

## Beyond the Conventional Wisdom: A Reply to Sher & Sher (1994)

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*Sher and Sher (1994) criticised the lack of an Australian rural development policy and, in turn, devised a policy to fill this apparent void. The proffered policy is defective because the analysis on which it is based is generally unsubstantiated, the supporting arguments are frequently invalid, the richness of Australian society is generally ignored, and the economic arguments are flawed. The policy prescriptions derived are often as relevant for urban as for rural Australia. By emphasising the indispensability of a uniquely rural policy in Australia, the authors—ironically—may be supporting a prescription that is to the long-run detriment of rural Australians.*

### Background

Sher and Sher (1994) were asked “to prepare a paper that would focus on strategies for advancing [Australian] ‘rural development’ through education and entrepreneurship” within a “draconian two-month deadline” (p. 2). They assumed that someone would have published “useful overviews of the people, places, and economy of rural Australia,” and, accordingly, they would only have to “go to the right bookshelf [and] check out a few such sweeping surveys of the concerns and conditions of rural communities,” and then “get on with the analysis of our own narrower topic.” However, they reported they could not find “a single source that convincingly captured the realities of the Australia existing beyond the nation’s cities and suburbs”; “moreover, there was simply not a full-blown, credible Australian rural development policy to be found” (Sher & Sher, 1994, p. 3). The authors then spent most of their time “producing a solid context, and a useful framework, for a national [Australian] rural development policy” (Sher & Sher, 1994, p. 3).

The purpose of this comment is to subject Sher and Sher’s (1994) analysis to two searching questions. First, is the kind of comprehensive, specifically rural policy they suggest for Australia *feasible* within the current parameters of Australian society? Second, is their envisioned rural policy *desirable* in the Australian context? In the process of examining the second question, it is necessary to examine whether the analysis presented by the Shers to justify their envisioned Australian rural policy is consistent with contemporary Australian reality, is logical and

internally consistent, and is capable of justifying the rural policy malaise they diagnose.

### Sweeping Generalisations

The Shers’ paper is characterised by sweeping generalisations usually not supported by either explicit evidence or references. For example, consider their Myth #3, which, they claim, crystallises an “unfortunate consensus among the nation’s leaders”:

Myth #3: Whatever is best for the agricultural industry is the same as what is best for rural Australia and rural Australians as a whole. (p. 13)

The Shers comment, “The reality that most people agree with this idea doesn’t make it true.” However, they produce no evidence for the truth of the proposition that “most people agree with this idea.”

The Shers argue that government assistance programs have three major effects (p. 26): They “ameliorate the effects of problems on specific individuals without addressing the underlying causes”; they “inadvertently have worked against community cohesiveness”; and they “have created a deep dependence on government assistance, even in that last bastion of rugged independence: rural Australia.” No evidence is presented that any or all of these effects occur, or, if they do, the extent to which they occur.

The Shers dramatically claim:

[F]rom a rural development perspective, social policy has a dark side that only rarely is brought to light. It *is* relentlessly individualistic. It *does* undermine community cohesiveness. And, it *will* continue to foster more dependency on government than community self-reliance. Seen in this

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light, Australian social policy looks surprisingly anti-social. (p. 27)

These claims may be true, but the authors provide no supporting evidence that they are.

The above are merely three examples of a plethora of sweeping and unsubstantiated generalisations about Australia and Australians that pervade the Shers' paper; others are noted below. Their arguments and conclusions should therefore not be accepted uncritically because it is not clear that all—or, indeed, any—of their unsubstantiated assertions are actually true.

### Policy Framework

It is odd that the Shers expected that, for *any* country, they could have found “a single source that convincingly captured the realities . . . existing beyond the nation's cities and suburbs” (p. 3). Indeed, to rely on such a single source would imply (perhaps unwitting) acceptance of a previous author's own biases and world view, and would be a dangerous practice for an analyst to adopt. Although the absence of a “full-blown, credible Australian rural development policy” is presented as a serious government and social failing, the Shers subsequently acknowledge that “Australia, like most other OECD countries, does not have an explicit rural policy of this sort” (p. 17, emphasis added). These countries may also not have a “full-blown, credible *urban* development policy.”

The Shers criticised Australian rural policy for its excessive emphasis on farming. The high point of this farm-focused view of rural affairs was McEwen (1952). However, there are analyses of rural Australia which, while perhaps not meeting the Shers' criteria for perfection, do go some way in providing a *rural* analysis. The Rural Reconstruction Commission, while essentially focused on farm matters, understood that it was examining farming in the context of a wider rural community (e.g., Rural Reconstruction Commission, 1944, ch. 8; 1945). From a primarily economics perspective, the work of Harris, Crawford, Gruen, and Honan (1974)—while being predominantly concerned with agricultural policy—contains chapters on the welfare of rural people, and rural resources and settlement. The historical context of this document is important. It was commissioned just 1 year following the election of the first Federal Labor Party Government in 23 years which, while having an urban-oriented agenda, also had a significant number of its members representing rural seats. It is intriguing, in the context of the Shers' argument, that in recent decades Federal Labor Governments have had a Department of Primary Industries (now Primary Industries and Energy), whereas Federal Coalition Governments have had a Department of Primary Industry. When it announced

the formation of the working group which produced the Green Paper, the Government indicated that

[i]t also saw a need for a rural policy that recognised that large and important sections of the rural community are not themselves engaged in farming although the prosperity of many did depend on the health of the primary industries. (Harris et al., 1974, p. 320)

The National Farmers' Federation's (1981) *Farm Focus: the 80's*—again predominantly concerned with agricultural issues—acknowledged at least in equity terms the similarity of problems facing farm and nonfarm rural people, and the need for these concerns to be addressed by government (e.g., NFF, 1981, pp. 62-63 on communications). Partly in response to NFF (1981), the Federal Government commissioned a working group to investigate primarily farm issues, some of which arose as a consequence of resource development in rural areas. This working group recognised, like Harris et al. (1974) before them, that other rural developments such as mining were likely to have substantial effects on the rural sector (Balderstone, Duthie, Jarrett, Eckersley, & McColl, 1982, ch. 4). Despite the quite narrow focus of its terms of reference on agricultural industries, the Balderstone working group also included a chapter on issues affecting rural communities generally (Balderstone et al., 1982, ch. 11).

The Shers' claim of “an amazing lack of written material about rural Australia and rural Australians as a whole” (p. 3) is not supported by the evidence. Their failure to find relevant material may partly stem from the very short time horizon they had to complete their work and their lack of an historical perspective on rural development in Australia.

Their claimed necessity for “a single source that convincingly captured the realities . . . existing beyond the nation's cities and suburbs” or a “full-blown, credible Australian rural development policy” (p. 3) was not logically necessary for the task originally contemplated. They reported that the Department of Primary Industries and Energy had requested “a paper that would focus on strategies for advancing [Australian] ‘rural development’ through education and entrepreneurship” (p. 2). In the authors' minds, this objective became identified with:

What could we (or anyone else) sensibly say about education's or entrepreneurship's contribution to the realization of Australia's rural development policy, *if there is no rural development policy in the first place?* (p. 3; emphasis in original)

But, for their own convenience, the Shers had shifted the goal posts. Identification of “strategies for advancing ‘ru-

ral development” does not necessarily require a “full-blown, credible Australian rural development policy.”

Australia also does not have a “full-blown, credible Australian *urban* development policy”—so it is not as if rural Australia has been singled out as a policy orphan. Indeed, the Australian Constitution possibly limits the Federal Government (but not State Governments) from implementing some forms of discrimination between rural and urban Australians. Section 99 of the Australian Constitution:

The Commonwealth shall not, by any law or regulation of trade, commerce, or revenue, give preference to one State or any part thereof over another State or any part thereof.

Coper (1978, pp. 83-84) indicates that such nondiscriminatory provisions “cause problems for regional development, which is frequently necessary in order to remedy some natural or historical inequality,” although it may not be difficult to circumvent unlawful preference relating to “purely geographical discrimination or preference.” Indeed, the Shers’ analysis essentially ignored the Australian States, which is surprising since the constitutional philosophies of Australia and the U.S. are similar in that previously sovereign colonies ceded restricted powers to the central government, but ostensibly retained wide residual powers (cf. Fleiner-Gerster, 1992, pp. 23-24). The individual States potentially and actually have a key role in rural and regional development, but were apparently invisible to the Shers. To the extent that limited resources preclude individual States from large-scale engagement in rural and regional development, the greater financial resources of the Commonwealth might more easily be harnessed to such policy. Especially since 1972, Commonwealth Governments have resorted to “s.96” grants to promote regional development initiatives such as Albury-Wodonga and Bathurst-Orange (both subsequently abandoned):

[T]he [Commonwealth] Parliament may grant financial assistance to any State on such terms and conditions as the parliament thinks fit.

However, the piecemeal use of s.96 grants without having a coherent rural policy would not be the sort of explicit policy that the Shers clearly regard as ideal.

It is fascinating to work through the Shers’ arguments, substituting the word “urban” wherever they have written “rural.” With few exceptions, their arguments are as relevant when “urban” is substituted as with the original “rural.” This observation supports Australian governments’ explicit or implicit attitudes of generally not distinguishing between policies for Australians depending on where

they reside. Certainly, the Commonwealth Government’s statement on *Rural and Regional Australia* is quite clear that the relevant policies for rural Australia are policies for all Australia (Hawke, 1989; cf. Sher & Sher, 1994, pp. 18-20, 25-26). Thus, while “[r]ural people per se have not been a priority constituency within the [current] Labor government’s official social justice strategy” (Sher & Sher 1994, p. 25), nor have *nonrural* people!

Australian policymaking and policy analysis has not ignored rural Australia in the Shers’ sense, even where the primary focus of these policies has been narrowly agricultural. Australian policymaking and policy analysis generally occurs with explicit recognition of the interaction between and farm and nonfarm rural activities and interactions between rural and nonrural Australia. Possibly for constitutional reasons, and certainly to continually re-affirm the political integrity of Australia as a unified state, national policymaking generally does not discriminate between Australians simply on the basis of where they happen to reside.

### Constructing New Myths

The Shers argued (p. 7) that the “mental map undergirding so much of the reporting, policymaking, thinking, and planning in relation to rural Australia and rural Australians is fundamentally flawed.” This “erroneous mental map—this pernicious misperception” both causes and is caused by

Myth #1: Rural Australia and rural Australians are peripheral to the national interest, the national economy, and the nation’s future. (p. 7)

If this myth is so central to “the reporting, policymaking, thinking, and planning in relation to rural Australia and rural Australians,” it would be reasonable to expect some evidence to support the existence of the myth. However, the authors present none. Their own “pernicious misperception” about the existence of this myth might not matter, except that in attempting to overthrow this myth and establish the opposite—that the rural sector is “extraordinarily central” to Australia’s economy, society and future prospects—the authors construct their own set of subsidiary myths about rural Australia.

“*Rural Australia is the source of food self-sufficiency for the entire nation*” (p. 7). This proposition is self-evidently true of food *production*, whether or not Australia is self-sufficient. Urban areas—whether in Australia or elsewhere—are generally not appropriate places for agricultural production. The key point about an urban area is that its land is more highly valued for housing, factories, offices, transport, recreation, and so on, than for food production. The “self-sufficiency” proposition is only

relevant if the Shers' throwaway line—"In an unstable world, this fundamental advantage [of food self-sufficiency] looms increasingly large" (p. 7)—is itself relevant. Since the authors provide no relevant context to this proposition—it merely feeds on deep-seated and unexpressed fears about the future—"food self-sufficiency" has an unexplained role in the authors' putative analytical structure.

"*Rural Australia is the wellspring of national self-sufficiency in terms of virtually all other raw materials/natural resources*" (pp. 7-8). This proposition is as self-evidently true in the production sense—and as irrelevant—as the preceding proposition about food production. The authors might also have mentioned that an equally valuable natural resource—labour—is in most abundant supply in urban areas, but perhaps this did not fit with their thesis.

"*Rural Australia is the cornerstone of Australia's export economy . . . [since] rural Australians are directly responsible for 2 out of every 3 dollars Australia earns from international trade*" (p. 8). The relative contribution of the rural sector to total exports partly depends on how the components of exports are defined. For example, the Industries Assistance Commission (1986, p. 21) showed that the estimated proportion of total exports emanating from "rural" industries varied from 55-68%, depending on the definition of the components of exports. The relative contribution of the rural sector to total exports is economically important because changes that affect its production, and, therefore its exports, can influence the entire economy. These influences may be direct (e.g., balance of payments) or indirect (through exchange rates and complex general equilibrium effects). However, the fact that this percentage contribution is high does not bequeath a religious or mystical worth to the rural sector.

"*Rural Australia is the foundation of a disproportionately high share of Australia's economic assets and economically productive activity*" (p. 8). This claim is only true if the Shers' unusual claims about what constitutes the economy are accepted—e.g., that the financial sector and government bureaucracy generate "no new wealth (i.e., a larger economic pie). It merely circulates and redistributes existing wealth" (p. 8).

It is self-evident that, without the internal security that government provides through police forces and the justice system, there *would* be a redistribution of existing wealth (to criminals) and, consequently, there would be a *smaller* economic pie. Similar arguments can be made about other activities that the Shers imply are not "economically productive"—there is value adding in education (students learn, researchers discover); in transport (wheat on the farm is a different, and essentially value-less, commodity compared to wheat close to the consumer); in financial markets (banking, which gets borrowers and lenders together to prevent investment based solely on retained prof-

its; insurance, which helps spread risks and thereby allows producers to modify their production decisions; exchange markets, which reduce the resource costs of international trade); and so on. The Shers (p. 8) claim that new wealth can only be created through primary production (mining, agriculture, forestry and fishing); "value-adding," especially to primary products; and generating foreign earnings additional to exports of primary and "value-added" products (e.g., tourism). Tourism seems vastly different from the "primary" and "value-adding to primary products" categories which the authors initially identify with wealth creation. Possibly the authors are prepared to include tourism as the only tertiary industry that generates value adding because it is associated with population growth in quasi-rural/quasi-urban regions. Additionally, since international tourism earns export income, the approbation of "tourism" harks back to pre-economic mercantilist pre-occupations with export income (e.g., Heimann, 1945, pp. 24-36). In their unusual economy, the economic contribution of urbanites—comprising 85% of Australia's population (Sher & Sher, 1994, p. 5)—is *nonexistent by definition*.

"*Rural Australia is the safety valve taking pressure off the cities—and the preferred place for Australian city-dwellers seeking to change their residence*" (pp. 8-9). The Shers drew their evidence from Salt (1992), but their analysis of this work appears to be profoundly superficial. Salt (1992) highlighted themes in population migration including urban sprawl and the growth of coastal urban "townships." Salt's data confirm these trends: Of the 17 urban areas experiencing a net migration exceeding 15,000 persons in the period 1976-1989, 6 were metropolitan (Perth, Sydney, Brisbane, Melbourne, Adelaide, and Canberra). The other 11 urban growth areas were all associated with existing or emerging moderately-sized *urban* areas on Australia's east coast that are important tourist or retirement areas.

"*Rural Australia is the primary location of renewal and recreation for most Australians*" (p. 9). This proposition is only true if "renewal and recreation" is defined—as the Shers do—in terms of *vacations*. As in most societies, Australians' "*primary* location of renewal and recreation" is the home, followed by the weekend sporting field (especially in Melbourne in winter time). In Sydney, *urban* beaches are major sources of summer recreation, as are nonmetropolitan beaches which might now be better denoted "suburban" as a consequence of urban sprawl.

"*Rural Australia is the touchstone of Australia's international identity and cultural identity*" (pp. 9-10). If the Shers correctly report that Australia is internationally identified with rural stereotypes, this merely follows Australia's own *historical* images of itself (cf. Ward, 1966), now in the process of being discarded.

The Shers then proceed to demolish another myth of their own making:

Myth #2: Farmers and farming communities are the alpha and omega of rural Australia. (p. 10)

Just because “farmers” are the *first* thing that pops into peoples’ minds in response to the phrase “rural Australians,” it does not follow that this is the *only* response. Characteristically, the authors provide no evidence to support their claim, nor do they explore the counterclaim. Nor do they provide evidence that “most government officials . . . behave as if” the above association “had the weight of reality behind it” (pp. 10-11). The Shers report the staggering (to them) fact that agricultural products are no longer the mainstays of Australia’s exports. Had they explored the economic analysis they did consult, or delve more deeply into economists’ writings about rural exports, they perhaps would have discovered the “Gregory” thesis. First propounded in the mid-1970s, the argument was that, as Australia’s second minerals boom proceeded, mineral exports would put increasing pressure on the exchange rate, and this would reduce the profitability of agricultural exports and thus agricultural production (cf. Lloyd, 1986). As the Shers note, the mining boom *did* proceed and mineral exports rose dramatically, and thus agricultural exports fell in relative terms—but this seems to be a surprise only to those authors. The Shers argue there has been “an abrupt and radical decoupling of the fate of Australia’s traditional primary industries from the fate of Australia’s traditional primary producers” (p. 21). This process has clearly been proceeding over the last half century, with accelerations—as at present—in times of environmental and/or economic crisis.

Much of the Shers’ analysis is based on a poor understanding of contemporary Australian society and its historical origins, and/or on an analytical structure which is inadequate to support the inferences they draw.

### Sociological Myths

The Shers’ own myths contain the seeds of some very dangerous social analysis. The rural Australia they analyse is de facto a “British” Australia, thereby ignoring waves of German and Italian migrants into rural Australia. Neither the gold rush Chinese nor subsequent Melanesian slave labourers and their descendants rate a mention. By exaggerating the centrality of rural Australia, the role of urban Australia is diminished. This just happens to diminish the importance of the 40% of Australia’s population who are immigrants (Australian Bureau of Statistics [ABS], 1994), who predominantly gravitated to major urban areas. The Shers’ myth-making thus understates the substantial changes to Australian society which were the consequence of the non-Britishness of post-World War II immigration.

The Shers’ own myths are also predominantly nonindigenous; given the major land rights changes in the North-

ern Territory following the 1976 land rights act and the subsequent native title judgment and legislation (which merely rates a footnote, p. 22; cf. Godden 1993, 1994), they ignore profound contemporary changes in rural Australia. There are also unpleasant racial overtones in their writing. Thus, for example, “a farmer gets up to two years of *income support*, plus a generous re-establishment *grant*” and “Migrant kids get *free help* to improve their language skills,” but “Aboriginal members of the community are offered lots of *goodies* denied to their nonAboriginal neighbors” (p. 26; emphasis added). The “goodies” offered to Aborigines and Torres Strait Islanders presumably include:

- . mortality rates are at least two and a half times those of the total population;
- . life expectancy is some 15 to 17 years less than for the whole population;
- . infant and perinatal mortality rates are approximately three times the national rates;
- . death rates associated with diseases of the circulatory system are two and a half times higher than for the total Australian population;
- . admissions to hospitals are up to three times more frequent than for other Australians, and the incidence of chronic disability is much greater;
- . at least 10% suffer from diabetes;
- . the incidence of eye diseases, especially in hot dry areas, is much higher than for other Australians (ABS, 1994, p. 415); and
- . unemployment rates are three times those of nonindigenous Australians and indigenous Australians have an income distribution skewed to the low end. (ABS, 1993, pp. 16, 18)

Ironically, in view of the Shers’ topic, 72% of Aborigines and Torres Strait Islanders live outside capital cities (ABS, 1993, p. 3) and are an important component of rural Australia. Among the advantages of the existing rural population, the authors list “the absence of abject poverty, widespread illiteracy, and poor health” (p. 29). Even if this assertion is generally true for white Australia, it is not widely valid for indigenous Australians.

Because of the generally greater conservativeness of rural areas (Warhurst, 1990, p. 115), Australian rural areas preserve—to a greater degree than urban areas—a dichotomy between the public spheres of work and politics, which are traditionally male-dominated, and the private spheres of home and family, which are traditionally female dominated. The Shers’ analysis focuses primarily on the public sphere of interests, which tends to accentuate “traditional” rural values, and thereby accentuates a male dominated conception of Australian and rural Australian society.

In a sociological context, the Shers tend to depict rural Australia as homogeneous. For example, they refer to the “traditional farmers, fishers, foresters and miners” as though they formed a cohesive, homogeneous group. This appellation, however, conflates business organisation and the labour force of these industries. In a predominantly (but not exclusively) farm-family Australian agriculture (cf. Sher & Sher, 1994, p. 21), the identification of farm family with the farm business organization is not wildly inaccurate, although there are many employed farm workers and corporate agricultural firms. Fisheries is a mix of small and large business ownership (and not necessarily “rural”). But forestry and mining are dramatically different from farming and fishing. In mining, except for some small-scale industries like opal mining and some prospecting, there is an almost total separation between “miners” as the business organization (generally large scale, and often either Australian subsidiaries of major transnational corporations or fledgling Australian transnationals) and “miners” as the labour force. In forestry, much of Australia’s logged forest is owned and managed by State Governments. These forests are logged by a mix of small and large scale firms. It is therefore highly misleading to group “farmers, fishers, foresters and miners” as though they formed a homogeneous group, especially when it is unclear as to whether discussion refers to business organisation or labour force.

The Shers also tend to view Australian country towns as sharing similar objectives, and thereby as homogeneous:

The struggle in the countryside today is for rural communities to hold on to what they have in the face of intensifying pressures to retrench and ration the rural services upon which rural Australians have come to depend. (p. 25)

This analysis conceals the long-term competition between country towns. As the numbers employed in farming have fallen, fewer services are required in agricultural Australia because of the lower farm population. However, as the use of purchased inputs has increased, and as income per capita has risen, demand for commodities and services rises per capita for the remaining farmers and their families—and this partly off-sets the reduction in demand stemming from farm population reduction. There has been, simultaneously, a tendency to concentrate rural services in larger country towns or cities, putting additional pressures on smaller towns and villages. Thus, in terms of raw survival, there is competition *within* the rural sector which larger towns are tending to win at the expense of smaller towns and villages. It is not simply a matter of competition between rural and nonrural Australia.

The Shers (1994) indulge in considerable myth-making, even when they don’t recognise it:

For generations, Australia’s traditional primary producers have been supported through thick and thin, and have basked in the warm glow of privileged treatment. (p. 22)

Clearly, no one ever told the majority of soldier settlers after World War I that they “basked in the warm glow of privileged treatment” (Lake, 1987)—nor did all of the post World War II settlers, often on too-small blocks and in inappropriate industries (e.g., small-scale dairying). Indeed, conservative national governments in the 1950s and 1960s—which included the rural-based Country (now National) Party—pursued policies such as “protection all round” which detrimentally affected “traditional primary producers” (Warhurst, 1990, p. 119; Harris et al., 1974, pp. 41-42). At the time of writing, the Australian Government had just announced a special package of measures to aid drought-stricken farmers in Queensland and northern New South Wales, even though many producers in this region have been seriously drought-affected for up to four years. The “warm glow of privileged treatment” was clearly not uniform across the farming sector.

The Shers’ implied sociological analysis relies on generalizations that are not supported by any evidence they adduce, and which also ignores the richness of Australian society in geographic, gender, ethnic and class dimensions. The flaws in the sociological underpinnings cast considerable doubt on the validity of the policy conclusions they draw.

#### Economic Myths

The Shers approvingly report a policy myth currently consuming Australian policy makers:

Unfortunately for the Australian economy, most agricultural products leave its shores as bulk, minimally-processed commodities. (p. 14)

The principal reason given for this being “unfortunate” is that

the greatest share of the processing, distribution, and sales jobs attributable to Australian agricultural goods actually ends up going to workers in other nations. (p. 14)

The problem with this myth is that it is superficially plausible, but unproven. The economic problem (relative to domestic production as well as exports) might be crudely summarised as obtaining most bangs for the buck. That is,

value adding does not come as a free good, but it requires the use of resources currently devoted to some other economic activity. Re-direction of resources to further value adding of primary products sets up an “opportunity cost”—the returns foregone in these other activities when their resources are re-directed to value adding of primary products. What matters is whether or not the returns from “value adding” primary products exceed the net income foregone from the use of these resources in other activities. It even doesn’t matter if most of the value adding to Australian agricultural commodities occurs overseas as long as the Australian resources that *could* have been used to value add are better used in other domestic activities (cf. Lloyd, 1988). The Shers provide no evidence that the “value adding” they advocate is economically advantageous for the Australian economy in general or the rural sector in particular.

However, where income is variable—as it is for agricultural commodities because of environmental and market instability—it may be appropriate to trade off *higher* returns for a greater *stability* of returns. Alternatively, if expected future returns from commodities are declining, then production of other commodities might be preferable—but this requires a demonstration that the future net returns from valuing adding primary products are preferable to the future net returns of low value added commodities. The Shers provide no relevant evidence as to the variability of or future prospects for current rural industries, or the effects of additional “value adding” of products of existing industries versus the expansion of these industries without further value adding. Finally, since it seems unlikely that all possible value adding of all primary products would be profitable in Australia, the key for decision makers and their advisers is to pick the most profitable alternatives available.

The Shers comment that “The wisdom of continually displacing labor is open to question, especially in an economy offering few new employment opportunities” (p. 24). The validity of this argument turns on the truth of the last phrase. However, the Australian economy does not offer “few new employment opportunities.” It may not offer as many employment opportunities as might be desired, but, despite the profound restructuring of the Australian economy in the last decade, significant numbers of new jobs have been created (ABS, 1994, p. 175). For a country whose population has more than doubled in the past 5 decades (Commonwealth Bureau of Census and Statistics, 1972; ABS, 1994) and where there has been a 50% increase in the female participation rate (CBCS, 1972; ABS, 1994), the last decade of jobs growth simply continues a long-standing economic pattern. The Shers’ pessimism demands evidence that this process will *not* continue. They also argue that “it is entirely possible (indeed, likely) that net earnings in [the rural] sector will increase dramati-

cally without net rural employment increasing by a single job” (p. 28), although they neither explain this assertion nor provide evidence of its validity.

The Shers also exhibit considerable disquiet about the low proportion of income from rural production which is appropriated by rural producers (cf. their “subsidiary” myth 4). They propose as one goal of their Australian rural policy:

Goal 2: An equitable share of the rewards derived from rural resources should be reaped by rural people and communities. (p. 27)

They further comment:

At present, rural Australia and rural Australian produce a disproportionately high share of the nation’s wealth and assets, yet receive a disproportionately low share of the ensuing benefits. (p. 27)

And they add:

However, most rural people and places across Australia are not thriving. (p. 27)

But they provide no evidence that either of these two assertions is valid, although the latter is clearly true for a substantial proportion of *farmers* because of the combination of poor commodity prices and widespread drought over recent years (cf. Australian Bureau of Agricultural and Resource Economics, 1994). To the extent that poor commodity prices result from the exchange rate effect of mineral export development (cf. Lloyd, 1986) or are the consequence of massive and relatively permanent subsidization of agriculture in the U.S. and Western Europe, these low returns in agriculture may be a very unpleasant indicator that an efficient Australian economy may actually require less agricultural production.

Regarding the Shers’ goal 2, it is necessary to know how “equitable” is to be defined. An economist’s answer, not necessarily accepted by others, is that the resource allocation mechanism is also the mechanism for deciding the distribution of the returns. In cases where they are not satisfied with these outcomes, governments may intervene either through the resource allocation mechanism itself or via social security systems (which, as noted by the Shers, is the preferred contemporary Australian mechanism). Governments may also act to reduce previous intervention, especially where that previous intervention is counterproductive—such as industry policy which favored some rural producers over others (e.g., wheat marketing, Industries Assistance Commission, 1988) or where intervention favoring one industry detrimentally affected a related

industry (e.g., storage, handling and transport of grain, Royal Commission into Grain Storage, Handling and Transport, 1988). However, if, as the Shers argue, the current distribution of rural returns is unfair to rural producers, it is singularly unhelpful to simply assert that this distribution is unsatisfactory without providing evidence that this proposition is actually true. Further, it would be desirable to specify what the appropriate distribution of these returns should be or, preferably, describe a *mechanism* which would permit this desirable distribution to be achieved.

The Shers discuss (p. 26) the difficult problem of the effects of retrenching on rural infrastructure and its “knock-on” effects, but mainly in the context of the effects of government assistance being directed at individuals not sustaining the viability of rural infrastructure. The authors argue that it then becomes a “self-fulfilling prophecy” that assisting individuals when the local cannery closes (their hypothetical example, possibly drawing on the Letona Cannery experience) will result in subsequent community decline. A possible inference from their argument is that the initial closure should be resisted, but if government adopted this strategy, it would become hostage to individual communities continually demanding financial support to retain key industries. The Shers subsequently argue that, “Conversely, it is almost always wrong for governments, through action or neglect, to exacerbate the decline of rural communities” (p. 27). However, they fail to address the question as to why it is only “almost always wrong” to exacerbate this decline. It would be important to address the issue as the conditions under which governments should exacerbate this decline.

The Shers’ “economic” analysis is an interesting blend of observation, pre-economic and incomplete economic analysis, but their analysis fails to provide an adequate *economic* basis from which to develop their policy prescriptions.

#### Policy Myths

In discussing the “foundations” of rural reconstruction, the Shers argued that “rural development policy should give top priority to six goals” (pp. 27-28): a growing rural population base; an equitable share of rural income for rural people; a growing and diversifying rural economic base; a growing rural employment base; an improved quality of rural life; and stronger, more cohesive rural communities. Again, the word “rural” in these goals may, with the possible exception of a growing population base, be replaced with “urban,” and produce goals for *urban* Australia which would be likely to achieve nearly unanimous assent. This suggests that current Australian government objectives, being oriented to policies applying generally to *both* urban and rural areas, may well be soundly based. Indeed, as the Shers argued:

The difficult truth is that rural Australians—in-  
deed, virtually all Australians—are in the same  
boat together. (p. 30)

The Shers argued (pp. 30-31) that one of the alliances that rural Australia should forge to help achieve their nominated six goals is a set of alliances across the rural/urban divide. Whether or not the narrowly focused *rural* policy for which they argue would help or hinder the forging of such an rural/urban alliance is a matter unfortunately ignored by the authors.

As with many of their other suggestions for a rural policy framework, the “four ‘E’s”—empowerment, environment, entrepreneurship, education—urged by the Shers as arenas for action (pp. 31-40), make as much sense when applied to *urban* Australia as to *rural* Australia. For example, the “empowerment through reduced public funding of rural services” criticised by the Shers (p. 32) has affected *both* rural and urban areas in, for example, the reduction of inpatient psychiatric services and the return of these patients to an under-funded community. The Shers comment favorably on the National Landcare Program (p. 33) as if it were solely a *rural* program, but this program also applies to urban Australia (e.g., Commonwealth of Australia, 1990).

There is a deeply disturbing aspect of the Shers’ focus on the need for an explicit and focused rural policy. In contemporary Australia, there are long-run trends—which have been evident for decades—which are leading to great pressures for change in rural, especially agricultural, areas. In recent years, these pressures have been exacerbated by short-run factors such as drought (currently in its fourth consecutive year for many Australian farmers); termination or collapse of long-standing marketing arrangements (e.g., wheat and wool respectively); or low commodity prices, partly as a consequence of agricultural support policies in countries like the U.S. and the European Union. One possible response to this set of serious problems is for the rural community to draw in on itself, to hold on to what it has by defining some activities as quintessentially rural and unavailable to “nonrural” Australia. There may be political forces whose own narrow interests are actually best served by emphasising such rural focusing. An explicitly focused *rural* policy, such as advocated by the Shers, might exacerbate a tendency to “circle the wagons” against a malign outside world. Such an attitude could be disastrous, as it could distract rural people from assessing existing or potentially beneficial trends in nonrural Australia—or elsewhere in the world—which might provide better prospects for economic growth in rural Australia. For example, rapid developments in electronic communications may enable activities which have previously been concentrated in major urban areas to be undertaken in



regional areas, and even perhaps be highly dispersed across rural areas.

The Shers stress the undesirability of policies that assist only part of the rural sector, leaving much of the rest of the rural sector unassisted. For example, they note that farmers may be assisted through the Rural Adjustment Scheme, but rural businesses that service farms are not eligible for such assistance. Their following argument is wrong on several counts:

The point is *not* to stop helping farmers. Australia has a vital national interest in their well-being that far exceeds the sheer number of farmers. Rather, we are merely pointing out the peculiar blindness—and injustice—of government policies and programs based on the misconception that assisting the nation's rural population can be accomplished solely by aiding Australia's farmers. (p. 17)

Taken in reverse order, Australian governments do *not* attempt to assist rural populations solely via assistance to farmers—Australian social policies, which are the primary form of assisting Australians, are available regardless of location. As the Shers note, there is income support for unemployed *individuals*—employees who are unemployed, or self-employed individuals when their business (including farming) fails and their assets fall below threshold levels (cf. Department of Social Security, 1994). Policies that support farmers, especially in times of hardship, are an additional form of assistance. Those policies which do exist to support industries are generally available regardless of the location of the industry. The absence of a rural policy that the Shers would regard as “ideal” does not mean that Australian governments ignore rural Australia. Thus there is not the “peculiar blindness—and injustice—of government policies and programs” that the authors claim does exist. And, finally, the relevance of the claim that farmers have an impact that far exceeds their numbers arises out of the authors' unusual economics, and cannot be justified in logic or fact.

Finally, the Shers argue that:

Yet there is not one report that, in a serious and systematic manner describes or analyzes the future prospects for Australia's rural economy. No one has even bothered to calculate the total rural contribution to Australia's GDP. Thus, the great majority of rural people, rural jobs, rural economies, and rural communities—those not reliant on farming—remain invisible and ignored. (p. 14)

Their final sentence is a classic non sequitur: The visibility of “the great majority of rural people, rural jobs, rural

economies, and rural communities” does *not* depend on the existence of reports or the calculation of “the total rural contribution to Australia's GDP.” The visibility of these communities depends on their interactions with other communities, not on whether or not these communities are “observed” by analysts. The middle sentence is irrelevant: for what purpose would it matter if “the total rural contribution to Australia's GDP” had, or had not, been calculated? The first sentence continues the previously-noted error of assuming that the rural sector is in some sense homogeneous; and, in the spirit of previous comments, “there not one report that, in a serious and systematic manner describes or analyses the future prospects for Australia's *urban* economy.”

Despite their objective of developing a policy focus for *rural* Australia, the Shers have developed a set of principles which could as well serve as the framework for urban Australia. This conclusion reinforces the current Australian Government's policy focus: that its primary goal is to establish a policy framework for all Australians, regardless of geographic location.

#### Conclusion

The Shers set out to produce “a solid context, and a useful framework, for a national [Australian] rural development policy” (p. 3). The present critique of their paper demonstrates that the analysis they present to justify their envisioned Australian rural policy is not consistent with contemporary Australian reality—they do not present evidence to demonstrate the truth of most of the sweeping generalisations they assert about Australian society and the Australian rural sector; and their analysis is often not logical and is frequently internally inconsistent. The argument they present is incapable of justifying the rural policy malaise they diagnose. The kind of comprehensive, specifically rural policy they suggest for Australia is possibly not feasible within the current parameters of Australian society, and their envisioned rural policy is unlikely to be desirable in the Australian context of maintaining a relatively coherent society.

Despite the authors' attempt to debunk supposed myths about the Australian rural sector, their own analysis is founded on a series of policy, sociological, and economics myths. It is startling to think that two researchers, with very little knowledge of Australian rural policy, believed they could undertake a critical and constructive study of a desirable rural policy in two months. Not surprisingly, the authors concluded with a set of motherhood statements about a desirable rural policy which are as applicable to urban Australia as they are to rural Australia. That the commissioning Australian government department acceded to the researchers' request to shift the focus from the initial proposal to “focus on strategies for advancing ‘rural

development' through education and entrepreneurship" (Sher & Sher, 1994, p. 2) simply defies belief.

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