

Country Towns in a Big Australia: the Decentralisation Debate Revisited

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Introduction

At the time the abstract for this paper was written, the topic of a “big Australia” had specific currency.

As they say, a week is a long time in politics – let alone three months. Recent political events seem to have placed a “big Australia” on the backburner. However, while ever there are skills shortages and skills needs in Australia, there will always be a discussion about how “big” Australia should be, and what place the overseas migration program has in this discussion. Moreover, most people will recognise that Australia's population will continue to grow steadily, however the specific, short term debates resolve themselves.

As well, the outcome of the recent election has served to re-ignite discussions over the whole question of regional development, with particular attention on regional education, health and broadband technologies as drivers of regional growth.

The Commonwealth Treasury's recently released 2010 Intergenerational Report, in particular, its projection of a population of around 35 million by 2050, has ignited the debate over Australia's future population (Australian Government 2010). Further developments have included the appointment of Australia's first Minister with direct responsibility for population policy, the release of an Issues Paper by the National Farmers' Federation, and calls by a number of politicians, academics and commentators for a cap on immigration levels.

In this context, and at a time of increasing concerns over infrastructure, water availability, environmental carrying capacity, sustainability and the costs of urban congestion in the major cities, questions of future metropolitan planning, and, more broadly, whether and how much cities can accommodate future population growth, have turned into a full scale debate over the future “look” of Australia. One rural journalist has referred to Australia's current demographic situation, with its coast-focused settlement pattern as a “crisis” (Knight 2010).

This all begs a number of questions – where will the people live in a big, or at least a bigger, Australia? And, more specifically, will our largest cities be able to cope with the added population? Finally, should we reconsider and attempt to alter the preference of Australians for living in the capital cities?

Professor Bob Gregory has suggested the return to thinking about decentralisation. The Victorian Rural and Regional Parliamentary Committee, in its recent (2009) report on Regional Centres of the Future, argued for a ramping up of government support for regional cities to accommodate future population growth. Former NSW Treasury Secretary Percy Allan wants the NSW capital moved to Newcastle as a spur to regional population growth. The National Farmers' Federation (NFF) advocates taxation reform and greater incentives as solutions to the problem of metropolitan primacy. Others have argued for regional government as a means of decentralisation.

The “problem” is largely that to grow economically Australia needs more people and more skills, that overseas migration largely drives Australia's population growth, and that migrants generally like to live in

the cities where cultural ties, migrant services and job opportunities are greatest. The cities are also the places our increasingly higher education obsessed young people generally move to from rural towns.

Of course, this turns out to be a re-run of a very old debate in Australia. In particular, in the 1960s and 1970s, many people (and governments) were concerned with these matters, and mostly for the same reasons. The decentralisation issue largely disappeared from the late 1970s, for a number of reasons. It is a classic “wicked problem” that policy seems unable to resolve. Since that time, economic and cultural trends have only exacerbated the primacy of the capital cities.

The paper examines afresh the arguments over metropolitan primacy and decentralisation in the context of the current debate over a “big Australia”, and, in particular, analyses potential new policy solutions and the impacts that these might have on country towns, especially those beyond the sea and tree change belts near to the capital cities.

It is argued that governments are generally very poorly placed to effect large scale changes in the location of our population, and should instead focus on real strategies for empowering regions to drive their own economic futures. Such an approach would encourage devolution and more regional development and would benefit all country towns, not just spillover cities located within a couple of hours of the State capitals.

Arguments about a “Big Australia”

There seem to be three strands of thinking among those (apparently) many people for whom 35 million people by 2050 is a scary prospect.

The first recognises that most of the extra people will be overseas migrants, and there is a fear that we will ultimately lose something of our national identity if and when most of the population are no longer born here.

The second focuses on matters of urban congestion and the lack of infrastructure capacity in what many regard as already overcrowded cities.

The third reflects an environmentally conscious view, driven partly by perceptions of dangerous, man made climate change, that a hotter, drier environment simply won't be able to cope with that many people, and that we are simply running out of water. Perhaps some hold to all three of these positions.

Against these views are the arguments of those who think the infrastructure will be fine and that we simply need many more people to provide the skills and economic grunt that we will require as we approach that other big problem waiting down the track - the ageing population.

The “Problem” of Capital City Size and Growth and Metropolitan Primacy

How big is the “problem” of Australia’s population concentration in its capital cities? This is sometimes known as “metropolitan primacy”, the degree to which the most populous cities in a jurisdiction out-rank the next biggest cities (Collits 2002).

Australia is not only highly urbanised. It lacks middle sized cities (250 000 to 500 000) in large numbers, and any middle sized cities (apart from Canberra) away from the coast. In view of the size of the capital cities, this means that Australia’s settlement pattern is dominated by a few large cities. Or, as the NFF notes, Australia has the most highly concentrated population of all OECD countries (NFF 2010).

The increasing dominance of the State capitals, particularly Sydney and Melbourne, is shown by the following:

- In the 1870s, Sydney accounted for 27% of the population of NSW. In 2008-09, the figure was 63%;
- In the 1900s, Melbourne accounted for 40% of the population of Victoria. In 2008-09 the figure was over 73% (ABS 3222.0; Collits 2002; McNeill 2010);

The following statistics reflect the current extent of metropolitan primacy:

- At 30 June 2009, more than 14.0 million people, close to two-thirds of Australia's population, resided in a capital city Statistical Division (SD). The combined population of capital city SDs increased by 310,200 in the 12 months to June 2009;
- In 2008-09, Melbourne recorded the largest growth of all capital city SDs, increasing by 93,500 people, followed by Sydney (85,400), Perth (52,200) and Brisbane (52,100). The population growth in Melbourne SD equated to an average increase of almost 1,800 people per week, while the population of Sydney SD increased by over 1,600 people per week. This means that Melbourne adds the equivalent of my home town of Hamilton every five weeks or so;
- Population growth in Australia's capital city SDs occurred at a rate of 2.3% in 2008-09, faster than that in the remainder of Australia (1.9%). Greater Hobart had the lowest growth rate at 1.2%;
- The growth rates experienced in all capital city SDs for 2008-09 were higher than their average annual growth rates over the five years to June 2009 (Australian Bureau of Statistics 3218.0).

Hence metropolitan primacy has strengthened over time historically, and is increasing now. ABS projections show that the capital cities' dominance will only increase into the future. ABS projections in 2008 show (under its middle scenario) a reduction in the percentage of people living outside the capital cities from 36.4% in 2006 to 32.9% in 2056 (ABS 3222.0; see also McNeill 2010).

Hence, the growth of our capital cities, and their domination of their States' populations, are unlikely to diminish any time soon, no matter how well the non-metropolitan regions might be doing in terms of economic activity and population retention/growth.

Many people, of course, see such capital city growth as problematic. Metropolitan planners configure ways to cope with such growth through various strategies, regional and rural people would generally love some of the new city residents to settle in their regions (especially those away from the coast), and governments want to be seen as delivering on their regional development commitments that encourage settlement and economic activity beyond the major cities.

Recent Suggestions for Encouraging a More Dispersed Population

The recent debate has focused on whether the overall size of the projected bigger population is a good or a bad thing, and on the rate of growth envisaged. The debate also begs the question – where will all the extra people actually live, particularly in the light of the manifest problems of congestion in our largest cities?

Some recent suggestions in answer to this question, by Professor Bob Gregory and former NSW Treasury Secretary Percy Allan among others, promote decentralisation as a potential solution to the growing urban congestion problem.

Allan has suggested decentralisation of decision making – either through regional government or moving the NSW State capital to Newcastle, though many west of the Divide might question whether moving administration or more people from the "S" in NSW to the "N" would really count as decentralisation. Gregory has suggested more broadly based decentralisation of people and industry.

Allan, who regards Australia's spatial development as "myopic", states the position as follows:

Australia's population will continue to gravitate to a few state capitals as long as we have only a few states. That's because both public and corporate administrations in Australia are largely run out of state capitals. By breaking up our mainland states into say 15 to 25 smaller regional

governments we stand a better chance of fostering socially and economically attractive medium sized cities as exist in most other developed countries (Allan in Seaton 2010: 39).

Allan's solutions have been noted by Michael Stutchbury to resonate with the US experience of having its State capitals distant from those States' major population centres, exemplified by California (whose capital is Sacramento) and New York (whose capital is Albany). As Stutchbury states:

After the 1906 earthquake, California shifted its state capital from San Francisco to Sacramento. After embracing decentralisation, California now has 59 cities with populations of more than 100,000. With one-fifth of California's population but less of its aridity, NSW would have 12 cities over 100,000 people if it had the same degree of decentralisation. Instead it has only three: Sydney, Newcastle and Wollongong Stutchbury (Stutchbury 2010).

Allan argues that:

NSW should stop being run like a penal colony that is micro-managed through heavy-handed commands and controls from Governor Macquarie Tower (Allan in Seaton 2010: 68).

The NFF has also weighed into the big Australia/decentralisation debate with the idea of using the tax system more vigorously to encourage people to live outside the cities. The NFF argues that the problem is essentially one of cost differentials between city and country and the unequal access to services (amounting to a "bias against country living"); accords government policy a share of the blame; and sees a solution in altered tax arrangements. The NFF notes, for example, the impact of the non taxation of capital gains on the family home as an incentive to city living and a disincentive to living outside the capitals, which afford people the greatest opportunity to maximise wealth creation through investment in property (NFF 2010: 2-3). The NFF sees government attempts to resolve this issue as "piecemeal" and advocates both a resolution of the perceived inequities AND a greater investment in development beyond the capitals. In particular, it advocates a national infrastructure strategy and the use of tax zones as well as actions to reduce inequities, investment in regional centres and the encouragement of people to move to regional areas (NFF 2010: 4-5).

Many of these suggestions are not new, and there have been others, such as radical suggestions for new states to more modest proposals for administrative decentralisation and industry incentives to relocate, for example through enterprise zones (Collits 2001). Some of the suggestions (or variations of them) have been tried to a greater or lesser extent by different governments over the years (see below), and have either been abandoned or scaled back having failed to yield the desired outcome.

The efficacy of recently suggested decentralisation strategies needs to be examined both in the light of previous attempts at decentralisation and the processes that drive capital city dominance in Australia. If it can be shown that governments have already reasonably tried to effect a more dispersed population, and have failed, and that the drivers of city growth are simply beyond the capacity of governments to control or influence, then arguments for decentralisation will be seen to be without foundation, and regional policy re-configured accordingly.

Previous Government Efforts at Decentralisation

The argument over decentralisation taps into a very old vein of thinking in Australia.

Concern by governments over metropolitan primacy – the concentration of population in a few capital cities – is not new. Coates et al have pointed out that:

Centralisation of population and economic activity into but a few places is not a new phenomenon and it has worried governments for at least 400 years; Queen Elizabeth I of England took positive, largely unsuccessful steps to curb the growth of London (Coates et al 1977: 239).

Governments have traditionally been sensitive to the urge for national development and dispersed development. Governments have, from time to time, implemented policies in order to address the problem of metropolitan primacy or to favour non-metropolitan areas generally (Harrison in Forward 1974: 149). As Robert Carter has stated:

Australian public policy has a long history of rural orientation. Quite correctly, the rural areas were seen as the backbone of the nation and the source of its wealth and growth... (Carter 1978: 80).

Woolmington et al referred in 1971 to the “frustrated frontierism” of rural dwellers, and to their “lust for development” (Woolmington et al 1971: 4-5), and governments have sought to respond to this.

The States have traditionally had responsibility for economic development within their borders. Commonwealth action in regional development has been constrained by the Constitution (see also Lloyd and Troy 1981: 1; Legislative Council 1993: 73; Carter 1978: 80; Scott 1978: 41; Searle 1981: 30). Despite the obstacles to Commonwealth action that, on a literal reading of the Constitution, would leave it relatively impotent in relation to regional development, it has been able to pursue policies aimed at developing regional Australia.

According to J M Powell:

Decentralisation was a most Australian “issue” which no political party could afford to ignore (Powell 1988: 967).

N T Drane agreed, claiming that:

The subject of “Decentralisation” is something of a hardy perennial in the Australian political garden (Drane 1966: 66).

Yet decentralisation – for generations of observers and interest groups the perceived solution – was an area of policy that, in the event, many governments prior to the 1960s only spoke about or implemented sporadically, with few pursuing it systematically or vigorously (Hurley 1989).

Hence despite many decades of discussion about the need for decentralisation within government, good intentions, and some attempts to address the issue, many observers have seriously questioned both the genuineness of the commitment of governments to decentralisation and the achievements of the various efforts. Increasing metropolitan primacy is testimony either to their lack of genuineness or to their ineffectiveness, or both. For example, in terms of commitment, Max Neutze was able to say, famously, in 1965 that:

Decentralisation of population has been the policy of most political parties since World War II. It has, so to speak, been everyone’s policy but no one’s programme (Neutze 1965: v).

The effectiveness of decentralisation efforts of governments prior to the 1960s has also been questioned. This discussion crystallised in the late 1960s debate over selective decentralisation (see below). This lack of success was well summarised in the *Sydney Region Outline Plan* (SROP):

The concept of decentralisation has long been built into thought on State development, but the nature and level of action hitherto has clearly not made a very significant difference to the strong drift of population to the Sydney Region (State Planning Authority (SPA) 1968: 19).

J M Powell has also questioned the achievements of State government efforts to engender more balanced development, noting that most government actions aimed at decentralisation have spread resources too thinly to be effective (J M Powell 1988; see also Committee of Commonwealth/State Officials 1972).

Hurley was able to conclude that decentralisation was “an event that did not happen” (Hurley 1989). He has described in detail government actions and rhetoric to promote it in New South Wales and Victoria from the 1880s to the 1980s. While Hurley concludes that attempts at decentralisation have generally come to nought, there is no doubt that the perceived need for it has, over a long period, occupied the minds of decision-makers at State and national levels of government. For Hurley, the regional problem of imbalance was such that “... only a radical, sustained intervention by governments...” could break it (Hurley 1989: 362). And his conclusion was that governments had fallen far short of such a commitment:

There was no fit between this puny intervention and the enormous inertia in the deposits of population where they were (Hurley 1989: 363).

Prior to the 1960s, governments have used a number of mechanisms to achieve a more even spread of population and economic activity (see Hurley 1989). Some of these initiatives have not necessarily set out to achieve more “balanced” development, but might be seen as having had this outcome. These initiatives included the establishment of the Grants Commission, nation building infrastructure projects, closer settlement schemes, initiatives of the Department of Post-war Reconstruction, and the development of Canberra as a decentralised capital city (Collits 2002). Other policies designed to encourage decentralisation have included, over time, the creation of regional institutions like development boards, taxation breaks for rural industries, and the decentralisation of government departments.

More recently, plans have been floated for fast trains that would create new economic opportunities in rural regions, as well as the idea of locating Sydney's second airport outside the metropolitan region. The argument for regional States generally lies dormant beneath the surface of day-to-day political debates, but is always there ready to be dusted off at times like these.

Hence for over one hundred years, governments in Australia paid lip service to the desires of many in rural areas for a more concerted policy effort at encouraging people out of the capital cities. More serious policy attention was given over to this issue briefly in the 1960s and 1970s, when State governments in Victoria and NSW joined the Whitlam Government in thinking big and creating programs designed to achieve what many people at the time termed “balanced development”. The most noteworthy initiative was the creation of growth centres such as Albury-Wodonga and Bathurst-Orange.

To this day, debate has continued as to whether these decentralisation efforts failed, or were never properly tried.

Some of the arguments for decentralisation aired in earlier periods bear uncanny resemblance to some of the issues raised today about a big Australia. Typically, they related to inadequate infrastructure in the cities, and to the overall economic efficiency of having a few large cities and not much population outside these.

Why Population is Concentrated in Large Cities in Australia

Despite the things tried and the things dreamed, the cities continue to grow inexorably. There are three main contemporary drivers of capital city growth and domination, and these build on longstanding economic, historical and geographic processes embedded in Australia's development.

First, our population growth is driven by overseas migration and most migrants, for a range of fairly obvious reasons, prefer living in our major cities. It is in the cities that migrants' families and ethnic communities are largely already established, and where the best job opportunities and migrant services are located.

Second, our highly aspirational young people also generally prefer the cities. They increasingly seek “portfolio lives” which include easily accessible jobs, the capacity to change jobs without too much

trouble, career shifts, opportunities for travel and multiple partners (Collits 2007). Cities provide both thick labour markets and thick mating markets, as several analysts have observed (eg Florida 2002).

This is not to mention the emerging obsession young people have with higher education, encouraged by parents, governments, schools and universities. In particular, government policy since the 1980s has driven greater engagement in all levels of education, dramatically increasing secondary school completion rates and increasing access to higher education, with even higher targets now envisaged following the recent Bradley review (Bradley 2009). While both secondary completion and higher education take up rates remain lower in non-metropolitan regions, and those in rural communities strongly support greater equality of access to education for their young people, it is also the case that the geographic concentration of universities in the major cities, when combined with the inexorable expansion of higher education, in effect acts as a giant vacuum cleaner that sucks many of the best and brightest young people from non-metropolitan regions to the cities, where most of them will inevitably remain.

Third, globalisation – the recent opening up of Australia's borders to much greater movements of goods and services, investment, capital and people through better and cheaper transport and communications and the lowering of trade and other barriers by governments – has, perhaps perversely, only strengthened the growth of cities by assigning them the new role of global network hubs. While some argue that globalisation makes economic development more geographically even and dispersed across the globe, others, persuasively, argue that globalisation in fact makes the world “spiky” (Friedman 2005, Florida 2005).

Of course, there has been some sea change and tree change out-migration from the cities, and some overseas migrants are encouraged to seek a new life in the bush. But these are small numbers, and such out-migration tends to be confined to high amenity locations close to the cities. As well, it has been argued persuasively in some quarters that Australia really has a very sensible settlement pattern, in view of our climate, the scarcity of water in many areas, the export focus of our main rural industries, and the sheer efficiency of mining and agriculture. On this view, we just don't really need big cities in the regions.

Consider the following views on economic and demographic concentration:

Step back and ask, what is the most striking feature of the geography of economic activity? The short answer is surely concentration (Krugman 1991: 5).

Sydney will always be dominant. Little towns are going to find it increasingly difficult to survive unless they become suburbs of larger centres, but that's history (Egan in McGregor 1999).

... decentralisation may not be a realistic objective in today's economic world. As long as any society places an overriding premium on economic productivity, efficiency, and growth, the economic forces promoting centralization are likely to remain dominant and perhaps uncontrollable by government action (Lonsdale 1972: 328).

These views seem to be in tune with the worldwide movement of people to cities. In 2007, for the first time in history, more people lived in cities than in rural locations. A recent study by Doug Saunders (Saunders 2010) charts the trends in thirty city regions across the world and notes the positive impact of rural-to-urban migration on people's wealth and lifestyles, despite the difficulties they may encounter during their journeys.

Both history and geography have played a critical role in shaping Australia's settlement pattern, and a convincing explanation of capital city dominance would weaken considerably the claims of decentralisation supporters that there is something wrong with the unevenness of development, that requires fixing.

Many writers have sought and provided explanations for capital city dominance. There are two views of the Australian settlement pattern, and these lie at the heart of the debate over decentralisation. On the

first view, there are good reasons for the way Australia's settlement pattern has evolved. In this connection, Lepani et al have stated that "... the past is a fundamental constraint on the future" (Lepani et al 1995: 34). The role of history is critical, as is geography, and cannot be easily undone.

There are a number of cogent explanations of the dominance of Australia's capital cities:

- The harsh inland climate and soils that have rendered much of the agricultural production reliant on irrigation or confined to areas of moderate rainfall;
- The lack of navigable inland rivers;
- The large distances involved;
- The nature of Australia's imperial relationship with Britain as a convict colony and decisions to space the convict settlements wide apart;
- The occurrence of settlement at a time when urbanisation was occurring elsewhere in the world, at the height of the industrial revolution;
- The settlement of capital cities before the rest of the States;
- The development of a transport system focused on exports and centred on the capitals;
- The development of the colony as an exporter of agricultural produce, underlying the importance of trade and ports;
- The nature of the farm economy which encouraged large-scale commercial production and hence a sparse settlement pattern;
- The role of the cities in the early 1900s as centres of manufacturing;
- The ongoing preference of migrants for living in capital cities, particularly those arriving as part of the migrant boom after World War II;
- The impacts of globalisation, which have delivered new economic advantages to cities, despite the technological revolution that has been said to "flatten" economic development";
- Cultural changes and the increased expectations of young people about career, higher education and life choices; and
- The small size of Australia's overall population.

(Sources: Glynn 1970; Burnley in Goldstein and Sly 1975; Burnley 1980; Neutze 1981; Neutze 1985; Holmes in Jeans 1977; Friedman 2005, Florida 2005).

According to Tony Sorensen:

In general terms, Australia's market driven settlement system is well attuned to the nation's geography ... there is, for good reason, no large city in the interior ... It therefore seems eminently logical to have several large metropolises that are capable both of providing high order services and dealing with the rest of the world as equals, and to surround them with a range of small regional service centres and their tributaries. It is patently absurd to look to settlement systems in the quite different geographical environments of Europe and North America and claim that Australia is in some way deficient (Sorensen in Sorensen and Epps 1993: 238).

A J Rose has described metropolitan primacy as the "natural state" in Australia (Rose 1966). Rose has also claimed that:

The present capital city concentrations of economic activity in Australia are the perfectly logical outcome of an economic system seeking to minimise production and distribution costs (Rose 1967: 114).

Similarly, A J Robin has argued that concentration is a logical response to problems of long distance and few people (quoted by Holmes in Jeans 1977: 414). There has been little reason for a highly populated inland, as noted by Don Aitkin:

To the historian, geographer, and economist the fate of the country towns was almost pre-ordained. The Australian inland was naturally best suited for large-scale farming and grazing, forms of rural occupation which required land and capital and relatively little labour... Unless

inland towns were to become major industrial centres, and given their disadvantages of distance from raw materials, lack of skilled labour and lack of a big domestic market there was no reason why that should have happened, their optimum size was likely to be quite small, and their growth tied to that of their rural hinterlands (Aitkin 1972: 11-12).

Or as Chris Cunningham has noted:

From the time that it outgrew its convict origins, Australian society has been primarily focussed on towns and trade... We are maritime, we are commercial, we are urban, or at least suburban. Settlement of the coastline, and establishment of trading entrepôts, has always been more significant in forming the character of the nation, and the pattern of population distribution, than settlement of the inland (Cunningham 1996: 150).

In the twentieth century, the rural-urban drift has been compounded by advances in transport technology, an increased awareness of the benefits of economies of scale and the drift of farmers off the land (Woolmington in Sinden 1972: 190).

Decentralisation requires redirecting growth away from capital cities. Yet there is a strong argument advanced by many urban and regional economists that large cities generate not only benefits for firms but also national economic benefits, that might be diminished were governments to attempt to control their growth. According to Friedmann:

National economic development is, to a large extent, identical with the development of core regions (Friedmann 1966: 67).

Friedmann explores the question of whether, and how, governments and nations can reap the benefits of the dynamism of disequilibrium without incurring the dis-benefits of too much imbalance between regions, or between core and periphery (Friedmann 1966: 50-59; Hirschman 1958). The extent to which more balanced development would compromise national or State economic growth, for example by curbing the economic functions of the primate city, is a major policy concern.

Stilwell (1992, 1993) and others have spoken of the key role of cities in capital accumulation. Hoover has described cities as "... entrepôts for interregional transfer..." where "vitalising inputs" from the outside world are absorbed (Hoover 1975: 238; see also H W Richardson 1973: 41). In other words, cities have "spread" as well as "backwash" effects on their hinterlands (see Myrdal 1957: 27-33).

Richardson has referred to the economy-wide benefits of agglomeration in cities:

One of the most important of the agglomeration economies created in the largest cities benefits not the citizens but the economy as a whole. This refers to the systemic functions of large cities, and more particularly to their rate of innovation (interpreted widely) and its subsequent diffusion to smaller cities and to other parts of the economy (Richardson 1973: 40-41; see also Porter 1990; Bureau of Industry Economics 1994: 59).

Despite what Richardson has termed the "big bad city myth" (H W Richardson 1976: 307), a number of writers have extolled the economic virtues of cities, none better known than Jane Jacobs:

... nations are strictly the economic creatures of their cities, becoming wealthy as their cities become more productive and numerous, subsiding into poverty as cities lose economic vitality (Jacobs 1985; see also Jacobs 1969; Stilwell 1992: 28).

This recognition of the role of cities as centres of innovation diffusion highlights another weakness at the heart of the decentralisation argument – it is simplistic in its portrayal of capital cities as taking resources away from the country. It focuses too much on the so-called "backwash" effects.

Cities drive economic development in a number of ways. They are central to processes of structural change. They are centres of high-value added manufacturing and services. They contain key

infrastructure such as research and education, and provide higher order marketing functions and global “command and control” functions (Watson and Murphy 1993: 105; Lepani et al 1995). They provide international accessibility and information flows. They provide innovation through concentration (Pred 1966), and are highly adaptable to change. They are critical in new firm formation. For example, the spillover benefits of economic activity are felt in non-metropolitan areas through diverse impacts including increased domestic and international tourism to regional areas, contracts won by regional firms on major metropolitan infrastructure projects, and the cities’ role as a market for regional products and services.

The economic role of cities is related to the fact that productivity increases with city size, through specialisation and the capacity to capture economies of scale. As Beeson has noted:

There is considerable evidence that productivity levels increase with city size.

... Adam Smith proposed that productivity will increase with the scale of production because increased scale allows firms and workers to specialize in specific tasks and this specialization and division of labor increases productivity. The ability to exploit these economies of scale, in turn, depends on the size of the market. To the extent that the size of the market depends on population density and is limited by transport costs, the ability to exploit economies of scale depends on city size (Beeson in Mills and McDonald 1992: 21, 24).

Vipond has also noted that the concentration of economic activity in large centres minimises the disruption of structural change and maximises its benefits (Vipond in Economic Planning Advisory Council 1990: 31).

Governments have clearly recognised the key role played by cities in the economy, and that cities act as engines of national economic growth. This is perhaps demonstrated most clearly in the increasing focus of governments on attracting mobile investment capital to the major cities (see Searle in Australian Broadcasting Corporation 2000: 14).

Hence, in relation to decentralisation, it is possible that governments have simply recognised the potential dis-benefits of discouraging city growth. This may be one of the most powerful reasons why governments have refused to embrace wholeheartedly the strategy of decentralisation (even when they were pursuing it). Governments may simply be willing to continue to accept all the negative externalities and costs associated with city growth because they know how important cities are to the States’ and national economies.

On this view, it is unlikely that government action, certainly at State level, could have made much difference to the settlement pattern.

The second view of capital city dominance – one, interestingly propounded over many years by the now quite famous Member for New England – is that governments have largely created Sydney’s dominance. Mr Windsor is wont to refer to the “policy” of herding people into “feedlots”. Proponents of this view emphasise the role of city elites in creating and maintaining city commercial hegemony, the early centralisation of government administration, the importance of government investment in the early development of Sydney, and the relative weakness of local government in Australia. Percy Allan’s idea (not new, of course) of relocating State capitals reflects this thinking.

Glynn has emphasised the role of government in creating Sydney’s dominance (Glynn 1970; see also Burnley 1980: 44). He has focused, in the colonial period, on the degree of government investment in the city, particularly in infrastructure and railway lines which emanated from Sydney and which were used to facilitate the export of agricultural produce. For Glynn:

Australian political and administrative activity was highly centralised in each colony and undoubtedly this played an important part in metropolitanisation. In Australian circumstances the political and administrative functions of cities appear to have been an important causal factor in the growth of material or economic functions (Glynn 1970: 47).

Elsewhere, Glynn has referred to the tendency towards “metropolitan aggrandisement”, largely as a result of government actions (Glynn 1970: 10). Burnley agrees, noting:

Even government employment in the colonial era was a contributor to Sydney’s and Melbourne’s growth, for it was concentrated in the capitals and was swelling rapidly in fields such as education and lands administration (Burnley in Goldstein and Sly 1975: 96).

On the second view of Sydney’s growth, the source of Sydney’s dominance was government policy. As Bolton has written:

... each of the colonial governments preferred to centralize transport and trade on the state capital, for what at the time seemed good and sufficient economies of scale. This meant that from an early period life in the bush was strongly challenged by the competing attractions of life in a thriving metropolis (Bolton in Van Dugteren 1978: 6).

In the twentieth century, undoubtedly the encouragement of mass immigration by successive Commonwealth governments and the protection through tariffs of Australia’s largely urban based manufacturing sector has also helped sustain the cities (Forster 1995). The role of overseas migration has been critical in increasing and maintaining capital city primacy, particularly since World War Two. As Neutze has noted, there were 620 000 migrants to Sydney in the critical 1947-71 growth period in which Sydney dramatically increased its dominance of the State’s population (Neutze 1981: 54; see also Murphy 1993). It has been the clear and continuing preference of migrants to settle in the eastern capitals, particularly Sydney and Melbourne.

Despite cogent arguments on either side of the debate, there is a general consensus that there were, and are, good reasons for capital city size and their domination of the States’ economies. And, while city growth has been assisted at times by government encouragement, there is little to suggest that the main reason for that growth has been government, or conversely that all it would take to reverse the metropolitan primacy would be greater government involvement.

If the inevitability of Australia’s settlement pattern is accepted, this has clear implications for the decentralisation position:

... the process of urban centralisation would appear as an inevitable consequence of the accelerating pace of science/technology, and all attempts at urban decentralisation as Canute like vanities, aimed at reversing such an inevitable process (Woolmington et al 1971: 2; see also Woolmington in Linge and Rimmer 1971: 281).

Historical forces have made metropolitan primacy more or less a given. As a result, the goal of substantial decentralisation is almost impossible to attain. There is a powerful argument that “... appropriate urban policy measures should take heed of natural population trends” (Braby in McMaster and Webb 1976: 210).

This kind of thinking, by and large, has been accepted by recent governments of all persuasions and at both State and Commonwealth levels, that have rejected decentralisation.

In summary, the following can be concluded about why most people prefer to live in large cities in Australia:

- Cities provide the greatest opportunities for individuals and firms to create wealth and satisfy their needs;
- Cities, in effect, reduce risk – you can change jobs, even careers, without moving house, and you can move house without changing jobs;

- Contemporary cultural trends, recent social changes and a greater focus on self-actualisation favour places which offer the greatest amount of choice;
- The big three drivers of city growth – overseas migration, globalisation and culture, particularly youth culture – all reinforce the historical, geographic and economic reasons why Australian cities have dominated the landscape; and
- Policy, including (perhaps especially) non-regional policies, often favour cities over time without government realising it and without much likelihood of change, in areas such as taxation and the cult of higher education.

The question therefore needs to be posed and addressed, in the context of current debates over population distribution and the future of regional Australia – what can policy achieve to address these not inconsiderable barriers to greater development of non-metropolitan regions?

Regional Policy Shifts and the Decline of Decentralisation Policy since the 1970s

There is a wistfulness about, and longing for, the days of decentralisation policy among many people in regional Australia. It is now many years since governments in Australia have actively pursued decentralisation as a policy objective. Governments have moved away from the decentralisation objective from the late 1970s onwards. There is a complex story about why they have done this (Collits 2002).

It is not just about “economic rationalism” or “metrocentrism”, tempting though these explanations might seem. The reasons why governments abandoned decentralisation objectives include serious difficulties with the idea of decentralisation itself; the emergence of new regional problems as a result of changing regional conditions that overshadowed the old problem of metropolitan primacy; the advent of new thinking about regional development and its drivers, and new regional policy ideas more relevant to the emerging problems; the ineffectiveness of interest groups supporting decentralisation; the changing ideologies within government and changing policy priorities of governments that were in conflict with balanced development; and institutions and processes within government that were unsympathetic to decentralisation.

The critiques and critics of decentralisation have been plentiful, and, more importantly, have been influential in shaping the way governments and agencies have responded to the various attempts by balanced development supporters to influence policy.

While new regional policy ideas have become part of government thinking, this has only occurred because new approaches were needed to meet fundamentally changed regional circumstances. Other regional problems, often more pressing than metropolitan primacy, emerged as a result of recessions and restructuring, causing governments to shorten their regional policy time horizons and to focus on specific (and often visible) regional problems. Decentralisation, a far more esoteric “wicked” problem without immediately apparent winners and losers, has taken a back seat.

Another aspect of the decline of decentralisation related to the way the idea of decentralisation has been promoted by its various champions. A feature of the 1960s period was the apparent effectiveness with which supporters of decentralisation, both within and outside government, pushed their agenda. However, since the end of the 1970s, support for decentralisation has largely been confined to those outside government. Yet the efforts of the main supporters have not been either sufficiently strategically focused or resourced over time to have an impact on already sceptical governments.

Whether the new political circumstances in Canberra lead to a major shift in policy approaches as a result of the new found, though possibly brief, influence of the country Independents who undoubtedly favour a far greater commitment to regional development, remains to be seen. To date, concessions gained from the Government seem to be more a shift in the geographical distribution of “goodies” than a fundamental realignment of thinking about the distribution of Australia’s population.

Of course, as well, there has been a fundamental change in the way governments have approached economic policy since the 1970s, clearly influenced (at times) by a deteriorating macro-economic environment and by globalisation, that is, by external forces, but also driven by the advent of a now fashionable smaller government /low taxes agenda (notwithstanding the expansive policies of the Rudd Government).

Governments have lost faith generally in centralist solutions and have moved across a broad policy front to allow more market influence on economic outcomes. To some extent, decentralisation has become caught up in this broader movement away from government-driven approaches.

Also, other policy priorities have moved up the agenda of most governments, in Sydney, Melbourne and Canberra, and this has generally (though not always) caused regional policy and decentralisation to occupy a lesser policy status and a lower priority. At the national level, there has been, in turn, a greater focus on macro-economic management, industry policy and micro-economic reform. At State level, all jurisdictions have become caught up in competition for mobile investment. Capturing jobs for the jurisdiction as a whole, rather than particular areas, has become a priority. This has meant less emphasis on non-metropolitan regions. Hence, broad government policy priorities have “crowded out” decentralisation from increasingly busy agendas.

Against this, it might be argued that the current Victorian Government is an exception to the general policy trends. Certainly the Victorian Government in office since 1999 has been far more engaged with regional policy – and recently, in region scale planning – than its predecessor or, indeed, the governments of other States, and has certainly included in its overall policy approach strenuous attempts to encourage people to leave Melbourne for regional areas (Victorian Government 2010). Yet despite this, the Government’s overall approach is to achieve better regional development outcomes (through a very broad range of programs) rather than to use serious decentralisation policy levers to shift the balance of population between metropolitan and non-metropolitan Victoria. Despite better growth rates over the last decade, Melbourne continues to dominate the State’s population and this is only projected to widen in future years.

In sum, governments generally have given up on the decentralisation project because they simply haven’t been able to figure out how to do it. It is seen as a classic “wicked problem”. Just about everything that has been thought of has already been tried in some shape or form, to little real effect.

The Critical Decentralisation Debate – Selective Versus Non-Selective Decentralisation

One of the great debates of the decentralisation period related to whether policy support for decentralisation objectives should be “selective” or “non-selective”. In other words, would government get the biggest “bang for the buck” in terms of relieving growth pressures on cities by selecting and funding a few growth centres or by providing generalised forms of assistance, incentives, programs and so on across non-metropolitan regions generally.

This, of course, is one of the great, ongoing debates in regional policy – what sorts of places should governments intervene to support? Other questions relate to how, and how much governments should intervene to make a difference to regional outcomes. Should governments support places that are already growing strongly, or places that are experiencing either short term or ongoing decline, for example should government support declining small towns when nearby, larger regional centres might be growing strongly. Of course, small town decline might well be linked to the growth of so-called “sponge cities” (Collits and Gastin 1997).

In some senses, these philosophical and prudential policy questions have never been resolved, particularly in view of the “cover all bases” approach that most governments now adopt in relation to regional development. However, at the time (in the 1970s), governments chose largely to support

selective decentralisation, believing that encouraging specified growth nodes would deliver the greatest dividends.

The debate took place at a number of levels – within government, in the media, among regional interest groups, and among academic observers. Neutze has summed up the simple appeal of the selective approach:

If assistance was given everywhere there was little prospect of making a significant impact on the population of any country town. Therefore it makes more sense to concentrate efforts in those few towns which have the best growth prospects (Neutze in McMaster and Webb 1976: 448).

This thinking was, in effect, the origin of the growth centre concept that would come to dominate the decentralisation agenda in the 1970s.

The way this debate was resolved reflects the differing policy objectives then and now, and helps explain how regional policy has evolved over time to reflect general notions of giving non-metropolitan regions a fair go in terms of funding – in other words, providing the services that underpin lifestyles and well being in non-metropolitan regions – rather than overtly seeking to divert future population growth through more targeted, growth centre type policies.

Ongoing Issues and Wicked Problems

In a sense, the metropolitan primacy “problem” has not gone away. Recent ABS demographic data and population projections (referred to above) show clear patterns of increasing metropolitan dominance, particularly in Sydney and Melbourne. This has occurred for all the economic, historical and geographic reasons described earlier in the paper. It begs the question – what exactly could governments do, were they so minded, to encourage greater decentralisation?

The very capacity of governments to control or influence regional processes and hence outcomes is severely constrained, as follows:

- Governments generally only influence outcomes indirectly;
- Other things have a far greater impact, including non-regional policies;
- The drivers of regional growth and decline are complex;
- There is no consensus over policy objectives;
- The policy instruments used to date haven’t stopped inexorable city growth;
- Governments don’t know whether their policies have “worked”;
- Political realities and the “tyranny of the annuncable”;
- Difficult strategic choices and finite resources (See Collits 2006, Sorensen 2000).

This has been referred to by one author as “the tyranny of the macro” (Sorensen in Sorensen and Epps 1993).

This makes regional policy generally highly problematic, and in particular makes significant decentralisation a difficult goal to attain. Notwithstanding the views of those who see centralisation as an outcome of metro-centrism in policy, there are too many drivers of city growth and the distribution of population that are beyond the effective control of governments.

What about the recent political developments in Canberra, with the election outcome delivering a minority government that is only in power because of the support of Independent members with a pro-regional Australia platform and the capacity to extract changes in the machinery of government and policy stances that promote their agenda?

A heightened political focus on regional development in Canberra is itself not new, with previous peaks of interest occurring in the 1970s (Whitlam), the early 1990s (Keating) and the late 1990s (Howard and

Nationals leader John Anderson). The 1990s recession and its regional dimensions led to the development of new regional development programs and regional development institutions (the Area Consultative Committees and Regional Development Organisations). The rise of One Nation coincided with the coming into the National leadership of John Anderson and concerns about the “gutting” of services in regional areas and led to the convening of a Regional Australia Summit, a flurry of regional development activity and a suite of new programs.

Arguably, though, the emergence of the Independents in 2010 will lead to a far greater focus on regional development and regional policy than in the past, even during the heightened periods of interest here noted. This is provided the Government implements the reforms and delivers on the level of spending demanded in the Independents’ agreement.

However, three cautionary points need to be made. First, the agenda laid out by the Independents is more about “fairness” in government spending and on access to services than on any explicit and (to date) coherent decentralisation strategy. Second, the golden period may well be brief and the reforms and higher spending non-permanent. Regional policy goes out of fashion just as easily as it comes into fashion, and no one is predicting that the current close state of the major parties is set in concrete. Moreover, there is likely to be a backlash against “RARAism”, a term coined during the Anderson period to refer to favouring rural and regional Australia with special programs. Third, and most important, even heightened political interest and a fresh round of spending in no way diminishes the task facing governments wishing to counter the large regional, national and global forces that ultimately shape regional development.

All this amounts to a wicked problem whose solution is highly constrained by economic forces, cultural trends, history and geography and the exigencies of politics. Is there, therefore, no prospect of arresting the continued rapid growth of the capital cities and their dominance of the settlement pattern and economy?

A Proposal for More Effective Regionalism

Allan and others are correct in their view that the strength of central governments and their refusal to devolve power to lower levels of government inhibit development away from the capital cities.

While there is little prospect of reforming the federation in the radical ways proposed by Allan to achieve greater decentralisation through regional governments, there may nevertheless be opportunities to encourage greater regional development, and even decentralisation, through a hybrid model involving the devolution of regional development policy making to regions.

The European notion of “subsidiarity” offers potential for shifting the balance of power in favour of regions, and this is likely encourage decentralisation. The idea of devolving real power from central governments to regions has not been tried in Australia. This need not mean creating regional governments - a pipedream – or moving capital cities to the bush, or decentralising government departments, or giving local governments greater authority, but rather empowering the various regional bodies that exist (like the recently created Regional Development Australia (RDA) Committees), by giving them far greater autonomy and more financial clout, to make decisions and apply resources that would increase the competitive advantages of Australia’s regions, and build critical mass and stronger, more dynamic regional cities that would have more appeal to migrants and to the young.

This would be real regionalism as opposed to the top-down arrangements that currently operate.

Certainly, the absence of regional government has been a constraint on decentralisation. In its place, we have had poorly funded, highly constrained regional development bodies lacking strategic focus, and beholden to central governments at both State and Commonwealth levels whose own interest in regional development waxes and wanes. These lack both legitimacy and the capacity to drive development. They are empowered by government to create strategies for their regions but not given the means of implementing them. They are often constrained by complex reporting requirements. They are unelected

and have no real mandate from their communities and regions. Often their regional boundaries are arbitrary and have little alignment with communities of interest and economic linkages. They discourage key regional leaders from involvement because they have no real power to create, fund and implement regional strategies. They do not require formal agreements among key stakeholders. One of their key stakeholders, local government, is effectively hamstrung in relation to being able to contribute effectively to regional development, because it lacks real taxing powers.

Over time, there has been an increase in the concentration of power at the centre in Australian government. Hence while governments have recently devolved the responsibility for developing local and regional strategies, they have not given regions the power and resources effectively to make a difference in their regions by implementing the strategies they develop.

The proposed model would involve the following:

- Increasing substantially the funding provided to regional bodies;
- Depoliticising funding by creating an independent statutory Rural Development Commission (RDC) to allocate funding and evaluate the performance of regional bodies;
- Creating three year funding cycles;
- Devolving responsibility for determining how funds are spent to regional institutions to enable them to make their own decisions about regional spending priorities AND to implement strategies;
- Allowing regions to self nominate and determine their own boundaries;
- Ensuring accountability by insisting that there is a memorandum of understanding agreed by stakeholders in each region in order to receive funding;
- Further ensuring accountability by having the RDC to evaluate outcomes and make recommendations on future funding.

Likely outcomes from the implementing the proposed model could include the following:

- Regional bodies would more strategic in their focus;
- Key regional leaders would be more likely to join in;
- The stench emanating from the politicised funding of preferred locations (electorates) would be minimised; and
- Government would allow each region to pursue its own objectives in regional development.

While the Rudd Government's recent changes to regional governance arrangements – in particular, the creation of the RDA Committees and the elimination of overlap between State and Commonwealth bodies – are, in some ways, welcome, the changes still leave unanswered many questions about their likely effectiveness and whether than amount to an advance on previous arrangements.

In summary, the shift in policy approach from top down to bottom up since the late 1980s still has a long way to go, while ever central governments continue to control decisions over regional development spending.

Summary and Conclusions

Where does all this leave the debate over where people will live in a “big Australia”? A number of conclusions can be drawn from this analysis.

First, metropolitan primacy is the norm in Australia – this will continue since the drivers of city growth are so powerful and the forces of history, geography and economics so embedded in the settlement pattern.

Second, there WILL be a big Australia, or at least a bigger Australia than at present. Whatever the constraints placed on growth by the environment and the congestion problems of cities, the trends towards a relatively low birth rate, the desire of most people for further economic growth and the existence of skills shortages in cities and regions all suggest the need for a strong immigration policy

Third, regional growth processes are complex and largely not controlled by government. This means that regional policy is limited in its capacity to effect major shifts in the pattern of development, and is likely to remain focused on the achievable over the long term, whatever the upswings in government interest that may periodically occur as a result of peculiar political circumstances.

Fourth, the various recent suggestions about how decentralisation might be achieved either reflect old ideas not pursued or initiatives tried then abandoned, and hence offer little potential for achieving substantial shifts in the population balance.

Finally, governments can help regional development most through greater devolution and giving regions real power to determine their own futures. This could partially be achieved through increasing the funding of regional development organisations, as is currently proposed in Canberra, but is more likely to bear fruit if regional bodies are given greater power to determine their own course.

The continuing and understandable desires for stronger regional development policies among many people living in non-metropolitan Australia reflect their essential “countrymindedness”, an ongoing sense both of loss (lost people, lost services) and a belief that there is often of a lack of fairness in the distribution of electoral favours from State and Commonwealth governments. Hence when debates about future population growth and the capacity of our cities to cope achieve prominence (as at present), there is an overwhelming temptation to revert to positions long held about the apparent irrationality of our settlement pattern and the incredible domination of our economy and our lives by a few large cities.

Yet, as this paper has sought to demonstrate, it is not so straightforward. The capital cities are dominant for very good reasons, and not just because government policies force people to live in feedlots. There are certainly incentives for people to live in the cities, and some of these could be addressed by changing government policies. But many of the drivers of household and firm location decisions are complex, powerful and largely beyond the control of government. Indeed, they are so powerful that people living in the cities continue to put up with third world standard transport systems, congestion and often poor services. Cities also provide great opportunities for people, and drive innovation and economic development.

While governments have certainly not pursued decentralisation policies as they might have, there are good reasons for this too. Governments generally have recognised their own policy limitations in the realm of regional development, and have instead preferred to support local and regional efforts through a range of targeted (and admittedly modest) assistance measures. This is a sensible and realistic approach. On the other hand, the strong centralisation of government in Australia and the lack of real power given to regions dramatically inhibit regional growth, and need to be addressed through a process of devolution. Such a process has the potential to break the cycle of short-termism, blame shifting and politicised regional development funding that have dogged the system for decades.

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