Chapter Six

The Regional Problem Redefined – New Regional Trends, Changing Conditions and New Approaches

Keynes, in his most famous observation, noted that we are ruled by ideas and by very little else. In the immediate sense this is true. And he was right in attributing importance to ideas as opposed to pecuniary vested interest. But the rule of ideas is only powerful in a world that does not change. Ideas are inherently conservative. They yield not to the attack of other ideas but to the massive onslaught of circumstance with which they cannot contend.

J K Galbraith (1958: 15)

Any ... government attempting to do more than conduct a holding operation will be forced to consider the spatial implications of changing economic and social conditions.

Antoinette Logan (1979: 158)

... our society is dividing on multiple dimensions – including shifts in industry and occupational structure, income distribution, the incidence of poverty. ... the differentiations across space in socio-economic phenomena also have complex multiple dimensions, which are explained inadequately by a “city/bush” dichotomy popularly espoused by politicians and reported in the media.

Bob Stimson (2001: 198)

Introduction

The previous chapter examined the role of ideas in the decline of balanced development, in particular analysing the flaws in the balanced development position and the extent to which these have affected the direction of regional policy. It also noted the emergence of a new policy consensus driven by objectives very different from the former approaches. Yet it is not only ideas that influence the direction of policy.
This chapter analyses the impact of changing demographic and economic trends in New South Wales on regional policies at the State and Commonwealth level. It investigates the extent to which governments have rejected balanced development because the world has changed, and circumstances of regional New South Wales have changed. There are two possibilities. Changing conditions may actually have rendered the old problem of metropolitan primacy no longer a problem, and/or new problems may have simply overshadowed a still existing problem of uneven development between city and country.

The central argument is that:

- Australia and New South Wales have experienced dramatic changes in the space economy since the 1970s;
- The imbalance in population and economic activity between Sydney and the rest of the State has persisted, perhaps even worsened; but
- In an emerging pattern of greater regional diversity, other regional problems have emerged to confront governments; which
- Have taken the regional policy focus away from metropolitan primacy;
- Hence it is clear that changing objective conditions have played a significant part in the decline of balanced development as a policy objective; because
- Governments are moved to policy action by the presence of problems, particularly those that are highly visible, urgent or persistent.

Broadly, two kinds of changes in regional conditions are analysed – demographic changes and economic changes. These patterns can be divided into trends that might be expected to have intensified the argument for balanced development, and those that have rendered balanced development less relevant. Finally, the changing nature of regional problems is assessed, with specific reference to increasing regional complexity and the emergence of “region-specific” problems.

There has been a dramatic shift in government perceptions of the principal regional problem, with concerns about metropolitan primacy being replaced by concerns over widening regional disparities and place-specific problems. Hence Galbraith may be
correct to the extent that the idea of balanced development has not survived the “massive onslaught” of new regional problems that have emerged in New South Wales as a result of trends over the past twenty to thirty years. (Again, the model of public policy implied by the central question of this chapter is the rational actor model in Allison’s terms; Allison 1971). The implication of this is that governments, to some extent, make policy decisions through a reasoned assessment of the problems that they face and the options with which they are presented. Hood has examined the possibility that changing conditions cause governments to alter their policy course. He terms changes in conditions “changes in policy habitat” (Hood 1994: 10-13). Hood argues that these explanations “… need to be taken seriously” (Hood 1994: 12). Carter similarly views policy as a response to “problems”:

Regional development policy is essentially a response to a political perception of problems associated with the pattern of population and employment distribution in a nation (Carter 1978: 77).

On this view, governments setting policy, including regional policy, are not only influenced by changing conditions (and new problems), but are bound to take them into consideration (Logan 1979: 158). This has clear implications for explanations of policy change.

**Regional Conditions Between 1965 and 1975-76**

An immediate question is whether regional conditions in the high tide period were particularly conducive to governments pursuing balanced development. Some of the key elements of the 1960s demographic and economic climate are set out in Box 6.1.

**Box 6.1 Regional Conditions in the High Tide Period**

- A continuation of the long post-war economic boom, with strong economic growth, low unemployment, low inflation and generally strong economic growth;
- Evidence of substantial rural depopulation;
- Population projections indicating the continued rapid growth of Sydney;
- A strongly performing manufacturing base, providing a large base of companies for possible decentralisation;
- Little evidence of marked regional disparities in Australia.
These conditions were all conducive to the pursuit of balanced development. A benign macro-economic setting allowed governments the luxury of considering questions of "the where of development" (Stilwell 1992). Macro-economic conditions were stable. The Vernon Committee in 1965 referred to:

... a high rate of economic and population growth with full employment, increasing productivity, rising standards of living, external viability and stability of costs and prices (Commonwealth of Australia 1965; Spearritt and de Marco 1988: 26).

Sproats has referred to the period from 1950 to 1970 as a "...golden age of western economic development ... in which it was not only possible to express concern about urban and regional issues but also to contemplate prescriptive action" (Sproats 1983: 25). Whitlam recognised the opportunities for nation building activities afforded by economic stability:

During the years of the post-war economic boom, questions of economic management were scarcely deemed to require original answers. ... The apparent clarity and certainty of economic management opened up new prospects and induced high hopes of social reform (Whitlam quoted by Whitwell in Stephen Bell and Head 1994: 123).

The absence in the 1960s of inflation, high unemployment and general economic uncertainty allowed the debate over decentralisation to take place. Further, there was considerable evidence of rural population decline as the capital city grew over the post-war period, due to increased farm mechanisation and employment restructuring. According to a study for DDD by Steinke, there was a "precipitous nationwide drop in country growth rates" from 1954 to 1966, and out-migration of 316,000, including 172,000 in New South Wales. From 1954 to 1966, the country growth rate was 12% while the metropolitan growth rate was 38.4% (DDD 1971: 8; Steinke 1970). Sydney’s share of the State’s population increased from 57% to 61% between 1947 and 1971.¹

Hence the combination of trends in the post-war period with credible forecasts of even greater imbalances in population and economic activity (Spearritt and de Marco 1988: 28) was driving governments to alarm over the primacy question. These trends
alone were largely responsible for the increased concern within government, the universities and elsewhere over the emergence of unsustainable cities. They also provided stark evidence, for example in the dramatically increasing use of motor vehicles in the cities, for studies such as those of Neutze.²

The population projections available in the late 1960s indicated continuing rapid urbanisation, based on rural drift and an active overseas migration policy. These projections not only fed into the Sydney metropolitan planning process, but drove the Whitlam Opposition’s concerns about urban policy and “bloated cities” (Lloyd and Troy 1981: 26). According to Carter:

The bogey of the growth of large cities and their size relative to other state centres has become accepted as the definition of “the regional problem” (Carter 1978: 79).

On this view, the whole edifice of balanced development, and its acceptance by government, rested on a conception of the problem based on overgrown cities. Ivison and Roseth argued also that the 1960s were a period of “unremitting urbanisation” in which awareness of population issues had increased dramatically (Ivison and Roseth 1973: 37). That issues such as metropolitan primacy had achieved such a focus contributed greatly to their centrality in policy considerations.

The still strongly performing manufacturing base, largely concentrated in the cities, provided a ready pool of companies that could be targeted for decentralisation. Manufacturing contributed 29 % of GDP in 1960 (Stimson 2001: 200). This was the period in which manufacturing was seen as the potential salvation of non-metropolitan regions.

The absence of regional disparities was important in the 1960s push for decentralisation. This allowed governments the “luxury” of focusing on the metropolitan primacy issue, particularly at a time of rapidly increasing metropolitan growth and regional out-migration. There was no rationale for a region-specific focus. Later periods, it will be seen, would be marked by a greater recognition within government of increased regional disparities.
Key Trends Affecting Regional New South Wales Since 1975-76

Several new trends have emerged since the 1970s, creating new regional policy problems and informing the thinking of policy-makers. Regional conditions changing dramatically and in multiple directions have formed the “canvas” on which governments have been working. The question is whether balanced development is still the appropriate solution to the regional problem. Perhaps the “regional problem” has changed since the high tide period. The SCSD has questioned whether the imbalance in development is actually the regional problem, or merely a symptom of the real problem:

To simply advocate moving people out of Sydney is to miss the real nature of the problem ... the lack of capacity [of regional areas] to adjust to, and take maximum advantage of, the changing world economy ... (Legislative Council 1994a: 51).

Stimson has described the period as “times of tumultuous change” (Stimson 2001: 199; see also Taylor and Garlick in Higgins and Zagorski 1989: 83). Hence it is likely that substantial change to the mix of influences on policy has provided a stimulus to policy change.

Demographic Shifts

Several key demographic shifts have occurred since the 1970s, some of which have reinforced the imbalance between city and country, while others have involved more complex outcomes. Developments have included the maintenance of Sydney’s domination, despite periods of counter-urbanisation; changing population projections, particularly affecting the immediate post-1975 period; the stagnation of inland regions; and the decline of many small towns in the face of what has been termed the “sponge city” phenomenon.
The Maintenance of Sydney’s Primacy

The high tide period coincided with increased metropolitan primacy. Primacy had grown steadily until the 1970s (PC 1999a: 19). It has not lessened since then, nor has it worsened appreciably. The pace of Sydney’s population growth has waxed and waned, sometimes in dramatic fashion. There have been periods since the 1960s when annual growth has slowed – on one occasion in the 1970s the annual increase was around 10,000 only, and growth slowed again from 1989 to 1992 – while at other times (1966 to 1971, the late 1980s and 1996 to 2001) annual growth has approached 60,000 (Holliday 2000). In 1971, Sydney accounted for 61% of the State’s population. By 1996, the figure was 62.6%. Hence, compared to the earlier movements over time, the change since the high tide period has been relatively minor.

Apart from the fact that whatever spatial policies governments have implemented since the 1960s have clearly not decreased the “imbalance”, one of two conclusions can be drawn from the figures. One is that metropolitan primacy has reached a plateau and that further policy concern is therefore unwarranted – the problem is not worsening. The other is that the growth and spread of Sydney’s population have continued unabated. Urban sprawl has increased. Environmental problems still pose a major challenge, despite some recent improvements. Moreover, DUAP projections from 1996 to 2026 show Sydney increasing its share of the State’s population from 62.6% to 64.2% (Holliday 2000). This is also at a time of dramatically increasing motor vehicle use within the metropolitan area and a substantial increase in the need for new housing stock (Holliday 2000). On this view, the primacy problem remains.

There are clearly mixed messages in the analysis of Sydney’s growth trends since the 1970s for the balanced development position. Sydney’s dominance has stabilised since the 1970s and any shifts have been marginal. On the other hand, if governments were that worried about the imbalance in the 1970s, why are they not still worried when the primacy now is just as marked? The answer may lie in the reasons for Sydney’s continued growth, and the relationship between Sydney’s growth and regional “decline”.
Balanced development has been largely a response to the perception of rural population drift to the cities. That the proportion of people living in “rural” areas declined so markedly during the twentieth century only added to the perception. In relation to the broader phenomenon of “drift to the cities”, there is a different story. There has actually been an increase in both the number of country towns and in the proportion of Australia’s population living in these towns since the 1960s (Hugo 2000; in Rogers and Collins 2001).

While there may have been net rural out-migration in the post-war period, it is no longer the case today (Legislative Council 1994a: 44; Holliday 2000). Continuing overall population drift to the city is largely a myth, Sydney’s growth is not driven by non-metropolitan decline and governments have recognised this.

**The Population “Turnaround”**

There have been more specific reasons for governments to reconsider their 1960s preoccupation with metropolitan primacy. Population growth figures for the 1971-76 period showed a new trend towards what has been termed “counter-urbanisation”. Vipond has stated that “decentralisation was occurring naturally in the 1970s” (Vipond in Higgins and Zagorski 1989: 69). Burnley has written extensively about the so-called “population turnaround” (Burnley 1988: see also Rowland 1979; Jarvie 1981; Murphy and Roman 1989; Martin Bell 1992; Maher and Stimson 1994; Hugo 1994).

The extent of the turnaround was marked. From 1966 to 1971, Sydney suffered a net loss of 10,000 to other parts of the State. From 1971 to 1976, the net loss was 70,000, and from 1976 to 1981, the net loss was 60,000 (Burnley 1988: 268). This constituted a dramatic change, and both the trend and the debate around it captured the attention of policy-makers (BACA 1989: 12). However, only one third of the 128 non-metropolitan LGAs benefited, and these were mainly on the coast (Burnley 1988).

Martin Bell, drawing on a number of other commentators, has posed several possible explanations of population turnaround, outlined in Box 6.2.
Box 6.2 Possible Explanations of the Population Turnaround

- A temporary cyclical aberration from a long-term secular trend towards continued population concentration;
- Diseconomies of scale in cities;
- Expansion of the urban field (what some have termed “spillovers”) through improved transport and communication;
- Increased rural prosperity, which slowed the outflow from rural areas (the turnaround included a greater retention of existing regional residents as well as movement from the city);
- Structural change and the decline in (city) employment in manufacturing;
- Increased personal affluence and the preference for a rural lifestyle; and
- Portability of pensions, benefits, superannuation, and the opportunity for seasonal work in regional areas, combined with cheaper housing.

Source: Martin Bell 1992: 75

While the 1981-86 period saw a lessening of the trend (Burnley 1988: 268), the movement was sustained well into the 1980s, and has continued at a slower rate to the present.6

Counter-urbanisation did not dramatically alter the settlement pattern or solve the problems of those regions most in need of a population boost. However, it did contribute to a reassessment in government and among academic observers of the objectives of regional policy (Murphy and Roman 1989). The “push” argument for decentralisation suddenly became less convincing. The issue of population turnaround received considerable attention in the NSW Government’s regional policy Discussion Paper in 1989. The paper noted that the turnaround:

... cast doubt on those decentralisation arguments which were based on concern about the rapid growth of capital cities at the expense of non-metropolitan areas. ...

The validity of the population turnaround for NSW and whether it is to be a sustained trend or not is a key issue for future regional development policies (BACA 1989: 12).

The Paper also recognised the important link between changing demographic trends with the emergence of greater regional diversity (see below).
Changing Population Projections and the Impact of the Borrie Report on Regional Policy

Population projections have played an important part in the ongoing consideration by governments of the Sydney growth issue. The growing support for balanced development policies in the late 1960s occurred in the context of fears about the projected growth of “bloated” cities. However, events from the mid-1970s suggested to policy-makers that their earlier concerns over an “urban crisis” were misplaced. A more relaxed attitude in government towards Sydney’s likely future growth has had a lasting impact on regional policy.

The Borrie Report released in January 1975 had a similar effect on policy to that of the population turnaround. One of the Report’s key findings was that population growth in the major metropolises was expected to be substantially slower than earlier projections had indicated (Borrie 1975). It would be expected that such a finding would have an impact on policies whose major premises included the need to curb future metropolitan growth and to redirect it to regional areas.

A report released by the Priorities Review Staff (in the Department of Prime Minister and Cabinet) in 1976 indicates that thinking within government had undergone a shift away from the Whitlam Government’s initial, sanguine reaction to Borrie (Priorities Review Staff 1976). Jay referred to the “… jolting realisation that the population of between 23 million and 25 million people predicted for the year 2000 was not going to materialise” (Jay 1978: 9). As a result, Jay reported that the development of growth centres was “… being challenged” (Jay 1978: 9). Vipond also sums up well the policy environment post-Borrie:

The combined impact of lower fertility and slower immigration reduced actual current population growth rates and forecast levels of the future population. Immediately the threat involved in the forecast sizes of Sydney and Melbourne was reduced. The concern that had been expressed about deteriorating living standards and rising inequality in the largest cities became more muted. This not only affected the growth centres strategy, it also reduced the priority that had to be given to national urban policies (Vipond in Higgins and Zagorski 1989: 68)
The importance of the Borrie Report for policy at the time of its release was that it provided a government already determined to cut spending on Whitlam programs a further reason for doing so. In the longer term, the Report caused a fundamental and probably lasting reassessment of metropolitan primacy. It has therefore had a profound impact over time on the perception of the regional problem.

The Decline of Inland Regions and Small Towns

Balanced development has been very much about populating the inland. The image of the “sandstone curtain” reinforces the fact that the divide, in the minds of those concerned about the imbalance of development, is largely an east-west one.8

Balanced development supporters have had to contend with relentless coast drift (see Nugent 1998). What has been referred to as the “sea change” phenomenon (Salt 2001) has taken root in the nation’s psyche as coastal regions have increasingly experienced substantial population growth, based largely on lifestyle choices, tourism and retirement. (How much this has been a recent phenomenon is the subject of some dispute). 9

The PC has noted, examining “coastal drift” from 1976 to 1996, that nine of the ten fastest growing of the largest 60 regional municipalities were coastal (PC 1999a: 21-22). Most of the 47 % of the smaller (under 20 000) centres that were growing were along the coast, while the 31 % of smaller towns with a declining population were generally inland (PC 1999a: 23).10

This change in the regional population pattern has, on the one hand, further entrenched the inland decline that originally prompted calls for decentralisation, yet on the other hand, has thrown up a new set of planning challenges and regional policy questions.11

The pattern is also set to continue, with a projected decline of 30 000 people by 2026 (Holliday 2000). Inland decline is often linked to small town decline in the media and in regional policy debates. The plight of many small, inland towns has become the most intractable of Australia’s regional development problems and the one that
continues to capture the public’s imagination (Collits in Rogers and Collins 2001: 33).12

A number of recent studies have clarified the relative decline of small towns (ABS 1998; ABA 1998). Perhaps the problem of “small towns” is really a problem for certain types of region, not necessarily related to size alone.13 Many smaller towns have declined relative to larger regional centres. The latter have often absorbed people, economic activity and services from surrounding towns (Collits and Gastin 1997; of course, larger centres also provide benefits to their hinterlands through spread effects).

Several factors have encouraged this phenomenon, often now described as “sponge cities” (see PC 1999a; Salt 2001). As people have left following farm restructuring and industry rationalisation, services have declined. At the same time, improved transport and mobility have encouraged inhabitants of smaller centres to look to regional cities for their services. The trend towards out-shopping from small towns fed by the preferences of consumers for wider choice, and diminishing links between farmers and their local communities, have led to further loss of businesses from those towns (Stayner and Reeve 1990; Collits and Gastin 1997; Collits in Rogers and Collins 2001).

Larger regional centres have continued to grow as their economies have diversified and they have developed as key service centres for their regions (Beer et al 1994). Of eight “sponge cities” examined by the PC, all their hinterlands experienced a decline in average annual growth from 1986 to 1996, with most individual surrounding LGAs experiencing decline while the sponge cities grew (PC 1999a: 26). And it is often the cumulative impact of many decisions which contributes over time to the declining position of small towns (Collits and Gastin 1997).14

The significance of small town decline for balanced development as a policy objective is that it has created new, more specific regional problems. Smaller towns have become the problematic face of regional Australia, specifically demanding government attention. Their decline has also highlighted the success of larger regional centres (see below), in effect demonstrating that the problems so often
ascribed to all non-metropolitan New South Wales are in reality more locationally specific.

Moreover, balanced development thinking has typically assumed a “growth poles” or selective decentralisation approach, where larger centres would be seen naturally as the places that would receive the development. Yet the regional centres are already generally growing. In view of these developments, a question is raised whether the relationship between large regional centres and Sydney should be the primary issue of regional policy, and governments have concluded that it should not.

**Changes in the Space Economy**

Population trends have increased in complexity in New South Wales since the 1970s, confounding those who see the regional problem purely in city-country terms. These shifts, important as they are, form only one part of the picture, however.

Demographic changes partly reflect changing economic conditions and changes in the structure of industries (O’Connor 2001; O’Connor et al 2001; ABARE 2001). There have been equally dramatic changes in the space economy in New South Wales, with consequences for the consideration of metropolitan primacy. These relate to changing macro-economic conditions; the spatial impacts of globalisation and economic restructuring; the impacts on industry and regional employment of recession; the decline of manufacturing; centralising tendencies in the economy; a widening city-country divide; greater disparities within and between regions, and the phenomenon of successful regional centres.

**Changing Macro-economic Conditions**

Macro-economic conditions help shape developments in regional policy. It is likely that any sustained economic downturn or increase in economic uncertainty would diminish both the capacity and the desire of governments to pursue balanced development. Economic downturns diminish fiscal capacity and create immediate political pressures of higher priority than the longer-term objectives of spatial policy.
Several commentators have argued that changing economic conditions, rising inflation and rising unemployment made expansionary policies inappropriate in the post-1975 period. This had a significant impact on the shape of regional policy in the Fraser era and beyond. Michael Jones has referred to the period as the “age of diminished expectations” (Michael Jones 1993: 73). And according to Vipond:

The key economic events in Australia, as elsewhere, were those associated, at least in part, with the oil shocks of 1973 and 1979. A major recession began in 1974 from which full employment was never regained. Nevertheless, there was a short-lived ‘resources boom’ after the 1979 oil-price rise. This ended during 1982-83 when unemployment rose above 10 per cent at the national level. Interleaved with these crisis events were reversals in several trends that had dominated the 1960s. Inflation became a much greater problem. … The manufacturing sector went into decline.

Thus, Australia had to develop its approaches to regional policy in a context of great economic difficulties (Vipond in Higgins and Zagorski 1989: 65).

“Stagflation” in the 1970s was particularly significant for the Fraser Government’s policy priorities and its attitudes to cutting spending on Whitlam programs. The world had changed and forced policy changes in its wake, just at the time that governments were trying to increase their regional development focus.

Searle has spoken of changed economic conditions coinciding with new industrial processes (post-Fordism, or “flexible accumulation” rather than assembly line mass production; Searle 1991: 2). Searle has also identified the turning point:

The first oil shock of 1973, which led to widespread recession, was an identifiable watershed marking the end of … the long post-war boom.

… Governments have been thus faced with an entirely new set of regional development problems arising from a new complex of global forces (Searle 1991: 2).

Other events marking the turning point at the end of the post-war boom included the collapse of the Bretton Woods agreement in 1971 (Tonts in Pritchard and McManus 2000: 53). Straitened economic circumstances shaped the thinking of governments, which over time became less inclined to spend large sums on regional initiatives, and more inclined to worry about other, more pressing economic problems. At the
Commonwealth level, this meant macro-economic management, and at State level, industry development. Hence Sorensen has referred to regional policy as a “fair-weather policy arena”:

... one of the first to be dumped or emasculated when government income is squeezed ... through recession, fiscal rectitude, or a taxpayers’ revolt. It has a high political elasticity of supply (Sorensen 1990: 37).

One of the important macro-economic trends has been the increasing regularity and severity of cyclical downturns, leading to higher inflation and higher unemployment. These increasingly volatile economic conditions have had a marked impact on regional economies, especially taken in combination with the impacts of globalisation.

The Spatial Impacts of Globalisation

No trend has had a greater impact on Australia since the 1970s than globalisation, defined here as the recent, exponential increase in the integration of economic activity across national borders associated with freer trade, deregulated domestic economies and rapid movements of mobile capital investment, assisted by improved transport and communications technologies (Fagan and Webber 1994; Brotchie et al 1995). The tectonic plates on which the edifice of Australia’s earlier economic (and regional) policies were built have shifted dramatically and permanently.

Globalisation’s key features are complexity, interconnectedness and mobility (Stimson in Brotchie et al 1995). According to Fagan and Webber:

Australia and the other countries of the world have not simply operated since the mid-1970s in an environment of slower growth. They are also acting in an environment in which production, trade, and financial flows have been increasingly integrated across national boundaries in an emerging global economy. The process of globalisation has put firms in one country in direct competition with those in others... (Fagan and Webber 1994: 13-14).

Industries are becoming increasingly globally integrated and foreign investment more footloose. Commerce has come to be part of a “borderless world” (Ohmae 1991), in which cities and regions have to compete globally, diminishing costs of transport and communication have enhanced the ease of movement of increasingly mobile
investment capital, and the industry mix in many countries has changed fundamentally.¹⁵

Globalisation has affected regional development and regional policy in a number of ways. First, it has increased Sydney’s dominance of the State’s economy through the growth of global “command and control” functions and associated producer services (Watson and Murphy 1993: 105; see also Searle 1996: 12). Globalisation has also witnessed a dramatic increase in direct foreign investment into Australia (Stimson in Brotchie et al 1995: 68-71), and much of this footloose global capital has flowed to Sydney. The increased flow of mobile investment capital has intensified government investment attraction efforts (see Chapter Eight).

Second, globalisation has increased the role of knowledge in industries. This favours cities where knowledge spillovers deriving from agglomeration economies increase firm productivity and innovation. According to O’Connor, “… layer upon layer of new and expanding knowledge based industries” have located in Sydney, helping to explain the increased concentration of tertiary industries there (quoted by Stimson in Brotchie et al 1995: 66). Stimson refers to the “… agglomerations of R&D and high tech activities” located in these cities, making them “magnets” for other producer services functions (Stimson in Brotchie et al 1995: 66).¹⁶

Third, globalisation has shaken up regional industries. Lacking critical mass in many cases, non-metropolitan regions have been much more exposed to the changing environment than the cities, in some cases forcing firm relocation out of the region or downsizing (Collits and Gastin 1997). As the PC points out:

Differences in the concentration and nature of economic activity across Australia affect the way structural change impacts on people living in different regions. One reason for this is that smaller and more remote regional towns are often relatively specialised – with activity centred on a handful of core industries – while metropolitan and strongly service-based regions generally have more diversified industry bases (PC 1998: 21).¹⁷

Globalisation has opened markets, exposing towns and regions as well as regional firms to international competition, and driving the emerging policy focus on regional competitiveness. There are new threats to traditional industries and ways of doing
business, but also new opportunities. Clare makes the point that, in view of the lack of size or diversity of many regional economies, “restructuring” necessarily means either growth or decline (EPAC 1991: 40).

There has also been an increase in the concentration of industry ownership, again with spatial consequences. As Beer et al point out:

Economic restructuring has also resulted in changes to the pattern of ownership in many industries, resulting in the further concentration of economic power in the capitals. The takeover of smaller firms in some industries and the continued growth of both multi-national and major national firms has focussed control and management functions in the capitals (Beer et al 1994: 75).

As a result of globalisation, many of the decisions affecting economic conditions in regional areas are taken outside the region. Higher order activities take place in the cities, not in the regions, under these conditions:

External ownership means that a proportion of the value added to the products manufactured, processed or mined in regional cities takes place in one of the capitals, in management decisions, in financial markets or in product research and development (Beer et al 1994: 75).

Fourth, globalisation and restructuring have had uneven impacts in the space economy. At the national level, there appeared “rust belt” and “sun belt” regions and States. Cole has said that we “… are witnessing the uneven development, the marginalisation of localities and the unequal distribution of employment opportunities” that comes with globalisation (quoted in Long 1998b: 21). According to Long:

As Australia integrates into the world economy, the distribution of unemployment between regions and between occupations has become more uneven. Unemployment and poverty are concentrating in certain districts, affluence and employment opportunity in others. Where you live matters so much to your job and life prospects that it makes more sense to talk of Australia as a series of regional economies than as a single economy (Long 1999: 38).

Hence, globalisation has opened new areas of disparity, particularly through the arrival of advanced information technology and telecommunications, and through the
kinds of industries emerging as a result of technological advances. Far from creating a new wave of potential businesses located in non-metropolitan areas, new technologies have acted as a further centralising force. The “post-industrial” or “new” economy has magnified the impacts of traditional agglomeration economies. Hence there can be a mismatch between the location of “yesterday’s jobs” and industries and those of the future (Collits and Gastin 1997). As Stimson notes:

Now only 28 per cent of Australia’s GDP comes from all the primary and all the manufacturing industries combined, while 72 per cent of GDP is derived from the services sectors, which are urban based and are located predominantly in the mega metro regions (Stimson 2001: 200).

Most of the new economy industries have located in Sydney. Achieving balanced development with the national industry mix that now exists has become a much harder task.18

The development of Sydney as a “world city”, itself at least partly the result of government encouragement, has caused governments to increase the attention they pay to Sydney. As Searle has pointed out:

I think the redirection of industry subsidies and development subsidies to the city are definitely a fact of global living, they’re definitely a fact of the global economy. The way in which products are being developed these days requires lots of knowledge, very specialised knowledge, lots of networking, lots of skilled labour, these things are found in the big cities so that therefore to attract that kind of development, you need to target your investment to the big cities (Searle in Australian Broadcasting Corporation 2000: 14).

Stimson and O’Connor have described cities as “… the nexus of the advanced economy” (Stimson and O’Connor 1995: 53).19 According to Roy Powell, globalisation has tilted the “playing field” further in the direction of the cities:

In the late 20th century, market economies are inherently centralising!

… The centralising trends operate globally to favour major cities … favour State capitals in Australia, and provincial cities in the regions (Roy Powell 1997a:1; 1999; see also Walmsley and Weinand 1997: 72).

On one view, Sydney’s increasing “economic primacy” might be seen as providing an even stronger case than ever for balanced development, the equivalent in the 1990s
and 2000s of the demographic case in the 1960s. Yet, perversely, the same trends have made balanced development harder to achieve by entrenching Sydney's economic dominance, and as Chapter Five demonstrated, the size of the task has proven an important consideration for government.

The Impact of Globalisation on Policy

One of the most important outcomes of globalisation has been its impact on governments' capacity for intervention:

... in the contemporary era the rules are neither written by domestic governments, nor are the processes within their control (Stimson 2001: 199; see also Sorensen 2000; see Chapter Five).

While governments have actively encouraged globalisation processes, at the same time they have become less able to control the levers that drive regional economies. Peter Ellyard recently said that globalisation had “disempowered” governments (Ellyard 2000: 16). In other words, the drivers of regional development are now increasingly local and global rather than State and national (see Collits 2000b).

The lessons of these shifts have been recognised by governments. The recent Stronger Regions, Stronger Australia statement by the Commonwealth reflects this view, regarding the challenges faced by regions as “... largely beyond the control of Australian governments” (Anderson 2001: 1).

The heightened focus on macro-economic management and micro-economic reform, particularly the Commonwealth policies of the 1980s, had their origins in responses to globalisation. According to Stimson:

[Painful adjustments] became the hallmark of a nation struggling to adjust to a process of globalisation. Governments believed that they had no choice other than to take many hard decisions – to deregulate financial markets and float the Australian dollar; to lower tariff protection; to cut budgets; to wind back escalating levels of public debt; and to privatise public assets (Stimson 2001: 199).
Hence the impact of globalisation on regional policy has been both direct and indirect. Balanced development has as its core substantial, corrective government intervention in the space economy, with the ambitious objective of altering the settlement pattern. If the analyses of Ellyard, Stimson, Sorensen (Chapter Five) and others are correct, then the onset of globalisation has effectively “snookered” any government wishing to pursue even more than a mildly interventionist spatial policy.

While Chapter Five showed that governments have baulked at the idea of balanced development itself, changing economic conditions have also set new limits on governments. Globalisation has affected both the capacity and the willingness of governments to pursue balanced development.

Industry Restructuring, Recession and Rising Unemployment

Globalisation has hastened economic restructuring and this has been partly the cause of rising unemployment, particularly in areas where traditional industries are dominant. Restructuring has left those regions reliant on a single industry exposed or vulnerable, with problems of high unemployment and/or out-migration. This contrasts with the earlier high tide period with its low unemployment rates. According to Carter, writing in 1983:

Unemployment has become a major regional policy concern, in marked contrast to the periods of rapid growth with full employment of the 1960’s and early 1970’s. Some regions have experienced sharper increases in unemployment than others (Carter 1983: 11).

The recent period has been marked both by generally rising unemployment and by its regional concentration. As early as 1979 the Study Group on Structural Adjustment realised that:

The benefits and costs associated with economic change tend to be unequally distributed throughout the community. Some regions contain a higher than average proportion of people employed in activities vulnerable to pressures for change. Other regions have greater than average prospects of good growth (Study Group on Structural Adjustment 1979 V1: 14.1).
Together, industry restructuring and cyclical downturns have had a marked impact on the economic well-being of regions, and on regional policy. Regional economic performance has been closely linked to industry restructuring:

Changes in the structure of employment across regions affect employment opportunities, rates of unemployment, levels of household income and patterns of migration between regions (PC 1998: 31). The PC’s “structural change index” has found that there was actually not much difference in the impact of structural change between metropolitan and non-metropolitan regions. But the key finding was the degree of variation in the impacts of structural change across non-metropolitan regions, compared to metropolitan regions (PC 1998: 24). Of the 113 regions analysed by the Commission, 31 experienced a decline in employment, some by 20% or more (PC 1998: 32). Some regions have fared poorly as a result of restructuring, and this is usually related directly to the breadth of a region’s economic base, hence often to its size.

While Watson and Murphy (1993: 105) attribute most of the rise in unemployment since the 1970s to industry restructuring, regional economic stress and higher unemployment has had other causes (Legislative Council 1993: 51-57). Cyclical downturns have also had a marked and negative impact on regional performance, with recessions in 1974, 1982 and 1991 (see Taylor 1991: 255). In each case, unemployment rose sharply. Yet it has been the combination of recession with ongoing structural adjustment that has impacted on regional economies.

Recessions have affected regional policy in two ways. First, governments have become more concerned about creating jobs (anywhere) than about where they are created. Second, recessions have also led to pockets of high unemployment and to “problem regions” (see below). The subsequent policy focus of governments has shifted to creating new economic activity in places affected most by unemployment, including metropolitan regions.

The emerging jobs focus in regional policy was clear in the Working Nation statement, as it has been in the Carr Government’s focus on “jobs, jobs, jobs”. Regional programs either have explicit job creation objectives (RETS, RAP), or link
success standards to job creation objectives (RBDS). At the same time, rising regional unemployment has become a measure (possibly the measure) of “problem regions”. Hence the existence of rising and regionally focused unemployment – an often highly visible problem – has taken regional policy in new directions and away from addressing metropolitan primacy.

**Changing Firm Behaviour in a New Business Environment – Competitiveness and National Markets**

Changing firm behaviour and structures since the 1980s have added further to the pressures on regions. The 1980s in particular were a time of corporate downsizing and cost cutting to meet the new requirements of the “cold winds of international competition”. Firms wanted to meet what they saw as the imperatives of the new business environment. The aim has been to retain profitability by cutting costs and to raise productivity. While new jobs were being created in “elaborately transformed manufactures” and services, traditional industries like the meat processing industry were forced to shed staff to remain competitive.

These new imperatives coincided with an increasing number of regional firms newly producing for national and international, rather than only local markets, using national supply chains (Beer et al 1994: 76-77; O’Connor et al 2001: 83-84). The substitution of capital – and technology – for labour has meant that even successful regional firms operating in international markets may not continue to be such large employers of labour. As Beer et al note:

> Firms maintained their competitive position within the national market by reducing their demand for labour and reducing other costs (Beer et al 1994: 79).

Firm profitability has increasingly been built on productivity gains, and the many successful regional firms operating competitively in international markets are no longer guaranteed to provide increasing numbers of jobs as a basis for regional population growth. Having successful regional firms and economies not longer guarantees more “balanced” development, and the growing government focus has been on building successful regional businesses. As the SCSD noted:
Not all business growth will lead to long-term [regional] economic benefits … In the current global trading environment, the goal of sustainable development shared by all regions can only be attained through enterprises lifting their competitiveness to world standards. This may involve short-term losses of employment (Legislative Council 1993: 24).

Beer et al have noted the fact that regional businesses doing well no longer guarantee the success of the local economy (Beer et al 1994: 76-77).23

Downsized, internationally competitive businesses in regional areas do not provide a solid basis for balanced development policies. Again, it is a case of the policy goalposts shifting as a result of new imperatives forced on businesses and governments by the changing economic environment. The time when transplanting businesses into regional centres to establish alternate growth nodes to the cities has gone, because the new competitive environment for businesses has created the need for changed business strategies that are often at odds with the old policy objectives. In effect, the changes in firm behaviour driven by the new requirements of competitiveness have removed one of the key tools of decentralisation.

The Decline of Manufacturing

One of the key elements of the balanced development approach has been the relocation away from Sydney of “footloose” industries, generally manufacturing. Yet there has been a both dramatic decline in manufacturing as a proportion of the overall economy in Australia since the 1970s, as well as an absolute loss of manufacturing jobs (see PC 1999b: 21; Spearritt and de Marco 1988: 26). As the SCSD has pointed out:

Perhaps the single most important economic change to occur in New South Wales over the past two decades has been the relative decline in importance of manufacturing (Legislative Council 1993: 47)

The period of major manufacturing decline coincided with the early 1980s recession and the commencement of a period of substantial economic restructuring:
All states recorded reductions in employment in this sector between 1981 and 1986. However, by far the greatest impact was felt in New South Wales with a loss of one in six manufacturing jobs over the intercensal period (Martin Bell 1992: 207).24

Bolam argued in the early 1990s that country manufacturing was resisting the trend of substantial loss of manufacturing jobs (Bolam 1992; this is also confirmed by the PC 1999b: 21). Much of the decline in manufacturing employment affected metropolitan regions where the bulk of jobs were located (PC 1999b: 21). The BIE has noted that, in 1980-81, almost 76% of the total manufacturing workforce worked in metropolitan statistical divisions (BIE 1985: 4). Hence Bolam’s findings held little joy for balanced development supporters, in view of the relatively small numbers involved in country manufacturing (Legislative Council 1993: 48-51). Vipond noted that even in the late 1970s, the decline in manufacturing employment was restricting the number of footloose industries that might be attracted to growth centres (Vipond 1983: 20).

The decline in manufacturing had another impact on regional policy. It created a new regional problem requiring government attention. The decline of manufacturing was regionally concentrated. The Hawke Government’s Steel Regions Assistance Plan and Wran’s focus on the Hunter, the Illawarra and Western Sydney, for example, were direct responses to these regional industry trends. The decline in manufacturing has therefore contributed substantially to the abandonment of balanced development, as governments came to realise that they had a smaller potential base for relocation, and that any attempt at decentralisation would therefore be less effective (BACA 1989; 1990).

A Widening City-Country Divide?

The “city-country divide” that has led to so much regional alienation has largely been about perceived differences in “well-being”. The resentment has been underscored by a conviction that, not only is there a “divide”, but that it has widened (Jensen 1997; National Farmers’ Federation (NFF) 1998; Pritchard and McManus 2000; Gray and Lawrence 2001; Blainey 2001; NSW Farmers’ Association 2001). Minister Anderson’s “two nations” speech in 1999 invited the view that the position of non-metropolitan Australia has worsened since the 1970s (Anderson 1999a). Such a
worsening divide might be expected to have caused balanced development to re-
appear on the policy agenda.

There is some suggestion that the differences in well-being between city and country
were not great in the past (Mathews 1981: 1-2). Measuring regional well-being at any
time is problematic and complex (Walmsley and Weinand 1997: 74; ABS 1998; PC
1999b; Sorensen 2000: 5). According to Sorensen:

Well-being has inter-acting economic, social, cultural, environmental,
medical, attitudinal, and geographical dimensions. The dimensions are
internally multi-faceted, complexly interrelated and evolving dynamically.
Except for the analysis of poverty, there is little agreement on the weights that
one might assign to component variables, simply because lifestyle options and
preferences diversify enormously with increasing wealth (Sorensen 2000: 5;
see also Stimson 2001: 198).

Measuring changes in regional well-being over time is even more difficult. Indicators
include measures of wealth and income, access to services such as education, health
and aged care services, and health and education outcomes (Society of St Vincent de

Widening income differentials suggest a worsening in the position of non-
metropolitan regions relative to the cities, though there is debate over this (PC 1999a;
NATSEM 2000). There is evidence that farm incomes have declined dramatically
over the last twenty years with increasing farm debt, although conditions vary widely
and fluctuate over time (ABARE 1999; Catholic Social Welfare Commission 1998;
Davidson and Lees 1993). The most systematic recent study of the income divide has
been done by NATSEM, which states:

... there is a large and growing gap between the incomes of those Australians
living in the capital cities and those living in the rest of Australia (NATSEM
2000: iii).

Sydney’s average household incomes were found to be substantially higher in 1996
than all classes of non-metropolitan regions. For example, major urban areas’
income were 78 % of Sydney’s, regional towns had 68 %, and rural towns had 62 %
(NATSEM 2000: 7). PC figures show similar trends in an analysis of the 1981 to
1996 period (PC 1999a: 31; see also Stilwell and Larcombe 1980; ABS 1996;
Australian Catholic Social Welfare Commission 1998: 11; Bray and Mudd 1998; BRS 1999; ABARE 2001: 72). Bray and Mudd have noted the much higher rate of social security dependence in regional areas (Bray and Mudd 1998).

It is certainly in the interests of regional advocates looking to government for solutions to their problems to stress the negatives of regional Australia, to assert that the divide is widening, and to attribute blame for this to the absence of government intervention. The notion of a city-country divide, while it no doubt reflects real differentials, is, in all likelihood, exaggerated. Perhaps it is growing. Yet the existence of a divide has not helped the balanced development position, since governments have seen the divide as being overwhelmingly about differences in the quality of life between city and country rather than about uneven development. Their policy responses (see Anderson 2001a) demonstrate this. Hence, ironically, the increasing attention to widening disparities between Sydney and non-metropolitan regions has not advanced the cause of balanced development.

**Increasing Regional Diversity, Widening Disparities and “Differentiation” Within Regional Australia**

As noted earlier, balanced development flourished at a time when there were few disparities among Australian regions. More than this, it was suggested that the very absence of disparities contributed to the focus of the time on metropolitan primacy as “the regional problem”. On this view, any increase in regional disparities would be likely to modify policy settings. And many observers have recently come to the view that there has been a growth in disparities. Clare notes that regional variations in conditions are almost inevitable, particularly in times of great and increasing change (Clare in EPAC 1991b: 39).

There is evidence that substantial regional differences exist in Australia and are increasing. Stimson, among others, has questioned the focus of recent policy on the “city-bush” dichotomy, and on RaRA (Stimson 2001: 198; see also O’Connor et al 2001). Walmsley and Weinand have argued that “… we might be entering an era of increasing place-to-place differences in the quality of life” (Walmsley and Weinand
Seeing non-metropolitan New South Wales as an undifferentiated whole is no longer viable:

Not so many years ago country towns were subject to general trends. They would all do well or all do badly. The picture is now very uneven (Roy Powell in Derriman 1999:1).28

Disparities occur both among regions and within regions. Substantial differences can occur, for example in unemployment rates, in neighbouring towns in the one region. There are examples, too, of places that confound regional trends. Dramatic changes in regional conditions can also occur over a short time-frame (Legislative Council 1993: 55).

Governments have recognised that regional Australia is no longer undifferentiated, if this was ever the case. And this has had implications for how they see the task of regional policy:

This search for the perfect policy has been fruitless – and for a very good reason. It is predicated on the belief that regional Australia is homogenous, and regional Australia is anything but homogenous… (Anderson 2001c: 2).

The NSW Government 1989 Discussion Paper noted that:

In general, there is greater recognition of the diversity of regions. The old notion of high-growth metropolitan areas and slow growing country regions has been replaced by a mix of regions with new sources of growth and declining regions with structural adjustment problems.

… Regional disparities will continue to be a fact of life. This also implies that regional policies will need to be selective and fine-tuned to meet diverse situations, rather than the blanket decentralisation approaches of the past (BACA 1989: 12-13).

Changing conditions have been seen by governments to require a fresh approach in contrast to the “blanket approaches of the past” (Carter 1983). The fact that different areas are growing at different rates, that differently sized towns are expanding at different rates, and that some regions are declining while others are growing, in an overall context of stable differentials between Sydney and the rest of the State, suggests that the city-country imbalance is simply one of a number of relevant features of the State’s space economy.
The former policy objective of getting a better overall balance of population between city and country now seems anachronistic, and this has much to do with changing regional conditions. The city-country divide is not the only regional problem, and certainly is not now regarded as the most important one.

**Regional Success Stories**

Any case for balanced development built on general non-metropolitan decline ignores the emerging realities of regional Australia. Turning the regional disparities into mere averages between city and country ignores the substantial differences within each. Many non-metropolitan regions are not in decline, and a case can be made that regional Australia overall is not in decline (Collits 2001).

The balanced development position presupposes, indeed is premised on, the notion that regional areas generally under-perform and lack “sufficient” investment (Roy Powell 1999; Manning 2001; Apthorpe undated). Yet one of the emerging trends has been the striking success of many regional centres in the face of rapid structural change (Beer et al 1994: Maher and Stimson 1994; Sorensen 2000; Tonts in Pritchard and McManus 2001).

Regional successes render a focus on the city-country divide simplistic and misleading. Many regional centres are doing well, in terms of economic development, new investment, growing businesses, plentiful jobs, low unemployment, and population growth. McKinsey noted (in relation to employment growth) that:

… one-third of Australia’s non-metropolitan population live in regions that are growing significantly faster than cities.

These regions are Australia’s engines of growth. … many show employment growth rates that are four to five times faster than those of Sydney and Melbourne, albeit off small bases in some cases.

By contrast, only 12 per cent of Australia’s non-metropolitan population live in centres that are declining. …

Despite the relatively small number of people involved, it is the story of this 12 per cent that has captured the public imagination. Images of rural decline

Sorensen agrees:

... the picture conventionally portrayed is flawed. In practice, conditions are spatially diverse. ... many areas experience good access to services, strong social institutions that enable communities to manage change effectively, high quality living environments, interesting and well-paid jobs and excellent lifestyles (Sorensen 2000: 3).

The Australian Housing and Urban Research Institute (AHURI) has referred to “clusters of opportunity”, including those based on mining, tourism, services and extractive or transformative industries. As AHURI points out, these regions are distinguished by significant proportions of households earning high incomes (AHURI 1999). A recent survey of unemployment rates across LGAs suggests both that many regions have experienced recent declines in unemployment, and that many non-metropolitan regions have very low unemployment levels (DEWRSB 2001; Collits 2001).

There are a number of drivers of regional success stories. They include factors internal to the region, such as entrepreneurship, either at the enterprise or community level, and local leadership, access to government programs, the discovery of a new resource in the region, improving commodity prices, the diversification of industry, or the building of scale in the local economy (see Collits 2000a; 2001). In many cases, they have occurred either independently of government or with only limited government program assistance. The success stories demonstrate that local actions make a difference to regional outcomes, that regions are not merely captive to outside forces.

These success stories confound the claim that regional New South Wales is dying, or that regional businesses and economies cannot compete with Sydney (or even that Sydney should be their reference point). Yet despite the success stories, and the evidence that many, if not most regional areas are not “in crisis”, there is a pervasive sense of unease about the condition of regional Australia. This sense is captured in
Abbott’s notion of “roonism”. One of his examples of the notion is “the bush is bugged”. According to Abbott:

“Roonism”, the conviction that life is bad and getting worse, seems to have a deep strain in the Australian character (Abbott 2001: 1).31

Governments have recognised regional success stories, for example at the Regional Australia Summit. Success stories damage the case for balanced development in two ways. First, they reveal that the “under-development” of non-metropolitan areas is exaggerated. Second, they demonstrate that regional centres often do not need substantial government support to succeed, which again undermines the case for large-scale government intervention.

Balanced development has relied for its appeal on the image of under-developed non-metropolitan regions contrasted with the growing metropolis. The emergence of growing regional centres has shaped perceptions within government about non-metropolitan New South Wales generally and has lessened the appeal of “one size fits all” approaches.

**Summary – the Impact of Emerging Trends on the Pursuit of Balanced Development**

The above analysis indicates that New South Wales has been subject to a wide range of restructuring processes since the 1970s, and that the changes have had substantial impacts on non-metropolitan areas generally and on individual communities, industries and regions. Some of the trends and processes have (arguably) reinforced the argument for government action to ameliorate metropolitan primacy, while other trends have had the reverse effect. The latter have suggested to governments that they should be addressing regional problems other than those identified by supporters of balanced development.

Trends that may be seen as strengthening the case for balanced development policies are those that have worsened the position of non-metropolitan New South Wales
generally relative to Sydney, and which reinforce its dominance. They are set out in Box 6.3.

**Box 6.3 Trends Supporting the Case for Balanced Development**

- The persistence of Sydney’s population dominance (even though this has not grown substantially);
- The growth in Sydney’s share of the State’s economy;
- The concentration of emerging new industries in Sydney and the impact of globalisation;
- The rapid growth in household formation in Sydney, despite the stabilisation of Sydney’s proportion of the State’s population, leading to further urban sprawl;
- Persistent negative externalities in Sydney;
- Continued out-migration from some regional areas;
- The slow growth or decline of many inland areas;
- The geographic concentration of regional growth in coastal regions and places close to the metropolitan region.

It might be argued that the mere persistence of substantial imbalance is sufficient argument for a policy of balanced development. Orchard has suggested that:

... the continued rapid growth of Sydney and Melbourne highlights the need for alternative centres of urban growth on Australia’s eastern seaboard (Orchard 1999: 202).

Yet it might equally be argued that the trends that have worsened the position of non-metropolitan regions, thereby increasing the case for government action, have, paradoxically, also made balanced development more difficult to achieve. The impact of globalisation, the emergence of Sydney’s role as a global city, the continuing exodus of young people from regional areas, and the loss of services, for example, have simply increased the size of the task. The more the position of regional areas has deteriorated, the less likely that governments are able to intervene effectively to help them to grow, and, in turn, the less likely that governments will be moved to intervene in ways demanded by supporters of balanced development.

However, other changes in regional conditions over the last three decades have run counter to the "city-country divide" argument. They suggest that balanced development has declined as a policy priority because new regional problems
emerged and diminished the relative importance of metropolitan primacy as a regional policy problem. These trends are summarised in Box 6.4.

**Box 6.4 Trends Weakening the Case for Balanced Development**

- The end of the post-war economic growth phase that had allowed consideration of spatial policies in the 1960s, with serious recessions and seemingly permanent rises in unemployment;
- The general slowing in Sydney’s population growth (and projected growth) and the changing dynamics of intra-state population movements, particularly in the 1970s when decentralisation was still fashionable;
- The differential impacts of globalisation and restructuring on New South Wales regions;
- The widening of disparities within and between regions; and
- The existence of areas of ongoing growth and prosperity across regional New South Wales.

These trends have proved to be powerful forces in a number of ways. Mainly though, they have strengthened regional differences and made governments realise that the city-country cleavage is but one of many “regional problems”.

**New Regional Problems – a Fundamentally New Environment for Regional Policy in New South Wales?**

In analysing the impact of new trends on the pursuit of balanced development, the key questions are whether the old problem of imbalance between Sydney and the rest of the State has gone away, or has simply been overtaken by other regional problems, and whether there are new ways of perceiving “the regional problem”.

**The Regional Problem Redefined**

Defining the “regional problem” is a complex task, both analytically and politically. For example, manifestations of problems must be distinguished from the causes of problems and from the effects of problems.
There are problems that are shared by all non-metropolitan regions to some extent, including lack of economic scale and the narrowness of the economic base. In addition, there are problems shared by certain classes of locations, such as industrial cities, small towns, remote places, inland regions, coastal regions, or centres whose economic fortunes are linked to one industry. Small towns are more prone to suffer from most regional problems, as are remote places. Specifically, small towns lack scale and a declining local market can trigger a “vicious cycle of decline” (Sorensen in Sorensen and Epps 1993: 220). Coastal centres often have higher than average unemployment (sometimes imported), lack of industrial development in proportion to recent population growth, and conflicts between environmental and pro-development interests. Remote places simply suffer from the tyranny of distance. Towns near interstate borders have their own particular regional problems.

Finally, there are problems specific to one region or a few regions, or even one town, due to local peculiarities. These problems might relate to racial tensions, the lack of skilled labour, the impact of a natural disaster, or the loss of an industry (Collits 1999). The problems may be similar, but they affect different regions differently. There are a number of other aspects to consideration of the regional problem, set out in Box 6.5.

**Box 6.5 Aspects of the Regional Problem**

- There are old problems and new problems;
- There are compounding problems – problems caused by other problems, such as typically found in the spiralling decline of many smaller towns;
- Some problems worsen over time;
- Some problems are temporary and can be remedied easily;
- Some problems are more visible than others;
- Some problems are persistent and not easily addressed by government action;
- Sometimes old problems are given fresh recognition;
- There is often an intersecting of economic and social problems;
- Changing regional conditions have affected perceptions of the regional problem.

There has been a redefinition of the regional problem in New South Wales – away from metropolitan primacy to a more complex mix of problems, changing over space and time, varying in intensity, having myriad causes and numerous manifestations.
But in large part the new definition of the problem can be said to relate to widening disparities, or “differentiation” in Stimson’s terms (Stimson 2001).

It is important to distinguish the manifestations of regional problems from their causes. The imbalance in development and population between Sydney and non-metropolitan New South Wales might be seen as a consequence of the regional problem, not a cause. On this view, attacking “imbalance” as such would make little sense as a policy objective.

Three preliminary points can be made. First, the focus for government, academics and practitioners alike has shifted away from an undifferentiated concern for non-metropolitan Australia as a whole to a concentration on specific regional problems and on region-specific problems. Second, this change in focus has been clearly linked to changes in regional conditions. And third, many locationally specific problems have developed in metropolitan regions.

**Region-Specific Problems**

One of the key trends has been the emergence of regional problems that are locationally specific, or which have identifiably local characteristics. This, combined with a growing conviction by governments that local communities should have a greater say in defining and solving their problems, has led governments away from “blanket” approaches. Stayner has observed, noting the “…diversity and vastness of Australia’s rural areas”, that:

> The issues facing different rural industries and regions are often fundamentally different, and may require different responses (Stayner 2000: 2).

Minister Anderson agrees:

> Regional Australia is made up of thousands of communities small and large, spread over an area far larger than Western Europe. There is no one policy that will suit them all (Anderson 2001c: 2).

Another element of the discussion of regional problems is that they emerge in different ways at different times. They are not static. Region-specific problems
typically emerge in a politically charged context, with local communities facing an urgent issue often demanding action from governments. The differentiation of regional issues has created a policy environment giving rise to a rejection of “one size fits all” solutions and the adherence by Premier Carr and Minister Anderson to the “local problems, local solutions” approach.

In this regional environment, governments have concluded that it does not make sense simply to attack the city-country divide. The emergence of “problem regions” and problem towns has, in effect, led to the “regionalisation” of policy. It might be argued that attending to the specific needs of local communities with their own regional problems is actually not inconsistent with balanced development. It might be possible to attend to the broad imbalances between Sydney and the rest of the State while also attacking region-specific problems. Against this must be considered the finite resources of governments, especially State governments, the opportunity costs of any policies pursued, and the large and growing demands on governments for policy action across the wide range of government activities.

The new problems that have emerged in regional New South Wales, have had their own dynamic and their own urgency. A big, broad, long-term problem demanding long term solutions becomes lost in the debates over more immediate concerns, and may be effectively put off to another day. Specific problems may also have more easily identifiable solutions (NSW Government 2001).

Complex Problems

One of the key themes to emerge from an examination of regional trends is increasing complexity (Sorensen 2000; Stimson 2001; O’Connor et al 2001). The processes driving regional development are many and complex, giving rise to inter-connecting problems requiring multi-faceted solutions.

Complexity relates to the number and intensity of processes that drive growth and decline (see Appendix D). Coming to grips with complexity is critical to the response of governments to policy problems. Sorensen has argued that there are a number of
drivers of regional outcomes, and that the possible permutations resulting from the way the different processes at work interact gives rise to highly unpredictable outcomes which are almost impossible for governments to direct (Sorensen unpublished; also 2000: 19). Hence it is not only the opening of regional economies to globalising forces, but also the inherent complexity of the interaction of processes at the local and regional level, and the local impacts of complex national processes, that have caused increasing differentiation.

Complexity is a feature of regional Australia at a number of levels – in the determination of well-being, in the diversity of regional outcomes, and in the drivers of regional processes. This picture challenges fundamentally the notion that governments can, and should, ascribe a single set of characteristics to “non-metropolitan New South Wales”, then attempt to modify them in the pursuit of an overall development plan. The conclusions to be drawn in relation to the complexity of regional problems have not escaped the attention of governments, which have favoured tailored approaches for these reasons.

Wicked Problems – The Break Up of “The Regional Problem” into Bite Size Problems with Manageable Solutions

Not only has there been a recognition of the fact that some problems are local in nature; there has also been a recognition that there are many parts of the “regional problem”, and governments may be well placed to help in solving only specific parts of the wider problem. There has been, in effect, a break up of the regional problem into what may be termed “bite sized” problems with manageable solutions.

Quoting Rittel and Webber, Bridgman and Davis have spoken of the notion of “wicked problems”:

To become subject to public policy, a problem must be given structure. The structure comes in turn from acquiring knowledge about the issue, so boundaries can be drawn and smaller component problems extracted from the larger issue.
... However well-structured the problem, some issues are simply not open to solution. ... Rittel and Webber (1973) label these “wicked problems”, those issues that cannot be settled and will not go away.

... Much of social and economic policy is about managing (but not solving) wicked problems (Bridgman and Davis 1998: 43; see also Downs 1972; Chapter Nine).

There is considerable evidence that this is what successive governments have done – they have placed boundaries around the problem of uneven development and have extracted smaller elements of the larger problem in order to try and solve those smaller “sub-problems”. Governments have, in effect, set their sights on parts of the bigger problem of how to locate more investment in non-metropolitan areas. They have downsized the expectations of what regional policy can achieve.

The increasing complexity of regional trends over the last three decades has refocused the minds of policy-makers on which problems exist, which problems are new, which problems are most important to solve, and which can be solved (or ameliorated) by government.

The Regional Problem as Managing Change

There is increasing evidence, too, that governments see the regional problem in terms of “managing change”. To the extent that there is one single, overarching issue identified to be solved, it is the capacity for communities and regions to respond to the pace of change. Anderson, for example, has consistently put the regional Australia problem in the context of the pace of change:

... the forces of change are extraordinarily powerful, indeed irresistible, and nowhere are they more evident than in the regional areas of modern Western countries (Anderson 1999a: 1).

This notion of dealing with change is taken up by the SCSD:

The key problem for non-metropolitan New South Wales is the lack of capacity to adjust to, and take maximum advantage of, the changing world economy... (Legislative Council 1994a: 51).
If the problem is conceived in terms of the capacity of regions to adjust to economic restructuring, then this has clear implications for policy. The conception of the problem has shifted from “outcomes” to “process”. The solutions tend to be geared to capacity building, and the preferred approach is “partnership” and “facilitation”. Managing change is seen by governments to require a very different approach to the old methods of decentralisation. Specifically, simply moving more people or industry into regional areas would not necessarily assist in addressing the needs of communities to overcome what is now seen as the overarching problem of managing change. The latter requires a whole new set of policy instruments, for example addressing the quality of businesses and local leadership. This is a far cry from the nostrums of balanced development.

**New Solutions to Regional Problems**

While governments have rejected the central tenets of the balanced development position, the latter’s decline has also been influenced by the emergence of a new set of policy ideas since the 1970s. These ideas form something of a consensus in regional policy thinking, a new policy language, shared by governments of both political persuasions and in both Sydney and Canberra (and in other States; Hurley 1993: 15). The new policy ideas must be seen in the context of the emerging regional problems outlined above; the ideas did not simply appear from nowhere. Moreover, their introduction has been incremental.

According to recent governments, regional development must be “sustainable” (BACA 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, particularly in the case of the ALP at Commonwealth level (O’Reilly 1995: 39). This at times has included metropolitan regions. According to McKinsey:

Regions are becoming the natural units for making change happen (McKinsey 1994: 19).


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; LGSA 2000: 28-32). Place management has become an important tool in some cases (Latham 1998: 214-20). The Hunter and Illawarra Advantage Funds, the Regional Assistance Program (RAP), RETS and the CCGS 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 (see Chapter Five). 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 1997b; Municipal Association of Victoria undated; Kenyon 1999). The philosophy is seen in the NSW Main Street/Small Towns Program and the Commonwealth’s CCP 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 1992a: 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 1992a: 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 1994b: 42; Epps and Sorensen 1995; Henton et al. 1997; Collits 1999b). 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 2001a) to one where the benefits of economic growth are shared by all regions (NSW Government 1998a). 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. When taken together, there is no doubt that the various elements of the contemporary approach are clearly incompatible with the pursuit of balanced development.

Summary and Conclusions

Balanced development as a policy approach has been severely challenged by changing regional conditions. Arguably, the old problem is still there, perhaps even larger than before. However, it is apparent that new problems have emerged, undermining the old simplicities of the high tide period, and this has recast the direction of policy.

The 1960s were marked by a notable worsening of the perceived imbalances between Sydney and the rest of the State. In contrast, metropolitan primacy more or less plateaued in the period 1971 to 1996. On the other hand, there is evidence that Sydney’s share of the State’s economy is growing considerably. But a plateauing of problems is not the same as their removal. There is still an imbalance in population and economic activity; therefore it might be expected that the issue would have remained on government agendas. The answer must lie elsewhere, and it is in the emergence of other, pressing, and perhaps more easily addressed regional problems that an important part of the answer lies.

It is clear that regional policy has been influenced enormously in the last three decades by changing regional conditions, new trends and new solutions to a changed conception of the regional problem. Change in the Australian economy has affected all industry sectors and regions. There have been positive and negative impacts, and the changes have affected different regions in different measures, and in different ways. And the pace of change has been increasing. It is equally apparent that the
pursuit of balanced development has been overtaken by these trends and the policy responses to them.

The trends have helped cause particular governments to abandon balanced development. For example, the release of the Borrie Report and the population turnaround debate contributed to the abandonment of the growth centres programs at both State and Commonwealth level. The Wran Government responded to economic shocks and increasing unemployment in traditional industrial areas. The Fraser and Hawke Governments set aside regional policy largely for reasons of changed macro-economic conditions. The Carr and Howard Governments became pre-occupied with regional service delivery in smaller towns because services had been disappearing over some years. The pain experienced by smaller inland centres has given rise to many program responses specific to their local needs. Industry decline has led to tailored packages.

Hence there is a demonstrably clear link between regional trends, new problems and policy responses. Governments have also become more sophisticated in their capacity to understand and to respond to emerging regional problems. According to Carter:

> The degree of sophistication in regional policy analysis has increased substantially in recent years and there is a much greater awareness of industry structure, inter-industry linkages and consumption-induced multipliers as important areas of regional impact assessment (Carter 1983: 12).

Undoubtedly the exposure of policy-makers to ideas and the analyses of regional problems has improved the capacity of governments to analyse regional issues, and this in turn has amplified the impact on policy of changing conditions.

Clearly the idea of balanced development has been found wanting by governments, for reasons detailed in Chapter Five. However, it has largely been changing circumstances that have demonstrated the poverty of the balanced development idea. The analysis of this chapter shows that there is much to agree with in Galbraith’s claim that circumstances rather than new ideas cause old ideas to be changed.
End Notes

1. The Cities Commission noted that rural areas lost a net 22,000 people to metropolitan regions from 1966 to 1971, with a further 68,000 coming to the cities from country towns (Cities Commission 1973: 45; Searle 1974: 58). The Vernon Committee in 1965 had warned that emigration from farms and country towns could reach between 300,000 and 500,000 from 1962-63 to 1974-75 (quoted in Searle 1974: 58).

2. Spearritt quoted figures showing that the proportion of all passenger trips in Sydney by private vehicle had increased from 13% in 1946-47 to 47% in 1960 and to 72% in 1972 (Spearritt 2000: 152).

3. Strictly speaking, "rural" out-migration refers to the declining number of settlements under 1000 people, and is therefore, to a large extent, linked to farm depopulation.

4. Analysis by the PC further establishes the point. The proportion of Australians living in cities over 500,000 actually declined from 57.9% in 1971 to 53.1% in 1996. The proportion of people living in small cities (50,000 to 499,999) increased, as did the proportion living in large towns (20,000 to 49,999). The proportion living in small towns (1,000 to 19,999) decreased only very marginally (from 14% to 13.9%) and two of the sub-categories within this group actually increased (PC 1999b: 19).

5. This picture needs to be modified in two ways. First, regional areas are under-represented in the young cohorts and over-represented in older age groups. Out-migration of youth occurs from non-metropolitan regions, and out-migration of retirees occurs from Sydney. This pattern of internal migration does not particularly help regional areas. Second, people leaving Sydney go to particular places, and typically not to the regions most likely to be losing population themselves.

6. Salt sees the ongoing out-migration from the city in terms of a fundamental "sea change" shift to the "beach culture" (Salt 2001; see also O'Connor's critique of Salt; O'Connor 2001). Murphy adds new elements of explanation, focusing on those who have a choice in moving, such as professionals, and those, like single parents, who are forced to move for cheaper housing (Murphy 2001). Burgess, writing about the US experience, has spoken of "lone eagles", former urban professionals that can run a consulting or other business from a remote location through reliance on electronic communication.

7. However, the release of the Borrie Report did not herald an immediate rethink in government over the merits of decentralisation policies. Minister Tom Uren's initial reaction to Borrie had been that the Growth Centres Program would not be affected. Uren had said that he would not act to change the substance of any of his programs because of the Borrie Report (Cities Commission 1975: 3). This reaction was also reflected by Eric Warrell, Chairman of the Cities Commission, who stated in April 1975: "Growth centres would continue to be desirable as a means of halting further drift to the main metro cities and also of providing rural areas with easier access to a substantial range of urban amenities and services" (Cities Commission 1975: 3). Indeed, Uren disagreed with the findings of the Borrie Report and Borrie's interpretation of the Cities Commission submission to the Inquiry.

8. This is reflected in the membership of the CMA, which, while having some coastal councils as members, generally draws on inland regions for its support base.

9. See Salt 2001; Murphy and Burnley 2001; O'Connor 2001; Collins 2000; Collits in Rogers and Collins 2001. Of course, the phenomenon itself has been around for a long time (PC 1999a: 23-24; O'Connor 2001). As noted in Chapter One, Nugent (1998) has analysed New South Wales population movements between 1991 and 1996 revealing complex intrastate demographic trends, the continuing domination by Sydney of the State's population, a pattern of inland migration to the coast and interstate, and very low growth or decline among inland regions. According to Nugent's analysis, inland regions' average annual growth between 1991 and 1996 was a low 0.03% (0.63% from 1986-1991), and the population of most inland SLAs actually fell in the latest intercensal period. While coastal growth slowed in comparison to earlier periods, it remained higher than the State average. Analysis of the 1991-96 period in New South Wales further clarifies the scope of
the problem. The following trends occurred: non-coastal centres grew at a significantly lower rate than the rest of the State; 88% of coastal centres experienced a population increase, with coastal towns having an average growth rate over the period of 16% compared to 5.7% for all non-metropolitan centres; the lowest growth across all rural centres in New South Wales occurred in the 5000 to 10000 band, the highest in the 1000 to 2000 band (many of the latter, however, are coastal resorts); of 15 regional centres with over 20000 people in 1991, 12 increased their population (those that did not were Armidale, Broken Hill and Goulburn, all inland centres) (These figures reflect internal analysis by DSRD).

10. Future projections are just as unfavourable for inland regions taken as a whole. According to DUAP, in 1996 inland regions accounted for 750 000 people or 12.1% of the State's population. The projection for 2026 is 720 000, a 4% decline to containing a mere 9.5% of the State's population. For coastal regions, the 1996 figures were 1570 000 and 25.3%, with projected growth to 2010 000 and 26.3% in 2026. (Holliday 2000). Such figures were a source of alarm for the LGSA, which at its 2000 Whole of State Assembly recommended population growth targets for inland regions (LGSA 2000; see Appendix F).

11. These regions have, since the 1980s, suffered from chronically (and relatively) high unemployment and a need for new investment to create jobs and prevent social problems. In some cases, traditional industries such as forestry have experienced adjustment pressures, and coastal regions generally have seen vigorous debates over the competing needs of development and ecological sustainability. Hence while coastal regions have experienced dramatic population growth, they have not been without their problems, different though they are from those of the inland with declining populations. It is the latter concern that has been at the heart of balanced development thinking.

12. See also Collits and Gastin 1997; PC 1999a; Collits 1999; Collits 2000; Forth in Rogers and Collins 2001; Salt 2001.

13. Towns in New South Wales having lost 10% of population or more since 1986 have been Werris Creek (-18.4%); Barraba (-15.4%); Dorrigo (-13.2%); Wee Waa (-11.7%); Narrabri (-11.4%); Murrumburrah-Harden (-16.9%); Batlow (-12.9%); Scone (-18.8%); Nyngan (-10.5%) and Wilcannia (-34.4%). A number of further towns had large absolute declines of less than 10% - Moree (-945); Lithgow (-928); Gunnedah (-829); and Kempsey (-705) (ABS 1998). The ABA study, examined trends in the position of local government areas from 1976 to 1996. Of the 700 LGAs across Australia, the study examined the 456 which it defined as “rural”, that is containing fewer than 17500 people in 1996. Of the 456, 215 LGAs have been subject to “... a process of sustained population loss since 1976” (ABA 1998: 2). According to the ABA: “The result is a process of demographic erosion that has reduced the number of people in 215 rural municipalities from 883747 in 1976 to 778452 in 1996 which is a decrease of 12%” (ABA 1998:2).

14. The decline in the position of smaller centres in relation to larger centres in the Australian settlement system can be measured by recent jobs growth. According to the ABARE study (ABARE 1999), the strongest percentage job growth in inland and remote regions between 1986 and 1996 occurred in statistical local areas associated with urban centres of over 20000. There is nothing surprising in these figures in view of the trends that have been occurring in the regional economy. In inland and remote regions, declining population was most common among areas with less than 2000 people in their largest urban centre, and in these centres, jobs growth was less than population growth (ABARE 1999: vii). The ABARE study’s findings about the relative strength of jobs growth in larger centres are confirmed by analysis done by Andrew Beer (1999). According to Beer, there was an increase of 500000 in the number of jobs in regional cities (over 10000 population) across Australia from 1991-96. The share of the workforce in these larger centres grew from 10.4% to 10.75% in the same period (Beer 1999: 9).

15. Globalisation can be seen both as an international trend with local consequences, and as a policy pursued by governments. Chapter Eight considers how governments have encouraged globalisation. Here the concern is with the process of globalisation.

16. According to Searle, there are a number of reasons why cities have been favoured by globalising processes – their international accessibility; their advanced telecommunications; the concentration
of "advanced producer services" (both a cause and a consequence of the growth of global cities); the presence of high level health and education services; and even "follow the leader" behaviour by transnational executives (Searle 1996: 8).

17. According to the PC, between 1971 and 1998, over 95 % of employment increases were concentrated in five industries – community, education and personal services; finance, property and business services; wholesale and retail trade; construction; and public administration and defence. Five industries also accounted for over 95 % of employment declines – transport equipment and machinery; textiles, clothing and footwear; metallic products; electricity, gas and water; and food, beverages and tobacco (PC 1998: xx).

18. It should be noted, however, that many new service industries jobs also appeared in non-metropolitan regions between the 1970s and 1990s. As the PC points out (PC 1999a: 23), while 336 000 jobs were created in the finance and business services sector from 1981 to 1996 in metropolitan regions, 98 500 were also created in non-metropolitan regions. In health and education, the figures were 345 600 and 217 800 respectively, and in recreational/personal services, the figures were 188 000 and 114 400 respectively.

19. According to Walmsley and Weinand: “Despite the vagaries of economic growth in Australia in the last decade, some sectors have fared reasonably well. Notably, there has been significant growth in the quaternary sector. However, not all groups and areas in society have benefited from this growth. Around the globe, ‘world cities’ have been the winners” (Walmsley and Weinand 1997: 72). Or as Stephen Long has written: “Sydney has been the prime beneficiary of globalisation, capturing the wealth generated by global production and trading networks by virtue of its place as a regional headquarters for big corporations and the leading gateway for international capital” (Long 1998b: 22).

20. Restructuring did not begin with globalisation, and globalisation has not been its only cause since the 1970s. However, globalisation has contributed to the changing space economy and the changing industry mix in Australia in critical ways. Also, regional structural change is inevitable is an open, market economy which already has unevenness over space and where resources move freely across regional boundaries. Structural change has been defined by the PC as “... changes in the overall size and make-up of an economy in terms of the distribution of activity and resources among firms, industries and regions” (PC 1998: xiii). Its sources include market-related sources – technological change, behavioural changes, trade and global specialisation, and resource discovery and depletion – and government-related sources – trade and investment liberalisation, infrastructure and general government reforms, labour market reforms, competition and other regulatory reforms, and taxation reforms (PC 1998: 2).

21. With technological advances and changes in management practices, global firms have increasingly shifted much of their production to low wage counties, including South-East Asia (Tonts in Pritchard and McManus 2001; Fagan and Webber 1994).

22. Carter has pointed out that the co-timing of the resources boom, which helped some regions to grow, and the negative impacts of restructuring on other regions, accentuated the spatial divide in the early 1980s (Carter 1983: 10).

23. O'Connor et al also note an increased spatial concentration resulting from the increased firm focus on national markets made possible by the creation of national supply chains. The latter has occurred as a result of transport and communications improvements. The effects of this have exacerbated the changes in ownership that have occurred through the takeovers noted by Beer et al, and also the increased attention given to competitiveness. The management of national supply chains has generally been undertaken in Sydney or Melbourne (O'Connor et al 2001: 83).

24. As Bell pointed out, the period saw the loss of over 70 000 manufacturing jobs in New South Wales (Martin Bell 1992: 207). These were significant numbers. From 1971 to 1991, Australia as a whole experienced a net loss of 280 000 manufacturing jobs (Watson and Murphy 1993: 105). As noted previously, in terms of contribution to GDP, manufacturing contributed 29 % in 1960. By 1999, the contribution of manufacturing was a mere 13 % (Stimson 2001; Ruthven 1999).
25. Regional inequalities are not an entirely recent phenomenon. Whitlam’s famous 1972 comment about equality relating to location suggests that, despite the relative absence of regional disparities in Australia at that time, they were not totally absent.

26. Hugonnier confirms that differentiation and the breakdown of the simple city-country divide has been an OECD-wide phenomenon, and is not unique to Australia: “OECD’s investigations have shown that this division reflects less and less the traditional dichotomy between urban and rural areas. Performances are varying widely in all types of regions. As is the case with urban areas, wide differences in income and employment capacity are found between prosperous and lagging rural areas in Member countries. ... These new patterns of population settlement, relationships between urban and rural areas and rural diversification are leading public authorities to rethink their policies” (Hugonnier 1999: 1).


28. While there is an emerging consensus over increasing differentiation, there is less agreement on their extent and whether they should be addressed by policy. Walmsley and Weinand suggest that: “There are two main views in the contemporary debate about inequality in Australia. The first argues that it is increasing and is a cause of concern; while the second acknowledges that it is probably increasing, but contends that it is not a cause for concern because the level of inequality is low by international standards and, in any case, might be remedied by high levels of intergenerational mobility. ... both views oversimplify reality. Society is not polarising but rather is becoming more differentiated ... In other words, change is multidimensional, not unidimensional. In policy terms, addressing increasing differentiation is more challenging than addressing increasing income inequality. Nevertheless, the way forward is to be found in regional policy that acknowledges diversity by empowering local initiative” (Walmsley and Weinand 1997: 87). Again, these authors draw specific policy conclusions from their analysis of shifting regional patterns. Stilwell, following Hunter and Gregory (1996), argued: “… the regional dimension of income inequality is becoming a more important component of overall inequality. Areas of low and high socio-economic status are becoming more homogeneous and the differences between them increasing” (Stilwell 1997: 4). It is inevitable in open regional economies that resources will move freely among regions, and that development will be uneven. However, it is the extent of the disparities that has recently been a cause for policy concern, both for economic and equity reasons. There has also been a clearer recognition of the problem of regional disparities, made possible partly by greatly improved regional statistics that were simply not available in earlier times (cross reference/source).

29. Undoubtedly both governments and regional Australia “optimists” (any town can make it if only it has passion; see Collits 1999; 2000) have an interest in dwelling on the success stories — the Coolahs and the Hydens — rather than on the declining centres. But the success stories are there — both individual enterprises and regional communities, and they are not all on the coast, and they are not all in larger regional centres, and they are not all in peri-urban areas. And they are not necessarily the exception that proves the fact of general regional decline. There are even some in the wheat-sheep belt. Ministers, especially those that have been in office for some time, have a strong interest in “talking up” non-metropolitan Australia. Despite his “cry for help” for regional Australia in the 1999 “two nations” speech, John Anderson has consistently tried to counter the view that regional Australia is all undifferentiated gloom.

30. A number of regional centres’ economies are anchored by, or at least benefit from, successful global businesses (Fletchers in Dubbo), the exploitation of newly discovered resources (the Cadia Mine near Orange and the Newcrest Mine near Parkes), the creation of a new industry (Visy paper mill at Tumut) the diversification of the economic base (Mudgee), the creation of a new tourism industry, often linked to a local resource (Mudgee again, Broken Hill), or local economic development entrepreneurship (Coolah).
31. The image of declining regional Australia and booming metropolises is embedded in the thinking of many due largely to media portrayals and to the often negative stance of regional "advocates" lobbying for improved service to non-metropolitan areas. Media stories such as "The Gutting of Rural New South Wales" (Chapter Seven), while serving a valuable function in highlighting the loss of services, may also have had the effect of strengthening negative images of regional areas.