed to build up locally, to realise local opportunities for economic regeneration and to develop strategies to achieve these ends (Taylor and Garlick in Higgins and Zagorski 1989: 84).

Hence the rejection of either policies that have failed in the past or of policies seen as inappropriate to Australia today is just as important, or more important, in the rejection of interventionism of the kind favoured by the critics as is an unfettered belief that free markets will deliver satisfactory outcomes to all regions (Collits 2001a).

This is not just about economic rationalism largely but about the rejection of regional development intervention on a grand scale, and done in a top down way.

Lack of Agreement over Objectives

Jensen and West (2002) have argued that governments have an ability and a responsibility to intervene in the market if the market produces outcomes not socially acceptable or desirable (Jensen and West 2002: 2.4). Few would disagree with this principle, though, I submit, there would be very little agreement over the proper content of a national regional policy. There is simply no consensus in society, or even among economic development professionals or observers, over any of the following:

- Whether places with growth potential should be given regional policy priority over depressed regions;
- The level of resources to be devoted to making development more even;
- Whether “regional” should mean non-metropolitan or include suburban Australia as suggested by Gleeson (2001; see also Latham 2001);
- How “even development” should be defined;
- Whether the focus of regional policy should be on economic development, social cohesion, environmental sustainability, or on all three (the “triple bottom line”), and in what measures;
- What the specific content of a national spatial plan would be;
- How long regional assistance should be provided;
- Whether smaller places should be given policy priority over larger places.

At a much broader level, there is no consensus over the nature of the “regional problem”. Many regional interest groups would have it that the problem is a “city-country divide” or lack of “balanced development” between primate cities and their hinterlands (Collits 2002). Yet, since the 1980s, the appearance of inter-regional disparities described by Stimson (2001), for example, has overtaken (or at least challenged) traditional concerns about the empty inland. Many critics of the current pre-occupation with non-metropolitan Australia say that this misses the point about regional policy.

The “messiness” of regional policy (the absence of a single, national framework) might simply reflect the messiness of regional development discourses.

Nor is there agreement over how big the problem is. Those who argue for EZs, for example, suggest that regional Australia has huge problems, with many regions in the doldrums and a situation of possible “national disintegration” developing (Manning 2001). Yet this view has been challenged (Collits 2001a).

The absence of agreement over regional policy objectives mirrors the lack of agreement over measures of regional well-being. Which factors to include in any notion of well-being – upon which many of the arguments for greater policy intervention ultimately depend – and what weight to assign the various factors are inordinately difficult to agree on, determine and measure (Sorensen 2000; Collits 2001a).

The lack of agreement over objectives does not even begin to anticipate or meet the equally problematic arguments over the best means of achieving spatial outcomes if these could be specified.

Substantial intervention may not require consensus but some fundamental agreement over objectives would seem to be required in order to justify the kind of intervention proposed by the critics.

What Governments Can Do

The third major shortcoming of the interventionist critique is that it massively overestimates the capacity of governments to ameliorate problems in the space economy. There are a large number of constraints upon governments' capacity to shape the space economy. These include the following:

- history and geography;
- the existing settlement pattern;
- the market – the choices of investors as to where they invest, and the choices of businesses and households as to where they locate;
- the actions of other levels of government;
- policy drivers in other areas of government administration;
- fiscal constraints;
- globalisation and industry restructuring; and
- the availability of local resources to drive development at the community level, eg leadership, local financial support for development initiatives, lack of cooperation among key stakeholders (see Collits 2001a and b).

Peter Ellyard recently said that globalisation had “disempowered” governments (Ellyard 2000: 16). By this he meant that recent trends towards more open market economies, driven by technological as well as policy change and resulting in dramatic industry restructuring, had made it harder for governments to control economic outcomes.

In other words, the drivers of regional development are now increasingly local and global, not State and national.

The critics simply never address this issue. No critique of limited intervention can be persuasive unless it makes the case that substantial government intervention can be effective in eliminating or even substantially ameliorating perceived regional problems.

There is no connection between the drivers of the space economy and the capacity of government, or of “national plans” to regulate them effectively to ensure desired objectives. Any government attempting to reshape the space economy in fundamental ways must face a bewildering array of influences on regional development, growing more complex by the day.

The assumptions are grand:

- That future government action will work even though past government actions have not;
- That globalisation strengthens the case for substantial intervention;
- That the dynamic nature of the space economy can be regulated;
- That regional complexity can be simplified to the extent that would make substantial government intervention feasible;
- That the mere existence of disparities is sufficient justification for regional policy;
- That governments are in a position to know all of the factors that influence location decisions, space preferences, spillovers, innovation drivers, and so on, not to mention what the drivers of regional development will be in the future;
- That people in metropolitan and regional communities would (could, can) agree on which regional outcomes should be pursued, even if greater government action could be shown to be effective.

For example, why should declining regions be brought closer to successful regions? Why is a region with, say 8% unemployment, worthy of greater government intervention than a region with 6% unemployment? How do we know that regions now in decline may not later turn their fortunes around?

Unlike Gleeson, I believe that the harder it is to influence regional outcomes, the weaker the case for centralised spatial economic development planning. Ellyard is correct to argue that globalisation has, to a large extent, disenfranchised governments.

Summary

In summary, there are a number of weaknesses in the interventionist critique:

- There is a fundamental lack of understanding of the recent history of regional development policy in Australia;
- There is a naïve belief that government action can alter the complex course of spatial development;
- There are a series of unexamined and unargued assumptions, for example that the mere existence of spatial inequality completes the case for substantial intervention;
- There is an over-dramatisation of the poor condition of regional Australia;
- There is a confusion about the assumptions of those who question the capacity of governments to make intervention successful, with the dismissive “ideological” tag;
- There is a lack of recognition of the success of current policies.

There is a touching Whitlamite tendency in some of the debates over regional policy to assume that simply using the words “national plan” or “settlement policy” will somehow make spatial equality happen. There is a fetish for coordination that is borne of an innate rejection by the critics of anything that is “piecemeal”.

Conclusions

Where, then, does this leave Australian regional policy?

First, it is clear that there is an Australian approach to regional policy. It is not unique. Other nations have adopted elements of the Australian approach. It is increasingly shared across jurisdictions.

Second, the key objectives of Australian regional policy have changed dramatically over time. Since the 1970s, Australian governments have rejected decentralisation as a policy objective in favour of a mix of approaches designed to address region-specific problems. The approach is more in tune with demographic trends and the space preferences of businesses.

Third, the regional problem – the focus of policy – has changed dramatically over the last twenty years. The notion of a city-country divide has been superseded by the emergence of hugely variable regional conditions and increasingly complex regional processes.

Fourth, some of the critics of the neo-liberal elements of the Australian approach have made fundamental errors in their advocacy of greater government intervention. In particular, they have failed to confront the fact that governments are severely limited in what they can achieve in regional development, and they falsely assert that policies that are consistent with market approaches rely on an assumption that markets will “deliver” for regional Australia. There is a lack of understanding of the notion of market failure. And there is scant recognition of the realities of agglomeration economies.

For all their faults, governments in Australia have learned over time to adapt policy to the needs of the variable regional problems that they confront. The blueprint or “silver bullet” theory of regional development will not work.

There are still problems with regional policy in Australia. Governments underfund leadership development and skills development for practitioners and regional leaders, for example. There is also a concern about the extent to which central governments have failed to devolve real resources and decision-making power to the emerging meso-level regional development organisations that now run regional strategies. These bodies remain unelected and their mandates are unclear. Policy and program evaluation is imperfect. There is insufficient recognition by jurisdictions of the programs of other jurisdictions. There is too much blame shifting. But these key issues would not necessarily be resolved in any sense by the recourse to national spatial development plans.

I do not reject everything that the supporters of greater regional policy intervention suggest. I simply ask them to make a stronger case. In relation to those who would have no government spatial policies at all, I ask them to acknowledge that economic

restructuring has costs, some of which are unacceptable, and to recognise those areas where governments can make a difference.

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