THE COUNTRY THE CITY AND THE STATE IN THE AUSTRALIAN SETTLEMENT

Judith Brett
Politics, School of Social Science
La Tribe University, Bundoora, Vic 3086

j.brett@latrobe.edu.au

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Abstract. The Australian Settlement, as formulated by Paul Kelly, had a sixth pillar: a settlement between the city and the country in which the state compensated people living in the country for the costs of remoteness and sparse settlement. This was underpinned by the reliance of Australian export performance on agriculture, by nation building commitments to peopling the continent, and by agrarian beliefs in the virtues of country life. Australia’s egalitarianism had a spatial and regional as well as a class dimension. Changes in Australia’s economy, demography, and political culture have eroded these foundations, leaving rural Australia vulnerable to the neoliberal agenda. The dismantling of tariffs, the restructuring of agriculture, microeconomic reforms driven by National Competition Policy, regional policy which stresses self-reliance, all treat rural Australia as a minor part of the nation rather than its economic and cultural foundation, and reject claims to special treatment. To give country Australia its own pillar makes visible the magnitude of the historic shifts which have taken place in the state’s relationship to rural Australia since 1983 and brings it into the main frame for understanding Australia’s abandonment of protective statism.
THE COUNTRY, THE CITY AND THE STATE IN THE AUSTRALIAN SETTLEMENT

In the Introduction to his book on the politics of the 1980s, *The End of Certainty*, Paul Kelly (1992) put forward a powerful framework for understanding the political and economic changes in Australia during that decade as involving the dismantling of what he described as the five pillars of the Australian Settlement. The core of Kelly’s argument is the so-called Deakinite Settlement of New Protection in which manufacturers were given protection from import competition and workers a ‘fair and reasonable wage’. He added to these two pillars, state paternalism, white Australia and reliance for defence on a powerful metropolitan power, first the UK and then the US. These, he claimed, were the policy assumptions which developed in the two decades after Federation and which had underpinned Australian policy until the 1970s and 1980s. Much has been written about Kelly's argument, in particular questioning whether these policy assumptions were ever as settled as he claimed (Smyth and Cass 1998), and whether the assumptions he identified were indeed the foundational ones (Stokes 2004). Nevertheless it has been an influential integrative framework for understanding the changes in the role of the Australian state set in train by the Hawke Keating government during the 1980s, and is widely used in university teaching (Stokes 2004, 5). Its strength is in the integration of political economy with political culture, drawing attention to the political ideas embedded in long standing national policies, and to institutional specialisation in maintaining the currency and persuasiveness of these ideas.

This article will argue that there was a sixth pillar to the Australian Settlement. Like the other five pillars, it too was built in the decades after Federation and dismantled in the neo-liberal 1980s, was a mixture of interconnected political ideas and policies, and had an institution which specialised in maintaining its currency – in this case the Australian Country Party. In essence, it was a settlement between the country and the city, mediated by the state, to compensate people living in the country for the costs of remoteness and sparse settlement. Its underlying assumption was summed up by retired National Party Victorian state member Bruce Evans (2002) in a comment on the likely adverse impact of National Competition Policy on country people: ‘We all live in a big country and should all share the costs’. Embedded in Evans’ claim is a view of the relationship between the city and the country in Australia as one of interdependence and mutual obligation within a shared political space – ‘a big country’.

In Kelly’s account the country was a minor player in the policy of protection all round, when the Country Party realised, shortly after its formation in 1920, that the cause of free trade was lost. It was also a beneficiary of state paternalism. This, however, does not sufficiently recognise the extent of state support for country Australia, nor the distinctive reasons for it. The omission is partly explained by the fact that Kelly’s focus was on federal policy in the areas of defence, tariffs, immigration and the concurrent power of arbitration. The States retained powers over resource use and land, and were responsible for most utilities and infrastructure and for the delivery of expensive services such as education, health and policing which affect the quality of people’s day to day life. The extent of the compensation to rural dwellers for the costs of living in a big country is thus only visible if we consider both levels of the federation. The low visibility of the country in Kelly’s
account of the Settlement is also a consequence of his underdeveloped account of the crucial pillar of state paternalism. Geoff Stokes (2004, 14-15) has argued that Kelly’s account of state paternalism as ‘individual happiness through state intervention’, essentially a summary of Hancock’s classic formulation (1930), does not convey the crucial developmental role of the Australian state, at both federal and State levels, nor the novelty of the nation building task in a new society facing a harsh geography. The proposed sixth pillar could therefore simply be seen as a particular example of the policies of the development agenda of a paternalistic state. However this underplays the importance of the country in the political settlements which dominated the 20th century, as well as the significance of the spatial dimension in Australia’s commitment to equality. To give country Australia its own pillar, as it were, also acknowledges the magnitude of the shift in the political, economic and cultural position of the country since the early 1980s, and helps to explain the anger and despair which many country people have expressed about neoliberal reforms. It places rural Australia firmly in the main frame for understanding Australian political change last century, rather than relegating it to a specialist but discrete area. Political studies needs to remember the significance the country once carried in Australian political life.

Until the 1970s there was a policy settlement between the city and the country, an agreed understanding of their distinctive contributions to the nation and the terms of their interdependence, and in particular an agreement that country people should be compensated for the costs of living outside the metropolitan centres. This was not without tension. Like the trade-off between manufacturing capital and labour, there were still clear conflicts of interest between rural and urban interests: for example between rural producers wanting the best possible price and urban consumers wanting the cheapest. However, there was also a countervailing sense of commitment to the shared task of nation building. Since federation an important part of the Australian commitment to equality has been a commitment to regional equality, to keeping Australians' living standards relatively equal across the country, in order to prevent the development of very poor and very rich regions, like the sort of differences which long held between the north and south of Italy. Built into the notion of what it was to be an Australian was an idea of certain social entitlements, shared access to basic services, a shared minimum standard of living. Of course this has not always been achieved, but it was an aim, an ideal, part of what it meant to be an Australian which could be invoked by groups arguing for their deserts. Alan Davies (1960, 157) remarked that in the 1950s the most common political form in country Australia was the deputation, and that nine times out of ten the demand was for equal treatment or uniform provision, and for the state to intervene in some way to ensure it.

I am using the terms the country and the city deliberately to describe the two protagonists in this political history, rather than say, rural and metropolitan, or densely and sparsely settled. This is a reference to Raymond Williams' brilliant book *The Country and the City* (1973) which argues that around these two sites of habitation have formed a rich cluster of moral and cultural meanings which exist in a continuing and historically-situated dialogue with each other. The country and the city are cultural as well as geographic locations. Each has views of their own and the others virtues and vices, which come into play in political conflicts over the allocation of resources, both symbolic and material. It is significant in contemplating the history of these two protagonists in Australia that...
term ‘country’ has now all but disappeared from mainstream political discourse, replaced by ‘regional’ for major non-metropolitan centres and ‘rural’ for areas of sparse population (Darian–Smith 2002, 92). Not even the rural Australia’s own political party has continued to use the term: in 1982 the Australian Country Party changed its name to National (Costar & Woodward 1985).

THE COUNTRY CITY TRADE-OFF

Since Federation the essential political problem for country Australia has been one of numbers. By the time of Federation the pattern of population distribution was clear: population concentration on the south-eastern coastal fringe and in the south-west corner, with high levels of urbanisation by world standards. By 1891 one third of the Australian white population lived in settlements of 10,000 or more, and the colonial capitals were already dominating their states. At Federation 36% of the population of NSW lived in Sydney and 41% of Victoria in Melbourne (Powell 1988, 31, 23). From Federation to about 1970 the cities continued to gain population at the expense of the country and then stabilised, with not quite two-thirds of the population living in cities of more than 100,000 people (Powell 1988, 213). The drift to the cities stopped about 1970, and there is now a slight drift back, mainly to the coastal areas of New South Wales and Queensland. The inland and the dry sheep wheat belt are continuing to lose population (Hugo 2001, Tonts 2005). It is only in Queensland and Tasmania that the majority of the population live outside of the capital cities. The problem of numbers is compounded by the thinness of population concentrations across most of the continent, which makes the cost of the delivery of services per head of population by both governments and private enterprises much more expensive than the delivery of services to the closely settled cities.

By the 1920s various political mechanisms had been established which compensated for the unevenness of Australia’s population distribution, and which moderated the differences in standard of living between the city and the country. First there were various compensatory means built into electoral systems at both state and federal level. With capital cities so early dominating the rural hinterlands of the colonies and then the States, country people worried that their interests would be neglected by city-based politicians responsive to the more numerous city-based electorates. Majoritarian politics did not work for the country, and various forms of electoral malapportionment were devised to protect rural political representation. The grossest of these have gone, a clear indication of the weakening of the country’s political clout, though the equal representation of States in the Senate continues to protect the interests of the more sparsely settled and poorer states from the concentrations of urban population in Victoria and NSW (Warhurst 1990, 112).

Second there was reliance on the state for the provision of many basic services and infrastructure which allowed cross-subsidisation through taxation and pricing mechanisms in order to achieve a degree of socio-spatial equality (Tonts 2000, 60-61). The instrumentalities established by the new Commonwealth cross-subsidised from the city to the country. For example, the Post Master General's Department, which began the twentieth century with the responsibility for delivering the mail, soon acquired other forms of communication like telegraph and wireless, was charged with an
obligation to provide services to remote areas. New forms of communication held out the promise of conquering distance for people living in Australia's remote and scattered communities, and government action and provision were expected to realise that promise for these people and not charge them the full cost (Moyal 1984). The two living descendants of the PMG, Australia Post and Telstra, still carry a version of that obligation. Australia Post is required to carry a standard letter for a uniform price anywhere in Australia; and Telstra is bound by a universal service obligation to ensure that all people in Australia no matter where they live have reasonable access on an equitable basis to standard telephone services and pay phones. Similarly, services provided by the States cross-subsidised from the populous cities to the less populous country regions. Railways and irrigation schemes, established in part to support closer settlement on the land, made huge losses which disappeared into the consolidated accounts. The extent of these cross subsidised losses was already apparent in the 1920s and 1930s (see discussions by Hancock 1930 and Eggleston 1932), but there was little political interest in finding a remedy, evidence not just of the political clout of rural interests, but of the widely-held belief that supporting country Australia was worth the price. Employment from state owned enterprises provided thousands of jobs to people living in the country and thus contributed to the social and economic viability of many country communities (Tonts 2000, 61).

Third was fiscal equalisation between the States. The States had differing economies and geographies which affected their capacities to raise revenue to meet the needs of their populations. Obviously it was more expensive for the governments of Queensland and Western Australia to provide services to their populations scattered over huge distances than for the governments in the closer settled south-eastern States, yet before the minerals boom of the 1960s they had far less revenue per head. Fiscal equalisation began with federation and was systematised in its current form in 1933 when the Commonwealth Grants Commission was established. It aim was to enable each state to provide the same standard of services to its population, despite different State economies and different costs of service delivery (Commonwealth of Australia 1995; Hancock and Smith 2001). This too involved a transfer from the city to the country - from the urban populations of Sydney and Melbourne in particular to their country cousins in the other states. In 1999, the two recipient states, Tasmania and the Northern Territory, were are also Australia's two least urbanised states (Productivity Commission 1999, 18).

Fourth, there were various devices to support agricultural producers, small farmers in particular, such as the statutory marketing boards, which were established from the 1920s onwards. When forming after World War One Country Parties hoped they might be able to roll back the New Protection. Both tariffs on imported manufactured goods and higher wages raised agriculturalists’ costs of production and so harmed their capacity to compete on the world market. But when it was clear that this was impossible, Country Parties and rural pressure groups dealt rural interests into a national policy of protection all round (Shann 1930, 427-47). Again this was not without conflict and the two largest groups, wheat and diary farmers, did not achieve substantial cost of production support till the 1940s (Harrigan 2004).
ARGUMENTS FOR COMPENSATING THE COUNTRY

The country’s claims to special treatment were supported by powerful economic, strategic and cultural arguments. In a much quoted article, Don Aitkin (1988) coined the term ‘Countrymindedness’ to describe the ideology of the Country Party. Country Party socialism is what its opponents called it, and it was at least special pleading. But to country people and their political representatives it was neither of these, but a well-justified demand that they be given their due on the basis of the contribution they made to the nation, a contribution that was far greater than their numbers and without which Australia could scarcely claim to be a nation at all. Countrymindedness was a form of agrarianism, sharing its three central beliefs: the natural virtue of rural compared to city life; the basic nature of the occupation of farming on which everyone else depends for their food; and the hard work and independence of farmers (Finn and Johnson 1974; Craig and Phillips 1983). Agrarianism took a distinctive form in Australia because of the importance of agriculture to the economy and the distinctiveness of the natural environment. This enabled the country to position itself at the centre of Australian nation building in a new country, supporting its claim to special treatment with three arguments: Australian exports were almost entirely rural; to be a nation and defend its claim to the continent, Australia needed to fill up its empty spaces; and country life made a particular contribution to the nation's distinctive and characteristic virtues. The last of these is classic agrarianism and on its own is unlikely to have persuaded the nation at large that the country deserved special treatment.

The first and overwhelmingly convincing claim that the country could make was economic. This is well known, but it is still worth rehearsing the figures. Until the 1950s, 90% of Australia’s export income was earned by agriculture, and of this, wool contributed about half. In 1950 raw wool provided 47% of Australia’s export income (Emy 1993, 49). Australians’ capacities to import - for both consumption and production - thus depended on the foreign currency earned by rural exporters. But the economic importance of the rural exporters was more than monetary. First, much of the economic activity and hence wealth of the cities came from the link they provided between the rural industries and the world. Australian cities as they developed in the nineteenth century were port cities, transport hubs and service centres, providing links between the rural producers and the capitalist world economy, and hence jobs and wealth in the cities (Berry 1983). At a conference of Commonwealth and state ministers in 1921, Prime Minister Hughes said that putting a man on the land ‘provides a job for one man and probably two men in the city’ (cited in Forster 1964, 171). Second, although some sections of agriculture were protected from world markets, for the most part Australian agriculture was very efficient and it was this very efficiency that allowed the development of protected manufacturing industries paying relatively high wages. Tariffs redistributed national income from the unprotected to the protected parts of the economy (Galligan and Capling 1992, 6-7).

The second claim was that the vast empty spaces of Australia needed to be filled with people. By the beginning of the twentieth century Australia was mapped and settled, but Australians were acutely aware of the smallness of their population in relation to the hugeness of their continent and the
heavily populated regions to their north. Australia needed more people not just to expand its internal workforce and domestic market, but to fill up its empty spaces. Filling up the empty spaces, peopling the continent, was first and foremost a nation building project. From the 1860s onwards colonial and then State land reforms attempted to redistribute the large pastoral runs to more numerous settlers and their families in the interests of closer settlement for national development. No matter how economically profitable the pastoral industry, underpopulated sheep runs were not regarded as sufficient basis for a nation (Powell 1988, 56). Or, as a proponent of decentralisation argued in 1954, ‘Without such a policy, Australia will cease to be a nation, and will become a collection of cite-States perched precariously on the edge of a de-populated bread-bowl’ (Davies and Serle 1954, 154). Simply by living outside the cities, country people were contributing to a widely accepted national goal of filling up the empty spaces with people and so showing to the world - and our near neighbours in particular - that we were using the land we had taken over such a short time ago. Simply by living where they did, country people were contributing to Australia's claim to be a nation for a continent, not just for a periphery.

Defence also required that the people be spread across the land. The Queensland poet George Essex Evans (1928) expressed a widely shared sentiment when he wrote,

How shall we make Australia great
And strong when danger calls
If half the people of the State
Are crammed in city walls.

The urgency of 'filling up the empty spaces' was strongest after each of the two world wars, when people's sense of national vulnerability was understandably high. In 1923 Prime Minister Bruce told and Imperial Economic Conference that ‘Australia’s aim above everything else is to populate her country and advance from her position of a very small people populating a very vast territory’ (cited in Glynn 1975, 73). Migrants were sought, primarily from the UK, and the intention was that they would settle on the land, along with soldier settlers also being recruited for closer settlement schemes. This required massive government spending in land acquisition, loans to farmers, the provision infrastructure and services, and the establishment of marketing facilities. These schemes did expand and diversify the primary sector, albeit at huge costs in public money and individual hard work and heart break (Macintyre 1986, p 200-10). They also contributed to the country’s sense of entitlement. These settlers were on the land not just as a result of their choices and decisions, but because of the state’s nation building policy of filling the empty spaces with farming families. As Hancock (1930, 71) observed, ‘The settlers, remembering that the Government had put them there, not infrequently imagined that that it has in some way of other accepted an obligation to keep them there’. After World War Australian governments again looked to migration to boost Australia’s population, in order to better defend and develop the continent. The slogan ‘Populate or Perish’ made explicit the link between increased population and national security (Tavan 2005, 33). Closer settlement schemes were again embarked on, though not so extensive and better planned than those following World War One. Population was to be built through migration to the cities where employment was to be provided in the greatly expanded but still protected manufacturing sector.

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Country people also supported their claims to support with arguments about their particular contributions to the character of the nation, both to its national distinctiveness and its moral character. In this they were assisted by the ambiguity and the power in the word ‘country’ which can refer both to the non-metropolitan areas and to the nation as a whole, and by the distinctiveness of Australia’s physical environment. Country people had been shaped by the struggle with the unique problems of the Australian environment, and so made what they were by Australia. They were the bearers of the characteristics of resourcefulness, endurance and laconic, courteous good humour which were widely seen as distinctive Australian attributes. City dwellers, by contrast, were much the same the world over, and so had made no special contribution to a distinctively Australian character. Russel Ward summed this up as the Australian Legend (1958) and put itinerant male bush workers at the centre of the national story. This was unduly restrictive. As John Hirst argued (1978) country people’s belief in their distinctive contribution was better described by the Pioneer Legend which included small holders and their wives in the heroic taming of the new land for productive use. Country people also believed that the country was a more wholesome and virtuous place than the city. The push for closer settlement had been driven not just by nation building and strategic arguments, but also by the agrarian belief that it was better for people to live in the country than the city, that a nation filled with hardworking farming families would be a stronger and more virtuous nation than a nation of soft-bellied city dwellers.

The power of Paul Kelly’s framework of the Australian Settlement is its capacity to integrate the policy shifts of the 1980s with longer historical processes of economic and cultural change to which these political shifts were a response. The dismantling of protective tariffs was a response both to Australia’s deteriorating terms of trade and an expression of the new neo-liberal faith in markets to distribute resources in ways that maximise economic growth. Similarly the dismantling of the trade-off between the country and the city in Australian public policy since the 1970s has been a response both to economic and cultural changes in the relationship between the country and the city, and to the rise of neo-liberalism. The arguments for the country’s claims to compensation had already lost much of their persuasiveness by the early 1980s as a range of economic, social and cultural changes disconnected the prosperity, security and distinctiveness of the city from the country. Neoliberalism, with its hostility to special claims of any sort, and its priority on economic measures of national contribution, has taken to what remained of this crumbling 6th pillar of the Australian settlement with a sledge hammer.

**THE NEW COUNTRY**

The most fundamental change has been in the decline of the rural sector’s economic importance. Agricultural products are no longer the mainstay of Australian exports. The first challenge was from the rapid expansion of mineral exports from the mid-1950s. By 1975 agricultural products were earning less than 50% of Australia's export income. The contribution from manufacturing, however, had not changed. It was still only at about 10%, with minerals substituting for declining agricultural exports (Emy 1993, 49). Thus primary commodity exporters could join forces against the city and
continue to argue that the city depended for its wealth on those living outside its environs, even if the farmers were now joined by the miners.

The dramatic change since the mid 1980s has been the rapid expansion of exports in elaborately transformed manufactured goods, and in services. In 2003 manufactures and services combined earned about half of Australia's export income. Rural products were down to 16% and resources, including gold were 30% (Vaile 2004). This was the result of deliberate policy on the part of the Federal Labor government. The long, slow decline in Australia's terms of trade, the fall in value of the dollar and the growing foreign debt all came to a head in the mid-1980s when Paul Keating exploded with his warning that Australia risked becoming a banana republic (Kelly 1992). Under Labor the urgent and overwhelming policy goal became to diversify Australia's export base beyond primary commodities, beyond shipping wool, wheat and dirt to the world. The city had to join the farm and the quarry as a producer of goods and services for export (Emy 1993). Since the election of the Coalition government in 1996 this goal has receded, and a resources boom caused by the industrialisation of China has made it less urgent. Nevertheless, rural production is no longer the foundation of Australian exports, and agriculture has become just another industry struggling to survive in a globalised world economy (Lawrence and Gray 2000, 48).

The decline in the economic importance of agriculture has been accompanied by a demographic decline in rural districts. Australia's agriculture is very efficient by world standards. As a consequence it needs fewer and fewer people to produce the same amount of product. Even as agriculture modernises and adapts to maintain its economic role, it undermines its capacity to fill Australia with people. Farm numbers have been declining since the Second World War. An estimate for 1997 puts farming families at about 3% of the Australian population (Lawrence and Gray 2000, 38). Farm employment which accounted for 28% total Australian employment in 1933 and 15 per cent in 1954 was down to less than 5 percent by 1996 (Nixon 1988, 12; Hugo 2001, 31); and farmers and their spouses are increasingly needing to work off farm to support their families (Kenyon and Black 2001, 8). And although the vast majority of Australian farms are still family farms, corporate farms account for an increasing acreage (Tonts and Black 2001). There is thus a gap between the economic performance of the rural sector and its capacity to sustain rural towns and communities. As noted earlier, the non-metropolitan population is no longer in decline and is in fact growing slightly. The vast majority of this new population, however, has no links with agriculture, being retirees, small business owners and service providers. Arguments about the economic importance of agriculture thus no longer flow easily and naturally into arguments about the social and cultural importance of country people and their way of life, and many rural communities must now look to non-agricultural activities like tourism to sustain themselves (Kenyon & Black 2001; Darian-Smith 2002). These demographic changes have steadily undermined the electoral basis of the National Party. At the same time, the electoral arrangements which gave greater weight to rural votes have been gradually dismantled, with the Hawke government introducing one vote/one value electoral boundaries at the 1984 election (Green 2001, 68). In the 1970s the then Federal Country Party averaged around 10% of the Federal vote and 22 seats in the House of Reps. In 1998 as the National Party its vote was down to 5.3% with 16 seats. Since it has recovered slightly to 5.89% in 2004, with
which it won, however, only 12 seats (http://elections.uwa.edu.au).

Debates about Australia's population still include strategic arguments, but these focus on the size rather than the location of the population and little attention is generally paid to the vastness of our thinly populated north and west. For example, Malcolm Fraser regularly puts forward a population target of 45-50 million for Australia if we are to avoid the envy and inevitable challenge of our poorer neighbours (Fraser 1997). He says nothing though about where this population should be located. There is little fear that any threat to Australia would come as a land-based invasion, so the location of the population makes little difference. The arrival of refugee boats on the north western coast has focussed attention on the long unprotected coast, but it has not been accompanied by calls for closer coastal settlement.

Country Australia’s position in the Australian nation has been affected by another major demographic change since World War Two: the markedly increased ethnic and racial diversity which has resulted from the continuing immigration programme. Although post-war migration has increased the ethnic diversity of both metropolitan and non-metropolitan Australia, the increase in diversity has been greatest in the cities. Between 1947 and 1996 the proportion of the rural population who were born overseas increased from 7.6% to 12.1%, whereas the increase in urban areas was from 11.6% to 29.1%. Asian migrants in particular have shunned the country. Only 2.5% of Vietnamese live outside the major cities, and 5.4% and 5.1% of people born in China and Hong Kong respectively (Hugo 2000, 16-9; Green 2001, 69). Country Australia’s lower levels of ethnic diversity takes on more general national significance because of the way multiculturalism made ethnic and racial diversity a marker of Australia’s national distinctiveness. Once Australian cities recognised that they were simply provincial cities, much the same as provincial cities the world over, and concede that the country was where the distinctive national qualities were to be found. As vibrant, multicultural cities, they now claim a major contribution to Australia's national distinctiveness.

Since the 1980s Australia has been renegotiating its understanding of Australia's varied environment, in particular its arid inland (McManus and Albrecht 2000). The growth of environmental and ecological sciences has questioned the long-term sustainability of standard agricultural practices, at the same time as the damage to and frailty of much of the natural environment is becoming apparent, for example in soil salination, and declining water quality. And an environmental movement has grown which values non-agricultural over agricultural land and sees the latter in terms of what it destroys rather than what it produces.

In a parallel set of cultural changes, settler Australia has been slowly accommodating its understanding of the continent to the knowledge of somewhere between 40,000 and 60,000 years of indigenous habitation and to the claims and interests indigenous people still have in the land. It is also slowly coming to terms with the fact that opening up an empty land for settlement by Europeans was also the invasion of already occupied territory. The implications of both these for settler history and for current land tenure and practices are of course contested, but it is a contest which
problematises country Australia's role in a nation building project which was once taken-for-granted (Goodall 1999). A new meaning of ‘country’ has developed in Australian English, drawing on indigenous experience of the land, where ‘country’ means land with a spiritual dimension to which a person belongs (Bonyhady and Griffiths 2002; Mathews 2004).

Australian city dwellers never fully accepted the country's claims to be the major fount of national virtue, however there were for most of the twentieth century sufficient shared cultural understandings to make the claim at least plausible. This is no longer the case, as the position of the country has shifted in way Australians imagine their nation. A study of the mythology of the wheat belt in Western Australia, based on interviews with West Australians in 2001 and 2002, found either ignorance and indifference, or a dystopia of environmental degradation and social and economic crises (Bell 2005). Similarly in Australian films since about the mid 1970s rural communities have come to represent all that is bad in Australian settler culture, racism, xenophobia, misogyny, intolerance, homophobia and aggressive masculinism (O’Regan 1196, 226; Kaino, L. 2000). This view of the country was abundantly clear in the city-based media commentary on Pauline Hanson and One Nation in the late 1990s. In a revival of Marx’s classic depiction of rural idiocy, One Nation supporters were represented as backward rural rednecks, bearers of ignorance and prejudice (Lockie 2000).

None of this means, of course, that rural Australia no longer engages the interests of city dwellers, but this interest now takes very different forms; for example in how farmers mange their livestock and land, or in opportunities for wine and food tourism. But as these examples show, the balance of power between the city and the country has shifted, and the old style agricultural country is on the back foot. Older ways of thinking about the country do still survive, however. For example, despite changes to government drought policy which treat it is a business risk rather than a natural disaster, the media and the public continue to see it as a disaster and to expect the government to provide the suffering farming families with relief (Ward 2005).

THE COUNTRY IN A NEOLIBERAL STATE

Kelly’s argument about the Australian Settlement and its dismantling was primarily directed towards explaining the magnitude of the policy reforms begun under the Hawke-Keating Labor governments in the 1980s and continued by the coalition governments since 1996. The urgency of these reforms was a response to two separate processes of change. The first was the collapse in Australia’s terms of trade, already discussed, and the urgent need to find sources of export income beyond primary commodities. The second was the rise of neoliberalism as a guide to the management of Western economies after the end of the long boom, and its conviction that wherever possible market mechanisms should replace the state in the allocation of resources (Painter 1996). This led over the decades of the 1980s and 1990s to far-ranging policy changes at both State and federal levels, in which Australia’s protective statism was dismantled and competitive economic efficiency became the goal of economic policy. The means of achieving this were various: dramatic reductions in government expenditure as governments rejected deficit financing and large scale borrowing;
privatisation of government business enterprises and the disposal of government assets; dismantling of various schemes of assistance to producer groups which distorted market outcomes – such as protective tariffs and subsidies; the rationalisation of government service delivery; and eventually the de-regulation of the labour market. Reform of agricultural policy along more economically rational lines was begun by the Whitlam governments. Reform paused and to some extent reversed under Fraser with his sympathy for Australia’s agricultural producers but was then resumed by the Hawke governments as part of its general embrace of neoliberal principles in the restructuring of the Australian economy and continued by the Keating and Howard governments (Cockfield 2001). The impact on the trade off between the country and the city has been every bit as dramatic as the impact on the trade off between labour and manufacturing. Agricultural policy has changed fundamentally, and the reduction and rationalisation of government services has contributed to the decline of many rural communities.

Consequent on the federal government’s commitment to trade liberalisation, tariffs and quotas on agricultural products were abolished or reduced, statutory marketing authorities dismantled and industry regulatory regimes simplified. A key argument used to support trade liberalisation and deregulation in agriculture was that there were too many farms. In large part this was a result of the closer settlement policies of earlier governments which had encouraged people onto the land. Oft repeated statistics on farm viability reported that the majority of profits in a sector was earned by the minority of enterprises large enough to benefit from economies of scale, and a key aim of policy was to encourage owners of unviable farms to ‘exit the industry’ (Halpin 2003). Trade liberalisation exacerbated the difference between the profitability of larger enterprises and the rest. The goal of trade liberalisation was to increase the agricultural sector’s contribution to the national income, irrespective of the impact of this on individual farmers or farming communities, a clear break with earlier policies aimed at protecting domestic welfare from external disturbances, and at helping farming families to stay on the land (Coleman and Skogstard 1995; Pritchard 2000). Neoliberal agricultural policy treated farms as businesses, and farmers as business owners and entrepreneurs (Halpin and Martin 1996). Structural factors affecting farm viability were played down and farmers positioned as having personal responsibility for their farm’s viability and consequently for farm failure (Halpin 2004). An example is the 1992 National Drought Policy’s redefinition of drought, the bane of Australian farming, from a natural disaster to a risk which requires appropriate risk management strategies (Botterill and Wilhile 2005). Neoliberalism evaluated farms and farmers purely in monetary terms, stripping them of the cultural and nation building roles they had previously enjoyed and exposing many of them as not very good managers who had little choice but to leave.

Neoliberalism and its bedfellow the New Public Management inspired a radical rationalisation and restructuring of government service delivery. Just as national economies were to be transformed and revitalised by opening them up to competition and the entrepreneurial spirit, so the lumbering government bureaucracies which had developed to deliver the welfare state were to be redesigned according to market principles (Brett 2003 171-2). In Australia this included the large state owned enterprises, many of which were privatised during the 1980s and 1990s: for example, state owned
gas and electricity companies, the Commonwealth Bank and State owned banks, public transport, airports, and the two government owned airlines. Other state enterprises, such as Australia Post, were corporatised. Rationalisation and centralisation inevitably followed as the requirement to make a profit forced the closing of unprofitable services. For example between 1991 and 1997, following corporatisation, Australia Post reduced the numbers of post offices by 25.6%, many in rural areas (Gerritson 1998, 73). Treasuries and Finance departments intent on balancing budgets and producing surpluses reined in the budgets of the service delivery departments where most of the money is spent, with a disproportionate impact on rural service delivery (Gerritson 2000). Rationalisation in the delivery of services by the private sector has followed similar patterns. The most visible has been in banking. This has been the cause of much outrage in rural communities and cannot be separated from the consequences of privatisation of the Commonwealth and State banks (Argent and Rolley 2000).

The impact of this on people living in the country has been two fold. First, and obviously has been a decline in access to many basic public services, including health and education, which have been centralised in regional centres (Black et al 2000). Second has been the impact on employment and economic opportunities in country Australia. The closing of post offices, banks, telecom and state rail depots, hospitals and schools, together with contracting out has reduced employment opportunities in many smaller towns. This has had a multiplier effect in terms of economic and social decline (Tonts 1996, Tonts 2000). As each government agency pursues efficiencies of cost, their decisions impact on each other in ways for which no one agency or level of government takes responsibility and which make invisible other resulting public costs in welfare spending, mental health treatment, policing, and so on (Gerritson 2000). For the purposes of this article, the point is what this shows about the abandonment of earlier governments’ commitment to subsidising the costs of service delivery to the country, and to underpinning the economic and social viability of many country communities with the provision of public employment.

Similar shifts can be seen in what passes for regional policy in Australia today. Earlier regional policy acknowledged that spatial inequalities were structural, the consequences of living in a big country with a sparse population, and that general policy settings should contribute to ameliorating them. Regional policy is now directed to encouraging regions to take responsibility for their own futures by becoming more self reliant, more entrepreneurial, more creative and so on. There is some assistance with facilitating this process, for example by strengthening leadership capacities, and much talk about the need to mobilise social capital, but the message is clear: like the farmer, regional communities are on their own and responsible for their own future viability (Gray and Lawrence 2001). As then National Party leader and Deputy Prime Minister Tim Fischer (1998) told a forum on rural economic development: ‘Towns large and small must make their own way by maximising opportunities: Lockhart, verandah town, Crow’s Nest the only town with a true square, Broken Hill World Renowned art colony.’ And they must stop complaining, as he made clear on another occasion: ‘I’m fed up with people saying the Government is doing nothing - it is. But rural communities must respond with courageous leadership and motivation (cited in Argent & Rolley 140).
The speed of micro economic reform increased in the second half of the 1990s when the Council of Australian governments agreed on a National Competition Policy in which all Australian governments would review and reform their legislation to ensure that it did not restrict competition. The outcome of an earlier 1993 Inquiry into National Competition Policy known as the Hilmer Report, it was particularly concerned to flush out hidden costs, to develop pricing mechanisms which more accurately reflect the cost of supply, and to break up monopolies into a number of competing providers. The policy unleashed a new wave of microeconomic reform at the state level, as the monopoly provision of services by many government agencies was opened up to competition amongst providers. The Kennett government in Victoria in particular took it up with enthusiasm, radically restructuring local government and contracting out a wide range of state and local government services to competitive tendering (Alford and O’Neill 1994; Costar 1999, 91-3). Far more directly than the de-regulation of tariffs and the labour market, these reforms confronted Australians with neoliberal practices and ideas in their day to day lives. The federal Coalition government continued the process of reform, however it did in 1998, after pressure from the National Party agree to an inquiry into the impact of the reforms on rural and regional Australia (Anderson 1999; Productivity Commission 1999).

The Inquiry found itself facing a wave of hostility as National Competition Policy was held responsible for all the ills affecting the country, from the withdrawal of government services, to bank closures, to high rates of suicide, and by some even as the major cause of population decline in country Australia.

Many People in country Australia see National Competition Policy (NCP) as an unprecedented outbreak of ‘economic rationalism’ which ignores social issues and poses a threat to their way of life - adversely affecting their standard of living and the adequacy of services in country Australia. (XXIII)

In Australia neoliberal reforms, from the reduction of tariffs to the new managerialism to accounting procedures designed to reveal previously hidden cross subsidies were all lumped together in the public’s imagination as ‘economic rationalism’, a generally pejorative term to refer to the way government policies put considerations of cost before service and consideration of human consequences (Brett 2003, 168-72).

The report shows the agents of the neoliberal state arguing with a confused and very angry rural Australia which still believes in the paternalistic state’s capacity and responsibility to protect its prosperity and way of life and in its entitlement to that protection. It repeats many times the limits of government's responsibilities for the problems of the country, and of its capacities to intervene. 'Broad long-term economic forces which are beyond the control or influence of governments have been the key drivers of economic and social changes of particular relevance to country Australia (Summary Finding 8, XLIV) The state’s role is represented as establishing the broad macroeconomic conditions, such as low interest rates and inflation, in which Australian enterprises can flourish, but the report does recommend that in some instances 'adjustment' measures should be
offered to individuals particularly adversely affected. It makes clear, however, that government action should in no way attempt to hinder the economic processes causing the changes (393-4).

As the Inquiry discovered, the speed and strength of neoliberalism’s assault on the already crumbling pillar of state support for rural Australia has left many country people feeling betrayed and abandoned. The reforms have been elite driven. Kelly’s framework acknowledged this, and his book describes the struggles within the political parties over the abandonment of assumptions that had long guided policy. Agricultural reform was also elite driven, with National Farmers Federation and its associated organisations actively promoting neoliberal approaches (Halpin 2003). The National Party, though never fully convinced, went along with the general direction of neoliberal reform in the interests of maintaining the coalition partnership with the Liberal Party. It has taken various line in the sand positions, such as currently on the full sale of Telstra, but its political influence continues to decline. Independents have gained support in some erstwhile National Party electorates at both State and federal levels (Costar and Curtin 2004), and Pauline Hanson’s One Nation Party made temporary inroads in to National support (Grant and Sorensen 2000). Jennifer Curtin, who talked with people in five rural electorates in 2000 about their general experiences of government and of political representation, reported widespread feelings of being forgotten and unheeded (Curtin 2004). National Party leader John Anderson titled an address to the National Press Club in 1999, ‘One Nation or Two?’, and claimed that ‘The sense of alienation, of being left behind, of no longer being recognised for the contribution to the nation being made, is deep and palpable in much of rural and regional Australia today’ (Anderson, 1999).

Once the problems of the country were problems for the country as a whole. The claims of people living in the country that they contributed disproportionately to national economic, strategic and cultural goals were broadly accepted and underpinned policies which compensated people living in the country for the costs of remoteness and of sparse settlement. Australia’s commitment to equality had a spatial and regional as well as a class dimension, and country Australia was firmly embedded in a nation building project. This, I have argued, was a sixth pillar of Paul Kelly’s Australian settlement. Economic, demographic and cultural changed have been undermining the country’s claims to special treatment since the 1970s. Hence it was particularly exposed to neoliberal policies since the 1980s which have dismantled Australia’s protective statistim, sidelined the policy goals of equality and access in favour of increased economic performance, and rejected claims to special treatment. The state has stepped back to allow market forces and technological change to redistribute resources in the interests of economic efficiency, and made little specific commitment to country Australia beyond helping individuals to ‘adjust’. The problems of the country are now seen as unfortunate for those affected but not likely to have much impact on the rest of Australia. With the dismantling of this sixth pillar of the Australian Settlement, the country has been cut loose from the city and left to fend for itself.

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