

# *Australian Rural Development: multiple problems, bespoke solutions, the abdication of central governments, and the ghost of Friedrich Nietzsche*

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*Adjunct Professor Tony Sorensen  
University of New England, Armidale, NSW, Australia*

## **Introduction**

This article focuses on the problem of regional development in rural (non-metropolitan) Australia, home to about 30% of the Australian population (or about 7 million people) living in area approximately the size of the US, south of the 49<sup>th</sup> parallel. It reports, inter alia, on the nature of the problem; rural regions' political, economic, and environmental contexts; changing regional policy approaches; and the ad hoc, unprogrammed and bespoke responses occurring in a cross section of rural Australia.

It draws on Australian Research Council funded research<sup>1</sup> conducted in recent years, which explored contemporary approaches to local economic development in non-metropolitan Australia. That study focused on how regional development strategy occurs in reality rather than in the imaginations of central or provincial government politicians and bureaucrats. Apart from the textual analysis of policy documents and reports of parliamentary committees, the project involved interviewing (via structured surveys) 60 leading regional development actors in a 400 km E-W transect of rural NSW from the Mid-North coast to the inland plains shown in Figure 1. The region in question brings together statistical divisions 25 (Mid-North Coast) and 30 (Northern), whose total population

is in the order of 460,000 people in an area of about 160,000 sq km, yielding a population density of about 2.9 persons per sq km – dense by Australian standards but low by European.

Respondents included many of the leading players in the local economic development game, including the then Deputy Prime Minister and his predecessor; members of Commonwealth and State parliaments, including activist independent local members; bureaucrats and agency heads especially at state and local government levels; mayors and community activists. This range of respondents provided authoritative insights into policy and program development while permitting triangulation of responses to diagnose contradictions and alternative perspectives.

## **Local Development Impetus**

Local development strategy arises from regional discontent about a raft of adverse conditions afflicting rural economy and society. These prominently include narrowly based economies subject to strong fluctuations in economic fortune and weak services in some remoter low population locations. Social and economic infrastructure also lags in coverage and quality in some places, relative to communities' perceived needs for schools, hospitals, telecommunications and transport. These problems possibly contribute to persistent outmigration, especially of the young and educated. This, in itself, is often desirable, as young people explore the outside world and its

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<sup>1</sup> Project ID: DP0558400, Regional Governance in Rural NSW: Emerging Issues and Future Options.

opportunities, but the outmigration is usually permanent. A final major complaint is that politics, policies, programs, and expenditures are dominated increasingly by large city agendas and that regional interests have insufficient political clout. It is difficult, however, to separate the rhetoric from reality of regional disadvantage, especially as rural regions often have compensating lifestyle advantages over large city living (Sorensen, 2003). These include a less frenetic pace of life, safety and security, and a greater sense of community. Moreover, many of Australia's rural regions are among the nation's wealthiest, most dynamic, and relatively well serviced. Indeed, as we shall see, parts of rural Australia are probably on the cusp of a golden age!

Such community perceptions, irrespective of their accuracy, have ensured the regional development strategy has been a fixture on the political agenda for 50 years. Originally conceived in the 1960s and 70s, policies and programs took a Keynesian approach. State governments in, for example, New South Wales, Victoria and Queensland tried to mastermind regional improvement centrally through a combination of the welfare state and tilting the economic playing field in favour of particular locations. The idea that omniscient central government could seriously influence private investment decisions was an embarrassing failure. It yielded few tangible results and, after its apogee in the late 1970s era of stagflation, this strategy ebbed and metamorphosed into the decentralised market model revealed here .

## ***Shifting Operating Environments***

Like many a policy arena, regional policy has been subject to a seismic shift in Australian governments' operating environments. Direct state support for primary enterprise – both mining and agriculture – was always small – and regional support mechanisms, like those found in the European Union, were also poorly funded. Both funding strands have

subsequently declined and Australia's agricultural support programs now run to < A\$1 billion (or only 4.5% of the gross value of production (GVP) compared to the OECD average of 28.9% and the expanded EU's 33.7%. [A\$1 = c. \$US0.90, 2007 data] Twenty years ago, those support programs ran at about 8% GVP. Mining receives little or no public support and is almost wholly corporatised, run by the largest mining companies in the world including BHP, Rio Tinto and Xstrata. Even junior miners like Fortescue and Woodside are highly capitalised by global standards. They can look after themselves, especially during one of the largest booms in human history!

Apart from industry support, Commonwealth and State government regional development programs contribute an estimated A\$260 million to mainly rural regions, making a combined total of about A\$1,250 billion after adding in primary industry support. This trivial amount was only 0.4% of Australia's \$310 billion non-metropolitan GDP in the year to March 31 2008. Its scale is unlikely to increase while governments cap the public sector at c. 32% of GDP, run budget surpluses at > 1% of revenue, and rely increasingly on the private sector for the bulk of capital investment in infrastructure. Regional parsimony therefore accompanies strict macro-economic management in which successive budget surpluses over the last 10 years have created zero national debt, a sovereign wealth fund (like those in Norway, China, Singapore, and UAE), and means-tested social security.

Rampant globalisation has accompanied public frugality, and Australia's trade to GDP has soared from 16% to >26% in the space of 20 years. This beneficial trend was fuelled in part by the booming economies of China, India and Russia. Its legacy is low 4.2% unemployment, a decade of average annual GDP growth exceeding 3%, soaring currency value (from US¢ 48 to US¢ 90 in 5 years), and accelerating immigration and population growth now running at 1.6 % per annum. The agricultural sector has been one of the largest beneficiaries from the confluence of market forces and global

connectivity. They have propelled agricultural innovation, creativity, adaptiveness, and scale, so that total factor productivity growth averaged 2.3% pa over the last 20 years (Productivity Commission, 2005). This was more than double the rate of the economy as a whole and much faster than all Richard Florida's so-called creative economy. The mining sector, which is also rural, shares in this productivity bonanza, operates at world's best practice. Taken together, primary industry accounts for 8-9% of GDP, c.60% of exports, and 17% of R&D expenditure, but employs only 4% of the workforce. New rural industries are emerging fast, especially in the energy sector: ligno-cellulose bio-fuels, and geothermal-wind-solar-wave electricity generation. In contrast, manufacturing is now almost passé, employing <10% of workforce and falling fast.

Another plank in rural Australia's changing operating environment is burgeoning environmental regulation, but this too has been a spur to efficiency and beneficial adaptation in farming. Measures in place nationally include institutions and regulations designed to:

- restrict land clearing and wildlife habitat destruction
- protect bio-diversity and stream flow
- prevent erosion in catchments
- cap ground-water extraction
- monitor global warming and potential climate change
- enhance water security
- restrict soil salination, and
- encourage carbon sinks and afforestation.

Two final, but related, dimensions to changing rural systems are their complexity and turbulence, themes discussed at length by Sorensen (forthcoming). Complexity stems from the ever increasing range of issues involved in system management. For example, rural economic development is no longer just

about tweaking fiscal systems and doling out business grants. It is trapped in webs dealing in environmental regulation, social service provision, knowledge expansion, the creation of human and social capital, massaging private finance capital, and manipulating such human behaviours as leadership, adaptive capacity and risk taking. Turbulence is a function of accelerating technologically induced speed of change, rapidly increasing system complexity, and the galloping loss or diffusion of government authority. This assertion may raise eyebrows, but I see governments floundering everywhere ... in environmental management, financial regulation, health care delivery, and rural development among others.

Ideas taken from evolutionary biology (e.g. Richerson and Boyd, 2005) suggest that rising turbulence favours local and *ad hoc* solutions to such spatial problems as local development based on:

- better local knowledge of local conditions and task
- greater focus ... and less distraction by big-picture concerns
- more enthusiastic and imaginative leaders
- greater propensity to take risk, and
- a diverse range of actors whose interaction sparks ideas on a spatially manageable stage.

Thus, Australia's rural regions have been left to fend for themselves to an unprecedented extent (Sorensen, 2002). In retrospect, these conditions should not come as a surprise. They have been brewing for the last 400 years of the enlightenment, albeit with twentieth century fascist and socialist detours. The flux of time will reinforce this pattern. Economy and society will diversify hugely and spawn an ever larger cacophony of competing interest groups (Sorensen, Marshall and Dollery, 2007). The philosophy of public management is being redrawn to include new portfolios of responsibility, the development of

integrated private-public decision-making and control, and the spatial reallocation of powers and duties. Some responsibilities are being devolved, while others are filtering spatially upwards from the local to the global. All this is bathed in an accelerating tempo of change (Sorensen, forthcoming) as we rapidly become more knowledgeable about the processes shaping local space, the scope for beneficial public engagement, and the optimal strategies for doing so. Note, however, that the number of farms and farm families is falling fast and the a survival strategy in the industry is consolidation – no different from any other industry sector.

### ***Implications for Local Economic Development Practice***

The combination of (i) societal turbulence, (ii) the will to pursue local improvement, and (iii) increasing doubts about the competence of modern states to master-mind micro-scale events has stimulated a rich and enthusiastic tapestry of local effort tied to local problems, resources, institutions, and governance. We explore here the remaking of rural development strategy under such do-it-yourself conditions (Sorensen, 2002). Private and public spheres work together through a variety of individual and collective means to construct futures that may be very different to past experience. Thus, rural development strategies increasingly mimic the “creative destruction” (Schumpeter, 1942) environment of top-flight corporations which have long realised that conservative traditions are largely anathema to long range success.

Instead of compact central bureaucracies, the evidence of our research reveals a decentralised cast of hundreds of complexly networked, often informal, and usually part-time actors on the local development stage. Moreover, their roles are often flexible across many dimensions: networks, preferences, behaviours, aims, beliefs and understanding, and technologies employed. The participants include:

#### **1. Business actors**

- major corporations (mining, agribusiness, infrastructure, retail, service)
- small – medium – enterprise (SME) sector
- industry associations
- peak
- industry bodies

#### **2. Community groups**

- place-based
- economic, social, environmental
- national and international

#### **3. Research organisations**

- Commonwealth Scientific and Industrial Research Organisation (CSIRO)
- Cooperative Research Centres (CRCs)
- university-based
- private and corporate
- government

#### **4. Three tiers of government**

- Commonwealth, State and Local
- politicians and bureaucrats

#### **5. Governments’ client and self appointed agencies**

- especially important are such arm’s length authorities as the Reserve Bank, the Productivity Commission, and a variety of sectoral bureaux like the Bureau of Infrastructure, Transport and Regional Services

#### **6. Energetic individuals**

Their interactions are mediated by the nature of regional problems, a raft of laws and their interpretation, organisational resources, the personal capacities of institutional leaders, and decision-making timelines ... among others. Important

among these are many psychological components. Indeed, regional development might best be viewed as a distinct branch of psychology, melding a long list of behaviours:

- individual participants' creativity and imagination
- future orientation (and freedom from the weight of history),
- invention and innovation
- civic and commercial leadership
- networking
- financial engineering
- risk taking
- effort
- negotiating skills, and
- capacity for compromise.

In effect, regional development action now operates rather like any relatively free market – scores of regional actors interacting in the regional development market-place with little pre-ordained script create lots of minor development stimuli whose cumulative benefits are barely measurable individually, but maybe very significant collectively – much more than occasional government funding largesse. As an aside, very little is known about the effectiveness of all kinds of spatial policy. It is impossible to disentangle program effects from much larger market events and macro-economic management, especially as program effects are usually lagged over 10 to 20 years.

Of course, development success in particular places also depends on geographical accidents: regions' initial resource bases and their relative geographical location. Even here, geography is frequently moderated by luck, resource utilisation strategies, and the effectiveness of human collaboration or coordination.

## ***Analysis***

Given the economic, social and environmental diversity of Australia's rural regions, one would expect there to

considerable spatial variation in the combination and modus operandi of these ingredients. And so it appears. The project highlighted the wealth of local response to rural and regional problems and the diverse avenues taken by economic and community leaders. Seven general conclusions emerged.

**1.** The participants in regional development are numerous and diverse (as already noted);

The list of participants has expanded steadily over the last twenty years, with many more coming to the fore during that time, including a range of community based organisations, environmental agencies (like Australia's Catchment Management Authorities), and formal networks of actors. The latter include Regional Organisations of Councils (ROCs) (Marshall, Dollery and Sorensen, 2007). Sometimes new actors emerge. Environmental organisations have become more numerous as concerns about the health of ecosystems rise. On the other hand, long standing organisations such as chambers of commerce may perceive new roles in regional improvement.

**2.** Much of the activity is uncoordinated. One exception is the ROCs, which are specifically designed to improve coordination between local governments over infrastructure and services. A variant of the ROC movement is the networked council experiment in southern New England around the city of Armidale designed to fend off formal amalgamation of four separate councils. However, neither the ROCs nor the networked council appear effective (Dollery, Marshall and Sorensen, 2007). The New South Wales state government operates Regional Development Boards<sup>2</sup> and the Commonwealth government has a network of Area Consultative Committees (ACCs). Our research suggests that these organisations do not have a significant coordinating role and are better regarded

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<sup>2</sup> The two in the ARC study area were the Mid-North Coast and Northern Inland RDBs. Both those regions also have ACCs

as a limited source of regional investment money.

**3.** Individual leaders have very different skill sets, accumulated knowledge, perceptions, power bases, styles, levels of support, and spatial horizons. Some localities may have few, if any, competent leaders whose skills lead to significant regional improvement; others have several acting either in concert or opposition.

Leaders have various opinions the importance of such issues as 'officiality', the importance of their agency, financial backing, networking, growing one's own businesses (vs attracting outside enterprises), infrastructure development, SME support services, cluster development. In general, what worked for them was regarded as good, but did not rate otherwise. They tended to be critical of other players in the field, especially of the states and the Commonwealth, although interviewees representing those tiers of government thought they were providing valuable services – despite criticising each other. Evidence abounds of the importance of good quality leadership (see the literature review in Sorensen and Epps, 1996).

**4.** There was much more commonality of opinion, however, on:

- i. the difficulty of the development task
- ii. the large range of necessary skills to succeed
- iii. the importance of focus, conviction, tenacity and effort
- iv. the need for adaptability in analysis and action
- v. the merits of selling one's strategy to the community
- vi. the need to 'work' government agencies capable of providing necessary support services
- vii. the importance of critical reflection
- viii. the usefulness of teamwork at the local level
- ix. the high burn-out rate of regional activists, and

- x. the need for cooperation and collaboration between agencies active in an arena.

Item 4 (x) appears more rhetorical than practical. In other words, the strategies employed by participating agencies appeared atomistic in execution, with a high level of self reliance. This matches rhetoric about whole-of-government approaches which sound fine but in reality are often ineffective. In the complex, competitive, rapidly changing environments characterising rural local development, action is much louder than talk. Most of the players interviewed were human dynamos of one kind or another with strong motivational streaks.

When one thinks about it, why should coordination be an article of faith for something (regional development) that cannot be coordinated? In the private sector, both corporations and SMEs – not to mention Non-Government Organisations (NGOs) and not-for-profits – work competitively to deliver rapid economic growth and there is a raft of national legislation ruling out aspects inter-enterprise cooperation in the private sector. Government experiments with whole-of-government strategy and regional impact statements have also flopped.

**5.** Without going into detail, the observed quality of development action was often very good on many dimensions. These include leadership, effort exerted, focus, imaginative strategy, opportunism, adaptability, local infrastructure planning, networking, and community motivation. The quality was better still when actions focused on identifying, marshalling and optimising local resources.

**6.** So, local action, which at first sight appears ill-equipped to deal with globally integrated, fast moving and increasingly corporatised production systems, might actually be effective. Local action is well attuned to identifying resources, developing them, and resolving conflict among other. And it evolves to suit local conditions. Such flexible and bespoke activity is well-designed to cope with huge

regional differences in resources, outlooks, and attitudes.

7. Of course, there's also a lot of luck involved in the development game. Some communities are benefitting from proximal resources of irrigation water, coal seams and gas deposits, world heritage listing of environmental sites, scenic landscapes, and timely infrastructure construction. But skill, approach and attitude also substitute for luck. In other words, localities can constructively and purposefully make their own luck.

## ***In Conclusion***

Regional development is a very psychological game in which local actors play crucial roles in accelerating the pace of change, raising local adaptive capacity, and discovering development opportunity. Their style of engagement is also changing as many aspects of long-range strategy become increasingly irrelevant. Business opportunities, which rapidly emerge and evolve, are fleetingly there for the picking by entrepreneurs. In Australia's New England and Mid-North Coast regions covered by our study, politics mimicked business development and the region has elected four independent and entrepreneurial rural parliamentarians to represent it in Sydney and Canberra.

Thus Australia's rural rebirth is an exciting and unpredictable mutual learning experience, which is creating radically different rural geographies in landscapes alien to much of the developed world. It is also clear that sustainability requires creative destruction – the replacement of the worn and outmoded by something different, shiny and new! We are also beginning to realise that high quality development need not be measured in terms of numbers of people and that wealthy, well-serviced and contented communities can be created on a declining population base.

Perhaps it is now time to raise the evoke Friedrich Nietzsche's<sup>3</sup> ghost! This is not an exorcism, but rather a celebration, for our findings mirror his advocacy of the Übermensch (see Nietzsche, 1891). These are the energetic leaders whose frontal assault on the past is central to the realisation of new opportunity. Übermenschen jolt the herd mentality of the general population and lead the way into a future very different from the present. Schumpeter was on this wave-length back in 1942, so perhaps the past can also inform the future in a limited way! Future orientation is not, however, a recipe for revolution and I am an advocate of stable adaptation. The trick is run stable adaptation as fast as possible without communities and society coming to grief (Sorensen and Epps, 2005a, 2005b).

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<sup>3</sup> Friedrich Nietzsche (1844-1900) was one of the nineteenth century's most famous and controversial philosophers, and one of the most readable. His attacks on religion and the past make Henry Ford's description of history as 'bunk' look tame.

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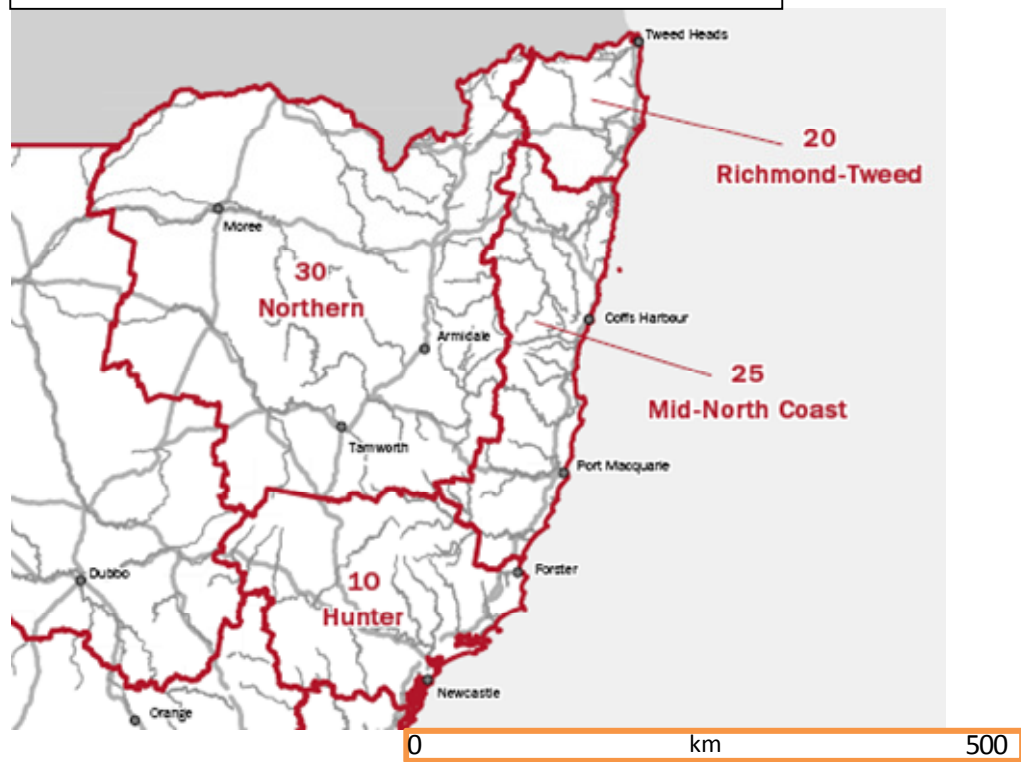
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Figure 1: The Study Areas



Source: Australian Bureau of Statistics (2005, 140)