

# **Great Expectations: What Regional Policy Can Realistically Achieve in Australia**

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## Introduction

There is continuing faith among many observers of regional development, both academics and interest groups, in the capacity of central governments to deliver better outcomes (variously defined) in non-metropolitan Australia. Not unrelated, there is also widespread support for more interventionist policies than exist at the moment. Suggestions range from European Union style big spending approaches, through national frameworks for urban and regional development, to better regional “governance” and proposals for US style enterprise zones.

Possible moves by governments towards significantly greater intervention should be treated with great caution, and, in the end, resisted. In other words, we should adopt what the environmentalists call the “precautionary principle” in relation to regional development policy.

This is not to argue that governments have “got it right” in Australia in relation to all the detail of regional development policy, but rather that the current policy consensus across most jurisdictions, favouring “limited intervention”, is wise.

This is because, first, the capacity for governments to intervene effectively to achieve substantially different regional outcomes to those characteristic of the present spatial economy is massively constrained by a whole range of factors.

Second, there is genuine and unresolved debate in Australia over what the core aims of regional policy should be, and what the really important regional development problems are. There are those who seek to equalise economic development outcomes across what are argued to be increasingly differentiated regions. There are others who support a “national” regional policy framework with far greater Commonwealth involvement. (The difficult part here, of course, is determining what objectives should be in the framework and how they would be achieved).

Then there is the old decentralisation objective favoured by country interest groups who simply want to “even things up” between city and country. The most prominent approach previously tried here was the “support the winners” approach of the selective decentralisation schemes of the 1970s, which seems at odds with the “support the losers” approach of those concerned with regional inequality per se. Again, there is a school of thought that sees regional economic development as only one part of a proper sustainable development outcome.

Third, limited intervention is wise because there is often a relatively unsophisticated understanding of the processes ultimately driving regional development, and a lack of agreement about growth drivers even among the “experts”. There are, conservatively, at least two dozen plausible, partial explanations of regional growth and decline discernible from the regional science literature and from the accumulated wisdom of practitioners. No one really knows whether, or in what proportion, these various proffered explanations really account for regional development outcomes. How, then, should governments determine how best to “make regional development happen” on a grander scale than their current, very circumscribed, interventions?

This approach may strike those who see neo-liberals under every bed as an inadequate basis for formulating regional policy. Rather, it reflects an assessment of what governments can actually achieve in relation to spatial economic outcomes, a recognition of the significance of the absence of agreed policy objectives, and an understanding of how regional policy has actually developed in Australia over the last three decades.

The paper addresses the issue of the unrealistic expectations placed on regional policy by those who see spatially even development as attainable and desirable. It does not specifically formulate or seek to justify answers to what might be termed the four great questions of regional policy:

- What are we trying to achieve (or how do we measure success)? Or, what is the “regional problem”?
- Who is responsible for regional development?
- What drives regional development?
- What works in terms of programs and strategies?

Its more limited task is to provide a reality check against inflated expectations, though it may, incidentally, inform a resolution of these questions.

Views as to the proper role of government in regional development are conditioned by (at least) three things – by philosophy, by one’s take on the nature of the problem (for example, by one’s perception of regional conditions), and by one’s understanding of the capacity of government to intervene effectively.

While there could be endless and ultimately fruitless debate about the first, and vigorous and inconclusive debate about the second, in relation to the third, I hope to establish that it is an open-and-shut case. In other words, I contend that properly understanding the constraints on regional policy makes anything more than limited intervention in regional development ultimately futile. This means that most governments in Australia have currently got right the level of intervention in regional development.

This argument cannot show that “limited intervention” is the “right” regional development philosophy, merely that it most closely fits regional development realities. Nor do I intend here to discuss in depth the state of regional Australia (see Collits 2002; Collits 2004a).

The question is fundamentally about “intervention”, which itself is a problematic concept. For example, is the issue simply “more” interventions, or is it about “better” intervention, or more costly interventions, or interventions to achieve bigger objectives? Often, more government spending is assumed to lead to better outcomes, or at least to indicate “seriousness” of policy intent on the part of government. But the picture is far more complex than this (see Bureau of Transport Economics 2003).

These are themes to which the paper will return. There could be profitable debate about what are the best forms of intervention within a framework which argues that the overall level of intervention currently practised by Australian governments is appropriate.

## Great Expectations

What is regional policy? Regional policy, for the purposes of this analysis, might be defined as the deliberate attempt by government to influence regional outcomes, either in relation to the economy, the community (however defined) or the environment, or all three, with varying objectives that generally relate to some notion of “regional well being”. (Government actions affect regional outcomes in many ways. The concern here is about deliberate regional policy). And in the context of Australian policy, regional has generally meant “non-metropolitan” (Collits 2003a).

Some of the objectives variously sought in regional Australia have been:

- A more populated inland;
- Less regional out-migration;
- Retention of more young people in regions;
- Less dominant capital cities;
- Halting the decline of small towns;
- More States;
- A more favourable regional business climate;
- Regional “well being”;
- Lower regional unemployment;
- Greater regional employment growth;
- Greater diversity in the economic base of regions;
- Fewer inter-regional disparities;
- Better regional services;
- The creation of new industries to replace those in decline;
- Reducing the country-city divide;
- Sustainable development;
- Higher regional incomes.

While these objectives have all variously been urged on government with vigour, they might be reduced simply to two overarching goals – decentralisation and reducing inter-regional disparities. The former has dominated regional policy debates in Australia (Collits 2002a). It is only in the last twenty years that the more familiar overseas policy concern of reducing (even recognising) disparities has come to dominate discussions, even though the decentralisation urge remains strong in many inland regions. The recent persistent campaign for enterprise zones is but one example of the growing insistence that governments address spatial inequalities through greater intervention (Collits 2001).

Regional Australia is sometimes seen as being in inevitable and widespread decline. It has been described as a “land of discontent” (McManus and Pritchard 2000; see also Gray and Lawrence 2001). Seemingly, many in regional Australia resent the fact that governments are not doing more to address their perceived needs. An examination of the demands on government listed above shows that they are, indeed, great expectations. The analysis below, however, will demonstrate that the expectations are too great.

Governments, on the other hand, have been more comfortable pursuing what might be termed “bite sized” regional policy objectives. Perhaps recognising their limitations as agents for regional development nirvana, they have tended to eschew the big canvas outcomes in favour of more prosaic, but achievable, policy objectives, for example helping to create or retain regional jobs; assisting businesses to start up, grow or relocate in regional locations; or working in partnership with communities to develop strategic plans for economic development. Without saying as much, governments have attempted to downsize expectations to match what they believe they can deliver.

There are three identifiable sources of great expectations in the Australian regional policy debates. The first belongs to regional interest groups and their consultant offshoots, reflecting a combination of self-interest and frustration at poor regional performance. The second belongs to academics and others who hanker after a Whitlam-style commitment to righting society’s ills, specifically here spatial ills, and tend to blame “economic rationalism” for governments’ retreat from the big picture. The third belongs to populist country politicians that criticise economic rationalism and promise their constituents a stronger defence of their “way of life”. The key argument of the three groups is that the perceived poor condition of areas of regional Australia, even most or all of regional Australia, is the result of policy failure.

The following analysis seeks to test whether the many demands on government for greater intervention to achieve better regional outcomes are based on a sound analysis of what governments can do effectively to intervene in regional development.

## **The Key Constraints on Regional Policy**

Tony Sorensen wrote in 1993 that:

These macro-events are not just some minor and shadowy influence on place prosperity. They are a dominant influence, if not *the* dominant influence. It is probably safe to say that a five cent decline in the value of the Australian dollar against its US counterpart ... will help the economy of rural Australia more than all the formal State decentralisation programs of the last ten years put together (Sorensen in Sorensen and Epps 1993: 226).

He described this state of affairs as “the tyranny of the macro”. Elsewhere, Sorensen has argued that the increasing complexity of regional processes has profound implications for attempts to shape regional outcomes through policy interventions (Sorensen 2000; see also Hill 2002b). I have argued previously that what governments should do in regional development is constrained – heavily – by what they can do (Collits 2002a, 2002c).

The ultimate purpose of this paper is to explore the tyranny of the macro in some detail and to examine its full significance for regional policy, in particular for arguments that the state should do more to resolve regional disparities.

## **Governments Generally Can Only Influence Outcomes Indirectly**

The reality of regional policy is that, on most occasions, governments are dependent on other players to deliver the outcomes that they and their stakeholders want. Regional development practice is driven by firms, investors and households that make location decisions based on a whole range of factors; by local government, which can be a force for good or ill in relation to creating a positive business climate; by the increasing number of local economic development practitioners who themselves try to facilitate development; by community groups and business organisations; and by regional development corporations and similar bodies.

Generally governments fund the projects of these other players, or fund firms, and the results of the intervention are in their hands. Alternately, governments fund infrastructure or attempt to influence the business climate in various ways, for example by lowering taxes. Governments also increasingly attempt to “skill up” communities in economic development practice, through funding and technical support. Again, there is no guarantee that their interventions will have the desired outcome. Any relationship of cause and effect is indirect.

The word most often used (perhaps) in recent times to describe what governments try to do in regional development is “facilitate”. Another is “partnership”. This applies to assistance that is given to firms, to communities, to industries and to regions, and recognises the severe limits on government influence on regional outcomes.

One example of the is the experience of payroll tax concessions in New South Wales in the 1980s (Collits 2001). Despite the expenditure of nearly \$200 million over twelve years, relatively few company relocations occurred as a result of the assistance. The reason for the intervention – decentralisation of manufacturing firms away from Sydney – was left unfulfilled.

Open-ended assistance is particularly prone to what economists refer to as the “deadweight effect” (Collits 2001). This will be described in more detail below. Wasted resources through programs and policies that do not achieve their intended outcome simply remind us that governments cannot themselves make regional development happen directly, and this is a severe constraint on regional policy.

## **Other Things Have a Far Greater Impact**

The contribution of government intervention to regional development sites alongside far greater economic, social, cultural and demographic forces. There is a huge impact on regional outcomes of other, non-regional policies and from processes that governments cannot control, especially in the age of rapid globalisation (Ellyard 2000; Sorensen 2000). This is what Sorensen was largely referring to in his notion of the tyranny of the macro. Ten years of regional policy impacts might be overshadowed by a single currency devaluation.

Yet it is not just the forces of international commerce that constrain or encourage regional growth. The operation of domestic markets, the level of national economic growth, the decline and appearance of new industries, the existing settlement pattern,

history and geography, demographic movements, and, increasingly, social and cultural change, all determine the capacity of regions to grow.

Regional conditions vary over space and time. In an area where interventions may not yield results for many years, the impact of local conditions in the intervening period may alter the trajectory of growth in all sorts of ways that make it impossible to untangle the impacts of both government interventions and other drivers of growth.

Regional realities largely determine to what extent governments can intervene effectively. The realities include the following:

- Places with scale, a diverse economic base and global connectedness, seemingly, will do best;
- Most people in Australia prefer to live near the coast;
- Regional economies are open and interdependent with other regions – migration of resources between regions is the norm;
- Non-metropolitan regional economies lack scale and diversity;
- Both local and outside influences constrain and allow regional economic development;
- Globalisation favours big cities and regions;
- Most young people and skilled people prefer places with excitement, higher wages and thick labour markets;
- Old industries die and new industries are created, not always in the same places.

Big picture drivers of spatial change matter. What is happening in the world cannot but affect regional development and the capacity of governments effectively to intervene. Change has inevitable, complex, unpredictable and diverse spatial consequences. While the changes are largely the result of the actions of individuals, households and firms, communities often simply have to accept that significant contributors to their fate will come from outside.

Economic, demographic, social and cultural changes of massive proportions are occurring and regions are caught up in the cataclysm. Authors such as Joel Kotkin and Richard Florida have written persuasively about the new spatial dynamic that flows from these changes (Kotkin 2001; Florida 2002). These include, but are not confined to the following:

- Outsourcing – firms are increasingly downsizing and leaving to others things that were once regarded as their own core business;
- Business and personal services are driving the new economy;
- The new economy has brought a new style of working and new labour relations, typified by the casual dress codes of the dot-com era;
- Business is done in the coffee shop as well as the office;
- The world is more global and local, and less national;
- Careers are increasingly horizontal, and skills necessarily portable, with greater job mobility and movement between sectors;
- Instant response communications have revolutionised the workplace, ushering in the time driven economy. This has increased the pace of work, and reduced traditional barriers between office and home – work is more exciting, if never ending, for members of the creative class;

- People are living longer and the baby boomers are approaching retirement;
- Many people are wealthier now, even though they work harder – rising affluence is shaping lifestyle choices and, in some cases, location decisions;
- Two income families are the norm;
- People are increasingly mobile, both within Australia and from overseas;
- Multiculturalism is a fact of life for most Australians, and this is changing attitudes, aspirations and spatial dynamics;
- There are now more, not fewer, reasons for young people to seek out the three E's – excitement, education and employment;
- Social change has driven a faster rate of household formation, creating new dynamics in cities;
- Amenity matters;
- The workforce has been feminised;
- Environmentalism is accepted by an increasing percentage of the population;
- The cost of transport and communications is forever declining;
- There is increasing tolerance of alternate lifestyles and cultures;
- The middle classes have dramatically increased their wealth, especially in metropolitan locations, often on the back of real estate investments, freeing up people to relocate, retire early, and/or move to part-time work;
- People increasingly value education – there is an emerging cult of lifelong learning;
- People expect more now from the places they inhabit;
- The internet has changed everything.

The implications of all this for the space economy, and for the ways in which government intervention works, are mind boggling, and would require a book-length analysis. However, one can say that business has changed, individuals have changed their career paths, social relationships have changed, and these all have their own spatial consequences. And under the new regime, it is widely accepted that knowledge workers that are the standard bearers of the new economy.

The trends affecting regions are economic, social and, importantly, cultural. The spatial pattern of economic activity is increasingly shaped by economic, social and cultural drivers that are interlinked.

The big change has been the fallout from increased national and global competition. Outsourcing and downsizing means increased uncertainty about jobs and careers, less commitment between firms and individuals, and consequently greater career shifting. Individuals wanting to play it safe are more likely to locate in thick labour markets with multiple job opportunities.

Social change is critical and under-noticed in relation to regional survival. Some critical changes that have occurred include the increased value placed by society on education. One of the great changes in Australia in the last twenty years has been the growth in importance of education. The increased importance of education is reinforced by the growing realisation by people that they will change jobs, even careers, several times in their lives. Such a realisation leads to lifelong learning and the need have ready access to educational facilities.

All of these changes seem to favour places with scale and with global connectivity. Working together, they threaten the viability of small, insular, mono-cultural, static, unattractive, unchanging communities. Migration has increased, transforming countries like Australia's into multicultural societies. Places like Sydney are genuinely global in this sense.

Counter-urbanisation has occurred on a grand scale, with sea changing and down shifting and lone eagles and now investors going bush. The winners have largely been places close to the cities, places on the coast, and larger inland centres.

Government policy can influence some of these trends, but in indeterminate ways, and largely not through regional policies. Equally, regional policies cannot help but be dwarfed by the big picture changes that are occurring at an increasing rate and uprooting traditional spatial dynamics.

### **Other Policy Areas Are More Important to Government and Have Their Own, Non-regional Objectives**

Regional policy is notorious for its waxing and waning as a core policy interest of governments, as non-spatial factors drive the issues generally regarded by voters as most important. Often, governments have seemed little interested in regional outcomes, although arguably this has changed over the course of the 1990s. For example, in the 1980s, regional policy at Commonwealth level took a back seat, first to industry policy and macro-economic reform, then to micro-economic reform. The mid 1990s saw a similar retreat for regional policy, this time (in part) at the hands of competition policy.

Often, regional development is accorded junior status within government administration, susceptible to machinery of government restructures, and is not accorded the coordination powers that many would argue are essential to achieving a greater policy impact.

And the fact is that the other, more prominent areas of policy have positive and negative, and often unexpected, impacts on regional well-being that far outweigh regional policy's impact. The areas in which government policy affects regional economic development include the following:

- Monetary policy set by the Reserve Bank;
- Taxing and spending policies;
- Changing levels of industry protection;
- The location of government functions and employees;
- The spatial distribution of capital works spending and infrastructure;
- National Competition Policy;
- The delivery of services;
- Higher education funding;
- The privatisation or corporatisation of government owned utilities.

Governments have recently sought better to inform themselves about the regional impacts of their decisions, through devices such as regional impact statements on

Cabinet submissions. This is a recognition, both that regional impacts are politically sensitive, and that government decisions have spatial consequences that often far outweigh what can be achieved through designated regional policy.

What this means is that regional policy's reach is circumscribed by the realities of government. This has sobering implications for the great expectations of the regional policy true believers.

## **We Don't Know What Ultimately Drives Regional Development**

Perhaps most importantly, there are conflicting theories and a lack of consensus over the drivers of regional success. If governments and regions do not know exactly which drivers of regional growth are the most important, which levers are they to pull, and with what intensity?

Traditional theories from the regional science literature help explain how regional growth occurs and why some regions are more successful than others (Collits 2002a; SGS Economics and Planning 2002). Industrial location theory, for example, helps explain why firms locate in particular regions. Central place theory accounts for settlement patterns and hierarchies. Supply and demand side theories such as export base theory suggest reasons for regional growth and decline. Growth poles theory, and its more recent descendant, clusters theory, suggest that agglomeration economies result in lumpy economic growth across the space economy. Growth occurs around nodes. Business is attracted to larger market areas. Core and periphery and cumulative causation models underline the ways in which regional growth and decline can be reinforcing.

Traditional thinking emphasised the least cost approach to business location, and regional growth. In the 1980s and 1990s, thinking about what drives regional growth has taken a number of new and interesting directions. There has also been a renewed recognition of traditional growth drivers. Recent thinking, however, has challenged traditional approaches on a number of fronts, for example through new growth theories that elevate knowledge to a prominent position in explaining regional development, through the "new regionalism" with its emphasis on tacit knowledge and networks, through social capital theory or through human capital theories like those of Florida (Florida 2002; Collits 2003a; SGS Economics and Planning 2002).

Many of these theories provide powerful explanations for regional growth, and they ring true of regional circumstances in New South Wales. For example, Sydney's dominance reflects both cumulative causation and core-periphery explanations of concentration. Growth poles explain the fact that generally it is larger regional towns which are achieving higher growth. Florida's thesis about creative capital fits global Sydney like a glove. Putnam's social capital theory explains how some regional communities have built a positive future without massive growth, by focusing on community pride. Clusters theory is followed in a number of regional development strategies.

However, there is no single, unifying theory that explains regional development (Collits 2002a). Nor do practitioners answer, once and for all, why some regions

prosper while others decline, despite their many well-informed ideas about what works “on the ground” – for example, business friendliness, leadership and collaboration.

This all makes life extraordinarily difficult for governments, for communities, for economic development professionals and for those interested in evaluation.

What drives regional development, then? Is it the natural advantages of a region? Is it biophysical resources? Is it location? Is it proximity to a large market? Is it critical mass? In other words, is the size of the local economy important? Is it the presence of industries that are growing nationally? Is it economic diversity? Is it local leadership? Is it a welcoming business climate? Is it human capital, either in Putnam’s version (social capital) or Florida’s (creative capital)? Is it the passion of the community and its active involvement in local economic development? Is it being entrepreneurial? Is it collaboration among the key stakeholders? Is it having a positive attitude to change? Is it global connectedness? Is it having a local economic development agency? Is it having amenity and a high quality of life that appeals to “sea changers”? Is it being cosmopolitan? Is it a welcoming “people climate”? Is it infrastructure, such as the proximity to an international airport? Is it clusters of industries? Is it the existence of tacit knowledge shared among networks of connected firms and other regional players? Is it government assistance?

The anti-climactic, dissatisfying but profoundly important answer is that we don’t really know. Theory doesn’t tell us. Practice doesn’t tell us either. And the evaluation of policy impacts has been an imperfect tool for a number of reasons as well.

It is tempting, and probably wise, to conclude that all of these elements are important to a region’s success. I could show you a case study of every factor listed above at work in a given community. They are, at best, partial explanations.

The question then becomes, in what measure do they explain regional success? How do we know that a community’s success was the result of three parts collaborative leadership and one part creative capital? Or the reverse.

Answering the “why” question is very important. It tells governments and communities what works, information which is critical in building strategy and devising regional program content. If we knew that leadership was very important, we would, surely, develop more leadership programs. If we knew that clusters were important, we would expend resources building clusters. And so on. Answering the “why” question is especially important since resources are limited, both in communities and in government. It also helps to determine where resources should be directed – to the enterprise, to the community, to the industry, or to the region.

## **There is No Consensus Over Objectives**

The great expectations outlined above demonstrate the breadth and depth of regional policy demands. What is also significant is the fact that there is no broad consensus about which objectives should be pursued, in what measure or in what order. While

those who demand greater attention is given to redressing regional inequalities are now in the ascendancy, there is a strong, residual decentralisation lobby who demand an end to the city-country divide. Of course, these two objectives need not be mutually exclusive, but they do, in practice, take government interventions in different directions.

Defining regional well being is at the core of setting regional policy objectives. Yet defining and indeed measuring regional well-being is not a straightforward matter (Collits 2001). Most regional interests would sign up for an agenda which included making regional communities more resilient, increased regional income(s), provided more jobs, increased populations, sustainability, and so on.

But which regions should be favoured? Those with the highest unemployment, or those with the best growth prospects, or inland regions which are losing population, or those whose residents have the lowest comparative incomes? Which industries should be favoured, and who should decide this? At what point should economic imperatives give way to environmental objectives? Should smaller towns be particularly targeted? Should governments concentrate finite resources on those businesses, communities and regions that are likely to provide the biggest taxpayer dividend, or on the worst off? Should assistance be denied to urban regions? Should the aim of policy to provide more jobs (any jobs), or better jobs?

When it is time to get one's hands dirty, and to move beyond easily agreed motherhood commitments to "increasing sustainability" or "creating opportunity" or "reducing social exclusion", or "increasing regional competitive advantage", the questions start piling up, and they get trickier.

There are often multiple and ill-defined regional policy objectives, despite Armstrong and Taylor's injunction to be clear about objectives (Armstrong and Taylor 1993). Governments, of course, have an interest in remaining vague about objectives, lest they fail to meet them and be held accountable, or at least to confine their focus to setting achievable objectives. And achieving a range of objectives simultaneously is nigh on impossible, in view of the complexity of the processes driving regional development.

The absence of agreed policy objectives and the political realities of government often mean that there is a reversion to solving visible problems. In this way governments can assign themselves a realistic role in addressing regional problems and more satisfactorily measure outcomes. Visible problems tend not to conform, however, to the great expectations of regional policy adherents, whose demands typically outweigh the capacity of governments to deliver. The absence of a consensus over objectives, either between governments and their regional policy critics and the interest groups that agitate for greater things, or among the regional interest groups themselves, and between different (often warring) regional communities, is a major constraint on achieving big canvas regional development.

## **Governments Need to Know if Their Policies Have Worked: The Challenges of Evaluation and Accountability**

Then there is the problem of evaluation (Hill 2002a; Hill 2002b). It is difficult to know what works and to measure the impact of what governments do in regional development. Yet there are increasing pressures within government to be accountable for regional development assistance, to avoid charges that regional assistance is provided solely on political grounds.

How can we determine effectively whether a similar outcome might not have occurred anyway, in the absence of government intervention? This is the problem of the “counterfactual”, of measuring what we do against an imagined scenario in which the policy intervention did not occur (Hill 2002a). Evaluation has not generally been a priority in Australian regional policy for a number of methodological and political reasons.

Effective evaluation is difficult; hence there is a tendency to evaluate the easier areas (individual programs) rather than the more difficult areas (overall policy impact on a region). Equally, there is a tendency to measure outputs rather than impacts. Several key problems emerge:

- As argued above, governments know that regional policy only indirectly affects outcomes;
- Often governments have many programs, both spatial and a-spatial, affecting a particular region. Disentangling the different effects of different programs is very difficult;
- We know that regional programs may take a long time to work. When is it all right to begin evaluating?
- Agencies have an interest in having their programs succeed and be seen to be successful;
- The tyranny of the macro is a particular issue for regional policy evaluation.

There are two central policy difficulties that proper evaluation should try to overcome – measuring displacement and measuring the deadweight effect of policies. The displacement effect refers to whether regional programs, to the extent that they create new economic development, simply do so at the expense of non-assisted regions or firms. The deadweight effect refers to those cases where the outcome could have been achieved without the intervention (Hill 2002a; Collits 2001).

Governments need to know that their policies are effective, and policy objectives are modified or amended through the experience of discovering what works. Policy should be evidence-based in the ideal world. In general, “great expectations” of the kind demanded in Australia will largely be beyond meaningful evaluation, and those limited forms of intervention more capable of evaluation rightly preferred by government.

Of course, not all regional policy interventions are susceptible of full evaluation – attempting to increase social capital in regional communities would be one example of this – and difficulties of evaluation are not sufficient reasons to abandon these programs. However, taxpayers and voters, particularly in regions that are doing well and generally do not need or receive regional assistance, will want to know that their contributions are making a difference. They will want clarity of objectives and measurable policies. The political reality is that governments, increasingly, will want

to be able to show that their policies have worked, and hence they will be biased towards limited interventions (such as selective, targeted assistance with performance tests) that lend themselves to measurable outcomes.

Hence both the increasing imperatives for evaluation and the nature of the evaluation process itself bode ill for less well defined objectives and grander visions than those that governments currently pursue.

### **Ongoing Disputes over the Meaning of “Regional”**

There is a lack of agreement over what “regional” means. As noted earlier, for most governments (with notable exceptions), regional in Australia has meant non-metropolitan. “Regionalism”, the focus on sub-national geographic spaces, has not been well developed in Australia (Collits 2003a). Recently, though, regional governance and a focus on the “meso-level” of spatial policy, has become more prominent.

There are those who argue that regional policy should be applied to urban areas and cities as well as to the traditional Australian focus of policy – non-metropolitan areas (Gleeson 2001). Such a call, coming as it does while regional interest groups continue to urge governments to even up the country-city divide, suggests another area of fundamental dispute among regional policy adherents. To supporters of a greater cities focus, the insistence on regional policy’s current preoccupation with non-metropolitan areas reinforces the politicisation of regional policy – that country interests carry more weight. To non-metropolitan groups, providing (more) policy assistance to cities for development would be absurd. This is one area where the city-country divide remains firmly in place.

At another level, disputes over the meaning of regional cause further problems for regional policy. This relates to the appropriate level of assistance. It is by no means clear whether, and in what proportion, help should be provided to enterprises, communities, or regions. At present, assistance is given at all these levels. But there is no consensus about this. The new regionalism (Collits 2003a) asserts that the “region”, bigger than local government but smaller than States, is the appropriate level of responsibility. But this has by no means been clearly established.

### **Political Realities and the “Tyranny of the Announcable”**

As noted, there is a waxing and waning of government interest in regional development. While in New South Wales, governments have generally continued the programs of their predecessors, at Commonwealth level in Australia interest has been far more sporadic. Yet even at State level, there have been times where regional policy has been of minor significance to government.

Politics necessarily intrudes upon, even drives regional policy. While this might seem like stating the bleeding obvious, it has important ramifications for regional policy. This is because the pursuit of “announcables” shapes policy priorities and actions, and helps to determine what regional policy objectives are pursued. For example, the

attraction of governments to highly visible problems, and problems that are capable of (measurable) solution, has already been commented on.

Political realities in Australia include the following:

- Federalism is recognised by all as a constraint on policy development;
- Blame shifting occurs at will;
- The key objective for regional policy now is “change management”;
- Regional policy is largely about solving visible problems;
- New policy emerges through a process of “pragmatic incrementalism” (Collits 2002a);
- Governments are naturally extremely averse to picking regional winners, and have been since the days of the failed growth centres era. This is something that is not seemingly comprehended by some regional interest groups;
- Governments have a preference for “covering all bases” in relation to regional policy – that is, they do not see their role as only helping declining regions. This is very important in understanding regional policy dynamics;
- Regional development is not always a priority of governments – this is a critical constraint on policy, far greater than ideology, for example;
- As noted above, regional policy can take a long time to work, and as Sir Humphrey once said, government is about surviving till Friday afternoon.

Taken together, these characteristics of the regional policy process militate against addressing the great expectations of interest groups and others. Great expectations are processed through a political system that does not want to set itself up for failure, is naturally cautious and focused on management of expectations. Governments are both not well placed to set out to meet the great expectations of regional policy champions, and also not inclined to do so. The nature of the policy process is therefore an inhibitor of big canvas regional development.

## **Difficult Strategic Choices and Finite Resources**

Related to the questions about what drives regional development are debates over the policy instruments to use to achieve regional policy objectives. The matter of “what works” is one of the fundamental questions of regional policy, and an issue of ongoing speculation among interest groups and regional policy observers. Again, witness the recent “enterprise zones wars”. Governments do not want to fund poor regional strategies nor do they want to use ineffective policy instruments to achieve their objectives.

There are multiple choices for policy makers over both strategy and which policy instruments to use. In relation to strategy, governments have, to a large extent, devolved responsibility to local and regional bodies. Central governments are loathe to be prescriptive about what regions should pursue, and as a matter of course fund all manner of regional strategic choices. There are, nonetheless, difficult questions of strategy without obvious answers. For example, should governments fund projects that seek increase economic diversity in regions over projects that seek to deepen existing competitive strengths? Strategic choices need not be mutually contradictory, but they can be.

Even if agreement were reached about strategic ends, which tools are best to use in their achievement? Grants or loans? Assistance to the enterprise? For what purposes? For how long should incentives be provided? Should governments subsidise capital or labour? How much resource should be directed at the community level?

As noted above, there are many levels at which policy can apply. Outcomes can be sought at the level of the individual enterprise, for example, or at the community level, or at the regional level so beloved of the new regionalism theorists, or at the industry level. In most Australian jurisdictions, programs cover all of these levels of intervention in what amounts to a “cover all bases” approach.

## **Summary and Conclusions**

The above analysis provides a starting point for describing and understanding the very real constraints on governments keen to help regions prosper.

Despite the obstacles to regional policy, governments persist in attempting to achieve better regional outcomes. Regional policy is not going to go away soon, despite its challenges. At the same time, it is not likely that interest groups and advocates of greater intervention will abandon their lobbying for greater efforts on the part of governments. Much has been demanded of regional policy, and poorly performing regions are often explained as the outcome of policy failure rather than naturally occurring economic and spatial processes.

What does recognising the constraints on policy mean for policy objectives? Should governments simply try to achieve big objectives imperfectly, or modify their objectives? And in what ways should they modify their objectives?

The fundamental argument of this paper is that any attempt to change the landscape of regional Australia, however defined and however well intentioned, cannot avoid but begin by confronting the fundamental constraints on policy outlined above. And having confronted the constraints, those arguing for greater intervention need to demonstrate how the constraints can be overcome by governments.

Incantations to create national strategies, which often do not actually fill in the content of the national strategy but rather simply assert its desirability, are particularly in need of this basic reality check. Similarly placed are those who see as achievable the greater settlement of inland Australia or the elimination of regional disparities.

What, then, are realistic regional policy objectives for Australia? What kinds of interventions might fit with this view of the limitations on policy effectiveness and the proper role of regional policy? There are no easy answers to the four great questions of regional development outlined at the outset.

The foregoing analysis suggests that governments adopt, in the fashion of environmentalism, the “precautionary principle of regional policy”. That is, policy objectives should be fashioned prudently and in accordance with political, economic

and regional realities. There should be a preference for what is doable. Interventions should be limited in a number of ways, but especially in relation to the framing of realistic objectives. Objectives should be stated and clear, and their pursuit justifiable and measurable.

The following principles are suggested, which might guide further policy development:

- Equalising regional outcomes is not realistic or even necessarily desirable as a policy objective;
- Central governments are not well placed to determine regional objectives;
- Central governments are not actually the best vehicles for achieving regional development outcomes;
- Regional development should largely be carried out by communities and regions;
- Regions should be self-identifying for purposes of assistance;
- Regions should determine their objectives;
- Central governments should devolve “power” as well as “responsibility” to regional bodies and communities;
- Governments can provide resources and technical support in assisting communities and regions to pursue their own objectives;
- Governments can increase resources for regional development, and indeed take regional development more seriously, without necessarily becoming more interventionist in terms of their desired outcomes.

Sadly, much regional policy debate has become mired in a fruitless pursuit of unrealistic objectives without an adequate understanding of either regional processes or the nature and limits of government. Nevertheless, one expects well intentioned regional interest groups to pursue largesse wherever and whenever they see opportunity, and governments to seek to avoid confrontation with them. There is, therefore, an obligation on regional policy observers with close knowledge of spatial processes and the workings of government to provide some insights into the limitations on government intervention.

The harsh realities are as follows:

- There is a lack of agreement as to ultimate policy objectives;
- Many of the things that drive regional development are beyond regional and government control or influence;
- Regional decline, like regional growth, is inevitable – some places will not prosper;
- We do not know exactly, or perhaps even approximately, what ultimately drives regional development;
- We dispute the meaning of the term “regional”;
- It is not obvious what the geographic scale of interventions should be;
- Deciding who is ultimately responsible for regional development often degenerates into name calling and blame shifting;
- Political realities continue to constrain policy development.

Is regional policy any different from other areas of policy dogged by complexity and lack of agreement over ends, yet subject to government intervention? One area of

considerable difference, which has implications for policy, is that many other areas of policy impact on regional development outcomes. There is another important constraint, which may be shared with other areas of policy but which is, nonetheless, a sharp constraint on the kinds of policy that can be pursued. This is that regional policy can only influence outcomes indirectly. Its success, as pointed out by Hill (2002a and Hill 2002b), depends on other actors behaving in certain ways.

What we know, and what we know we don't know, are important beacons for the direction of regional policy. And this should not be forgotten. At the end of the day, the limits of regional policy are real and significant.

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What one thing could our government realistically improve to our lives? Put a total and complete end to the legacy of slavery and systemic racism once and for all time. Do that by first improving the 13th Amendment. Politicians could then theoretically just vote with their consciences. Capitalists would have no leverage over policy and voter manipulation through ad spending or lobbying perks, as these would be illegal. Hopefully the voters would be smart enough to get folks in charge that actually care about them, thus helping a lot of citizens quickly. 54 views. The term White Australia policy comprises various historical policies that effectively barred people of non-European descent from immigrating to Australia. There was never any specific policy titled as such, but the term was invented later to encapsulate a collection of policies that were designed to exclude people from Asia (particularly China) and the Pacific Islands (particularly Melanesia) from immigrating to Australia. These policies were progressively dismantled between 1949 and 1973. From the 1850s, there were restrictions on family members joining Chinese miners already in Australia. The colonial authorities levied a special tax on Chinese immigrants that other immigrants were exempted from. The Fence is Australia's version of the Great Wall of China, but even longer, erected to keep out hostile invaders, in this case hordes of yellow dogs. The empire it preserves is that of the woolgrowers, sovereigns of the world's second largest sheep flock, after China - some 123 million head - and keepers of a wool export business worth four billion dollars. It is estimated that since sheep arrived in Australia, dingo numbers have increased a hundredfold. Though dingoes have been eradicated from parts of Australia, an educated guess puts the population at more than a million. Eventually government officials and graziers agreed that one well-maintained fence, placed on the outer rim of sheep country and paid for by taxes levied on woolgrowers, should supplant the maze of private netting. The Great Australian Fence. A war has been going on for almost a hundred years between the sheep farmers of Australia and the dingo, Australia's wild dog. To protect their livelihood, the farmers built a wire fence, 3,307 miles of continuous wire mesh, reaching from the coast of South Australia all the way to the cotton fields of eastern Queensland, just short of the Pacific Ocean. The Fence is Australia's version of the Great Wall of China, but even longer, erected to keep out hostile invaders, in this case hordes of yellow dogs. It is estimated that since sheep arrived in Australia, dingo numbers have increased a hundredfold. Though dingoes have been eradicated from parts of Australia, an educated guess puts the population at more than a million.